

# Management Discussion and Analysis

## RESULTS

For the year ended 31st December 2004, the Group recorded a turnover of HK\$588 million and profit attributable to shareholders of HK\$80 million as compared to HK\$281 million and HK\$94 million respectively in 2003. Basic earnings per share decreased from HK\$0.08 in 2003 to HK\$0.0685 in 2004, down by 14%.

## LIQUIDITY AND FINANCIAL RESOURCES

The Group relied principally on its internal resources to fund its operation and investment activities. Bank loans will be raised in occasion to meet the different demands in our various investment projects. During the year, bank loans of HK\$87 million were borrowed for financing the operation of subsidiaries and share margin business. As at 31st December 2004 and share margin business, the Group is holding approximately HK\$202 million cash reserves and the gearing ratio (total borrowings to shareholders' fund) is at the level of 6%. Investment in marketable securities as at 31st December 2004 amounted to approximately HK\$16 million.

The Group's principal operations are transacted and recorded in Hong Kong dollars and Renminbi and we expected that the Group has no significant exposure to foreign exchange fluctuations.

## PLEDGE OF ASSETS

Certain properties of the Group with an aggregate net book value of approximately HK\$109 million as at 31st December 2004 (2003: HK\$102 million) as well as fixed deposits of HK\$15 million (2003: HK\$15 million) were pledged as securities against bank loans and general banking facilities amounting to HK\$87 million (2003: HK\$129 million) granted to the Group.

## EMPLOYEES

As at 31st December 2004, the Group employed 777 staff, of which 683 are located in the Chinese Mainland. Employee remuneration is performance based and is reviewed annually. In addition to basic salary payments, other staff benefits include medical schemes, defined contribution provident fund schemes and employee shares option scheme. Training courses are provided to staff where necessary.