

# Managing Director's Statement

## 董事總經理報告

### REVIEW OF RESULTS

Turnover of the current period was HK\$298,903,000, which amount was approximate to the sum of HK\$292,402,000 of the previous period. However, there were significant changes in the turnover of individual business. Turnover in respect of dealing in distressed assets increased by HK\$120,197,000. During the current period, the increase in turnover of dealing in distressed assets was sufficient to set off against, and also exceeds the effects of the decrease in turnover of sales of properties in the sum of HK\$71,028,000 and the decrease in turnover of investment in the sum of HK\$32,396,000 caused by the decrease in securities trading activities.

The profit attributable to shareholders for the current period was HK\$354,973,000, which has recorded an increase of HK\$232,061,000, representing an increment of approximately 189% as compared with that of the previous period. Earnings per share also recorded an increase of 12.1 HK cents from 8.1 HK cents to 20.2 HK cents, representing an increment of approximately 149%. This significant increment in results performance was due to the consolidated effects of the following major factors:

For the current period, income from dealing in distressed assets increased by HK\$120,185,000 to HK\$189,946,000 (including HK\$100,000,000 performance return from the Macau Assets and HK\$89,946,000 from the Cinda Portfolio). In the previous period, there was only HK\$69,761,000 commission income from the Macau Assets.

Profit contribution from properties leasing and sales of properties decreased by HK\$23,966,000 and HK\$10,945,000 respectively. The decreases have been compensated by the increase in contribution from investment amounted to HK\$41,945,000.

Increase in other operating income of HK\$21,485,000 was mainly due to increase in interest income of HK\$15,808,000 and the unrealized holding gain of HK\$9,265,000 in respect of other investments recorded only in the current period.

### 業績回顧

本期間之營業額為298,903,000港元，金額與去年同期之292,402,000港元相約。然而個別業務之營業額變化卻非常重大。於本期內，處置不良資產之營業額所增加的120,197,000港元足夠抵銷並超越了物業銷售之營業額因期內沒有物業銷售而減少71,028,000港元物業銷售營業額以及投資方面之營業額因投資活動減少而減少32,396,000港元的影響。

本期內股東應佔盈利為354,973,000港元，與去年同期比較，錄得232,061,000港元增長，即相當於189%增幅。每股盈利同時亦由去年同期的8.1港仙增加12.1港仙至20.2港仙，即相當於149%增幅。業績表現能取得顯著增長，全賴下述各主要因素之綜合影響所致：

於本期內，來自處置不良資產業務所產生的收益增加120,185,000港元至189,946,000港元（包括來自澳門資產的超收分成100,000,000港元及來自信達資產包之處置收益89,946,000港元）。於去年同期，只有來自澳門資產的69,761,000港元佣金收益。

物業租賃及物業銷售之溢利貢獻分別下降23,966,000港元及10,945,000港元。此等收益減少已被投資收益增加41,945,000港元所抵銷。

其他經營收入增加21,485,000港元是由於利息收入增加15,808,000港元以及只在本期間錄得9,265,000港元之其他投資未變現持有收益所致。

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## 董事總經理報告

### REVIEW OF RESULTS *(continued)*

There was no other operating expenses in the current period. In the previous period, there were unrealized holding loss on securities investment of HK\$13,640,000 and amortization of goodwill of HK\$2,794,000. The Group adopted new accounting policy in the current period and ceased to amortize goodwill from 1 January 2005.

Increase in administrative expenses of HK\$19,910,000 was mainly due to the additional direct costs such as professional fees, legal fees and consultancy fees incurred in searching and evaluating on potential distressed assets deals.

Increase in finance costs of HK\$16,349,000 was due to the issuance of convertible notes with principal amount of HK\$780,279,000 in aggregate by the Group in the fourth quarter of 2004 which has interest charges for the current period only.

