

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and future prospects

For the six months ended 31 October 2005, the Group achieved an unaudited profit attributable to shareholders of HK\$127 million. As at 31 October 2005, the Group's net asset value was HK\$913 million and had a net asset value per share of HK\$0.37. The Group's total assets and liabilities were HK\$2,500 million and HK\$1,587 million respectively.

During the six months under review, and up to the date of this report, the Board has successfully implemented a comprehensive turnaround strategies to enhance the financial and operational growth of the Group.

Apart from the existing significant investments held by the Group (as outlined below), the board is proactively appraising various investment opportunities to explore high potential investments and attractive business opportunities in the main cities of the PRC, such as Beijing, Shanghai, Shenzhen and Tianjing, etc.

The existing significant investments held by the Group as at the interim reporting date are briefly outlined below:-

(i) ***American Rock Property Project:***

The property project "American Rock" is situated in No.16 Baiziwan Road, Chaoyang District, Beijing, the PRC and is adjacent to the central business district of Beijing which is a major financial and commercial center in Beijing. The project's total gross floor area is over 500,000 sq.m. and the development of the whole project is divided into two phases (I and II) which are subdivided into four zones (Zones A, B, C and D). The Company currently holds 45% equity interest in American Rock JV which holds 100% interest in "American Rock" Project.

The estimated total investment cost of the project is approximately RMB2.1 billion. As at 31 October 2005, the number of units, number of units sold and pre-sold of the project were as follows:-

	Total number of units	Number of units sold and occupied by their owners as at 31 October 2005	Number of units pre-sold as at 31 October 2005	Remaining number of unsold units as at 31 October 2005
Phase I (Zone A)				
– Residential units	1,219	1,215	0	4
– Commercial units	35	35	0	0
– Carpark	247	3	0	244
Phase II (Zone B)				
– Residential units	1,097	1,092	0	5
– Commercial units	64	64	0	0
Phase II (Zone C)				
– Residential units	1,037	0	286	751
Phase II (Zone D)				
– Residential units	926	0	809	117
Total	4,625	2,409	1,095	1,121

Zones A and B were completed in December 2003 and September 2004 respectively. The pre-sale permits for Zone D were obtained in December 2004 and March 2005. It is expected that the construction and decoration work of Zones C and D will be completed on or before February 2007 and December 2006 respectively. The pre-sale permit for Zone C was obtained in August 2005 and approximately 28% of the units were pre-sold up to 31 October 2005.

(ii) **Phoenix Tower Property Project:**

The property project “Phoenix Tower” is situated in the central district of Futian District, Shenzhen, the PRC. “Phoenix Tower” is planned to develop into a complex of office building, service apartment and shopping arcade with a gross floor area of approximately 106,000 sq.m. The project is now under construction and is expected to complete on or before December 2006. The pre-sales of “Phoenix Tower” Project was started in November 2005 and up to 8 December 2005, 101 units (about 15,181 sq.m.) of residential apartments were pre-sold. The pre-sale is expected to recognized as revenue for the year ending 30 April 2007.

In order to further enhance the Group's existing strength in its core business and to broaden the Group's array of business in the sector, on 15 September 2005, the Company's wholly owned subsidiary entered into two acquisition agreements to acquire the interests of two property projects from Mr. Li Song Xiao (the ultimate controlling shareholder of the Company) ("Mr. Li"). These two acquisitions constitute a very substantial acquisitions and connected transactions under the Listing Rules. The special general meeting in relation to these acquisitions will be held on 7 February 2006 for independent shareholders' approval. The basic information of these two property projects are outlined below:-

(1) American Rock Property Project

The consideration for further acquiring a 40% share interest in the American Rock JV which holds 100% interest of the "American Rock" Project is HK\$259,595,000, which is to be satisfied at the completion by the allotment and issue by the Company to Mr. Li of 499,221,153 consideration shares. As mentioned above, the Company currently holds 45% interest in American Rock JV. Upon completion of the acquisition, the American Rock JV will become a 85% interest subsidiary of the Company, and the Company will further consolidate the effective equity interest in the American Rock JV from 45% to 85%.

