

# Management Discussion and Analysis

## (I) REVIEW OF 2000/2001 RESULTS

Group profit attributable to Shareholders for the year ended 31st March, 2001 amounted to HK\$242.5 million, a decrease of 63.8% as compared with HK\$670.4 million for the previous year. Earnings per share were 11.7 cents (2000 — 32.4 cents).

The Group's turnover for the year was HK\$1,932.7 million, 36.4% below that of HK\$3,038.4 million for 1999/2000, which was principally due to lower property sales revenue recognised by Marco Polo Developments group ("MPDL") in respect of its sales of Ardmore Park units in Singapore.

The Group's operating profit before borrowing costs and provision for properties decreased by 11.3% to HK\$1,304.3 million from HK\$1,470.9 million achieved in the previous year as a result of lower contribution was derived from MPDL for the year under review. MPDL's profit was mainly derived from recognition of a proportion of pre-sold profit from Ardmore Park of which 15% was recognised in 2000/2001 against 25% for the previous year. As at 31st March, 2001, stage billings representing 60% of the total sales price of total units sold have been billed and fully collected. Temporary Occupation Permit for the whole development of Ardmore Park was obtained in May 2001 and to-date stage billings representing 85% of the total sales price of the 316 units sold have been billed and substantially collected.

Included in the operating profit for the year under review is other net income of HK\$289.5 million against 1999/2000 of HK\$160.6 million, mainly due to increase in profit on disposal of certain securities.

Borrowing costs charged to the consolidated profit and loss account for the year were HK\$284.9 million, an increase of 31.0% as compared with HK\$217.5 million for 1999/2000.

Included in the current year's profit is a provision for certain properties under development of HK\$338.7 million made by Realty Development Corporation ("RDC") group against HK\$30.7 million for 1999/2000.

Share of loss of associates for 2000/2001 was HK\$202.4 million mainly resulting from share of provision for impairment in value of a development project held by an associate.

Taxation charge for 2000/2001 was HK\$113.2 million, as compared with HK\$388.6 million for 1999/2000. Lower taxation charge was recorded mainly due to decreased sales revenue recognised by MPDL and included in 1999/2000 taxation charge was an additional tax provision of HK\$157.4 million made by RDC.

Minority interests decreased to HK\$122.6 million, or by 40.7% from HK\$206.7 million of the previous year. The decrease was in line with the decreased profit reported by MPDL and RDC.

## (II) LIQUIDITY AND FINANCIAL RESOURCES

- a) At 31st March, 2001, the Group's total net debts amounted to HK\$3,192.7 million, representing total debts of HK\$4,061.2 million less deposits and cash of HK\$868.5 million. Accordingly, the Group's net debts represented 13% of its total assets. The debt maturity profile of the Group at 31st March, 2001 is analysed as follows:

	<b>2001</b>	2000
	<b>HK\$Million</b>	HK\$Million
Repayable within 1 year	<b>287.3</b>	2,827.5
Repayable after 1 year, but within 2 years	<b>1,255.9</b>	115.0
Repayable after 2 years, but within 5 years	<b>2,518.0</b>	1,765.0
	<b><u>4,061.2</u></b>	<u>4,707.5</u>

- b) The following assets of the Group have been pledged for securing bank loan facilities :

	<b>2001</b>	2000
	<b>HK\$Million</b>	HK\$Million
Fixed assets	<b>3,859.6</b>	4,176.1
Long term investments	<b>2,400.9</b>	2,434.9
Properties under development	—	5,555.6
	<b><u>6,260.5</u></b>	<u>12,166.6</u>

- c) To minimise exposure on foreign exchange fluctuations, the Group's borrowings are primarily denominated in Hong Kong dollars except that the borrowings for financing Singapore assets are denominated in Singapore dollars. The Group has no significant exposure to foreign exchange fluctuation.
- d) At 31st March, 2001, the Group maintained a portfolio of long-term investments with market value of HK\$4,655.9 million which primarily comprised blue chip securities.

### **(III) FINANCE**

During the financial year, the Group secured and renewed committed banking facilities at lower margins in a total amount of \$3.3 billion. In addition, various short-term banking facilities were also secured or renewed. In respect of project financing of joint venture projects, Grace Sign Limited, in which the Group has a 14.5% effective interest, has completed a project finance facility of HK\$2.5 billion to finance the development of KIL 11118 King's Park site. Moreover, Kowloon Properties Company Limited, in which the Group has a 34.5% effective interest, has also completed refinancing of its project facility to HK\$3.4 billion at favourable terms to replace a previous facility of HK\$2.2 billion.

### **(IV) ACQUISITION OF ASSOCIATE**

During the year under review, RDC group participated in a joint venture of which RDC group owns 20% to acquire the King's Park site at HK\$2,508 million.

### **(V) EMPLOYEE**

The Group has approximately 60 employees. Employees are remunerated according to nature of the job and market trend, with built-in merit component incorporated in the annual increment to reward and motivate individual performance. The Group also sponsors external training programmes that are complementary to certain job functions. Total staff costs for the year ended 31st March, 2001 amounted to HK\$25.1 million.