

Results of 2003

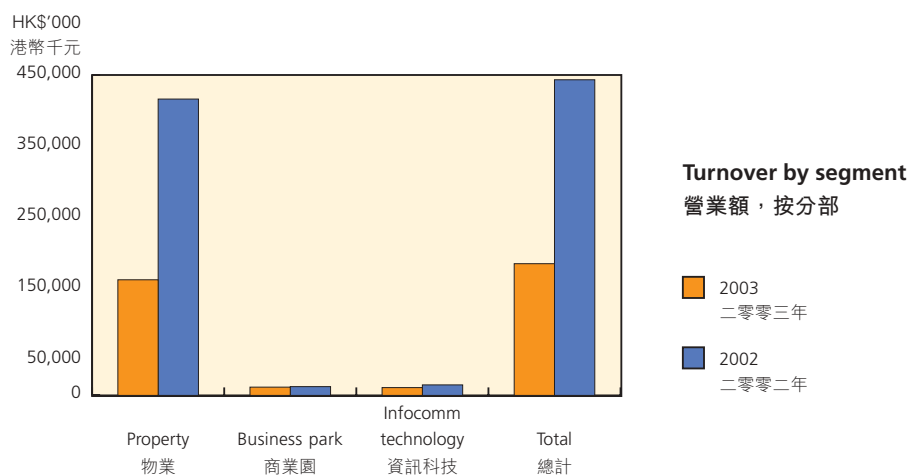
For the year ended 31 December 2003, the Group recorded a loss attributable to shareholders of HK\$846 million compared to loss of HK\$267 million in 2002. The increase in loss for the year under review was primarily due to provisions totalling HK\$776 million, which reflected the permanent diminution in the values of certain real estate projects and goodwill. On a per-share basis, the Group recorded a loss of HK29.8 cents.

Excluding the effect of the non-operating provisions, the attributable loss amounted to HK\$107 million, which represented a 14% improvement compared to the loss before non-operating provisions of HK\$125 million in 2002.

The property segment continued to be the major revenue contributor to the Group. The three core businesses of the Group experienced a difficult year amidst the persistent weak economy in Hong Kong and the highly competitive business environment in China, compounded by the outbreak of SARS which hit Hong Kong and the mainland hard, especially in the first half of 2003.

Review of Overall Performance

Turnover for the year amounted to HK\$185 million, a reduction of HK\$258 million compared to HK\$443 million in 2002. The lower in turnover was primarily attributable to the decrease in property sales revenue in Hong Kong by HK\$332 million, partially offset by property sales revenue of HK\$80 million from the Scenic Place project in Beijing.



二零零三年業績

截至二零零三年十二月三十一日止年度，本集團錄得股東應佔虧損港幣846,000,000元，二零零二年之虧損則為港幣267,000,000元。於回顧年度虧損增加，主要由於作出反映若干房地產項目及商譽永久減值之撥備合共港幣776,000,000元。按每股計算，本集團錄得虧損港幣29.8仙。

撇除非經營業務撥備之影響，應佔虧損為港幣107,000,000元，較二零零二年非經營業務撥備前之虧損港幣125,000,000元改善14%。

物業分部仍為本集團之主要收益來源。本集團三項核心業務經歷艱辛的一年（尤其是二零零三年上半年），乃因香港經濟持續疲弱，中國營商環境競爭激烈，加上非典型肺炎在中港兩地肆虐，令經濟環境雪上加霜。

整體業績回顧

本年度營業額為港幣185,000,000元，較二零零二年錄得之港幣443,000,000元減少港幣258,000,000元。營業額下降主要由於香港物業銷售收益下跌港幣332,000,000元，惟部份以來自北京蝶翠華庭項目之物業銷售收益港幣80,000,000元抵銷。

Sales of properties continued to be the major component of the Group's turnover. It accounted for 87%, a slight decrease compared to 93% in 2002.

The Group made provisions in the aggregate amount of HK\$776 million, of which HK\$37 million and HK\$739 million were provisions for operations and non-operating provisions respectively.

