

## MANAGEMENT DISCUSSION AND ANALYSIS

### Results

Turnover for the six months ended 31 December 2006 (the “Period”) amounted to HK\$30,154,000 (2005:13,709,000), a 120.0% increase over the same period last year. It was mainly due to the increase in turnover on sale of properties in Malaysia.

For property leasing, the Period recorded an increase of 34.8% in rental income as compared with the corresponding period in 2005, amounting HK\$16,577,000 (2005:HK\$12,302,000).

Gross profit for the Period amounted to HK\$13,431,000, a 48.5% increase as compared with the same period last year.

Other income recorded an decrease of 93.8% to HK\$5,823,000 when compared with the same period last year. Change in fair value of investment properties increased by 1,902.5% to HK\$312,114,000 as compared with the same period last year. Administrative expenses increased by 60.6% to HK\$9,135,000 as compared with the same period last year. Finance costs recorded an increase of 10.5% to HK\$12,113,000 as compared with the same period last year.

Profit attributable to equity holders of the Company for the Period was HK\$265,937,000 as compared to HK\$97,649,000 for the same period last year. Earnings per share was HK261 cents (2005: HK128 cents).

An interim dividend of HK5.5 cents per share for the period ended 31 December 2006 (2005: HK4.5 cents). Scrip dividend alternative was offered to shareholders.

## **Net Asset Value**

As at 31 December 2006, the Group's total net asset to equity holders amounted to approximately HK\$2,337,068,000 (2005: HK\$1,620,133,000), an increase of HK\$716,935,000 or 44.3% when compared with 31 December 2005. With the weighted average number of ordinary shares in issue of 102,072,470 as at 31 December 2006 (2005: 76,343,926 shares), the net asset value per share to equity holders of the Company was HK\$22.9, an increase of 8.0% over 31 December 2005: HK\$21.2. The increase in net asset value per share was mainly due to the profit retained for the Period and increase in fair value of investment properties. The weighted average number of share in issued used in the basic earnings per share calculation for the period ended 31 December 2005 has been adjusted to reflect the effect of rights issue during the Period which is treated as had been completed on 1 July 2005.

Included in the total net asset is deferred tax liabilities of HK\$350,203,000 on fair value gains on investment properties. If such deferred tax liabilities are excluded, the total net asset to equity holders will become HK\$2,687,449,000 or HK\$26.3 per share.

Other than the existing projects and those disclosed in the interim report, the Group did not have any future plans for material investment or acquiring capital assets.

## **Risk Management**

The Group has established adequate risk management procedures that enable it to identify, measure, monitor and control the various types of risk it faces. This is supplemented by active management involvement and effective internal controls in the best interests of the Group.

## **Equity**

The number of issued ordinary shares as at 31 December 2006 and 31 December 2005 were 185,879,054 and 75,983,199 respectively.

## **Debt and Gearing**

As at 31 December 2006, the Group's bank and other borrowings amounted to HK\$1,263,306,000 (2005: HK\$1,488,860,000). Cash and bank balances amounted to HK\$28,147,000 (2005: HK\$12,240,000) and net borrowing amounted to HK\$1,235,159,000 (2005: HK\$1,476,620,000).

Total debts to equity ratio was 54.1% (2005: 91.9%) and net debt to equity ratio was 52.9% (2005: 91.1%).

The decrease in the total debt to equity ratio and the net debt to equity ratio were mainly due to the right issue and two placing of shares during the Period.

At the balance sheet date, the Group's bank and other borrowings were denominated in Hong Kong dollars 99.2% and Renminbi 0.8 %. Of the Group's total bank and other borrowings of HK\$1,263,306,000, 28.5%, 21.6%, and 49.9% were repayable within 1 year, 1 to 2 years and 2 to 5 years respectively. The Group's bank and other borrowings carried interest rates by reference to HIBOR and PBOC. No hedging for interest rate subsisted at the end of the Period.

### **Pledge of Assets**

As at 31 December 2006, the Group's investment properties and properties for sale with their respective book value of approximately HK\$3,051,187,000 (2005: HK\$2,208,940,000) and HK\$947,589,000 (2005: HK\$166,613,000) were pledged to secure general banking facilities of the Group.

### **Financial and Interest Expenses**

Financial costs included interest expenses on bank and other loans, arrangement, facility and commitment fee expenses. Interest capitalized for the Period was HK\$26,015,000 as compared to HK\$15,402,000 for the same period last year. Interest expenses for the Period amounted to HK\$12,113,000, representing 10.5% increase over the interest expenses of HK\$10,967,000 recorded for the same period last year. The increase in interest expense was mainly due to increase in interest rate and increase in borrowing during the Period.

### **Remuneration Policies and Share Option Scheme**

During the period under review, the Group employed a total of 46 (2005: 38) staff.

Employees were remunerated on the basis of their performance, experience and prevailing industry practice. Remuneration packages comprised salary, year end double pay and year end discretionary bonus based on market conditions and individual performance. The Executive Directors continued to review employees' contributions and to provide them with necessary incentives and flexibility for their better commitment and performance. No share option scheme was adopted for the Period.

## **Hong Kong**

The property market arisen from the bottom in the second half of 2006 and shown substantial growth on the deluxe residential market which is our core business. One Kowloon Peak Phase I (formerly known as Cheuk Nang Bridgeview Bay) will be put to market for sale in second half of 2007 and will achieve good profit judging from the present sentiment.

## **Macau**

The development project, “Cotai Strip No. 1”, at Estrada de Seac Pai Van, Coloane Island was at the building plan approval stage at the balance sheet date. Reservation has been received from interesting parties since December 2006 and over 60% units of Tower 5 has been reserved.

## **China**

The Group’s development project in Longhwa Shenzhen was at the stage of site formation at the balance sheet date.

## **Malaysia**

Phase I of the development was completed and sale was carried out in July 2006. Over 60% units has been sold. Phase II and III of the development project was at the building plan approval stage at the balance sheet date.

## **Property Valuation**

A property valuation has been carried out by Directors in respect of the Group’s investment properties as at 31 December 2006 and that valuation was used in preparing 31 December 2006 financial statements. The Group’s investment properties were valued at HK\$3,059,687,000 (2005: HK\$2,648,940,000). The increase in fair value of approximately HK\$312,114,000 was credited to the condensed consolidated income statement for the Period. Properties under development for sales of the Group were stated at cost less impairment, if any, in the financial statements.