

# 3 Established Strategic Directions

## Chairman's Statement



**Peter T.C. Lee**  
*Chairman*

Against a background of broadly steady and resilient global economic environment, the Hong Kong economy rebounded and continued to improve in 2004. I am pleased to report that during the past year, our property portfolio has captured the generally favourable market conditions and reflected the success we made in enhancing its underlying asset value.

Hong Kong's viability as a regional financial and business centre is directly dependent on its ability to provide goods and services in an environment characterised by transparency, accountability and responsibility. We shall continue to embody these values in our commitment to our stakeholders.

## Overview

Against a background of broadly steady and resilient global economic environment, the Hong Kong economy rebounded and continued to improve in 2004 as evident in strong trading activities, increased tourism from China, and rise in property values. The investment property sector benefited from the upturn in business and retail activities, achieving higher occupancy and increased rental levels.

## Performance

I am pleased to report that during the past year, our property portfolio has captured the generally favourable market conditions. The unveiling of the Lee Gardens Two retail centre has resulted in a marked enhancement of the retail attractions in the area, adding to the modern and dynamic character of Causeway Bay. Similarly, the re-launching of the residential Bamboo Grove has proven to be highly successful with improved rental contributions and in keeping with our long-term strategy of enhancing the asset value of our property portfolio.

The Group's 2004 annual attributable profit was HK\$609 million, 13.7% higher than in 2003 (2003 restated: HK\$536 million). Underlying gross rental income increased by 1.3% to HK\$1,150 million (2003: HK\$1,135 million). Good performance of retail and residential sectors, including increased contribution from repositioned properties, outweighed

office negative rental reversions. There were improved contributions from the Group's overseas development activities. The Group also reversed an impairment loss previously provided for the Singaporean residential projects. Finance costs further decreased during the review year. Underlying earnings per share were HK58.22 cents, an increase of 12.8% (2003 restated: HK51.59 cents).

The external valuation of the Group's investment property portfolio increased to HK\$28,147 million (2003: HK\$24,367 million). Underlying net assets value per share increased by 20.1% to HK\$21.42 (2003 restated: HK\$17.84).

The Board recommends the payment of a final dividend of HK30.0 cents per share (2003: HK26.5 cents). Together with the interim dividend of HK10.0 cents per share, there is an aggregate distribution of HK40.0 cents per share, representing a year-on-year increase of 9.6%. Subject to shareholder approval, the final dividend will be payable in cash with a scrip dividend alternative.

## Values

Hong Kong's viability as a regional financial and business centre is directly dependent on its ability to provide goods and services in an environment characterised by transparency, accountability and responsibility. The faster our modern world evolves, the more important

these values become. We shall continue to embody these values in our commitment to our stakeholders and we are pleased that our efforts in corporate governance have been recognised by professional and industry bodies during the year.

## Directors and Staff

I would like to take this opportunity to express my thanks to Board members for their wise counsel during the year, and also to all dedicated and loyal staff for their good work.

## Outlook

After a strong rebound last year, Hong Kong's economy is expected to grow steadily in 2005. The overall Hong Kong investment property market should remain positive albeit at a slower growth rate than last year.

In light of this, the rental reversion cycle in the Causeway Bay office sector should turn positive towards the latter part of 2005 with the rest of our investment property portfolio also benefiting from an improving economy.

**Peter T.C. Lee**  
*Chairman*