

Operations Review

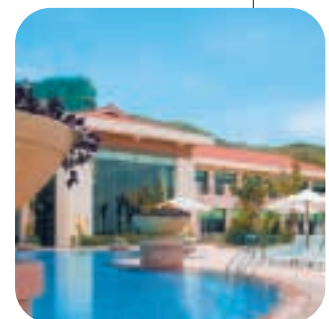
Hong Kong



Beautifully landscaped and featured, Siena in Discovery Bay is designed with Southern European style

Discovery Bay

The improving economy has continued to fuel the sentiments of property end-users and investors who look for high-quality homes and high-return investment potential. The sales re-launch of Siena Two in mid-2004 received keen response from the market both in terms of prices and volume. Of the 250 units marketed, over 95 per cent of the units have been sold with the high-rise units achieving an average selling price of around \$3,400 per square foot (G.F.A.), whilst the low-rise units achieved an average selling price of \$4,100 per square foot (G.F.A.).



Club Siena



Phase 13, Discovery Bay

Construction work of Phase 13, providing over 500 high-rise units, is well in progress with completion targeted towards late 2005. Phase 13 will represent a continuation of the Southern European style of Siena with luxury design elements especially incorporated to meet the surging demand for high-end property units with secluded living environment. As application for the pre-sale consent for the project has been submitted to the respective authority, plans have also been drawn up to release the project to the market in the third quarter of 2005.

With the aim of maximising the potential of Discovery Bay and tapping the anticipated increase of tourists and visitors following the opening of Hong Kong Disneyland on Lantau Island, development of an innovative complex with retail, hotel, entertainment and recreational facilities at Yi Pak Bay has been planned. Adding value to the living quality in Discovery Bay continues to be one of the Group's commitments. Renovation plans for the DB Plaza are set to be implemented in the second half of 2005. The Group holds a 50 per cent interest in the Discovery Bay development.

Enjoying the relaxing environment at DB Plaza is part of the lifestyle in Discovery Bay



Management service for Discovery Bay continued to perform well across the spectrum of city management - customer service, community relations, and lifestyle enhancement. Delivery of impeccable service and total customer satisfaction continues to be the common goal of all levels of the team and, as such, has been achieved through strict adherence to its performance and service pledge, with special emphasis on customer service,



*Club Siena in
Discovery Bay*



Discovery Bay Marina Club

effective resource allocation and cost management. The team has maintained frequent communication and amicable relationship with residents through periodic meetings with different resident groups, including the City Owners Committee, the various Village Owners Committees and the Passenger Liaison Group. The Discovery Bay Lifestyle Enhancement Programme which caters for all residents has continued to add value to this unique community.

Despite the continuing rise in fuel price, the operating costs of the ferry and bus services have remained stable through effective cost control measures. The operation of internal bus service has further improved, following the opening of Club Siena in the second quarter of 2004 and the increase in population of Siena

Entrance of Club Siena, Discovery Bay



Two. An application for a new bus route to the Sunny Bay MTR Station has been submitted to the Government to improve the external transportation network and to provide extra convenience to residents. Commencement of the new bus service has been targeted towards the third quarter of 2005.



The ferry service continues to run smoothly and reliably, whilst the Discovery Bay Tunnel facilitates higher accessibility. In the coming year, the Group expects to see more steady inflow of income from other commercial channels which will add to the overall revenue. With the forthcoming sales launch

of Phase 13, the bus and ferry fleets are geared up to meet the anticipated increase in transportation demand.

The clubs in Discovery Bay continue to deliver high-quality services to members and residents and generate good, stable income for the Group. Club Siena, which opened officially in April 2004, has proven to be a great success and has lifted further the overall standard of recreational facilities in Discovery Bay. An approximate 20 per cent increase in membership has been recorded and additional income generated through the operation of Club Siena has well exceeded expectation. To meet the increasing demand for yacht berthing, the Discovery Bay Marina Club is planning to provide additional slips at the marina.



