

MANAGEMENT DISCUSSION AND ANALYSIS

1. The Group's liquidity and financial resources

During the year, the Group's total bank borrowings increased by HK\$1.7 million to HK\$496.8 million. The shareholders' funds decreased by HK\$119.4 million to HK\$1,841.8 million and long term bank loans outstanding as at 31st December 2002 amounted HK\$434.4 million (2001: HK\$393.8 million). The debt to equity ratio was 27% (2001: 25%). 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:

	2002	2001
	HK\$'million	HK\$' million
- within one year	29.3	29.1
- in the second year	213.6	29.3
- in the third to fifth years inclusive	161.5	290.9
- after the fifth year	30.0	44.5
	<u>434.4</u>	<u>393.8</u>

The Group's total bank borrowings are secured by certain properties with an aggregate net book value of HK\$1,537 million (2001: HK\$1,648 million) and rental income thereon.

3. Significant investments held and their performance and future prospects

Our prime residential property at No. 1 Barker Road, The Peak, Hong Kong, is now under re-development into super luxurious apartments with recreational facilities. Completion of the property is expected to be in 2003/2004.

The Yangtze Ventures Limited, which the Group holds 12% equity interest, has acquired various equity interests in companies which are engaging in various industries like integrated circuits, display integrated circuits, biochemical products, environmental protection products in Hong Kong and the PRC. The return from this investment, however, may not be realised in short term.

The turnover received from the trading of golf digital video equipment and training software, acquired in 2001, was HK\$7.9 million as compared to HK\$0.9 million in 2001. The Group has, however, incurred an operating loss of HK\$7.7 million in this new arm of business for 2002.

4. Details of number and remuneration of employees

The total number of employees in the Group was 180 as at 31st December 2002. In addition to salary payment, other benefits include discretionary bonus, insurance, medical schemes and mandatory provident fund schemes.

5. Details of future plans for material investments

In continuous pursuit of a conservative and prudent business policy, the Group will consider to invest in profitable projects wherever arising in the future.