COL Capital Limited

(Incorporated in Bermuda with limited liability)
(Stock Code: 383)
(website: http://www.colcapital.com.hk)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 DECEMBER 2005

AUDITED RESULTS OF THE GROUP

The Board of Directors (the "Directors") of COL Capital Limited (the "Company") announces the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2005 together with last year's comparative figures are as follows:

	2005	2004
	HK$'000	*HK$'000*
Turnover *(Note 3)*	**223,086**	847,491
Cost of sales	**(175,604)**	(670,343)
Gross profit	**47,482**	177,148
Net gain on investments *(Note 4)*	**61,970**	59,019
Other income *(Note 5)*	**14,950**	13,158
Distribution costs	**(6,060)**	(11,702)
Administrative expenses	**(27,705)**	(40,389)
Other operating expenses	**(136)**	(547)
Finance costs	**(1,571)**	(530)
Gain on disposal of a subsidiary	**3,544**	–
Fair value changes on investment properties	**11,360**	5,540
Fair value changes on buildings	**773**	1,704
Profit before taxation	**104,607**	203,401
Tax charge *(Note 6)*	**(99)**	(127)
Profit for the year *(Note 7)*	**104,508**	203,274
Attributable to:		
Equity holders of the Company	**104,511**	203,274
Minority interests	**(3)**	–
	104,508	203,274
Dividends *(Note 8)*		
– Interim dividend – paid	**2,990**	3,017
– Final dividend – proposed	**11,879**	12,070
Earnings per share		
– Basic and diluted *(Note 9)*	**HK$0.35**	HK$0.58

CONSOLIDATED BALANCE SHEET

	As at 31 December 2005	As at 31 December 2004
	HK$'000	*HK$'000*
Non-current assets		
Investment properties	**136,526**	44,640
Property, plant and equipment	**51,825**	3,884
Prepaid lease payments	**2,483**	2,542
Investments in securities	**–**	313,919
Available-for-sale investments	**171,633**	–
Loan notes	**86,805**	–
Other non-current assets	**–**	528
	449,272	365,513
Current assets		
Inventories held for resale-finished goods	**1,495**	9,626
Investments in securities	**–**	709,854
Investments held for trading	**886,464**	–
Amount due from a minority shareholder	**4,805**	–
Debtors, deposits and prepayments *(Note 10)*	**12,501**	28,405
Loan receivables	**74,429**	103,018
Pledged bank deposits	**10,526**	15,182
Bank balances and cash	**16,819**	32,265
	1,007,039	898,350

Current liabilities		
Creditors and accrued charges *(Note 11)*	**41,176**	32,383
Customers' deposits and receipts in advance	**2,713**	3,513
Other borrowings	**100,986**	–
Taxation payable	**4,315**	4,315
	149,190	40,211
Net current assets	**857,849**	858,139
	1,307,121	1,223,652
Capital and reserves		
Share capital	**2,975**	3,018
Reserves	**1,281,957**	1,220,634
Equity attributable to equity holders of the Company	**1,284,932**	1,223,652
Minority interests	**16,798**	–
Total equity	**1,301,730**	1,223,652
Non-current liability		
Deferred tax liability	**5,391**	–
	1,307,121	1,223,652

Notes:–

1. **Application of Hong Kong Financial Reporting Standards/Changes in accounting policies:**

In the current year, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are effective for accounting periods beginning on or after 1 January 2005. The application of the new HKFRSs has resulted in a change in the presentation of the consolidated income statement, consolidated balance sheet and the consolidated statement of changes in equity. In particular, the presentation of minority interests has been changed. The changes in presentation have been applied retrospectively. The adoption of the new HKFRSs has resulted in changes to the Group's accounting policies in the following areas that have an effect on how the results for the current or prior accounting year of the Group are prepared and presented:

Business combinations

In the current year, the Group has applied HKFRS 3 "Business Combinations" which is effective for business combinations for which the agreement date is on or after 1 January 2005. The principal effects of the application of HKFRS 3 to the Group are summarised below:

Excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost (previously known as "negative goodwill")

In accordance with HKFRS 3, any excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over the cost of acquisition ("discount on acquisition") is recognised immediately in profit or loss in the period in which the acquisition takes place. In previous periods, negative goodwill arising on acquisitions prior to 1 January 2001 was held in reserves, and negative goodwill arising on acquisitions after 1 January 2001 was presented as a deduction from assets and released to income based on an analysis of the circumstances from which the balance resulted. In accordance with the relevant transitional provisions in HKFRS 3, the Group derecognised all negative goodwill on 1 January 2005 of which negative goodwill of HK$32,883,000 was previously recorded in reserves. A corresponding increase to retained profits of HK$32,883,000 has been made.

Financial instruments

In the current year, the Group has applied HKAS 32 "Financial instruments: Disclosure and Presentation" and HKAS 39 "Financial instruments: Recognition and Measurement". HKAS 32 requires retrospective application. HKAS 39, which is effective for accounting periods beginning on or after 1 January 2005, generally does not permit the recognition, derecognition or measurement of financial assets and liabilities on a retrospective basis. The application of HKAS 32 has had no material impact on how the financial statements of the Group are presented for the current and prior accounting periods. The principal effects resulting from the implementation of HKAS 39 are summarised below:

Classification and measurement of financial assets and financial liabilities

The Group has applied the relevant transitional provisions in HKAS 39 with respect to the classification and measurement of financial assets and financial liabilities that are within the scope of HKAS 39.

Debt or equity securities previously accounted for under the alternative treatment of Statement of Standard Accounting Practice ("SSAP") 24

At 31 December 2004, the Group classified and measured its debt and equity securities in accordance with the alternative treatment of SSAP 24. Under SSAP 24, investments in debt or equity securities are classified as "trading securities", "non-trading securities" or "held-to-maturity investments" as appropriate. Both "trading securities" and "non-trading securities" are measured at fair value. Unrealised gains or losses of "trading securities" are reported in the profit or loss for the period in which gains or losses arise. Unrealised gains or losses of "non-trading securities" are reported in equity until the securities are sold or determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the profit or loss for that period. From 1 January 2005 onwards, the Group has classified and measured its debt and equity securities in accordance with HKAS 39. Under HKAS 39, financial assets are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables" or "held-to-maturity financial assets". "Financial assets at fair value through profit or loss" and "available-for-sale financial assets" are carried at fair value, with changes in fair values recognised in profit or loss and equity respectively. "Loans and receivables" and "held-to-maturity financial assets" are measured at amortised cost using the effective interest method after initial recognition.

All investments in securities of the Group as at 31 December 2004 amounting to HK$1,023,773,000 have been reclassified to available-for-sale investments, loan notes and investments held for trading in accordance with HKAS 39 on 1 January 2005.

Prior to the application of HKAS 39, the loan notes were stated at the nominal amount. HKAS 39 requires all financial assets and financial liabilities to be measured at fair value on initial recognition. Such loan notes were measured at amortised cost determined using the effective interest method at subsequent balance sheet dates. The Group has applied the relevant transitional provisions in HKAS 39. As a result of this change in the accounting policy, the carrying amount of the loan notes as at 1 January 2005 has been decreased by approximately HK$19,391,000 in order to state the loan notes at amortised cost in accordance with HKAS 39. Profit for the year of the Group has been increased by approximately HK$9,949,000 due to the recognition of imputed interest income which is included in other income (see note 2 for the financial impact).

Financial assets and financial liabilities other than debt and equity securities

From 1 January 2005 onwards, the Group classifies and measures its financial assets and financial liabilities other than debt and equity securities (which were previously outside the scope of SSAP 24) in accordance with the requirements of HKAS 39. As mentioned above, financial assets under HKAS 39 are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables" or "held-to-maturity financial assets". Financial liabilities are generally classified as "financial liabilities at fair value through profit or loss" or "other financial liabilities". Financial liabilities at fair value through profit or loss are measured at fair value, with changes in fair value being recognised in profit or loss directly. Other financial liabilities are carried at amortised cost using the effective interest method after initial recognition. This change has had no material effect on the results for the current and prior accounting periods.

