

OPERATION AND FINANCIAL REVIEW

OPERATION

The Group continued to hold commercial properties for rental income during the year. Gross rental income for the year ended 31 March 2003 amounted to HK\$31.0 million (2002: HK\$32.7 million), representing a decrease of 5.3% over that of the previous year. The decrease was due to the general decline in market rental rate for the Group's shops and office leases renewed during the year. The Group's share of gross rental income from an associate amounted to HK\$9.8 million (2002: HK\$10.1 million), representing a decrease of 2.6% over that of the previous year.

At 31 March 2003, the Group held a total of HK\$71.5 million in investments in debt securities. The investments were mostly denominated in U.S. currency, and focused on quality government or corporate bonds with high yield and comparatively low risk.

RESULTS

The Group's profit for the year ended 31 March 2003 amounted to HK\$29.7 million (2002: HK\$23.1 million), representing an increase of 28.5% over that of the previous year. The increase was due to the lower interest expense during the year, the losses recorded in the previous year on disposal of a residential property in Hong Kong and diminution in value of investment securities partially offset by lower rental income and lower increase in market value on investments in debt securities during the year. The Group's share of results of associates after taxation amounted to HK\$7.0 million (2002: HK\$6.7 million), representing an increase of 5.0% over that of the previous year.

Earnings per share for the year were HK9.7 cents (2002: HK7.5 cents), representing an increase of HK2.2 cents over that of the previous year. The proposed final dividend of HK1.6 cents (2002: HK1.5 cents) per share will make a total distribution of HK2.8 cents (2002: HK2.5 cents) per share for the full year, representing an increase of 12% over that of the previous year.

BANK BORROWINGS AND FINANCE COSTS

The majority of the Group's investment properties were situated in Hong Kong. Therefore most of the bank borrowings were denominated in Hong Kong currency. Nevertheless, the Group also hedged its investments in foreign properties against exchange rate risk by bank loan financing in foreign currency.

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At 31 March 2003, the total amount of outstanding bank borrowings net of cash and deposits were HK\$128.0 million (2002: HK\$152.8 million), representing a decrease of HK\$24.8 million over that of the previous year. The decrease was due to partial repayment of bank borrowings with surplus funds from operation and funds received from the repayment of an amount due from an associate during the year. The ratio of net bank borrowings to shareholders' funds decreased to a low level at 18.1% (2002: 21.6%).

At 31 March 2003, the Group's banking facilities totalling HK\$235.9 million (2002: HK\$235.9 million) were secured by its land and buildings and investment properties with an aggregate carrying value amounting to HK\$523.0 million (2002: HK\$540.3 million). These facilities were utilised to the extent of HK\$146.9 million (2002: HK\$172.5 million) as at 31 March 2003. Less than 5% of the utilised facilities were denominated in foreign currency.

Of the total bank loans at 31 March 2003, 40% are repayable within one year, 38% are repayable after one year but within five years and 22% are repayable after five years.

It is the Group's policy to minimise finance costs by drawing down revolving bank facilities to finance short term funding requirement and repaying with surplus funds from the operation subsequently. The Group's finance costs for the year ended 31 March 2003 were HK\$4.5 million (2002: HK\$7.5 million), representing a decrease of 40.8% over that of the previous year. The decrease was due to lower level of bank borrowings during the year with the full year effect of re-financing at lower interest rate.

SHAREHOLDERS' FUNDS

At 31 March 2003, the Group's shareholders' funds amounted to HK\$705.4 million (2002: HK\$708.2 million), representing a slight decrease of HK\$2.8 million over that of the previous year. The net asset value per share was HK\$2.29 (2002: HK\$2.30). The decrease in shareholders' funds was due to the decrease in the value of the Group's investment properties upon revaluation at the balance sheet date partially offset by the retained profit for the year.