

Management Discussion and Analysis

BUSINESS REVIEW

For the year under review, the overall market sentiment, in particular, the commercial properties market continued to impact negatively on the marketability in terms of the selling prospect and selling price of the commercial properties of which the major assets of the Group comprised.

During the year under review, turnover for the Group decreased from approximately HK\$777 million to approximately HK\$131 million, representing a decrease of 83% as compared with the corresponding figure in last year. Investment properties remained to provide the main stream of income of the Group during the year ended March 31, 2001. Proceeds from the sale of properties for the year under review was approximately HK\$105 million, accounting for 81% of the total turnover of the Group, representing a decrease of 86% over last year's figure of HK\$739 million. Such decrease was largely attributed to the continued decline in the demand and hence in the price of the commercial properties in the market. Taking into consideration of the general market condition, the Group was striving to seek to improve the marketability and value of the existing commercial properties on hand last year. During the year under review, the conversion of the property located at 20-26 Peel Street, Central into a service apartment subsequently leading to the disposal of the entire interest in the property at a price considered higher than what one could expect to sell on an as is basis prior to the conversion proved to be a successful and encouraging venture. As a result of the disposal after conversion, the Group managed to use the proceed so obtained to repay fully the bank loan secured by the property.

Income derived from rental was approximately HK\$20 million, accounting for approximately 16% of the total turnover and representing a decrease of 37% as compared to the previous year. The decrease was mainly attributable to the reduction of rentable floor areas as a result of completion of series of property disposal transactions during the year ended March 31, 2000. Building management and agency fees made up the remaining 3% of the Group's turnover, contributing HK\$5 million to total turnover and representing a decrease of 8% over the last year.

After all, loss attributable to shareholders was amounting to HK\$323 million as compared with profit of approximately HK\$29 million in the last corresponding period. Apart from the operating loss during the year, provisions for devaluation of properties, write off of deposits paid under investments and premium arising from acquisition of associate, in aggregate, accounted for approximately 45% of such loss.

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On April 14, 2000, a subsidiary of the Company had entered into an agreement to acquire a 40% interest in Holdenby Enterprises Ltd. which was in the process of acquiring a 51% interest in Hei Long Jiang Sida Paper Co., Ltd at a consideration of HK\$32 million under which approximately HK\$16 million was paid. Also on June 29, 2000, a subsidiary of the Company had entered into an agreement to acquire a 60% interest in Drury Profits Limited at a consideration of HK\$65 million under which a deposit of approximately HK\$10 million was paid. Since the conditions for the completion of the above agreements had not been fulfilled on or before the deadline for the conditions fulfillment date, the agreements lapsed. Accordingly, the deposits paid under the agreements shall be refunded. The subsidiaries of the Company have taken appropriate legal actions against the vendor for the recovery of the deposits paid.

During the year under review, the Company had been actively seeking finance for the Group by placing of its new shares to independent investors. To this end, the Company had raised HK\$63 million in aggregate to improve its financial position. Subsequent to the year end date, the Company, through a placing exercise, has brought in a strategic investor, Sinochem Hong Kong (Holdings) Co. Ltd. who has become its second largest shareholder upon the completion of the placing.

PROSPECTS

Notwithstanding the obstacles that the Group had encountered in respect of acquisition of investments last year, the Directors has remained positive of the prosperous potential growth of the high-tech business. On July 20, 2001, the Company has entered into two conditional agreements, as more details are particularized in the previous announcement dated July 20, 2001, for the purpose of participation by the Group in the manufacturing, developing of satellite and related business operations. The Group will continue to focus on this new business direction while maintaining the business of properties investment in operation. The directors of the Group is taking the view that the new business will generate better returns leading to a sustainable long term growth for the best benefit of its shareholders.

Lu Xin

Vice Chairman and Managing Director

Hong Kong, July 26, 2001