(2) Youngman Point Property Project

The property project "Youngman Point" is situated in No. 2 Ganluyuan, Zhongli, Qingnian Road, Chaoyang District, Beijing, the PRC. The project's total gross floor area is over 300,000 sq.m. As at 31 October 2005, the number of units, number of units sold and pre-sold of the project were as follows:-

	Total number of units	Number of units pre-sold as at 31 October 2005	Remaining number of unsold units as at 31 October 2005
Phase I			
– Residential units	1,587	1,544	43
– Commercial units	25	3	22
	<hr/>	<hr/>	<hr/>
Total	1,612	1,547	65
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The development of “Youngman Point” Project is divided into 2 phases (Phase I and Phase II). The expected completion date of Phase I is April 2006 and that of Phase II is December 2007. The whole “Youngman Point” Project is still under construction. The pre-sale permits for Phase I were obtained in June to August 2004 and May 2005. The contracted amounts from those pre-sales units amounted to approximately RMB633 million (or approximately HK\$609 million) of which approximately RMB619 million (or approximately HK\$595 million) was paid in cash as at 31 October 2005. The total area of residential units pre-sold as at 31 October 2005 was about 115,937 sq.m. and the corresponding pre-sales amount was about RMB626 million. The average selling price of residential units is about RMB5,400 per sq.m. The price is reasonable and competitive when compared with other properties in the similar area which are of similar standard.

The consideration for acquiring a 70% share interest in Youngman Point JV which holds 100% interest in “Youngman Point” Project is HK\$311,878,000, which is to be satisfied at the completion by the allotment and issue by the Company to Mr. Li of 599,765,384 consideration shares. Upon the completion of the acquisition (subject to certain conditions stated in the circular of the Company dated 20 January 2006), the Youngman Point JV will become a subsidiary of the Company.

The board of directors is of the view that in light of the continuous economic growth in the PRC and Beijing, increases in spending power and the upcoming opportunities from 2008 Olympics and 2010 World’s Expo, demand in the property market will continue to grow and hence provide an opportunity for investment in this market.

The board is confident that upon the completion of the said acquisitions of 40% equity interest in American Rock JV and 70% equity interest in Youngman Point JV, together with the existing significant investments held by the Group, there will be a further enhancement in the Group’s earnings so as to achieve the aim to strengthen the assets and income base of the Group in the long run.

As one of the goals of the Group is to share the fruitful success with its loyal shareholders, the board of directors recommends an interim dividend of HK1.5 cents per share for the six months ended 31 October 2005, representing approximately 29% of the profit for the period attributable to shareholders of the Company, to be payable to shareholders whose names appear on the register of the Company on 10 February 2006. The board of directors will continue to endeavor to report an even encouraging results to its shareholders in the forthcoming financial year.

LIQUIDITY AND CAPITAL RESOURCES

As at 31 October 2005, the Group had cash and bank balance of approximately HK\$205 million with net current assets totaling to HK\$853 million with current ratio at approximately 1.84. The total borrowings of the Group as at 31 October 2005 amounted to HK\$641 million making the Group’s gearing ratio at 31 October 2005 calculated at total borrowings over equity was approximately 70%.

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

EMPLOYEES AND REMUNERATION POLICIES

As at 31 October 2005, the Group had a total of 85 employees (including Hong Kong and PRC offices). The remuneration packages consist of basic salary, mandatory provident fund and other benefits considered as appropriate. Remuneration packages are generally structured by reference to market terms, individual qualification and the performance of individual staff. They are under periodic review based on individual merit and other market factors.

FOREIGN EXCHANGE EXPOSURE

The Group's cash balance and other current assets are mainly denominated in RMB. Nonetheless, the effect of the exchange rate on the Group's cash flow is minimal.

EQUITY

The Company's issued and fully paid share capital as at 31 October 2005 amounted to HK\$24,836,330 divided into 2,483,632,950 ordinary shares of HK\$0.01 each. During the period, there was no conversion made by the holder of the Company's convertible note. The holder of convertible note has the rights to convert the convertible note into 400,000,000 ordinary shares of the Company within the specified period.

INTERIM DIVIDEND

The board of directors recommends the payment of interim dividend of HK1.5 cents (2004: Nil) per ordinary share for the six months ended 31 October 2005 to be payable on or about 20 February 2006 to shareholders of the Company whose names are on the Register of Members on 10 February 2006.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 13 February 2006 to 15 February 2006, both dates inclusive. In order to entitle for the said interim dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with Share Registrar, Secretary Ltd., 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 10 February 2006, Friday.