

# MANAGEMENT DISCUSSION AND ANALYSIS

## 1. The Group's liquidity and financial resources

During the relevant period, the Group's total bank borrowings increased by HK\$61.3 million to HK\$495.1 million. The shareholders' funds decreased by HK\$142.2 million to HK\$1,961.2 million and long term bank loans outstanding as at 31st December 2001 amounted HK\$393.8 million (2000: HK\$391.5 million). The debt to equity ratio was 25% (2000: 21%). The banking facilities now available are sufficient for the Group's working capital and there is no major capital commitment as at 31st December 2001. Further bank facilities will be arranged for the requirements of the property development. 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:

	2001	2000
	HK\$'million	HK\$' million
- within one year	29.1	35.4
- in the second year	29.3	115.6
- in the third to fifth years inclusive	290.9	170.5
- after the fifth year	44.5	70.0
	<u>393.8</u>	<u>391.5</u>

The Group's total bank borrowings are secured by certain properties with an aggregate net book value of HK\$1,648 million (2000: HK\$1,659 million) and rental income thereon.

## 3. Significant investment 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.

A portion of our property held under Lot No. R.B.L. 1137 known as Nos. 20 & 22 Severn Road, The Peak, Hong Kong, is under development into two super luxurious houses. Completion of the property is expected to be in 2004/2005.

A portion of our residential estate in Floral Villas in Tso Wo Hang, Sai Kung, New Territories, is under planning for development into several luxurious residential houses and/or apartments. Completion of the property is expected to be in 2004/2005.

All the properties upon completion of construction will be held for investment purpose.

## 4. Details of material acquisitions and disposal of subsidiary companies

In 2001, the Group has incorporated a wholly owned subsidiary company, namely Montgomery Golf Corporation ("MGC") with limited liability in the United States. All the assets of MGC were purchased from Swing Solutions, a golf training software developer, in September 2001 at a purchase consideration of approximately HK\$9.6 million. Its principal activities are trading of golf digital video equipment and training software. The trade name of the product lines is still Swing Solutions.

During 2001, the Group's 12% equity investment in The Yangtze Ventures Limited ("YVL") injected HK\$15.6 million through its wholly owned subsidiary company to invest in 20% equity interest of a company which is developing biochemical products. It forecasts sales to commence in the second half of 2002. In January 2002, YVL also invested HK\$7.8 million through its wholly owned subsidiary company to hold 15% equity interest of a company which engages in integrated circuits.

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**5. Details of number and remuneration of employees**

The total number of employees in the Group was 180 as at 31st December 2001. In addition to salary payment, other benefits include year-end double pay, discretionary bonus, insurance, medical schemes and provident fund schemes.

**6. 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.