Provisions made for operations decreased from HK\$59 million in 2002 to HK\$37 million in 2003, a reduction of 37%. Provisions for 2003 were made in respect of property projects, overdue outstanding receivables and other non-core assets.

Non-operating provisions amounted to HK\$739 million for the year. These provisions were made based on the results of the impairment test carried out in accordance with the Group's accounting policy. For the year ended 31 December 2003, a provision of HK\$583 million was made in respect of the diminution in the value of our Shenzhen project in view of the uncertainty concerning the future investment potential of the remaining undeveloped site. Besides, the Group had written off HK\$109 million intangible goodwill in respect of our Infocomm projects. The write-off was to reflect the unfavorable outlook of the business environment faced by the Infocomm technology segment in the foreseeable future. Finally, a provision of HK\$40 million for the investment in a jointly controlled entity was made to write down the value to its estimated recoverable amount.

物業銷售仍為本集團營業額之主要部份，佔87%，較二零零二年之93%輕微下調。

本集團已作出合共港幣776,000,000元之撥備，其中就經營業務及非經營業務分別作出港幣37,000,000元及港幣739,000,000元之撥備。

為經營業務所作之撥備由二零零二年之港幣59,000,000元下降至二零零三年之港幣37,000,000元，跌幅為37%。二零零三年之撥備乃就物業項目、逾期未償還應收款項及其他非核心資產而作出。

年內就非經營業務所作之撥備為港幣739,000,000元。此等撥備乃按照本集團會計政策所進行之減值測試之結果而作出。截至二零零三年十二月三十一日止年度，鑑於剩餘之未發展地盤之未來投資潛力未明，已就深圳項目作出港幣583,000,000元之減值撥備。此外，本集團已就其資訊科技項目撇銷港幣109,000,000元之無形商譽。該項撇銷乃為反映資訊科技業務於可見未來所面對之不明朗業務前景而作出。最後，本集團亦就共同控制企業之投資作出港幣40,000,000元之撥備，以將其價值撇減至預計可收回數額。

Finance costs dropped significantly to HK\$10 million in 2003 from HK\$22 million, which was attributable to reductions in average bank and other borrowings, as well as increase in the capitalization of interest for projects in the mainland. The repayment of bank and other borrowings was financed primarily by the proceeds realised from the sales of Hong Kong property projects.

Due to the adoption of revised accounting standards on deferred tax in 2003, the Group recorded a deferred tax credit of HK\$3 million which represented the income tax effect on the temporary differences resulting from the recognition of revenue and expenses for tax and for financial reporting purpose.

The Group had divested certain of its non-core assets, which included the 40% interest in Laford Centre. Share of profits of associated companies was HK\$4 million, which represented the gain on disposal of Laford Centre. Share of profit from a jointly controlled entity amounted to HK\$2 million compared to the share of loss of HK\$4 million in 2002.

Business Segments

Property

Property segment continued to be the key contributor to the Group's revenue. Turnover of the property segment was HK\$162 million or 88% of the total turnover compared to HK\$416 million or 94% in 2002. The Group had sold all the remaining residential units in Greenery Place and various units in Elite Court and Harbourview Garden in Hong Kong. The construction of Scenic Place (phase 1) in Beijing was completed during the year and a revenue of HK\$80 million was recognised on the sales of 170 residential units in one tower.

The Hong Kong property market remained competitive throughout 2003. In the mainland, the outbreak of SARS dampened market sentiments and disrupted the sales of Scenic Place in Beijing and The Ninth•ZhongShan in Dalian. A loss of HK\$39 million was reported for the Group's property segment due to significant increases in marketing expenses incurred to boost sales in the two projects.

