

## ANALYSIS OF THE GROUP'S PERFORMANCE

The Group's turnover for the six months ended 30th June, 2004 totaled HK\$106.6 million, representing a decrease of 93.9% from HK\$1,735.6 million over the last corresponding period. The turnover for the first half-year was mainly generated from manufacturing and trading of batteries products and the pharmaceutical products operation, the business segment of pharmaceutical products operation was treated as discontinuing operations during the period under review following the disposal of this operation in May 2004.

The Group's unaudited consolidated loss for the six months ended 30th June, 2004 reduced by 28.8% to approximately HK\$94.5 million as compared to approximately HK\$132.7 million in the last corresponding period. The net loss incurred for the period was mainly attributable to the allowance for receivables and provision for unrealised holding loss in investments in securities during the period.

## 本集團業務分析

本集團截至二零零四年六月三十日止六個月之營業額合共為106,600,000港元，較去年同期1,735,600,000港元下降93.9%。上半年營業額主要來自電池產品及藥品之製造及買賣業務。於二零零四年五月出售藥品業務後，該業務分部於回顧期內被視為正終止經營業務。

本集團於截至二零零四年六月三十日止六個月之未經審核綜合虧損由去年同期約132,700,000港元減少28.8%至約94,500,000港元。期內產生淨虧損主要由於就應收賬款作出撥備及就期內持有證券投資之未變現虧損作出撥備。

## LIQUIDITY AND FINANCIAL RESOURCES

During the first half of 2004, the Group financed its operations mainly through cash generated from its business activities, banking facilities provided by its principal bankers and proceeds from disposal of investments in securities and its subsidiaries.

The Group's short-term bank loans and other borrowings decreased from approximately HK\$38.3 million as at 31st December, 2003 to approximately HK\$13.7 million as at 30th June, 2004, representing a significant decrease of 64.3%. There was no long-term bank loans and other borrowings at 30th June, 2004 under review compared with the approximately HK\$0.1 million at 31st December, 2003. The gearing ratio, calculated to the total long-term bank loans and other borrowings divided by total shareholders' funds remains nil as at 30th June, 2004 and 31st December, 2003. The Group's total borrowings of HK\$13.7 million were mainly denominated in HK dollars and Renminbi, and the maturity profile were all within one year. Non-HK dollar denominated loans are directly related to the Group's businesses in the countries of the currencies concerned.

As at 30th June, 2004, total bank borrowings and other borrowings of the Group amounted to approximately HK\$13.7 million and over 90% of the Group's bank borrowings bear interest at fixed rates and the remaining were at floating rates.

During the period under review, capital expenditure aggregated to approximately HK\$1.5 million and was used primarily for expansion of existing facilities. The Group's capital expenditures will continue to be funded primarily from cash generated from operations, cash on hand or by bank borrowings or a combination of both as required.

## 流動資金及財務資源

於二零零四年上半年，本集團主要以業務所得現金、主要往來銀行提供之信貸及出售證券投資及其附屬公司之所得款項作為營運資金。

本集團之短期銀行貸款及其他借款由二零零三年十二月三十一日約38,300,000港元減至二零零四年六月三十日約13,700,000港元，跌幅達64.3%。相對於二零零三年十二月三十一日約100,000港元而言，於二零零四年六月三十日回顧期內概無任何長期銀行貸款及其他借貸。資本負債比率（即長期銀行貸款及其他借貸總額除以股東資金總額）於二零零四年六月三十日及二零零三年十二月三十一日均維持於零。本集團之總借貸約13,700,000港元主要以港元及人民幣計算，還款期全部均於一年以內。並非以港元計算之貸款乃由本集團業務所在之國家以當地有關貨幣直接計算。

於二零零四年六月三十日，本集團之總銀行借貸及其他借貸約為13,700,000港元。本集團超過90%之銀行借貸以固定利率計息，餘下部分則以浮動利率計息。

於回顧期間，資本開支合計約為1,500,000港元，主要用於擴充現有設施。本集團之資本開支將繼續以經營業務產生之現金、手頭現金或銀行借貸或於需要時結合兩者而撥付。

Cash and bank balances amounted to approximately HK\$217.8 million, and is mainly denominated in Hong Kong dollars, Renminbi and Australian dollars. The Group does not expect significant exposure to exchange rate and interest rate fluctuations. As a result, the Group did not enter into any foreign exchange contracts, currency swaps or other financial derivatives.