With its unique geographical location, our property development in Discovery Bay is well poised to benefit from the various Government-planned economic development initiatives for Lantau, including the Tung Chung Cable Car, the Logistics Park road network improvements, the Asia World-Expo, and more imminently, the opening of Hong Kong Disneyland in the third quarter of 2005. The Group's marketing plans and service packages will be designed to reflect the re-positioning of Discovery Bay to capitalise on the maturing infrastructure and large-scale development projects on this outlying island.



Coastal Skyline is an exclusive, luxurious residential property in Tung Chung

Other Property Development, Investment & Management

Coastal Skyline

Against the backdrop of the reviving property market, and with the support of effective sales and marketing strategies, Coastal Skyline in Tung Chung delivered excellent results during its sales launch in 2004. Block 2 of Coastal Skyline was launched for sale in September 2004 and reaped an average selling price of \$3,800 per square foot (G.F.A.) which was higher than those achieved by competitors in the district.

The 41 garden houses of Le Bleu were completed in the first quarter of 2005 and marketed in April. Designs of Le Bleu have redefined the style and standard of luxury houses for discerning buyers. Being the only luxury residential property in the district, and in close proximity to the MTR, the houses have set a record price of over \$25 million per unit in the district and brought forth a higher-than-budgeted return for the Group. The outstanding sales performance of this project was explained not only by the improving economy, but also the market's appreciation for the high quality of the development and its ancillary facilities.



Coastal Skyline received two public recognitions in the last financial year, namely Top Ten Property Marketing Projects and Top Ten Property Sales Brochures, from the Hong Kong Institute of Surveyors, exemplifying the team's expertise in rendering innovative property marketing and promotion campaigns. We will continue to closely monitor and further enhance the competitiveness of our sales and marketing programmes and assist in defining the optimum mix of unit sizes and designs to meet the changing demand of the market.

Two high-rise blocks, Blocks 7 & 8, with a total gross floor area of approximately 633,500 square feet are being constructed. Mid-rise apartment buildings with a total gross floor area of approximately 399,000 square feet are planned. The Group has a 31 per cent interest in the Coastal Skyline project.



Blocks 7 & 8 of Coastal Skyline



DB Plaza, Discovery Bay

Property Investment

Property investment continued to be one of the largest contributors to the Group's income. Prudent strategies were employed by the Group for its investment activities, including disposal of some non-core assets to allow better resource allocation to core projects, and facilitate acquisition of properties which presented good investment potential. During the period under review, the Group acquired the entire second floor of a commercial property in the Peninsula Centre in Tsim Sha Tsui East. Shortly after the close of the financial year, disposal of the 2-level retail podium of La Fontaine in Tai Po and acquisition of Joyce Building, an industrial property, in Wong Chuk Hang were also committed. Strategies have been formulated to strengthen the Group's ability to capture the growth momentum in this business segment and to achieve profit growth for the Group.

Rental from the 50 per cent-owned commercial projects, DB Plaza in Discovery Bay and Discovery Park Shopping Centre in Tsuen Wan, continued to generate stable income for the Group. As at the end of March 2005, occupancy rates of the

Discovery Park Shopping Centre is a popular shopping destination in Tsuen Wan





DB Plaza at the waterfront, Discovery Bay

two properties were 94 per cent and 89 per cent respectively. With the value improvement project planned for DB Plaza starting in the second quarter of 2005, more lettable space and rental income were expected by the upgraded provisions from existing and additional space. The West Gate Tower, an industrial building in Cheung Sha Wan wholly-owned by the Group, reported a satisfactory occupancy of 98 per cent as at the end of March 2005.

Construction

Hanison Construction Holdings Limited, our 49 per cent-owned associate company, also benefited from the up-swinging local economy and recorded an aggregate turnover of HK\$920.7 million, representing 41.0 per cent increase from that of last year, contributed by the increase in turnover in all of its business sectors. Its first property development project in Hong Kong, Golf Parkview, was released to the market in August 2004. Around 60 per cent of the marketed units had been sold at an average price of approximately HK\$3,360 per square foot (G.F.A.) as at March 31, 2005. Taking advantage of the favourable property market and surging demand for low-density housing, the project will continue to bring satisfactory returns for the company in the coming year.

