



# CHINA STRATEGIC HOLDINGS LIMITED

## 中策集團有限公司

(incorporated in Hong Kong with limited liability)

(Stock Code: 235)

### ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31ST DECEMBER, 2004

The directors of China Strategic Holdings Limited (the “Company”) announce that the audited consolidated income statement of the Company and its subsidiaries (the “Group”) for the year ended 31st December, 2004 together with comparative figures for the previous year are as follows:

#### CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31ST DECEMBER, 2004

	NOTES	2004 HK\$'000	2003 HK\$'000
Turnover		123,403	2,884,493
Cost of sales		(81,455)	(2,520,175)
Gross profit		41,948	364,318
Other operating income		60,181	145,731
Distribution costs		(21,906)	(174,955)
Administrative expenses		(44,984)	(122,587)
Other expenses		(40,479)	(74,586)
Allowances for loans and interest receivable		(140,889)	(43,810)
(Loss) profit from operations	3	(146,129)	94,111
Finance costs		(17,434)	(50,712)
Gain (loss) on disposal/dilution of interests in associates		81,631	(36,481)
Share of results of associates		(37,375)	(175,734)
Allowance on receivables advanced to an associate		–	(12,712)
(Loss) gain on disposal of interests in subsidiaries		(5,257)	12,344
Loss before taxation		(124,564)	(169,184)
Taxation	4	(6,464)	(10,935)
Loss before minority interests		(131,028)	(180,119)
Minority interests		(45,024)	(9,409)
Net loss for the year		(176,052)	(189,528)
Loss per share			
Basic	5	HK\$(0.20)	HK\$(0.23)

Notes:

#### 1. POTENTIAL IMPACT ARISING FROM THE RECENTLY ISSUED ACCOUNTING STANDARDS

In 2004, the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) issued a number of new or revised Hong Kong Accounting Standards and Hong Kong Financial Reporting Standards (“HKFRSs”) (hereinafter collectively referred to as “new HKFRSs”) which are effective for accounting periods beginning on or after 1st January, 2005. The Group has not early adopted these new HKFRSs in the financial statements for the year ended 31st December, 2004.

The Group has commenced considering the potential impact of these new HKFRSs but is not yet in a position to determine whether these new HKFRSs would have a significant impact on how its results of operations and financial position are prepared and presented. These new HKFRSs may result in changes in the future as to how the results and financial position are prepared and presented.

## 2. SEGMENT INFORMATION

### *Business segments*

During the year, the Group acquired a 80% interest in Talent Cosmos Limited for consideration of HK\$30 million. Talent Cosmos Limited and its subsidiaries are engaged in manufacturing and trading of battery products and related accessories. The segment of manufacturing and trading of battery products and related accessories is regarded as a new business segment of the Group upon completion of the acquisition.

For management purposes, the Group is currently organised into the following three major divisions – pharmaceutical products, battery products and investment in securities and advance divisions. These divisions are the basis on which the Group reports its primary segment information.

Pharmaceutical products – Manufacturing and trading of Chinese and western medicine products

Battery products – Manufacturing and trading of battery products and related accessories

Investments in securities and advance – Investments in securities holding and advance of receivables

Others – Corporate and investment holding

An analysis of the Group's turnover and contribution to operating results by business segments is as follows:

	Discontinuing operation	Continuing operation				Elimination HK\$'000	Consolidated HK\$'000
	Pharmaceutical products HK\$'000 (Note a)	Investments in securities and advance HK\$'000	Battery products HK\$'000	Others HK\$'000	Sub-total HK\$'000		
For the year ended 31st December, 2004							
<b>TURNOVER</b>							
External	96,262	-	27,141	-	27,141	-	123,403
Inter-segment	-	-	-	2,184	2,184	(2,184)	-
	<u>96,262</u>	<u>-</u>	<u>27,141</u>	<u>2,184</u>	<u>29,325</u>	<u>(2,184)</u>	<u>123,403</u>
<b>RESULT</b>							
Segment result	<u>6,778</u>	<u>(160,712)</u>	<u>(2,005)</u>	<u>(16,870)</u>	<u>(179,587)</u>	<u>(2,184)</u>	<u>(174,993)</u>
Unallocated corporate expenses							(27,269)
Interest income							54,591
Dividend income							1,542
Loss from operations							(146,129)
Finance costs							(17,434)
Loss on disposal/dilution of interests in subsidiaries	(5,257)	-	-	-	-	-	(5,257)
Gain on disposal/liquidation of interests in associates	-	-	-	81,631	81,631	-	81,631
Share of results of associates	(618)	-	(147)	(36,610)	(36,757)	-	(37,375)
Loss before taxation							(124,564)
Taxation							(6,464)
Loss before minority interests							(131,028)
Minority interests							(45,024)
Net loss for the year							<u>(176,052)</u>

Inter-segment sales are charged at terms determined and agreed between the group companies.

