

Management Discussion and Analysis

Results for the Year

The Group recorded HK\$255 million turnover in 2004, a 28% decrease as compared with last year. The decrease was largely attributable to the decrease of HK\$99 million revenue from sales of listed shares.

Operating profit after finance costs was HK\$152 million, a decrease of HK\$17 million as compared with last year. The decrease was mainly due to the decrease in sales of listed shares and write back of provision for impairment in value of long-term investments.

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\$229 million at the year end (2003: HK\$182 million). HK\$29 million of the borrowings will mature within one year after balance sheet date.

The Group's borrowings consist of three Notes for aggregate principal amount of HK\$229 million. The Notes were issued for off-market repurchase of 125,332,186 of its own shares as announced on 19 November 2003. With respect to the interest rate structure of the borrowings, the interest rates were at 1% per annum and at 3% per annum during the extension period.

The gearing ratio of the Group was 22% (2003: 15%). The computation is based on total borrowings of the Group divided by shareholders' funds as at 31 December 2004.

Charges on Group's Assets

The Group's properties and listed shares with a total net book value of approximately HK\$138 million (2003: HK\$787 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 bank as part of the security for bank loan 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 2004, 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, IGB Corporation Berhad and Padiberas Nasional Berhad, companies listed in Malaysia. The market values of the investments as at 31 December 2004 were HK\$111 million, HK\$83 million and HK\$85 million respectively. Dividend income of HK\$8 million from listed shares was received during the year.

The Group also had 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\$12 million from the Note was earned during the year.

Material Acquisitions and Disposals

During the year, the Group acquired listed investments with cost of HK\$22 million in Padiberas Nasional Berhad.

During the year, the Group disposed of listed investments with cost of HK\$37 million in Gold IS Berhad and HK\$53 million in Resorts World Berhad at consideration of HK\$27 million and HK\$144 million respectively.

The Group also disposed of investment properties with cost of HK\$22 million at consideration of HK\$23.9 million.

Employees

As at 31 December 2004, the Group's number of staff was 8 (2003: 8). The Group's remuneration policies, including both salaries and bonuses, are in line with local practice.