

## Management Discussion and Analysis 管理層之討論及分析

### ANALYSIS OF THE GROUP'S PERFORMANCE

During the year, the Group has adopted the newly effective Hong Kong Financial Reporting Standards. As a result, certain comparative figures for the year ended 31st December, 2004 have been restated.

For the year ended 31st December, 2005, the Group recorded a consolidated turnover of approximately HK\$38.5 million, an increase of approximately 42.1% as compared to the financial year in 2004 of approximately HK\$27.1 million. The turnover for the year was mainly generated from the manufacturing and trading of batteries products and the increase was primarily because the revenue contributed from this segment was included on a full year basis. During the year under review, the operating environment of manufactory industry in the PRC remains difficult due to competitive economy and sluggish battery market. Keen competition in the battery industry also exerted downward pressure on prices of battery products. Despite the unfavorable environment in the battery market, the Group's business in the People's Republic of China (the "PRC") still manages to progress well.

The audited consolidated loss for the year ended 31st December, 2005 decreased from approximately HK\$134.2 million for the last financial year to approximately HK\$99.9 million in the current financial year. The notable improvement was mainly a result of the significant reduction in the allowance for loans and interests receivable which reflected the positive outcome of the management effort to closely assess and monitor the repayment status on the Group's loans and receivables. The net loss incurred for the current financial year was mainly attributable to the allowances for loans and receivables as well as the changes in fair value on investment in securities and the conversion right attached to the unlisted convertible note issued by Wing On Travel (Holdings) Limited ("Wing On"), of which the Group owns an effective interest of approximately 15.32%.

### LIQUIDITY AND FINANCIAL RESOURCES

During the financial year of 2005, 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.

### 本集團業績分析

年內，本集團已採納新實行之香港財務報告準則。因此，截至二零零四年十二月三十一日止年度之若干比較數字經已重列。

本集團截至二零零五年十二月三十一日止年度之綜合營業額約38,500,000港元，較二零零四財政年度約27,100,000港元增加約42.1%。本年度營業額主要來自電池產品之製造及買賣業務，上升乃主要由於此分部之貢獻以全年基準計入。於回顧年度，電池製造業於中國之經營環境依然困難，蓋市場競爭激烈及電池市道疲弱。電池工業的熾烈競爭亦對電池產品之價格構成下調壓力。雖然電池市場之環境不明朗，本集團於中華人民共和國（「中國」）之業務仍能發展理想。

於截至二零零五年十二月三十一日止年度之經審核綜合虧損由上一個財政年度約134,200,000港元減至本財政年度約99,900,000港元。此顯著改善乃由於就貸款及應收賬款利息作出之撥備大幅減少所致，反映管理層努力密切評估及監察本集團償還貸款及應收賬款之狀況之理想成果。本財政年度產生淨虧損主要由於就貸款及應收賬款作出之撥備，以及證券投資及永安旅遊（控股）有限公司（「永安」，本集團擁有其約15.32%之實際權益）發行之非上市可換股票據之換股權公平值變動。

### 流動資金及財務資源

於二零零五年財政年度，本集團主要以業務所得現金、主要往來銀行提供之信貸及出售投資之所得款項作為營運資金。

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As at 31st December, 2005, the Group had net current assets of approximately HK\$755.7 million (31st December, 2004: net current assets of approximately HK\$984.6 million) and a current ratio of 3.68 (31st December, 2004: 9.93).

The Group's short-term bank loans and other borrowings decreased from approximately HK\$42.6 million as at 31st December, 2004 to approximately HK\$8.6 million as at 31st December, 2005, representing a decrease of 79.8%. There was no long-term bank loans and other borrowings at 31st December, 2005 compared with approximately HK\$3,000 at 31st December, 2004. Gearing ratio which is expressed as a ratio of total long-term liabilities and other borrowings to the shareholders' funds, remains nil as at 31st December, 2005 (31st December, 2004: 0.000002). As at 31st December, 2005, the Group's total borrowings of approximately HK\$8.6 million were mainly denominated in Hong Kong dollar, the maturity profile were all within one year, and bear interest at floating rates.

Capital expenditure aggregated to approximately HK\$145.0 million for the year ended 31st December, 2005 was mainly 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\$116.9 million, and is mainly denominated in Hong Kong dollars and Australian dollars. During the financial year, the Group 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.

