

Financial Review

Turnover and profit attributable to shareholders

Net turnover of the Group for the year 2005 was HK\$1,379 million, compared to HK\$601 million for the previous year, an increase of 129%. Profit attributable to shareholders amounted to HK\$301 million, compared to previous year's HK\$90.2 million, an increase of 234%.

Cash Flow

In 2005, net cash inflow from operating activities was HK\$400 million, decreased by HK\$146 million in 2005 compared with 2004. This increase was mainly due to increase in profit before tax and commission of the property agent for the year.

Net cash outflow in investing activities decreased by HK\$34 million in 2005 compared with 2004, primarily due to increase in long term investments of property.

In 2005, funds from financing activities had increased by HK\$373 million when compared with 2004. This increase was mainly due to increase in long term Bank Loan and issuance of convertible bonds in 2005.

Liquidity and Capital Resources

The Group's liquidity position remains strong. Cash and bank balances amounted to HK\$1,396 million as at 31st December 2005 (2004: HK\$984 million). Working capital (net current assets) of the Group as at 31st December 2005 amounted to 1,120 million, an increase of 5.4% from previous year. Current ratio was at a healthy level of 1.34x (2004: 1.45x). At 31st December 2005, the Group had long-term bank loans totaling HK\$831 million (2004: HK\$779 million).

As at 31st December 2005, the Group was in net cash position (2004: net debt) whereas the total liabilities to shareholders equity decreased to 3.1x (2004: 3.4x). Total liabilities of the Group amounted to HK\$4,457 million (2004: HK\$3,421 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 31st December 2005, the Group had contingent liabilities of HK\$33 million (2004: HK\$48 million) in respect of guarantees to assist home buyers to obtain mortgage loans from banks and complete mortgage procedures, and of HK\$43.45 million (2004: 94 million) in respect of guarantees to an associated company and an entity in respect of banking facilities.