	Discontinuing operation			Continuing operation				Consolidated HK\$'000
	Tires HK\$'000 (Note b)	Pharmaceutical products HK\$'000 (Note a)	Sub-total HK\$'000	Investments in securities and advance HK\$'000	Others HK\$'000	Sub-total HK\$'000	Elimination HK\$'000	
For the year ended 31st December, 2003								
<b>TURNOVER</b>								
External	2,635,235	249,258	2,884,493	-	-	-	-	2,884,493
Inter-segment	-	-	-	-	984	984	(984)	-
	<u>2,635,235</u>	<u>249,258</u>	<u>2,884,493</u>	<u>-</u>	<u>984</u>	<u>984</u>	<u>(984)</u>	<u>2,884,493</u>
<b>RESULT</b>								
Segment result	<u>95,847</u>	<u>154</u>	<u>96,001</u>	<u>(17,615)</u>	<u>(19,032)</u>	<u>(36,647)</u>	<u>(984)</u>	58,370
Unallocated corporate expenses								(15,507)
Interest income								48,416
Dividend income								2,832
Profit from operation								94,111
Finance costs								(50,712)
Gain on disposal/dilution of interests in subsidiaries	3,711	8,587	12,298	-	46	46	-	12,344
Loss on disposal/liquidation of interests in associates	-	-	-	-	(36,481)	(36,481)	-	(36,481)
Share of results of associates	14,188	2	14,190	-	(189,924)	(189,924)	-	(175,734)
Allowance on receivables advanced to an associate	-	-	-	-	(12,712)	(12,712)	-	(12,712)
Loss before taxation								(169,184)
Taxation								(10,935)
Loss before minority interests								(180,119)
Minority interests								(9,409)
Net loss for the year								<u>(189,528)</u>

Inter-segment sales are charged at terms determined and agreed between the group companies.

*Note:*

- Following the disposal of Tung Fong Hung Investment Limited ("TFHI") and its subsidiaries which are engaged in the manufacturing and trading of pharmaceutical products in May 2004, the business segment of manufacturing and trading of pharmaceutical products was regarded as discontinuing operations during the year ended 31st December, 2004.
- Following the disposal of interest in subsidiaries which are engaged in the business of manufacturing and trading of tire products in September, 2003, the tire operation was regarded as discontinuing operation during the year ended 31st December, 2003.

**Geographical segments**

The following provides an analysis of the Group's turnover by geographic market, irrespective of the origin of the goods/services:

	Turnover	
	2004 HK\$'000	2003 HK\$'000
The People's Republic of China ("PRC"), other than Hong Kong	27,141	2,683,004
Hong Kong	96,262	172,080
Overseas	-	29,409
	<u>123,403</u>	<u>2,884,493</u>

### 3. (LOSS) PROFIT FROM OPERATIONS

	2004 HK\$'000	2003 HK\$'000
(Loss) profit from operations has been arrived at after charging:		
Staff costs		
– directors remuneration	3,413	3,217
– other staff costs	22,418	150,543
– retirement benefits scheme contributions, excluding directors	851	27,196
– redundancy payment	–	1,938
Total staff costs	<u>26,682</u>	<u>182,894</u>
Auditors' remuneration		
Current year	5,181	5,427
Under(over)provision in prior years	392	(381)
Depreciation and amortisation of property, plant and equipment	3,915	58,346
Amortisation of goodwill included in administrative expenses	<u>1,160</u>	<u>1,628</u>

### 4. TAXATION

	2004 HK\$'000	2003 HK\$'000
The charge (credit) comprises:		
Taxation in other jurisdictions		
Current year	1,340	11,467
Underprovision in prior years	–	238
Hong Kong Profits Tax	<u>5,124</u>	<u>–</u>
	6,464	11,705
Deferred tax credit	<u>–</u>	<u>(770)</u>
Taxation attributable to the Company and its subsidiaries	<u>6,464</u>	<u>10,935</u>

