

# MANAGEMENT DISCUSSION AND ANALYSIS

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## 1 The Group's liquidity and financial resources

During the relevant year, the Group's total bank borrowings increased by HK\$10.2 million to HK\$462.0 million. The total equity increased by HK\$253.2 million to HK\$1,954.6 million (2004: \$1,701.4 million, as restated) and long term bank loans outstanding as at 31st December 2005 amounted HK\$426.6 million (2004: HK\$434.1 million). The debt to equity ratio was 23.6% (2004: 26.6%, as restated). The banking facilities available are sufficient for the Group's working capital. The Group's financial flexibility remains healthy.

## 2 Capital structure of the Group

The capital structure of the Group had not changed materially from the last annual report. The Group borrowings are primarily denominated in Hong Kong and United States dollars. The Group therefore has no significant exposure to foreign exchange fluctuation.

The maturity of the Group's long term bank loans is as follows:

	2005	2004
	HK\$'000	HK\$'000
- within one year	98,017	77,054
- in the second year	34,975	27,739
- in the third to fifth years inclusive	293,619	203,151
- after the fifth year	—	126,178
	<u>426,611</u>	<u>434,122</u>

The Group's total bank borrowings are secured by certain leasehold land, investment properties and rental income thereon and properties under development with an aggregate net book value of HK\$1,596.5 million (2004 : HK\$1,418.5 million, as restated).

## 3 Significant investments held and their performance and future prospects

The Group holds 12% equity interest in The Yangtze Ventures Limited and The Yangtze Ventures II Limited (collectively "Yangtze"). The investment made by the Group in them was HK\$12 million respectively and totalled HK\$24 million. The cumulative dividend received from The Yangtze Ventures Limited up to 31st December 2005 amounted to HK\$36 million.

The investment portfolio of Yangtze now includes 65.5 million shares in China Infrastructure Group, which is listed on Hong Kong's GEM Board, and investments in 8 other companies respectively specialised in manufacturing and research and development of animal feedstuff, integrated circuits, biopharmaceutical products, chinese medical products, energy alternative fuel, environmental friendly product, engaged in operating Interactive Voice Response platform for China Mobile and engaged in radio monitoring and measuring in China.

## 4 Details of number and remuneration of employees

Including the directors of the Group as at 31st December 2005, the Group employed a total of 170 full-time employees. In addition to salary payment, other benefits include discretionary bonus, insurance, medical schemes and mandatory provident fund schemes.