Owner-occupied leasehold interest in land

In previous years, owner-occupied leasehold land and buildings were included in property, plant and equipment and measured using the revaluation model. In the current year, the Group has applied HKAS 17 "Leases". Under HKAS 17, the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification, unless the lease payments cannot be allocated reliably between the land and buildings elements, in which case, the entire lease is generally treated as a finance lease. To the extent that the allocation of the lease payments between the land and buildings elements can be made reliably, the leasehold interests in land are reclassified to prepaid lease payments under operating leases, which are carried at cost and amortised over the lease term on a straight-line basis. The surplus on revaluation in respect of the land interests accounted for as property, plant and equipment previously recognised in the asset revaluation reserve was adjusted retrospectively. Comparative figures for 2004 have been restated (see note 2 for the financial impact).

Investment properties

In the current year, the Group, for the first time, applied HKAS 40 "Investment Property". The Group has elected to use the fair value model to account for its investment properties which requires gains or losses arising from changes in the fair value of investment properties to be recognised directly in the profit or loss for the year in which they arise. In previous years, investment properties under predecessor standard SSAP 13 were measured at open market values, with revaluation surplus or deficit credited or charged to investment property revaluation reserve unless the balance on this reserve was insufficient to cover a revaluation decrease, in which case the excess of the revaluation decrease over the balance on the investment property revaluation reserve was charged to the income statement. Where a decrease had previously been charged to the income statement and a revaluation surplus subsequently arose, that increase was credited to the income statement to the extent of the decrease previously charged. The Group has applied the relevant transitional provisions in HKAS 40 and elected to apply HKAS 40 from 1 January 2005 onwards. This change has had no material effect on the results for prior periods and accordingly no prior period adjustment is required.

Deferred taxes related to investment properties

In previous years, deferred tax consequences in respect of revalued investment properties were assessed on the basis of the tax consequence that would follow from recovery of the carrying amount of the properties through sale in accordance with the predecessor interpretation (SSAP-Interpretation 20). In the current year, the Group has applied HK(SIC) Interpretation 21 ("HK(SIC) INT-21") "Income taxes - recovery of revalued non-depreciable assets" which removes the presumption that the carrying amount of investment properties is to be recovered through sale. Therefore, the deferred tax consequences of the investment properties are now assessed on the basis that reflect the tax consequences that would follow from the manner in which the Group expects to recover the property at each balance sheet date. In the absence of any specific transitional provisions in HK(SIC) INT-21, this change in accounting policy has been applied retrospectively. This change has had no material effect on the results for prior years and accordingly no prior period adjustment is required.

2. Summary of the effect of the changes in accounting policies:

The cumulative effects of the application of the new HKFRSs on 31 December 2004 and 1 January 2005 are summarised below:

	As at 31.12.2004 (originally stated) *HK$'000*	**Adjustments** *HK$'000* *(Note)*	**As at 31.12.2004 (restated)** *HK$'000*	**Adjustments** *HK$'000*	**As at 1.1.2005 (restated)** *HK$'000*
Investment properties	44,640	–	44,640	–	**44,640**
Prepaid lease payments	–	2,542	2,542	–	**2,542**
Property, plant and equipment	6,426	(2,542)	3,884	–	**3,884**
Loan notes	156,247	–	156,247	(19,391)	**136,856**
Other assets/liabilities	1,016,339	–	1,016,339	–	**1,016,339**
Net assets	1,223,652	–	1,223,652	(19,391)	**1,204,261**
Share capital	3,018	–	3,018	–	**3,018**
Share premium	676,818	–	676,818	–	**676,818**
Negative goodwill	32,883	–	32,883	(32,883)	**–**
Retained profits	473,761	–	473,761	13,492	**487,253**
Investment revaluation reserve	34,188	–	34,188	–	**34,188**
Building revaluation reserve	1,064	–	1,064	–	**1,064**
Other reserves	1,920	–	1,920	–	**1,920**
Total equity	1,223,652	–	1,223,652	(19,391)	**1,204,261**

Note: The amounts represent adjustments to comparative figures for 2004 arising from reclassification of leasehold interests in land to prepaid lease payments under operating lease according to HKAS 17. This change of accounting policy has been applied retrospectively.