### SIGNIFICANT INVESTMENTS

#### **China Enterprises Limited (carried on business in Hong Kong as China Tire Holdings Limited)**

For the period under review, China Enterprises Limited (“China Enterprises”) continued to look at strategic investment opportunities with a view to expanding business portfolios. Wing On is a travel business related affiliate which continues to benefit from the upward rebound to the travel business of Hong Kong after the negative impacts brought by the outbreak of the Severe Acute Respiratory Syndrome (“SARS”) subsided over the corresponding period. After disposing of its investments in Yinchuan C.S.I. (Greatwall) Rubber Company Limited, Double Happiness Tire Industries Corporation Limited and 25% interest in Hangzhou Zhongce Rubber Company Limited (“Hangzhou Zhongce”) which are principally engaged in the manufacturing and trading of tires products in the PRC and other countries abroad in 2003, China Enterprises maintains minimal involvement in the manufacturing and trading of tires products through its 26% held interest in Hangzhou Zhongce.

現金及銀行結餘約達217,800,000港元並主要以港元、人民幣及澳元計算。本集團並不預期將遇到重大匯率及利率波動風險。因此，本集團並無訂立任何重大外匯合約、貨幣掉期或其他金融衍生工具。

### 重要投資

#### **China Enterprises Limited (「在香港以China Tire Holdings Limited之名義經營業務」)**

於回顧期間，China Enterprises Limited (「China Enterprises」)繼續尋求策略投資機會，以增加業務範疇。永安為一家從事旅遊業務之聯營公司，自相應期間爆發嚴重急性呼吸道綜合症(「沙士」)帶來之負面影響減退後，持續於香港正在復甦之旅遊業中得益。二零零三年，China Enterprises於出售其於銀川中策(長城)橡膠有限公司及雙喜輪胎工業股份有限公司之投資及於杭州中策橡膠有限公司(「杭州中策」)之25%權益後，僅透過其於杭州中策持有餘下之26%權益在製造及買賣輪胎業作最低限度之參與。杭州中策主要於國內及海外其他國家從事製造及買賣輪胎產品之業務。

In June 2004, China Enterprises entered into a conditional agreement for the proposed acquisition of a property situated in Shanghai, the PRC and the property being erected thereon which comprises two levels of underground car-parks and a 24-storey building for a consideration of RMB450 million. It is the intention of the management of China Enterprises to continue seeking appropriate investment opportunities in hotel and travel related businesses in the PRC in view of the positive outlooks in this sector in the coming future.

#### **MRI Holdings Limited**

MRI Holdings Limited (“MRI”) (ASX code: MRI) continues as an investment company under the ASX guidelines.

MRI has made considerable effort to identify suitable investments, which fit the criteria, laid down by the ASX but as yet has not done so. As a result the MRI currently has approximately half of its current assets in cash and consequently MRI is currently suspended from trading until such time as it makes a suitable investment.

MRI has seen fit to appoint a receiver to Fruit Projects Australia to protect its investment under the secured convertible note and the receivership is proceeding satisfactorily at this point in time.

MRI is currently investigating several investment proposals with a view to making an approved investment and applying for a lifting of the trading suspension of its shares.

二零零四年六月，China Enterprises訂立一份有條件協議，建議收購位於中國上海之物業及建於其上之物業，包括一個兩層地下停車場及一座24層樓高之大廈，代價為人民幣450,000,000元。鑑於中國酒店及旅遊相關行業前景樂觀，China Enterprises管理層現擬持續於此行業物色適當之投資機會。

#### **MRI Holdings Limited**

MRI Holdings Limited (「MRI」) (ASX編號：MRI) 根據ASX指引繼續為投資公司。

MRI已作出相當努力物色符合ASX標準之合適投資，惟尚未作出任何投資。MRI現時有過半數之流動資產為現金，直至作出適當投資之前，MRI已暫停任何買賣。

MRI為Fruit Projects Australia委聘管理人乃恰當之舉，以保障其於已抵押可兌換票據之投資。至目前為止，委聘管理人一事進展令人滿意。

MRI現正審閱若干投資建議以進行已獲批准之投資，以及申請終止暫停股份買賣。

## PROSPECTS

Following the successful consolidation of the existing tire business of the Group, the Group acquired a parcel of land in Zhuhai, the PRC in 2003 as a first step to venture into the industrial properties market in the ever-developing China. Zhuhai being one of the special economic zone in the Pearl river delta plays an important role in the dynamic industrial development in the southern China. Being a close neighbour to Macau and will soon be linked up with Hong Kong directly by a newly built cross-delta bridge, the Board believes Zhuhai will definitely becomes an industrial backyard of Hong Kong.