Hong Kong Profits Tax is calculated at 17.5% (2003: 17.5%) of the estimated assessable profit for the year. No provision for Hong Kong Profits Tax was made in the financial statements for the year ended 31st December, 2003 as the subsidiaries operated in Hong Kong has no assessable profit for that year.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions. Pursuant to the relevant laws and regulations in the PRC, certain PRC subsidiaries of the Group are exempted from PRC income tax for two years starting from their first profit-making year, followed by a 50% reduction for the next three years ("Tax Reduction"). Since these PRC subsidiaries were disposed of during the year ended 31st December, 2003, no PRC subsidiaries of the Group were exempted from Tax Reduction.

### 5. LOSS PER SHARE

The calculation of the basic loss per share is based on the net loss for the year of approximately HK\$176,052,000 (2003: HK\$189,528,000) and on the weighted average of 877,471,799 (2003: 829,734,016) ordinary shares in issue during the year.

No disclosure of the diluted loss per share has been shown for the year ended 31st December, 2004 and 2003 as the exercise of the share options and warrants would result in a decrease in loss per share.

### FINAL DIVIDEND

The directors do not recommend the payment of a final dividend for the year ended 31st December, 2004 (2003: Nil).

### ANALYSIS OF THE GROUP'S PERFORMANCE

The Group's turnover for the year ended 31st December, 2004 totaled approximately HK\$123.4 million, representing a decrease of 95.7% from approximately HK\$2.9 billion compared to the financial year 2003. There was no contribution to turnover in this current year from the segment relating to the manufacturing and trading of tire products following the group disposal of interests in subsidiaries engaged in this operation. The turnover for the year was mainly generated from manufacturing and trading of battery products and the pharmaceutical products operation, the business segment of pharmaceutical products operation was treated as discontinuing operations during the year following the disposal of this operation in May 2004.

The Group's audited consolidated loss for the year ended 31st December, 2004 reduced by HK\$13.4 million to approximately HK\$176.1 million as compared to approximately HK\$189.5 million in last financial year. The net loss for the year was mainly attributable to the allowance for the receivables and provision for unrealized loss in investments in securities.

During the year, the management continued to maintain a sharp focus in the monitoring of its investment portfolios to better restructure and rationalize its existing investments to the best interests of the shareholders. At the same time, stringent cost control measures continued to be in place in its manufacturing operations to ensure maximum returns to the Group.

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

During the financial year 2004, the Group financed its operations mainly through cash generated from its business activities, banking facilities provided by its principal bankers and proceeds from disposal of investments.

For the year under review, the Group's short-term bank loans and other borrowings increased from approximately HK\$38.3 million as at 31st December, 2003 to approximately HK\$42.6 million as at 31st December, 2004. Long-term bank loans and other borrowings reduced from approximately HK\$144,000 as at 31st December, 2003 to approximately HK\$3,000 as at 31st December, 2004. As a result, the Group's total bank loans and other borrowings increased from approximately HK\$38.4 million as at 31st December, 2003 to approximately HK\$42.6 million as at 31st December, 2004 representing an increase of 10.9%. The gearing ratio, calculated to the total long-term borrowing bank loans and other borrowing divided by total shareholders funds reduced from 0.00009 to 0.000002. The Group's total borrowings of approximately HK\$42.6 million were mainly denominated in HK dollars, and the maturity profile spread over a period of five years with HK\$42.6 million repayable within one year, HK\$3,000 repayable two to five years.

As at 31st December, 2004, total bank borrowings of the Group amounted to approximately HK\$9 million and most of the Group's bank borrowings bear interest at floating rates.

Capital expenditure aggregated to approximately HK\$149.2 million for the year was used primarily for purchasing of property, plant and equipment. The Group's capital expenditures will continue to be funded primarily by internal resources or external borrowings or a combination of both as required.

Cash and bank balances amounted to approximately HK\$119.4 million, and is mainly denominated in Hong Kong dollars and Australian dollars. During the year, the company did not experience significant exposure to exchange rate and interest rate fluctuations. As a result, the Group did not enter into any material foreign exchange contracts, currency swaps or other financial derivatives.

