

BUSINESS REVIEW

The 2002 unaudited interim net profit of the Group amounted to HK\$21.68 million (2001: net loss of HK\$32.84 million). This was mainly attributable to a gain on the disposal of an associate, a reduction in finance costs due to repayment of loans, as well as improved performance of the jointly controlled entities during the Period.

Freewill Solutions Co., Ltd. (49% attributable interest)

Founded in 1991, Freewill Solutions Co., Ltd. ("Freewill") is engaged in providing software solutions to Thailand's financial sector and the Asia Pacific region. The core business of the Bangkok-based Freewill has been split into two: the existing financial system and the newly launched e-business division.

As for the existing financial system, currently 75% of the securities brokers in Thailand are using Freewill's software solutions for front and back office operation.

The new e-business division is now conducted through Freewill's subsidiary, Pantavanij.com, the leading B2B service-provider in Thailand.

Due to the expansion of the information technology business in Thailand, a capital increase of Thai Baht 65.00 million for Freewill was necessary. The Group, having 49% equity interest, has already contributed Thai Baht 31.85 million (approximately HK\$5.87 million) to Freewill in early September, 2002.

Looking forward, Freewill plans to utilize its strength in software solutions development and knowledge to enter into the public sector as the existing Thailand government inspires and encourages electronic operations.

Wuhan Chia Tai Trading Co., Ltd. (65% attributable interest)

Wuhan Chia Tai Trading Co., Ltd. ("Wuhan Chia Tai") is a PRC company set up in 2001 by a wholly-owned subsidiary of the Company.

Wuhan Chia Tai focuses on retail business namely "Club", in which the customers purchase basic daily products in bulk pack under one roof.

Located in Wuhan, Wuhan Chia Tai is a large-scale store with an area of approximately 10,000 square metres ("sq. m."). The first store was officially opened on 29th September, 2001 and the second store will be opened within this year.

Shanghai Fortune World Development Co. Ltd.

Shanghai Fortune World (35% attributable interest)

As at 30th June, 2002, a total gross floor area ("g.f.a.") of approximately 795,000 sq. m. of the Shanghai Fortune World project has been sold. The remaining area of approximately 190,000 sq. m. is still within the scope of the Shanghai Fortune World project. The Group is currently studying a number of plans to develop the land.

Shanghai Fortune Garden (35% attributable interest)

As at 30th June, 2002, a total of 476 units in the complex were sold and a total of 38 units were leased. The Group is focusing on selling the remaining 162 units that are currently vacant, as well as those 38 units that are currently leased.

BUSINESS REVIEW *(Continued)*

Tianjin Datian Plaza (57% attributable interest)

Located in the central business district of Tianjin, Tianjin Datian Plaza covers a site of 20,007 sq. m. and is designed to be a commercial complex of g.f.a. of 126,000 sq. m. for mixed-use shopping arcade and high-rise office buildings with luxurious apartments.

Disposal of equity interest in Shenzhen SDG Golf Club Company Limited ("SDG")

The disposal of the Group's entire 24.5% equity interest in SDG for a consideration of RMB75.00 million (HK\$70.23 million) was completed on 22nd March, 2002, resulting in a gain on disposal of approximately HK\$58.69 million.

Disposal of interest in Land Lot No. 5 ("Lot No. 5") at Lujiazui Finance and Trade Zone (100% attributable interest)

Lot No. 5 is situated in the prime site of Lujiazui Finance and Trade Zone in Pudong, Shanghai, with a site area of 10,321 sq. m., which was held by Interwell Developments Limited ("Interwell"), a wholly-owned subsidiary of the Company.

On 25th April, 2002, the Company entered into a conditional sale and purchase agreement relating to the disposal of its entire equity interest in Interwell to a third party for a consideration of US\$36.00 million (HK\$280.80 million). The disposal was completed in late July, 2002. Details are set out in note 11 to the condensed consolidated financial statements.

CAPITAL STRUCTURE

There has been no material change in capital structure of the Group from the information disclosed in the most recent published annual report except for the repayment of long term debts by the Company.

As at 30th June, 2002, the Group had bank and other borrowings denominated in US dollars amounting to US\$18.49 million (HK\$144.22 million). Of this, approximately US\$6.49 million (HK\$50.62 million) were fixed-interest loans from a third party and related companies and approximately US\$12.00 million (HK\$93.60 million) were interest-bearing bank loans.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's financial conditions remain healthy. During the Period, the Group collected HK\$65.54 million, HK\$47.03 million and HK\$52.37 million respectively from the sales proceeds of the disposal of equity interest in an associate, the deposit for the disposal of equity interest in a subsidiary and repayment from a jointly controlled entity. Hence, as at 30th June, 2002, its cash and cash equivalents amounted to approximately HK\$51.29 million, representing an 87.69% increase when compared with the end of 2001. Long-term loans of the Group were settled by cash and cash equivalents of approximately HK\$84.49 million and decreased to HK\$53.28 million as at 30th June, 2002.

As a result, the gearing ratio of the Group fell from 0.42 to 0.26 (gearing ratio was calculated by dividing interest-bearing bank loans and other borrowings by shareholders' equity) and the current ratio of the Group dropped slightly from 0.36 to 0.34.