

Management Discussion and Analysis

RESULTS

The Group's turnover for the financial year ended 31st March 2003 amounted to HK\$46,911,430. Loss attributed to the shareholders for the year totalled HK\$56,689,304.

PROPERTY & HOSPITALITY DIVISION

Shangri-La Dingshan Nanjing Hotel, Nanjing, China

The hotel managed to generate a positive contribution in spite of the fact that Phase 2 of the development, to provide an additional 200 rooms, has not been completed. After allowing for interests on bank loans and depreciation, the company showed a loss for the financial year.

Shanghai Garden City, Shanghai, China

The Interim Report stated that the project had reached the final stage of its development and all shareholders had agreed to terminate the joint venture by way of a voluntary dissolution after which the remaining units will be distributed among the shareholders according to their respective shares. Subsequent to the Balance Sheet date, an agreement was signed on 24th June 2003 between the existing parties to:-

- (a) rescind the voluntary dissolution,
- (b) continue to sell the completed units in order to repay the shareholders' loans of both parties. Any remaining surplus proceeds and units to be distributed among the shareholders according to their revised respective shares, and
- (c) develop the remaining parcel of land under the same joint venture with new terms.

TRADING SALES AND CONTRACT WORKS

In the furnishing business, the retail sector remains weak. But the project-based strategy of supplying furniture and accessories to service apartments and hotels in Hong Kong and PRC has continued to make a positive contribution to both turnover and profit.

FINANCIAL POSITION

The financial position of the Group remained healthy and apart from the HK\$4 million in bank overdrafts, the Group had a minimal amount of trade liabilities and commitments. The gearing ratio, representing the ratio of total bank borrowings to total assets, was 1.56% (2002: 0%).

The majority of income and expenses of the Group are dominated either in Yuan or Hong Kong Dollar. Hence the Group's exposure to fluctuations in the exchange rate is considered to be minimal and there is seldom the need to make use of financial instruments for hedging purposes.

At 31st March 2003, the Group had HK\$53 million net current assets in hand. This forms a solid foundation for the Group's forthcoming expansion and development.

EMPLOYEES

Total number of employers in the Group excluding those under the payroll of the associated companies at 31st March 2003 was 78 compared with 107 at 31st March 2002. Remuneration packages are reviewed annually. In addition to the salary payment, other staff benefits include medical and hospitalisation insurance cover.