

## Management Discussion

### **SIGNIFICANT INVESTMENTS HELD**

During the year, the Group disposed of the Lower Level Portion of 8 Russell Street. Save as mentioned in above, there is no material change in the significant investments and properties held by the Group.

### **DETAILS OF MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES**

During the year, there was no material acquisitions and disposals of subsidiaries with the exception of issuance of new shares by Well Pacific Development Limited which was deemed as disposal of interest in a subsidiary.

### **LIQUIDITY AND FINANCIAL RESOURCES**

The Group continues to be in a stable financial position with cash and bank balances of approximately HK\$11,659,000 as at 31 December 2002 (2001: approximately HK\$12,456,000). As at 31 December 2002, the Group's current ratio, as a ratio of current assets to current liabilities, was 0.84 (2001: 1.17) and the Group's gearing ratio, as a ratio of interest bearing borrowings to shareholders' funds, was 439% (2001: 311%).

### **CHARGES ON THE GROUP'S ASSETS**

As at 31 December 2002, properties of the Group with an aggregate net book value of approximately HK\$1,702,740,000 (2001: approximately HK\$2,002,792,000) and no bank deposits (2001: approximately HK\$5,840,000) were pledged to secure banking facilities for the Group.

### **CONTINGENT LIABILITIES**

A property related proceedings relating to the purchase of certain properties in Tuen Mun as disclosed in the Company's 2001 Annual Report was finalized during the year. According to a judgement dated 3 December 2001, it was ordered by the court that the relevant agreements be rescinded and the deposit of HK\$33,000,000 has been refunded. The appeal by the plaintiff against the subsidiary of the Company was dismissed by consent.

Another property related proceedings relating to the purchase of certain properties in Yuen Long by another subsidiary of the Company is still under progress. In such transaction, the said subsidiary has already paid a deposit of HK\$65,000,000. The transaction has fallen through and the said deposit of HK\$65,000,000 has been forfeited by the Vendor. According to the legal advice taken by the Company, the shareholders of such subsidiary would not incur any further liability apart from costs.

## Management Discussion

**SEGMENT INFORMATION**

The analysis of the principal activities and the operating results of the Group during the financial year are set out as follows:

**For the year ended 31 December 2002**

	Segment Revenue		Segment result	Inter-segment transactions	Contribution from operation
	External customers	Inter-segment			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Property development	8,549	—	(202,089)	—	(202,089)
Property leasing	91,578	3,788	83,213	3,280	86,493
Building management services	28,450	—	7,159	—	7,159
Others	833	14,038	(229,786)	(3,280)	(233,066)
Elimination	—	(17,826)	—	—	—
<b>Total</b>	<b>129,410</b>	<b>—</b>	<b>(341,503)</b>	<b>—</b>	<b>(341,503)</b>
Unallocated income and expenses					18,121
Loss from operations					(323,382)
Finance costs					(95,713)
Gain on deemed disposal of interest in a subsidiary					4,712
Share of profits less losses of associates					4
Taxation					(226)
Minority interests					2,834
<b>Loss attributable to shareholders</b>					<b>(411,771)</b>

# Management Discussion

For the year ended 31 December 2001

	Segment Revenue		Segment result HK\$'000	Inter-segment transactions HK\$'000	Contribution from operation HK\$'000
	External customers HK\$'000	Inter- segment HK\$'000			
	Property development	612,958			
Property leasing	88,285	2,445	74,897	4,195	79,092
Building management services	8,113	—	4,123	—	4,123
Others	1,420	16,295	(161,200)	(4,195)	(165,395)
Elimination	—	(18,740)	—	—	—
<b>Total</b>	<b>710,776</b>	<b>—</b>	<b>(165,413)</b>	<b>—</b>	<b>(165,413)</b>
Unallocated income and expenses					73,897
Loss from operations					(91,516)
Finance costs					(145,364)
Gain on deemed disposal of interest in a subsidiary					—
Share of profits less losses of associates					12
Taxation					(3,053)
Minority interests					2,091
Loss attributable to shareholders					(237,830)

As all the Group's business segment operations were carried out in Hong Kong, separate analysis by geographical segments is not presented.

## EMPLOYEES REMUNERATION

The Group had approximately 37 employees as at 31 December 2002 (2001: 56). Total staff costs incurred during the year amounted to approximately HK\$11,335,000 (2001: approximately HK\$16,082,000). The Group also offers its employees competitive remuneration packages. During the year, share options were granted to various directors and employees on a performance related basis.