

Financial Review

REVIEW OF RESULTS

For the six-month period up to 31st December, 2003, turnover of the Group amounted to approximately HK\$52 million as compared to HK\$122 million recorded in the corresponding period of the previous financial year. The Group's turnover during the interim period under review was mainly attributed to rental income and sale of the remaining stock of earlier completed projects of the Group. Loss attributable to shareholders amounted to approximately HK\$32 million as compared to the restated loss attributable to shareholders of HK\$104 million (previously stated as HK\$98 million) posted in the corresponding period of the previous financial year. The above-mentioned restatement of loss was made in accordance with the revised SSAP 12 "Income Taxes" in relation to accounting for deferred tax which the Group has adopted with effect from 1st July, 2003.

Property sales of the Group amounted to approximately HK\$20.4 million in the period under review, and loss of approximately HK\$26.8 million was recorded mainly due to increase in selling and administrative expenses.

Gross rental income of the Group was recorded at approximately HK\$21.8 million during the six-month period under review and this compared with HK\$28.3 million registered in the corresponding period of the previous financial year. The Group's rental properties recorded a loss of approximately HK\$11.5 million as compared to a profit of HK\$0.4 million recorded in the corresponding period of the previous financial year.

Profit from the finance segment of the Group including interest income from bank deposits and advances made to the Group's project companies amounted to approximately HK\$4.1 million in the interim period under review as compared to HK\$29.5 million that recorded in the corresponding period of the previous financial year mainly due to decrease in interest income received from the Group's project companies during the period under review.

Profit from management and sales commissions of the Group was mainly related to the project management and property management services provided by the Group to joint venture projects and this amounted to approximately HK\$4.1 million in the six-month period under review as compared to HK\$2 million that was recorded in the corresponding period of the previous financial year.

FINANCIAL RESOURCES AND LIQUIDITY

As at 31st December, 2003, shareholders' funds of the Group amounted to approximately HK\$6,795 million as compared to HK\$6,843 million that was registered as at 30th June, 2003. The Group is in a strong financial position and possesses a large capital base whereas net debt position remains low. The Group's total net bank borrowings, after deducting cash holdings of approximately HK\$407 million, amounted to approximately HK\$1,529 million as at 31st December, 2003 as compared to the net bank borrowings recorded at HK\$993 million as at 30th June, 2003. This increase in net bank borrowing was however offset by a reduction of similar amount in inter-company loans. All of the Group's borrowings were unsecured and were mainly obtained on a committed term basis. With adequate committed banking facilities in place and cash inflow generating from its business operations, the Group has sufficient financial sources to fund its ongoing operations as well as future expansion.

The Group did not undertake any significant acquisition or disposal of assets outside its core business during the period under review.

LOAN MATURITY PROFILE

The maturity profile of the Group's bank loans and borrowings outstanding as at 31st December, 2003 and 30th June, 2003 respectively are shown as follows:

	As at 31st December, 2003 HK\$'000	As at 30th June, 2003 HK\$'000
Bank Loans and Borrowings Repayable:		
Within 1 year	1,236,591	332,201
After 1 year but within 2 years	250,000	1,350,075
After 2 years but within 5 years	450,000	71,000
Total Bank Loans and Borrowings	1,936,591	1,753,276
Less: Cash at bank and in hand	(407,422)	(760,751)
Total Net Bank Borrowings	1,529,169	992,525

GEARING RATIO

As at the end of the period under review, the gearing ratio of the Group which was calculated on the basis of the total net bank borrowings as a ratio of the Group's shareholders' funds stood at approximately 22.5% and that recorded as at 30th June, 2003 was 14.5%. Interest expenses of the Group before interest capitalisation amounted to approximately HK\$16.8 million for the six-month period under review as compared to approximately HK\$35 million recorded in the corresponding period of the previous financial year.

INTEREST RATE EXPOSURE AND EXCHANGE RATE EXPOSURE

The Group's financing and treasury activities are managed centrally at the corporate level. As at 31st December, 2003, borrowings of the Group was mainly denominated in Hong Kong Dollars, with a relatively small portion being denominated in Renminbi. For bank loans which were obtained by the Group in the Hong Kong currency, loan interests were chargeable mainly based on certain agreed interest margins over the Hong Kong Interbank Offer Rate and such banking facilities were therefore of floating rate in nature. With an aim to fix a portion of the Group's Hong Kong Dollar loan rates at the current low level, the Group has maintained Hong Kong Dollar interest rate swap agreements in respect of a portion of such borrowings as at the end of the period under review.

As for the small portion of bank borrowings which were denominated in Renminbi, these are charged at the standard interest rates applicable for commercial loans as announced by The People's Bank of China from time to time. The Group did not enter into any currency hedging agreement in the period under review.

CAPITAL COMMITMENTS

As at 31st December, 2003, capital commitments of the Group amounted to HK\$3,686 million as compared with HK\$3,962 million recorded as at 30th June, 2003. Out of these commitments, HK\$1,931 million were mainly related to contracted obligations of the Group for future development costs and expenditures to be incurred on various projects of the Group in the short to medium term with the remaining amount of HK\$1,755 million being related to the Group's commitments in respect of future development costs and expenditures of the development projects of the Group which was authorized but not yet contracted for as at the end of the interim period under review.

CONTINGENT LIABILITIES

Contingent liabilities of the Group as at 31st December, 2003 amounted to approximately HK\$236 million as compared with HK\$229 million recorded as at 30th June, 2003. These were mainly related to guarantees given by the Group to financial institutions in respect of mortgage financing provided to purchasers of property units developed by the Group, and a large portion of these guarantees are short term in nature which will be gradually relinquished upon the issuance of title deeds of the relevant property units.

USE OF CAPITAL AND FUNDING

Capital of the Company and retained profits of the Group will continue to be put to good use to develop the Group's business. The Group has adequate capital resources and abundant unutilised banking facilities for funding its ongoing operations and further expansion.

EMPLOYEES

As at 31st December, 2003, the number of employees of the Group was about 1,000, of which about 100 were employed in Hong Kong and the others were employed in Mainland China. The remuneration of employees was in line with the market trend and commensurable to the level of pay in the industry. Discretionary year-end bonus was paid to employees based on individual performance. Employees of the Group may be granted share options. Other benefits to employees include medical insurance, retirement schemes, training programmes and educational subsidies.

Total employees' costs amounted to HK\$32 million for the six months ended 31st December, 2003 and HK\$29 million for the corresponding period of last year.