## **SIGNIFICANT INVESTMENTS**

### **China Enterprises Limited (carried on business in Hong Kong as China Tire Holdings Limited)**

For the year under review, China Enterprises Limited ("China Enterprises") continued to look at strategic investment opportunities with a view to expanding business portfolios. Wing On Travel Holdings Limited is a travel business related affiliate which continues to benefit from the upward rebound to the travel business of Hong Kong after the negative impacts brought by the outbreak of the Severe Acute Respiratory Syndrome ("SARS") subsided over the corresponding period. After disposing of its investment in Yinchuan C.S.I. (Greatwall) Rubber Company Limited, Double Happiness Tire Industries Corporation Limited and 25% interest in Hangzhou Zhongce Rubber Company Limited ("Hangzhou Zhongce") which are principally engaged in the manufacturing and trading of tires products in the PRC and other countries aboard in 2003, China Enterprises maintains minimal involvement in the manufacturing and trading of tires products through its 26% held interest in Hangzhou Zhongce.

During 2004, China Enterprises entered into a conditional agreement for the proposed acquisition of a property situation in Shanghai, the PRC and the property being erected thereon which comprises two levels of underground carparks and a 24-storey building for a consideration of RMB450 million. Under the result of the Closer Economic Partnership Arrangement would have largely considerable potential on economic cooperation and integration between Hong Kong and the PRC, and with the gradual easing of restrictions on the individual mainland visitors traveling to Hong Kong, we expect a great increase in arrivals once more parts of the PRC are opened up to individual travelers. It is the intention of the management of China Enterprises to continue seeking appropriate investment opportunities in the hotel and travel related businesses in the PRC in view of the positive outlooks in the coming future so as to further expand.

### **MRI Holdings Limited**

MRI Holdings Limited ("MRI") (ASX code: MRI) continues as an investment company under the ASX guidelines.

Throughout 2004, MRI continued to actively seek suitable investment opportunities to meet the strategic goals of MRI.

A number of possible investment opportunities were considered during the year, however none were considered suitable to meeting MRI's objectives, and the directors continue to seek appropriate potential investment opportunities.

### **Super Energy Group Limited**

Super Energy Group Limited ("Super Energy") is a manufacturing company engaged principally in the production and sales of batteries and related accessories. Its major products are the primary battery and the rechargeable battery. Benefited from the worldwide economic growth, demand for battery products has substantially increased. Having conducting research and development on many new products, some of them have already been produced, used and accepted in the market.

The invention of "No Mercury Button Cell Battery" has obtained the patent in Beijing, the PRC. With the concept of "Friendly Environment" being widely pursued in the USA and many European countries, Super Energy believes that this product will be widely accepted worldwide. Super Energy has also cooperated with sizeable Korean battery manufacturing companies to produce the "Lithium-Ion battery". Application for patent is being sought for this product in the USA, UK, Korea and the PRC, etc., and is commonly used in digital camera. Super Energy believes that "Lithium-Ion battery" is an invention representing high quality, high capacity and advance technology. Super Energy has confidence that this battery can become one of the leading battery products in the market.

Meanwhile, Super Energy is concentrating to enlarge its market share and it believes it will generate ample returns to the Group in the near future.

### **NUMBER OF EMPLOYEES, REMUNERATION POLICIES AND SHARE OPTION SCHEME**

As at 31st December, 2004, the Group employed approximately 528 staff, remuneration packages comprised of salary and year-end bonuses based on individual merits.

25,000,000 share options were granted and then exercised during the year ended 31st December, 2004.

### **CORPORATE DEVELOPMENTS**

On 13th January, 2004, the Group entered into an agreement ("CN Agreement") (as subsequently amended on 17th March, 2004 and further amended by the supplement agreement dated 4th May, 2004) with Wing On Travel (Holdings) Limited ("Wing On Travel") for the issue of convertible note by Wing On Travel to the Group for a consideration of HK\$155,000,000. Completion of the CN Agreement had taken place on 14th June, 2004.

In March 2004, the Company entered into the conditional sale and purchase agreement Cheung Tai Hong (B.V.I.) Limited ("Cheung Tai Hong"), a wholly-owned subsidiary of Cheung Tai Hong Holdings Limited, in relation to the disposal of the entire issued equity interests in Tung Fong Hung Investment Limited to Cheung Tai Hong for a total consideration of HK\$42,000,000. The transaction was completed in May, 2004.

