

The Directors are pleased to present their annual report and the audited financial statements of the Group and the Company for the year ended 31st December, 2004.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The principal activities of its principal subsidiaries, associates and jointly controlled entities at 31st December, 2004 are set out in notes 42, 43 and 44 to the financial statements respectively.

RESULTS AND APPROPRIATIONS

The results of the Group and appropriations of the Company are set out in the consolidated income statement on page 23 and in the accompanying notes to the financial statements.

The Directors have proposed the payment of a final dividend of HK5 cents per share payable to shareholders whose names appear on the register of members of the Company on 3rd June, 2005. Since no interim dividend was paid, the total dividend for the year is HK5 cents per share. Details are set out in note 10 to the financial statements.

INVESTMENT PROPERTIES

During the year, the Group spent HK\$110,000 on investment properties and acquired a further HK\$126,375,000 of investment property on the acquisition of a subsidiary. Certain of the Group's properties under development and properties held for sale with carrying values of HK\$51,249,000 and HK\$44,795,000 respectively were transferred to investment properties.

The Group's investment properties were revalued on 31st December, 2004 at HK\$2,611,336,000. The net revaluation surplus of HK\$135,120,000 has been credited to the income statement.

Details of these and other movements in the investment properties of the Group during the year are set out in note 12 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group spent HK\$18,265,000 on property, plant and equipment. The Group also disposed of certain of its property, plant and equipment with a net carrying value of HK\$635,000.

Details of these and other movements in the property, plant and equipment of the Group during the year are set out in note 13 to the financial statements.

PROPERTIES UNDER DEVELOPMENT

The Group has invested in certain property development projects in Hong Kong and the United States of America. Additional expenditure incurred during the year amounted to HK\$14,321,000. Certain of the Group's properties under development with a carrying value of HK\$51,249,000 were completed and transferred to investment properties. An impairment loss previously recognised of HK\$3,000,000 has been reversed in respect of these properties.

Details of these and other movements in the properties under development of the Group during the year are set out in note 16 to the financial statements.

PROPERTIES

Particulars of major properties of the Group at 31st December, 2004 are set out on pages 90 to 92.

SHARE CAPITAL AND WARRANTS

Details of movements in the share capital and warrants of the Company during the year are set out in notes 25 and 26 to the financial statements respectively.

DIRECTORS

The Directors during the year and up to the date of this report were:

Executive Directors:

Patrick Lee Seng Wei
Li Chi Kong

Non-Executive Directors:

Henry Lai Hin Wing	(re-designated on 28th September, 2004)
Steven Lee Siu Chung	(appointed on 28th September, 2004)

Independent Non-Executive Directors:

Gordon Macwhinnie	
Henry Lai Hin Wing	(re-designated as a Non-Executive Director on 28th September, 2004)
John Douglas Mackie	(appointed on 1st February, 2004)
Steven Samuel Zoellner	(appointed on 28th September, 2004)

In accordance with Article 105(A) of the Company's Articles of Association, Messrs. Li Chi Kong and Henry Lai Hin Wing will retire by rotation and, being eligible, offer themselves for re-election.

In accordance with Article 96 of the Company's Articles of Association, Messrs. Steven Samuel Zoellner and Steven Lee Siu Chung, who have been appointed since the last Annual General Meeting and, before the date of this report, will retire at the forthcoming Annual General Meeting and being eligible, offer themselves for re-appointment as Directors.

DIRECTORS' SERVICE CONTRACTS

None of the Directors proposed for re-election at the forthcoming Annual General Meeting has an unexpired service contract with the Group which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

TERMS OF OFFICE FOR THE NON-EXECUTIVE DIRECTORS

The terms of office of the Non-Executive Directors (including Independent Non-Executive Directors) are subject to re-appointment or retirement by rotation in accordance with Articles 96 and 105(A) of the Company's Articles of Association.

