

## MANAGEMENT DISCUSSION AND ANALYSIS

The turnover of the Group was decreased by 27.3% to approximately HK\$87 million for the financial year 2003 when compared to approximately HK\$119.7 million in 2002 and the net loss of the Group for the year was increased by 154.8% to approximately HK\$21.4 million from approximately HK\$8.4 million in last year. The increase in loss was mainly due to the loss on disposal of restaurants business of approximately HK\$6.2 million during the year compared with the net gain on disposal of subsidiaries of approximately HK\$14.2 million in 2002.

### LIQUIDITY AND FINANCIAL RESOURCES

The financial position of the Group was further improved after the disposal of loss making subsidiaries. All bank borrowings were settled. There was no bank borrowing at the year end and the gearing ratio of the Group, expressed as the percentage of the Group's total liability and minority interest over the shareholders' fund of approximately HK\$36.5 million was decreased from 42.7% to 31.4%.

The Group also maintains sufficient working capital with net current assets of approximately HK\$35.9 million as at 31 December 2003 (2002: HK\$46.3 million). Current ratio was maintained at a healthy level of around 4.3 times (2002: 3). The Group's bank and cash balances amounted to approximately HK\$18.9 million at the year end (2002: HK\$13.1 million).

The Group currently earns revenue and incurs expenses mainly in Hong Kong dollars and Singapore dollars. The Group's borrowings and bank and cash balances are also denominated in Hong Kong dollars and Singapore dollars. The Group will conduct periodic review of its exposure to foreign exchange risk.

### CONTINGENT LIABILITIES

The Group had no significant contingent liabilities at the balance sheet date.

### PLEDGE OF ASSETS

As at 31 December 2003, bank deposits of approximately HK\$1.0 million (2002: HK\$5.7 million) was pledged to secure banking facilities granted to the Group.

### HUMAN RESOURCES

As at 31 December 2003, the Group had approximately 30 employees in Hong Kong and Singapore.

The Group's employees are remunerated in line with the prevailing market terms and individual performance, with the remuneration package and policies reviewed on a regular basis. In addition to salaries and sales commission, discretionary bonuses may be rewarded to employees after assessment of the performance of the Group and the individual employee. Share options may be granted to senior management as a recognition of their contribution and an incentive to motivate them.