

MANAGEMENT DISCUSSION AND ANALYSIS

CORPORATE RESULTS

During the financial year ended 31st March, 2001, the turnover was HK\$510,353,000, a decrease of 17.9% as compared to HK\$621,675,000 of the corresponding period in 2000. The operating profit has increased 42% from HK\$33,744,000 to HK\$47,912,000.

FINANCIAL RESOURCES AND LIQUIDITY

Borrowings and Charges on Group Assets

The Group's total borrowings amount to approximately HK\$1,011 million as at 31st March, 2001 (2000: HK\$688 million).

Interest rates were in line with the best lending rates either at prime or based on the Hong Kong Inter-bank Offer Rate.

Gearing Ratio

The gearing ratio (total bank borrowings to shareholders' equity) as at 31st March, 2001 was 42% (2000: 28.2%).

REVIEW OF OPERATIONS, OUTLOOK AND STRATEGY

1. Property Division

HONG KONG

In the year under review to date, we acquired five additional projects namely Hung Shui Kiu, Yuen Long; Chuk Kok, Sai Kung; Fung Lok Wai, Yuen Long; Kou U Fong, Central and Hong Kong 26 Court, Mid-level, Central. Details of these and other existing projects are described as follows:

Land Acquisitions

Hung Shui Kiu, Yuen Long – a 7-storey residential development with a total gross floor area of approximately 38,000 sq.ft., is currently in the process of applying land exchange.

Chuk Kok, Sai Kung – this piece of land with a site area of about 30,000 sq.ft. acquired through government auction in December 2000 will be developed into 10 detached houses with a total gross floor area of approximately 12,000 sq.ft.. Site formation works will be commenced in late 2001.

Fung Lok Wai, Yuen Long – raw land area with approximately 8,610,000 sq.ft., will be developed into a residential project. The Group has an effective interest of 21.66% in the project after the acquisition of an additional 15.33% during the year for HK\$120,000,000.

Kau U Fong, Central – a piece of vacant land for commercial use to be developed into a 31-storey hotel development with 151 suites, covering a total gross floor area of approximately 63,000. Demolition work was completed and submission of building plans for government approval is scheduled to be in August 2001. Site work will commence upon approval thereafter.

Hong Kong 26 Court, Mid-level, Central – an existing residential block of units acquired during the year and will be held for rental purposes.

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Continuing Projects

Baker Street, Hung Hom – a 33-storey commercial-residential development with a total gross floor area of approximately 55,000 sq.ft. Superstructure work has commenced and the sales launch is scheduled for late 2001.

Pak Shek Wo, Sai Kung – a 15 detached house development with a total gross floor area of 18,000 sq.ft.. Access road construction and site formation work will commence in August 2001.

Anchor Street, Tai Kok Tsui – a 21-storey hotel development with 143 rooms with a total gross floor area of approximately 46,000 sq.ft.. Town planning application for hotel development will be submitted in August 2001.

Tan Kwai Tsuen, Yuen Long – this project consists of 62 units of 4-storey apartments with a total gross floor area of 52,000 sq.ft., is in the process of applying land exchange and access road formation.

Sheung Yeung, Sai Kung – it is proposed to build 24 village houses with a total gross floor area of 50,000 sq.ft.. Building work on Phase 1 with 4 houses will be commenced soon. Other phases will follow depending on government approval schedule.

CHINA

California Gardens – this project in Shanghai continues contributing healthy profit to the Group and over 2,000 homes have been sold.

New Time Plaza, Guangzhou – the Group owns 45% of this project which consists of a completed 8,000 sq.m. auxiliary building and a 29-storey residential tower of 27,000 sq.m.. Preparation for the construction work of the residential tower is in progress. We intend to commence sales soon.

MALAYSIA

With the revival of the country's economy, the Group's housing sales have picked up strongly with a total sale of over 500 units in the year under review. The Group continues to focus on the medium to medium low cost housing market where the demand is strongest.

Karunmas Ehsan – this project consists of a total of 812 units of terrace house, condominium, low cost flats and shop offices. Phase 1 and 2 totaling 426 units of terrace houses have been 95% sold and in Phase 3, comprising 240 units of condominiums, have been 90% sold.

Taman Teluk Gedong Ludah – this project consists of 628 units of terrace houses and 200 units of low cost flats. About 80% of the terrace house has been sold.

AUSTRALIA

St. Kilda Road, Melbourne – about 90% of 120 units of office suites at 370 St. Kilda Road have been sold as at 31st March, 2001. The construction of the residential apartments at 360 St. Kilda Road is progressing well with completion of construction targeted for August 2001.

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Flinders Wharf, Melbourne – the Group owns 50% of a high-class residential development with 266 units located on the Yarra River in the city of Melbourne next to the Melbourne Exhibition and Convention Center and the Crown Casino. The sales launched in June 2001 with over 130 units sold to date.

2. Hotel Division

Dorsett Garden Hotel and Dorsett Seaview Hotel – the Group operates two 3 stars hotels in Hong Kong, with a total of 356 rooms. The two hotels maintain an occupancy rate of over 85% on monthly weighted average basis since our takeover in February 2001 to date. The two hotels continue to provide a steady income to the Group.

Dorsett Regency Hotel, Kuala Lumpur – with 320 rooms, continues to perform well during the year with high occupancy throughout.

Rockman Regency, Melbourne – was sold to the J.W. Marriott group of USA and the Commonwealth Property Trust of Australia in February 2001.

Dallas Grand Hotel, USA – with 700 rooms plus convention facilities, will be refurbished and upgraded to enhance its occupancy rate and to meet the growing demand of rooms in the expanding convention market in Dallas in the years to come.

3. Industrial and Infrastructure Division

The boiler factory in Guangzhou had a moderate performance. The Board believes that the operation of the boiler factory will gradually improve.

The Company has acquired a 68% interest in the 44 km of the National Highway 311 in Henan Province which has been fully operational since January 2001 with two-ways tollroad collections. The Company expects this investment will contribute a satisfactory return starting this year.

4. Recurrent Income

The Group's rental income comes mainly from four commercial/office buildings in Hong Kong.

The occupancy rate of leased tenants maintained 90% during this review period.

5. Corporate Strategy and Outlook

The Group has full confidence in Hong Kong and will utilise its financial capabilities to concentrate in property development in Hong Kong and China. At present, our focus in China is to build middle-class link-houses in the "California Garden" in Shanghai and with intent to do the same in other major Chinese cities in future. With the aforesaid land acquisitions and continuing projects in Hong Kong, we expect to launch our development property sales program initially in August/September 2001. We are cautiously optimistic that the property development profits will be steady in the next five years following the financial year ending 2002.

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In order to achieve our corporate objective and to yield steady growth in and to enhance return on our assets, we will continue to:

- (a) dispose of our overseas assets and the non-core businesses in the Group;
- (b) strengthen our investment in 3 and 4 stars hotels in Hong Kong and China to meet the emerging demands of tourist occupancy for the advent of 2008 Beijing Olympics in China;
- (c) build quality and price competitive properties for sales; and
- (d) strive for management creativity, transparency and excellence.

David Chiu

Deputy Chairman and Chief Executive Officer

Hong Kong, 18th July, 2001