於二零零五年十二月三十一日，本集團之流動資產淨值約為755,700,000港元(二零零四年十二月三十一日：流動資產淨值約984,600,000港元)，流動比率為3.68(二零零四年十二月三十一日：9.93)。

本集團之短期銀行貸款及其他借貸由二零零四年十二月三十一日約42,600,000港元減至二零零五年十二月三十一日約8,600,000港元，減少79.8%。相對於二零零四年十二月三十一日約3,000港元而言，於二零零五年十二月三十一日概無任何長期銀行貸款及其他借貸。資本負債比率(即長期負債及其他借貸總額除以股東資金總額)於二零零五年十二月三十一日維持於零(二零零四年十二月三十一日：0.000002)。於二零零五年十二月三十一日，本集團之總借貸約8,600,000港元主要以港元計算，還款期全部均於一年以內，以浮動息率計息。

於截至二零零五年十二月三十一日止年度，資本開支合計約145,000,000港元，主要用於購置物業、廠房及設備。本集團之資本開支將主要繼續以內部資源或向外舉債或於需要時結合兩者而撥付。

現金及銀行結餘約達116,900,000港元並主要以港元及澳元計算。於財政年度內，本集團並無遇到重大匯率及利率波動風險。因此，本集團並無訂立任何重大外匯合約、貨幣掉期或其他金融衍生工具。

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### 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”) continues to be an investment holding company. Through its subsidiaries, China Enterprises is engaged in the business of property investment and development in the PRC and has substantial interests in Hangzhou Zhongce Rubber Company Limited (“Hangzhou Zhongce”) and Wing On, which are principally engaged in manufacturing and marketing of tires in the PRC and other countries abroad, and the business of providing package tour, travel and other related services and hotel operations, respectively. Wing On continues to benefit from the notable growth momentum of the Hong Kong economy and coupled with the upsurge on both inbound arrivals and outbound departures, the prospect for the tourism industry remain promising.

After disposing of its significant interest of investment in manufacturing and trading of tires products in the PRC and other countries abroad in 2003, China Enterprises maintains minimal involvement in the manufacturing and trading of tires products through its 26% held interest in Hangzhou Zhongce. The operating result of Hangzhou Zhongce have shown a continuing strong in the financial year 2005 as the overall tire market in the PRC improved.

Throughout the financial year 2005, both of associated companies, Wing On and Hangzhou Zhongce have contributed encouraging and positive results to the Group and China Enterprises will continue to look at strategic investment opportunities with a view of the positive outlooks on PRC in the coming future to expanding business portfolios.

### 重要投資

#### China Enterprises Limited (在香港以 China Tire Holdings Limited 之名義經營業務)

於回顧年度內，China Enterprises Limited (「China Enterprises」) 繼續為一間投資控股公司。透過其附屬公司，China Enterprises 於中國從事物業投資及發展業務，並分別擁有杭州中策橡膠有限公司 (「杭州中策」，主要於中國及海外其他國家從事製造及銷售輪胎之業務) 及永安 (主要從事提供旅行團、旅遊及其他相關服務及酒店業務) 之主要權益。永安持續於香港經濟強勁增長之勢頭，訪港及離港旅客人數急升及旅遊業美好的前景中得益。

二零零三年，China Enterprises 於出售其於中國及海外其他國家製造及買賣輪胎產品之重要投資權益後，其透過於杭州中策持有之 26% 權益在製造及買賣輪胎產品作最低限度之參與。由於整個中國輪胎市場有所改善，故杭州中策於二零零五財政年度持續表現理想。

於整個二零零五財政年度，永安及杭州中策兩間聯營公司均為本集團貢獻令人鼓舞及卓越之業績，而 China Enterprises 鑑於中國於未來數年之前景樂觀，讓其可擴展業務組合，故將持續物色策略性投資機會。

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### MRI Holdings Limited

During the financial year of 2005, MRI Holdings Limited (“MRI”) successfully negotiated the investment of A\$4 million into the highly successful Zest Health Clubs, Australia’s second largest health and fitness chain, and number 1 in market share in 3 of Australia’s 5 largest fitness markets. With the recent success of the fitness and health clubs in overseas markets, combined with the increasing awareness and rapid growth of the industry in Australia, MRI feels the investment in a successful group in a dynamic market is both opportune and timely. Following the completion of the aforementioned investment, the Directors were pleased that the trading in the MRI’s shares on the Australian Stock Exchange recommenced.

MRI will continue to identify appropriate, strategic investment opportunities that maximise returns to the shareholders, within the clear mandate determined by the shareholders.

