



FINANCIAL REVIEW

For the year ended 31 December 2004, the Group's turnover increased to HK\$44,168,000 representing an increase of 45% over that of previous year's HK\$30,490,000. Net loss for the year under review was HK\$10,680,000 as compared to the net loss of HK\$91,579,000 for the last corresponding year. Loss per share for the year ended 31 December 2004 was HK2.57 cents as compared to a loss of HK25.76 cents for the last year.

OPERATIONS REVIEW AND FUTURE PROSPECTS

Construction and related business

The 51% subsidiary in Beijing suffered a loss in last year. However, the management has confidence to secure more renovation projects in Beijing Capital Airport and other building facilities. The Group will consider further broaden our investments in this sector of business which will bring stable recurrent return.

Properties for investment/for sale

The Group entered into a sale and purchase agreement with two independent third parties for the acquisition of certain commercial properties in Beijing by cash and issue of new shares in 2004. Revaluation of these properties resulted in a surplus of HK\$18,072,000 which was taken up as a profit for the year. The Group recently entered into an agreement to sell these properties in Beijing. The Group also entered into a conditional sale and purchase agreement with a related party for the acquisition of certain commercial podium in Wuhan which are expected to provide financial return for the Group.

Properties management, properties development and retail business in Wuhan

Directors nominated by the Group have been appointed as directors of the Wuhan companies with effect from 20 December 2004 and an announcement was published on 10 January 2005. As disclosed in note 22 to the financial statements, the board of directors consider it is appropriate to change the accounting treatment of these companies from being subsidiaries to the Group's long term investments despite there is no change of ownership or composition of the board of directors in the year 2004. The dispute with the JV partner over the property, JV loan and the Arbitration Awards issued by Arbitration Commission of Wuhan should now be regarded as finalised due to the execution of a settlement agreement.

The share of profits from the jointly-controlled entity, Wuhan Plaza Management Co., Ltd. ("WPM") continued to deliver satisfactory results during the year 2004 by contributing approximately HK\$35,238,000 (2003: HK\$43,817,000) profit before tax to the Group.



MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINTLY CONTROLLED ENTITIES

Save as above, there is no material acquisition and disposal of subsidiaries, associated companies and jointly controlled entities.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2004, the Group had deficiency in assets of HK\$36,651,000 (2003: HK\$28,915,000) with total assets of HK\$33,862,000 (2003: HK\$351,953,000) and total liabilities of HK\$68,398,000 (2003: HK\$377,267,000). The current ratio, which equals current assets divided by current liabilities, was 0.40, compared to 1.06 as at 31 December 2003. The Group's unrestricted bank balances and short term deposits which are mainly denominated in Hong Kong dollars and Renminbi, amounted to HK\$2,035,000 as at 31 December 2004 (2003: HK\$7,914,000).

CAPITAL STRUCTURE

As at 31 December 2004, the Group had interest bearing bank and other borrowings of HK\$24.6 million (2003: HK\$34.5 million), other than the loan from a jointly-controlled entity of HK\$95,532,000 (2003: HK\$104,455,000).

On 4 February, 2004, the Company has issued 63,726,000 ordinary shares as partial settlement of the consideration in purchase agreement signed on 26 December 2003 and supplemented on 29 December 2003 in relation to the acquisition of certain commercial properties in Beijing.

GEARING

The gearing ratio, as a ratio of total interest-bearing borrowing to total assets as at 31 December 2004, was 0.93 (2003: 1.6).

SEGMENTAL INFORMATION

Detailed segment information in respect of the Group's turnover and contribution to profit before taxation are shown in note 5 to the financial statements.

MATERIAL INVESTMENT OR CAPITAL ASSETS

The Group entered into a conditional agreement with a related party for acquisition of certain commercial podium in Wuhan.

CONTINGENT LIABILITIES

As at 31 December 2004, the Group had no material contingent liabilities.



CHARGE OF ASSETS

As at 31 December 2004, the Group's bank and other loan were secured by:

- (i) a debenture incorporating a floating charge on all assets of the Company and a first legal charge on the entire issued capital of International Management Company Limited ("IMC") and Hudson Development (H.K.) Limited ("HDHK"), subsidiaries of the Company;
- (ii) a debenture incorporating a floating charge on all assets of IMC and a first legal charge on its 49% shareholding in WPM;
- (iii) a first legal charge on the 49% joint venture rights in WPM including all cash, dividends, distribution, bonuses, interests or other monies derived from the rights in WPM;
- (iv) a debenture incorporating a floating charge on all assets of HDHK and a first legal charge on its 51% shareholding in Wuhan Huaxin Real Estate Development Co., Ltd. ("WHRED");
- (v) a first legal charge on the 51% joint venture rights in WHRED, including all cash, dividends, distribution, bonuses, interests on other monies derived from the rights in WHRED;
- (vi) a share mortgage in respect of the two issued ordinary shares of Ever Park Development Limited ("EPD"), a subsidiary of the Company;
- (vii) a debenture incorporating a first floating charge over the undertaking, properties and assets of EPD; and
- (viii) a deed of guarantee signed by Mr. Zhou Chu Jian He, Chairman of the Company.

LITIGATION

The Group had litigation and claim during the year ended 31 December 2004. The Group has been involved in a legal proceeding with total claimed amount of approximately RMB19 million. Currently, the litigation is still in progress and no conclusion has been drawn on the litigation. Based on the legal opinion from the Group's PRC lawyer, the directors are in the opinion that the court will ultimately decline such claim and, accordingly, no provision has been made.

EXCHANGE RATE EXPOSURE

While sales of the Group are mainly denominated in Hong Kong dollars and Renminbi, the Group's exposure to fluctuations in exchange rates was minimal. As at 31 December 2004, the Group did not have any foreign currency investment which has been hedged by currency borrowings and other hedging instruments.

**EMPLOYEE AND REMUNERATION POLICY**

As at 31 December 2004, the Group had about 185 employees of whom 9 are based in Hong Kong and 176 based in the PRC. The number of workers employed by the Group varies from time to time depending on the industry need and they are remunerated under the employment term which is based on industry practice.

The remuneration policy and package of the Group's employees are periodically reviewed and approved by the executive directors. Apart from the pension funds, discretionary bonuses and share options are awarded to certain employees according to the assessment of individual performance.