

FINANCIAL REVIEW

REVIEW OF THE RESULTS FOR THE YEAR END 31ST MARCH, 2006

	2006 HK\$'000	2005 HK\$'000
Total revenue	371,638	373,332
Profit of the Group for the year before adoption of new HKFRSs	119,211	71,409
Profit of the Group for the year under new HKFRSs	141,339	181,158

The Group reported a turnover of approximately HK\$371.6 million for the year ended 31st March, 2006, which was mainly generated from rental income of approximately HK\$34.3 million, sale of properties of approximately HK\$162.4 million, sale of securities of approximately HK\$170.4 million and dividend income from securities held for trading of approximately HK\$4.5 million.

The Group recorded a profit of approximately HK\$119.2 million for the year ended 31st March, 2006 before the adoption of the new HKFRSs, represented an increase of 67% compared to a profit of approximately HK\$71.4 million in last year. As a result of the adoption of the new HKFRSs, the profits of the Group for year ended 31st March, 2006 and 31st March, 2005 have been adjusted to approximately HK\$141.3 million and HK\$181.2 million respectively.

LIQUIDITY AND FINANCIAL RESOURCES

The Group maintained a healthy liquid position which included highly liquid investment in securities of approximately HK\$113 million and cash of approximately HK\$380.6 million. The Group generally financed its operations through its internal resources and bank facilities provided by its principal bankers.

As at 31st March, 2006, the Group had net current assets of approximately HK\$501.9 million (31st March, 2005: HK\$379.4 million) and a current ratio of 3.76 (31st March, 2005: 2.86).

The Group's short-term bank borrowing has been changed from approximately HK\$158.6 million as at 31st March, 2005 to approximately HK\$158.8 million as at 31st March, 2006, and long-term bank borrowing has been decreased from approximately HK\$376.4 million as at 31st March, 2005 to approximately HK\$155.2 million as at 31st March, 2006. All the bank borrowings were utilized in financing the Group's investment properties in generating recurring rental income. As a result, the Group's total bank borrowings has been decreased from approximately HK\$535 million as at 31st March, 2005 to approximately HK\$314 million as at 31st March, 2006, and the total debts to total assets ratio was decreased to 25.2% (31st March, 2005: 43.3%). All bank borrowings were denominated in HK dollars and were on a floating rate basis at either bank prime rate lending rates or short-term inter-bank offer rates. The maturity profile spread over a period of 10 years with approximately HK\$158.8 million repayable within one year, HK\$61.9 million repayable between one to five years, and HK\$93.3 million over five years.

FOREIGN CURRENCY EXPOSURE

The majority of the Group's assets and liabilities were denominated in Hong Kong dollars and US dollars. As such, the fluctuation of foreign currencies did not have a significant impact on the performance, results and operation of the Group.

CONTINGENT LIABILITIES

	2006 HK\$'000	2005 HK\$'000
Corporate guarantee given by the Group for banking facilities granted to an associate	<u>36,176</u>	—

PLEDGE OF ASSETS

At 31st March, 2006, the following assets were pledged to secure banking facilities granted to the Group:

- (a) Investment properties with a carrying value of HK\$622,000,000 (2005: HK\$818,000,000).
- (b) Property, plant and equipment with a carrying value of approximately HK\$1,760,000 (2005: Nil).
- (c) Prepaid lease payments with a carrying value of approximately HK\$239,726,000 (2005: Nil).
- (d) Properties held for sale with carrying value of approximately HK\$92,890,000 (2005: HK\$227,009,000).
- (e) Bank deposits of HK\$165,366,000 (2005: HK\$5,230,000).

The Group also executed assignments of rental income and sales proceeds on disposal of investment properties and properties held for sale to banks to secure the banking facilities granted to the Group.

CAPITAL COMMITMENTS

	2006 HK\$'000	2005 HK\$'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the financial statements	1,527	—
Capital expenditure in respect of acquisition of subsidiary contracted for but not provided in the financial statements	—	205,000
	<u>1,527</u>	<u>205,000</u>