

Management Discussion and Analysis

Results for the Year

The Group recorded HK\$44 million turnover in 2002, a 27% decrease as compared with last year. The decrease was largely attributable to the decrease of HK\$17 million revenue from sales of listed investments.

Loss attributable to shareholders was HK\$239 million, an increase of HK\$48 million as compared with last year's loss of HK\$191 million. The increase was mainly due to the increase in share of loss of associates and the unrealised loss on unconsolidated subsidiaries.

The increase in share of loss of associates was due to share of provision of HK\$60 million for impairment loss in respect of an associate's interest in a hotel property.

Financial Resources and Liquidity

The Group's total borrowings (excluding interest payable) were HK\$482 million at the year end (2001: HK\$468 million). HK\$472 million of the borrowings will mature within one year after balance sheet date. The borrowings were obtained mainly for the acquisition of Argent Holdings Limited ("Argent") and properties for own use.

The Group's bank borrowings consist of bank loans of US\$60 million and HK\$11 million and bank overdraft of HK\$3 million. With respect to the interest rate structure of the borrowings, the interest rates were at 1.75% above Singapore Inter-bank Offer Rate, at 2.5% below the bank prime rate and at bank prime rate respectively.

The gearing ratio of the Group was 40% (2001: 35%). The computation is based on total borrowings of the Group divided by shareholders' funds as at 31 December 2002.

Charges on Group's Assets

Shares in Argent and certain investment properties, other properties, listed shares and bank deposits held by the Group with a total net book value of approximately HK\$1,383 million (2001: HK\$1,366 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\$130 million to the associate.

Contingent Liabilities

As at 31 December 2002, the Group had contingent liabilities of HK\$41 million in respect of guarantee for banking facilities granted to an associate.

Management Discussion and Analysis (Cont'd)

Significant Investments

The Group had interests in Resorts World Berhad, Gold IS Berhad, IGB Corporation Berhad and Padiberas Nasional Berhad, companies listed in Malaysia. The market values of the investments as at 31 December 2002 were HK\$440 million, HK\$84 million, HK\$60 million and HK\$65 million respectively.

During the year, there was a revaluation surplus of HK\$137 million on the listed shares. Dividend income of HK\$9 million from listed shares was received during the year.

Material Acquisitions and Disposals

During the year, Tan & Tan Developments Berhad was merged with IGB Corporation Berhad. Accordingly, the Group's shares in Tan & Tan Developments Berhad were exchanged for shares in Gold IS Berhad and IGB Corporation Berhad.

During the year, the Group acquired listed investment of HK\$2 million in Wo Kee Hong (Holdings) Limited and disposed of listed investment with cost of HK\$11 million in Resorts World Berhad at consideration of HK\$27 million.

Employees

As at 31 December 2002, the Group's number of staff was 9 (2001: 11). The Group's remuneration policies, including both salaries and bonuses, are in line with local practice.