

RESULTS

Turnover for the year ended 31st December, 2004 (the "Year") amounted to HK\$5,257.4 million (year ended 31st December, 2003: HK\$2,531.5 million), a 1.1 times increase over the same period last year. It was mainly due to the increase in turnover of securities investment comprising Hong Kong listed shares, overseas listed shares and overseas debt securities, amounted to HK\$3,835.3 million. The turnover for sales generated from development properties in Manhattan Avenue, City 151 and Barker Road, were recognised in the Year.

For property leasing, the Year recorded an increase of 4.0% in rental income as compared with the corresponding year in 2003, amounting to HK\$695.4 million (2003: HK\$668.9 million) which included full year rental contribution from Tung Ying Building and Tung Sang Building, which were acquired in April 2003 and June 2003 respectively. Rental income from retail property has shown a satisfactory increase during the Year.

Gross profit for the Year amounted to HK\$959.5 million, a 27.3% increase as compared with the same period last year.

In relation to property development, sale of Parc Palais in King's Park (10% interest) has been successful. The sale was recognised in the Year generating a contribution of HK\$174.1 million which was included in investment income. Sale of Barker Road property was completed in the Year. As a result of rebound in property market, after the Group reviewed the carrying amount of the development property project at Tai Yuen Street, an impairment loss of HK\$187 million was written back, of which the Group has an effective interest of 83.6% which amounted to HK\$156 million. Whereas for the same period last year, HK\$47 million impairment loss was written back as a result of the presale of Manhattan Avenue and City 151 with completion of such presale in early 2004 and prior to the issuance of the 2003 annual financial statements.

In respect of the performance of listed securities investment, the Group has recorded gross profit of HK\$74.4 million (year ended 31st December, 2003: HK\$108.4 million), unrealized holding gain of HK\$165.0 million (year ended 31st December, 2003: HK\$484.1 million) and exchange gain of HK\$14.5 million (year ended 31st December, 2003: exchange loss of HK\$99.7 million) for the Year. Listed securities investment held was marked to market at year end date.

業績

截至二零零四年十二月三十一日止年度（「本年度」）的營業額為5,257,400,000港元（截至二零零三年十二月三十一日止年度：2,531,500,000港元），較去年同期增加1.1倍，主要與證券投資（包括香港上市股份、海外上市股份及海外債務證券）的交易額增加有關，達3,835,300,000港元。來自銷售Manhattan Avenue、都會151及白加道發展物業的營業額已於本年度入賬。

在物業租賃方面，本年度的租金收入較二零零三年增加4.0%，達695,400,000港元（二零零三年：668,900,000港元），當中包括分別於二零零三年四月及二零零三年六月購入的東英大廈及東生大廈所帶來的全年租金貢獻。來自零售物業的租金收入在本年度的增長理想。

本年度的毛利為959,500,000港元，較上年度增加27.3%。

在物業發展方面，京士柏君頤峰（10%權益）的銷售反應理想，在本年度入賬的售樓收入為174,100,000港元，已列入投資收入。白加道物業的銷售已於本年度完成。由於物業市道反彈，經本集團檢討過太原街發展物業項目的賬面值後，決定撥回187,000,000港元的減值虧損，以本集團佔83.6%的實際權益計為156,000,000港元。至於上年度，由於Manhattan Avenue及都會151的預售於二零零四年初及於二零零三年度的財務報表發出前完成，故撥回47,000,000港元。

至於上市證券投資的表現，本年度本集團錄得毛利74,400,000港元（截至二零零三年十二月三十一日止年度：108,400,000港元）、未變現持有收益165,000,000港元（截至二零零三年十二月三十一日止年度：484,100,000港元）及匯兌收益14,500,000港元（截至二零零三年十二月三十一日止年度：匯兌虧損99,700,000港元）。所持有的上市證券投資乃按結算日的市價計算。

Other operating income recorded an increase of 2 times to HK\$149.5 million when compared with the same period last year. Administrative expenses decreased by 36.9% to HK\$119.1 million as compared with the same period last year. Finance costs recorded a decrease of 70.7% to HK\$55.7 million as compared with the same period last year.

The share of result of associates for the Year increased by 3.8 times to HK\$214.9 million as compared with the same period last year (year ended 31st December, 2003: HK\$44.6 million), including valuation surplus of an investment property held by an associate of HK\$126.5 million.

Profit attributable to shareholders for the Year was HK\$1,624.7 million as compared to HK\$1,153.8 million for the same period last year. The profit for the Year was mainly attributable from sale of development properties, including Parc Palais and Barker Road, loss written back for a development property project and from the effect in cost saving. Earnings per share was HK78.4 cents (31st December, 2003: HK52.1 cents).