DIRECTORS' INTERESTS

At 31st December, 2004, Messrs. Patrick Lee Seng Wei, Li Chi Kong and Steven Lee Siu Chung, Directors of the Company, had the following interests in the shares and underlying shares of the Company and its associated corporations, within the meaning of Part XV of the Securities and Futures Ordinance ("SFO"), as recorded in the register required to be kept under Section 352 of the SFO:

Name of Director	Name of Company	Number of shares and underlying shares held	Approximate % of the relevant issued share capital	Nature of interest
Patrick Lee Seng Wei	The Company	270,000 (Note 1)	0.05%	Personal interest (held as beneficial owner)
	Allied Group (Note 2)	550,000 (Note 3)	0.21%	Personal interest (held as beneficial owner)
Li Chi Kong	SAC (Note 2)	600,000 (Note 4)	0.08%	Personal interest (held as beneficial owner)
Steven Lee Siu Chung	Allied Group (Note 2)	200 (Note 3)	0.00%	Personal interest (held as beneficial owner)
	Sun Hung Kai (Note 2)	1,000 (Note 5)	0.00%	Personal interest (held as beneficial owner)

Notes:

1. This represents an interest in 270,000 shares of the Company.
2. Allied Group is the ultimate holding company of the Company. Sun Hung Kai is an indirect non wholly-owned subsidiary of the Company. A controlled corporation (within the meaning of Part XV of the SFO) of the Company has a direct interest in more than 20% of the issued share capital of SAC. Therefore, Allied Group, Sun Hung Kai and SAC are associated corporations of the Company within the meaning of Part XV of the SFO.
3. These represent interests in 550,000 shares and 200 shares of Allied Group.
4. This represents an interest in 600,000 share options of SAC giving rise to an interest in 600,000 underlying shares of SAC. The share options were granted on 28th July, 2003 at a consideration of HK\$10.00 and are exercisable at an exercise price of HK\$0.70 at any time during the period from 28th January, 2004 to 27th July, 2013 (both days inclusive).
5. This represents an interest in 1,000 shares of Sun Hung Kai.
6. All interests stated above represent long positions.

Save as disclosed above, at 31st December, 2004, none of the Directors and chief executive of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations, within the meaning of Part XV of the SFO, as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited ("Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code").

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

During the year and up to the date of this report, Messrs. Patrick Lee Seng Wei and Li Chi Kong, Directors of the Company (not being the Independent Non-Executive Directors), are considered to have interests in the following competing businesses pursuant to the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules"):

- (i) Mr. Patrick Lee Seng Wei is a director of Sun Hung Kai which, through certain of its subsidiaries, is partly engaged in the businesses of money lending and property investment;
- (ii) Mr. Li Chi Kong is a director of each of AG Capital and Goldnet Investment Limited, subsidiaries of Allied Group, which are partly engaged in the business of money lending;
- (iii) Messrs. Patrick Lee Seng Wei and Li Chi Kong are directors of Tian An which, through a subsidiary, is partly engaged in the business of money lending; and
- (iv) Messrs. Patrick Lee Seng Wei and Li Chi Kong are directors of Allied Kajima which, through certain of its subsidiaries, is partly engaged in the businesses of property rental, management services and hospitality related activities.

As the Board of Directors of the Company is independent from the boards of the abovementioned companies and none of the above Directors can control the Board of the Company, the Group is capable of carrying on its businesses independently of, and at arm's length from, the businesses of such companies.

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance to which the Company, its holding company, or any of its fellow subsidiaries or subsidiaries was a party and in which the Directors had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the year was the Company, its holding company, or any of its fellow subsidiaries or subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate with the exception of granting of share options to subscribe for shares in the Company's ultimate holding company, Allied Group, under the share option scheme of Allied Group.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

At 31st December, 2004, the following shareholders had interests in the shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Name of Shareholder	Number of shares held	Approximate % of the issued share capital	Notes
Allied Group	401,764,059	74.79%	1
Lee and Lee Trust	401,764,059	74.79%	2, 3

Notes:

1. The interest includes the holding of: (i) 167,061,619 shares held by Capscore Limited ("Capcore"); (ii) 4,186,632 shares held by Citiwealth Investment Limited ("Citiwealth"); (iii) 134,177,783 shares held by Sunhill Investments Limited ("Sunhill"); and (iv) 96,338,025 shares held by Allied Group. Capcore, Citiwealth and Sunhill are all wholly-owned subsidiaries of Allied Group. Allied Group was therefore deemed to have an interest in the shares in which Capcore, Citiwealth and Sunhill were interested.
2. The figure refers to the same interest of Allied Group in 401,764,059 shares of the Company.
3. Mr. Lee Seng Hui, Ms. Lee Su Hwei and Mr. Lee Seng Huang are the trustees of Lee and Lee Trust, being a discretionary trust. They together owned approximately 39.09% interest of the issued share capital of Allied Group and were therefore deemed to have an interest in the shares in which Allied Group was interested.
4. The interest stated above represents long position. At 31st December, 2004, no short positions were recorded in the register required to be kept under Section 336 of the SFO.

