



■ FINANCIAL REVIEW ■

For the year ended 31 December 2005, the Group's turnover decreased to HK\$36,205,000 representing a decrease of 18% over that of previous year's HK\$44,168,000. Net profit for the year under review was HK\$758,000 as compared to the net loss of HK\$4,605,000 (restated) for the last corresponding 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 taken prudent steps to scale down the construction operation in the light of continued loss operation. Management has also considered to further trim down this sector of business in the future.

Properties for investment/for sale

The Group entered into an underwriting agreement to sell certain commercial properties in Beijing at a pre-determined price comparable to market valuation on an underwritten basis. Four units would be held as properties for resale in the future and the remaining five units would lease out to generate recurrent rental income. The Group also entered into a conditional sale and purchase agreement with a related party for the acquisition of certain commercial podium in Wuhan but the agreement has lapsed due to the land use right encountered obstacle.

Properties management, properties development and retail business in Wuhan

The Group regained the 51% control of the operation of property management in Wuhan as our core business since November 2005 which has no contributed surplus during the year 2005. The management intended to look for opportunity for expanding its services to property to independent third parties as compared to only provision of services to affiliated companies.

The share of profits from the jointly-controlled entity, Wuhan Plaza Management Co. Ltd. ("WPM") continued to deliver satisfactory results during the year 2005 by contributing approximately HK\$44,626,000 (2004: HK\$25,063,000 (as restated)) after 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 2005, the Group had deficiency in assets of HK\$49,131,000 (2004: HK\$49,889,000 (as restated)) with total assets of HK\$130,232,000 (2004: HK\$114,041,000 (as restated)) and total liabilities of HK\$179,363,000 (2004: HK\$163,930,000 (as restated)). The current ratio, which equals current assets divided by current liabilities was HK\$0.41, compared to 0.40 as at 31 December 2004. The Group's bank balances and short term deposits which are mainly denominated in Hong Kong dollars and Reminbi, amounted to HK\$2,494,000 as at 31 December 2005 (2004: HK\$2,035,000).



■ CAPITAL STRUCTURE ■

As at 31 December 2005, the Group had interest bearing borrowings of HK\$39,630,000 (2004: HK\$24,630,000), other than a loan from a jointly-controlled entity of HK\$95,260,000 (2004 : HK\$95,532,000 (as restated)).

■ GEARING ■

The gearing ratio, as a ratio of total interest-bearing borrowings to total assets as at 31 December 2005, was 1.04 (2004: 1.05 (as restated)).

■ SEGMENTAL INFORMATION ■

Detailed segment information in respect of the Group's turnover and contribution to profit before taxation are shown in note 7 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 but the agreement has been lapsed.

■ CONTINGENT LIABILITIES ■

Details of the Group's contingent liabilities are set out in note 38 to the financial statements as at 31 December 2005.

■ CHARGE OF ASSETS ■

As at 31 December 2005, the Group's bank and other loans 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, investment properties (note 16) and assets of EPD;



- (viii) a deed of guarantee signed by Mr. Zhou Chu Jian He, Chairman of the Company;
- (ix) a debenture incorporating a first floating charge over the undertaking, properties and assets of Prime Century Investments Limited ("PCI"), the immediate holding company of the Company;
- (x) a share mortgage in respect of the one issued share of PCI; and
- (xi) assignment of receivables of EDP.

■ LITIGATIONS ■

In December 2002, a former director of a subsidiary which was disposed of in a prior year commenced litigation in the PRC against the Group, and claimed that an alleged bonus of RMB19 million was due to him, according to a supplementary agreement attached to the employment contract entered into with the Group in 1995. 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 2005, 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 2005, the Group had about 195 employees of whom 10 are based in Hong Kong and 185 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.