### Super Energy Group Limited

Super Energy Group Limited (“Super Energy”) is a principally engaged in the production and sales of batteries and battery-related accessories. Its major products are the primary battery and the re-chargeable battery. Super Energy is also actively engaged in new product development by introducing the latest technology into its products. The invention of “No Mercury Button Cell Battery” has obtained the patent in Beijing, the PRC; moreover, an International Organisation for Standardisation quality control system had been adopted in all aspect of products, which Super Energy has achieved reputation for premium quality as result of continuous research and development.

A new factory will be set up by the end of 2006 and occupies an area of over 110,000 square meters. The new factory is fully equipped with advanced machineries based on the best combination of Japanese and European technologies and facilities. Direct and onsite supervision from our technical experts will ensure that the highest quality and efficiency are achieved.

### MRI Holdings Limited

於二零零五財政年度，MRI Holdings Limited (「MRI」) 經磋商後成功以4,000,000澳元投資於業績彪炳之Zest Health Clubs。Zest Health Clubs為澳洲第二大健身連鎖店，其於澳洲五大健身市場中之三個市場內之市場佔有率最高。隨著近期海外健身會所市場之成績強勁，加上澳洲健身業之知名度日增及增長迅速，MRI認為，投資於活躍市場內之一個成功集團乃正合時機。於完成上述投資後，董事喜見MRI股份在澳洲證券交易所深受歡迎。

MRI將繼續物色策略性投資機會，為股東帶來最大回報，在股東清晰授權之決定下創造財富。

### 超量集團有限公司

超量集團有限公司(「超量」)為主要從事電池和相關配件之產銷，其主要產品為原電池及可充電電池。同時，超量亦為產品引入最新技術，積極從事新產品開發。新開發之「環保鈕扣電池」已於中國北京市獲取專利。超量已對產品全面落实一套國際標準化機構之品質管理制度，因其不懈之研發確保產品質素，故奠定極佳聲譽。

新廠房將於二零零六年年終成立，並佔地超過110,000平方米。新廠房全面設有先進機器，結合日本及歐洲之卓越技術及設施。本集團技術專家之直接及實地監督將確保達致最高品質及效率。

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With a view to improve its financial position, Super Energy has implemented a series of measures to enhance cost competitiveness and operational efficiency. During the financial year of 2005, Super Energy has not only divested its non-profitable products and adopted stringent cost control, it has also been exploring new product opportunities to generate revenue and cash flow stream. As the battery industry in the PRC is under active growth, the Directors believe that investment in the battery market in the PRC is an excellent opportunity to bring in high quality and sustainable income for the Group.

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

As at 31st December, 2005, the Group employed approximately 179 staff, remuneration packages comprised of salary and year-end bonuses based on individual merits.

No options were granted and then exercised during the year ended 31st December, 2005.

### CORPORATE DEVELOPMENTS

On 4th February, 2005, the Group entered into a placing and subscription agreement with Wing On and the placing agent pursuant to which the placing agent agreed to place, on a best efforts basis, up to 6,400 million shares of Wing On at a price of HK\$0.022 per Wing On share and the Group would subscribe for up to 6,400 million new shares of Wing On at the price of HK\$0.022 per share. The above transactions were completed in February, 2005. The Group's interest in Wing On was decreased to approximately 21.11%.

為改善財務狀況，超量已落實一系列措施以提升成本競爭力及營運效率。於二零零五年財政年度，超量不單剝除無利可圖之產品並嚴控成本，其更努力發掘新產品之機會以創造收入及現金流。由於中國之電池業正迅速增長，董事相信投資於中國電池業乃為本集團帶來優質而可持續收入的機會。

### 僱員數目、薪酬政策及購股權計劃

於二零零五年十二月三十一日，本集團約有179名僱員。薪酬組合包括薪金及按個別表現計算之年終花紅。

於截至二零零五年十二月三十一日止年度內，並無購股權獲授出及於其後行使。

### 公司發展

於二零零五年二月四日，本集團與永安及配售代理訂立一份配售及認購協議，據此，配售代理同意按盡力基準配售最多6,400,000,000股永安股份，每股永安股份作價0.022港元；而本集團將按每股0.022港元之價格認購最多6,400,000,000股永安新股。上述交易已於二零零五年二月完成。本集團於永安之權益減至約21.11%。

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The Company had been informed by PYI Corporation Limited (“PYI”) and Hanny Holdings Limited (“Hanny”) that they have entered into the share sale agreement on 10th March, 2005 pursuant to which and subject to, inter alia, the implementation of the Group Reorganisation as stated below in full each of PYI 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, will result in below.

### Group Reorganisation

- (i) the Company continues 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.

