

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and future prospects

We are pleased to report that the Group posted a brilliant unaudited profit attributable to shareholders for the six months ended 31 October 2004 amounted to approximately HK\$122.6 million (2003: HK\$36.2 million), representing a tremendous increase of 239% as compared with the last corresponding period. Earnings per share amounted to HK5.90 cents (2003: HK2.09 cents), representing an increase of 182% as compared with the last corresponding period. These results included a gain on disposal of investment in subsidiaries amounted to HK\$101 million as compared to a total gain on disposal of subsidiaries and an associate of HK\$59.4 million in the last corresponding period. The Group achieved a turnover of approximately HK\$594 million during the period under review. These results marked that the Group has attained significant improvements during the year 2004, which was attributable to the change of management team in October 2003 together with the Group's effective strategies in focusing resources on the Group's core business with lucrative prospects.

Following the change of management team, the Group has been focusing on pursuing business expansion in the field of property investment and development in the PRC. With the continuous efforts to exploit prominent locations in the PRC property market, particularly in Beijing, the Group successfully broadened its revenue base during the period under review to include a portion of turnover generated from the sale of residential and commercial units of "The American Rock" property project in Beijing. The whole property project consists of two phases (Phase I and Phase II) and four zones (Zones A, B, C and D) approximately 5,400 residential and commercial units to be held for sale purposes; in which more than 90% and 80% (including commercial and residential units) of the units of Phase I (Zone A) and Phase II (Zone B) have been sold out respectively. Construction and decoration work of Phase II (Zone D) commenced in July 2004 and is expected to be completed on or before December 2005. The construction and decoration work of Phase II (Zone C) is expected to start in early 2005 and to be completed on or before December 2005. Total saleable floor area would reach approximately 510,710 sq.m.

Another remarkable property project undertaking by the Group is "The Phoenix Tower" situated in Shenzhen which will be a complex of office building, service apartment and shopping arcade with a gross floor area of approximately 80,000 square meters. This property project is now under construction stage and is expected to be completed by the end of April 2006.

The continuous strong economic growth in the PRC especially in the property sector has accelerated the demand for both residential and commercial units among the major cities in the PRC and boosted the Group's principle business substantially. With a clear focus business pursuit and experienced management team, the Group is well poised to capitalize on these opportunities. In addition to continuing to expand and enhance its property development in the current base, mainly, Beijing, Shanghai and Shenzhen, the Group is also exploring other cities in the PRC with potential investment opportunities to broaden its geographical reach.

The Group anticipates the PRC's present economic growth to sustain in the coming years. The Board is endeavoring to maximize the wealth of the shareholders by achieving sustainable and encouraging return for the shareholders. Consolidating the existing fruitful investment is one of the Board's directions. Emphasis will be placed for searching investments opportunities in the potential cities in the PRC with profitable return and also strive for optimal property project portfolio.

The Directors believe that the management team is composed of experts with versatile property related experience and this will elevate the Group in pursuing its future business expansion and development in property investment and development fields in the PRC in the long run.

As to financing aspects, the Group recognises the flexibility to obtain diversified financial sources including credit facilities provided by financial institutions as well as other fund-raising from the capital market to facilitate future development plans of the Group. As such, the Group is determined to further reinforce its corporate governance, transparency in information dissemination and strengthen its share value.

Liquidity and financial resources

At 31 October 2004, the Group had cash and bank balance of HK\$81 million with net current assets totalling to HK\$540 million with current ratio at approximately 200%. The total bank borrowings at 31 October 2004 amounted to HK\$205 million making the Group's gearing ratio at 31 October 2004 calculated at total bank borrowings plus long-term loan over equity was approximately 67%.

The Group believes that liquid assets, funds and future revenue will be sufficient to finance future expansion and working capital requirement.

Employees and Remuneration Policies

At 31 October 2004, the Group employed a total of 66 employees. The remuneration policies and packages for the Group's employees are reviewed and approved by the Board. Remuneration package of the staff includes basic salaries and contributory provident fund benefits.

INTERIM DIVIDEND

The Board of Directors has resolved not to declare any interim dividend for the six months ended 31 October 2004 (2003: Nil).