A final dividend has been recommended to pay at HK11 cents (2003: HK12 cents) per share. Together with the interim dividend of HK8.5 cents (2003: HK5 cents) per share, the total dividend for the Year is HK19.5 cents (2003: HK17 cents) per share, representing a total cash dividend payout of 24.9% (2003: 32.6%). If the income on the two non-cash items for the Year is excluded, the dividend payout ratio for the Year will become 30.1%. The two non-cash items are written back of loss from property under development of HK\$156 million and valuation surplus on investment property held by associate of HK\$126.5 million respectively.

NET ASSET VALUE

As at 31st December, 2004, the Group's total net asset amounted to approximately HK\$18,486 million (31st December, 2003: HK\$14,368 million), an increase of HK\$4,118 million or 28.7% when compared with 31st December, 2003. With the total number of ordinary shares in issue of 2,030,214,000 as at 31st December, 2004, the net asset value per share was HK\$9.11, an increase of 37.2% over 31st December, 2003 (HK\$6.64). In addition to the profit retained for the Year, this was mainly attributable from a revaluation surplus of investment properties of HK\$3,203.7 million and the result of share repurchase during the Year.

其他經營收入較上年度增加 2 倍至 149,500,000 港元。行政開支較上年度減少 36.9% 至 119,100,000 港元。財務費用較上年度減少 70.7% 至 55,700,000 港元。

本年度的攤佔聯營公司業績較上年度增加 3.8 倍至 214,900,000 港元（截至二零零三年十二月三十一日止年度：44,600,000 港元），當中包括一間聯營公司持有之一項投資物業之重估盈餘 126,500,000 港元。

本年度之股東應佔溢利為 1,624,700,000 港元，而上年度則為 1,153,800,000 港元。本年度的溢利主要來自物業發展項目（包括君頤峰及白加道）的銷售，撥回一項發展物業項目的虧損，亦反映成本減省收效。每股溢利為 78.4 港仙（二零零三年十二月三十一日：52.1 港仙）。

本公司董事會建議派發末期股息每股 11 港仙（二零零三年：12 港仙）。連同中期股息每股 8.5 港仙（二零零三年：5 港仙），本年度的股息總額為每股 19.5 港仙（二零零三年：17 港仙），相當於總現金派息率 24.9%（二零零三年：32.6%）。如不計入本年度兩項非現金項目之收入，本年度之派息率將為 30.1%。該兩項非現金項目分別為撥回發展中物業之虧損 156,000,000 港元及一間聯營公司持有之投資物業重估盈餘 126,500,000 港元。

資產淨值

於二零零四年十二月三十一日，本集團之總資產淨值約為 18,486,000,000 港元（二零零三年十二月三十一日：14,368,000,000 港元），較二零零三年十二月三十一日增加 4,118,000,000 港元或 28.7%。根據二零零四年十二月三十一日之已發行普通股總數 2,030,214,000 股計算，每股資產淨值為 9.11 港元，較二零零三年十二月三十一日（6.64 港元）增加 37.2%。除本年度保留之溢利外，每股資產淨值增加主要與本年度之投資物業重估盈餘 3,203,700,000 港元及股份購回之結果有關。

During the Year, the Group was granted the right to develop the Reclamation Street project and acquired certain residential properties, bought and sold listed securities investment. Other than the existing projects and those disclosed in the annual report, the Group did not have any future plans for material investment or capital assets.

SECURITIES INVESTMENT

At 31st December, 2004, listed securities investment, which formed part of the Group's cash management activities, amounted to HK\$1,633.4 million (2003: HK\$1,979.9 million), representing 6.2% (2003: 8.8%) of the total assets at the year end, which mainly comprise blue chips listed shares in Hong Kong and overseas and listed debt securities.

RISK MANAGEMENT

The Group has established adequate risk management procedures that enable it to identify, measure, monitor and control the various types of risk it faces. This is supplemented by active management involvement, effective internal controls and adequate internal audits in the best interests of the Group.

EQUITY

The number of issued ordinary shares as at 31st December, 2004 and 31st December, 2003 were 2,030,214,000 and 2,163,900,000 respectively.

DEBT AND GEARING

As at 31st December, 2004, the Group's bank and other borrowings amounted to HK\$7,053 million (31st December, 2003: HK\$7,052 million). Cash, deposit at bank and United States currency treasury bills amounted to HK\$1,852 million (31st December, 2003: HK\$929 million) and net borrowings amounted to HK\$5,201 million (31st December, 2003: HK\$6,123 million).