To look for profitable investment opportunities for the ultimate interest of our shareholders in the long and medium run, the Board has proposed to proceed with the real estate development project located in Shanghai, the PRC. Shanghai, a cosmopolitan and the landmark city representing the business prosperity of modern China and the fusion of culture from the East and West, has a great potential in its hotel and accommodation business. The Board is of the view that the development right of the land into prestigious service apartments will possess tremendous potential in making positive contribution to the Group in the near future.

## 展望

本集團在成功合併現有之輪胎業務後，亦於二零零三年在中國珠海購置一幅土地，作為進軍發展迅速之中國工業物業市場之第一步。珠海作為珠三角其中一個經濟特區，在南中國蓬勃之工業發展中擔當重要角色。董事會認為，珠海毗鄰澳門，於港珠澳跨海大橋落成後便可直接貫通香港，因此珠海在工業方面定必會成為香港之後花園。

為物色盈利可觀之投資機會，從而最終提升本公司股東之長遠及中期利益，董事會建議繼續進行位於中國上海之房地產發展項目。上海作為一個大都會，亦為象徵現代中國商業繁榮之地標城市，融合中西文化，在酒店及住宿業務方面發展潛力龐大。董事會認為，有關土地發展權可發展成高尚服務住宅，潛力優厚，故可為本集團於短期內帶來正面貢獻。

Although there are signs of recovery in the local economy after the implementation of the Closer Economic Partnership Arrangement between Hong Kong and the PRC, the formation of the "Nine plus Two" joint forum of the municipal government of nine major south China cities, the chief executive of Macau and the chief executive of Hong Kong together with the expected early-completion of the Disneyland in Hong Kong, the Board is of the view that the economy of the special administration region will remain gloomy and uncertain in the near term. Hence, the Board will maintain a cautiously optimistic attitude towards the development of the Group and would continue exercising cautions in allocating its resources in order to preserve the shareholders long term interest and maximizing return to shareholders.

### CORPORATE DEVELOPMENTS

The Group acquired the entire interest in a company from an independent third party by the end of 2003 which is engaged in land development project in 珠海中策產業園 located in Long Shan Development Area, Doumen District, Zhuhai City, the PRC and is to be jointly developed with 珠海市龍山工業區管理委員會. The Group now is entitled to have the exclusive development right to the project and the right to obtain the land for development.

China Enterprises entered into a conditional agreement dated 13th January, 2004 with Wing On (as subsequently amended on 17th March, 2004 and 4th May, 2004) in relation to the issue of 2% convertible note to China Enterprises or its nominee for a consideration of HK\$155,000,000 attaching the right to convert into new shares of Wing On during a period of three years from the date of issue of the convertible note, at an initial conversion price of HK\$0.02 per share of Wing On, subject to adjustment.

繼香港與內地推行更緊密經貿關係安排、南中國九個主要城市市政府成立「九加二」合作論壇、澳門行政首長及香港行政首長相繼預期香港迪士尼提早落成後，本港經濟雖因而呈復甦跡象，但董事會認為特區之經濟短期內將持續不穩。然而，董事會對本集團之發展將保持審慎樂觀態度，並會繼續謹慎分配資源，以保障股東之長期利益並為股東帶來最大回報。

### 公司發展

二零零三年底，本集團已向一位獨立第三方收購一間公司之全部權益，該公司參與珠海中策產業園之土地發展項目，此項目位於中國珠海市斗門區龍山發展區，將與珠海市龍山工業區管理委員會共同發展。本集團現享有該項目之獨家發展權及享有權利取得土地以作發展。

二零零四年一月十三日，China Enterprises與永安訂立了一份有條件協議（其後經二零零四年三月十七日及二零零四年五月四日修訂），內容有關由永安向China Enterprises或其代名人發行2%可換股票據，代價為155,000,000港元。該等可換股票據附有權力，可於發行可換股票據日期起3年內按初步換股價每股0.02港元（可予調整）轉換為永安之新股份。



In March 2004, the Company entered into a conditional sale and purchase agreement with Cheung Tai Hong (B.V.I.) Limited (“Cheung Tai Hong”), a wholly-owned subsidiary of Cheung Tai Hong Holdings Limited, in relation to the disposal of the entire equity interests in Tung Fong Hung Investment Limited to Cheung Tai Hong for a total consideration of HK\$42,000,000.

