

## **Management Discussion and Analysis**

### **Results for the year**

The Group recorded HK\$125 million turnover from continuing operations in 2006, a 40% decrease as compared with last year. The decrease was largely attributable to the decrease in sales of available-for-sale listed investments.

Operating profit after finance costs was HK\$46 million, an increase of HK\$44 million as compared with last year. The increase was mainly due to the decrease in provision for impairment losses on associates.

Share of results of associates turned from profit to loss owing to share of loss of Silverlink Holdings Limited.

### **Business review**

The Group is principally engaged in share investment and dealing.

During the year under review, the Group's turnover was largely attributable to sales of shares of IGB Corporation Berhad of HK\$59 million which generated a profit of HK\$23 million. The Group also disposed of its investment properties which resulted in a gain of HK\$2 million. In 2006, the Group acquired shares in Padiberas Nasional Berhad with cost of HK\$123 million. The Group believes that this investment will generate considerable income in the future.

### **Financial resources and liquidity**

The Group's total borrowings were HK\$171 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 15%. The computation is based on total borrowings of the Group divided by equity attributable to equity holders of the Company as at 31 December 2006.

### **Charges on Group's assets**

The Group's leasehold land and buildings, certain available-for-sale investments, held for trading investments and bank deposits with a total net book value of approximately HK\$402 million have been pledged to banks to secure banking facilities granted to the Group.

The Group's shares in an associate were pledged to bank as part of the security for bank loan granted to the associate. On 15 January 2007, the above shares were released and discharged by the bank.

### **Contingent liabilities**

- (a) As at 31 December 2006, the Group had contingent liabilities of approximately HK\$41 million in respect of guarantee for banking facilities granted to an associate. On 15 January 2007, the guarantee was released and discharged by the bank.

## **Management Discussion and Analysis** (Cont'd)

### **Contingent liabilities** (Cont'd)

#### (b) Pending litigation

On 18 November 2005, a writ of summons was issued against Silverlink Holdings Limited ("Silverlink"), an associate, and Argent Holdings Ltd. ("Argent"), a subsidiary, by Rockline Limited ("Rockline") and Superon International Limited ("Superon") in the High Court of the Republic of Singapore, alleging breaches of 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) ("Rockline Note") to be issued by Silverlink; and (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. Both Silverlink and Argent filed defence with the court. On 4 August 2006, Rockline was granted summary judgement against Silverlink and the Rockline Note was signed by the court on 18 August 2006. On 14 September 2006, Silverlink successfully appealed against the decision to grant judgement in favour of Rockline and was granted leave to defend the claim by Rockline on the condition that a sum of US\$1.5 million (HK\$12 million), being the interest payable on the Rockline Note, be paid into the court as security within 21 days from 14 September 2006. The action against Silverlink and Argent will proceed to full trial on a date to be fixed.

The Directors are of the view that the Group has proper and valid defences to the claim and accordingly, no provision for commitment and/or loss has been accounted for in the financial statements.

### **Significant investments**

The Group had interests in Gold IS Berhad, IGB Corporation Berhad and Padiberas Nasional Berhad, companies listed in Malaysia. The market values of the listed shares as at 31 December 2006 were HK\$66 million, HK\$15 million and HK\$296 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\$265 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\$123 million and HK\$43 million in Padiberas Nasional Berhad and Gold IS Berhad respectively.

During the year, the Group disposed of listed shares with carrying value of HK\$38 million in IGB Corporation Berhad, HK\$6 million in Century City International Holdings Limited and HK\$5 million in Wo Kee Hong (Holdings) Limited at consideration of HK\$59 million, HK\$7 million and HK\$5 million respectively.

During the year, the Group also disposed of its investment properties for a cash consideration of HK\$30.5 million. The disposals represented the discontinuance of the Group's property investment operation.

### **Employees**

As at 31 December 2006, the Group's number of staff was 8. The Group's remuneration policies, including both salaries and bonuses, are in line with local practice.