

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.

REVIEW OF RESULTS

The Group's turnover for the year amounted to HK\$1,041 million, representing a decrease of 22.6% when compared to that recorded in the previous year. The decrease in turnover was mainly attributed to a decrease in sale of residential units of Metro Harbour View in current year.

Profit from operations, which decreased by 22.8% to HK\$276.1 million comparing to that recorded in the previous year, was mainly derived from the profit realized from the sale of residential units of Metro Harbour View of HK\$291.7 million. An impairment loss of HK\$17.8 million on the shipyard assets and a revaluation deficit on investment properties of HK\$2.5 million were recorded for the year.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As of 31 December 2003, shareholders' fund of the Group showed a decrease of 1.8% against the restated amount for 2002 and amounted to HK\$3,006 million. Such decrease mainly represented the net effect of the profit realized from the sale of the residential units of Metro Harbour View for the year and the elimination of part of the other property revaluation reserve against the revaluation deficit in respect of the commercial arcade of Metro Harbour View.

There was no change as to the capital structure of the Group during the year. As of 31 December 2003,

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.

There was no material acquisition and disposal of subsidiary and associate during the year. However, an additional amount of HK\$41.9 million was advanced to an associate who provides mortgage loans to buyers of residential units of Metro Harbour View.

Current assets of the Group were recorded at HK\$2,072 million as compared to the current liabilities of HK\$418 million as of 31 December 2003. Current ratio of the Group increased from 3.3 as of 31 December 2002 to 5.0 as of 31 December 2003, mainly attributed to the realization of deposits received from the pre-sale of residential units of Metro Harbour View to revenue for the year.

GEARING RATIO AND FINANCIAL MANAGEMENT

As there was no borrowing as at 31 December 2003, 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.

Management Discussion and Analysis *(Continued)*

FUTURE PLANS FOR MATERIAL INVESTMENTS

Subsequent to the balance sheet date, the Group has accepted an offer from the Lands Department of a land exchange of the piece of land known as Kowloon Inland Lot No. 6698 for a new lot to be known as Kowloon Inland Lot No. 11159, subject to certain terms and conditions including the payment of a premium of approximately HK\$390 million and an administrative fee of HK\$145,000. Pursuant to the development proposal, the site will be developed into a residential-cum-commercial complex with a total gross floor area of approximately 320,000 sq.ft., comprising approximately 270,000 sq.ft. for residential use and approximately 50,000 sq.ft. for non-residential use. It is estimated that the total investment in the development will amount to about HK\$750 million which will mainly be financed by the Group's internal resources.

CONTINGENT LIABILITIES

Contingent liabilities of the Group as at 31 December 2003 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 at 31 December 2003, the number of employees of the Group was about 360 (2002: 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 scheme, training programmes and educational subsidies. Total employees' costs for the year amounted to HK\$74.0 million, represented a decrease of 8.0% as compared to that recorded in the previous year.