

**Dear Shareholders,**

On behalf of the Board of Directors of the Company (the "Board"), I have pleasure to report on the financial results, operations and other aspects of the Company and its subsidiaries (the "Group") for the year ended 31 December 2004.

**FINANCIAL RESULTS**

For the year ended 31 December 2004, the Group's turnover increased by 71.7% to HK\$847,491,000 (2003: HK\$493,533,000) and profit from operations increased by 26.3% to HK\$203,931,000 (2003: HK\$161,509,000). These substantial improvements were mainly attributed to the Group's profitable securities trading activities as well as its successful mobile handset distribution operation amid improved consumer market and stock markets.

Net profit for the year ended 31 December 2004 decreased by 30.4% to HK\$203,274,000 (2003: HK\$292,078,000) entirely due to the absence of any exceptional gains for the year under review. Exceptional gains on disposal of subsidiaries and on expiry of warrants totaling HK\$131,478,000 were recorded in 2003. Owing to the Group's share repurchase program undertaken during the year (mentioned herein below under section "Financial Resources, Liquidity and Capital Structure"), earnings per share for the year 2004 declined in a lesser scale than that of the net profit when compared with 2003, with a decrease of 26.6% to HK\$0.58 (2003: HK\$0.79).

As at 31 December 2004, the Group's net asset value per share was HK\$4.05 (2003: HK\$2.97).

**DIVIDENDS**

An interim dividend of HK\$0.01 per share was paid during the year 2004 (2003: HK\$0.01). The Directors recommended the payment of a final dividend of HK\$0.04 per share (2003: HK\$0.04) amounting HK\$12,070,000 to shareholders whose names appear on the Register of Members of the Company on 1 June 2005. Dividend warrants are expected to be dispatched on 30 June 2005.

**CLOSURE OF REGISTER OF MEMBERS**

The Register of Members of the Company will be closed from Monday, 30 May 2005 to Wednesday, 1 June 2005, both days inclusive, during which no share transfer will be effected.

**REVIEW OF OPERATIONS**

After the approval by shareholders at the Company's Annual General Meeting on 3 June 2004 and the approvals by the respective companies registries in Bermuda and Hong Kong, the name of the Company was changed to "COL Capital Limited". The Directors are of the view that this new name will better reflect the principal activities of the Group. The Company is an investment holding company and through its subsidiaries, engages in the distribution of telecommunication and information technology products, securities trading and investments, provision of financial services, property investment and strategic investments.

During the year, the Group's mobile handset distribution business recorded a significant increase in turnover to HK\$237,205,000 (2003: HK\$98,775,000) and in profit to HK\$21,791,000 (2003: HK\$1,301,000). With the strengthening of the consumer market, the successful launch of Innostream branded mobile handsets since the last quarter of 2003 and the roll out of several well received models of NEC in third quarter of 2004, the Group's mobile handset distribution business in Hong Kong under Star Telecom Limited ("Star Telecom") achieved encouraging results. However, as anticipated in the 2004 Interim Report, Star Telecom met very keen competition from mobile handsets of other brands in terms of features and pricing and faced the adverse impact on sales from parallel imports. Nevertheless, the Innostream and NEC mobile handsets remain well received by the Hong Kong and Macau markets and continued to be among the top ten best selling brands.

In its activities on trading and investment in financial instruments, the Group recorded a turnover of HK\$592,055,000 (2003: HK\$387,899,000) and a profit of HK\$191,026,000 (2003: HK\$174,471,000) for the year ended 31 December 2004. Capitalizing on the rebound of the stock market, the Group disposed of 728,000,000 shares of Tian An China Investments Company Limited from its trading portfolio in February 2004, generating cash proceeds of HK\$218,400,000 for the Group.

The money lending and provision of other financial services activities undertaken by the Group during 2004, recorded a turnover of HK\$15,787,000 (2003: HK\$2,476,000) and a profit of HK\$15,747,000 (2003: HK\$2,484,000).

In addition, for the year under review the Group's investment properties in Hong Kong and the People's Republic of China (the "PRC") contributed a turnover of HK\$2,444,000 (2003: HK\$3,349,000) and a profit of HK\$781,000 (2003: Loss HK\$505,000).

