Management Discussion and Analysis

(I) REVIEW OF 2001/02 INTERIM RESULTS

Group profit attributable to Shareholders for the six months ended 30 September 2001 amounted to HK$204.7 million, an increase of 0.7% as compared to HK$203.3 million for the last corresponding period. Earnings per share were 9.9 cents (2000 – 9.8 cents).

The Group's turnover for the period was HK$2,426.8 million, an increase of HK$1,704.7 million or 236.1%, which was principally due to higher 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 increased by 81.6% to HK$893.5 million from HK$492.0 million achieved in the previous period as a result of higher contribution being derived from MPDL for the period under review. MPDL's profit was mainly derived from recognition of a proportion of pre-sale profit from Ardmore Park of which 25% was recognised in the period against 4.4% for the previous period. Temporary Occupation Permit for the whole Ardmore Park development was obtained in May 2001 and stage billings accumulating to 85% of the total sales price of total units sold have been received by the end of the period under review. Certificate of Statutory Completion was obtained on 18 October 2001 and further stage billings representing 13% of the total sales price were then billed according to the sale and purchase agreements.

Included in the operating profit is other net losses of HK$26.0 million against the net income as reported in the last corresponding period of HK$84.7 million that mainly represented net profit of HK$129.6 million on disposal of securities less provision for securities of HK$44.7 million.

Borrowing costs charged to profit and loss account for the period was HK$98.7 million, a substantial decrease from HK$141.1 million incurred in the last corresponding period as a result of the interest rate cuts.

Included in the results for the period under review is a provision of HK$162.5 million made by MPDL in respect of the diminution in value of Ardmore View, a property pending for development in Singapore. The provision of HK$44.0 million for the last corresponding period was made by Realty Development Corporation group for its industrial/office development project in Kwai Chung.

Share of losses of associates was HK$135.5 million, mainly resulting from the Group’s share of provision for impairment in value of a development project made by an associate.

Taxation charge for the period under review was HK$185.9 million compared to HK$46.4 million in the last corresponding period. Higher taxation charge was recorded mainly due to increased sales revenue recognised by MPDL.

Minority interests increased to HK$106.2 million, or by 61.9% from HK$65.6 million for the previous period. The increase was in line with the increased profit reported by MPDL.

The consolidated net asset value of the Group at 30 September 2001 was HK$10,863.1 million or HK$5.25 per share compared to HK$5.93 per share at 31 March 2001.

Further information on the segmental details is provided in note 2 to the accounts on page 11.

(II) LIQUIDITY AND FINANCIAL RESOURCES

(a) At 30 September 2001, the Group's total net debts amounted to HK$1,114.4 million (31/3/2001 – HK$3,192.7 million), representing total debts of HK$3,697.0 million less deposits and cash of HK$2,582.6 million. Accordingly, the Group's net debts represented 6.9% on its total assets as compared to 13% at 31 March 2001. The reduction in the Group’s net debts was mainly due to substantial sale proceeds from sales of Ardmore Park units received by MPDL during the period under review.

The debt maturity profile of the Group at 30 September 2001 is analysed as follows:

	30/9/2001 HK$Million	31/3/2001 HK$Million
Repayable within 1 year	427.2	287.3
Repayable after 1 year, but within 2 years	1,993.8	1,255.9
Repayable after 2 years, but within 5 years	1,276.0	2,518.0
	3,697.0	4,061.2

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

	30/9/2001 HK$Million	31/3/2001 HK$Million
Investment properties	3,021.4	3,859.6
Long term investments	1,728.7	2,400.9
Properties under development	483.9	–
	5,234.0	6,260.5

(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 rate fluctuations.

(d) At 30 September 2001, the Group maintained a portfolio of long term investments with market value of HK$3,238.3 million, which primarily comprised blue chip securities.

(e) During the period under review, high liquidity was sustained in the banking market. The Group arranged a total of HK$1.6 billion loan facilities, to refinance its loan facilities with substantial reduction in interest costs and on more favourable terms such as longer maturities, more lenient covenants and inclusion of revolving condition. Subsequent to 30 September 2001, Salisburgh Company Limited, in which the Group has a one-third interest, also completed a project finance facility of HK$3.8 billion to finance the development of the Bellagio at Sham Tseng.

(III) EMPLOYEES

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 six months ended 30 September 2001 amounts to HK$39.3 million.