

Financial Review

REVIEW OF RESULTS

For the six-month period up to 31st December, 2004, turnover of the Group amounted to approximately HK\$35 million as compared to HK\$52 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\$12 million over the period under review as compared to the loss attributable to shareholders of HK\$32 million registered in the corresponding period of the previous financial year.

Property sales from the stock of the Group amounted to approximately HK\$6.8 million in the period under review. For the property development segment, a loss of approximately HK\$4.7 million was recorded after deducting selling and administrative expenses incurred by the Group.

Gross rental income of the Group was recorded at approximately HK\$21.5 million during the six-month period under review, being at approximately the same level as that registered in the corresponding period of the previous financial year. For the property investment segment, a loss of approximately HK\$13.4 million was recorded by the Group as compared with a loss of HK\$11.5 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, interest received on property mortgage loans from purchasers of the Group's property units and advances made to the Group's project companies amounted to approximately HK\$2.2 million in the interim period under review as compared to HK\$4.1 million that was 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 segment 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\$0.3 million in the six-month period under review as compared to HK\$4.1 million that was recorded in the corresponding period of the previous financial year.

FINANCIAL RESOURCES AND LIQUIDITY

As at 31st December, 2004, shareholders' funds of the Group amounted to approximately HK\$6,951 million as compared to HK\$6,985 million that was registered as at 30th June, 2004. The Group is in a strong financial position and possesses a large capital base whereas net debt position remains low. All of the Group's borrowings were unsecured and were mainly obtained on a committed term basis. With substantial capital funds and adequate committed banking facilities in place, the Group has sufficient financial resources 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, 2004 and 30th June, 2004 respectively are shown as follows:

	As at 31st December, 2004 HK\$'000	As at 30th June, 2004 HK\$'000
Bank Loans and Borrowings Repayable:		
Within 1 year	622	497,008
After 1 year but within 2 years	1,733,172	900,000
After 2 years but within 5 years	<u>208,705</u>	<u>193,375</u>
Total Bank Loans and Borrowings	<u>1,942,499</u>	1,590,383
Less: Cash at bank and in hand	<u>(211,152)</u>	<u>(340,254)</u>
Total Net Bank Borrowings	<u><u>1,731,347</u></u>	<u><u>1,250,129</u></u>

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 24.9% and that recorded as at 30th June, 2004 was 17.9%. The Group's total net bank borrowings, after deducting cash holdings of approximately HK\$211 million, amounted to approximately HK\$1,731 million as at 31st December, 2004. This compares with the net bank borrowings figure recorded at HK\$1,250 million as at 30th June, 2004. This increase in net bank borrowing was however partly offset by a reduction in inter-company loans of a similar magnitude recorded at the end of the period under review. Interest expenses of the Group before interest capitalisation amounted to approximately HK\$14.4 million for the six months period under review as compared to approximately HK\$16.8 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, 2004, 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.

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, 2004, capital commitments of the Group amounted to HK\$4,216 million as compared with HK\$4,527 million which was recorded as at 30th June, 2004. Out of these commitments, HK\$1,769 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\$2,447 million being related to the Group's commitments in respect of future development costs and expenditures of the development projects of the Group which were 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, 2004 amounted to approximately HK\$187 million as compared with HK\$214 million recorded as at 30th June, 2004. 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, 2004, the number of employees of the Group was about 1,130, of which about 100 were employed in Hong Kong and the others were employed in Mainland China, as compared to about 1,000 employees as at 31st December, 2003. 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\$28 million for the six months period which ended on 31st December, 2004 and HK\$32 million for the corresponding period of last year.