財務費用由港幣22,000,000元大幅下降至二零零三年之港幣10,000,000元，原因為銀行及其他貸款平均減少，以及國內項目利息資本化增加。用以償還銀行及其他貸款之資金主要來自出售香港物業項目所變現之所得款項。

由於在二零零三年就遞延稅項採納經修訂會計準則，本集團錄得遞延稅項抵免港幣3,000,000元，乃所得稅就課稅及財務申報目的而確認收支項目時所產生暫時差異之影響。

本集團已減持其若干非核心資產，包括勵豐中心40%權益。應佔聯營公司之溢利為港幣4,000,000元，乃來自出售勵豐中心之收益。應佔共同控制企業之溢利為港幣2,000,000元，而二零零二年則錄得應佔虧損港幣4,000,000元。

業務分部

物業

物業分部仍為本集團之主要收益來源。物業分部之營業額為港幣162,000,000元，或佔總營業額之88%，而二零零二年則為港幣416,000,000元，或佔總營業額之94%。本集團已售出香港翠韻華庭所有剩餘之住宅單位，以及雅賢軒與維景雅軒之多個單位。北京蝶翠華庭(第一期)建築工程已於年內竣工，更已落實售出其中一幢中之170個住宅單位，銷售收益達港幣80,000,000元。

香港物業市場之競爭於二零零三年一直持續激烈。國內爆發之非典型肺炎打擊入市意欲以及北京蝶翠華庭及大連中山九號之銷情。由於為該兩個項目推銷，致使市場推廣開支大幅增加，故本集團之物業分部錄得港幣39,000,000元之虧損。

Business Park

Phase 1 of the Shenzhen business park continued to provide a stable income stream to the Group with turnover of HK\$12 million. During the year under review, owing to a revaluation deficit of HK\$20 million, a loss of HK\$14 million was reported for the business park segment.

Infocomm Technology

The Group embarked on the restructuring and consolidation of the Infocomm business during the year and certain uneconomical activities were disposed of. In 2003, Infocomm technology segment contributed HK\$11 million to the Group's turnover. Operating loss for the segment amounted to HK\$26 million.

Other Operations

Other operations of the Group included a non-core investment in an electricity power plant in Wuhu, China. It was the intention of the Group to divest its non-core investments under acceptable terms and conditions.

Geographical Segments

Hong Kong

As a result of the Group's success in shifting its investment focus to the mainland and the continued downsizing of the Hong Kong property portfolio, turnover derived in Hong Kong decreased to HK\$83 million or 45% compared to HK\$417 million or 94% in 2002.

China

Following the completion of one block of Scenic Place (phase 1) in Beijing and the recognition of property sales for the 170 residential units in one tower in 2003, turnover earned in the mainland recorded a significant jump when compared to the preceding year. Sales of property in the mainland amounted to HK\$80 million. Together with business park operation and Infocomm business, turnover earned from the mainland amounted to HK\$102 million or 55% of the total turnover compared to HK\$26 million or 6% in 2002. The increase in turnover from the mainland was in line with the Group's strategic penetration into that market.

商業園

深圳商業園第一期繼續為本集團提供穩定之收入來源，營業額為港幣12,000,000元。於回顧年度，由於產生重估虧絀港幣20,000,000元，故商業園分部錄得虧損港幣14,000,000元。

資訊科技

本集團已於年內致力重組及整合資訊科技業務，並出售若干不具經濟效益之業務。於二零零三年，資訊科技分部為本集團營業額貢獻港幣11,000,000元，惟該業務仍錄得經營虧損港幣26,000,000元。

其他業務

本集團之其他業務包括一項於中國蕪湖電廠之非核心投資。本集團擬在可接納之條款及條件下出售該非核心業務之投資。

地區分部

香港

由於本集團已成功將其投資重點轉移至國內，加上持續縮減香港之物業組合，故此源自香港之營業額已下降至港幣83,000,000元或45%，而二零零二年則為港幣417,000,000元或94%。

中國

於二零零三年，北京蝶翠華庭(第一期)其中一幢樓宇落成及確認一幢樓宇當中170個住宅單位之物業銷售後，國內產生之營業額較往年錄得大幅增長。國內物業之銷售額為港幣80,000,000元，連同商業園業務及資訊科技業務，源自國內之營業額為港幣102,000,000元或佔總營業額55%，而二零零二年則為港幣26,000,000元或佔總營業額6%。國內營業額之增長與本集團進軍該市場之策略一致。

Assets

The value of the Group's total assets decreased to HK\$1,673 million as at 31 December 2003, representing a reduction of HK\$781 million compared to December 2002. The reduction was due to provisions made for the permanent diminution in the value of assets.

