

## MANAGEMENT DISCUSSION AND ANALYSIS

### Interim Results

The Board of Directors of Singapore Hong Kong Properties Investment Limited (the "Company") is pleased to announce the unaudited interim financial results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2002.

### Corporate Results

The Group posted a turnover of HK\$3,276,000 which represented a decline of 43% to the turnover of HK\$5,716,000 in the corresponding period of 2001. The reduction was mainly brought by the lower rental value as a result of the disposal of properties during the period. Loss attributable to the shareholders was HK\$82,733,000, an increase of 165%. The losses in the current period were mainly attributable to the financial cost of HK\$30,552,000 (2001: HK\$15,797,000) and the impairment loss in the properties portfolio of HK\$45,950,000 (2001: nil).

### Financial Resources and Liquidity

#### *Borrowings*

The Group's total borrowings (excluding trade and other payables) amount to HK\$297,411,000 as at 30 June 2002 which represented a decrease of 8% from the total borrowings of HK\$323,115,000 as at 31 December 2001. Most of the borrowings have not been serviced during the period in accordance with their respective repayment schedules and the Group had accrued additional penalty interest in respect of those non-servicing loans.

#### *Convertible Debentures*

The Company successfully reached a settlement agreement with the debenture holder in March 2002 and avoided the Company from the winding-up petition filed by the debenture holder in October 2001. Pursuant to the settlement agreement, the Company has issued to the debenture holder 1,365,000,000 new shares of the Company at par of HK\$0.025 per share and obliged to pay US\$1,250,000 in cash by installments (US\$462,500 had already been paid for the period ended 30 June 2002).

#### *Gearing Ratio*

The gearing ratio (total borrowings to shareholder's equity) showed an substantial increase from 598% as at 31 December 2001 to 5,475% in the current period as a result of the declining net assets value of the Group owing to the losses in these years.

#### *Current Ratio*

The current ratio is 0.52 which slightly deteriorated by around 5% from 31 December 2001 of 0.55. Taking into consideration of the projected proceeds derived from the continue assets realization program and the restructuring of bank loans together with the fund raising through right issues or placements, the Directors are of the opinion that sufficient working capital are available to fulfill the financial obligations when they fall due and to meet the future funding requirement of the Group.

### **Interim Dividend**

The Board has resolved not to declare an interim dividend in respect of the six months ended 30 June 2002 (six months ended 30 June 2001: Nil).

### **Review of Operations, Outlook and Strategy**

#### *Business Review*

During the first six months of 2002, the world economy continuously on a downwards trend. The property market in Hong Kong remained weak and consumer confidence was low due to the uncertain future outlook. Due to the unfavourable market conditions, the Group reported a lower turnover of HK\$3,276,000 as compared with HK\$5,716,000 in the corresponding period in 2001. Even so, the Group had substantially reduced its loss from operation from HK\$11,856,000 in last year's period to HK\$6,223,000 in the current six months as a result of the restructuring and cost reduction plan undertaken during the period. During the period, the Group also successfully sold four properties at a total consideration of approximately HK\$104 million which had been used to reduce the bank loans of the Group upon completion.

#### *Employees and Remuneration Policies*

The number of employees as at 30 June 2002 was approximately 9. Employees are remunerated according to nature of the job and market conditions.

#### *Corporate Strategy and Outlook*

The property market in Hong Kong remains highly depress in the first half of 2002 as a result of the economic recession and inflated unemployment rate.

In view of the adverse situation, the board will continue to take a very prudent approach in directing the Group in this difficult period. The consolidation of the existing business, investments as well as properties portfolio together with the restructuring of bank loans will remain the first priority of the Group in the coming period. The board will also improve the capital base of the Company through right issues or placement from time to time if market situation allow, after the petition for par value reduction is approved by the High Court of Hong Kong which is scheduled to be heard on 19 November 2002.

With all the above measures in place, the board is optimistic that the Group will be more solidly positioned and ultimately bear fruit from the foundations lay down in this year. The board owes a lot of gratitude to the Group's bankers, creditors, management and staff for their continue support in such a hard time.

On behalf of the Board

**Ha Shu Tong**

*Managing Director*

Hong Kong SAR, 26 September 2002