The Group recorded certain one-time gain for the current period. Firstly, the Group revalued its investment properties and leasehold land and buildings for the first time in the current period in accordance with the new accounting policies. A valuation gain of HK\$55,630,000 in respect of investment properties was recognized as income in the current period. The increase in the valuation of leasehold land and buildings resulted in a reversal of deficit on revaluation of HK\$8,255,000 previously charged to the income statement which was also recognized as income in the current period. Secondly, the Group increased its investment in Beijing East Gate Development Co., Ltd. by acquiring an additional 7.99% equity interest. The acquisition resulted in a discount on acquisition (previously known as negative goodwill) amounted to HK\$73,476,000, which was recognized as income for the current period.

### 業績回顧 (續)

其他經營支出減少至零是由於只在去年同期錄得13,640,000港元其他投資未變現持有虧損以及2,794,000港元商譽攤銷所致。本集團自二零零五年一月一日起採納新的會計政策並停止對商譽進行攤銷。

行政費用增加19,910,000港元，主要是由於期內積極尋找及考察潛在的不良資產項目所產生的、額外的直接費用如專業收費、律師費以及顧問費等所致。

財務費用增加16,349,000港元，是由於本集團在二零零四年第四季度發行本金總額780,279,000港元可換股票據，並只為本期間所產生利息支出所致。

本集團於本期間錄得若干一次性的收益。其一為本集團根據新採納的會計政策，首次於本期間重估其投資物業以及租賃土地及樓宇。重估投資物業所產生的55,630,000港元公平值增值已確認為本期間的收益。重估租賃土地及樓宇所產生的增值導致較早前已扣減收益的8,255,000重估虧絀須予回撥並確認為本期間的收益。其二為本集團於期內透過收購額外7.99%股份權益，增加其於北京東環置業有限公司之投資，該項收購產生73,476,000港元收購折讓(前稱負商譽)並確認為本期間的收益。

# Managing Director's Statement

## 董事總經理報告

### BUSINESS REVIEW & PROSPECTS

#### Property Investments, Development and Management

For the current period, profit contribution from property leasing amounted to HK\$16,783,000 (2004: HK\$40,749,000). The decrease in profit contribution was mainly due to the decrease in the gross rental of the East Gate Plaza, which is the Group's major source of rental income. The gross rental of the East Gate Plaza has decreased from HK\$39,900,000 in the previous period to HK\$26,500,000 in the current period. The decrease was mainly due to the renovation works, which started in the second half-year of 2004 and continued in the current period, carried in phases to refurbish the units in the East Gate Plaza for the purpose of raising future rental income. In addition, the disposal of several luxury flats in the second half-year of 2004 and at the beginning of the year 2005 also reduced the rental income.

In the current period, the Group had no income from sales of developed properties. The second phase of the Group's development project in the Tiexi District of Shenyang, which is known as the East Gate Metro Garden, is now in the stage of finished topping. The developed property is ready for sales/pre-sales in the second half year of 2005 and is capable of generating income in early 2006. At the same time, the Group has started planning the third phase of the Tiexi development project.

There was no significant change in respect of the Group's property management business during the current period. Yinda Property is still managing 24 property projects with a total floor area of approximately 2,900,000 square meters. Yinda Property maintains its development strategy to achieve economy of scale through expansion.

### 業務回顧及展望

#### 物業投資、發展及管理

於本期間，物業租賃之溢利貢獻為16,783,000港元（二零零四年：40,749,000港元）。溢利貢獻減少主要是由於佔本集團主要租金收入來源的東環廣場之毛租金收入下跌所致。東環廣場之毛租金從去年同期的39,900,000港元下跌至本期內的26,500,000港元。下跌的主要原因是由於東環廣場從二零零四年下半年開始一直至本期間以分階段方式為東環廣場的出租單位進行更新改造工程，以便提高未來的租金收入。此外，經於二零零四年下半年以及於二零零五年年初出售若干豪宅物業後，租金亦因而有所減少。

於本期間，本集團沒有任何來自銷售發展物業的收入。本集團於瀋陽市鐵西區名為東環時代花園的第二期發展項目目前正在進行平頂階段。該發展物業目前已準備就緒，可於二零零五年下半年開始發售／進行預售並可於二零零六年年初產生收益。與此同時，本集團已開始策劃瀋陽市鐵西發展項目的第三期建設。