The Group has not early applied the following new standards, interpretations and amendments that have been issued but are not yet effective.

HKAS 1 (Amendment)	Capital disclosure [1]
HKAS 19 (Amendment)	Actuarial gains and losses, group plans and disclosures [2]
HKAS 21 (Amendment)	Net investment in foreign operation [2]
HKAS 39 (Amendment)	Cash flow hedge accounting of forecast intragroup transactions [2]
HKAS 39 (Amendment)	The fair value option [2]
HKAS 39 and HKFRS 4 (Amendments)	Financial guarantee contracts [2]
HKFRS 6	Exploration for and evaluation of mineral resources [2]
HKFRS 7	Financial instruments: Disclosures [1]
HK(IFRIC) – INT 4	Determining whether an arrangement contains a lease [2]
HK(IFRIC) – INT 5	Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds [2]
HK(IFRIC) – INT 6	Liabilities arising from participating in a specific market – waste electrical and electronic equipment [3]
HK(IFRIC) – INT 7	Applying the restatement approach under HKAS 29 Financial Reporting in Hyperinflationary Economies [4]

1 Effective for accounting periods beginning on or after 1 January 2007.

2 Effective for accounting periods beginning on or after 1 January 2006.

3 Effective for accounting periods beginning on or after 1 December 2005.

4 Effective for accounting periods beginning on or after 1 March 2006.

The Group has not early applied the above new standards, amendments and interpretations that have been issued but are not yet effective. The Directors of the Company do not expect the application of these standards, amendments or interpretations will have material effect on the results of the operations and financial position of the Group.

3. **Turnover and segment information:**

Turnover

	2005 *HK$'000*	2004 *HK$'000*
Sales of mobile phones	**66,309**	237,205
Proceeds from sales of investments held for trading/listed trading investments	**130,655**	581,128
Dividend income from listed investments	**11,706**	10,927
Interest income from loan receivables	**11,693**	11,933
Commission income	**–**	3,854
Rental income	**2,723**	2,444
	223,086	847,491

Business and Geographical Information

Business segments

For management purposes, the Group is currently organised into four main operating divisions – mobile phone distribution, securities trading and investments, financial services and property investment. These divisions are the bases on which the Group reports its primary segment information.

Segment information about these businesses is presented below:

For the year ended 31 December 2005

	Mobile phone distribution *HK$'000*	**Securities trading and investments** *HK$'000*	**Financial services** *HK$'000*	**Property investment** *HK$'000*	**Consolidated** *HK$'000*
Revenue					
External sales	**66,309**	**142,361**	**11,693**	**2,723**	**223,086**
Other operating income	**–**	**14,077**	**20**	**–**	**14,097**
	66,309	**156,438**	**11,713**	**2,723**	**237,183**
Result					
Segment result	**(2,086)**	**104,524**	**11,528**	**12,166**	**126,132**
Gain on disposal of a subsidiary					**3,544**
Fair value changes on buildings					**773**
Unallocated other operating income					**853**
Unallocated corporate expenses					**(25,124)**
Finance costs					**(1,571)**
Profit before taxation					**104,607**
Tax charge					**(99)**
Profit for the year					**104,508**

For the year ended 31 December 2004

	Mobile phone distribution *HK$'000*	Securities trading and investments *HK$'000*	Financial services *HK$'000*	Property investment *HK$'000*	Consolidated *HK$'000*
Revenue					
External sales	237,205	592,055	15,787	2,444	847,491
Other operating income	–	7,478	20	–	7,498
	237,205	599,533	15,807	2,444	854,989
Result					
Segment result	21,791	191,026	15,747	6,321	234,885
Fair value changes on buildings					1,704
Unallocated other operating income					5,660
Unallocated corporate expenses					(38,318)
Finance costs					(530)
Profit before taxation					203,401
Tax charge					(127)
Profit for the year					203,274

Geographical segments

The Group's operations are located in Hong Kong and the Mainland China ("China").