As stated in the joint announcement dated 8th March, 2004 of Pacific Century Premium Developments Limited ("PCPD" formerly known as Dong Fang Gas Holdings Limited an associated company of the Company at that time), and PCCW Limited ("PCCW"), PCPD conditionally agreed to purchase (i) the entire issued share capital of Ipswich Holdings Limited and its subsidiaries ("Property Group"), being the group of companies holding PCP Beijing, PCCW Tower, other investment properties and related property and facilities management companies of PCCW and its subsidiaries and (ii) the loans of approximately HK\$3,529 million, in aggregate, of interest-bearing loans owing by the relevant members of the Property Group to PCCW (comprising of HK\$2,359 million and US\$150 million of such loans and (iii) certain property interests. The consideration for the above transaction amounting to HK\$6,557 million will be satisfied by (a) as to HK\$2,967 million by the allotment and issue of approximately 1,648 million new shares of PCPD to PCCW credited as fully paid at an issue price of HK\$1.80 per share; and (b) as to the remaining HK\$3,590 million by the issue of the convertible note by PCPD to PCCW or as it may direct. The above transaction was completed in May, 2004. PCPD then became the flagship of PCCW for property development business in Hong Kong and the People's Republic of China (the "PRC") and thereafter PCPD ceased to be an associated company of the Company.

On 18th March, 2004, the Company entered into a sale and purchase agreement in respect of the disposal of 12.88% interests in the share capital of Apex Quality Group Limited at the consideration of HK\$10,722,600. On 5th August, 2004, the Company entered into a supplemental Agreement to extend the completion date of the transaction. The above transaction was completed in September, 2004.

On 31st March 2004, the Group entered into a conditional agreement to acquire 80% interests of the issued share capital of and the shareholder's loan to Talent Cosmos Limited for a consideration of HK\$30 million. Talent Cosmos Limited is an investment holding company and its subsidiaries are principally engaged in the manufacturing and trading of battery products.

The sale and purchase agreement dated 16th June, 2004 has been entered into between the Group and Shanghai Jiu Sheng Investment Company Limited in relation to the acquisition of the interest in a parcel of land situated at Nos. 219 and 229, Jiang Ning Road, Jing An District, Shanghai, the PRC and the building being erected thereon which comprises two levels of underground car parks and a 24-storey building for the total consideration of RMB450,000,000.

The Company had been notified on 15th October, 2004 that Hanny Holdings Limited (“Hanny”) and Paul Y. – ITC Construction Holdings Limited (“Paul Y.”) had been approached by a third party (the “First Potential Purchaser”) in connection with the possible acquisition by the third party of interests in the shares of the Company from Hanny and/or Paul Y., which might or might not result in a general offer for all the shares of the Company (other than those already owned or purchased) (the “Possible Acquisition”).

As stated in the announcement of the Company dated 4th November, 2004, the Group entered a memorandum of undertaking (the “MOU”) regarding the intension of the acquisition of the entire issued share capital of Asso Limited (“Asso”) or such assets owned by Asso and/or its subsidiaries (including Boading Yimian Group Co., Ltd.) for a consideration of HK\$200,000,000. Since the formal agreement was not signed on or before the expiry date, the MOU was terminated and had no further effect.

In October and November, 2004, the Group converted approximately HK\$100 million convertible note of Wing On Travel into ordinary shares of HK\$0.01 each of Wing On Travel at conversion price of HK\$0.020 per share. The interest of Wing On Travel held by the Group was accordingly interested from approximately 32.2% to approximately 38.6% upon conversion of the convertible notes into shares of HK\$0.01 each in Wing On Travel by the Group and other convertible note holder. The Group also disposed of approximately 7.9% interest in Wing On Travel on market for a consideration of approximately HK\$45 million and the interest in Wing On Travel held by the Group was decreased to approximately 30.3%

On 30th November, 2004, the Group entered into two placing and subscription agreements with Wing On Travel and the placing agent pursuant to which the placing agent agreed to place 6,000 million shares of Wing On Travel at the price of HK\$0.028 per share and the Group would subscribe for up to 6,000 million new shares of Wing On Travel at the same price of HK\$0.028 per share. The placing of 6,000 million shares of Wing On Travel and subscription 3,660 million new shares of Wing On Travel issued to the Group under the general mandate of Wing On Travel were completed in December, 2004. The subscription of 2,340 million new shares of Wing On Travel issued to the Group pursuant to the approval of independent shareholders of Wing On Travel were completed in January, 2005. Upon completion of the above transactions, the Group held approximately 25.0% interest in Wing On Travel.

