

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 and provides corporate management services. The principal activities of its principal subsidiaries, associates and jointly controlled entities at 31st December, 2004 are set out in notes 45, 46 and 47 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 26 and in the accompanying notes to the financial statements.

The Directors have proposed the payment of a final dividend of HK10 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 HK10 cents per share. Details are set out in note 11 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\$2,487,436,000. The net revaluation surplus of HK\$99,220,000 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 13 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group spent HK\$31,377,000 on property, plant and equipment. The Group also disposed of certain of its property, plant and equipment with a net carrying value of HK\$728,000.

Details of these and other movements in the property, plant and equipment of the Group during the year are set out in note 14 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 18 to the financial statements.

PROPERTIES

Particulars of major properties of the Group at 31st December, 2004 are set out on pages 91 and 92.

SHARE CAPITAL

Details of movement in the share capital of the Company during the year are set out in note 28 to the financial statements.

SHARE OPTION SCHEME

Particulars of the share option scheme of the Company are set out in note 29 to the financial statements.

DIRECTORS

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

Executive Directors:

Lee Seng Hui
Edwin Lo King Yau

Non-Executive Directors:

Lee Su Hwei
Arthur George Dew

Independent Non-Executive Directors:

Gordon Macwhinnie
Wong Po Yan
David Craig Bartlett
John Douglas Mackie (appointed on 1st February, 2004)

In accordance with Article 105(A) of the Company's Articles of Association, Sir Gordon Macwhinnie, Mr. David Craig Bartlett and Ms. Lee Su Hwei will retire by rotation and, being eligible, offer themselves for re-election.

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, Mr. Lee Seng Hui and Ms. Lee Su Hwei, Directors of the Company, had the following interests in the shares of the Company as recorded in the register required to be kept under Section 352 of the Securities and Futures Ordinance ("SFO"):

Name of Director	Number of shares held	Approximate % of the issued share capital	Nature of interest
Lee Seng Hui	101,906,613	39.09%	Personal interest (held as beneficial owner) in 22,921 shares and other interest in 101,883,692 shares (Note 1)
Lee Su Hwei	101,883,692	39.08%	Other interest (Note 1)

Notes:

1. Mr. Lee Seng Hui and Ms. Lee Su Hwei are trustees of Lee and Lee Trust, being a discretionary trust which indirectly held 101,883,692 shares of the Company.
2. The interest stated above represents long position.

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. Lee Seng Hui, Arthur George Dew and Edwin Lo King Yau and Ms. Lee Su Hwei, 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. Lee Seng Hui and Ms. Lee Su Hwei are two of the trustees of Lee and Lee Trust which is a deemed substantial shareholder of each of Allied Properties, Sun Hung Kai, Tian An and Lippo Limited ("Lippo") which, through their subsidiaries, are partly engaged in the businesses as follows:
 - Allied Properties, through a subsidiary, is partly engaged in the business of money lending;
 - Sun Hung Kai, through certain of its subsidiaries, is partly engaged in the businesses of money lending, provision of financial services and property investment;
 - Tian An, through a subsidiary, is partly engaged in the business of money lending; and
 - Lippo, through its subsidiaries, is partly engaged in the businesses of property development and investment, securities broking, securities trading, money lending, provision of financial, insurance as well as other related services;
- (ii) Mr. Arthur George Dew is a director of Sun Hung Kai which, through certain of its subsidiaries, is partly engaged in the businesses of money lending, provision of financial services and property investment; and
- (iii) Mr. Edwin Lo King Yau is a director of Tian An which, through a subsidiary, is partly engaged in the business of money lending.

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 or any of its 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 or any of its 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 under the share option scheme of the Company.

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
Cashplus Management Limited ("Cashplus")	26,039,000	9.98%	–
Zealous Developments Limited ("Zealous")	26,039,000	9.98%	1, 2
Minty Hongkong Limited ("Minty")	75,844,692	29.09%	–
Lee and Lee Trust	101,883,692	39.08%	3, 4
COL Capital Limited ("COL Capital")	23,792,494	9.13%	5

Notes:

1. This figure refers to the same interest of Cashplus in 26,039,000 shares of the Company.
2. Cashplus is a wholly-owned subsidiary of Zealous. Zealous was therefore deemed to have an interest in the shares in which Cashplus was interested.
3. Minty and Zealous are wholly owned by the trustees of Lee and Lee Trust, being a discretionary trust.
4. Mr. Lee Seng Hui and Ms. Lee Su Hwei, Directors of the Company, together with Mr. Lee Seng Huang are the trustees of Lee and Lee Trust and were therefore deemed to have an interest in the shares in which Minty and Zealous were interested.
5. The interest includes the holding of: (i) 16,337,170 shares held by Honest Opportunity Limited ("Honest Opportunity"), a wholly-owned subsidiary of Classic Fortune Limited ("Classic Fortune") which in turn is a wholly-owned subsidiary of COL Capital; and (ii) 7,455,324 shares held by Focus Clear Limited ("Focus Clear"), a wholly-owned subsidiary of Besford International Limited ("Besford") which in turn is a wholly-owned subsidiary of COL Capital. COL Capital was therefore deemed to have an interest in the shares in which Honest Opportunity, Classic Fortune, Focus Clear and Besford were interested.
6. All interests stated above represent long positions. 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 Properties 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 Allied Properties and the Company, 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.

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 Properties. Accordingly, the Loan constitutes a connected transaction for each of the Company, Allied Properties 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 Properties and Sun Hung Kai.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the year, the Company made the following purchases of its own shares on the Stock Exchange:

Month of purchase on the Stock Exchange in 2004	Number of shares purchased	Purchase consideration per share		Aggregate consideration paid HK\$
		Highest HK\$	Lowest HK\$	
April 2004	391,800*	6.80*	6.40*	2,610,100
May 2004	884,600*	6.70*	5.80*	5,731,600
June 2004	905,400*	6.70*	6.20*	5,838,460
July 2004	536,200*	6.50*	6.25*	3,465,810
August 2004	129,400	6.50	6.35	833,050
October 2004	932,400	7.50	7.25	6,941,600
November 2004	978,000	8.00	7.50	7,550,700
December 2004	278,000	7.95	7.75	2,192,100

* These figures for the shares purchased by the Company and the purchase consideration per share were adjusted for the share consolidation of the Company on the basis of every ten shares of HK\$0.20 each into one consolidated share of HK\$2.00 each with effect from 23rd July, 2004.

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares during the year.

DONATIONS

The Group made charitable donations of HK\$428,000 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