

# MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER'S STATEMENT

## RESULTS

For the year ended 31st December, 2004, the Company and its subsidiaries (the "Group") had recorded a turnover from operations of approximately HK\$73.39 million, a decrease of 13% from the previous year (2003: HK\$84.68 million) due primarily to the reduction of rental income after the disposal of two investment properties during the year, particulars of which were set out in Business Review and Prospects section below.

However, there was a dramatic improvement in the net profit attributable to shareholders approximately HK\$52.28 million (2003: net loss HK\$84.76 million). This significant improvement was achieved by disposal of investment properties and non-core assets as set out in Material Acquisitions and Disposals of Subsidiaries and Associated Companies section below. The earning per share for the year ended 31st December, 2004 was HK15.8 cents (2003: Loss per share HK25.6 cents).

## DIVIDEND

No interim dividend was paid during the year and no final dividend was recommended by the directors.

## LIQUIDITY AND FINANCIAL RESOURCES

The Group's capital expenditures, investments and business activities were primarily financed by net cash inflow generated from operating activities.

As at 31st December, 2004, the Group's bank and other loans amounted to approximately HK\$6.5 million (2003: HK\$150 million) of which all repayable within one year (2003: HK\$141.4 million) and nil (2003: HK\$8.6 million) repayable after one year. The loans' interest rates were in line with the best lending rate either charged at the Prime Rate or the Hong Kong Inter-Bank Offer Rate. The Group did not have any financial instruments used for hedging purpose.

The Group's bank and other loans are primarily denominated in United States dollars. As the Group's business transactions, assets and liabilities were mainly denominated in Hong Kong dollars, Reminbi and United States dollars, the Group considered that the exposures to foreign exchange risks were minimal.

After the disposal of non-core assets, the liquidity of the Group had greatly improved as evidence by the current ratio (current assets to current liabilities) increased to 1.64 (2003: 0.31). The Group's gearing ratio (total bank and other loans to shareholders' equity) decreased to 5.6% (2003: 205%).

## PLEDGE OF ASSETS

At 31 December 2004, the Group had mortgaged or pledged certain investment properties, plants, equipments, listed investments and bank deposits with an aggregate net book value of approximately HK\$44.2 million (2003: HK\$199.7 million) to banks, financial institutions and loan creditors for obtaining banking facilities, margin trading facilities, overdraft and revolving loan facilities, term loan facilities and loan facilities to the Group to the extent of approximately HK\$62.8 million (2003: HK\$182.3 million).

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### CONTINGENT LIABILITIES

At 31st December, 2004, the Group had no significant contingent liabilities (2003: Nil).

### MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

On 22nd December, 2003, a conditional sale and purchase agreement was entered into whereby, inter alia, the Company and Mr. Dennis Chiu, an executive director of the Company agreed to dispose of their entire interests in Tang City Properties Pte. Ltd. to a wholly-owned subsidiary of Far East Consortium International Limited. The disposal was completed on 16th February, 2004.

On 21st April, 2004, the Company and Mr. Deacon Chiu, Chairman of the Board and an Executive Director of the Company, entered into a conditional sale and purchase agreement pursuant to which the Company had agreed to sell Laichi Kok Amusement (Haimen) Co. Ltd., a wholly foreign owned enterprise incorporated in the People's Republic of China, that was wholly-owned by the Company, to Mr. Deacon Chiu. The disposal was completed on 21st June, 2004. Details of the disposal were set out in a circular of the Company dated 28th May, 2004.

On 19th November, 2004, the Company agreed to dispose of its entire interests in Tang Dynasty City Pte. Ltd. ("TDC") to Mr. Deacon Chiu, being chairman of the Board and an Executive Director of the Company, at a cash consideration of HK\$1. On the same day, the Company further agreed to dispose of its entire interests in RFC Far East Limited ("RFC Far East") to Mr. Dennis Chiu, being an Executive Director of the Company at a consideration of US\$1. These connected transactions, which were exempted from reporting, announcement and independent shareholders' approval requirements, were both completed on 19th November, 2004.