Asia Pacific



The Sukhothai Hotel, Bangkok is a world-renowned hotel with international acclaim

Hospitality

During the past year, the Group continued its commitment to develop its hospitality businesses in the Southeast Asian Region. During the year, all of the operations showed strong growth momentum on all fronts as the overall business environment in the operating markets revived steadily from previous years.



Despite significant competition in Thailand and the tsunami tragedy at end-2004 resulting in a short-term decline in regional travel volume, The Sukhothai Hotel in Bangkok recorded an impressive revenue growth and a commensurate increase in profit compared with the same period last year. Renowned for its unrivaled service, first-class facilities and distinctive architectural designs, the hotel continued to win a number of regional and international



Swimming Pool, The Sukhothai Hotel



One of The Sukhothai Hotel's many deluxe guest rooms

acclaims, re-affirming its prestigious stature and excellence. The Sukhothai Hotel was voted 2nd Best Hotel in the World by Institutional Investor Magazine USA, considered an industry benchmark ranking, and Best Hotel in Asia by The Asset October 2004 issue. The hotel was also awarded in the Asian Hotels category by Conde Nast Traveller. During the past year, the hotel's corporate meeting facilities and renowned Celadon Thai restaurant were successfully re-launched after completion of their renovations and upgrading programmes.

In line with the improving market conditions in Thailand, the Group's deluxe serviced apartments in Bangkok, Siri Sathorn, achieved enormous growth in turnover and profit during the year. This reflected results from the property's repositioning and success in creating market awareness subsequent to its reopening during the previous year. Prospects for its performance and demand for serviced apartments remain positive.



Siri Sathorn in Bangkok



The Sentosa Resort and Spa, together with its world-renowned Spa Botanica, on Sentosa Island maintained its market position as the preferred leisure and business meeting destination for locals and expatriates in Singapore. During the period under review, the operation recorded a significant increase in turnover with a commensurate increase in profits. To further strengthen its leading

position in its service category, expansion of its recreation and spa facilities was completed, whilst phased renovation of its rooms has been underway with completed rooms to come on line in the coming year.

The Sentosa Resort and Spa has been enjoying minimal competition in its category on the Island and will continue to maintain and capitalise on its strong and well-established identity. Substantial resort, casino and tourism developments are planned for Sentosa Island in the coming years which will further fuel business growth.



The Sentosa Resort and Spa - a haven of serenity



A meticulously decorated restaurant for dining pleasure at The Sukhothai Hotel

It has been a successful year for the hospitality businesses, and prospects for both the Singapore and Thailand markets remain positive. While new supply is to come on line in the Bangkok market in the coming years, The Sukhothai Hotel enjoys an established position which will continue to be fortified by service innovation and improvements to the physical facilities. A hotel and residential expansion development on the property acquired adjacent to the hotel is to commence

in the coming year. With the increasing regional and global travel, it is anticipated that contribution from the hospitality businesses to the Group's profit will continue to increase in the coming year.

Our hospitality businesses have been an extension and the realisation of the Group's commitment to create a quality lifestyle which will continue to be the main driver of the businesses' growth. Looking ahead, expansion of the Group's hospitality interests will continue through a mix of capitalisation of its reputable brands, enhancement of management expertise, and expansion and development of the individual and new properties.



Real Estate Development

Planning and design of the Group's luxury residential development at Nassim Road in Singapore progressed satisfactorily during the year as the local economic conditions improved and consumers' confidence in the property market gradually returned. The project comprises 30 units of 4-storey deluxe condominium units built around a prime site of 4,214 square metres within walking distance of Orchard Road. Foundation works for the project have been planned and are expected to commence before the end of the year.

