

## FINANCIAL REVIEW

### Review of the Results for the year ended 31 March, 2007

The Group reported a turnover of approximately HK\$555.4 million for the year ended 31 March, 2007, which was mainly generated from rental income of approximately HK\$84 million, sales of properties of approximately HK\$17.6 million, securities investment of approximately HK\$453.8 million, representing an increase of 49.5% from approximately HK\$371.6 million reported in 2006.

The Group reported a consolidated profit attributable to the equity shareholders of the Company of HK\$276.6 million for the year ended 31 March, 2007, represented an increase of 97.1% compared with HK\$140.3 million reported in 2006.

### Liquidity and Financial Resources

The Group maintained a healthy liquid position which included liquid investment held for trading of approximately HK\$118.8 million and bank balance and cash of approximately HK\$608.5 million. The Group generally financed its operations through its internal resources and bank facilities provided by its principal bankers.

As at 31 March, 2007, the Group had net current assets of approximately HK\$2,407.1 million (31 March, 2006: net current assets of approximately HK\$501.9 million) and a current ratio of 7.7 (31 March, 2006: 3.8).

The Group's short-term bank borrowing increased from approximately HK\$158.8 million as at 31 March, 2006 to approximately HK\$290.3 million as at 31 March, 2007, and long-term bank borrowing increased from approximately HK\$155.2 million as at 31 March, 2006 to approximately HK\$928.1 million as at 31 March, 2007. 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 borrowing increased from approximately HK\$314 million as at 31 March, 2006 to approximately HK\$1,218.4 million as at 31 March, 2007, and the total debt-to-total assets ratio increased to 37.2% (31 March, 2006: 19.4%). All bank borrowings were denominated in Hong Kong dollars and were on a floating rate basis at short-term inter-bank offer rates. The maturity profile spread over a period of 10 years with approximately HK\$290.3 million repayable within one year, HK\$430.4 million repayable between one to five years, and HK\$497.7 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, result and operation of the Group.

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### Contingent Liabilities

	2007 HK\$'000	2006 HK\$'000
Corporate guarantee given by the Group for banking facilities granted to associates	<b>107,976</b>	36,176
Corporate guarantee given by the Group for banking facilities granted to a jointly controlled entity	<b>65,000</b>	—
	<b>172,976</b>	36,176

### Pledge of Assets

At 31 March, 2007, the following assets were pledged to secure banking facilities granted to the Group:

- (a) Investment properties with a carrying value of HK\$700,000,000 (2006: HK\$622,000,000).
- (b) Properties held for sale with carrying value of approximately HK\$1,480,615,000 (2006: HK\$92,890,000).
- (e) Bank deposits of HK\$272,396,000 (2006: HK\$165,366,000).

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

Other than the above, the Group's banking facilities at 31 March, 2006 were also secured by property, plant and equipment and prepaid lease payments with carrying values of approximately HK\$1,760,000 and HK\$239,726,000 respectively.

### Capital Commitments

	2007 HK\$'000	2006 HK\$'000
Capital expenditure in respect of		
— the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	<b>5,321</b>	1,527
— the establishment of a subsidiary in the People's Republic of China	<b>13,082</b>	—
	<b>18,403</b>	1,527