

Management Discussion and Analysis

Results for the Year

The Group recorded HK\$353 million turnover in 2003, a 667% increase as compared with last year. The increase was largely attributable to the HK\$242 million revenue from sales of listed shares in Resorts World Berhad.

Profit attributable to shareholders was HK\$120 million, a turnaround of HK\$359 million as compared with last year's loss of HK\$239 million. The increase was mainly due to the transfer of revaluation surplus from the long-term investment revaluation reserve to the profit and loss account upon disposals of listed investments and decrease in unrealised loss on unconsolidated subsidiaries.

The decrease in share of loss of associates was due to decrease in share of provision 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\$182 million at the year end (2002: HK\$482 million). HK\$0.8 million of the borrowings will mature within one year after balance sheet date. The borrowings were obtained mainly for the acquisition of Argent Holdings Ltd. and the purchase of properties for own use.

The Group's bank borrowings consist of bank loans of US\$22 million and HK\$10 million. With respect to the interest rate structure of the borrowings, the interest rates were at 1.75% above Singapore Inter-bank Offer Rate and at 2.5% below the bank prime rate respectively.

The gearing ratio of the Group was 15% (2002: 40%). The computation is based on total borrowings of the Group divided by shareholders' funds as at 31 December 2003.

Charges on Group's Assets

Certain investment properties, other properties, listed shares, debt securities and bank deposits held by the Group with a total net book value of approximately HK\$787 million (2002: HK\$1,383 million) together with certain shares in subsidiary and associate 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\$131 million to the associate.

Contingent Liabilities

As at 31 December 2003, 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 2003 were HK\$244 million, HK\$28 million, HK\$86 million and HK\$39 million respectively. Dividend income of HK\$8 million from listed shares was received during the year.

The Group also acquired 37.736% participation rights under US\$79.5 million Note issued by Silverlink Holdings Limited on 27 November 2002 with carrying value of HK\$234 million. Interest income of HK\$5 million from the Note was received during the year.

Material Acquisitions and Disposals

On 15 July 2003, two unconsolidated subsidiaries, Argent Holdings Ltd. ("Argent") and Silverlink Holdings Limited ("Silverlink") entered into an agreement for the repurchase of 5,000,000 shares in Silverlink by Silverlink for a cash consideration of US\$40,000,000. The consideration was utilised by Argent as to US\$30,000,000 to finance the acquisition of 37.736% participation rights under the US\$79.5 million Note issued by Silverlink on 27 November 2002 and as to US\$10,000,000 to reduce existing bank borrowings of the Group. After above reorganisation, interests in Argent and Silverlink were reclassified as interests in subsidiary and associate respectively.

During the year, the Group disposed of 11,301,800 shares in Resorts World Berhad at consideration of HK\$242 million.

Employees

As at 31 December 2003, the Group's number of staff was 8 (2002: 9). The Group's remuneration policies, including both salaries and bonuses, are in line with local practice.