

Review of Operations

The Group recorded a net profit of \$303 million for 2004. A breakdown of the profit attributable to shareholders contributed by various business activities is shown in note 2 of the accounts on pages 32 to 35.

Property Sales

With the return in general confidence to the property market, the Group's property sales turnover in 2004 climbed to HK\$295 million, up 29% compared with HK\$228 million recorded in 2003. Such income was generated primarily from the sale of a majority of the 75 residential units of La Maison Du Nord at No.12 North Street and about 40% of the luxury residential units of Padek Palace at No.377 Prince Edward Road West.

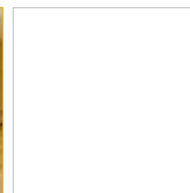
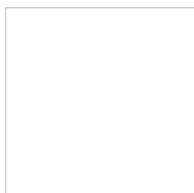
Property Development

Property development project completed

Location	Usage	Group's Interest (%)	Attributable Gross Floor Area (sq. ft.)
Padek Palace No.377 Prince Edward Road West Kowloon City Kowloon	Residential	100	54,896

Property development projects in progress

Location	Usage	Group's Interest (%)	Attributable Gross Floor Area (sq. ft.)	Status	Expected Date of Completion
Macau					
La Baie Du Noble The Orient Pearl District Macau	Commercial and Residential	80	1,280,000	Superstructure works in progress	2nd half 2005
Hong Kong					
Nos. 31 & 31A-G Robinson Road Mid-Levels Hong Kong	Residential	100	128,084	Superstructure works in progress	1st half 2006
No. 33 Ka Wai Man Road Kennedy Town Hong Kong	Residential	Joint Venture with Urban Renewal Authority	78,372	Superstructure works in progress	1st half 2006
No. 35 Clear Water Bay Road Ngau Chi Wan Kowloon	Commercial and Residential	100	2,101,428	Foundation works in progress	2007/08
			3,587,884		



La Baie Du Noble at The Orient Pearl District, Macau

The Group acquired an 80% interest in La Baie Du Noble, a prominent commercial and residential property development project in Macau, in the beginning of 2004 at a consideration of HK\$400 million. This project involves the development of a luxury coast-front property in The Orient Pearl District comprising five residential blocks erected over a 3-storey podium with shopping mall, car parks, a clubhouse and recreational facilities.

31 & 31A-G Robinson Road, Mid-Levels, Hong Kong

The development is being developed into a deluxe residential tower comprising a swimming pool, car parks, a clubhouse and recreational facilities.

33 Ka Wai Man Road, Kennedy Town, Hong Kong

This residential project joint-ventured with Urban Renewal Authority involves the development of a high class residential tower with car parks, a clubhouse and a swimming pool.

35 Clear Water Bay Road, Ngau Chi Wan, Kowloon

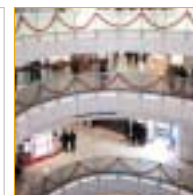
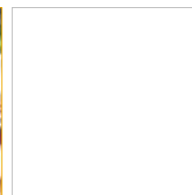
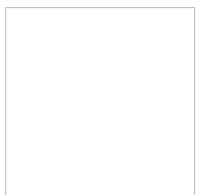
The site will be developed into a comprehensive residential development with retail and community facilities. Following the award of site formation and foundation contract, foundation works have commenced. Land premium is currently under negotiation.

Property Investment

As the local economy gradually recovered in 2004, demand for grade A office and prime shops in tourist districts has maintained an upward trend. Both office and retail rental yields have generally improved for new leases and renewals. The gross rental income generated by the Group's portfolio of investment properties increased by 15% and reached HK\$207 million (2003: HK\$179 million). The increase was largely due to the rise in rental income from retail tenancies of Pioneer Centre and additional rental contributed by the two commercial properties in Tsim Sha Tsui East acquired by the Group in the first half of 2004.

The Group has gradually transformed Pioneer Centre into a youth-oriented focal point in Mongkok through the renovation programme for the shopping mall of Pioneer Centre which continued in 2004. Lettable gross floor area of the retail podium is around 180,000 sq. ft. upon completion of the renovation.

The overall occupancy rate of Pioneer Centre at the end of 2004 dropped slightly to 93% (2003: 96%). This was mainly caused by the renovation work on the Second and Third Floors of the Pioneer Centre shopping mall. In spite of the negative impact of the renovation work, rental income from Pioneer Centre increased 13% to HK\$169 million in 2004 (2003: HK\$149 million).



Apart from Pioneer Centre, the Group's other investment properties, mainly comprising retail shopping malls, commercial offices and serviced apartments, also performed well in the year under review with occupancy staying above 95%. Taking into account additional rental income from the Second Floor of the commercial podium of New Mandarin Plaza and together with the shop spaces and 10 car parking spaces on the Basement Floor of Peninsula Centre acquired by the Group in the first half of 2004, gross rental income from investment properties excluding Pioneer Centre rose by 27% to HK\$38 million.

Property Management

The size of the portfolio managed by the Group and its associated companies as at the end of 2004 exceeded 7.7 million sq. ft. While the property management business generates relatively insignificant income to the Group, the provision of quality management services is an indispensable element for the general development of the Group's property business.

Financing and Investments

As at 31 December 2004, the Group had invested a total of HK\$239 million in financial investments of which HK\$110 million was in long term investment and HK\$129 million was in short term investment. The decrease in investment from HK\$459 million at the end of 2003 is a result of the early redemption by the issuer of the US\$50 million 10 year note held as long term investment before the end of 2004.

The Group's money-lending business which mainly involved the provision of property mortgages and second mortgages to purchasers of the Group's property developments has recorded reasonable growth during the year.

In the year under review, financing and investment activities delivered HK\$78 million contribution from operations as compared with HK\$64 million in 2003.

Others

The film library of the Group has contributed a small profit to the Group in 2004.

The performance of the footwear wholesale and retail business of Southern Success Corporation has been encouraging and profit has more than doubled in 2004. The 20% interest in the company has contributed about HK\$7.3 million profit to the Group (2003: HK\$3.5 million).

Staff Remuneration and Training

The Group (excluding associated companies) employed a total of 155 employees at the end of 2004 (2003: 135 employees). Employee remuneration amounted to approximately HK\$38 million in 2004. The Group ensures that pay levels of employees remain competitive and employees are rewarded based on their performance. The Group operates a share option scheme to provide incentives and rewards to eligible persons, including Directors and employees. Other employee benefits include medical insurance, retirement schemes, in-house training courses as well as subsidies for external education and training programmes.