On 4th February, 2005, the Group further entered into a placing and subscription agreement with Wing On Travel and the place agent pursuant to which the placing agent agreed to place, on a best efforts basis, up to 6,400 million shares of Wing On Travel at a price of HK\$0.022 per Wing On Travel share and the Group would subscribe for up to 6,400 million new shares of Wing On Travel at the price of HK\$0.022 per share. The above transactions were completed in February, 2005. The Group’s interest in Wing On Travel was decreased to 21.1%.

On 3rd March, 2005, the Company had been informed by each of Hanny and Paul Y. that its negotiation with the First Potential Purchaser regarding the Possible Acquisition was terminated on 2nd March, 2005. However, Hanny and Paul Y. had commenced negotiation with another interest party (the “Second Potential Purchaser”) on a possible acquisition of a controlling stake in the Company by the Second Potential Purchaser.

On 10th March, 2005, the Company had been informed by Paul Y. and Hanny that they have entered into the share sale agreement pursuant to which and subject to, inter alia, the implementation of the Group Reorganisation as stated below in full each of Paul Y. and Hanny agreed to dispose 135,000,000 shares (equivalent to 67,500,000 consolidated shares of the Company upon the Capital Reorganisation as stated below having become effective) which shares represent approximately an aggregate of 30.6% of the issued share capital of the Company, for an aggregate consideration of HK\$52,110,000, equivalent to about HK\$0.193 per share (or HK\$0.386 per consolidated share).

As stated in the joint announcement of the Company dated 19th April, 2005, the Company announced the following proposals, if approved and implemented, would result in below:

(a) Group Reorganisation

- (i) the Company continuing to be a public listed company with its subsidiaries concentrating on its business of manufacturing and trading of battery products, investments in securities and property and investment in unlisted investments;

- (ii) all other subsidiaries of the Company carrying on property development and investment holding business, and all other associates of the Company carrying on manufacturing and marketing of tires and business of providing package tour, travel and other related services being grouped under Group Dragon Investments Limited (“GDI”), a wholly-owned subsidiary of the Company, and its subsidiaries; and
  - (iii) the distribution in specie of the GDI share to the shareholders of the Company whose names appear on the register of members of the Company on the record date on the basis of one GDI share for one consolidated share of the Company.
- (b) Capital Reorganisation
- (i) the cancellation of the paid-up capital of HK\$0.05 on each issued share of the Company and reduction in the nominal value of each issued share of the Company from HK\$0.10 to HK\$0.05;
  - (ii) the cancellation of the entire share premium account of the Company;
  - (iii) the subdivision of each authorised but unissued share of the Company into two reduced shares of the Company of HK\$0.05 each; and
  - (iv) consolidate every two reduced shares of the Company of HK\$0.05 each into one consolidated share of the Company of HK\$0.10.

### PROSPECT

As the country has already attained rich and fruitful development in 2004, the Group is confident to the further growth in the economy of China and Hong Kong in time to come. Having positioned itself as a conglomerate investor in various sectors in the country, the Group would, however, maintain its prevalent conservative and cautious investment posture in the coming year and to contribute its effort to explore new investment opportunities.

Despite any uncertainties, the Group will continue to strive to protect the long-term interests of our shareholders.

### CONTINGENT LIABILITIES

	<b>THE GROUP</b>	
	<b>2004</b>	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
(a) Corporate guarantee given by the Company for banking facilities granted to:		
(i) Associates	<b>15,500</b>	32,300
Other guarantees issued to associates	<b>30,780</b>	780
	<b><u>46,280</u></b>	<b><u>33,080</u></b>
(b) The Company has granted a guarantee in favour of MTR Corporation Limited (“MTR”) in respect of outstanding rent and obligations under the tenancy agreement entered into between Tung Fong Hung Medicine (Retail) Limited, a wholly-owned subsidiary of TFHI and MTR for the leased properties. As at 31st December, 2004, such guarantee has not yet been released upon the disposal of the entire interest in TFHI by the Group.		

