

MANAGEMENT DISCUSSION AND ANALYSIS

1. The Group's liquidity and financial resources

During the relevant period, the Group's total bank borrowings increased slightly by HK\$4.8 million to HK\$433.8 million. The shareholders' funds increased by HK\$41.2 million to HK\$2,080.4 million and long term bank loans outstanding as at 31st December 2000 amounted HK\$391.5 million (1999: HK\$402.7 million). The debt to equity ratio was 21% (1999: 21%). The banking facilities now available are sufficient for the Group's working capital and there is no major capital commitment as at 31st December 2000. Further bank facilities will be arranged for the requirements of the property development. 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 US Dollars. The Group therefore has no significant exposure to foreign exchange fluctuation.

The maturity of the Group's long term liabilities is as follows:-

	2000	1999
	HK\$'million	HK\$'million
- within one year	35.4	34.7
- in the second year	115.6	32.4
- in the third to fifth years, inclusive	170.5	288.1
- after the fifth year	70.0	47.5
	<u>391.5</u>	<u>402.7</u>

The Group's total bank borrowings are secured by certain properties with an aggregate net book value of HK\$1,659 million (1999: HK\$1,596 million) and rental income thereon.

3. Significant investment held and their performance and future prospects

Our prime residential property at No. 1 Barker Road, The Peak, Hong Kong is now under re-development into super luxurious apartments with recreational facilities.

A portion of our property at Nos. 20 & 22 Severn Road, The Peak, Hong Kong is under development into two super luxurious houses.

A portion of our residential estate in Floral Villas in Tso Wo Hang, Sai Kung, New Territories is under planning for development into several luxurious residential houses and/or apartments.

Completion of the above properties are all expected to be in 2003/2004. All the properties upon completion of construction will be held for investment purpose.

4. Details of material acquisitions and disposal of subsidiary companies

In 2000, a wholly owned subsidiary company of the Group took up HK\$12 million share subscription in a venture capital company incorporated in the Cayman Islands with limited liability. The total issued capital of that company was HK\$100 million. Its principal activities are acquisitions of viable and profitable development projects now rapidly opening up along the Yangtze River in China. No transaction was reported at the end of 2000.

The Board of Directors has resolved to cap the ceiling of the Group's investments in listed securities of not more than HK\$50 million.

5. Details of number and remuneration of employees

As at 31st December 2000, the total number of employees in the Group amounted to 170 and the total remuneration for the year ended 31st December 2000 was HK\$41.8 million

6. 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.