本集團於本年度獲授予新填地街項目之發展權，並購入若干住宅物業及買賣上市證券投資。除現有項目及年報所披露者外，本集團並無有關重大投資或資本資產之未來計劃。

證券投資

於二零零四年十二月三十一日，為本集團資金管理其中一部份之上市證券投資達1,633,400,000港元（二零零三年：1,979,900,000港元），佔年終之總資產6.2%（二零零三年：8.8%），主要包括香港及海外地區之上市藍籌股及上市債務證券。

風險管理

本集團已制訂一套完善的風險管理程序，以識別、衡量、監察及控制其面對的各種風險，同時輔以積極管理、有效的內部監控及足夠的內部審核，以保障本集團的最佳利益。

股本

於二零零四年十二月三十一日及二零零三年十二月三十一日之已發行普通股數目分別為2,030,214,000股及2,163,900,000股。

債務及資本與負債比率

於二零零四年十二月三十一日，本集團之銀行及其他借貸為7,053,000,000港元（二零零三年十二月三十一日：7,052,000,000港元）。現金、銀行結存及美國國庫券為1,852,000,000港元（二零零三年十二月三十一日：929,000,000港元），而借貸淨額為5,201,000,000港元（二零零三年十二月三十一日：6,123,000,000港元）。

Financial Operation Review

Total debt to equity ratio was 38.2% (31st December, 2003: 49.1%) and net debt to equity ratio was 28.1% (31st December, 2003: 42.6%), which are expressed as a percentage of bank and other borrowings, and net borrowings respectively, over the total net asset of HK\$18,486 million (31st December, 2003: HK\$14,368 million).

The decrease of the total debt to equity ratio and the net debt to equity ratio were mainly due to an increase in total net asset, which was mainly attributable from a revaluation surplus of investment properties and the profit retained for the Year.

At the balance sheet date, the Group's bank and other borrowings were wholly denominated in Hong Kong dollars. Of the Group's total bank and other borrowings of HK\$7,053 million, 32.4%, 13.4%, 53.2% and 1.0% were repayable within 1 year, 1 to 2 years, 2 to 5 years and over 5 years respectively. The Group's bank and other borrowings carrying interest rates were calculated mainly with reference to HIBOR. No hedging for interest rate was subsisted at the end of the year.

PLEDGE OF ASSETS

As at 31st December, 2004, the Group's investment properties, development properties, securities investment and time deposits with their respective book value of approximately HK\$19,016.6 million (31st December, 2003: HK\$15,664.9 million), HK\$877.0 million (31st December, 2003: HK\$744.9 million), HK\$2,160.0 million (31st December, 2003: HK\$2,575.7 million) and HK\$129.5 million (31st December, 2003: HK\$95.3 million) were pledged to secure general banking facilities and other loan facilities of the Group.

FINANCIAL AND INTEREST INCOME/EXPENSES

Interest income was included in turnover and investment income. Finance costs included interest expenses on bank and other loans, arrangement, facility and commitment fee expenses. Interest income for the Year was HK\$35.3 million, representing a decrease of 29.8% from that of 31st December, 2003 (HK\$50.3 million). Interest capitalized for the Year was HK\$5.8 million as compared to HK\$18.1 million for last year. Interest expenses for the Year amounted to HK\$64.1 million, representing a 24.5% decrease over the interest expenses of

財務業務回顧

總債務與股本比率為 38.2% (二零零三年十二月三十一日：49.1%) 而淨債務與股本比率為 28.1% (二零零三年十二月三十一日：42.6%)，乃將銀行及其他借貸及借貸淨額分別除以總資產淨值 18,486,000,000 港元 (二零零三年十二月三十一日：14,368,000,000 港元) 得出之百分比。

總債務及淨債務與股本比率之減少主要與總資產淨值增加有關，而總資產淨值之增加主要來自本年度之投資物業重估盈餘及保留溢利。

於結算日，本集團之銀行及其他借貸全部以港元計算。於本集團之銀行及其他借貸總額 7,053,000,000 港元中，32.4%、13.4%、53.2% 及 1.0% 須分別於一年內、一至兩年、兩至五年及五年後償還。本集團之銀行及其他借貸主要參照香港銀行同業拆息計算利率。於年底並無就利率作出對沖。