### EMPLOYEES

At 31st December, 2004, the Group had approximately 600 employees. The Group offers its employees competitive remuneration packages based on industry's practices and performance of individual employee. Year-end discretionary bonus would be granted to reward and motivate those well-performed employees. The Group had not adopted any share option scheme to which employees might participate.

### BUSINESS REVIEW AND PROSPECTS

The Board is pleased to report that the Chinasoft International Limited ("Chinasoft"), an associate of the Group listed in the Growth Enterprise Market, continued to deliver remarkable contribution to the Group's Information Technology business. The operational result of Chinasoft has recorded significant growth both in terms of turnover and net profit. Entrusted by the State Tobacco Control Bureau and the State Audit Office as strategic partner in software solutions provision, Chinasoft has further strengthened itself as the leading provider of e-government solutions. With Chinasoft's active participation in the research and development of state bureaus' projects including "e-Insurance" and "e-Quality", the Group is confident that Chinasoft will continue to generate steady growth and sustainable income to the Group in the coming year.

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## BUSINESS REVIEW AND PROSPECTS (Continued)

For the industrial segment, Jiangsu Bang Bang Silky Fashion Manufacturer Company Limited has recorded a decrease in turnover by 11% from previous year. With the abolishment of textile and clothing quotas system, the impact of such changes in our export garment trade to Japan will depend on the market reaction.

Notwithstanding the economic control measures implemented in China on selective industries, Suzhou Goldtract Commodity Concrete Company Limited has only recorded a slight drop of 6% in turnover in comparison with last year. With China's economic growth remaining positive and the demand for housing steady, and the Group is confident about its long term investments in Mainland China.

For the property investment segment, two investment properties were disposed during the year; one at Hunghom Commercial Centre in June 2004 and the other at Wealthy Garden in September 2004. Particulars of the disposal of investment properties have been set out in circulars of the Company dated 28th May, 2004. Both properties were formerly used for cinema operation, an entertainment and leisure-related business.

On the other hand, lease modification from cinema usage to commercial usage for the cinema (known as Golden Flower Theatre) at Kwai Chung Fa Yuen, Kwai Chung had been approved by the District Lands Department. Upon completion of the modification works, the rental incomes and proceeds from possible sale of individual shopping arcade unit are expected to be promising with the upraising property market in Hong Kong.

The Group has continued to restructure its operations by disposing of its non-core assets since 2003. As a result, the Group had disposed of its entire interests in Tang Dynasty City in Singapore and Laichi Kok Amusement Park in China. Furthermore, two investment properties, as mentioned above, were disposed during the year.

With a relatively stable global environment and continued positive Central Government policies, following with the opening of the Hong Kong Disney theme park this year and increased consumer confidence would mean that Hong Kong's economy will see healthy growth this year. The board will continue to adopt a conservative but proactive approach in its investment in information technology, manufacturing industries and capture business opportunities in the Mainland China in the coming year.

## SUBSEQUENT EVENTS

On 21st September, 2004, a special resolution was passed in an extraordinary general meeting pursuant to which and with the sanction of an Order of High Court of the Hong Kong Special Administrative Region dated 25th January, 2005, every five (5) issued shares of the Company are consolidated into one (1) consolidated share. The nominal value of each issued consolidated share was then reduced from HK\$1.00 each to HK\$0.01 each by way of a reduction of capital pursuant to sections 48B and 58 of the Companies Ordinance of Hong Kong. Accordingly, the issued share capital of the Company was reduced from an amount of HK\$331,668,905 to HK\$663,338 represented by 66,333,781 consolidated shares. Details of the capital reorganization have been set out in a circular and a supplemental circular of the Company dated 28th May, 2004 and 27th August, 2004 respectively.

### **Duncan Chiu**

*Managing Director and Chief Executive Officer*

Hong Kong, 18th April, 2005

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