

# OPERATION AND FINANCIAL REVIEW

## OPERATION

The Group continued to focus its business on holding commercial properties for rental purpose during the year. Gross rental income for the year ended 31 March 2002 amounted to HK\$32.7 million (2001: HK\$31.4 million), representing an increase of 4.2% over that of the previous year. The increase was due to upward rental adjustment for some shops leases renewed during the year. The Group's share of gross rental income from an associate amounted to HK\$10.1 million (2001: HK\$9.0 million), representing an increase of 11.5% over that of the previous year. The substantial recovery of rental income reflected the high quality of the investment properties held by the associate of the Group.

## RESULTS

The Group's profit for the year ended 31 March 2002 amounted to HK\$23.1 million (2001: HK\$14.5 million), representing an increase of 59.6% over that of the previous year. The increase was due to the higher rental income, interest income, unrealised holding gain on investments in securities and lower administrative expenses partially offset by the loss on disposal of residential units in Hong Kong and Vancouver during the year. The Group's share of results of associates after taxation amounted to HK\$6.7 million (2001: HK\$6.3 million), representing an increase of 5.9% over that of the previous year.

Earnings per share for the year were HK7.5 cents (2001: HK4.7 cents), representing an increase of HK2.8 cents over that of the previous year. The proposed final dividend of HK1.5 cents per share will make a total distribution of HK2.5 cents per share for the full year, which is the same as that of the previous year.

## BANK BORROWINGS AND FINANCE COSTS

At 31 March 2002, the total amount of outstanding bank borrowings net of cash and deposits were HK\$152.8 million (2001: HK\$133.8 million), an increase of HK\$19.0 million over that of the previous year. Additional bank borrowings were used to increase the investment of debt securities. The ratio of net bank borrowings to shareholders' funds remained at a low level of 21.6% (2001: 18.9%).

The Group's bank borrowings are secured by its land and buildings and investment properties. Of the total bank borrowings at 31 March 2002, 41% are repayable within one year, 31% are repayable after one year but within five years and 28% are repayable after five years.

The Group's finance costs for the year ended 31 March 2002 were HK\$7.5 million (2001: HK\$10.6 million), representing a decrease of 28.9% over that of the previous year. The decrease was due to the re-financing of the Group's bank borrowings at lower interest rate and the general decrease in market interest rate during the year.

# OPERATION AND FINANCIAL REVIEW

## SHAREHOLDERS' FUNDS

At 31 March 2002, the Group's shareholders' funds amounted to HK\$708.2 million (2001: HK\$706.1 million), representing a slight increase of HK\$2.1 million over that of the previous year. The net asset value per share was HK\$2.30 (2001: HK\$2.29). The increase in shareholders' funds represented the profit retained for the year partially offset by the reduction in the value of the Group's investment properties upon revaluation at the year end date.