

Management Discussion and Analysis

(I) REVIEW OF 2001/02 INTERIM RESULTS

Group profit attributable to Shareholders for the six months ended 30 September 2001 amounted to HK\$77.9 million, compared to HK\$116.8 million for the last corresponding period. Earnings per share were 6.8 cents (2000 – 10.1 cents).

The Group's turnover for the period was HK\$334.6 million compared to HK\$204.3 million recorded in the last corresponding period, an increase of HK\$130.3 million or 63.8%. The increase was mainly due to increase in property sales by HK\$150.9 million, resulting from the successful sales of residential units at The Primrose. Other property sales during the period were sales of residential units at The Astrid, The Regalia and Forest Hill. The property rental segment also managed to report a slight improvement to HK\$68.0 million under the lacklustre market condition.

The Group's operating profit before borrowing costs was HK\$105.0 million, a decrease of HK\$53.8 million or 33.9% despite the reported increase in turnover. This was mainly due to the inclusion in the operating profit of net losses of HK\$13.7 million on disposal of non-trading securities, whereas in the last corresponding period there was a net income of HK\$40.9 million arising from net profit of HK\$129.6 million on disposal of securities less provisions of HK\$88.7 million. As compared with the last corresponding period, profit contribution from sales of property increased by HK\$12.7 million to HK\$19.2 million.

Borrowing costs charged to profit and loss account for the period was HK\$25.5 million, decreased substantially from HK\$41.8 million incurred in last corresponding period as a result of the interest rate cuts.

Share of profits of associates was HK\$2.0 million, as compared with HK\$2.6 million for the previous period.

Taxation charge for the period under review was HK\$3.5 million compared to HK\$2.7 million in the last corresponding period.

The consolidated net asset value of the Group at 30 September 2001 was HK\$5,950.3 million or HK\$5.17 per share compared to HK\$5.62 per share at 31 March 2001.

Further information on the segmental details is provided in note 2 to the accounts on page 8.

(II) LIQUIDITY AND FINANCIAL RESOURCES

- (a) At 30 September 2001, the Group's total net debts amounted to HK\$621.6 million, representing total debts of HK\$648.4 million less deposits and cash of HK\$26.8 million. Accordingly, the Group's net debts represented 9.3% on its total assets.

The debt maturity profile of the Group at 30 September 2001 is analysed as follows:

	30/9/2001 HK\$Million	31/3/2001 HK\$Million
Repayable within 1 year	172.4	163.0
Repayable after 1 year, but within 2 years	—	28.0
Repayable after 2 years, but within 5 years	476.0	718.0
	<u>648.4</u>	<u>909.0</u>

- (b) The following assets of the Group have been pledged for securing bank loan facilities:

	30/9/2001 HK\$Million	31/3/2001 HK\$Million
Investment properties	1,100.0	1,786.0
Long term investments	438.9	363.2
Properties under development	483.9	—
	<u>2,022.8</u>	<u>2,149.2</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 30 September 2001, the Group maintained a portfolio of long term investments with market value of HK\$1,422.4 million, which primarily comprised blue chip securities.
- (e) During the period under review, high liquidity was sustained in the banking market. The Group arranged a total of HK\$1.2 billion loan facilities, to refinance its loan facilities with substantial reduction in interest costs and on more favourable terms such as longer maturities, more lenient covenants and inclusion of revolving condition.

(III) 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.