

Chairman's Statement



Profit and dividend for the year

I am pleased to present the 2004 annual report of the Group. The audited consolidated profit attributable to shareholders and earnings per share for the year ended 31st December 2004 were HK\$563,803,000 and 80.2 HK cents respectively, representing respective increase of 165% and 155% over prior year. The Board of Directors propose the payment of a final dividend of 3.4 HK cents per share at the forthcoming general meeting. Together with the interim dividend of 4.6 HK cents per share, the total dividend for 2004 will amount to 8 HK cents per share, representing 4% increase as compared to 2003.

Strategic Development

While sustaining overall organic growth, the Group has achieved some major strategic developments last year.

To strengthen our core businesses, utility businesses comprising electricity and water supply were acquired in the last quarter of 2004. The Group bought approximately 94.4% equity interest in Electricity Company and 91.4% equity interest in Water Company for HK\$868 million. Locating at the Tianjin Economic-Technological Development Area, which is one of the fastest growing economic and development zones in the Mainland China, Electricity Company and Water Company are well-positioned to tap the benefits of rapid economic development in Tianjin.

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In January 2005, Dynasty was spun off on the Main Board of The Hong Kong Stock Exchange Limited. The initial public offering of Dynasty was well received among institutional and public investors and approximately HK\$776 million has been raised. This was an important step for Dynasty to further its business development in the fast growing China wine market.

For 2004, our strategic investment in the elevator and escalator business reported satisfactory results. OTIS China group has achieved significant growth and brought in additional contribution after its successful reorganization in the last quarter of 2003.

Last but not least, the bio-pharmaceutical operation has introduced a strategic shareholder who has both the production capabilities and experience in the drug business. The operation was well-equipped to tap the huge potential of the bio-pharmaceutical industry in the Mainland China.

Corporate Governance

In November 2004, The Hong Kong Stock Exchange Limited published the conclusions on the exposure of draft Code on Corporate Governance Practices and Corporate Governance Report. The Code on Corporate Governance Practices ("CG Code") will become effective for accounting periods commencing on or after 1 January 2005 (save for the internal control section which will be implemented for accounting periods commencing 1 July 2005). Appropriate actions are being taken by the Group for complying with the Code on Corporate Governance Practices.

Outlook

Despite the crude oil price fluctuation and increasing interest rate, the Group believes that the global economy will maintain a stable growth in the year ahead. The austerity economic measures implemented in the Mainland China will be advantageous for the long term development of the domestic economy. The Group is optimistic on the future economic development of China. By leveraging on the favorable economic development trend of Tianjin, the Group will proactively seek for investment opportunities to strengthen its core businesses. At the same time, the Group will continue to spin off those mature and well-developed businesses in order to realize the implicit value of such businesses and to maximise the return to our shareholders. Strengthening the core businesses and maintaining steady development are the directions for our future development.

Appreciation

On behalf of the Board of Directors, I would like to take this opportunity to express our gratitude to our employees for their dedication and hard work during the year.

Wang Guanghao
Chairman

Hong Kong SAR, 21st April 2005