

PLEDGE OF ASSETS

As at 30 June 2004, the secured bank loan facilities granted to the Group were secured by mortgages over the Group's properties, including investment properties, other properties, a hotel property and properties held for sale with an aggregate carrying value of approximately HK\$501 million.

In addition, shares in an associate were pledged to a bank by a subsidiary of the Group in return for banking facilities granted to that associate.

CONTINGENT LIABILITIES

At 30 June 2004, there were outstanding counter indemnities relating to guarantees issued by a subsidiary's bankers in favour of the Macau SAR Government in respect of properties under development amounting to HK\$6,311,000.

At 30 June 2004, guarantees given by the Company to banks to secure banking facilities made available to the subsidiaries and the associates amounted to HK\$134,624,000 and HK\$59,945,000 respectively.

At 30 June 2004, guarantees given by a subsidiary to a bank to secure banking facilities made available to its associate amounted to HK\$36,269,000.

To finance the capital expenditure of its subsidiary, an intermediate subsidiary provided a guarantee to a bank to secure a banking facility made available to the Company. At 30 June 2004, the guarantee granted by the subsidiary amounted to HK\$62,200,000.

Pursuant to the revised agreement with the Macau SAR Government on 29 August 2003, a subsidiary of the Group is required to complete the remaining phase of the development project in Ocean Gardens by 4 September 2005. Failure to complete the remaining phase of the development by the deadline would give rise to the possibility of fines being imposed by the Macau SAR Government in a manner more particularly described in Note 15(c) on the interim financial report. Delays beyond the 180-day period would give rise to the possibility of rescission of the lease by the Macau SAR Government without compensation to the subsidiary. The Directors are confident that the development of the remaining phase of Ocean Gardens will be completed by 4 September 2005.

PROSPECTS

The Macau SAR Government has displayed leadership and foresight. The successful opening of the two new gaming establishments in Macau in the first half of 2004 heralds a new era. The economy reported GDP growth rates of over 20% in the first quarter of 2004. International investors are beginning to focus on the gaming, hotel, property, construction, service and other sectors in Macau. We expect the property market to continue to exhibit strong growth in the short to medium term.

Post-SARS, all hotel operations are reporting generally improved room rates, or occupancy rates, or both. This will continue to contribute to Group turnover.

Your Group expects to continue to benefit from these trends.