

Management Discussion and Analysis

(I) REVIEW OF 2000/2001 RESULTS

Group profit attributable to Shareholders for the year ended 31st March, 2001 amounted to HK\$62.6 million, compared to HK\$158.9 million for the previous year. Earnings per share were 5.4 cents (2000 — 13.8 cents). The profit for the year included provision made for certain properties under development of HK\$338.7 million (2000 — HK\$30.7 million).

The Group's turnover for the year was HK\$445.4 million compared to HK\$525.1 million for 1999/2000, a decrease of HK\$79.7 million or 15.2%. Property sales for the year amounted to HK\$130.2 million, a decrease of HK\$94.7 million mainly due to reduction in sales of residential units at The Regalia and The Astrid. Property rental income also dropped by HK\$8.9 million as lower average rental rates were recorded for the year under review. The aforesaid shortfalls were partially mitigated by an increase in dividend and interest income.

The Group's operating profit before borrowing costs and provision for properties was HK\$488.3 million, an increase of HK\$74.3 million or 17.9% despite the reported decrease in turnover. This is mainly due to the inclusion in the operating profit of other net income of an amount of HK\$192.2 million, representing mainly profit on disposal of investments. As compared with the previous year, profit contribution from property sales significantly decreased from HK\$150.6 million to HK\$44.8 million.

Borrowing costs charged to consolidated profit and loss account for the year were HK\$87.1 million (2000 — HK\$67.6 million).

Share of profits of associates was HK\$15.7 million, as compared with HK\$9.3 million for the previous year.

Taxation charge for 2000/2001 was HK\$15.3 million, against HK\$165.9 million for the previous year. Included in 1999/2000 taxation charge was an additional provision of HK\$157.4 million made for additional assessments in respect of a dispute over the deductibility of certain interest payments in prior years. The Commissioner of Inland Revenue issued a determination in April 2000 confirming the additional assessments.

(II) LIQUIDITY AND FINANCIAL RESOURCES

- a) At 31st March, 2001, the Group's total net debts amounted to HK\$890.0 million, representing total debts of HK\$909.0 million less deposits and cash of HK\$19.0 million. Accordingly, the Group's net debts represented 11.8% of its total assets.

- b) The debt maturity profile of the Group at 31st March, 2001 is analysed as follows:

	2001 HK\$Million	2000 HK\$Million
Repayable within one year	163.0	884.4
Repayable after 1 year, but within 2 years	28.0	—
Repayable after 2 years, but within 5 years	718.0	—
	<u>909.0</u>	<u>884.4</u>

The following assets of the Group have been pledged for securing bank loan facilities:

	2001 HK\$Million	2000 HK\$Million
Fixed assets	1,786.0	1,969.0
Long term investments	363.2	691.0
	<u>2,149.2</u>	<u>2,660.0</u>

- c) To minimise exposure on foreign exchange fluctuations, the Group's borrowings are primarily denominated in Hong Kong dollars. The Group has no significant exposure to foreign exchange rate fluctuations.
- d) At 31st March, 2001, the Group maintained a portfolio of long-term investments with market value of HK\$1,788.8 million, which primarily comprised blue chip securities.

(III) FINANCE

During the financial year, the Group secured and renewed committed banking facilities at lower margins in a total amount of HK\$1.2 billion. In addition, various short-term banking facilities were also secured or renewed. In respect of project financing of joint venture projects, Grace Sign Limited, in which the Group has a 20% interest, has completed a project finance facility of HK\$2.5 billion to finance the development of KIL 11118 King's Park site. Moreover, Kowloon Properties Company Limited, in which the Group has a 20% interest, has also completed refinancing of its project facility to HK\$3.4 billion at favourable terms to replace a previous facility of HK\$2.2 billion.

(IV) ACQUISITION OF ASSOCIATE

During the year under review, the Group has participated in a joint venture of which

the Group owns 20% to acquire the King's Park site at HK\$2,508 million.

(V) EMPLOYEES

The Group has no employees. All management, administrative and related services are provided to the Company and its subsidiaries by their general managers which are fellow subsidiaries of the Company.