資產抵押

於二零零四年十二月三十一日，本集團賬面值分別約為 19,016,600,000 港元 (二零零三年十二月三十一日：15,664,900,000 港元)、877,000,000 港元 (二零零三年十二月三十一日：744,900,000 港元)、2,160,000,000 港元 (二零零三年十二月三十一日：2,575,700,000 港元) 及 129,500,000 港元 (二零零三年十二月三十一日：95,300,000 港元) 之投資物業、發展物業、證券投資及定期存款已作抵押以令本集團獲得一般銀行信貸及其他信貸。

財務及利息收入／支出

營業額及投資收入包括利息收入。財務費用包括銀行及其他貸款之利息支出、安排、信貸及承擔費用支出。本年度之利息收入為 35,300,000 港元，較二零零三年十二月三十一日 (50,300,000 港元) 減少 29.8%。本年度資本化之利息為 5,800,000 港元，而上年度則為 18,100,000 港元。本年度之利息支出為

HK\$84.9 million recorded for the same period last year. The decrease in interest expenses was due to decrease in interest rate during the Year. The average interest rate over the year under review was 1.0% (2003: 1.7%), which was expressed as a percentage of total interest expenses over the average total borrowings.

REMUNERATION POLICIES AND SHARE OPTION SCHEME

During the year under review, the Group employed a total of 230 (year ended 31st December, 2003: 215) staff (excluding about a total of 210 (year ended 31st December, 2003: 192) estate management staff employed under the Group's estate management company, Perfect World Company Limited).

Employees were remunerated on the basis of their performance, experience and prevailing industry practice. Remuneration packages comprised salary and year-end discretionary bonus based on market conditions and individual performance. The Executive Directors continued to review employees' contributions and to provide them with necessary incentives and flexibility for their better commitment and performance. No share option scheme was adopted for the Year.

PRC

Profit contribution from the Group's investment in the People's Republic of China (the "PRC") (including operating profit and share of results of associated companies) for the Year amounted to HK\$154.0 million representing 9.5% of the profits attributable to shareholders (year ended 31st December, 2003: HK\$92.1 million). The Group's China investment as at 31st December, 2004 amounted to HK\$1,115.5 million representing approximately 4.2% of the Group's total asset value (31st December, 2003: HK\$873.9 million).

THE KWONG SANG HONG INTERNATIONAL LIMITED

During the Year, the Group has an effective interest of 34.36% in the listed shares of Kwong Sang Hong.

64,100,000 港元，較上年度錄得之利息支出 84,900,000 港元減少 24.5%。利息支出之減少乃由於本年度內利率下調所致。於回顧年度內之平均利率為 1.0% (二零零三年：1.7%)，乃以總利息支出除以平均借貸總額得出。

酬金政策及購股權計劃

於回顧年度內，本集團共有僱員約 230 人 (截至二零零三年十二月三十一日止年度：215 人) (不包括受僱於本集團之物業管理公司忠信物業管理有限公司之物業管理員工合共 210 人 (截至二零零三年十二月三十一日止年度：192 人))。

僱員薪金乃根據其表現、經驗及目前業內慣例釐定。酬金包括薪金以及按市況及個人表現釐定之年終花紅。執行董事繼續檢討僱員工作表現，並於需要時給予獎勵及靈活處理，鼓勵員工在工作上有了更好成績。本年度並無採納購股權計劃。

中國

本集團於中華人民共和國 (「中國」) 之投資為本年度帶來溢利 (包括經營溢利及應佔聯營公司業績) 154,000,000 港元，佔股東應佔溢利 9.5% (截至二零零三年十二月三十一日止年度：92,100,000 港元)。本集團之中國投資於二零零四年十二月三十一日達 1,115,500,000 港元，佔本集團之資產總值約 4.2% (截至二零零三年十二月三十一日止年度：873,900,000 港元)。

THE KWONG SANG HONG INTERNATIONAL LIMITED

本年度內，本集團於廣生行之上市股份之實際權益為 34.36%。

In November 2004, Power Jade Capital Limited, a 50% associate of the Group, had proposed privatisation of Kwong Sang Hong by way of a scheme of arrangement. The scheme was approved by shareholders of Kwong Sang Hong in the Special General Meeting held on 5th January, 2005. Kwong Sang Hong withdrew its listed status and has become a 50% associate of the Group effective from 2nd February, 2005. The Group has utilized HK\$187.7 million cash in acquiring the additional 15.64% interest in Kwong Sang Hong.