本集團的物業管理業務於期內並無重大轉變。銀達物業仍然負責管理24項物業，總面積約達2,900,000平方米。銀達物業維持以「通過擴張達至經濟規模效益」為發展策略。

# Managing Director's Statement 董事總經理報告

## BUSINESS REVIEW & PROSPECTS *(continued)*

### Property Investments, Development and Management *(continued)*

In the current period, the Group made new investment in a development project located at the Tong Zhou District of Beijing, which is known as the “Zi You Xiao Zhen”. The development project has a site area of approximately 320,000 square meters and gross floor area of 802,000 square meters. The project is now in the process of demolishing and re-dwelling the existing tenants.

The Group is also considering making investment in new developments project in Beijing including “Si He Yuan” properties.

### Infrastructure Investments

For the six months ended 30 June 2005, profit contribution from CII was HK\$58,794,000 (2004: HK\$45,303,000). The relative stable profit contribution from CII to the Group is maintained through the disposal of road and bridge projects, which are capable of generating one-off gains. In the current period, CII disposed of its entire interest in the Wuhan Baishazhou Bridge at a total consideration of approximately HK\$460,271,000 and realized extra fund for working capital. Currently, CII's strategy is to dispose of all the road and bridge projects when opportunities arise.

## 業務回顧及展望 *(續)*

### 物業投資、發展及管理 *(續)*

於本期間，本集團投資一項新的發展項目，項目位於北京市通州區，並已命名為「自由小鎮」。該發展項目之地盤面積約320,000平方米，建築面積約802,000平方米。該項目目前正展開拆遷及安置現有居民的工作。

本集團現正考慮於北京市投資興建包括「四合院」在內的物業開發項目。

### 基礎建設投資

截至二零零五年六月三十日止六個月，中基之溢利貢獻為58,794,000港元（二零零四年：45,303,000港元）。中基為本集團提供相對穩定的溢利貢獻，主要是通過出售道路及橋樑項目所產生的一次性收益達至。於本期間，中基以總代價約460,271,000港元出售其於武漢白沙州大橋之全部權益並回籠額外營運資金。中基目前之策略是在遇到合適機會時出售其全部道路及橋樑項目。

# Managing Director's Statement

## 董事總經理報告

### BUSINESS REVIEW & PROSPECTS (continued)

#### Infrastructure Investments (continued)

The project portfolio of CII as at 30 June 2005 is analyzed as follows:

		<b>Effective interest of CII</b> 中基所佔之實際權益 <i>Percentage</i> 百分比	<b>Net Asset Value attributable to CII</b> 中基應佔淨資產 <i>HK\$'m</i> 百萬港元
Luohe Shahe Bridge and Wangdian Bridge	漯河沙河大橋及 王店立交橋	70%	93.2
Jiangxi #320 State-road	江西320國道	80%	269.3
Henan Zhoukou #311 State-road	河南周口311國道	80%	149.6
Taian Nature Gas Pipeline	泰安天然氣管道	80%	85.0
United East Petrochemical	東聯化工	25%	53.6
			650.7
Bank balances and cash	銀行結餘及現金		606.7
Others	其他		540.8
			1,798.2
<b>Net assets attributable to the Group</b>	<b>本集團應佔淨資產</b>		<b>899.1</b>

For the current period, the Tainan Gas Pipeline project was operating at a roughly break-even level due to the problem of inadequate gas supply. CII will spend more efforts on sourcing gas supply and has confidence to provide adequate gas supply for the project in the future.

Currently, the contribution of the newly invested United East Petrochemical to CII was limited and amounted to HK\$3,617,000. Apart from its core production, United East Petrochemical has successfully completed its test-production for oil-refinery in the first half-year of 2005 but did not engage in large-scale production in light of the current high crude oil prices, which has the effect on reducing profit margin.