### PLEDGE OF ASSETS

- (a) As at 31st December, 2004, bank deposits of HK\$1,012,000 (2003: Nil) was pledged to secure credit facilities granted to the Group.

As at 31st December, 2004, there were no pledge of interests in associates. As at 31st December, 2003, interests in an associates with net assets value attributable to the Group of approximately HK\$83,622,000 were pledged to secure credit facilities granted to the associates of the Group.

- (b) At 31st December, 2004, listed equity securities with a carrying value of HK\$72,186,000 (2003: HK\$111,496,000) were pledged to secure margin account credit facilities and banking facilities granted to the Group.



The margin loan facility amounting to HK\$33,567,000 included in bank loans and other borrowings (2003: HK\$7,131,000) were utilised by the Group.

## COMMITMENTS

At the balance sheet date, the Group had the following commitments:

	<b>THE GROUP</b>	
	<b>2004</b>	2003
	<b>HK\$'000</b>	HK\$'000
Contracted for but not provided in the financial statements in respect of		
(i) Acquisition of interest in properties	<b>377,516</b>	–
(ii) Other assets	<b>91,981</b>	–
(iii) Acquisition of subsidiaries	<b>10,000</b>	–
	<hr/>	<hr/>
	<b>479,497</b>	–
	<hr/>	<hr/>

## PURCHASE, SALE OR REDEMPTION OF SHARES

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares.

## THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

During the year, the Company adopted the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") as its own code of conduct regarding directors' securities transactions. Based on specific enquiry of all the directors of the Company, the directors complied throughout the year in review with the required standards as set out in the Model Code.

## CODE OF BEST PRACTICE

In the opinion of the Directors, the Company has complied with the Code of Best Practice (the "Code") as set out in Appendix 14 of the Listing Rules throughout the year, except that the non-executive directors of the Company are not appointed for specific terms but they are subject to retirement by rotation and re-election at the annual general meeting in accordance with the Company's Articles of Association.

## AUDIT COMMITTEE

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, financial reporting process and internal control matters including a review of the audited financial report for the year. The Audit Committee comprises three independent non-executive directors of the Company, namely Mr. David Edwin Bussmann, Mr. Wong King Lam, Joseph and Mr. Sin Chi Fai.

## PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

In order to ensure compliance with new Code on Corporate Governance Practices as contained in Appendix 14 to the Listing Rules on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and to align the Company's Articles of Association with the current practices under the Listing Rules, it is proposed that certain amendments be made to the Company's Articles of Association. A special resolution to give effect to the proposed amendments to the Company's Articles of Association will be proposed at the forthcoming annual general meeting of the Company. Particulars of the proposed amendments will be set out in a circular to be despatched to the shareholders of the Company and in the notice of the aforementioned annual general meeting to be published in due course.

## ANNUAL GENERAL MEETING

The 2005 Annual General Meeting of the Company will be held on 29th June, 2005. Notice convening the meeting will be issued in due course.

## PUBLICATION OF DETAILED RESULTS ANNOUNCEMENT ON THE WEBSITE OF THE STOCK EXCHANGE

A detailed results announcement containing all information required by paragraphs 45(1) to 45(3) of Appendix 16 of the Listing Rules will be published on the website of the Stock Exchange in due course.

## **LIST OF DIRECTORS OF THE COMPANY**

As at the date of this announcement, the board of Directors comprises as below:–

*Executive Directors:*

Dr. Chan Kwok Keung, Charles  
Dr. Yap, Allan  
Ms. Chau Mei Wah, Rosanna  
Ms. Chan Ling, Eva  
Mr. Li Bo

*Independent non-executive Directors:*

Mr. David Edwin Bussmann  
Mr. Wong King Lam, Joseph  
Mr. Sin Chi Fai

*Alternate Directors:*

Mr. Chan Kwok Hung  
(Alternate to Dr. Chan Kwok Keung, Charles)  
Mr. Lui Siu Tsuen, Richard  
(Alternate to Dr. Yap, Allan)

By order of the Board  
**Dr. Chan Kwok Keung, Charles**  
*Chairman*

Hong Kong, 26th April, 2005