## **FINANCIAL RESOURCES, LIQUIDITY AND CAPITAL STRUCTURE**

On 4 June 2004, the Company announced a conditional cash offer to repurchase up to 74,300,000 shares representing approximately 20.0% of the then total issued shares of the Company at HK\$1.20 in cash per share (the "Share Repurchase Program"). Upon the closing of the Share Repurchase Program on 24 August 2004, tenders in respect of 69,713,206 shares were received from accepting shareholders representing about 18.8% of the then total issued shares of the Company resulting in the Company paying about HK\$83.7 million to accepting shareholders and reduction of its share capital and share premium account by approximately HK\$0.7 million and HK\$83.0 million respectively. The consideration for the Share Repurchase Program was financed by the Group's internal resources and was fully settled on 2 September 2004. All in all, during 2004 in pursuance to the Share Repurchase Program the issued share capital and the number of issued shares of the Company decreased from HK\$3.7 million and 371,468,753 shares to HK\$3.0 million and 301,755,547 shares respectively.

As at 31 December 2004, the Group's non-current assets consisted mainly of investment properties of HK\$45 million (31 December 2003: 32 million); property, plant and equipment of HK\$6 million (31 December 2003: HK\$12 million); and long term investments of HK\$314 million (31 December 2003: HK\$388 million). These non-current assets were principally financed by shareholders' funds. As at 31 December 2004, the Group had net current assets of HK\$858 million (31 December 2003: HK\$671 million).

During 2004, the Group had drawn down loans amounted to HK\$272 million from a credit facility arranged on a long term basis and repayable in October 2005. These loans were subsequently fully repaid in July 2004. Save for the foregoing, the Group's other borrowings have been arranged on short term basis, repayable within 1 year and secured by certain investment properties, marketable securities and bank deposits. As at 31 December 2004, the Group maintained an insignificant gearing ratio (31 December 2003: Nil), calculated on the basis of the Group's net borrowing (after deducting cash and bank balances) over shareholders' funds.

During the year under review, the Group's assets, liabilities and transactions were mainly denominated in Hong Kong Dollars, Australian Dollars, U.S. Dollars and Malaysian Ringgit. Because of its short term nature, the Group had not actively hedged risks arising from Australian Dollars denominated assets and transactions. As the exchange rates of U.S. Dollars and Malaysian Ringgit were relatively stable during the year, the Group was not materially affected by these foreign exchange exposures.

### **CHARGE ON GROUP ASSETS**

As at 31 December 2004, the Group's investment properties, marketable securities, bank balances and cash with respective carrying values of HK\$15,000,000 (31 December 2003: HK\$11,350,000), HK\$631,924,000 (31 December 2003: HK\$54,583,000) and HK\$15,182,000 (31 December 2003: HK\$26,988,000) were pledged to financial institutions to secure credit facilities granted to the Group.

### **EMPLOYEES**

The Group had 47 employees as at 31 December 2004 (31 December 2003: 43). Employee's cost (excluding directors' remunerations) amounted to approximately HK\$8,833,000 (2003: HK\$10,457,000). The Group ensures that its employees are remunerated in line with market terms and individual performance and with the remuneration package and remuneration policies reviewed on a regular basis.

In addition to salaries and sales commission, discretionary bonuses may be rewarded to employees after assessment of the performance of the Group and the individual employee.

## PROSPECTS

Since the last quarter of 2003, the economic sentiment and consumer confidence in Hong Kong has shown significant improvement. The Group is cautiously optimistic about the economic outlook and the business and investment opportunities in Hong Kong and the PRC if the improvement can be sustained in the year ahead. However, the Group is aware that the positive economic outlook may be affected by the uncertainties that currently exist due to the pressures resulting from the US trade and budget deficits, volatile oil prices, interest rate hikes and political tensions at the local and regional level.

Star Telecom anticipates that its sales performance will be adversely affected as the mobile handset market becomes even more competitive following the launch of the 3G services. It also expects that the ever increasing competition would lead to pressures on prices and profit margins. Nevertheless, riding on its successful distributorship of Innostream and NEC products, Star Telecom will endeavor to obtain distribution rights of 3G mobile handsets and seek market business partnership opportunities with 3G mobile handset manufacturers to capture a share of this growth market. Star Telecom will also continue to seek distribution rights of other mobile handsets and electronic consumer products with good potential to enhance its market position and pursue product diversification. Currently, Star Telecom is the sole distributor of Innostream products, and is an authorized distributor of NEC and Alcatel mobile handsets, in Hong Kong and Macau.

The Group remains committed to ongoing improvement in organizational structure, operating efficiency and cost effectiveness in its operations. Further, the Group will continue to seek attractive business and investment opportunities in the PRC, Hong Kong and the Asia Pacific region and in sectors such as distribution, retail, property investment or development, etc. to improve its profitability and enhance shareholders' value.

## APPRECIATION

On behalf of the Board, I would like to take this opportunity to express our gratitude to our shareholders for their continued support, our customers and suppliers for their trust and confidence, and our management and staff for their hard work and dedication to the Group during the year.

**Chong Sok Un**

*Chairman*

Hong Kong, 15 April 2005