

MANAGEMENT DISCUSSION AND ANALYSIS

Results of operation

During the period under review, the Group derived most of its income from debt securities, rental income from Argyle Centre, a shopping mall in Mongkok, bank interest income and foreign exchange gains.

Financial position

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

Operation review

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

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 falling interest rates in its bank borrowings.

The debt securities portfolio of the Group generated good income and capital gain. However, the debt securities market in which the Company invested was adversely affected by the corporate fraud in the United States.

Listed securities in which the Group are interested are mainly listed on The Stock Exchange of Hong Kong Limited.

The Group is still suffering the trailing effects of the internet investment craze. However, the bulk of the provisions have been seen off, and the Company will closely monitor developments.

As at 30th June, 2002, the Group has approximately 50 per cent. of its bank deposits in Euros, and the rest of the Group's investments are based in Hong Kong dollar and United States dollar.

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 in each. The amount of outstanding indebtedness due by the associated companies to this bank as at 30th June, 2002 was approximately HK\$430 million (at 31st December, 2001: approximately HK\$452 million).

The Company has given a guarantee to a financial institute to secure borrowing facilities available to a wholly-owned subsidiary in the amount not exceeding US\$15 million. There was no outstanding indebtedness at 30th June, 2002 (at 31st December, 2001: approximately US\$1,928,000).