

## **Chairman's Statement**

The Group's consolidated attributed profit of HK\$51.4 million for the year 2004 was reported, representing a rise of 32.8% over that in 2003. Profit growth in trading segment was satisfactory benefited from strong demand growth in Asian countries as well as a sharp rise in commodity prices. Profit from property investment segment rose by 40.3% primarily due to a gain on the revaluation of properties in 2004. In addition to the revaluation gain, performance of rental business was moderately stable. Having experienced immense volatility and high level of uncertainties surrounding the world, we restructured our securities portfolio in a conservative manner to minimize aggregate risks. Therefore, profit from security investment during the year only generated a modest profit of HK\$3.5 million when compared with HK\$28.6 million earned in 2003. At the year end, the Group recognized an impairment loss of HK\$2.5 million in respect of one of securities investment held in China due to its significant losses in the past two years.

### **DIVIDEND**

Interim dividend of HK10 cents per ordinary share was declared on 28<sup>th</sup> September, 2004 as the Group currently was unable to locate suitable investment opportunity. Subject to the approval of shareholders at the forthcoming Annual General Meeting, the Board of Directors recommended a final dividend for 2004 of HK 10 cents per ordinary share (2003: HK2.5 cents per ordinary share) payable on or before 23<sup>rd</sup> June, 2005 to shareholders whose names appear on the register of members of the Company as 31<sup>st</sup> May, 2005.

### **BUSINESS REVIEW**

During 2004, turnover and result in trading segment of the Group increased exceptionally by 45.5% and 46% respectively due to significant rise in commodity prices. Amid buoyant commodity markets together with global deficits situation in most products that we traded, we enhanced our competitive position with reputation of stable supply and renowned service quality. Boosting economies in Asian countries like China, Singapore, Taiwan, Korea, etc. nourished an encouraging growth in demand. Improved market situation also allowed us to expand into different types of customer base. Despite increasing cost pressures on financing inventory and credit collection cycles, we have adopt prudent measures throughout the year to control financing risks and facilitate the Group's efficiency on cost saving.

Shanghai residential and office markets continued to follow an upward trend. Due to a lack of enough supply in Shanghai, demand for office spaces in Shanghai remained robust and all rental spaces of the Group's office properties were leased out at the end of the year. In spite of the Chinese government's measures to slow down investment in properties market,

Shanghai's residential properties prices have maintained a stable and healthy growth trend throughout the year. Near the end of the year, we have resolved to sell all of our Shanghai's residential properties and four units have been sold by March, 2005. The improved leasing market in Hong Kong did not bring higher rental premium to non-Grade A offices and rental business of Hong Kong offices fell by about 9% in 2004. A surplus arising on revaluation of investment properties amounting HK\$17.9 million was recorded at the year end, of which a gain of HK\$9.5 million was credited to income statement and the remaining balance of HK\$8.4 million was credited to reserve.

In the midst of massive volatility in financial markets and uncertainties on risks associated with global economies and geopolitical environment, the Group's securities portfolio performed unsatisfactorily. The decline in US dollar, which fell more than 27% since its peak in early 2003 against the currencies of its major trading partners like Europe, Japan, etc., and swerved focus of the U.S. Federal Reserve on its monetary policy and price stability, bewildered the Group's position on balancing our portfolio between short- and long-term consideration. Plentiful cash within the global market which instantly changed its market direction also swirled the market stability. For the year 2004, we recorded an unrealized loss of HK\$0.6 million, which it included an impairment loss of HK\$2.5 million in one of our China's investment. During the year, we disposed of HK\$40.0 million of securities, mainly corporate debt, and gained HK\$0.4 million in profit.

I would like to express my thanks to two resigned directors: Mr. Leung Ding Bong, Ronald and Mr. Ng Hon Ying for their contributions and service for the company in the past years. Also, I would like to welcome two new independent non-executive directors who joined the Board in 2004: Mr. Lai Chung Wing, Robert and Mr. Chan Wing Lee. Mr. Lai has substantial experience in various types of industries and investments and Mr. Chan is a veteran banker. I believe that our independent directors will bring valuable contributions to the Group in the coming years.

## **AUDIT COMMITTEE**

The Group's audit committee has met three times in 2004 to review audit findings, accounting principles and practices adopted by the Group, to assess auditors' scope of the forthcoming audit planning of the Group for the year 2004 and to discuss internal and external risk control areas before submitting the management and financial reports to the Board of Directors for approval. The external auditors together with the Group's finance director and two senior management personnel have attended all meetings. Current audit committee members are Mr. Wong Kong Chi, who is the Chairman of the committee, Mr. Lai Chung Wing, Robert and Mr. Chan Wing Lee.

## **PROSPECTS**

In the first half of 2005, we expect to see further growth in demand from Asian region, in particular of China, and solid commodity prices. However, the Group's revenue may be adversely affected as many customers are forced to scale down their operation under the current high raw material prices. Following our past strategies, we will cautiously monitor the Group's inventory and purchase measures, and, at the same time, maintain our services roles in supporting stable supply to customers. Property markets in Shanghai and Hong Kong have shown marked improvement and we see such trend will continue in the year of 2005. For the securities portfolio, we will remain alerts to changes in global economic environment and seek opportunities to improve our return for the year.

With support of sound financial balance sheet, the Group is well position to manage different kinds of risks exposing to the markets. With thanks to all our staff who has delivered their hardworking during the year, the Group will continue to devote all strengths in pursuing further improvement in coming years.

**LEUNG SHU WING**

Chairman

Hong Kong, 8<sup>th</sup> April, 2005