The Group's distribution of mobile phone, securities trading and investments, and financial services are carried out in Hong Kong. Rental income from property investment is from Hong Kong and China.

The following table provides an analysis of the Group's revenue by geographical market:

	Revenue by geographical market	
	2005 *HK$'000*	2004 *HK$'000*
Hong Kong	**236,029**	853,621
China	**1,154**	1,368
	237,183	854,989

4. **Net gain on investments:**

	2005 *HK$'000*	2004 *HK$'000*
Change in fair value of investments held for trading	**61,506**	–
Discount on early redemption of loan note *(Note)*	**(1,000)**	(1,500)
Net realised gain on derivatives	**1,464**	3,939
Net unrealised gain on trading investments	**–**	56,580
	61,970	59,019

Note: Sun Hung Kai & Co. Limited early redeemed part of the loan note at HK$60,000,000 (2004: HK$100,000,000) with a discount on early redemption of HK$1,000,000 (2004: HK$1,500,000) at the request by the Group. The net redemption proceed was HK$59,000,000 (2004: HK$98,500,000).

5. **Other income:**

	2005	2004
	HK$'000	*HK$'000*
Interest income from:		
– Loan notes	**4,128**	–
– Debt securities	**–**	7,478
– Bank deposits	**695**	602
– Others	**65**	166
	4,888	8,246
Imputed interest income on loan notes	**9,949**	–
Others	**113**	244
Net exchange gain	**–**	4,668
	14,950	13,158

6. **Tax charge:**

	2005	2004
	HK$'000	*HK$'000*
Current tax:		
Profits Tax in Hong Kong	**–**	(13)
Income tax in China	**(99)**	(114)
	(99)	(127)

No provision for Hong Kong Profits Tax has been made for the year either the Group has no assessable profits arising in Hong Kong or the Group's assessable profits were wholly absorbed by estimated tax losses brought forward.

Hong Kong Profits Tax is calculated at 17.5% of the estimated assessable profit for the year 2004.

Income tax in China is calculated at 33% of estimated assessable profit for both years except for the subsidiary eligible for certain tax holidays and concessions on China income tax.

7. **Profit for the year:**

	2005	2004
	HK$'000	*HK$'000*
Profit for the year has been arrived at after charging:		
Amortisation of prepaid lease payments	**59**	59
Depreciation of property, plant and equipment	**617**	1,086
Loss on disposal of property, plant and equipment	**–**	41

8. **Dividends:**

	2005	2004
	HK$'000	*HK$'000*
Ordinary shares:		
Interim dividend paid – HK$0.01 per share (2004: HK$0.01)	**2,990**	3,017
Final dividend proposed – HK$0.04 per share (2004: HK$0.04)	**11,879**	12,070

The final dividend of HK$0.04 per share for the year ended 31 December 2005 has been proposed by Directors and is subject to approval by shareholders in the annual general meeting.

9. **Earnings per share:**

The calculation of basic and diluted earnings per share attributable to the ordinary equity holders of the Company is based on the following data:

	2005	2004
	HK$'000	*HK$'000*
Earnings for the purpose of basic and diluted earnings per share (Profit for the year attributable to equity holders of the Company)	**104,511**	203,274
	Number of shares	Number of shares
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	**300,660,114**	347,849,919

Impact of changes in accounting policy

Changes in the Group's accounting policies during the year are described in details in note 1. To the extent that thoses changes have had an impact on results reported for the year ended 31 December 2005, they have had an impact on the amounts reported for earnings per share. The following table summaries that impact on earnings per share:

	2005 Impact on earnings per share
	HK$
Fair value changes on investment properties	**0.04**
Imputed interest income on loan notes	**0.03**
	0.07

The changes in the Group's accounting policies during the year had no impact on results reported for the year ended 31 December 2004, hence they had no impact on the amounts reported for earnings per share.

