Management Discussion and Analysis

CORPORATE RESULTS

During the financial year ended 31st March 2002, the turnover was HK$691,590,000, an increase of 35% as compared to HK$510,353,000 of the corresponding period in 2001. The loss for the year was HK$204,130,000.

FINANCIAL RESOURCES AND LIQUIDITY

Borrowing and charges on group assets

The business activities of the Group are funded by bank borrowing, unsecured loans and cash generated from operating activities. The Group's total bank and other borrowings amount to approximately HK$1,209 million as at 31st March 2002 (2001: HK$1,011 million), in which HK$413 million was payable within one year and HK$796 was payable after one year. HK$1,086 million of the borrowings was secured while the remaining HK$123 million was unsecured.

Interest rates were in line with the best lending rates either at prime or based on the Hong Kong Inter-bank Offer Rate. The Group did not have any financial instruments used for hedging purpose.

Capital commitments

At the balance sheet, the Group had contracted but not provided on property development expenditure of approximately HK$260 million (2001: HK$191 million) and the Group had authorised but not yet contracted for additional expenditure of a property development project in Shanghai of approximately HK$217 million (2001: HK$211 million).

Gearing ratio

The gearing ratio (total bank borrowing to shareholders' equity) as at 31st March 2002 was 50% (2001: 42%).

Current ratio

The current ratio is 1 (2001: 1.20). The Group has maintained sufficient liquid assets to finance its daily operation.

Exchange rate

The Group was not exposed to material exchange rates fluctuations during the year.

Pledge of assets

At 31st March, 2002, the Group's properties and bank deposit with an aggregate net book value of approximately HK$1,707 million (2001: HK$1,652 million) together with the properties of associates and third parties were mortgaged or pledge to the Group's bankers and loan creditors to secure banking and loan facilities to the Group and its associates to the extent of approximately HK$1,390 million and HK$5 million (2001: HK$1,328 million and HK$101 million) respectively.

Contingent liabilities

At the balance sheet date, contingent liabilities of the Group in respect of guarantees issued to secure banking facilities made available to subsidiaries, third parties and an investee company were approximately HK$82 million (2001: HK$55 million).

Material acquisitions and disposals of subsidiaries and associated companies

During the year, there was no material acquisition of subsidiaries and associated companies by the Group.

Management Discussion and Analysis

REVIEW OF OPERATIONS, OUTLOOK AND STRATEGY

1. **Disposal of overseas and non-core assets**

   During the year under review, the Group has disposed of several overseas assets and certain non-performing investments which is consistent with our corporate mission set down in our previous annual report. The effect of those disposals created an aggregate loss amounting to approximately $177,000,000 with the major items being loss on disposal of the Cambridge Building in Edmonton, Canada of approximately $40,000,000; loss on disposal of The Dolphin Arcade at Gold Coast, Queensland, Australia of approximately $39,500,000; and the land investment in Xiamen, China of approximately $34,000,000. The balance of approximately $63,500,000 were represented by provision against several overseas non-performing investments. It is most unfortunate that we have to dispose of some of the overseas assets at a loss in the recent depressed market condition. However, I must emphasize that the group is determined to continue this exercise as we are aiming to increase our land and investment holding both in Hong Kong and China and will become a more focused company. The bright side is that our operation profit and cashflow will continue to improve. The management was clearly aware of this objective in the last few years, it was more than just an economical cycle in Hong Kong. Hong Kong economy is going through some infrastructure changes which are inevitable but we firmly believe that the future of Hong Kong and China will be bright in the long term.

2. **Property Division**

   Hong Kong

   Baker Street, Hung Hom - a 32-storey commercial-residential development with a gross floor area of 55,000 sq.ft. comprises of 104 residential units, 26 car-parks and 2 floors of shopping units ready for occupation by September 2002. Over 30 units have been sold to date.

   Pak Shek Wo, Sai Kung - a 15 detached house development with a total gross floor area of 18,000 sq.ft. built on a 30,000 sq.ft. site. Construction has commenced and the pre-sale launch is scheduled for October/November 2002.

