

## PROSPECTS

The Group made a significant decision during the Period to reposition itself as a property business player. It planned to dispose of and discontinue non-core businesses to re-allocate its financial resources and management efforts to focus on its core property and financial operations. The disposal and discontinuance will also allow the Group to realise its previous investment in those non-core businesses and the proceeds from the sales will improve the Group's financial position. The disposal is expected to complete by the end of the current financial year.

In general, the Group is optimistic about the economy in Hong Kong and the PRC region. The Group's property investment arm focuses on superior rental properties. Its two acquisitions in Macau will generate steady rental income for the Group with good prospect of growth in the long run. The Group is also ironing out the final construction plans and development issues of the Lido project with the governmental authorities.

For property development, the Group focuses on high-end residential projects in popular locations in Hong Kong, Macau and major cities in the PRC. It plans to start construction of Phase II development of Riverside Garden at Xiamen in 2006. In the meantime, it is awaiting government approval to enlarge the scales of its luxurious seaview residential development project in Sai Kung. The management will continue to look for opportunities to expand its land bank and development portfolio.

For its hotel operation in Hong Kong – which the Group views as a part of its property business – the management anticipates an increase in the demand for rooms from both mainland and overseas tourists to Hong Kong. Answering to the popular demand for karaoke, the Group had converted a floor in the hotel premises into karaoke rooms and related work was completed recently. The management expects the new rooms to bring in higher revenue.

The management of the financial and consultancy arm expects financial markets will be on growth track in 2006. The Group will expand its business in the trading of commodity futures and is making preparation to diversify its revenue stream by launching asset management services.

Looking ahead, the Group expects to receive profit contributions from its partially-owned Emperor Entertainment Hotel Limited ("EEH"), of which the Macau hotel will commence business in January 2006, as well as the strong cashflow through dividend distributed by EEH. The Group will closely monitor the performance of all its business segments to maximise returns for its shareholders and investors.

## **CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES**

As at 30th September, 2005, the total external borrowings (excluding payables) amounted to approximately HK\$1,426.8 million and the Group maintained a debt to equity ratio of 38% (measured by total external borrowings as a percentage to the net asset value of the Group). In addition to its share capital and reserves, the Group made use of cash flow generated from operations, bank borrowings and unsecured loans from a shareholder and related companies to finance its operations. The Group's bank borrowings were denominated in Hong Kong Dollars and their interest rates followed market rates. The Group's bank balances and cash were mostly Hong Kong dollars. The Group had no material exposure to fluctuations in exchange rates. Besides, the Group had contingent liabilities in respect of (i) guarantees given to a bank in connection with mortgage loans granted to third parties totaling approximately HK\$3 million and (ii) loss and damages due to defects claimed by purchasers of some of the Group's properties.

## **STAFF COSTS**

The total cost incurred for staff including directors' emoluments amounted to HK\$151.3 million during the Period as compared with HK\$133.0 million in the last corresponding period. The increase was due to salaries revision. The number of staff was approximately 1,200 as at the end of the Period (2004: 1,200).

## **ASSETS PLEDGED**

Assets with carrying value of HK\$3,977.0 million were pledged as security for banking facilities.