10. Debtors, deposits and prepayments:

The Group has a policy of allowing an average credit period of 30 to 90 days to its trade debtors.

An aged analysis of trade debtors is as follows:

	2005	2004
	HK$'000	*HK$'000*
Within 90 days	**2,409**	8,792
91 – 180 days	**–**	41
181 – 360 days	**93**	48
	2,502	8,881
Other debtors, deposits and prepayments	**9,999**	19,524
	12,501	28,405

The Directors consider that the carrying amount of debtors approximates its fair value.

11. Creditors and accrued charges:

Creditors and accrued charges principally comprise amounts outstanding for trade purpose and ongoing costs.

An aged analysis of trade creditors is as follows:

	2005	2004
	HK$'000	*HK$'000*
Trade creditors due within 90 days	**35**	24,776
Other creditors and accrued charges	**41,141**	7,607
	41,176	32,383

The Directors consider that the carrying amounts of the current financial liabilities listed above approximate their fair values.

FINANCIAL RESULTS

For the year ended 31 December 2005, the Group's turnover decreased by 73.7% to HK$223,086,000 (2004: HK$847,491,000) and net profit attributable to equity holders of the Company decreased by 48.6% to HK$104,511,000 (2004: HK$203,274,000) mainly due to reduced securities trading and mobile handsets distribution activities. However, as a result of our share repurchase (mentioned herein below under the section "Financial Resources, Borrowings, Capital Structure and Exposures to Fluctuations in Exchange Rates"), the earnings per share of the Company for 2005 decreased by a lesser scale of 39.7%, compared to that of the net profit, to HK$0.35 (2004: HK$0.58).

As at 31 December 2005, the Group's net asset value per share was HK$4.3 (2004: HK$4.1).

DIVIDENDS

An interim dividend of HK$0.01 per share was paid during 2005 (2004: HK$0.01). The Directors recommend the payment of a final dividend of HK$0.04 per share (2004: HK$0.04) amounting to approximately HK$11,879,000 to shareholders whose names appear on the Register of Members of the Company on Thursday, 1 June 2006. Dividend warrants are expected to be dispatched on or before Friday, 30 June 2006.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Monday, 29 May 2006 to Thursday, 1 June 2006, both days inclusive, during which no share transfer will be effected.

REVIEW OF OPERATIONS

2005 was a challenging year for Star Telecom Limited ("STAR"), which operates the Group's mobile handsets distribution business. STAR recorded a substantial drop in turnover to HK$66,309,000 (2004: HK$237,205,000) and a loss of HK$2,086,000 (2004: Profit of HK$21,791,000) as a result of a highly competitive market environment. The rivalry in the 2G mobile handsets market became increasingly fierce mainly due to the price war among market players of all sizes and the impact from the growing acceptance of 3G mobile handsets together with the highly aggressive promotion campaigns of the telecom services providers. Since the second quarter of 2005, while the market has become more dynamic, the product life cycle of mobile handsets has been significantly shortened. In order to enhance our ability to quickly respond to new market conditions, we have been very cautious in our vendor selection and distribution strategy and had adopted a stringent inventory control policy. We had actively pursued and developed new business partnerships to explore new revenue sources. During the last quarter of 2005, STAR had been successful in winning the distributorship of products of BenQ, a company which has become the 5th largest mobile handsets manufacturer in the world as a result of their recent acquisition of Siemens Mobile.

For the trading and investment in financial instruments, the Group recorded a turnover of HK$142,361,000 (2004: HK$592,055,000) and a profit of HK$104,524,000 (2004: HK$191,026,000) for the year ended 31 December 2005. Continuing with the trend of the first half of 2005, the stock market remained volatile resulting in the reduction of securities trading activities of the Group.

The Group's money lending business contributed a turnover of mainly interest income of HK$11,693,000 (2004: HK$15,787,000) and a profit of HK$11,528,000 (2004: HK$15,747,000) during the year under review.

