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 financial review

As at 31 December 2005, the Group's gross assets stood at HK\$642.4 million, down marginally from HK\$647.5 million as at the end of the last financial year ended 31 December 2004.

#### Group Performance

The Group recorded a higher revenue of HK\$84.5 million, an increase of 17.1%, as compared with HK\$72.1 million in the previous year, due mainly to higher interests received and fee income from its US's hotel management business unit. However, the Group reported a lower net profit attributable to the equity shareholders of the Company of HK\$5.4 million, a decrease of 79.7% as compared to HK\$26.5 million recorded in the previous year. The lower Group's profit can be mainly attributed to the unrealised translation exchange losses on the Sterling Pound deposit and investment securities.

The revenue and pre-tax profit contributions from the Group's hospitality related businesses amounted to HK\$63.7 million and HK\$10.1 million respectively during the year. This compares favourably to the revenue and pre-tax profit contributions of HK\$62.2 million and HK\$4.8 million recorded by the Group's hospitality related businesses in the previous year. The improvement can be attributed to lower administrative expenses incurred in the current year under review.

The investment securities and time deposits held by the Group returned investment income amounting to HK\$20.9 million during the year under review as compared with HK\$9.9 million in the previous year. In line with the higher prevailing interest rates, interest income received in year 2005 amounted to HK\$15.4 million, up 156.1%, from HK\$6.0 million in the previous year. Similarly, dividend income received was higher at HK\$5.5 million, up 39.1%, from HK\$3.9 million.

The investment activities had recorded a loss of HK\$2.8 million during the year under review, as compared with a profit of HK\$22.6 million in the previous year. In line with the accounting treatment, unrealised losses of HK\$3.5 million were sustained as a result of remeasuring the Group's investment securities to fair value as at 31<sup>st</sup> December 2005. This, together with the unrealised translation exchange losses, resulted in a total Net Other Expenses of HK\$11.8 million for the year under review as compared with a Net Other Income of HK\$25.9 million in the previous year.

The analyses of the Group's Revenue and Profit and 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 2005, the Group's gross assets stood at HK\$642.4 million, down marginally from HK\$647.5 million as at the end of the last financial year ended 31 December 2004.

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\$11.9 million. The Group received interest and dividend income of HK\$15.0 million and HK\$4.9 million respectively. On the Group's investment activities, HK\$11.5 million was paid to shareholders as dividends during the year.

The Group's cash and cash equivalents accordingly increased by HK\$7.0 million in the financial year 2005. This increase together with an unfavourable exchange translation loss of HK\$8.8 million resulted in a cash balance of HK\$497.3 million as at the end of the financial year, down from HK\$499.1 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.

### Treasury Activities

As the Group has held some Sterling fixed deposits since last year and has some equity holdings denominated in Sterling, some unrealised exchange losses were recorded. Other than that, 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 not be significant. The Group's view is that to maximise returns to shareholders we need a balanced portfolio and hence a portion of its portfolio would be held in other currencies. We will continue to monitor closely the Group's exposure to currency movement and take the appropriate action when necessary.

### Directors and Employees

As at 31 December 2005, the Group had 47 directors and employees, down from 52 as at the end of the last financial year ended 31 December 2004. The total payroll costs paid to directors and employees for the year 2005 was HK\$29.9 million, down 8.2% from HK\$32.6 million in year 2004. The Group has a competitive wage and benefits package which are critical to maintaining a level of consistent and quality hospitality services.