

Management Discussion and Analysis

Results for the Year

The Group recorded HK\$416 million turnover in 2000, a 34% increase as compared with last year. The net increase was largely attributable to the increase of HK\$98 million revenue from sales of listed investments, the increase of HK\$7 million interest income and the increase of HK\$1 million in dividend income.

Loss attributable to shareholders was HK\$105 million, an increase of HK\$25 million as compared with last year's loss of HK\$80 million. The increase was mainly due to the transfer of revaluation deficit from the long-term investment revaluation reserve to the profit and loss account upon impairment in value of listed investments.

Financial Resources and Liquidity

The Group's total borrowings were HK\$484 million at the year end (1999: nil). All the borrowings will mature within one year after balance sheet date. The borrowings were obtained mainly for the acquisition of Argent Holdings Limited ("Argent") during the year. The Group intends to dispose of Argent and the borrowings will then be repaid.

The Group's bank borrowings were in US dollars. With respect to the interest rate structure of the borrowings, the interest rates were at 1.75% and 1.5% above Singapore Inter-bank Offer Rate.

The gearing ratio of the Group was 35% (1999: nil). The computation is based on total borrowings of the Group divided by shareholders' funds as at 31 December 2000.

Charges on Group's Assets

Certain investment properties, shares in Argent and certain listed shares held by the Group with a total net book value of approximately HK\$1,316 million (1999: HK\$143 million) have been pledged to banks to secure banking facilities granted to the Group.

The Group's shares in an associate have been pledged to banks as part of the security for bank loans granted to the associate. The Group has also subordinated and assigned to the bank its loan of HK\$121 million to the associate.

Contingent Liabilities

As at 31 December 2000, the Group had contingent liabilities of HK\$41 million in respect of guarantee for banking facilities granted to an associate.

Significant Investments

The Group had interests in Resorts World Berhad and Tan and Tan Developments Berhad, companies listed in Malaysia. The market value of the investments as at 31 December 2000 was HK\$327 million and HK\$73 million respectively.

During the year, market value of the listed shares decreased by HK\$420 million of which HK\$93 million has been charged to the profit and loss account. An amount of HK\$137 million representing revaluation deficit brought forward from previous years has also been transferred from the revaluation reserve account to the profit and loss account upon impairment in value of listed shares. Dividend income of HK\$11 million from listed shares was received during the year.

Management Discussion and Analysis (Cont'd)

Material Acquisitions and Disposals

During the year the Group acquired 91% equity interest in Argent with cost of HK\$797 million. Subsequent to the acquisition, the Board intends to dispose of Argent and therefore, Argent has been treated as an unconsolidated subsidiary under current assets.

During the year the Group disposed of its entire interest in South China Holdings Limited making a profit of approximately HK\$14 million.

Employees

As at 31 December 2000, the Group's number of staff was 10 (1999:10). The Group's remuneration policies, including both salaries and bonuses, are in line with local practice.