

MANAGEMENT DISCUSSION AND ANALYSIS

Results

Profit attributable to shareholders of the Company for the six month period ended 30th September 2001 was approximately HK\$20 million, representing a decrease of 60% compared with that of last period. Turnover for the period amounted to approximately HK\$204 million, representing a decrease of 45% compared with that of last period. Profit from operations for the period amounted to approximately HK\$51 million, representing a decrease of 55% compared with that of last period. Earnings per share for the period amounted to 1.565 cents compared with earnings per share of 3.913 cents last period. During the period under review, steady income was generated from our investment properties. Loss was however incurred from securities investments during the period while profits was generated from the sale of some of the remaining units of "The Colonnade", a property development project of the Group. These accounted for the overall profit of the Group.

Gross rental income and its contribution to profit from operations for the period amounted to approximately HK\$46 million and HK\$43 million respectively, representing a decrease of approximately 6% and 10% respectively when compared with those of last period.

Turnover from sale/pre-sale of property interests and its contribution to profit from operations for the period amounted to approximately HK\$158 million and HK\$40 million respectively compared with approximately HK\$322 million and HK\$86 million respectively last period. During the period, the Group continued the disposal of the remaining units of "The Colonnade" and the resulting profit recognised in the accounts.

Turnover from securities investment for the period as well as last period were minimal while its contribution to profit from operations for the period amounted to a loss of approximately HK\$20 million and approximately HK\$3 million in last period.

Liquidity and financial information

The Group's total bank and other borrowings as at 30th September 2001 amounted to approximately HK\$847 million compared with approximately HK\$913 million as at 31st March 2001. Cash and bank balances and short term listed investments amounted to approximately HK\$484 million as at 30th September 2001 compared with approximately HK\$123 million as at 31st March 2001. Net borrowings amounted to HK\$363 million as at 30th September 2001 compared with HK\$790 million as at 31st March 2001.

Gearing ratio of the Group which is expressed as a percentage of total borrowings to shareholders' funds was 24% as at 30th September 2001 compared with 25% as at 31st March 2001. Net gearing ratio of the Group which is expressed as a percentage of net borrowings to shareholders' funds was 10% as at 30th September 2001 compared with 22% as at 31st March 2001.

Of the Group's total borrowing, approximately HK\$132 million (16%) would be due within one year, approximately HK\$47 million (5%) would be due in more than one year but not exceeding two years, approximately HK\$183 million (22%) would be due in more than two years but not exceeding five years and the remaining balance of approximately HK\$485 million (57%) would be due in more than five years.

The above bank and other borrowings were secured by first charges on certain investment properties and other specific assets of the Group, a mortgage of the Company's shares in subsidiaries and corporate guarantees from the Company.

Equity and net asset value

Shareholders' funds of the Group as at 30th September 2001 were approximately HK\$3,604 million compared with approximately HK\$3,595 million as at 31st March 2001. The net asset value per share of the Company as at 30th September 2001 was HK\$2.80 compared with HK\$2.79 as at 31st March 2001.

Employees and share options

As at 30th September 2001, the total number of employees of the Group was approximately 40 (2000: 48). Remuneration packages are generally structured by reference to market terms and individual qualifications. The remuneration policies of the Group are normally reviewed on periodic basis. The Group operates a mandatory provident fund scheme which covers all the eligible employees of the Group.

Pursuant to the share option scheme adopted by the Company on 8th September 1998 and expired after 7th September 2001 (the "Share Option Scheme"), the Company granted a total of 104,200,000 share options on 21st March 2000 at an exercise price of HK\$0.68 per share (subject to adjustment), of which 79,682,000 and 24,518,000 share options were granted to certain directors of the Company and certain employees of the Group respectively. These share options are exercisable during the period from 21st March 2000 to 20th March 2003. None of these share options has been exercised, lapsed or cancelled since the date of grant and no other share options were granted during the period under review.