

FINANCIAL REVIEW

GROUP PERFORMANCE

The Group recorded a turnover of HK\$98.2million comprising mainly interest income of HK\$22.9 million and the first full year operating revenue contribution of HK\$74.7 million from SWAN Holdings Limited's ("SWAN") business units which commenced operations on 29 December 2000.

SWAN Group reported a loss of HK\$24.7 million for the year 2001 due to losses incurred by its hospitality solutions business. Included under Other Net Expenses, HK\$12.8 million was principally attributed to unrealised exchange loss from foreign currency bank deposits denominated in Sterling Pound which were received in the year 1999 from the disposal of its interest in subsidiaries and dividends. Also, an amount of HK\$4.5 million was provided for diminution in value of the Group's minor investments such that these investments were stated at fair values as at the financial year end.

Consequently, for the year under review, the Group reported a loss of HK\$35.7 million attributable to its shareholders. Basic loss per share was HK9.31 cents calculated on 383,125,524 ordinary shares in issue during the year.

Following the Group restructuring during the last financial year, comparison between the results for the year under review to those of the previous year will not be meaningful. The analysis of the Group's Revenue and Profit from Operations by business and geographical segments are set out in note 5 to the Financial Statements.

FOLLOWING THE GROUP RESTRUCTURING DURING THE LAST FINANCIAL YEAR, COMPARISON BETWEEN THE RESULTS FOR THE YEAR UNDER REVIEW TO THOSE OF THE PREVIOUS YEAR WILL NOT BE MEANINGFUL.

FINANCIAL POSITION

As at 31 December 2001, the Group's gross assets stood at HK\$602.1 million, down from HK\$670.1 million as at the end of the last financial year ended 31 December 2000. The main decrease was in the Group's cash and cash equivalents which was reduced to HK\$501.9 million from HK\$561.7 million.

The Group reports its results in Hong Kong dollars and it is the objective of the Group to preserve its value in terms of Hong Kong dollar.

CASH FLOW AND BORROWINGS

For the year under review, cash outflow from operating activities amounted to HK\$70.0 million. The main non-operational cash outflows relate to the final dividend payment in respect of the last financial year ended 31 December 2000 and capital expenditure of HK\$7.7 million and HK\$7.2 million respectively.

On the return of investments, the Group received interest income of HK\$22.9 million during the year under review. The Group's cash and cash equivalents accordingly decreased by HK\$59.9 million in the financial year 2001.

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The Group has no borrowings for the year under review.

TREASURY ACTIVITIES

The Group's major foreign currency exposure continues to be Sterling Pound deposits received previously from the disposal of its interest in subsidiaries and dividends. The remaining balance of the Group's cash deposits is largely in US dollar. With respect to the US\$ dollar deposits, as long as the Hong Kong dollar trades within the existing US dollar peg arrangement, currency risk will be minimal. The Group takes a medium to long term view on the Sterling Pound and Hong Kong dollars exchange rate risk and enters into currency swap where appropriate to reduce its foreign exchange exposure.

EMPLOYEES

As at 31 December 2001, the Group had 72 employees on its payroll and total payroll costs for the year 2001 was HK\$48.8 million.