

Management Discussion and Analysis

FINANCIAL PERFORMANCE

The Board is pleased to report that the Group achieved an encouraging growth and results for the year ended 31st December 2003. A summary of the Group's performance for the year is set out as follows:

- Profit attributable to shareholders for the year was significantly improved to HK\$144,274,000 from a loss of HK\$162,312,000 from last year
- The Group's turnover (including share of a jointly controlled entity) for the year was HK\$579,041,000, representing an increase of 438% from HK\$107,490,000 in 2002

Financial Position

As at 31st December 2003, the Group's total assets was HK\$914,729,000 (2002: HK\$710,450,000), non-current assets totaled to HK\$766,551,000 (2002: HK\$600,107,000), representing an increase of 27.74%. Current assets was about HK\$148,178,000 (2002: HK\$110,343,000), representing an increase of 34.29% comparing to last year. Shareholders' equity was HK\$540,070,000 (2002: HK\$340,013,000), representing a significant increase of 58.84% when compared with last year.

Pledge of Assets

As at 31st December 2003, the Group has pledged in favor of the banks its land and property assets with a value of HK\$413,714,000 (2002: HK\$313,671,000) for facilities granted to the Group by the banks.

Bank Borrowings

As at 31st December 2003, the bank borrowings of the Group amounted to HK\$173,221,000 (2002: HK\$187,259,000), representing a decrease of 7.50% comparing to last year. The borrowings of the Group bear floating interest rate and are mostly denominated in Hong Kong dollars.

Financial Ratio

As at 31st December 2003, the Group has a current ratio (i.e. current assets/current liabilities) of 1.02 (2002: 2.87) and debt-equity ratio (i.e. bank borrowings/shareholders' equity) of 0.32 (2002: 0.55).

Contingent Liabilities

The Company has provided guarantee in respect of banking facilities with an aggregate amount of HK\$196,000,000 (2002: HK\$196,000,000) granted to its subsidiaries. As at 31st December 2003, the banking facilities utilised by these subsidiaries amounted to approximately HK\$171,616,000 (2002: HK\$184,683,000).

Foreign Exchange Risk

The Group's assets, liabilities and business transactions are mostly denominated in Hong Kong dollars, US dollars and Renminbi, the exchange rates of which maintained relatively stable during the year. Since the Group faced no material foreign exchange exposure, no financial instrument has been used for hedging purposes.

Financial Strategies

The Group will continue to control financial risks with cautious approaches and proactively adopt internationally-recognised corporate management standards to ensure maximum protection for shareholders.

Employees and Remuneration Policy

As at 31st December 2003, the Group employed approximately 83 staff. The Group remunerates its employees in accordance to individual job nature and market condition. Other benefits include Mandatory Provident Fund Scheme, medical insurance, training subsidy and share option scheme.