

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS OF OPERATION

During the period under review, the Group derived most of its income from investments in debt securities and, through some of the Group's associated companies, in Argyle Centre, a shopping mall in Mongkok.

FINANCIAL POSITION

During the period, the Group has a strong liquidity and financial position with immaterial gearing.

OPERATION REVIEW

The Group's major investments are in debt securities and Argyle Centre.

Argyle Centre is a fully leased shopping mall located in a prime spot in Mongkok, the busiest shopping district in the Kowloon peninsula. With stable rental income, the investment benefited from lowered interest rates as the associated companies that hold the shopping mall are partly financed by bank borrowings.

The debt securities portfolio of the Group generated good income and capital gain. The debt securities market was generally good during the period. The strategy of the Group is to invest in high yield fixed income instruments focusing on special situations.

One of our investee companies, iAsia Technology Limited, was listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") in April 2001. The current market value far exceeds our investment costs. When market condition permits, the Group will also cause quality assets to be listed on the main board of the Stock Exchange.

Some of the other internet related companies in which the Group has invested have started to generate modest revenue, they are yet to generate satisfactory income for the Group. However, some appear to offer real market potential.

New investments made by the Group during the period include a 26.3 per cent. stake in vLink Global Limited (“vLink”), a Hong Kong main board listed company engaged in investments holding. vLink is active in the takeover of listed companies in Hong Kong. It has taken over a Hong Kong main board listed company and is in the process of taking over another Hong Kong main board listed company.

A significant amount is due from Tem Fat Hing Fung (Holdings) Limited (“Tem Fat”) to the Group. Although the amount due has been fully written off in the prior year, the Group is taking an active role in the restructuring of Tem Fat to maximize the recoverability of the amount due. A number of investors have expressed preliminary interests in investing in Tem Fat.

Most of the Group’s investments are based in Hong Kong dollar and United States dollar and are therefore not exposed to foreign currency risks.

The Group’s total staff costs for the six months period amounted to approximately HK\$255,000.

The Company has given a guarantee to a bank to secure $33\frac{1}{3}\%$ of the outstanding indebtedness due by its associated companies, of which the Group controlled $33\frac{1}{3}\%$ interest each. The amount of outstanding indebtedness due by the associated companies to this bank at 30th June, 2001 was approximately HK\$461 million (at 31st December, 2000: approximately HK\$468 million).

The Company has given a guarantee to a financial institution to secure borrowing facilities available to a subsidiary in the amount not exceeding US\$3.5 million. The outstanding indebtedness at 30th June, 2001 amounted to approximately US\$570,000 (at 31st December, 2000: approximately US\$554,000).