### 業務回顧及展望 (續)

#### 基礎建設投資 (續)

中基於二零零五年六月三十日之基建項目組合分析如下：

		<b>Effective interest of CII</b> 中基所佔之實際權益 <i>Percentage</i> 百分比	<b>Net Asset Value attributable to CII</b> 中基應佔淨資產 <i>HK\$'m</i> 百萬港元
Luohe Shahe Bridge and Wangdian Bridge	漯河沙河大橋及 王店立交橋	70%	93.2
Jiangxi #320 State-road	江西320國道	80%	269.3
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United East Petrochemical	東聯化工	25%	53.6
			650.7
Bank balances and cash	銀行結餘及現金		606.7
Others	其他		540.8
			1,798.2
<b>Net assets attributable to the Group</b>	<b>本集團應佔淨資產</b>		<b>899.1</b>

在本期間，由於氣源供應不足，泰安天然氣管道項目的營運只能達至收支平衡水平。中基將致力尋找氣源並且有信心為該項目落實足夠氣源。

新投資的東聯化工目前僅為中基貢獻有限之溢利，金額為3,617,000港元。除其原有之生產外，東聯化工已於二零零五年上半年成功完成煉油生產測試，鑑於原油價格目前正處於高水平並嚴重收窄溢利空間，故沒有展開大規模生產。

# Managing Director's Statement 董事總經理報告

## BUSINESS REVIEW & PROSPECTS (continued)

### Financial Investment

#### Distressed Assets Business

##### The Macau Assets

Basically, the disposal of the Macau Assets has substantially been completed during the current period. The Group received a further performance return in the amount of HK\$100,000,000 from the disposal of the Macau Assets. There is only a small amount of Macau Asset remain and are pending for further disposal. The directors expect that there will only be nominal income generated from the disposal of the remaining Macau Assets.

##### The Cinda Portfolio

For the current period, the Cinda Portfolio has contributed HK\$89,946,000 income to the Group. Up to 30 June 2005, the principal amount of distressed assets in the Cinda Portfolio that has been disposed of was approximately HK\$6.4 billion in aggregate, representing approximately 12% of total principal amount of the Cinda Portfolio. The cash recovered was approximately HK\$316,574,000 in aggregate. The effective cash recovery was approximately 5%. However, the progress of disposal is not satisfactory. To speed up the disposal of the Cinda Portfolio, the directors of the Company and China Cinda has decided to break the Cinda Portfolio into smaller packages of distressed assets and to dispose of these packages of distressed assets by auctions or other possible means, apart from the existing disposal on its own efforts.

## 業務回顧及展望 (續)

### 金融投資

#### 不良資產業務

##### 澳門資產

澳門資產之處置工作基本上已於本期間完成。本集團從處置澳門資產額外收取100,000,000港元超收分成。現時只剩餘少量澳門資產仍待處置。董事預期處置餘下之澳門資產僅能產生有限收益。

##### 信達資產包

於本期間，信達資產包為本集團貢獻89,946,000港元收益。截至二零零五年六月三十日，已處置之信達資產包債權資產累計本金總額約達64億港元，約相當於信達資產包本金總額之12%。累計處置回收現金約為316,574,000港元。折算所得之現金回收率約為5%；然而處置之進度未算理想。為加速處置信達資產包，董事以及中國信達已決定除目前採取自行處置的方式外，同時把信達資產包分割成為數額較少的債權資產小包並通過拍賣方式或其他可行方法處置該等小包。

# Managing Director's Statement 董事總經理報告

## BUSINESS REVIEW & PROSPECTS *(continued)*

### Financial Investment *(continued)*

### Distressed Assets Business *(continued)*

#### Strategic Partner

Pursuant to the memorandum of understanding entered into between Citigroup Financial Products Inc. ("Citigroup") and the Company for the purpose of investing in, through a 50-50 joint venture basis, distressed assets to be identified in the future, Citigroup together with the Group have taken an active role in searching and evaluating investment opportunities. The Group is currently considering making investments in one or several distressed assets, which is expected to be concluded in the near future.

