FINANCIAL REVIEW

The Group's turnover decreased from HK$121,746,000 to HK$73,710,000 for the year ended 31 December 2002. Net loss for the year was HK$118,932,000.

As at 31 December 2002, the Group had an aggregate amount of HK$10,704,000 (2001: HK$30,797,000) of cash, bank deposits, securities and fund investments mainly denominated in Hong Kong dollars and Renminbi, and HK$32,660,000 (2001: HK$61,003,000) of short term bank borrowings and other loan mainly denominated in Hong Kong dollar and Renminbi. Interests on most bank borrowings were charged on fixed rate or certain basis points over prime rate.

The Group's gearing ratio (a total long term liabilities divided by total capital employed on the balance sheet date) was 0.77 (2001: 0.59). Leasehold land and buildings of HK$5,500,000 was pledged to secure banking facilities granted to the Group.

There was neither foreign currency hedging activity nor financial instrument for hedging purposes during the year.

BUSINESS REVIEW

Construction and related business

Both the failure to obtain the Formula One Project in Wuhan, the PRC and the unexpected losses in construction contracts in Hong Kong attribute to the bad performance of this segment. In addition, the keen competition in construction projects results in extremely unsatisfactory profit margin. The Board consider further investment in construction projects in the meantime is inappropriate to the Group and had terminated a number of projects which induces a substantial amount of provision against those projects and preliminary expenses.

Properties for investment/for sale

The property market continued to deteriorated in Wuhan where our main investment properties locate. In order to maintain an optimistic balance between long-term investment and liquid resources, the Board is devising long term strategies. In addition, to better reflect the market price of the investment properties, the Group had arranged an independent professional valuer to revaluate the properties resulting a impairment provision HK$42,901,000.

Retail and management business

The share of profits from the jointly owned entities, Wuhan Plaza Management Co., Ltd. drops slightly of 10.4% during the year. The department store is facing keen competition in Wuhan and the expansion of client bases is reaching saturation. The group is now working with the joint venture partner to formulate short and long term strategies in facing the challenges.

OUTLOOK

The Group suffered both decline in source of income and available financial resources. The Board had exercise cautious measures where on the one hand to explore opportunities and on the other hand try to lower the cost of operations. The money lending business had previously consumed a substantial amount of financial resources of the Group. In order to consolidate the property development and management businesses, the group had decided to dispose its interest in a subsidiary in the money lending business to an independent third party, in exchange of interests in a Beijing property. There is a potential to obtain a subcontractor contract in the renovation of this Beijing property. The Group will continue to dispose non-core business and look for projects which will contribute to the operations of the Group.