

Management Discussion and Analysis

The following comments should be read in conjunction with the Audited Consolidated Financial Statements of the Company and the related notes on the accounts.

RESULTS OF OPERATIONS

Total turnover of the Group for the year amounted to HK\$1,345 million, representing a decrease of 4.1% as compared to that recorded in the previous year. The decrease in total turnover was attributed to the net effect of the increase in sale of residential units of Metro Harbour View in the year under review and the non-recurring disposal of the rights to 50% of the sales proceeds of the domestic portion of Metro Harbour View in the previous year.

Profit from operations, which increased by 20.5% to HK\$357.6 million comparing to that recorded in the previous year, was mainly attributed to the profit realized of HK\$426 million from the sale of residential units of Metro Harbour View. An impairment loss of HK\$62.1 million on the shipyard assets and a deficit of HK\$16.8 million on revaluation of investment properties were recorded for the year.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As of 31 December 2002, shareholders' fund of the Group showed an increase of 4.5% from that recorded in 2001 and amounted to HK\$3,042 million. Such increase was mainly attributed to the profit realized from the sale of the residential units of Metro Harbour View during the year.

There was no change as to the capital structure of the Group during the year. As of 31 December 2002, the Group had no borrowing. Funding for the Group's activities in the year under review was mainly generated from the sale of the residential units of Metro Harbour View.

During the year, there was no material acquisition and disposal of subsidiary and associated company. But a total amount of about HK\$181 million was advanced to an associated company who provides mortgage loans to buyers of residential units of Metro Harbour View.

Current assets of the Group were recorded at HK\$2,471 million as compared to the current liabilities of HK\$752 million as of 31 December 2002. Current ratio of the Group decreased from 8.9 as of 31 December 2001 to 3.3 as of 31 December 2002, mainly attributed to the substantial increase in construction costs payable in respect of Metro Harbour View and deposits received from sale of the residential units thereof.



Management Discussion and Analysis *(Continued)*

GEARING RATIO AND FINANCIAL MANAGEMENT

As there was no borrowing as of 31 December 2002, no gearing ratio of the Group, which was calculated on the basis of bank borrowing as a ratio of the Group's shareholders' funds, was shown. Assets of the Group had not been charged to any third parties in the year under review.

The Group's financing and treasury activities were managed centrally at the corporate level. Financing facilities extend to the Group were denominated in Hong Kong Dollars. As a whole, the core operations of the Group can be considered as not exposed to foreign exchange rate risk to any significant extent.

CONTINGENT LIABILITIES

Contingent liabilities of the Group as of 31 December 2002 amounting to approximately HK\$76 million was in respect of a claim by the Hong Kong Government against the Company and a subsidiary in respect of the dispute over the reimbursement of certain costs for the proposed redevelopment of the ferry piers in Central District.

EMPLOYEES

As of 31 December 2002, the number of employees of the Group was about 400. The remuneration packages to employees were commensurable to the market trend and level of pay in the industry. Discretionary year-end bonus was paid to employees based on individual performance. Other benefits to employees include medical insurance, retirement schemes, training programmes and educational subsidies.