## FINANCIAL REVIEW

### Exchange Exposure & Hedging

The Group has a USD denominated convertible notes in the amount of USD52,500,000 (equivalent to HK\$409,500,000) and USD time deposits in the amount of USD77,300,000 (equivalent to HK\$602,900,000) with a net USD denominated asset of USD24,800,000 (equivalent to HK\$193,400,000).

Except for the above, the Group's principal assets, liabilities, revenue and payments are denominated in HKD and RMB. Despite the recent mild appreciation of the RMB exchange rate, the directors believe that the RMB exchange rate will only appreciate by a small percentage in the foreseeable future. In addition, HKD is pledged to the USD and such currency peg is unlikely to break in the foreseeable future. In this regard, the directors believe that exposure to exchange rate fluctuations will not have material adverse effect to the Group.

## 業務回顧及展望 *(續)*

### 金融投資 *(續)*

### 不良資產業務 *(續)*

#### 策略夥伴

根據 Citigroup Financial Products Inc. (「花旗銀行」) 與本公司為共同 (透過成立 50-50 合營公司模式) 投資於未來落實的不良資產項目而簽訂之備忘錄，花旗銀行與本集團正以積極態度尋找及考察投資機會。本集團目前正考慮投資一個或多個不良資產項目並期望於短期內落實投資決定。

## 財務回顧

### 匯兌風險及對沖

本集團有以美元為單位的可換股票據 52,500,000 美元 (相當於 409,000,000 港元) 以及美元定期存款 77,300,000 美元 (相當於 602,900,000 港元)，美元資產淨額 24,800,000 美元 (相當於 193,400,000 港元)。

除上文所述外，本集團的主要資產、負債、收入及支出都是以港元及人民幣為主。即使人民幣匯率近期曾作出輕微升值，董事會相信人民幣匯率於可預見的未來只會再升值若干百分點。此外，港元是與美元掛鈎，此項貨幣掛鈎政策於可預見的未來都不會解除。因此董事局相信因匯率變動所引致的匯兌風險將不會對本集團產生重大負面影響。

# Managing Director's Statement

## 董事總經理報告

### FINANCIAL REVIEW (continued)

#### Exchange Exposure & Hedging (continued)

The Group's policy is not to engage in any speculative activity other than making appropriate arrangements for hedging purposes where the business requires. There was no hedging transaction contracted for by the Group during the current period.

#### Working Capital & Borrowings

The Group's total borrowings as at 30 June 2005 amounted to approximately HK\$1,422,498,000 of which approximately HK\$627,318,000 was short-term bank loan and the remaining was long-term mortgage loan and convertible notes. Over 90% of the short-term bank loan was represented by the working capital loan utilized by the Group's subsidiary — Beijing East Gate Development Co., Ltd. and the remaining was the current portion of a long-term mortgage loan. Interest rate for the short-term bank loan was charged at floating rate and the prevailing applicable interest rate was between 3.375% and 5.310% per annum. The interest rate for the long-term mortgage loan was charged at floating rate and the prevailing applicable interest rate was 3.375% per annum. The convertible notes have a coupon rate of 1.5% per annum but interest was charged to income at notional market rate of 2.30% and 5.08% per annum with effect from 1 January 2005 to comply with the new accounting policy.

The cash and bank balances as at 30 June 2005 was HK\$1,173,058,000 and the Group has a net current assets amounted to HK\$563,448,000 at the balance sheet date. In addition, the Group has unutilized banking facilities amounted to HK\$244,239,000. In this regard, the directors are confident that working capital of the Group is adequate for daily operations and the Group has a healthy financial position.

