

REVIEW OF OPERATIONS AND RESULTS

Turnover of the Company and its subsidiaries (the “Group”) for the first half year of 2004 was approximately HK\$5.9 million compared to approximately HK\$57.2 million for the corresponding period in the previous year. The loss attributable to shareholders decreased substantially from approximately HK\$163.5 million of last period to approximately HK\$24.7 million of this period due to the effective measures in cost control and prudent investment strategy.

The board of directors (the “Board”) of the Company does not recommend the payment of any interim dividend for the period (2003: Nil).

Paul Y. Plaza

As at 30 June 2004, over 60% of the retail and entertainment area of the podium floors of Paul Y. Plaza were leased out and continued to provide recurring rental income to the Group. Well-known fast-food chain and shops have established their outlet in Paul Y. Plaza, including, Kentucky Fried Chicken, China Mobile and Century Mart Supermarket, etc. With steady increasing pedestrian traffic, Paul Y. Plaza becomes one of the famous shopping centres in Guangzhou. Active marketing campaign has been launched for the remaining units.

Shenzhen Development Centre

Located in the centre of Shenzhen, Shenzhen Development Centre is one of the landmark commercial buildings in Shenzhen. As at 30 June 2004, over 50% of the total floor area owned by the Group were leased out. The Group is now actively negotiating with some potential tenants for the remaining units.

Liquidity and financial resources

During the period, the Group was mainly financed by cash from operation and the largest major shareholder of the Group, Velocity International Limited.

From 31st December, 2003 to 30th June, 2004, total borrowings increased from approximately HK\$130.0 million to HK\$133.3 million. Short-term borrowings increased from approximately HK\$80.0 million to HK\$133.3 million as the HK\$50.0 million long-term borrowings as at 31st December, 2003 was classified as short-term borrowings as at 30th June 2004. These borrowings were mainly deployed for acquisition of the property development projects. As at 30th June, 2004, all the Group’s borrowings are repayable within 1 year.

As at 30th June 2004, all the Group’s borrowings bear interest at floating rates. Since all the borrowings were denominated in Hong Kong dollars, there were no any foreign exchange risk. The Group did not enter into any material foreign exchange contracts, interest or currency swaps or other financial activities. However, the Group will continue to seek other refinancing opportunities in the market to further reduce the borrowing costs of the Group. As at 30th June, 2004, the Group did not have any committed borrowing facilities.

Borrowing requirement are not seasonal as they tend to follow the pattern of capital expenditure and investment. The Group also benefits from a steady inflow of income from its leased properties.

Over the period, the Group's gearing ratio increased to 44.1% (31/12/2003: 40.7%), which is calculated based on total liabilities of HK\$267.4 million and total assets of HK\$606.8 million. Cash and cash equivalents decreased from approximately HK\$4.8 million to approximately HK\$3.8 million. Most of the Group's deposits were deposited with banks as short-term deposits and denominated in either Hong Kong dollars or Renminbi, which are directly related to the Group's business in the areas of currencies concerned.

Velocity International Limited, the largest shareholder of the Group, has confirmed to the Group its intention to provide financial support to the Group to enable the Group to meet its liabilities as and when they fall due. Based on the internal resources of the Group and taking into account the financial support agreed to be provided by Velocity International Limited, the Group will have sufficient working capital for its requirement.

Employee and staff benefits

As at 30th June 2004, the Group employed a total of approximately 115 staff in Hong Kong and PRC.

The Group's remuneration policies are primarily based on prevailing market salary levels and the performance of the respective individuals concerned.

Prospect and plans for the future

The Group is now mainly engaged in the property investment and development in PRC. It will continue to derive rental income from the Paul Y. Plaza in Guangzhou and Shenzhen Development Centre in Shenzhen, which will provide a stable source of income to the Group.

On 10th August, 2004, the Group entered into an agreement to dispose the joint venture interest in Huizhou World Express Property Limited, Huizhou Best Glory Property Limited and Huizhou Gladly Property Limited for a total consideration of RMB50.0 million. These three joint venture were mainly engaged in the property development project in Huizhou which has been put on hold owing to the uncertainties in an unsettled litigation in relation to the project. The Group will have a gain of approximately HK\$10.4 million in this disposal.

It is the Group's policy to dispose of the non-performing assets to reduce the Group's liabilities and to improve the Group's gearing. In future, the Group will continue its direction to improve the quality of the Group's assets. On the other hand, the Group is now actively looking for any possible good investment opportunity.