

## REVIEW AND PROSPECTS

The Group recorded a loss attributable to shareholders of HK\$25.5 million for the six months ended 30 June 2004, representing an increase of 72% over the same period of 2003. As of 30 June 2004, the net assets of the Group were HK\$120 million (31.12.2003: HK\$146 million).

During the period under review, the Group focused its operation on property development in Mainland China and over 90% of its turnover came from this segment. This is one of the segments which have been substantially affected by the macro economic austerity measures implemented by the Government of the People's Republic of China ("PRC"). The Group experienced a sharp decrease in turnover due to the slowdown in development progress of the Group's property projects in wake of these measures. As a result, the turnover relating to Fairyoung Building in Pudong, Shanghai, the flagship project of the Group, has dropped by about 87% comparing with the previous corresponding period.

Likewise, the development pace of the Group's another property project in Harbin, Heilongjiang, was also slowed down slightly during the period under review.

Nevertheless, the Board believes that the PRC property market will be back to a healthy and upward trend when the austerity measures gradually take effect. While we are actively looking for buyers for part of the projects, we will closely monitor the changes in the operating environment before we decide on the next move with the projects for the best interests of the Company as a whole.

Other segments have not contributed much to the Group during the period under review and it is believed that the situation will persist in the near future.

## ASSETS AND LIABILITIES

As at 30 June 2004, the Group had total liabilities of about HK\$270,869,000, of which HK\$29,957,000 were other loans repayable within one year, HK\$14,742,000 were bank loans repayable within one year and HK\$526,000 were other loans repayable after one year. The Group settled other loans of HK\$122,000 and obtained new other loans of HK\$16,500,000 during the period.

## LIQUIDITY, FINANCIAL RESOURCES, CHARGE ON ASSETS, GEARING AND CAPITAL COMMITMENT

As at 30 June 2004, the current assets and current liabilities of the Group were HK\$264,852,000 and HK\$255,074,000 respectively. The bank loans and other borrowings amounted to HK\$55,856,000.

As at 30 June 2004, main charges on assets of the Group included HK\$ 1 million on fixed assets and HK\$3.4 million on properties under development.

## LIQUIDITY, FINANCIAL RESOURCES, CHARGE ON ASSETS, GEARING AND CAPITAL COMMITMENT (CONTINUED)

As at 30 June 2004, capital commitments mainly consisted of the construction costs for the Fairyoung Building project amounting to approximately HK\$79 million and acquisition of an investee company amounting to HK\$2 million.

The Group's assets/liabilities ratio is calculated on its total liabilities divided by total tangible assets. As at 30 June 2004, the Group's assets/liabilities ratio was 0.68, as compared with 0.61 at the end of the previous year.

The Board believes that the Group's cash holding, liquid asset value, future revenue and available facilities will be sufficient to fund its capital expenditure and meet its working capital requirements.

### EXCHANGE RISK

As the Group's operations are principally in the PRC and all assets and liabilities are denominated either in Renminbi, HK dollars or US dollars, the Directors believe that the operations of the Group are not subject to significant exchange risk.

### HUMAN RESOURCES

Employees' remuneration is determined in accordance with the nature of their duties and remains competitive under current market situation. The Group has participated in the Mandatory Provident Fund Scheme.

### DIRECTORS' INTERESTS

As at 30 June 2004, the interests or short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules (collectively "Discloseable Interests or Short Positions"), were as follows:

<b>Name of Director</b>	<i>Note</i>	<b>Type of Interests</b>	<b>No. of Shares</b>
Mr. Liang Jianhua	1	Other	637,854,000
Ms. Wong Lin Chooi	2	Family	421,637,963
Mr. Lam Wai Kit		Personal	6,700,000

**DIRECTORS' INTERESTS** (continued)

*Note 1:* Deemed interests by virtue of Mr. Liang Jianhua's shareholding in Gree Group (HK) Ltd.

*Note 2:* Ms. Wong Lin Chooi is deemed to have a family interest in the said shares held by her husband, Mr. Chan Boon Ning, John.

Save as disclosed above, none of the Directors or the chief executive of the Company had or were deemed to have any Discloseable Interests or Short Positions as at 30 June 2004.

**SUBSTANTIAL SHAREHOLDERS' INTERESTS**

As at 30 June 2004, so far as are known to the directors, the following parties (other than a director or chief executive of the Company) were recorded in the register kept by the Company under section 336 of the SFO as being directly or indirectly interested or deemed to be interested in 5% or more of the issued share capital of the Company:

Name of shareholder	Note	No. of ordinary shares of HK\$0.10 each			Total	Shareholding percentage
		Family interests	Personal interests	Corporate interests		
Gree Group (HK) Ltd.	1	-	-	637,854,000	637,854,000	21.19%
Angklong Ltd.	2	-	-	379,053,963	379,053,963	12.59%
Mr. Chan Boon Ning, John	3	-	42,584,000	379,053,963	421,637,963	14.01%
Ms. Wong Lin Chooi	4	421,637,963	-	-	421,637,963	14.01%

*Note 1:* Deemed interests by virtue of Mr. Liang Jianhua's shareholding in Gree Group (HK) Ltd.

*Note 2:* As disclosed by Maxwick Investment Ltd. on 19 March 2002, Angklong Ltd. had charged 422,133,000 Shares to Maxwick Investment Ltd., a company which is 99.99% owned by Ms. Leong On Kei, Angela. Thus, Ms. Leong On Kei, Angela is deemed to be interested in the said 422,133,000 Shares, representing 14.02% of the issued share capital of the Company as at 30 June 2004. Subsequent to the charge, the shareholding of Angklong Ltd. was reduced to 379,053,963 Shares.

*Note 3:* Mr. Chan Boon Ning, John who holds the entire issued share capital of Harrio Assets Ltd., which in turn holds the entire issued share capital of Angklong Ltd., is deemed to be interested in the 379,053,963 Shares, which were held by Angklong Ltd.

*Note 4:* Ms. Wong Lin Chooi is deemed to have a family interest in the said shares held by her husband, Mr. Chan Boon Ning, John.

**SUBSTANTIAL SHAREHOLDERS' INTERESTS** *(continued)*

All the interests stated above represent long positions. As at 30 June 2004, no short positions were recorded in the register kept by the Company under section 336 of the SFO.

**PURCHASE, REDEMPTION OR SALE OF THE COMPANY'S LISTED SECURITIES**

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 June 2004.

**AUDIT COMMITTEE**

The Audit Committee of the Company had reviewed the unaudited interim financial statements for the six months ended 30 June 2004. The Audit Committee comprises four members, namely, three independent non-executive directors and one non-executive director.

**CODE OF BEST PRACTICE**

The Directors are not aware of any matter which did not comply with the Code of Best Practice as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange throughout the period. Although the independent non-executive directors were not appointed for a specific term, they are subject to retirement by rotation and are eligible to offer themselves for re-election at the annual general meetings of the Company in accordance with the Company's By-laws.

**PUBLICATION OF FURTHER INFORMATION ON THE STOCK EXCHANGE'S WEBSITE**

All the information required by paragraphs 46(1) to 46(6) of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Stock Exchange") will be published on the website of the Stock Exchange in due course.

By Order of the Board  
**Chen Jung Hsin**  
*CEO & Executive Director*

Hong Kong, 21 September 2004