For 2005, the Group's investment properties in Hong Kong and the People's Republic of China ("China") achieved a turnover of HK$2,723,000 (2004: HK$2,444,000) and a profit of HK$12,166,000 (2004: HK$6,321,000) attributing mainly to the gain from fair value changes on its property portfolio. During the first half of the year, the Group acquired a 75% interest in a company in China ("Property Holding Subsidiary") which holds a piece of land located at Buji Town, Shenzhen, China ("Investment Property"), together with the acquisition of the related shareholder's loan for a total consideration of HK$58,491,000. The site area of the Investment Property, with the foundation works already completed, is about 5,241.3 square metres. In order to finance the payment for the expenses related to the provision of urban facilities by the local government authorities, the registered capital of the Property Holding Subsidiary was increased from RMB26 million to RMB46 million during the second half of 2005.

FINANCIAL RESOURCES, BORROWINGS, CAPITAL STRUCTURE AND EXPOSURES TO FLUCTUATIONS IN EXCHANGE RATES

As at 31 December 2005, the Group continued to maintain a strong financial position in our non-current assets consisting mainly of investment properties of HK$136,526,000 (2004: HK$44,640,000); property, plant and equipment of HK$51,825,000 (2004: HK$3,884,000); prepaid lease payments of HK$2,483,000 (2004: HK$2,542,000) and long term investments of HK$258,438,000 (2004: HK$314,447,000). These non-current assets were principally financed by shareholders' funds. As at 31 December 2005, the Group had net current assets of HK$857,849,000 (2004: HK$858,139,000) and current ratio of 6.8 times (2004: 22.3 times) calculated on the basis of the Group's current assets over current liabilities.

All the Group's borrowings are arranged on a short-term basis, in Hong Kong Dollars, repayable within one year and secured by certain investment properties, marketable securities and bank deposits. As at 31 December 2005, the Group had borrowings of HK$100,986,000 (2004: Nil) and a gearing ratio of 6.6% (2004: Nil), calculated on the basis of the Group's net borrowings (after deducting cash and bank balances) over shareholders' fund.

During the second half of 2005, the issued share capital of the Company was reduced from HK$3,018,000 to HK$2,975,000 as a result of the repurchase of 4,276,000 shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") at an aggregate consideration of HK$5,568,000.

During the year under review, the Group's assets, liabilities and transactions were mainly denominated in Hong Kong Dollar, Australian Dollar, Renminbi ("RMB") and Malaysian Ringgit. Because of its short-term nature, the Group had not actively hedged risks arising from Australian Dollar denominated assets and transactions. As the exchange rate of RMB had been recently appreciated and the exchange rate of Malaysian Ringgit was relatively stable during the year, the Group was not materially affected by these foreign exchange exposures.

CHARGE ON GROUP ASSETS

As at 31 December 2005, the Group's investment properties, investments held for trading (previously "investments in securities" in 2004) and bank balances and cash with respective carrying values of HK$22,100,000 (2004: HK$15,000,000), HK$756,305,000 (2004: HK$631,924,000) and HK$10,526,000 (2004: HK$15,182,000) were pledged to financial institutions to secure the credit facilities granted to the Group.

EMPLOYEES

The Group had 32 employees as at 31 December 2005 (2004: 47). The Group ensures that its employees are remunerated in line with market conditions and individual performance and the remuneration policies are reviewed on a regular basis.

PROSPECTS

The economy of Hong Kong experienced reasonable growth in 2005 with the unemployment rate dropping to a 51-month low of 5.3% at the end of the year and local consumption remaining strong with retail sales volume rising to 5.9%. These positive developments occurred against the backdrop of various favourable "China factors" such as China's accommodative monetary policy, capital inflows attributed to IPOs from various China enterprises and the expectation of the appreciation of the RMB. The Group remains cautiously optimistic about the economic and investment outlook. However, we will continue to monitor any possible adverse impact of factors such as the volatile energy prices, uncertainties of the US and local interest rate movements, possible administrative tightening in China to tackle excessive growth in bank lending and in property prices in major cities, and the escalating political tensions in the region.

