

# Management Discussion and Analysis

## Segment Information

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

*For the year ended 31 December 2004*

	Property leasing HK\$'000	Building management services HK\$'000	Property development HK\$'000	Urban infrastructure HK\$'000	Others HK\$'000	Elimination HK\$'000	Total HK\$'000
<b>Segment revenue</b>							
External customers	100,580	10,403	—	22,945	450	0	134,378
Inter-segments	3,207	—	—	—	357	(3,564)	—
	<b>103,787</b>	<b>10,403</b>	<b>—</b>	<b>22,945</b>	<b>807</b>	<b>(3,564)</b>	<b>134,378</b>
<b>Segment results</b>	<b>94,685</b>	<b>7,040</b>	<b>(168)</b>	<b>(6,702)</b>	<b>(1,563)</b>	<b>0</b>	<b>93,292</b>
Inter-segment transactions	3,607	74	—	0	(3,681)	0	0
<b>Contribution from operations</b>	<b>98,292</b>	<b>7,114</b>	<b>(168)</b>	<b>(6,702)</b>	<b>(5,244)</b>	<b>0</b>	<b>93,292</b>
Unallocated income and expenses							(17,152)
Profit from operations							76,140
Finance costs							(36,634)
Gain on disposal of subsidiaries							1,053
Share of profits less losses of associates							17
Profit before taxation							40,576
Taxation							(13,109)
Profit after taxation							27,467
Minority interests							867
<b>Profit attributable to shareholders</b>							<b>28,334</b>

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*For the year ended 31 December 2003*

	Property leasing	Building management services	Property development	Urban infrastructure	Others	Elimination	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Segment revenue</b>							
External customers	91,091	8,511	1,000	23,341	660	—	124,603
Inter-segments	3,278	—	3,560	—	—	(6,838)	—
	<b>94,369</b>	<b>8,511</b>	<b>4,560</b>	<b>23,341</b>	<b>660</b>	<b>(6,838)</b>	<b>124,603</b>
<b>Segment results</b>	85,988	5,204	(751)	552	44,146	—	135,139
Inter-segment transactions	1,288	—	—	—	(1,288)	—	—
<b>Contribution from operations</b>	<b>87,276</b>	<b>5,204</b>	<b>(751)</b>	<b>552</b>	<b>42,858</b>	<b>—</b>	<b>135,139</b>
Unallocated income and expenses							(18,297)
Profit from operations							116,842
Finance costs							(54,658)
Loss on disposal of a subsidiary							(203)
Share of profits less losses of associates							(4)
Profit before taxation							61,977
Taxation							510
Profit after taxation							62,487
Minority interests							(681)
Profit attributable to shareholders							<b>61,806</b>

# Management Discussion and Analysis

## 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.

## Financial Resources and Liquidity

	2004	2003
	HK\$'000	HK\$'000
Shareholders' funds	1,805,593	921,511
Interest bearing borrowings	1,299,875	1,356,700
Total borrowing costs	36,634	54,658
Gearing ratio	72%	147%
Average cost of borrowings	2.3%	4.0%

The gearing ratio (which is expressed as a percentage of bank and other borrowings over the shareholders' funds) has been reduced from 147% in 2003 to 72% in 2004. This improvement of gearing ratio was mainly due to an increase in total net assets which was mainly attributable from a revaluation surplus of investment properties and the profit retained for the year under review.

The Group continues to be in a stable financial position with cash and bank balances of approximately HK\$46,724,000 as at 31 December 2004 (2003: approximately HK\$36,039,000).

Funding and treasury policies of the Group are centrally managed and controlled in Hong Kong.

The Group's monetary assets, loans and transactions are principally denominated in Hong Kong Dollars. The exposure to exchange rate risk is not material.

During the year, the Group did not engage in any derivative activities or use any financial instruments to hedge its balance sheet exposures.

All the bank borrowings of the Group are at floating interest rate.

# Management Discussion and Analysis

## **Charges on the Group's Assets**

As at 31 December 2004, properties of the Group with an aggregate net book value of approximately HK\$3,008,976,000 (2003: approximately HK\$2,216,046,000) were pledged to secure banking facilities for the Group.

## **Contingent Asset**

A property related proceedings relating to the purchase of certain properties in Yuen Long by Pacific Well Realty Limited ("Pacific Well"), a subsidiary of the Company is still under progress. In such transaction, Pacific Well 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. Judgement has been handed down by the High Court whereby it was ordered that out of the said sum of HK\$65,000,000, Pacific Well is entitled to a refund of HK\$45,000,000 together with interest thereon at the rate of 1% above the prime rate per annum from 8 May 1998 until 14 October 2004 and thereafter at usual rate for judgement debts and costs less the amount payable by Pacific Well to the Vendor in accordance with the terms of the supplemental agreement entered into on 31 March 1998 by way of interest and outgoings calculated from 31 March 1998 until 8 May 1998. The case is pending appeal.

## **Employees Remuneration**

The Group had approximately 31 employees and 140 employees (2003: approximately 28 employees and 130 employees) in Hong Kong and PRC respectively as at 31 December 2004. Total salaries and wages incurred during the year amounted to approximately HK\$11,469,000 (2003: approximately HK\$10,663,000). The Group offers its employees competitive remuneration packages. During the year, share options were granted to various directors and employees of the Group on a performance related basis.