

Management Discussion and Analysis

REVIEW OF OPERATION

The main source of revenue to the Group is the sale of property development and property investment.

The book value of the Group's property portfolio as at 31 March 2001 is summarized as follows:

	HK\$'000
Land and buildings	36,970
Investment properties	469,400
Properties held for future development	99,166
Properties under development	997,286
Properties held for sale	200,405
Total	<u>1,803,227</u>

These properties are mainly located in Hong Kong, other regions of the People's Republic of China and the United Kingdom. Approximately 43% of the turnover is attributable to property trading. Rental income for the year amounts to HK\$39,585,000 representing approximately 35% of the turnover. Subsequent to the year end date, all the shops of Hop Yick Plaza have been disposed at a loss of about HK\$30 million and the same amount of provision is duly included in the result for the year ended 31st March, 2001. Upon disposal of the shops, the interest expense of the Group will be reduced in the coming year.

HONG KONG

Property Development

The Group has successfully settled land premium with the government for the development of two land sites at Tuen Mun. The first site is located near Siu Hong Court with a site area of approximately 365,000 square feet. The site will be developed into approximately 123 blocks of low density residential buildings together with 144 car parking spaces. The total marketable area is approximately 300,000 square feet. The target date for pre-sale is in the third quarter of 2001. The second site is located at Tsing Fat Street in So Kwan Wat, which is approximately 59,400 square feet. The site will be developed into two blocks comprising 80 units of flats and duplex units, 9 houses and 135 car parking spaces. The target date for pre-sale is in the fourth quarter of 2001.

The Group continues to market the luxury house project at 12B Bowen Road. The construction of the two houses is at the final stage. The Group remains optimistic in the luxury residential market and anticipates disposal at a satisfactory profit.

The Group currently has a land bank in excess of 2 million square feet, and has conducted feasibility studies on some of the sites in order to plan a strategic development program.

Property Investment

The Group owns an investment portfolio in Hong Kong with a gross floor area in excess of 200,000 square feet. The Board will seek suitable opportunities to realize redevelopment potentials of these properties. Rental from the investment property portfolio continues to provide a stable source of income to the Group.

OTHER REGIONS IN THE PEOPLE'S REPUBLIC OF CHINA

Property development

The Group has a 50% interest in a 447,800 square feet industrial site at Chang An Town in Dongguan City. All the phases of development will be completed in 2001. Some of these have already been leased out to generate satisfactory rental income. The board is optimistic that all the factory buildings and shops units will be leased out.

Property Investment

The Group's shopping complex, Chang An Centre, continues to provide satisfactory rental income to the Group, despite competition from new developments in the surrounding vicinity. The management are determined to improve operating efficiency and to attract more local visitors to the complex.

THE UNITED KINGDOM

Property investment

All retail shop units at the Newport Sandringham Development, London, continue to be fully let. During the year, good uplifts of rental was achieved during the rental review program. The redevelopment of our Gerrard Street property in London Chinatown is now under construction and upon completion in mid 2002, will comprise of a 6-storey residential and commercial building.

GROUP RESTRUCTURING

This has been completed during the year and the Group now owns 100% of interest in all the relevant subsidiaries. Subsequent to year end date, the UK listed shell company, Golden Land Investments PLC was disposed at a consideration of HK\$7.4 million.

CAPITAL AND FINANCE

The aggregate bank and other borrowings were increased to HK\$1,082,053,000 (2000: HK\$959,450,000). The increase is largely attributable to the two syndicated loans for the construction of Chung Shan and Tsing Fat Street projects at Tuen Mun. The majority of bank and other borrowings is denominated in the currencies for which the assets were financed and interest were borne at floating rates. Bank borrowings were mainly applied to finance development of sites and working capital.

During the year, the Group has made a placement of 65 million shares raising HK\$84 million and an issue of 3% convertible debenture due 31st December 2003 raising US\$11 million. Up to year end date, a total of US\$3,850,000 has been converted into ordinary shares of the company at an average price of HK\$0.85. These have provided further funds for development and general working capital requirements. The gearing ratio, calculated as ratio of non-current liabilities to shareholders' funds, as at 31st March 2001 is 0.92.

At the year end date, the net asset value of the Group is HK\$827 million representing approximately HK\$0.89 per share.

The Board believes that the Group will continue to obtain the support of current banks and that it will have sufficient funding for its operational requirements. The Board is confident that it has the necessary management calibre and correct strategy in place to add value for shareholders.

MAJOR SUPPLIERS AND CUSTOMERS

During the year, approximately 66% of the costs incurred on properties under development, properties held for future development and properties held for sale were attributable to the Group's five largest suppliers. Costs incurred comprised the cost of land, together with direct costs attributable to the development of the properties, professional fees and interest charges capitalised during the period of development. The Group's largest supplier accounted for approximately 24% of the costs incurred. None of the directors, their associates or any shareholders (which to the knowledge of the directors) owning more than 5% of the Company's share capital had any beneficial interest in transactions with the major suppliers.

During the year, approximately 39% of the turnover is attributable to the Group's five largest customers. The Group's largest customer accounted for approximately 23% of the turnover. The second largest customers is Gold-Face (Restaurant Group) Limited, a company wholly owned by Questrole Profits Limited. The Group received rental income from Gold-Face (Restaurant Group) Limited which accounts for approximately 5% of the turnover of the Group. Except for Gold-Face (Restaurant Group) Limited, none of the directors, their associates or any shareholders (which to the knowledge of the directors) owning more than 5% of the Company's share capital had any beneficial interest in transaction with the major customers.

PERSONNEL

As at 31st March, 2001, the number of staff employed by the Group was 94 and staff cost and retirement benefits scheme contributions paid during the year amounted to HK\$25,972,000.

Remuneration packages are reviewed by the Group from time to time. In addition to salaries, the Group provides staff benefits, including medical insurance and contributions to provident fund.

AUDIT COMMITTEE

The Audit Committee members have meetings during the year to discuss the financial position and review the financial statements of the Group. The members also meet at least annually with the auditors to discuss issues on accounting and internal controls.