



## 02 financial review

- > group performance
- > financial position
- > cash flow and borrowings
- > treasury activities
- > employees
- > financial statistics summary

## ► financial review

As at 31 December 2004, the Group's gross assets stood at HK\$647.5 million, up from HK\$629.5 million as at the end of the last financial year ended 31 December 2003.

### Group Performance

The Group recorded a revenue of HK\$72.1 million for the year 2004, a decrease of 15.0%, as compared to a revenue of HK\$84.9 million achieved in year 2003, due mainly to lower dividend income. Revenue contribution from the Group's US hospitality-related operations was HK\$58.9 million, similar to that achieved in the previous year. While a higher other net income of HK\$25.9 million was reported, representing an increase of 44.2% from HK\$17.9 million in the previous year due mainly to higher unrealised gain of HK\$5.7 million on stating the Group's investment securities at fair value at the financial year-end.

Consequently, City e-Solutions Limited Group recorded a net profit attributable to its shareholders of HK\$26.5 million, a decrease of 19.9%, as compared to a net profit of HK\$33.1 million in the previous year.

The analyses of the Group's Revenue and Profit & Loss from Operations by business and geographical segments are set out in notes to the financial statements.

## financial review

### Financial Position

As at 31 December 2004, the Group's gross assets stood at HK\$647.5 million, up from HK\$629.5 million as at the end of the last financial year ended 31 December 2003. The increase can be mainly attributed to the increase in the Group's investment securities as at the financial year-end.

The Group reports its results in Hong Kong dollars and it is the objective of the Group to preserve its value in terms of Hong Kong dollars.

### Cash Flow and Borrowings

For the year under review, net cash inflow from operating activities amounted to HK\$7.0 million. The Group received interest and dividend income of HK\$5.9 million and HK\$14.8 million respectively. On the Group's investment activities, HK\$38.7 million was utilised to purchase investment securities while HK\$11.5 million was paid to shareholders as dividends during the year.

The Group's cash and cash equivalents accordingly decreased by HK\$32.1 million in the financial year 2004. This decrease together with a favourable exchange translation gain of HK\$4.1 million resulted in a cash balance of HK\$499.1 million as at the end of the financial year, down from HK\$527.2 million as at the last financial year-end. Cash and cash equivalents are mainly held in United States dollars as at the financial year-end.

The Group has no borrowings for the year under review.

## financial review

### Treasury Activities

Majority of the Group's cash is held in United States dollar deposits. Hence, as long as the Hong Kong dollar trades within the existing United States dollar peg arrangement, currency risk will be minimal. However, with the macro trend of a declining US dollar, the Group may have to consider a portion of its portfolio held in other currencies to maximise returns to shareholders.

### Employees

As at 31 December 2004, the Group had 41 employees, down from 42 employees as at the end of the last financial year ended 31 December 2003. The total payroll costs for the year 2004 was HK\$29.1 million.

The Group has a competitive wage and benefits package which are critical to maintaining a level of consistent and quality hospitality services.