

Management Discussion and Analysis

The following comments should be read in conjunction with the Audited Consolidated Financial Statements of the Company and the related notes on the accounts.

REVIEW OF RESULTS

The Group's turnover for the year amounted to approximately HK\$764 million, representing a decrease of 23.1% when compared to that recorded in the previous year. This was mainly attributed to the decrease in the sale of residential units of Metro Harbour View in the current year.

Profit from operations, which recorded a decrease of 32.4% to approximately HK\$229 million comparing to that recorded in the previous year, was mainly attributed to the decrease in profits from the sale of residential units of Metro Harbour View.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As of 31 December 2005, shareholders' fund of the Group showed an increase of 4.9% as compared to the previous year and amounted to approximately HK\$3,365 million. Such an increase mainly represented the net effects of the profit realized from the sale of residential units of Metro Harbour View for the year, the gains on revaluation of the Group's investment properties and the payment of dividends.

There was no change as to the capital structure of the Group during the year. As of 31 December 2005, the Group had no borrowing. Funding for the Group's activities in the year under review was mainly generated from the sale of residential units of Metro Harbour View.

During the year, there was no material acquisition and disposal of subsidiary and associate. A net repayment of approximately HK\$60 million was received from an associate who provides mortgage loans to buyers of residential units of Metro Harbour View.



Maintenance services of Fireboat "Alexander Grantham"

Management Discussion and Analysis (Continued)

Current assets of the Group were recorded at approximately HK\$2,290 million as compared to the current liabilities of approximately HK\$204 million as of 31 December 2005. Current ratio of the Group had been increased to 11.2, mainly attributed to the reclassification of the residential portions of 222 Tai Kok Tsui Road and 6 Cho Yuen Street Project from “properties held for development” to “properties under development – held for sale” and was categorized in inventories under the current assets of the Company.



Harbour Cruise – “Bauhinia”

GEARING RATIO AND FINANCIAL MANAGEMENT

As there was no borrowing as at 31 December 2005, no gearing ratio, which is calculated on the basis of bank borrowing as a ratio of the Group’s shareholders’ fund, was shown. Assets of the Group had not been charged to any third parties in the year under review.

The Group’s financing and treasury activities were managed centrally at the corporate level. Financing facilities extended to the Group were denominated in Hong Kong Dollars. As a whole, the core operations of the Group can be considered as not exposed to foreign exchange rate risk to any significant extent.



Silvermine Beach Hotel

CONTINGENT LIABILITIES

Contingent liabilities of the Group as at 31 December 2005 amounting to approximately HK\$76 million were in respect of a claim by the Hong Kong Government against the Company and a subsidiary in respect of the dispute over the reimbursement of certain costs for the proposed redevelopment of the ferry piers in Central District.

EMPLOYEES

As at 31 December 2005, the number of employees of the Group stood at about 390 (2004: 390). The remuneration packages to employees were commensurate to the market trend and levels of pay in similar industries. A discretionary year-end bonus was paid to employees based on individual performance. Other benefits to employees include medical insurance, retirement scheme, training programmes and educational subsidies. Total employees’ costs for the year amounted to approximately HK\$72 million, which is commensurate with that recorded in the previous year.