

Management Discussion and Analysis

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Financial Review

Turnover and profit attributable to shareholders

Net turnover of the Group for the year 2004 was HK\$1,252 million, compared to HK\$825 million for the previous year, an increase of 52%. Profit attributable to shareholders amounted to HK\$223 million, compared to previous year's HK\$91.8 million, an increase of 143%.

Cash Flow

In 2004, net cash inflow from operating activities was HK\$171 million, increased by HK\$179 million in 2004 compared with 2003. This increase was mainly due to increase in profit before tax for the year.

Net cash outflow in investing activities decreased by HK\$91 million in 2004 compared with 2003, primarily due to decreased in investments in associated companies.

In 2004, funds from financing activities had increased by HK\$193 million when compared with 2003. This is mainly due to net proceeds of HK\$291 million from issuance of convertible bonds in 2004.

Liquidity and Capital Resources

The Group's liquidity position remains strong. Cash and bank balances amounted to HK\$984 million as at 31 December 2004 (2003: HK\$492 million). Working capital (net current assets) of the Group as at 31 December 2004 amounted to 2,158 million, an increase of 92% from previous year. Current ratio was at a healthy level of 3.1x (2003: 2.6x). At 31 December 2004, the Group had long-term bank loans totaling HK\$779 million (2003: HK\$274 million).

As at 31 December 2004, the Group was in net cash position (2003: net debt of 18.5%) whereas the total liabilities to shareholders equity increased to 1.78x (2003: 0.99x). Total liabilities of the Group amounted to HK\$2,267 million (2003: HK\$1,074 million).

Management is comfortable that existing financial resources will be sufficient for future expansion plans. Should other opportunities arise requiring additional funding. Management also believes that the Group is in a good position to obtain financing on favorable terms.

As at 31 December 2004, the Group had contingent liabilities of HK\$48 million (2003: HK\$146 million) in respect of guarantees to assist home buyers to obtain mortgage loans from banks and complete mortgage procedures, and of HK\$197 million (2003: nil) in respect of guarantees to an associated company and an entity in respect of banking facilities.