



MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The turnover of the Group amounted to approximately HK\$12.8 million for the period under review, representing an increase of approximately 56% as compared with that for the corresponding period in 2004. The Group reported a net loss of approximately HK\$177.3 million for the period under review, as compared to a net profit of approximately HK\$82.1 million for the corresponding period in 2004.

Revenue from property investment and management continued to decrease as the Group had disposed of certain investments in property in the second half of 2004, in order to carry out its plan of diversifying business. At the same time, the Group started cultural recreation content provision business, through acquiring and establishing subsidiaries, and generated revenue. As the revenue generated by new business has outweighed the decrease in revenue of property investment and management, the Group's turnover increased.

During the period under review, there was an expense of impairment of goodwill amounted to approximately HK\$130.0 million. During the first six months in 2004, there were two non-recurring transactions, namely exceptional gain on deemed disposal of the Group's holding in shares of Shougang Technology amounted to approximately HK\$189.2 million and expenses of impairment and amortization of goodwill and net assets of a jointly controlled entity amounted to approximately HK\$90.0 million. Adjusted for the abovementioned non-operating profit or loss items, adjusted net loss for the period under review was approximately HK\$47.3 million, comparing with the adjusted net loss of HK\$17.1 million for the corresponding period in 2004. The increase in adjusted net loss was mainly due to that, (a) while provided new source of revenue, new business of cultural recreation content provision, especially those of GDC, was still under restructuring/streamlining after acquisition/establishment, the revenues generated were not sufficient to cover the subsidiaries' own expenses and the increase in head office expenses incurred for controlling the expanded business; (b) there was a surplus on revaluation of investment properties amounted to approximately HK\$10.7 million during the period under review while there was a deficit of such revaluation during the corresponding period in 2004; (c) due to the number of exercisable share options granted to the Company's management increased, although the related share options have not been exercised, their estimated financial effect has been included in the income statement as expense and expense increased for approximately HK\$10.3 million as the result; and (d) expenses of impairment of value of a movie work-in-progress amounted to approximately HK\$17.1 million.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

BUSINESS REVIEW AND OUTLOOK

The Group has been actualising its business plan of diversifying its core business into businesses other than property investment and management, namely financial service provision and cultural recreation content provision.

Property Investment and Management

Hong Kong Investment Properties

Both rental income and resalable value of the Group's investment properties has been improving comparing with 2004. However, as the Group had disposed of certain investments in industrial property, the aggregate amount of rental and management fee income decreased for 66%, comparing with the corresponding period in 2004, to approximately HK\$2.7 million.

Beijing Dongzhimen International Apartment Co., Limited ("Beijing Dongzhimen")

The Group continually holds 44% interests in Beijing Dongzhimen. Despite competition in Beijing service department market is severe, the performance of Beijing Dongzhimen was significantly improved. At the same time, the Directors consider that there were no further impairment in book value of Beijing Dongzhimen's net asset and a provision for such impairment which was amounted to approximately HK\$67.5 million for the corresponding period in 2004 is not necessary. Further, as there is no balance of goodwill of investment in Beijing Dongzhimen, there was no amortization and/or write-off of goodwill, which was amounted to approximately HK\$22.5 million for the corresponding period in 2004, charged to the income statement during the period under review.

Financial Service Provision

Finance Leasing

The Group has acquired 60% interest in South China Leasing up to 30 June 2005. During the period under review, business of South China Leasing was restructured and streamlined and resumed generating finance lease income from July 2005.

Possible Subscription of Shares in China Life Insurance (Overseas) Company Limited ("China Life (Overseas)")

Negotiation on a proposed subscription of shares in China Life (Overseas) has reached an advanced stage. The Directors expect the investment, if there is any, in China Life (Overseas) will generate return not only from distribution of profit and appreciation in asset value of China Life (Overseas) but also from the synergy between China Life (Overseas) and the Group, especially in respect of asset management.



MANAGEMENT DISCUSSION AND ANALYSIS (continued)

BUSINESS REVIEW AND OUTLOOK (continued)

Cultural Recreation Content Provision

By a voluntary conditional share exchange offer, the Group acquired approximately 82.22% interest in GDC. To comply with the requirements of the Rules Governing the Listing of Securities on GEM in respect of maintaining minimum public floating of 25%, the Group placed out shares of GDC held by the Group equivalent to approximately 7.24% of GDC's issued share capital in September 2005. After the voluntary conditional share exchange offer being completed, the Group reorganized GDC's business and expected it will generate positive return in the foreseeable future.

During the period under review, through subsidiaries other than GDC, the Group started providing cultural recreation content, including movies and television drama series, and generating revenue.

Outlook

The Directors will monitor closely the property market and will dispose of part of the Group's investments in property, especially in industrial property, in case of such disposal will offer satisfactory return. The Directors expect that there will be continuous stable growth in return from Beijing Dongzhimen for the foreseeable future.

Both the businesses of financial service provision and cultural recreation content provision were being restructured and/or streamlined, the Directors expect both businesses will resume normal course of business and provide return to the Group in the foreseeable future.

INTERIM DIVIDEND

The Board did not declare an interim dividend for the six months ended 30 June 2005 (2004: Nil).

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities (whether on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") or otherwise) during the period under review.