Besides BenQ-Siemens, STAR has also secured new distributorship agreements with Pantech (one of the top three Korean brands), Grundig (a famous household German brand) and KBT (a new Korean brand) to market both their 2G and 3G mobile handsets. With a strong product portfolio, balanced product mix, and the unprecedented market opportunities presented by the growing demand for 3G services in addition to the revival of the Hong Kong economy, STAR is cautiously confident that it is poised to optimize its sales performance for greater business benefits. Currently, STAR is the authorized distributor in Hong Kong and Macau of certain strong brand names including NEC, Alcatel, BenQ-Siemens, Pantech, Grundig, KBT and Xcell. STAR will continue to look for products with high potential to distribute in order to continuously enrich its product portfolio and sustain business growth.

Subsequent to the balance sheet date, in view of the negative impact of the possible continued austerity measures to curb the bubble in China's property market, the Group took the opportunity to unwind its investment in the Investment Property as referred to earlier by entering into a conditional framework agreement with a third party to dispose of its entire 75% interest in the Property Holding Subsidiary, the related shareholder loan and the advance to a minority shareholder for a total consideration of RMB99,900,000. Pursuant to such agreement, deposit and first installment payment totaling RMB31,220,000 have been received with the remaining balance of RMB68,680,000 payable within six months from the completion date and bearing interest at the rate of 1% per month.

Further, riding on the sentiment of the buoyant stock market, the Group sold 70,000,000 shares of Tian An China Investments Company Limited from its trading portfolio in March 2006, generated cash proceeds of HK$257,600,000 for the Group.

The Group will constantly review and adjust its business direction, investment strategies and investment portfolio (both financial and property-related) to continuously aim for improvement in our business performance and our financial strength. The Group is well equipped to take advantage of viable business and investment opportunities in China, Hong Kong and the Asia Pacific region to enhance value for its shareholders.

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

During the year, the Company repurchased a total of 4,276,000 ordinary shares in the capital of the Company on the Stock Exchange in the range from HK$1.23 to HK$1.39 for a total consideration of HK$5,568,000. The said shares were subsequently cancelled.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the applicable code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") throughout the year ended 31 December 2005.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors (the "Model Code") as set out in Appendix 10 of the Listing Rules as the Company's code of conduct regarding Director's securities transactions. Having made specific enquiries of all Directors, they have confirmed their compliance with the required standard as set out in the Model Code throughout the year ended 31 December 2005.

PROPOSAL FOR AMENDMENT OF BYE-LAWS OF THE COMPANY

The Directors propose to amend the bye-laws of the Company (the "Amendment of Bye-Laws) in order to conform to the constitutional requirements with respect to listed issuers under the revised Listing Rules effective as of 1 March 2006. Special resolutions regarding the Amendment of Bye-Laws will be proposed at the forthcoming Annual General Meeting.

A circular containing, inter alia, further information on the proposed Amendment of Bye-Laws will be dispatched to the shareholders of the Company as soon as practicable.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of this preliminary announcement of the Group's consolidated balance sheet, consolidated income statement and the related notes thereto for the year ended 31 December 2005 have been agreed by the Group's auditors, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by HKICPA and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

PUBLICATION OF ANNUAL RESULTS ON THE WEBSITE OF THE STOCK EXCHANGE

The annual report of the Group for the year ended 31 December 2005 containing all the information required by paragraphs 45(1) to 45(8) of Appendix 16 of the Listing Rules will be published on the Stock Exchange's website in due course.

By Order of the Board
Dato' Wong Peng Chong
Director

Hong Kong, 13 April 2006

As at the date of this announcement, the Board comprises Ms. Chong Sok Un (Chairman), Dato' Wong Peng Chong and Mr. Kong Muk Yin as executive directors and Messrs. Lo Wai On, Lau Siu Ki and Yu Qi Hao as independent non-executive directors.