### 財務回顧 (續)

#### 匯兌風險及對沖 (續)

本集團的政策一向不鼓勵進行任何投機活動，唯因應業務需要而作出適當的對沖安排除外。本集團於本期內並無簽訂任何合同形式的對沖交易。

#### 營運資金及借貸

本集團於二零零五年六月三十日之借貸總額約為1,422,498,000港元，其中約有627,318,000港元為短期之銀行貸款，餘數為長期之按揭貸款及可換股票據。短期銀行貸款中逾90%為本集團附屬公司 — 北京東環置業有限公司的流動資金貸款，其餘為一項長期之按揭貸款一年內到期部分。短期銀行貸款利息以浮動利率計算，當前適用之年利率介乎3.375%至5.310%之間。長期按揭貸款之利息以浮動利率計算，當前適用之年利率為3.375%，可換股票據的票面利息為年利率1.50%計算，然而其相關的利息支出則從二零零五年一月一日起以適用的市場利率2.30%及5.08%計算。

於二零零五年六月三十日之現金及銀行存款結餘為1,173,058,000港元，而本集團於資產負債表日有流動資產淨額563,448,000港元。加上本集團有尚未提用之銀行授信額度總額244,239,000港元。據此董事相信本集團之流動資金足夠應付日常營運所需並且本集團擁有良好的財務狀況。



# Managing Director's Statement

## 董事總經理報告

### FINANCIAL REVIEW (continued)

#### Capital Structure

As at 30 June 2005, the shareholders' fund of the Group was HK\$3,878,306,000, representing an increase of HK\$331,505,000 or 9% compared to that as at 31 December 2004. During the current period, HK\$87,934,000 was paid to shareholders of the Company as final dividend for the year 2004.

#### Human Resources

As at 30 June 2005, the Group employed approximately 1,600 employees in Hong Kong and in the PRC. The Group offers its employees competitive remuneration packages, which are consistent with the prevailing market practice. In addition, the Group will pay discretionary bonus and/or grant share options to the eligible employees according to their individual performance and depending on the Group's overall results. During the current period, the Company also followed market practice in setting up a remuneration committee to monitor remuneration issues of the directors and senior management. Total staff costs for the current period was HK\$20,142,000 (2004: HK\$16,062,000).

#### Capital Commitments and Contingent Liabilities

The Group did not have any material capital commitment as at 30 June 2005 and the Group did not incur any new contingent liability, which is material during the current period.

#### Public Float

Based on the information that is publicly available to the Company and within the knowledge of its directors, as at the date of this report, there is sufficient public float, as not less than 25% of the Company's issued shares are held by the public.

### 財務回顧 (續)

#### 股本結構

於二零零五年六月三十日，本集團之股東資金為3,878,306,000港元；較二零零四年十二月三十一日之數額增加331,505,000港元，升幅為9%。本期內，本公司已向其股東派付二零零四年末期股息87,934,000港元。

#### 人力資源

於二零零五年六月三十日，本集團於香港及中國僱用約1,600名僱員。本集團為其僱員提供一套符合市場慣例且具有競爭性的薪酬制度。此外，本集團會根據個別員工的表現及本集團的整體業績，向合資格僱員酌情發放花紅及／或授出購股權。於本期內，本公司亦依據市場慣例成立薪酬委員會以監察董事及高級僱員之薪酬事宜。本期間的總員工支出為20,142,000港元（二零零四年：16,062,000港元）。

#### 資本承擔及或然負債

本集團於二零零五年六月三十日並無任何重大之資本承擔，同時本集團於本期內並無新做任何重大之或然負債。

#### 公眾持股量

根據本公司取得的公開資料及就董事所知悉，在本報告刊發之日，本公司之公眾持股量是足夠的，此乃因為公眾持股量並不少於本公司已發行股份之百分之二十五。

# Managing Director's Statement

## 董事總經理報告

### PURCHASE, SALES OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of its listed securities during the period ended 30 June 2005.

By order of the Board of  
**Silver Grant International Industries Limited**  
**Gao Jian Min**  
*Managing Director*

Hong Kong, 20 September 2005

### 購回、出售或贖回本公司之上市證券

截至二零零五年六月三十日止期間，本公司或其任何附屬公司概無購回、出售或贖回本公司任何上市證券。

承董事會命  
**銀建國際實業有限公司**  
*董事總經理*  
**高建民**

香港，二零零五年九月二十日