

MANAGEMENT DISCUSSION AND ANALYSIS

Review of operation

Corporate restructuring exercise

As mentioned in 2002 annual report, the Group is undergoing a corporate restructuring exercise. Basically except a very small scale of construction business in Beijing, the management curtails a substantial part of the construction and property development operations of the Group. The management continues to dispose or liquidate those dormant companies relating to the construction operation in order to save costs. The management believes the corporate restructuring exercise will complete before the end of 2003.

Property investment

The property market in Wuhan stabilized during the period. Based on an independent valuation report as at 31 August 2003, the market price of the investment property is not further impaired. The management believes the property market in Wuhan will improve after the consolidation in the recent periods.

Retail and management business

The share of profits from the jointly owned entities, Wuhan Plaza Management Co., Ltd. ("WPM") increases around 7%. WPM continues to be the main stream of financial resources of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)***Future Prospects**

As stated in the 2002 annual report, the Group suffered both decline in source of income and available financial resources. After the implementation of the cautious measures devised by the management, the situation improves mildly. The Group will continue in that direction and look for new opportunities in order to turnaround the operations of the business.

Financial Position

The finance costs of the Group increases 110% due to heavy burden of loan incurred in the period and the higher amount due to the joint venturer and WPM.

As at 30 June 2003, the Group's total interest bearing bank borrowings mainly denominated in Hong Kong Dollar and Renminbi amounted to HK\$42.8 million which was HK\$10.2 million higher than the balance as at 31 December 2002.

As at 30 June 2003, the total amount of cash and cash equivalents mainly denominated in Hong Kong Dollar and Renminbi amounted to HK\$10.7 million.

Capital Structure

On 21 January 2003, a placement of 49,000,000 shares at a price of HK\$0.225 was made and the proceed was used as general working capital.

Employees and remuneration policy

As at 30 June 2003, the Group employed approximately 200 staff in the PRC and Hong Kong.

Employees are remunerated based on their work performance, professional experiences and prevailing industry practices. The remuneration policy and package of the Group's employees are periodically reviewed by the management.