



02
financial review

Financial Review

As at 31 December 2006, the Group's total assets stood at HK\$722.6 million, increased from HK\$642.4 million as at 31 December 2005.

GROUP PERFORMANCE

As reported in the Chairman's statement, the Group's performance in FY2006 showed a very significant improvement despite lower Group's revenue of HK\$79.0 million, down by 6.5%, as compared with HK\$84.5 million in the previous year.

The Group's hospitality related services businesses recorded lower revenue of HK\$47.0 million, down by 26.2% or HK\$16.7 million as compared with HK\$63.7 million achieved in the previous year. The lower revenue was due mainly to the decline in revenue of Sceptre (electronic reservation services) amounting to HK\$17.9 million, which ceased providing hotel reservation services to the 14 hotels owned by Millennium & Copthorne Hotels plc, however was partially reduced by an increase in management fee of HK\$1.8 million as compared to the previous year.

The time deposits and trading securities held by the Group returned interest and dividend income amounting to HK\$23.8 million and HK\$8.3 million respectively, up more than 50%, as compared with interest and dividend income of HK\$15.4 million and HK\$5.5 million recorded in the previous year respectively. In line with the accounting treatment, net realised and unrealised gains of HK\$27.9 million was recorded as a result of remeasuring the Group's trading securities to fair value as compared with loss of HK\$3.5 million reported in the previous year. This, together with the favourable net foreign exchange gain of HK\$19.5 million accounted largely for the total other net income of HK\$46.7 million for the current year which reversed the total other net expenses of HK\$11.8 million reported in the previous year due to unfavourable net foreign exchange loss of HK\$8.7 million on the investment portfolio.

The analysis 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 POSITION

As at 31 December 2006, the Group's total assets stood at HK\$722.6 million, increased from HK\$642.4 million as at 31 December 2005. The Group's net tangible assets ("NTA") per share was HK\$1.75 as at 31 December 2006, up 13.6% from HK\$1.54 as at 31 December 2005.

The increase in NTA per share can be mainly attributed to the higher trading securities balance arising from additional investments during the year and remeasuring these trading securities to fair value as at 31 December 2006 as well as the recognition of the deferred tax assets.

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 outflow from operations amounted to HK\$11.4 million. The Group received total interest and dividend income of HK\$26.5 million and paid a total dividend of HK\$11.5 million to the shareholders of the Company. Consequently, net cash generated from operating activities amounted to HK\$3.1 million.

While the cash outflow on investing activities amounted to HK\$24.5 million was due mainly to the purchase of bond securities which was partially offsetted by the proceeds received on sale of trading securities. This cash outflow together with a favourable exchange translation gain of HK\$11.3 million resulted in a lower Group's cash and cash equivalents of HK\$487.2 million as at 31 December 2006, down from HK\$497.3 million as at 31 December 2005.

The Group has no borrowings for the year under review.

Financial Review

TREASURY ACTIVITIES

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. The currency profile of cash and cash equivalent is set out in notes to the financial statements. We will closely monitor the Group's exposure to currency movement and take the appropriate action when necessary.

DIRECTORS AND EMPLOYEES

As at 31 December 2006, the Group had a total of 46 employees including directors, down from 47 as at the end of the last financial year ended 31 December 2005. The total payroll costs reduced to HK\$28.6 million in year 2006, down by 4.3% from HK\$29.9 million in year 2005. The Group has a competitive wage and benefits package which are critical to maintaining a level of consistent and quality hospitality services.