

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATION

The Group continued to hold commercial properties for rental income and invest in bond securities for interest income during the year. The Group's turnover for the year ended 31 March 2005 amounted to HK\$100.3 million (2004: HK\$92.2 million), an increase of 8.9% from last year. The increase was due to the increase in rental income and securities trading activities during the year.

The Group's gross rental income for the year ended 31 March 2005 amounted to HK\$30.6 million (2004: HK\$28.6 million), an increase of 7.1% from last year. The increase was due to the rental increase upon lease renewal and higher level of occupancy rate during the year. The Group's share of gross rental income from an associate amounted to HK\$9.4 million (2004: HK\$9.5 million), a decrease of 1.2% from last year.

The Group's sales of securities for the year ended 31 March 2005 amounted to HK\$69.6 million (2004: HK\$63.6 million), an increase of 9.4% from last year. At 31 March 2005, the Group held a total of HK\$65.4 million in debt securities, an increase of HK\$5.7 million from last year. The investments were denominated in U.S. and Australian currency, and focused on quality corporate and banking bonds with high coupon rate. The Group also held locally listed shares amounted to HK\$10.7 million at the balance sheet date. The share investments generated a dividend income of HK\$121,000 during the year.

RESULTS

The Group's profit for the year ended 31 March 2005 amounted to HK\$424.2 million (2004: HK\$18.7 million), an increase of HK\$405.5 million from last year. The increase was primarily from the revaluation surplus on investment properties of the Group and its associate. The other increases included higher rental income and interest income from debt securities, lower interest expense and gain on disposal of non-core investment properties but offset by the decrease in trading profit and market value of bond securities, and the increase in provision of deferred tax for the investment properties during the year. The Group's share of results of associates after taxation amounted to HK\$95.2 million (2004: HK\$5.3 million), an increase of HK\$89.8 million from last year. The increase was resulted from the revaluation surplus on investment properties of an associate.

Earnings per share for the year ended 31 March 2005 were HK\$1.38 (2004: HK\$0.06). The proposed final dividend of HK2.0 cents (2004: HK1.8 cents) per share will make a total distribution of interim and final dividends of HK3.2 cents (2004: HK3.0 cents) per share for the full year, an increase of HK0.2 cent from last year. No special dividend was proposed for the year (2004: HK1.2 cents per share)

BANK BORROWINGS AND FINANCE COSTS

At 31 March 2005, the Group's banking facilities amounting to HK\$329.3 million (2004: HK\$226.1 million) were fully secured by its land, buildings and investment properties with an aggregate carrying value amounting to HK\$896.7 million (2004: HK\$536.6 million). At 31 March 2005, these facilities were utilised to the extent of HK\$171.8 million (2004: HK\$117.2 million).

At 31 March 2005, the total amount of outstanding bank borrowings net of bank balances and cash of HK\$12.5 million were HK\$159.2 million (2004: HK\$97.4 million), an increase of HK\$61.8 million from last year. The increase was due to the purchase of a commercial property in Tsimshatsui for investment purpose during the year. The gearing ratio, which is the ratio of net bank borrowings to shareholders' funds, was still at a low level of 13.9% (2004: 13.2%).

MANAGEMENT DISCUSSION AND ANALYSIS

Of the total bank loans at 31 March 2005, 0.2% were repayable within one year, 97.2% were repayable after one year but within five years and 2.6% were repayable after five years.

The Group has commenced refinancing its bank facilities at lower interest margin for a period of five years during the year. The Group's finance costs for the year ended 31 March 2005 were HK\$1.7 million (2004: HK\$2.7 million), a decrease of 36.9% from last year. The decrease was due to the lower average level of bank borrowings and the refinancing with lower market interest rate during the year.

SHAREHOLDERS' FUNDS

At 31 March 2005, the Group's shareholders' funds amounted to HK\$1,148.0 million (2004: HK\$736.7 million), an increase of 55.8% from last year. The net asset value per share was HK\$3.73 (2004: HK\$2.39). The increase in shareholders' funds was due to the substantial increase in the value of the Group's investment properties upon revaluation at the balance sheet date.

RISKS OF FLUCTUATIONS IN EXCHANGE RATE AND INTEREST RATE

Over 95% of the Group's bank borrowings were denominated in Hong Kong dollars. The remaining bank borrowings were denominated in Canadian dollars and were secured by the Canadian properties. Only the equity portion of the Canadian properties was subject to exchange rate risk. The amount involved was 1.3% of the Group's net assets.

Most of the Group's bank borrowings were revolving loans with floating interest rate based on HIBOR. Since the Group's gearing ratio was low, the interest rate risk associated with the bank borrowings was not substantial.

HK\$47.3 million or 72.4% of the investments in debt securities were denominated in U.S. dollars. The rest amount of HK\$18.1 million was denominated in Australian dollars. Therefore the exchange rate risk was not material. These investments were subject to interest rate risk. To minimise the interest rate risk, the Group invested in those securities with short to medium maturity period and high coupon rate. The quality and liquidity of the investments were also considered in the Group's investment decisions with market monitoring on a daily basis.

CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

At 31 March 2005, the Group had neither contingent liabilities nor capital commitments.

EMPLOYEES AND REMUNERATION POLICY

At 31 March 2005, the total number of staff of the Group was 11 (2004: 11). The total staff costs including Directors' emoluments amounted to HK\$6.8 million (2004: HK\$7.3 million)

The Group reviews staff remuneration annually. The review is based on individual performance and merit.