CONNECTED TRANSACTION

As disclosed in the joint announcement of the Company, Allied Group and Sun Hung Kai dated 19th July, 2004, a loan agreement dated 19th July, 2004 ("Loan Agreement") was entered into between (i) Bali International Finance Limited ("Bali International"), a wholly-owned subsidiary of Sun Hung Kai which in turn is a non wholly-owned subsidiary of the Company and Allied Group, as the lender; (ii) Ms. Jacqueline Yuen Sin Lai ("Ms. Yuen") as the borrower; and (iii) Mr. Patrick Wong Kwok Hing ("Mr. Wong") as the guarantor pursuant to which Bali International extended a loan of HK\$5,600,000.00 ("Loan") to Ms. Yuen subject to the principal terms as summarised below:

- (i) Interest shall be calculated at the prime rate of interest in Hong Kong for lending of Hong Kong Dollar(s) as quoted by The Hongkong and Shanghai Banking Corporation Limited from time to time plus 3% per annum. Interest would be payable on a monthly basis.
- (ii) The date of repayment of the Loan would be 19th July, 2005.
- (iii) Ms. Yuen executed a power of attorney over a margin financing account held with SHKIS, a wholly-owned subsidiary of Sun Hung Kai and a licensed corporation carrying on the share broking and margin financing business. As additional security for the Loan, Mr. Wong provided a personal guarantee to Bali International in respect of all indebtedness owed by Ms. Yuen pursuant to the Loan Agreement.

CONNECTED TRANSACTION (CONT'D)

One of the core businesses of Sun Hung Kai's major subsidiaries (including Bali International) is money lending including the provision of term loans. The provision of the Loan is a transaction carried out as part of the ordinary business activities of Bali International. The Directors (including the Independent Non-Executive Directors) of the Company considered that the Loan Agreement was entered into on normal commercial terms and that the terms were fair and reasonable and in the interests of the shareholders as a whole.

Ms. Yuen is the spouse of Mr. Wong who is a director of SHKIS, Upstand Assets Limited and Sun Hung Kai Investment Services (Macau) Limited, all being wholly-owned subsidiaries of Sun Hung Kai which in turn is a non wholly-owned subsidiary of both the Company and Allied Group. Accordingly, the Loan constitutes a connected transaction for each of the Company, Allied Group and Sun Hung Kai under the Listing Rules. Pursuant to Rule 14A.66(2) of the Listing Rules, details of the Loan as stipulated under Rule 14A.45 of the Listing Rules are required to be included in this report of the Company and also in the 2004 annual reports of Allied Group and Sun Hung Kai.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's securities during the year.

DONATIONS

The Group made charitable donations of HK\$178,000 during the year.

CORPORATE GOVERNANCE*Code of Best Practice*

In the opinion of the Directors, the Company has complied throughout the year with the Code of Best Practice as set out in Appendix 14 of the Listing Rules which was in force prior to 1st January, 2005.

Code of Conduct regarding Securities Transactions by Directors

During the year, the Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as its code of conduct regarding securities transactions by the Directors. All Directors have confirmed, following a specific enquiry by the Company, that they have fully complied with the required standard as set out in the Model Code throughout the year.

Independence of Independent Non-Executive Directors

The Company has received from each Independent Non-Executive Director an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all of the Independent Non-Executive Directors are independent.

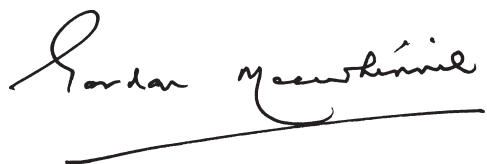
SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this report, the Company has maintained sufficient public float as required under the Listing Rules.

AUDITORS

A resolution will be submitted to the Annual General Meeting of the Company to re-appoint Messrs. Deloitte Touche Tohmatsu as the auditors of the Company.

On behalf of the Board

A handwritten signature in black ink, appearing to read "Gordon Macwhinnie", with a long horizontal line underneath it.

Sir Gordon Macwhinnie

Chairman

Hong Kong, 14th April, 2005