FINANCIAL REVIEW

For the year ended 31 December 2003, the Group's turnover decreased to HK$30,490,000 representing a decrease of 58.6% over that of previous year's HK$73,710,000. Net loss for the year under review was HK$91,579,000 as compared to the net loss of HK$118,932,000 for the last corresponding year. Loss per share for the year ended 31 December 2003 was HK25.76 cents as compared to HK39.07 cents for the last year.

OPERATIONS REVIEW AND FUTURE PROSPECTS

The Group has streamlined the group structure during 2003. Basically, except the construction business in Beijing, the management has curtailed a substantial part of the construction operations of the Group in order to contain resources and save costs.

Properties for Investment/for sale

The property market in Wuhan stabilised during the year. Based on an independent valuation report, the market price of the investment property is not significantly impaired. The management believes the property market in Wuhan will improve in next year.

The Group entered into a sale and purchase agreement with two independent third party for the acquisition of certain commercial properties in Beijing by cash and issue of new shares. The property market in Beijing remained encouraging during the year and the management believes the investment in Beijing properties will be profitable and provide steady financial resources for the Group.

The Group entered into a conditional sale and purchase agreement on 10 June 2003 with an independent third party for the acquisition of a 17.95% (approximately) equity interest in Sycamore Asia Limited which indirectly holds controlling interest in a property investment company in Beijing, the PRC, for a consideration of approximately HK$47 million. The parties to the agreement agreed in writing to further extend the Long Stop Date to 15 May 2004. The directors consider the chance of completion of the Agreement is bleak and have taken prudent measures to address the financial position of the Group in the year ended 31 December 2003.

Retail and Management Business

The share of profits from a jointly-controlled entity, WPM continued to deliver satisfactory results during the year 2003 by contributing approximately HK$44 million profit before tax to the Group. The directors are optimistic in solving the disputes with the joint venturer as per the announcement dated 19 January 2004 in the near future and will continue to explore opportunities in retail business.

Construction and Related Business

Due to the unexpected downturn in construction contracts in Hong Kong and PRC and the keen competition in construction projects, the board considered further investment in this sector of business is not profitable. As a result, the Group only retained an existing 51% shareholding of a property renovation joint venture with a Beijing company which provides renovation to various property development projects in Beijing and northern China. This subsidiary remains to make profit contributions to the Group. The management has confidence to secure more renovation projects in Beijing Capital Airport and building facilities before the opening of 2008 Olympic Games.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2003, the Group had deficiency in assets of HK$28,915,000 with total assets of HK$351,953,000 and total liabilities of HK$377,267,000. The current ratio, which equals currents assets divided by current liabilities, was 1.06 as at 31 December 2003, compared to 1.45 as at 31 December 2002. The Group's unrestricted bank balances and short term deposits, which are mainly denominated in Hong Kong dollars and Renminbi, amounted to HK$7,914,000 as at 31 December 2003.

CAPITAL STRUCTURE

During the year, a placing agreement was entered into between Koffman Securities Limited, the placing agent, and the Company, pursuant to which 49,000,000 shares of HK$0.10 each were placed to several investors who are not connected persons as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("The Listing Rules"), at a price of HK$0.225 per share ("the Placing"). The net proceeds from the Placing approximately HK$10.5 million has been used as general working capital for settlement of the Group's short term indebtedness.

As at 31 December 2003, the Group has total variable interest bearing bank and other loans of HK$29.9 million which will be matured within 1 year. (2002: HK$25 million) and other variable interest bearing loans of HK$4.6 million with no fixed term of repayment. (2002: HK$4.6 million).

Except for HK$54.7 million (2002: HK$18.3 million) which is interest free, the loan from a joint venturer in Renminbi was variable interest bearing. In prior years, the joint venturer had agreed not to demand repayment of the loan on or prior to 31 December 2004. During the year, part of the loan from the joint venturer was subject to the arbitration as detailed in note 1 to the financial statements. The loan from the ultimate holding company is Hong Kong Dollar interest free and is not repayable prior to 31 December 2005.

On 4 February 2004, the Company has issued 63,726,000 ordinary shares as partial settlement of the consideration in the sale and purchase agreement signed on 26 December 2003 and supplemented on 29 December 2003 in relation to the acquisition of certain commercial properties in Beijing.

GEARING

The gearing ratio, as a ratio of total interest-bearing borrowings to total assets as at 31 December 2003, was 1.6 (2002: 0.9).

CONTINGENT LIABILITIES

As at 31 December 2003, the Group had contingent liabilities of HK$20 million (2002: HK$24 million) in respect of guarantees given by the Group to two banks for mortgage loan facilities granted by the banks to the buyers of properties developed by the Group.

CHARGE OF ASSETS

As at 31 December 2003, the Group's bank and other loans were secured by:

(i) the corporate guarantees executed by a jointly-controlled entity and a joint veuturer; and

(ii) debentures incorporating floating charges on all assets of the Company and the Group's entire interests / rights in certain subsidiaries and a jointly-controlled entity.

LITIGATIONS

Other than the contingent liabilities disclosed above, the Group also had certain litigations and claims during the year ended 31 December 2003, the Group has been involved in various legal proceedings and claims with total claimed amounts of approximately HK$34 million. In the opinion of the directors these claims were made without valid grounds and the Group would vigorously contest against these claims. Accordingly, these potential liabilities have not been accrued in the Group's financial statements as at 31 December 2003.

IMPORTANT EVENT

As announced on 19 January 2004, disputes have arisen between the Group and a joint venturer related to two arbitrations among certain subsidiaries and a jointly controlled entity. Based on legal opinion obtained from our PRC lawyer, the Company has very strong grounds to reverse the arbitrations without any adverse impact to the Company.

EXCHANGE RATE EXPOSURE

While the sales of the Group are mainly denominated in Hong Kong dollars and Renminbi, the Group's exposure to fluctuations in exchange rates was minimal. As at 31 December 2003, the Group did not have any foreign currency investments which has been hedged by currency borrowings and other hedging instruments.

EMPLOYEE AND REMUNERATION POLICY

As at 31 December 2003, the Group had about 143 employees of whom 9 are based in Hong Kong and 134 are based in the PRC. The number of workers employed by the Group varies from time to time depending on the industry needs and they are remunerated based in industry practice.

The remuneration policy and package of the Group's employees are periodically reviewed and approved by the executive directors. Apart from the pension funds, discretionary bonuses and share options are awarded to certain employees according to the assessment of individual performance.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY's LISTED SHARES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's share during the year.

AUDIT COMMITTEE

The Audit Committee, which comprises two independent non-executive directors of the Company, has reviewed with the management the accounting principles and practices adopted by the Group and discussed auditing, internal control and review the financial position to consider the Group's significant accounting policies and financial reporting matters during this financial year. The Audit Committee has met with the external auditors to discuss the Group's internal control system.