本公司獲保華集團有限公司(「保華」)及錦興集團有限公司(「錦興」)知會，彼等於二零零五年三月十日已訂立股份出售協議，據此並待(其中包括)下文所述之集團重組全面付諸實行後，保華及錦興均同意分別出售135,000,000股股份(相當於下文所述之股本重組生效後67,500,000股本公司合併股份)，該等股份共佔本公司已發行股本約30.6%。收購之總代價為52,110,000港元，約相當於每股股份0.193港元(或每股合併股份0.386港元)。

誠如本公司於二零零五年四月十九日發表之聯合公佈所載，本公司宣佈下列各項建議，若該等建議獲批准及進行，將導致下文各項。

### 集團重組

- (i) 本公司繼續保持上市地位，其附屬公司專注於電池產品製造及銷售、證券及物業投資，以及投資非上市投資項目；
- (ii) 本公司旗下經營物業發展及投資控股業務之所有其他附屬公司，以及本公司旗下經營輪胎製造及銷售、提供旅行團、旅遊及其他相關服務之業務之所有其他聯營公司將收歸群龍投資有限公司(「群龍」，本公司之全資附屬公司)及其附屬公司旗下；及
- (iii) 於記錄日期名列本公司股東名冊之本公司股東透過實物分派方式獲派群龍股份，基準為每持有一股本公司合併股份可獲取一股群龍股份。



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### 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.

The abovementioned proposals relating to the Capital Reorganisation; and the Group Reorganisation were duly approved by the shareholders of the Company at the extraordinary general meeting held on 6th October, 2005.

The Company attended the hearing of the Summons for Directions before the Court on 28th March, 2006 and pursuant to the directions given by the Court at the said hearing, among other things, the Petition is now scheduled to be heard by the Court on 27th April, 2006. Assuming the Court makes the Confirming Order and all the other conditions in respect of the Capital Reorganisation set out in the circular dated 10th September, 2005 of the Company have been fulfilled, the Capital Reorganisation will take effect upon the registration of the Confirming Order and the Minute.

### 股本重組

- (i) 註銷每股本公司已發行股份之繳足股本0.05港元，將每股本公司已發行股份之面值由0.10港元削減至0.05港元；
- (ii) 註銷本公司之全部股份溢價賬；
- (iii) 將每股本公司法定但未發行股份拆細成為兩股每股面值0.05港元之本公司削減股份；及
- (iv) 把每兩股每股面值0.05港元之本公司削減股份合併成為一股面值0.10港元之本公司合併股份。

上述有關股本重組及集團重組之建議已於二零零五年十月六日舉行之股東特別大會上獲本公司股東正式批准。

本公司於二零零六年三月二十八日於法院出席要求作指示的傳票聆訊，而根據法院於上述聆訊發出之指示，(其中包括)法院將安排於二零零六年四月二十七日聆訊呈請。假設法院發出確認命令及本公司於二零零五年九月十日刊發之通函所載有關股本重組之所有其他條件已獲達成，則股本重組將於確認命令及文本登記後生效。

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In April, 2005, the Group converted approximately HK\$55 million convertible note of Wing On into ordinary shares of HK\$1.00 each of Wing On at conversion price of HK\$1.97 per share. The interest of Wing On held by the Group was accordingly increased to approximately 27.74% upon conversion of the convertible note into shares of HK\$1.00 each in Wing On by the Group.

On 23rd March, 2006, the Group entered into an agreement with Wing On for the subscription of the 2% convertible exchangeable note to be issued by Wing On to the Group for the consideration of HK\$300 million (the "Subscription"). The Subscription under an agreement constitutes a major transaction for the Company under the Rules Governing the Listing Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). Accordingly, the Subscription and the transactions contemplated under the agreement are subject to the approval of the shareholders of the Company at general meeting. Further details can be found in a joint announcement dated 27th March, 2006 issued by the Company and Wing On.

於二零零五年四月，本集團按每股1.97港元之換股價將約55,000,000港元之永安可換股票據轉換成每股1.00港元之永安普通股。本集團將可換股票據轉換成每股1.00港元之永安股份後，本集團持有之永安權益因此增至約27.74%。

於二零零六年三月二十三日，本集團與永安訂立協議，以認購永安將向本集團發行之2厘可換股可交換票據，代價為300,000,000港元（「認購事項」）。根據香港聯合交易所有限公司證券上市規則（「上市規則」），協議項下之認購事項構成本公司之一項主要交易。因此，認購事項及協議項下擬進行之交易須經本公司股東於股東大會上批准後，方可作實。進一步詳情請見於本公司與永安於二零零六年三月二十七日發表之聯合公佈。