The economy in Singapore grew by around 8.4 per cent over the previous year. With the announcement for two integrated resorts to be located at Marina Bay and Sentosa, positive growth is expected for the economy. The private residential market is expected to move at a steady pace for the rest of 2005. Sales strategies for the Nassim Road development will depend on local market conditions and the Group will continue its efforts in exploring new opportunities for property development and investment in the region.



Healthcare Services

Healthcare services have been the Group's other major area of active business development. Our wholly-owned subsidiary, GenRx Holdings Limited ("GenRx"), has achieved substantial growth in revenue and steady expansion through its medical and dental subsidiaries in Hong Kong, China, and the Asia Pacific Region. The growing operations are primarily driven by the gradually rising demand for quality, specialty healthcare services and the general population's increasing health consciousness.

AmMed Cancer Centre at the Hong Kong Adventist Hospital achieved satisfactory operating results, providing comprehensive ambulatory cancer diagnosis and treatment services. The



AmMed Cancer Centre, Hong Kong



Group has planned to open a new out-patient facility in Central, Hong Kong towards the third quarter of 2005 and established a joint venture with the Ruijin Hospital in Shanghai, China targeted to commence operation in 2006. To tap the increasing potential driven by the economic growth in China, AmMed has also planned to introduce similar centres to several other major cities in China progressively.



CardioMed Heart Centre, Hong Kong

Qualigenics Diabetes Centre, a joint venture with the Chinese University of Hong Kong, continued to provide protocols for the prevention and treatment of diabetes. The Centre also provides other associated services, including weight management programmes,

medical consultations, and health education for patients. Clinics in Central and Shatin, Hong Kong now operate full time to meet the increasing market demand. In March 2005, operation of the CardioMed Heart Centre in Central, Hong Kong commenced with the aim of providing out-patient cardiovascular diagnostic services. This new operation will be supported by a medical imaging facility with its service launch targeted for the third quarter of 2005.

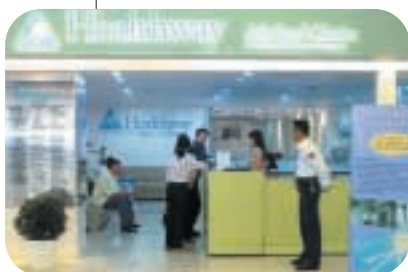
Qualigenics Diabetes Centre, Hong Kong



The Beijing-based Arrail Dental Group continued to operate as one of the leading dental groups in China. Its clinic in Shenzhen, relocated within the same area to offer more comprehensive dental services in a larger and more strategic location, is now considered to be one of the largest and most modern private dental clinics in Southern China. Orthodontics Asia, a Shanghai-based operation providing orthodontic and dental services to locals and expatriates, is the only private dental network in China focused on this specialty. Its third clinic was opened in Pudong, Shanghai in October 2004. In Hong Kong, Health & Care Dental Group operates one of the largest dental clinic networks with over 16 clinics operating throughout the territory. With successful implementation of cost control and marketing strategies, the clinics recorded growth in revenue and an increase in profitability during the period under review.



Arrail Dental, Beijing



*Healthway Medical Clinics,
the Philippines*

The Group's Healthway Medical Clinics, the largest private network of multi-specialty medical clinics in the Philippines, continued to achieve satisfactory results in revenue and services. The strategic relocation of clinics to shopping malls has resulted in increased walk-in business and higher revenues. This subsidiary is now placing more focus on attracting corporate clients so as to reduce its dependence on the local Health Maintenance Organisations business.

The Group will continue, through GenRx, to build on its expertise in specialty medical and dental services with continuing strategies to consumerise and modernise healthcare services. It is poised to become a leading healthcare services provider in Hong Kong and in the Asia Pacific Region.

Currently, GenRx's medical and dental subsidiaries operate in 38 locations in 5 cities (Hong Kong, Beijing, Shanghai, Shenzhen, and Manila), serving a base of over 750,000 patients.



Staff of the AmMed Cancer Centre

Manufacturing

The Group's bathroom furnishing operation, Imperial Bathroom Products Limited, maintained its position in the quality segments of the market and cost-effectiveness in terms of production.