Assets held under property segment maintained at HK\$1,019 million in December 2003 or 61% of the Group's total assets compared to HK\$993 million as in December 2002. As a result of the substantial impairment provision made in 2003, the gross asset value of business park segment was reduced to HK\$364 million, representing a 62% drop from HK\$966 million in 2002. The assets held by the other businesses decreased to HK\$290 million, which constituted 17% of the Group's total assets compared to 20% in December 2002.

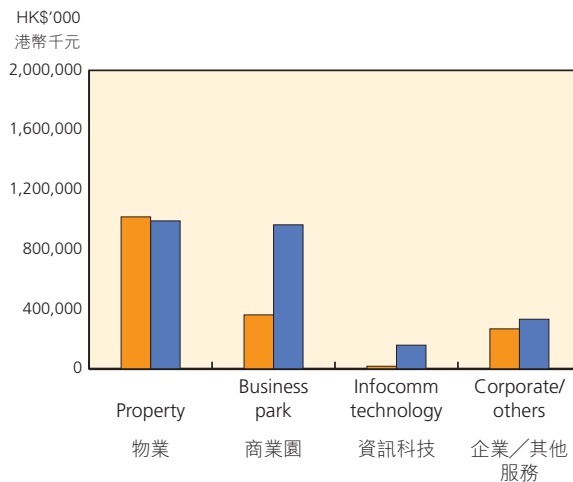
Total assets held in the mainland amounted to HK\$1,432 million in December 2003, representing 86% of the Group's total assets, compared to 81% in 2002.

資產

於二零零三年十二月三十一日，本集團之資產總值下跌至港幣1,673,000,000元，較二零零二年十二月減少港幣781,000,000元。減少之原因為就資產之永久減值作出撥備。

於二零零三年十二月，物業分部項下持有之資產維持在港幣1,019,000,000元，或佔本集團資產總值之61%，而於二零零二年十二月則為港幣993,000,000元。由於在二零零三年作出重大減值撥備，商業園分部之總資產值因而由二零零二年之港幣966,000,000元下降至港幣364,000,000元，跌幅為62%。其他業務持有之資產減至港幣290,000,000元，或佔本集團資產總值之17%，而於二零零二年十二月則為20%。

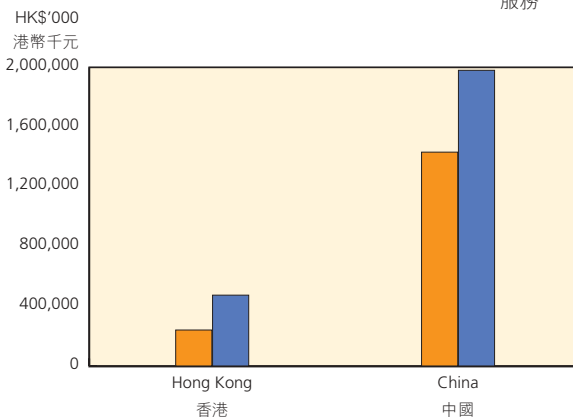
於國內持有之資產總值於二零零三年十二月為港幣1,432,000,000元，佔本集團資產總值之86%，而二零零二年則佔81%。



Assets by business segment
資產，按業務分部

2003
二零零三年

2002
二零零二年



Assets by geographical area
資產，按地區分部

2003
二零零三年

2002
二零零二年

Shareholders' Funds

The Group's total shareholders' funds decreased from HK\$1,549 million as at 31 December 2002 to HK\$701 million as at 31 December 2003. The reduction in shareholders' funds was due to the loss for the year 2003 of HK\$846 million, of which HK\$776 million were provisions of a non-cash nature. On a per-share basis, the consolidated net asset value of the Group at 31 December 2003 was HK24.7 cents, compared to HK54.6 cents as at 31 December 2002. The total shareholders' funds was 42% of the total assets of HK\$1,673 million as at 31 December 2003.

