



## Management Discussion and Analysis

The following comments should be read in conjunction with the Audited Consolidated Accounts of the Company and the related notes to the accounts.

### REVIEW OF RESULTS

The Group's turnover for the year amounted to approximately HK\$708 million, representing a decrease of 7.4% when compared to 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 recorded a decrease of 50% to approximately HK\$115 million compared to the previous year and was mainly attributed to the provision of HK\$100 million made in relation to the judgment in favour of Government in respect of the proposed development on Central Ferry Piers.

### LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As of 31 December 2006, shareholders' fund of the Group showed an increase of 1% as compared to the previous year and amounted to approximately HK\$3,386 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, provision for litigation and the payment of dividends.

There was no change as to the capital structure of the Group during the year. As of 31 December 2006, 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. During the year, an additional amount of HK\$14.2 million was advanced to an associate who provides mortgage loans for purchasing residential units of Metro Harbour View.

Current assets of the Group were recorded at approximately HK\$2,313 million as compared to the current liabilities of approximately HK\$291 million as of 31 December 2006. Current ratio of the Group had been decreased to 8, mainly attributed to the provision of litigation in the accounts.

### GEARING RATIO AND FINANCIAL MANAGEMENT

As there was no borrowing as at 31 December 2006, 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.



## *Management Discussion and Analysis (Continued)*

### **CONTINGENT LIABILITIES**

On 22 December 2006, the court gave judgment in favour of the Hong Kong Government in respect of the dispute over the reimbursement of certain costs for the proposed redevelopment of the Central Ferry Piers, while the quantum is to be determined with interests and costs.

After consultation with the legal advisor of the Group, a provision of an amount of HK\$100 million was made to the accounts as at 31 December 2006, but the quantum on the loss will depend on the outcome of the appeal.

### **EMPLOYEES**

As at 31 December 2006, the number of employees of the Group stood at about 370 (2005: 390). The remuneration packages to employees were commensurable 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\$71 million, which is commensurate with that recorded in the previous year.