   Chuk Kok - Sai Kung - a 10 detached house development with a total gross floor area of 12,000 sq.ft. built on a 30,000 sq.ft. site. Site formation is currently in progress while the pre-sale launch is expected in the first quarter of 2003.

   Tan Kwai Tsuen, Yuen Long - this project is a 4-storey apartment development with 62 units totaling approximately 52,000 sq.ft. of gross floor areas, is in the process of applying land exchange and access road formation.

   Sheung Yeung, Sai Kung - a proposed development of 24 village houses with a total gross floor area of approximately 50,000 sq.ft. Building work on phase 1 with 4 houses has been commenced in July, 2002. Other phases will be depending on government approval schedule.

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

   Fung Lok Wai, Yuen Long - raw land with total area approximately 8,610,000 sq.ft. which will be developed into a residential estate. No definite plan for this development at present. The Group holds 21.66% beneficial interest in this project.

China

California Garden, Shanghai - a residential development with a land area of 14.5 million sq.ft. and an approved built-up area of 12.4 million sq.ft. A total of 2,500 units of houses have been built with over 95% sold todate since its first phase development in 1997. Upon full development in 5 to 6 years, a total of over 8,500 units would have been built. This project will show major contribution of profit for the Group.

New Time Plaza, Guangzhou - the Group owns 45% of this development comprises of an auxiliary building completed with 8,000 sq.m. and a proposed 29-storey residential tower with a gross floor area of approximately 27,000 sq.m. Construction work is in progress.

Malaysia

With continuing revival of the Malaysian economy, the housing sales have contributed positively to the Group's operation. The Group is still confident that the Malaysian property market remains stable and the demand for medium cost housing continues to be high.

Karunmas Ehsan - this project consists of a total of 812 units of terrace house, condominium, low cost flats and shop offices. Occupancy Permits for Phase 1 and 2 totaling 426 units of terrace houses have been obtained and in Phase 3, comprising 240 units of condominiums is in process of completion.

Taman Teluk Gedong Ludah - this project consists of 628 units of terrace houses and 200 units of low cost flats. The project has been substantially completed and is in the process of obtaining occupancy permits.

Australia

St Kilda Road, Melbourne - the construction of residential units of 360 St. Kilda Road have been completed on schedule in August 2001 and fully delivered to the unit holders. This project has a satisfactory contribution to the Group's profit.

Flinder Wharf, Melbourne - the Group owns 50% of a high-class residential development with 226 units located on the Yarra River in the city of Melbourne next to the Melbourne Exhibition and Convention Centre and The Crown Casino. The project has achieved over 90% sold todate. Construction has been in progress since February 2002 and will be scheduled to complete by Mid 2004. Upon delivery of completed apartments, the Group will yield a handsome profit from this project.

3. 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 90% on monthly weighted average and provide a steady income to the Group.

Dorsett Regency Hotel, Kuala Lumpur - this hotel continues to perform well with 320 rooms and with high occupancy throughout the year under review.

Kau U Fong, Central - a hotel development site for approximately 167 rooms in a 34-storey building with a total gross floor area of approximately 63,000 sq.ft. Building plans have been submitted for government approval. Completion date for this hotel is scheduled for late 2004.

Anchor Street, Tai Kok Tsui - a 21-storey hotel development with approximately 137 rooms with a gross floor area of 46,000 sq.ft. With the town planning application approved, construction is expected to commence in October 2002.

Dallas Grand Hotel, Dallas, USA - after the 911 event in the USA, the Group has decided to tie up this hotel with an international 'Brand' and is currently reviewing the franchise arrangement with the prospective Brand with the view to continue its operation with 700 rooms together with the convention facilities. The refurbishment and upgrading program of this hotel will commence when the franchise agreement is finalised.

4. **Industrial 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 completed construction of a 68% interest in the 44km of the National Highway 311 in Henan Province which has been fully operational since January 2001 with two-ways tollroad collections. This investment yields a good return for the Group for the year under review.

5. **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.

6. **Corporate Strategy and Outlook**

We will continue with the following objectives set last year:

(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, 24th July, 2002