

Management Discussion and Analysis

Results for the year

The Group recorded HK\$215 million turnover in 2005, a 16% decrease as compared with last year. The decrease was largely attributable to the decrease in sales of available-for-sale investments and dividend income from available-for-sale investments.

Operating profit after finance costs was HK\$14 million, a decrease of HK\$139 million as compared with last year. The decrease was mainly due to the decrease in sales of listed shares and provision for impairment losses of HK\$86 million on an associate.

Share of results of associates turned from loss to profit owing to share of write back of provision for impairment losses of HK\$36 million in respect of an associate's interest in a hotel property.

Financial resources and liquidity

The Group's total borrowings were HK\$200 million at the year end.

The Group's borrowings represented Notes issued for the repurchase 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 21%. The computation is based on total borrowings of the Group divided by equity attributable to equity holders of the Company as at 31 December 2005.

Charges on Group's assets

The Group's leasehold land and buildings, certain available-for-sale investments and bank deposits with a total net book value of approximately HK\$156 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 approximately HK\$131 million to the associate.

Contingent liabilities

As at 31 December 2005, the Group had contingent liabilities of approximately HK\$41 million in respect of guarantee for banking facilities granted to an associate.

As announced by the Group on 23 December 2005, a writ of summons was issued in the High Court of the Republic of Singapore by Rockline Limited ("Rockline") and Superon International Limited ("Superon") against Silverlink Holdings Limited ("Silverlink"), an associate of the Group, and Argent Holdings Ltd. ("Argent"), a subsidiary of the Group, alleging breaches of an agreement.

Rockline and Superon alleged in the writ that Silverlink and Argent have breached an agreement in that:

- (i) Rockline claimed that Silverlink has agreed to repurchase shares held by Rockline in Silverlink in exchange for a secured convertible note in the principal amount of US\$11.1 million (HK\$87 million) to be issued by Silverlink;

Management Discussion and Analysis (Cont'd)

Contingent liabilities (Cont'd)

- (ii) Superon claimed that Argent has agreed to repurchase its shares from Superon and Silverlink has agreed to simultaneously repurchase its shares from Argent, and to issue a secured convertible loan in the principal amount of US\$6.4 million (HK\$50 million) to Superon's nominee.

As the litigation is at the initial stage, it is not practicable to make an estimate of its financial effect.

Significant investments

The Group had interests in IGB Corporation Berhad and Padiberas Nasional Berhad, companies listed in Malaysia. The market values of the listed shares as at 31 December 2005 were HK\$46 million and HK\$92 million respectively.

The Group also had 37.736% participation rights under a US\$79.5 million Note issued by Silverlink Holdings Limited with carrying value of HK\$249 million. Interest income of HK\$13 million from the Note was earned during the year.

Material acquisitions and disposals

During the year, the Group acquired listed shares with cost of HK\$17 million in Padiberas Nasional Berhad.

During the year, the Group disposed of listed shares with carrying amount of HK\$34 million in New World China Land Limited, HK\$111 million in Resorts World Berhad and HK\$30 million in IGB Corporation Berhad at consideration of HK\$37 million, HK\$113 million and HK\$30 million respectively.

Employees

As at 31 December 2005, the Group's number of staff was 8 (2004: 8). The Group's remuneration policies, including both salaries and bonuses, are in line with local practice.

Events after balance sheet date

Details of significant events after the balance sheet date are shown in note 40 to the financial statements.