Financial Resources, Liquidity and Capital Structure

Liquidity and Capital Resources

During the year under review, the Group's total borrowings increased by 43% from HK\$387 million as at 31 December 2002 to HK\$552 million as at 31 December 2003 while net debt (measured by total bank borrowings minus cash and bank deposits) increased to HK\$281 million due to the additional fundings applied towards the development of the mainland property projects. The progress of both the Beijing and Dalian projects was in line with forecast. The construction of the Beijing project, Scenic Place (phase 1) was completed towards the end of 2003 and occupation permit had been received by one of the three towers. The application of the occupation permit for the remaining two was underway. The Dalian project would also be completed in 2004.

The substantial amount of provisions made during the year caused the gearing ratio to increase to 79% as at 31 December 2003, from 25% as at 31 December 2002.

股東基金

本集團之股東基金總額由二零零二年十二月三十一日之港幣1,549,000,000元減至二零零三年十二月三十一日之港幣701,000,000元。股東基金之減少乃由於二零零三年度虧損港幣846,000,000元，其中港幣776,000,000元為非現金性質項目之撥備。按每股計算，本集團於二零零三年十二月三十一日之綜合資產淨值為港幣24.7仙，而二零零二年十二月三十一日則為港幣54.6仙。於二零零三年十二月三十一日，股東基金總額佔資產總值港幣1,673,000,000元之42%。

財務資源、流動資金及資本架構

流動資金及資本資源

於回顧年內，本集團之貸款總額由二零零二年十二月三十一日之港幣387,000,000元增加43%至二零零三年十二月三十一日之港幣552,000,000元，而債務淨額（以銀行貸款總額減現金及銀行存款計算）則由於向國內物業項目發展投入額外資金而增至港幣281,000,000元。北京及大連項目均如期進行。北京項目蝶翠華庭（第一期）之建築工程已於二零零三年末竣工，並已取得三棟大樓之其中一棟之入住許可證。餘下兩棟大樓之入住許可證申請仍在進行中。大連項目預期於二零零四年竣工。

年內作出的巨額撥備導致資產負債比率由二零零二年十二月三十一日之25%上升至二零零三年十二月三十一日之79%。

Short-term and Long-term Borrowings

The maturity profiles of the Group's bank and other borrowings outstanding as at 31 December 2003 and 31 December 2002 are summarized as follows:

	31 December 2003 二零零三年 十二月三十一日		31 December 2002 二零零二年 十二月三十一日	
	HK\$ million 港幣百萬元	% 百分比	HK\$ million 港幣百萬元	% 百分比
Within one year	474	86%	223	58%
In the second year	78	14%	42	11%
In the third to fifth year	-	-	122	31%
Total	552	100%	387	100%

The increase in amount due within one year was in line with the construction progress of our two residential projects in the mainland.

Financial Management

Foreign Currency Risk

The Group did not use any financial instrument to hedge foreign currency risk. Instead, the Group has increased its renminbi financing to mitigate any potential exposure in its mainland projects where cashflows are denominated in that currency.

The denomination of the Group's bank and other borrowings outstanding as at 31 December 2003 and 31 December 2002 are summarized as follows:

	31 December 2003 二零零三年 十二月三十一日		31 December 2002 二零零二年 十二月三十一日	
	HK\$ million 港幣百萬元	% 百分比	HK\$ million 港幣百萬元	% 百分比
In HK\$	167	30%	183	47%
In RMB	385	70%	204	53%
Total	552	100%	387	100%

The increase in the proportion of renminbi borrowings was in line with the Group's additional business exposure in the mainland and the financial policy to minimize exposure to currency risk.

短期及長期貸款

本集團於二零零三年十二月三十一日及二零零二年十二月三十一日之未償還銀行及其他貸款之還款情況概述如下：

一年內
第二年
第三至第五年
總額

一年內到期數額之增加為本集團位於中國之兩項住宅項目之工程進度一致。

財務管理

外匯風險

本集團並無使用任何財務工具對沖外匯風險。惟本集團已增加其人民幣融資，以減輕在以該貨幣為主要現金流量之國內項目之潛在風險。

本集團於二零零三年十二月三十一日及二零零二年十二月三十一日尚未償還之銀行及其他貸款按記賬貨幣分類概述如下：

港幣
人民幣
總額

人民幣貸款之比率有所增加，符合本集團加強國內業務之目標及盡量減低外匯風險之財務政策。

Interest Rate Risk

The Group was exposed to changes in interest rate fluctuations to the extent that they affect the cost of funds for floating rate borrowings. As at 31 December 2003, about 30% of the Group's total borrowings were on a floating rate basis whilst the remaining 70% were fixed rate borrowings. In comparison, 47% of the borrowings were on floating rate and 53% on fixed rate as at 31 December 2002. The Group would continue to maintain a mixture of floating rate and fixed rate borrowings and take action to hedge against any foreseeable interest rate exposure, if necessary.

