

INTERIM DIVIDEND

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

MANAGEMENT DISCUSSION AND ANALYSIS

Interim Review

The turnover of the Group amounted to approximately HK\$8,162,000 for the period under review, representing an increase of approximately 8 per cent as compared with that for the corresponding period in 2003. The Group reported a net profit of approximately HK\$83,701,000 for the period under review as compared to a net loss of HK\$3,297,000 in 2003. The substantial profit was mainly attributable to the exceptional gain on deemed disposal arising from the distribution in specie of the Group's entire shareholding in Shougang Concord Technology Holdings Limited ("Shougang Technology"), its associate.

Hong Kong Investment Properties

With a recovering economy and property market, the rental market has improved since the beginning of 2004. The Group recorded an increase of 5 per cent in the rental income by comparing to the same period in 2003.

Despite the improvement in the property market, the Board does not anticipate that there would be any significant improvement in the industrial building sector of the property market in the future. In addition, the industrial buildings of the Group are relatively old and the maintenance costs are high. The Board believes that the Group should take advantage of the window of opportunity to dispose of its industrial properties so that resources could be better applied in other investment opportunities that offer a higher return to the shareholders. Subsequent to the balance sheet date, the Group had entered into an agreement with independent third party to dispose of an industrial property at HK\$40,000,000 and another agreement with independent third party to dispose of an industrial property at HK\$100,800,000 ("Disposals").

Shougang Technology

The Group recorded a substantial gain on deemed disposal of Shougang Technology arising from the distribution in specie of the Group's entire shareholding in Shougang Technology ("Distribution"). Such substantial gain was distributed to the shareholders through the Distribution. As a whole, the Distribution reduced the Group's net asset value by HK\$245 million.



MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Shougang Technology (continued)

The Distribution did not only enable the Group to return the gain to the shareholders but also provide the shareholders of the Company and investors with the opportunity to directly invest in the Group's core businesses, other than those of Shougang Technology. The Distribution represents an important step of the Group in reorganizing its businesses.

Beijing Dongzhimen International Apartment Co., Limited (“Beijing Dongzhimen”)

As a result of the severe competition in Beijing property leasing market and performance of Beijing Dongzhimen for the past few years, an impairment loss in respect of its share of net assets and goodwill of Beijing Dongzhimen of HK\$90 million was identified and dealt with in the income statement for the period under review.

Financial Leasing Business

The Group has entered a subscription agreement on 9 September 2004 pursuant to which the Group will acquire a 40 per cent interest in South China International Leasing Company, Limited, a sino-foreign joint venture in Shenzhen, which is principally engaged in the provision of financial leasing at a consideration of US\$1,666,457.6 of which US\$1,300,000 is for the acquisition of shareholder's loan (“Proposed Acquisition”). Completion of the transfer of the shares is subject to the approval of the relevant governmental authority on Mainland China. The Board is of the view that the Proposed Acquisition will provide the Group with an opportunity to participate in the growth prospects of the financial leasing business on Mainland China and branch into the financial services sector.

Outlook

Further to the Distribution, the Disposals and the Proposed Acquisition, the Group will continue to explore potential investment opportunities that would offer higher returns to shareholders and enhance the Group's growth. Given the healthy economic growth on Mainland China, its accession to the World Trade Organization and Beijing's hosting of 2008 Olympic Games, Mainland China will still be the focus of the Group. The Board is confident of the Group's prospects.



MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Liquidity and Capital Resources

At 30 June 2004, the Group's gearing ratio (i.e. ratio of bank borrowings to equity) and current ratio were 0.32 and 8.86 respectively.

There was increase in cash and bank balances from approximately HK\$51.7 million at 31 December 2003 to approximately HK\$108.9 million at 30 June 2004 while there was slight decrease in bank borrowings from HK\$111.4 million at 31 December 2003 to HK\$111.1 million at 30 June 2004.

Except the bank loan of approximately HK\$1.8 million, the Group's bank borrowings were secured by all of its Hong Kong investment properties and land and buildings with an aggregate carrying value of approximately HK\$231 million. Included in the total outstanding bank borrowings of HK\$111.1 million at 30 June 2004, HK\$5.6 million is due to repay within one year. The Group anticipates that it will have adequate financial resources to meet its obligations for the coming years.

The routine business operation and investment of the Group are in Hong Kong and the Mainland, with revenue and expenditure denominated in HKD and RMB. The RMB income from the Mainland is mainly remitted to Hong Kong at the prevailing official exchange rate. The Group believes that it will not be subject to any significant exposure associated with fluctuation in exchange rates under foreseeable circumstances.

Employees

The total number of employees including those controlled by the property management subsidiaries but excluding those under the payroll of the associates and the jointly controlled entity of the Group at 30 June 2004 was 27 compared with that 28 at 31 December 2003.

Remuneration packages are reviewed either annually or by special increment. In addition to the basic salary, other staff benefits include medical and hospitalisation subsidies, and mandatory provident fund scheme.

