

MANAGEMENT DISCUSSION AND ANALYSIS

1. The Group's liquidity and financial resources

During the year, the Group's total bank borrowings decreased by HK\$26.9 million to HK\$452 million. The shareholders' funds increased by HK\$228 million to HK\$1,925 million and long term bank loans outstanding amounted HK\$434 million as at 31st December 2004 (2003: HK\$415 million). The debt to equity ratio was 23.5% (2003: 28%). The banking facilities available are sufficient for the Group's working capital. The Group's financial flexibility remains healthy.

2. Capital structure of the Group

The capital structure of the Group had not changed materially from the last annual report. The Group borrowings are primarily denominated in Hong Kong and United States dollars. The Group therefore has no significant exposure to foreign exchange fluctuation.

The maturity of the Group's long term bank loans is as follows:

	2004	2003
	HK\$'million	HK\$'million
within one year	77.1	223.3
in the second year	27.7	32.5
in the third to fifth years inclusive	203.1	159.0
after the fifth year	126.2	—
	434.1	414.8

The Group's total bank borrowings are secured by certain properties with an aggregate net book value of HK\$1,495.6 million (2003: HK\$1,452.1 million) and rental income thereon.

3. Significant investment held and their performance and future prospects

The Group holds 12% equity interest in The Yangtze Ventures Limited and The Yangtze Ventures II Limited (collectively "Yangtze"). During the year, the Group has made a further investment of HK\$6 million in Yangtze.

During the year, Yangtze disposed of two-third of its shareholdings in Solomon Systech (International) Limited (Stock Code: 2878) and declared and paid dividends to the Group in an aggregate of HK\$20.4 million. The other promising investment that Yangtze held is a stake in China Infrastructure Group ("CIG"). CIG disposed of a container port in Zhapu and all the proceeds received was re-invested in the container port in Wuhan. Listing of container port in Wuhan is now under progress. Yangtze has made further investment during the year in a company actively participating as a radio communication monitoring system provider in China.

4. Details of number and remuneration of employees

Including the directors of the Group as at 31st December 2004, the Group employed a total of 170 full-time employees. In addition to salary payment, other benefits include discretionary bonus, insurance, medical schemes and mandatory provident fund schemes.

5. Details of future plans for material investments

In continuous pursuit of a conservative and prudent business policy, the Group will consider to invest in profitable projects wherever arising in the future.