

Management Discussion and Analysis

RESULTS

The Group's turnover for the financial year ended 31st March 2004 amounted to HK\$57,237,652. Loss attributed to the shareholders for the year totalled HK\$21,015,059.

PROPERTY & HOSPITALITY DIVISION

Shangri-La Dingshan Nanjing Hotel, Nanjing China

For the current financial year, the hotel managed to generate a positive contribution in spite of the fact that Phase 2 of the development, to provide an additional 200 rooms, has not been completed. After allowing for interests on bank loans and depreciation, the company showed a loss for the financial year.

Shanghai Garden City, Shanghai, China

Having resolved the previously disputed issues on the first phase of the project, an agreement was reached with the joint venture partner as to the development of the second phase. The project has now resumed full speed. Since then, the joint venture company managed to sell the majority of the completed apartments of the first phase at favourable prices. Several units and the shopping mall thereof remained unsold but are expected to fetch favourable offers. On the second phase, designs and detailed plan have been submitted to the authorities for which approval is expected shortly. Construction of this 15,000 square meter development is planned to commence in July/August 2004 with pre-sale taking place early 2005.

TRADING SALES AND CONTRACT WORKS

In the furnishing business, the retail sector was seriously affected by the outbreak of SARS in 2003. To cope with the situation, Gallaria Furnishing International Limited has adopted a concerted marketing campaign to focus the project-based strategy of supplying furniture and accessories to serviced apartments and hotels in Hong Kong and PRC. This approach has begun to improve the business outlook of the company and is expected to put it back on the profitability track.

FINANCIAL POSITION

The financial position of the Group remained healthy and apart from the HK\$3.5 million in bank overdrafts, the Group had a minimal amount of trade liabilities and commitments. The gearing ratio, representing the ratio of total bank borrowings to total assets, was 1.51% (2003: 1.56%).

The majority of income and expenses of the Group are dominated either in Yuan or Hong Kong Dollar. Hence the Group's exposure to fluctuations in the exchange rate is considered to be minimal and there is seldom the need to make use of financial instruments for hedging purposes.

At 31st March 2004, the Group had HK\$56 million net current assets in hand. This forms a solid foundation for the Group's forthcoming expansion and development.

CHARGES ON ASSETS

The Group did not have any charge on its assets as at 31st March 2004 (2003: Nil).

EMPLOYEES

Total number of employees in the Group excluding those under the payroll of the associated companies at 31st March 2004 was 83 compared with 78 at 31st March 2003. Remuneration packages are reviewed annually. In addition to the salary payment, other staff benefits include medical and hospitalisation insurance cover.