



Management Discussion and Analysis

Operating Capital and Financial Resources

Assets

As at 31 December, 2002, the Group's total assets was HK\$710,450,000 (2001: HK\$553,750,000), representing an increase of 28.3% over last year. Non-current assets was HK\$600,107,000, which mainly included investment properties of HK\$394,741,000, properties under development of HK\$76,950,000, property, plant and equipment of HK\$55,530,000, and an interest in a jointly controlled entity of HK\$72,886,000.

As at 31 December, 2002, the Company issued 824,981,033 shares of HK\$0.10 each (2001: 313,316,000 shares). Shareholders' equity was HK\$370,389,000 (2001: HK\$157,784,000). During the year, the Company has undergone two rights issue exercises which enlarge the asset base of the Group and strengthen the Company's capital structure.

Pledge of Assets

As at 31 December, 2002, the Group's assets representing total amount of HK\$313,671,000 (2001: HK\$379,235,000) of lands and properties were pledged to secure certain banking facilities granted to the Group.

Bank Borrowings

As at 31 December, 2002, the bank borrowings of the Group were HK\$187,259,000 (2001: HK\$263,146,000), representing a decrease of 28.8% over last year. The decrease in bank borrowings was mainly attributed to the disposal of the Fuzhou projects during the year.

Promissory Notes

As at 31 December, 2002, the Group has issued promissory notes to related parties for an amount of HK\$130,000,000 (2001: Nil), which are unsecured and bear an interest rate of 1.5% per annum with the expiry date falling on 31 December, 2005. The purpose of the issue is to finance the acquisition of leasehold land and building, an investment property and certain subsidiaries.

Rights Issue

On 23 January, 2002, 156,658,000 new shares of HK\$0.10 each were issued by way of a rights issue on the basis of one rights share for every two shares then held at a price of HK\$0.65 per rights share. The net proceeds of approximately HK\$100,500,000 were used to settle part of the cash consideration for the acquisition of the premier residential property "The Genesis" and to repay the shareholder's loan.

On 11 April, 2002, 329,048,466 new shares of HK\$0.10 each were issued by way of a rights issue on the basis of seven rights shares for every ten shares then held at a price of HK\$0.65 per rights share. The net proceeds of approximately HK\$212,300,000 were used to form a jointly controlled entity and to acquire a parcel of land for the development of the premier residential project - Lakeside Garden.



Financial Ratio

The Group, as at 31 December, 2002, has a current ratio (i.e. current assets/current liabilities) of 2.87 (2001: 0.43) and debt-equity ratio (i.e. bank borrowings/shareholders' equity) of 0.51 (2001: 1.67). The above two main financial ratios were improved compared with last year, indicating the Group's financial position is strengthened.

Contingent Liabilities

The Company has given guarantees in favour of bankers to the extent of HK\$196,000,000 (2001: HK\$171,000,000) in respect of banking facilities granted to subsidiaries of the Company. As at 31 December, 2002, the banking facilities utilised by the subsidiaries amounted to approximately HK\$184,683,000 (2001: HK\$171,000,000).

Financial Policies

The Group will continue to adopt a conservative approach in coping with financial risk. Taking into account the financing needs of the Group, it will consider arranging for bank borrowings (interest of borrowings in Hong Kong dollars will be calculated based on floating interest rates). As the exchange rate of Hong Kong dollars against Renminbi is relatively stable in 2002, the Group's business in the PRC was not exposed to material foreign exchange risk.

Employee and Remuneration Policies

As at 31 December, 2002, the Group has about 80 employees. They were remunerated according to the Group's current remuneration structure. The bonus scheme will be applied taking into consideration the performance of the Group and individual staff. Other staff benefits include mandatory provident fund, medical insurance, training subsidy, share option scheme, etc.