More retail outlets were opened in Australia and the United Kingdom where growth momentum was strong. Whilst the product range in the United States was increased to provide customers with a wider selection of bathroom furnishings, the strategy to move towards the "boutique" market in the United States to further strengthen the brand's identity of superior quality has helped secure profit margins. Competition in all markets continued to



Bathroom furnishings showroom

be vigorous. The Group believes that the continued growth of the China and overseas economies will induce steady increase in demand for our products and present good prospects for our business.



In tandem with the strategy to tap the potential of China, prudent expansion has been planned for India, South Korea and other European countries if opportunities prove to be viable. For instance, the Group has started supplying to a major international

hotel group in India. Production capacity has been increased from 1 million product pieces per year to 1.6 million to facilitate the expansion and successful implementation of future plans.

Mainland China



The development project in the commercial and cultural centre of Jingan, Shanghai

Property Development & Investment

The Group's strategy to capitalise on the fast-growing economy of Mainland China continued through active exploration to broaden its property development and investment portfolio.

Focus has been placed on the development project in Jingan, Shanghai, for which the Group has entered into agreements with the relevant local authorities to redevelop a prime site into a complex of offices, retail space, serviced apartments and hotels of a total gross floor area of approximately 291,000 square metres. Strategically located in a prime location in the Jingan District, where international business and cultural activities thrive, the Group aspires to turn the 6-hectare site into a new landmark of the district.



The central government's measures to combat over-heating and speculation in the property market delayed the demolition and resettlement works for the Jingan project. Nevertheless, the Group will continue to negotiate and coordinate with the Jingan district government, targeting to start the resettlement and land clearance before the end of 2005 and to complete the whole process in phases by 2007. Phasing of the project will be planned to respond to market situation.

Chelsea, the luxury serviced apartment building owned by the Group in Shanghai, continued to generate good returns for the Group during the period under review with an average unit occupancy of around 96 per cent and gross daily rental of US\$0.71 per square metre. The surging economy of Shanghai has continued to



Luxury serviced apartment of Chelsea, Shanghai



Chelsea is the first-choice luxury serviced apartments in Shanghai

fuel the strong demand for high-quality property which Chelsea has already earned its reputation as the first-choice address for local and overseas executives. As Shanghai is playing an increasingly important role on the international stage with continued inflow of overseas capital, the Group is confident that its property development and investment in the city will reap promising returns in the medium run and will form a strong base for its pursuits in other parts of the country.

Occupancy at the Exchange, another project of the Group's investment at a prime location in Tianjin, China, continued to benefit from the rising economy of the city supported by its maturing infrastructure. Phase 1 of the development, which included the north office tower and a retail mall, recorded occupancy rates of approximately 93 per cent and 97 per cent respectively. Construction of Phase 2 of the development, comprising the south office tower and a hotel, has been scheduled to commence in July 2005 with completion targeted for the second half of 2007. With the completion of the underground rail network linking the site to other parts of the area towards the end of 2005, the Exchange is expected to generate additional income for the Group in the medium run. The Group owns a 15 per cent interest in the project.

Building on its experience and expertise in developing high-quality, lifestyle-oriented projects, the Group will continue to explore new development and investment opportunities in the Mainland to pave way for prominent growth and greater presence in this gigantic market.

Securities Investment

The world financial market had another volatile year. Sentiment in equity trading was mainly driven by interest rate hike, rumours on renewed terrorist activities, speculative rises of oil and commodity prices, sign of reversal in economic growth momentum, and concern over corporate earnings. The fixed income market suffered continuous sell-off in anticipation of a series of rate hikes by US Federal Reserve. An initial clear trend of US dollar weakening was disrupted by abrupt corrections after December 2004. Continual speculation on Renminbi revaluation caused large capital inflows into the local banking system and pushed down the Hong Kong dollar interest rate in the second half of the financial year under review.

