

► chairman's statement

With the retention of our significant cash resources, the Group is well poised to capitalize on any good investment opportunities that may arise in 2005. We intend to be more active in evaluating opportunities to take advantage of the expected current favourable global economic environment.



On behalf of the Board of Directors, I am pleased to present the Group's results for the financial year ended 31 December 2004 ("2004").

The Group, through its 85% subsidiary, SWAN Holdings Limited Group ("SWAN"), has most of its activities in the United States. The hospitality industry in the US showed improvement in 2004 compared to the previous year. This improvement in the business environment has benefited SWAN's two primary business units, namely Richfield (hotel management services) and Sceptre (electronic reservation and revenue management services), as the revenues of these two businesses are aligned to business volume and revenue stream of its hotel customers.

In the year under review, the Group recorded a turnover of HK\$72.1 million comprising mainly revenue contribution of HK\$58.9 million from SWAN. The Group reported a decrease of 15.0% in its turnover in 2004 over 2003 due mainly to lower dividend income. SWAN's total revenue for the year under review was flat compared to 2003. The improvement in Richfield and Sceptre was offset by the decline in revenue recorded by

Shield (risk management services) due to the ongoing rationalization of this business unit so as to focus on the primary business units.

Group's total investment income decreased by 58.6% from the previous year to HK\$9.9 million from HK\$24.0 million due to lower dividend and interest income received during the year under review. On the other hand, the Company recorded a higher other net income of HK\$25.9 million, up 44.2%, from HK\$17.9 million mainly due to unrealised gains arising from restating the Group's investment securities at fair value as at the financial year-end.

For 2004 overall, the Group recorded a net profit attributable to its shareholders of HK\$26.5 million, representing a decline of 19.9% from the previous year.

SWAN's business development focus on Richfield and Sceptre in 2004 continued to bear some fruit. During the year in review, it has achieved successes in signing new contracts for both business units. Richfield added a net of three new hotels and Sceptre added a net of 38 properties.

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Basic earnings per share for the year under review was HK6.92 cents calculated on 383,125,524 ordinary shares in issue during the year. The Group's Net Tangible Assets backing per share increased marginally to HK\$1.55 from HK\$1.51 in 2003. The Board proposed a final dividend of three cents per share for the year under review.

Prospects

Despite the uncertainty over the price of crude oil and the pace of interest rate increases, the United States economy is expected to continue to grow steadily in 2005. Consequently, the hospitality industry in the US is projected to build on the turnaround achieved in 2004 and record another year of growth in 2005. Therefore, SWAN's business units should benefit from the improving economy and industry in the coming year. We will continue to adopt a prudent approach in managing the businesses by ensuring costs are kept in line with the level of business activities. Richfield and Sceptre are working on potential contracts and are optimistic of converting some of these into contracts in 2005.

With the retention of our significant cash resources, the Group is well poised to capitalize on any good investment opportunities that may arise in 2005. We intend to be more active in evaluating opportunities to take advantage of the expected current favourable global economic environment. Barring unforeseen circumstances, the Group's performance in respect of its current hospitality-related operations should remain profitable in 2005.

On behalf of the Board of Directors, I would like to thank our customers, business partners, shareholders, management and staff for their continued support during this past year.

Kwek Leng Beng

Chairman

17 February 2005