

## **Management Discussion and Analysis**

### **Results for the Year**

The Group recorded HK\$60 million turnover in 2001, a 85% decrease as compared with last year. The net decrease was largely attributable to the decrease of HK\$341 million revenue from sales of listed investments, the decrease of HK\$10 million interest income and the decrease of HK\$4 million in dividend income.

Loss attributable to shareholders was HK\$191 million, an increase of HK\$85 million as compared with last year's loss of HK\$106 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 and the unrealised loss of unconsolidated subsidiaries.

### **Financial Resources and Liquidity**

The Group's total borrowings were HK\$468 million at the year end (2000: HK\$484 million). 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"). 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 rate was at 1.75% above Singapore Inter-bank Offer Rate.

The gearing ratio of the Group was 35% (2000: 35%). The computation is based on total borrowings of the Group divided by shareholders' funds as at 31 December 2001.

### **Charges on Group's Assets**

Shares in Argent and certain investment properties, listed shares and bank deposits held by the Group with a total net book value of approximately HK\$1,366 million (2000: HK\$1,316 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\$126 million to the associate.

### **Contingent Liabilities**

As at 31 December 2001, 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, Tan and Tan Developments Berhad and Padiberas Nasional Berhad, companies listed in Malaysia. The market value of the investments as at 31 December 2001 was HK\$307 million, HK\$103 million and HK\$65 million respectively.

During the year, there was a net revaluation surplus of HK\$11 million on the listed shares. An amount of HK\$166 million representing revaluation deficit brought forward from previous years had been transferred from the revaluation reserve account to the profit and loss account upon impairment in value of listed shares. Dividend income of HK\$9 million from listed shares was received during the year.

### **Material Acquisitions and Disposals**

During the year the Group disposed of its interests in Kiwi Profits Limited and Nanjing Huawei Real Estate Development Company Limited making a profit of approximately HK\$11 million.

### **Employees**

As at 31 December 2001, the Group's number of staff was 11 (2000:10). The Group's remuneration policies, including both salaries and bonuses, are in line with local practice.