

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The Group's total revenue for the year ended 31 December 2005 was HK\$543 million, as compared to HK\$539 million for the last year. The net loss for the year attributable to ordinary equity holders of the parent was HK\$35 million, as compared to the net profit of HK\$14.9 million last year.

Information technology business segment recorded a segment revenue of HK\$283.2 million, as compared to HK\$259.8 million in last year, and represented 52.2% of the Group's total revenue. During the year, the segment provided impairment loss of trade and other receivables of HK\$40.1 million, resulting in a segment loss of HK\$7.4 million, as compared to the segment profit of HK\$31 million in last year.

Restaurants business segment recorded a segment revenue of HK\$254.2 million, as compared to HK\$247.6 million in last year. The segment profit contribution was HK\$17.9 million, increased by HK\$7.5 million as compared to last year. During the year, the Group provided impairment loss of properties held and a property investment project of HK\$13.2 million, that further deteriorated the Group's overall result.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL POSITION

As at 31 December 2005, the Group had total assets and total liabilities of HK\$855 million and HK\$338.5 million, respectively. Equity attributable to equity holders of the parent and minority interests amounted to HK\$436 million and HK\$80.5 million, respectively.

	As at 31 December 2005 HK\$ million	As at 31 December 2004 HK\$ million
Net cash inflow from operating activities	73.2	3.3
Cash and bank balances	146.8	102.5
Bank loans	112.3	202.2
Advance from a holding company	50.0	–
Net debt	15.5	99.7
Gearing ratio (net debt/total equity)	3.0%	18.1%
Current ratio (current assets/current liabilities)	140.7%	128.6%

Approximately 90% of the Group's bank loans were denominated in Renminbi, unsecured and have fixed interest rates ranged from 5% to 7% per annum. The remaining bank loans were secured by certain of the Group's leasehold land and buildings which had an aggregate net book value of HK\$45.7 million as at 31 December 2005. The Company has guarantees given to banks in connection with facilities granted to subsidiaries of HK\$222.5 million, which were utilised to the extent of HK\$100.7 million as at 31 December 2005.

EMPLOYEES

The total number of staff employed by the Group as at 31 December 2005 was 1,840, compared to 1,890 as at 31 December 2004. The total employee benefits expenses (including directors' remuneration) for the year ended 31 December 2005 amounted to HK\$93.4 million, increased by 11% comparing with last year. Salaries of employees are maintained at competitive levels with share options and bonuses granted based on individual and business performance.