As stated in the joint announcement dated 8th March, 2004 of Pacific Century Premium Developments Limited (“PCPD” formerly known as Dong Fang Gas Holdings Limited, an associated company of the Company at that time), and PCCW Limited (“PCCW”), PCPD conditionally agreed to purchase (i) the entire issued share capital of Ipswich Holdings Limited and its subsidiaries (“Property Group”), being the group of companies holding PCP Beijing, PCCW Tower, other investment properties and related property and facilities management companies of PCCW and its subsidiaries and (ii) the loans of approximately HK\$3,529 million, in aggregate, of interest-bearing loans owing by the relevant members of the Property Group to PCCW (comprising of HK\$2,359 million and US\$150 million of such loans and (iii) certain property interests. The consideration for the above transaction amounting to HK\$6,557 million will be satisfied by (a) as to HK\$2,967 million by the allotment and issue of approximately 1,648 million new shares of PCPD to PCCW credited as fully paid at an issue price of HK\$1.80 per share; and (b) as to the remaining HK\$3,590 million by the issue of the convertible note by PCPD to PCCW or as it may direct. Upon completion of the foresaid proposals, PCPD become the flagship of PCCW for property development business in Hong Kong and the PRC. After completion of the transaction, the Group’s interests in PCPD was decreased from 43.06% to 2.83%.

二零零四年三月，本公司與Cheung Tai Hong (B.V.I.) Limited (「Cheung Tai Hong」，為祥泰行集團有限公司之全資附屬公司) 訂立一份有條件買賣協議，內容有關向Cheung Tai Hong出售Tung Fong Hung Investment Limited全部股本權益，總代價為42,000,000港元。

誠如於二零零四年三月八日，盈科大衍地產發展有限公司(「盈大地產」，前稱東方燃氣集團有限公司，當時為本公司之一間聯營公司)及電訊盈科有限公司(「電訊盈科」)發表之聯合公佈所載，盈大地產有條件同意購買(i)Ipswich Holdings Limited及其附屬公司(「物業集團」)之全部已發行股本，而物業集團乃持有北京盈科中心、電訊盈科中心及電訊盈科及其附屬公司旗下其他投資物業及相關物業及設施管理公司之集團公司；及(ii)物業集團有關成員公司欠負電訊盈科之總額約3,529,000,000港元之計息貸款(包括2,359,000,000港元及150,000,000美元之貸款)；及(iii)若干物業權益。上述交易之代價達6,557,000,000港元，而其支付方式為(a)2,967,000,000港元以盈大地產向電訊盈科配發及發行約1,648,000,000股入賬列作繳足股本新盈大地產股份的方式支付，發行價為每股盈大地產股份1.80港元；及(b)餘額3,590,000,000港元以盈大地產向電訊盈科(或按其指示)發行可換股票據的方式支付。完成上述計劃後，盈大地產將成為電訊盈科於香港及中國物業發展業務之旗艦。於該項交易完成後，本集團於盈大地產之權益將由43.06%減至2.83%。

On 30th March 2004, the Group entered into a conditional agreement to acquire 80% interests of the issued share capital of and the shareholder's loan to Talent Cosmos Limited for a consideration of HK\$30 million from independent third parties. Talent Cosmos Limited is an investment holding company and its subsidiaries are principally engaged in manufacturing of batteries.

The sale and purchase agreement dated 16th June, 2004 has been entered into between the Group and Shanghai Jiu Sheng Investment Company Limited in relation to the acquisition of the interest in a parcel of land situated at Nos. 219 and 229, Jiang Ning Road, Jing An District, Shanghai, the PRC and the building being erected thereon which comprises two levels of underground car parks and a 24-storey building by the Group for a total consideration of RMB450,000,000.

### NUMBER OF EMPLOYEES, REMUNERATION POLICIES AND SHARE OPTION SCHEME

As at 30th June, 2004, the Group employed approximately 525 staff. Remuneration packages comprised of salary and year-end bonuses based on individual merits.

25,000,000 share options were granted and then exercised during the period ended 30th June, 2004.

二零零四年三月三十日，本集團訂立有條件協議向獨立第三方收購才宇有限公司80%已發行之股本權益及其股東貸款，代價為30,000,000港元。才宇有限公司為投資控股公司，其附屬公司主要從事電池製造。

二零零四年六月十六日，本集團與上海久盛投資有限公司訂立買賣協議，內容有關本集團收購位於中國上海市靜安區江寧路219號及229號之一幅土地及建於其上之大廈之權益，包括一個兩層地下停車場及一座24層樓高之大廈，總代價為人民幣450,000,000元。

### 僱員數目、薪酬政策及購股權計劃

於二零零四年六月三十日，本集團約有525名僱員。薪酬包括薪金及按個別表現計算之年終花紅。

截至二零零四年六月三十日止期間，授出並隨後行使25,000,000股購股權。