

# MANAGEMENT DISCUSSION AND ANALYSIS

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## 1. The Group's liquidity and financial resources

During the year, the Group's total bank borrowings decreased by HK\$18.1 million to HK\$478.7 million. The shareholders' funds decreased by HK\$113 million to HK\$1,697.4 million and long term bank loans outstanding as at 31st December 2003 amounted HK\$414.8 million (2002: HK\$434.4 million). The debt to equity ratio was 28% (2002: 27%). The banking facilities available are sufficient for the Group's working capital. The Group's financial flexibility remains healthy.

## 2. Capital structure of the Group

The capital structure of the Group had not changed materially from the last annual report. The Group borrowings are primarily denominated in Hong Kong and United States dollars. The Group therefore has no significant exposure to foreign exchange fluctuation.

The maturity of the Group's long term bank loans is as follows:

	2003	2002
	HK\$'million	HK\$'million
- within one year	223.3	29.3
- in the second year	32.5	213.6
- in the third to fifth years inclusive	159.0	161.5
- after the fifth year	—	30.0
	<u>414.8</u>	<u>434.4</u>

The Group's total bank borrowings are secured by certain properties with an aggregate net book value of HK\$1,452 million (2002: HK\$1,537 million) and rental income thereon.

## 3. Significant investments held and their performance and future prospects

No. 1 Barker Road, The Peak, Hong Kong, is under re-development into super luxurious apartments with recreational facilities. Completion of the property is expected to be in 2005.

The Group has increased an additional investment of HK\$6 million in the venture fund operation under the same management of Yangtze Ventures Limited, which the Group holds 12% equity interest. Other than those acquisitions made in previous year in various industries like integrated circuits, display integrated circuits, biochemical products, environmental protection products in Hong Kong and the PRC, the latest acquisition was an equity interest in a company with container terminal operation in the PRC. The return from this investment, however, may not be realised in the short term.

## 4. Details of number and remuneration of employees

The total number of employees in the Group was 180 as at 31st December 2003. In addition to salary payment, other benefits include discretionary bonus, insurance, medical schemes and mandatory provident fund scheme.

## 5. Details of future plans for material investments

In continuous pursuit of a conservative and prudent business policy, the Group will consider to invest in profitable projects wherever arising in the future.