However, the securities investment unit with a diversified asset base backed by different tactical investment strategies was able to make a positive contribution to the Group. The Group managed its financial assets by a very disciplinary approach through collective efforts of in-house investment personnel and external professional asset managers.

Our People & Process Management

Human Resources & Administration

As at the end of March 2005, the Group employed a total of approximately 3,000 staff in Hong Kong and overseas. To support the steady growth of the Group, staff recruitment has been expanding accordingly, whilst our human resources system continues to maintain a high-quality workforce.

The Group's remuneration policy aims to attract, develop, reward and retain quality staff. To remain as a competitive employer, the Group's policy is structured to reflect market conditions and the staff's individual contribution. Recently, a Remuneration Committee has been set up to conduct periodic reviews of remuneration for senior management of the Group.

The Group continues to maintain good relationship and communication with its employees. Various initiatives including the Staff Day, the Annual Dinner and internal newsletters are taken to enhance employee relations, improve staff morale, increase employee commitment and sense of belonging to the Group, as well as

to encourage useful exchange of comments and suggestions between employees and the management. These staff-related endeavours will work as catalysts for the Group's growth and competitiveness.



Staff Day in 2004

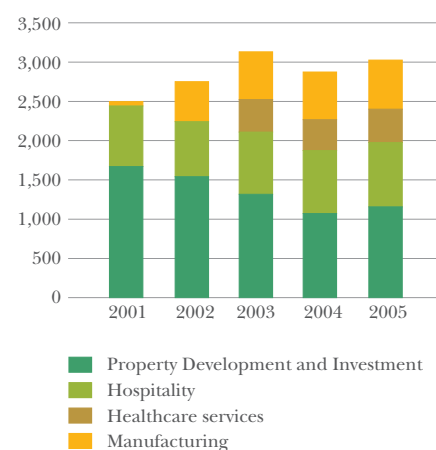
Structured staff development programmes form an important and integral part of the Group's human resources management. Training sessions covering a spectrum of areas are provided for staff to help improve their skills and knowledge and to help them realise their

full potential. Special emphasis is placed on both external and internal customer services and plans are in place to implement a comprehensive customer service enhancement programme for staff throughout the Group.

Headcount by Year



Headcount by Business



Being a caring corporate citizen has long been one of the Group's core values and commitment towards contributing to the community remains strong. Charity causes such as donation programmes were arranged to demonstrate our care for the needy. Our support for the community extends beyond monetary donations, other community involvement programmes, such as fun day in Discovery Bay for underprivileged children, have been held.

In response to the South Asia tsunami tragedy in December 2004, the Group initiated a donation programme and contributed HK\$1.5 for every dollar donated by the staff and raised approximately HK\$1 million within only a few days. A subsequent charity day in Discovery Bay also raised over HK\$200,000 for the Hong Kong Red Cross for tsunami relief.



Staff performance at 2004/2005
Annual Dinner



Club management system enhances operational efficiency

Information Technology

The Group has been adopting advanced information technology and system intelligence to assist in attaining efficient work process; delivering prompt, professional service to customers; and ensuring competitiveness.

System integration of the clubs in Discovery Bay was achieved through the implementation of the Club Management System in the second half of 2004. The Group has also been exploring the introduction of electronic services to further enhance the convenience of use for club members and residents.

Free wireless internet broadband access has been set up at Pier 3, Central and in designated areas in Discovery Bay. This service has been well received by residents of Discovery Bay. Extension of WiFi service to other clubs and areas in Discovery Bay is well in hand.

A community website www.dbay.com.hk dedicated to Discovery Bay residents was launched to enhance the communication between the Group and residents and facilitate our better understanding of residents' needs and expectations, which is useful for the development of future plans and formulation of lifestyle programmes and marketing strategies for Discovery Bay.



WiFi service is well received by Discovery Bay residents



www.dbay.com.hk is a platform to enhance communication between the Group and Discovery Bay residents

The Group maintains a secure and reliable information technology infrastructure, ensuring that strategic and effective information resources are available to meet organisational goals and priorities.