MANAGEMENT DISCUSSION AND ANALYSIS

INTERIM RESULTS

During the six-month period under review, the Group's turnover and net loss for the period amounted to approximately HK$1,966,000 and HK$18,355,000 respectively, whereas the Group's turnover and net loss for the first half of 2003 were HK$872,000 and HK$44,077,000 respectively. Basic loss per share for the period was HK cents 6.75 (six months ended 30 June 2003: HK cents 16.22).

Reasons for the improved results were due to the capitalization of direct administrative and finance cost attributable to the China Securities Plaza in the cost of property under development for sale and also there has been an increase in rental income of about HK$1,094,000.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2004 (six months ended 30 June 2003: nil).

REVIEW OF OPERATIONS

During the period, the Group devoted much of its effort in the full scale development of the China Securities Plaza project which is located in Finance Street, Beijing. The progress of construction work of the China Securities Plaza has been smooth.

The Board made their best endeavour to solve the past problems of the Group. On 11 June 2004, the Group entered into an agreement with Sinoway Properties Limited in relation to the sale of the entire interest in New Rank (BVI 1) Limited. This transaction is subjected to the approval by shareholders and the "Very Substantial Disposal Circular" on this transaction was despatched on 28 August 2004. Upon completion of the disposal of New Rank (BVI 1) Limited, the Group will strengthen the financial position by reducing its liability.

MANAGEMENT DISCUSSION AND ANALYSIS

PROSPECTS

With the support from China Network Communications Group Corporation under the agreement as described in the Addendum of our 2003 annual report, China Securities Plaza project has been proceeded more favourably and the management expects that the superstructure could be completed by end of 2004.

With the efforts placed by the new management, the Group will have substantive improvement in solving past problems tangling the Group financially. The Board is confident that the Group will be able to achieve better performance.

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING REQUIREMENTS

As at 30 June 2004, the Group had obligations under hire purchase contracts of approximately HK$1.2 million (as at 31 December 2003: approximately HK$192,000) and outstanding bank borrowings of approximately RMB398 million (equivalent to approximately HK$372 million) (as at 31 December 2003: approximately HK$372 million) of which unsecured, interest bearing bank borrowings approximately RMB98 million (equivalent to approximately HK$92 million) (as at 31 December 2003: approximately HK$92 million) had matured before June 2004. The remaining secured, interest bearing bank borrowing, which amounting to approximately RMB300 million (equivalent to approximately HK$280 million) (as at 31 December 2003: approximately HK$280 million), which was repayable more than one year, but not exceeding two years.

Other borrowings of approximately HK$197 million as at 30 June 2004 (as at 31 December 2003: approximately HK$187 million), of which approximately HK$152 million (as at 31 December 2003: approximately HK$142 million) was interest free and secured on the shares in the Company held by a director and a former director and for a term of 2 years from June 2003 repayable on maturity. Other unsecured loans of approximately HK$45 million (as at 31 December 2003: approximately HK$45 million) was interest bearing at 6% per annum and for a term of 2 years from June 2003.

MANAGEMENT DISCUSSION AND ANALYSIS

As at 30 June 2004, the Group's total net assets was approximately HK$1,241 million (as at 31 December 2003: approximately HK$1,145 million) whereas total debts amounted to approximately HK$570 million (as at 31 December 2003: approximately HK$559 million). The gearing ratio (total debts/total assets of the Group) was 0.46 as at 30 June 2004 (as at 31 December 2003: 0.49). As at 30 June 2004, the cash and bank balances increased to approximately HK$77 million (as at 31 December 2003: approximately HK$69 million) and the current ratio (current assets/current liabilities) was 0.95 (as at 31 December 2003: 1.00).

The majority of the Group's operations are located in the PRC, and the main operational currencies are Hong Kong Dollars and Renminbi, there is no significant exchange rate fluctuation during the period under review. Therefore, it is not necessary for the Group to make any foreign currency hedging arrangement to minimize the foreign exchange risk and exposure.

PLEDGE OF ASSETS

As at 30 June 2004, the Group had pledged its properties under development with an aggregate net book value of approximately HK$824,715,000 (as at 31 December 2003: approximately HK$744,400,000) to secure bank loans granted and amounts payable in respect of respective land development cost totalling approximately HK$419,094,000 (as at 31 December 2003: approximately HK$522,718,000). Certain investment properties and land and buildings have been frozen by the court in the PRC following the legal action taken by creditors of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

CONTINGENT LIABILITIES

(a) In October 2002, one of the creditors of the Group filed a notice of arbitration against the PRC subsidiary holding the property for development for sale for a total amount of approximately RMB290 million, which relates to certain land development cost for the property of approximately RMB222 million and interest penalty of approximately RMB68 million. A court order against the PRC subsidiary was issued on 22 October 2002 either to freeze its bank deposits or to attach its assets for an amount up to RMB50 million. The Group was then at the final stage of finalizing the terms of the settlement and rescheduling of the outstanding amounts payable to the creditor, which terms would form part of the master standstill agreement. The directors were confident that the creditor would sign the agreement. Under the agreement, the Group is not liable to pay the aforesaid interest penalty of approximately RMB68 million.

During the year ended 31 December 2003, the Group entered into the master standstill agreement with its creditor and bankers under which the aforesaid interest penalty was waived. The waiver is subject to the condition that the Group is able to repay the land development cost in accordance with agreed repayment schedule. Should the Group be unable to comply with repayment schedule, the interest penalty will be become payable. The directors consider that the Group has sufficient funds to comply with the repayment and accordingly no provision for the penalty is necessary.

MANAGEMENT DISCUSSION AND ANALYSIS

(b) During the year ended 31 December 2002, a purchaser of an unit of the Group's property under development for sale in the PRC took legal action to cancel the sale and purchase agreement of the aforesaid unit and to claim the refund of the deposits of RMB30 million paid together with interest and applied to freeze the bank balances or equivalent assets of the Group to the extent of RMB30 million. On 8 January 2003, the PRC court ordered that the Group is liable to refund the deposits together with interest to the purchaser. On 31 March 2003, the Group appealed to the court to object the decision based on the fact that the evidence provided by the purchaser are not valid. The directors of the Group, based on the opinion of the independent legal advisers, considered that the claim from the purchaser will be overruled and no provision for the loss is necessary.

(c) During the year ended 31 December 2003, a purchaser of an unit of the Group's property under development for sale in the PRC took legal action to cancel the sale and purchase agreement of the aforesaid unit and to claim the refund of the deposits of approximately RMB15 million paid together with interest. The directors of the Group, based on the opinion of the legal advisers, considered that the claim made by the purchaser is not valid and are of the opinion that the claim will not cause any material loss to the Group. No provision for the loss in the financial statements is necessary.

STAFF

As at 30 June 2004, the Group has employed about 60 employees in both PRC and Hong Kong. The Group adopts a competitive remuneration package for its employees. Remuneration packages are reviewed annually with reference to the then prevailing market employment practices and legislation.