Pledge of Assets

The Group's bank loans, overdrafts and other loans were secured by certain investment properties, completed properties held for sale and those under development with carrying values of HK\$753 million (2002: HK\$605 million) and cash deposits of HK\$153 million (2002: HK\$122 million).

Contingent Liabilities

As at 31 December 2003, the Company issued guarantees to the extent of HK\$329 million (2002: HK\$271 million) of which HK\$320 million (2002: HK\$203 million) was utilized in respect of bank and other borrowings granted to its subsidiaries and HK\$1 million (2002: HK\$1 million) was utilized in respect of the lease of fixed assets taken up by a subsidiary.

利率風險

本集團面對利率波幅變動，限於浮動利率貸款對資金成本之影響。於二零零三年十二月三十一日，本集團貸款總額當中，約30%以浮動利率計息，其餘70%為定息貸款。相比之下，於二零零二年十二月三十一日，本集團貸款當中之47%為浮息貸款，另外53%則為定息貸款。本集團將繼續維持浮息貸款及定息貸款之借貸組合，並在有需要時採取措施對沖任何可預見之利率波動風險。

資產抵押

本集團之銀行貸款、透支及其他貸款乃由賬面值港幣753,000,000元（二零零二年：港幣605,000,000元）之若干投資物業、待出售之已完成物業及發展中物業以及現金存款港幣153,000,000元（二零零二年：港幣122,000,000元）作為抵押。

或然負債

於二零零三年十二月三十一日，本公司所作出之擔保合共港幣329,000,000元（二零零二年：港幣271,000,000元），其中就授予附屬公司之銀行及其他貸款已動用港幣320,000,000元（二零零二年：港幣203,000,000元），就附屬公司之固定資產租賃已動用港幣1,000,000元（二零零二年：港幣1,000,000元）。

Acquisition and Disposal of Interests in Subsidiaries and Associated Companies

On 13 January 2003, the Group entered into an agreement with China Travel Services Group to acquire the remaining 35% shareholding in the Scenic Place project at a consideration of HK\$64 million.

On 14 October 2003, the Group entered into an agreement to dispose New Digital Associates Limited (“New Digital”), a 85%-owned subsidiary of the Group, at a consideration of RMB1 million. New Digital owns the entire 100% equity interest in Beijing Golden Voyage Electronic Technology Co., Ltd., a company which developed and distributed e-learning platform to educational institutions and corporations.

On 24 December 2003, the Group entered into an agreement to dispose Easykeys Limited (“Easykeys”), a 72%-owned subsidiary of the Group, and US\$30,000 was received as consideration. Easykeys developed and owned the intellectual property rights in KW-1 Chinese Language Keyboard.

收購及出售附屬公司及聯營公司之權益

於二零零三年一月十三日，本集團與中旅集團訂立一項協議，以代價港幣64,000,000元收購蝶翠華庭項目餘下35%股權。

於二零零三年十月十四日，本集團訂立一項協議，以代價人民幣1,000,000元出售本集團擁有85%權益之附屬公司New Digital Associates Limited（「New Digital」）。New Digital擁有北京金海航電子技術有限責任公司之全部股權。北京金海航電子技術有限責任公司乃一間為教育機構及公司開發及分銷電子學習平台之公司。

於二零零三年十二月二十四日，本集團訂立一項協議，以出售本集團擁有72%股權之附屬公司Easykeys Limited（「Easykeys」），並已收取30,000美元作為代價。Easykeys開發及擁有KW-1中文鍵盤之知識產權。