PROPERTY VALUATION

A property valuation has been carried out by Messrs. Norton Appraisals Limited, independent professional valuers, in respect of the Group's investment properties as at 31st December, 2004 and that valuation was used in preparing 2004 financial statements. The Group's investment properties were valued at HK\$19,442 million (2003: HK\$16,234 million), a 19.8% increase over 2003 after adjusting for additions and disposals of investment properties during 2004. Development properties and non-investment properties of the Group were stated at cost less impairment, if any, in the financial statements.

RECENTLY ISSUED ACCOUNTING STANDARDS

In 2004, the Hong Kong Institute of Certified Public Accountants issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards (collectively "New HKFRSs") which are effective for accounting periods beginning on or after 1st January, 2005. The Group did not apply early adoption of these New HKFRSs to its financial statements for the year ended 31st December, 2004. However, the Group has been carrying out an assessment of the impact of these New HKFRSs and has so far concluded that the adoption of the revised standards may have significant impact to its consolidated accounts as described below:

1. Hong Kong Accounting Standard 40 ("HKAS 40") on Investment Property

The adoption of HKAS 40 would require all revaluation gains or losses of investment properties to be taken directly to the Income Statement, whereas under the old standards such changes are generally taken to the revaluation reserve account on a portfolio basis. The volatility of property prices therefore could have significant impact on the level and consistency of the Group's future result of operation.

於二零零四年十一月，本集團持有50%權益之聯營公司Power Jade Capital Limited建議透過協議計劃將廣生行私有化。該計劃獲廣生行股東於二零零五年一月五日舉行之股東特別大會上批准。廣生行之上市地位由二零零五年二月二日起撤銷，並成為本集團持有50%權益之聯營公司。本集團動用187,700,000港元現金購入廣生行15.64%額外權益。

物業估值

獨立專業估值師普敦國際評估有限公司已就本集團於二零零四年十二月三十一日持有之投資物業進行物業估值，有關估值乃用於編製二零零四年財務報表。本集團投資物業之估值為19,442,000,000港元（二零零三年：16,234,000,000港元），經作出二零零四年投資物業之增加及出售之調整後較二零零三年增加19.8%。本集團之發展物業及非投資物業乃於財務報表中按成本扣除減值（如有）列賬。

最近頒布之會計準則

於二零零四年，香港會計師公會頒布多項新訂及經修訂之香港財務報告準則及香港會計準則（統稱「新財務報告準則」），由二零零五年一月一日或之後開始之會計期間生效。本集團並無在截至二零零四年十二月三十一日止年度之財務報表提前採納該等新財務報告準則。然而，本集團已對該等新財務報告準則之影響進行評估，至今認為採納該等經修訂之準則可能會對其綜合賬目有重大影響，詳述如下：

1. 有關投資物業之香港會計準則第40號（「會計準則第40號」）

採納會計準則第40號將令投資物業之所有重估收益或虧損直接計入收益表，而根據舊準則該等轉變一般以組合基準計入重估儲備賬。物業價格之波動因此可以對本集團未來經營業績之水平及一致性構成重大影響。

2. Hong Kong Financial Reporting Standard 3 and Hong Kong Accounting Standards 36 and 38 (“HKFRS 3 and HKAS 36 & 38”) on Goodwill and Negative Goodwill

The adoption of HKFRS 3 and HKAS 36 & 38 would require the goodwill to discontinue to be amortized and the accumulated amortization as at 31st December, 2004 to be eliminated with a corresponding decrease in the goodwill. The goodwill and the intangible assets shall be tested annually for impairment. Whereas, the negative goodwill shall be derecognized and credited to the equity. The adoption of these accounting standards is not anticipated to have a material effect on the Group’s future result of operation.

It should be noted, however, that both of these accounting changes are non-cash items and hence do not affect cash flow.

The Group will continue to assess the impact of other New HKFRSs and other changes may be identified as a result. However, it is not expected that these will have a significant impact on the Group’s consolidated accounts.

2. 有關商譽及負值商譽之香港財務報告準則第3號及香港會計準則第36及38號（「財務報告準則第3號及會計準則第36及38號」）

採納財務報告準則第3號及會計準則第36及38號將令商譽不再攤銷及令二零零四年十二月三十一日之累積攤銷以商譽之相應減少而對銷。商譽及無形資產將每年測試以釐定減值。然而，負值商譽將不再確認並撥作股本。採納該等會計準則預計不會對本集團之未來經營業績構成重大影響。

然而，應留意該等會計轉變均為非現金項目，因此不會影響現金流量。

本集團會繼續評估其他新財務報告準則及其他因此而產生之轉變之影響。然而，預期該等準則及轉變不會對本集團之綜合賬目構成重大影響。