

MANAGEMENT DISCUSSION AND ANALYSIS

INTERIM PROFIT

The consolidated net profit of the Group after taxation and minority interests for the six months ended 31st March 2001 was HK\$5.7 million as compared with that of HK\$16.9 million for the same period last year. The latter figure has been restated to take into account the net unrealised holding gain on listed securities (net of deferred taxation) amounting to HK\$5.8 million held by the Group following the adoption of the Statement of Standard Accounting Practice No. 24 issued by the Hong Kong Society of Accountants by the Group.

In spite of stable rental income, the Group recorded a 66% drop in profit which reflected the inclusion of the net unrealised holding loss amounting to HK\$10.3 million on listed securities held by the Group and an unrealised exchange gain on foreign currency loans of HK\$5.7 million.

BUSINESS REVIEW

Hong Kong

The major portion of the profit of the Group for the six months ended 31st March 2001 derived from the rental income of our investment properties in Hong Kong. During this period, there had been a gradual decrease in vacancy for the Group's properties, but the rental rate for the new leases and leases up for renewal of our residential units was generally lower. As a result, the overall rental income for the six months under review was similar to that for the corresponding period of last year.

Elephant Holdings Limited (EHL), a subsidiary of the Group, which specialises in public address sound system and CCTV-surveillance system engineering, high-end audio and home theatre system and professional cinema engineering, recorded a drop in sales revenue. The sales decline was a reflection of the weak consumer market and the local economy as a whole. However, EHL continued to contribute profit to the Group for the period under review.

Projects in the Mainland

Silver Gain Plaza in Guangzhou – Silver Gain Development Limited (of which the Group has one-third interest) has recently concluded its negotiation to acquire the local Guangzhou partner's interest in this project, subject to the approval by the relevant government authorities. The superstructure of the 3-storey podium of the first phase of this project had been completed recently, and construction of the 28-storey residential tower of 224 units on top of this podium would commence soon. Negotiation with banks is in process for financing of construction cost for this project.

Residential units in Viva!di Court of Manhattan Garden, Chao Yang District, Beijing – The ongoing construction in an adjacent site

管理層論述及分析

中期溢利

本集團截至二零零一年三月三十一日止六個月除稅及少數股東權益後之綜合溢利為港幣五百七十萬元，比較上年度同期溢利港幣一千六百九十萬元。因本集團採用香港會計師公會頒佈之會計實務準則第二十四條，本集團上年度同期之溢利已重新修訂，包括所持上市證券淨未變現之持有收益（扣除遞延稅項）港幣五百八十萬元。

雖然租金收入穩定，本集團之溢利比上年度同期下降百分之六十六，因包括本集團持有上市證券淨未變現之持有虧損港幣一千零三十萬元及外幣貸款未變現之兌換收益港幣五百七十萬元。

業務回顧

香港

截至二零零一年三月三十一日止六個月之本集團溢利主要部份來自香港投資物業租金收入。於期內集團之物業空置逐漸減少，但是住宅單位之新租賃及續租之租金率普遍下降。因此回顧六個月整體租金收入與上年度同期相約。

本集團附屬公司大象行有限公司（大象行）專注於公共廣播音響系統及閉路電視監視系統工程、高級音響及家庭影院系統及電影院工程。大象行之銷售收入下降，此乃反映出整體消費市場及本地經濟疲弱。但該公司於期內對本集團繼續提供溢利。

國內項目

於廣州之東銀廣場 – 本集團持有三分一權益之銀利發展有限公司於近期與廣州當地之合夥人達成協議購入其於該項目之權益，惟須通過有關之政府部門批准。此項目第一期之三層平台建築工程已於近期完成，而在平台上之二十八層高共二百二十四個單位住宅大廈建築工程將於近期展開。現正與銀行商討該項目建築費之融資。

北京朝陽區京達花園威爾第閣之住宅單位 – 鄰近地盤進行中之建築工程持續對此住宅物業之

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

continued to have an adverse effect on the occupancy and rental rate of these units. The situation would improve only after construction work completion anticipated to be in the year 2003.

LIQUIDITY AND FINANCIAL RESOURCES

The Group has adopted and maintained prudent funding and treasury policies. During the period, bank loan of HK\$180 million was rescheduled and is now repayable by the end of the year 2003. At the balance sheet date, the Group's available banking facilities amounting to HK\$427 million were secured on certain investment properties of the Group with an aggregate carrying value of HK\$1,252 million. Apart from bank borrowings of HK\$247 million in Hong Kong dollars and HK\$34 million in Japanese Yen which carry interest at floating rate, the Group had repaid all its short term unsecured loans by the end of the period. Based on its net assets value and bank borrowings of HK\$1,132 million and HK\$281 million respectively, the debt-to-equity ratio was approximately 25%.

In addition to cash and bank deposits, the Group has sufficient undrawn banking facilities to finance the funding requirements of the Group's plan for upgrading and refurbishment of its investment properties; its share of development cost for the project in Guangzhou, China; and its future business expansion.

PROSPECTS

The slowdown of the world economy in the past six months had a certain adverse effect on the local economic growth. However, it is anticipated the Group's revenues from its property holdings in the second half of the financial year will remain stable, but the current decrease in interest rate will have a positive effect on the Group's profit.

The Group will continue to upgrade the quality of its property holdings to enhance their competitiveness in the property market. The Group will also look for business and investment opportunities with a prudent attitude.

EMPLOYEES

At 31st March 2001, the Group has 111 employees, who are remunerated in accordance with the job nature and market trend. There is no material change in the information as compared to the most recently published annual report.

管理層論述及分析(續)

入住及租金率有負面影響。預期於二零零三年該建築工程完成後，環境才能獲得改善。

資金流動性及財政資源

本集團已採納及維持穩健之資金及庫務政策。於期內，已從新安排一億八千萬元銀行貸款之償還期至二零零三年終。於結算日，本集團以若干投資物業總賬面值共港幣十二億五千二百萬元抵押予銀行，使本集團所獲得之銀行信貸額為港幣四億二千七百萬元。除港幣銀行貸款二億四千七百萬元及日圓銀行貸款相當於港幣三千四百萬元外(貸款按浮動利率計算利息)，本集團於期末已經償還所有短期無抵押貸款。按本集團之淨資產值及銀行借貸分別為港幣十一億三千二百萬元及港幣二億八千一百萬元，負債對股東權益比率約為百分之二十五。

除現金及銀行存款外，本集團有充足之未提取銀行信貸以支付本集團之提升及翻新其投資物業計劃；本集團中國廣州項目應佔之發展費用；及將來之業務擴展等資金須要。

業務發展

世界經濟於過去六個月放緩，對本地之經濟增長有若干不良影響。預期本集團下半年度所持物業之收入將保持平穩，但現正下降之利率將對本集團之溢利有正面影響。

本集團將繼續提升所持物業之質素，以增加其在物業市場競爭力。本集團將以謹慎態度尋求商業及投資機會。

僱員

於二零零一年三月三十一日本集團有一百一十一名僱員，其酬金按其工作性質及市場趨勢釐定。與最近刊發之年報比較，所載資料並無重大變動。