

Management Discussion

SIGNIFICANT INVESTMENTS HELD

During the year, there is no material change in the significant investments and properties held by the Group.

DETAILS OF MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

During the year, there was no material acquisitions and disposals of subsidiaries.

LIQUIDITY AND FINANCIAL RESOURCES

The Group continues to be in a stable financial position with cash and bank balances of approximately HK\$36,039,000 as at 31 December 2003 (2002: approximately HK\$11,659,000). As at 31 December 2003, the Group's gearing ratio, as a ratio of interest bearing borrowings to shareholders' funds, was 147% (2002: 439%).

CHARGES ON THE GROUP'S ASSETS

As at 31 December 2003, properties of the Group with an aggregate net book value of approximately HK\$2,216,046,000 (2002: approximately HK\$1,702,740,000) and no bank deposits (2002: Nil) were pledged to secure banking facilities for the Group.

CONTINGENT LIABILITIES

A property related proceedings relating to the purchase of certain properties in Yuen Long by a subsidiary of the Company is still under progress. In such transaction, the said subsidiary has already paid a deposit of HK\$65,000,000. The transaction has fallen through and the said deposit of HK\$65,000,000 has been forfeited by the Vendor. According to the legal advice taken by the Company, the shareholders of such subsidiary would not incur any further liability apart from costs.

SEGMENT INFORMATION

The analysis of the principal activities and the operating results of the Group during the financial year are set out as follows:

For the year ended 31 December 2003

	Segment Revenue				Contribution from operation HK\$'000
	External customers	Inter- segment	Segment result	Inter-segment transactions	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Property development	1,000	3,560	(751)	—	(751)
Property leasing	91,091	3,278	85,988	1,288	87,276
Building management services	8,511	—	5,204	—	5,204
Urban infrastructure	23,341	—	552	—	552
Others	660	—	44,146	(1,288)	42,858
Elimination	—	(6,838)	—	—	—
Total	124,603	—	135,139	—	135,139
Unallocated income and expenses					(18,500)
Profit from operations					116,639
Finance costs					(54,658)
Gain on deemed disposal of interest in a subsidiary					—
Share of profits less losses of associates					(4)
Taxation					510
Minority interests					(681)
Profit attributable to shareholders					61,806

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For the year ended 31 December 2002

	Segment Revenue				Contribution from operation HK\$'000
	External customers HK\$'000	Inter- segment HK\$'000	Segment result HK\$'000	Inter-segment transactions HK\$'000	
	Property development	8,549	—	(202,089)	
Property leasing	91,578	3,788	83,213	3,280	86,493
Building management services	28,450	—	7,159	—	7,159
Urban infrastructure	—	—	—	—	—
Others	833	14,038	(229,786)	(3,280)	(233,066)
Elimination	—	(17,826)	—	—	—
Total	129,410	—	(341,503)	—	(341,503)
Unallocated income and expenses					18,121
Loss from operations					(323,382)
Finance costs					(95,713)
Gain on deemed disposal of interest in a subsidiary					4,712
Share of profits less losses of associates					4
Taxation					(226)
Minority interests					2,834
Loss attributable to shareholders					(411,771)

EMPLOYEES REMUNERATION

The Group had approximately 28 employees and 130 employees in Hong Kong and PRC respectively as at 31 December 2003 (2002: 37). Total staff costs incurred during the year amounted to approximately HK\$10,663,000 (2002: approximately HK\$11,335,000). The Group also offers its employees competitive remuneration packages. During the year, share options were granted to various directors and employees on a performance related basis.