

DIVIDENDS

The directors of the Company (the "Directors") recommended a payment of final dividend of HK11 cents per share for the year ended 31st December, 2004 (2003: HK12 cents).

Together with the interim dividend of HK8.5 cents (2003: HK5 cents) per share, the total distribution for 2004 will amount to HK19.5 cents per share (2003: HK17 cents).

The register of members will be closed from 18th May, 2005 to 24th May, 2005 both days inclusive and those persons whose names are registered as shareholders of the Company on 24th May, 2005 will be entitled to receive the proposed final dividend. In order to qualify for the proposed final dividend, all transfers must be lodged with the Company's Branch Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:00 p.m. on 17th May, 2005.

It is expected that the relevant dividend will be payable to those entitled on or around 25th May, 2005, subject to the shareholders' approval in the 2005 annual general meeting of the Company.

BUSINESS REVIEW

Hong Kong Property Investment

Rental from investment properties continued to be one of the main sources of our income. During the period under review, the gross rental income has increased by 4% to HK\$695 million for the year ended 31st December, 2004, as compared with the corresponding period last year. The increase in gross rental income is attributable to the growth of rental as a result of Hong Kong's economic rebound and the contribution by the two properties acquired in 2003, namely Tung Ying Building in Tsim Sha Tsui and Tung Sang Building in Wanchai.

股息

本公司董事（「董事」）建議派發截至二零零四年十二月三十一日止年度之末期股息每股11港仙（二零零三年：12港仙）。

連同中期股息每股8.5港仙（二零零三年：5港仙），二零零四年之總分派將為每股19.5港仙（二零零三年：17港仙）。

本公司將於二零零五年五月十八日至二零零五年五月二十四日（包括首尾兩日）暫停辦理股東登記手續，於二零零五年五月二十四日名列本公司股東名冊之人士將可獲發建議之末期股息。為符合獲派建議之末期股息的資格，所有過戶文件必須於二零零五年五月十七日下午四時或之前送達本公司於香港之股份過戶登記分處香港中央證券登記有限公司，地址為香港灣仔皇后大道東183號合和中心17樓1712-1716商舖。

待股東於本公司之二零零五年股東週年大會上批准後，預期有關股息將於二零零五年五月二十五日或前後派發予合資格人士。

業務回顧

香港物業投資

投資物業的租金繼續是集團收入的主要來源之一。於回顧期內，截至二零零四年十二月三十一日止年度之總租金收入達695,000,000港元，較去年同期增加4%。總租金收入增加，主要與香港經濟復甦及於二零零三年購入的兩項物業（尖沙咀東英大廈及灣仔東生大廈）的貢獻令租金增加有關。

The overall occupancy rate for the Group's retail portfolio remained at a high level of 95%. Such sustainable high occupancy rate is attributable to the prime locations of the majority of the Group's retail properties such as Causeway Bay, Wanchai and Tsim Sha Tsui. Retail rents have also improved due to the rise in tenants' business turnover from increased tourists' spending and the improved local consumption.

The office property market has recovered since the fourth quarter of 2003, and continued to improve during 2004. As at December 2004, the occupancy rates for Windsor House, MassMutual Tower, Harcourt House and Tung Ying Building were 97%, 89%, 92% and 86% respectively, bringing the occupancy rate of overall office portfolio to 92%.

Occupancy and rentals are expected to further improve in Hong Kong's retail and office property markets.

Hong Kong Property Development

In general, the Group's development projects have been progressing well.

The residential development of four luxury houses at No. 31 Barker Road (100% interest) with a total gross floor area of approximately 13,600 square feet was sold in December 2004.

The residential development project, Parc Palais in King's Park, Kowloon (10% interest) was completed in July 2004. The development has a total gross floor area of around 904,200 square feet. As of December 2004, around 83% of the units were sold.

Indihome in Tsuen Wan (34.36% interest*) is a 56-storey development which comprises 960 serviced apartment units with restaurant, shops, car parking spaces and full clubhouse facilities with a swimming pool. The total gross floor area of the whole development is about 618,431 square feet. The property is currently under construction and scheduled to be completed in the third quarter of 2005. Pre-sale of the property commenced in November 2004. As of December 2004, about 63% of the units were sold.

本集團的零售物業組合的整體出租率為95%，維持於高水平。出租率維持高企與本集團的大部份零售物業位於銅鑼灣、灣仔及尖沙咀等主要地區有關。由於旅客消費增加及本地消費好轉令租戶的營業額上升，零售物業租金亦有所改善。

寫字樓物業市場自二零零三年第四季起復甦，並於二零零四年繼續改善。截至二零零四年十二月，皇室大廈、美國萬通大廈、夏慤大廈及東英大廈的出租率分別為97%、89%、92%及86%，而寫字樓物業組合的整體出租率達92%。

香港零售及寫字樓物業市場的出租率及租金水平預期會進一步改善。

香港物業發展

整體上，本集團各個發展項目進展理想。

位於白加道31號的住宅發展項目（100%權益）包括四幢豪華洋房，總樓面面積約為13,600平方呎，已於二零零四年十二月售出。

九龍京士柏住宅發展項目君頤峰（10%權益）已於二零零四年七月落成。該發展項目的總樓面面積約為904,200平方呎，截至二零零四年十二月已售出約83%的單位。

荃灣樂悠居（34.36%權益*）為一個樓高56層的發展項目，設有960個服務式住宅單位，另有食肆、商店、停車位及附設泳池的完善會所設施。整個發展項目的總樓面面積約為618,431平方呎。該物業現正興建中，預計將於二零零五年第三季落成。該物業於二零零四年十一月展開預售。截至二零零四年十二月，已售出約63%之單位。

Construction works of the residential villa complex development project, Miami Crescent in Sheung Shui (34.36% interest*) comprising seventy-eight 3-storey detached/semi-detached houses with a total gross floor area of approximately 153,860 square feet were completed. Occupation permit was issued in January 2005. It was expected that the certificate of compliance will be issued in the second quarter of 2005. The project will be offered for pre-sale in the second quarter of 2005.

Superstructure works for the development project, Mount Beacon at the junction of Cornwall Street and Tat Chee Avenue (33 1/3% interest) commenced in August 2004. The project, with a total gross floor area of around 301,200 square feet, is scheduled for completion in late 2005. Presale is scheduled in mid 2005.

For the Tai Yuen Street/Wanchai Road redevelopment project undertaken with the Urban Renewal Authority (75% direct interest#), superstructure works of Phase 1 are in progress. Upon completion, Phase 1 of the project will comprise three high-rise residential towers with about 652 residential units and a total gross floor area of about 510,960 square feet. In February 2004, planning approval was obtained to change the use of Phase 2 from office to residential. Under the residential scheme, there will be a high-rise residential tower with about 252 residential units and a total gross floor area of about 159,727 square feet. Phase 1 is scheduled for completion in the second half of 2005. It is planned that Phase 1 will be offered for pre-sale in the third quarter of 2005.

Site formation and foundation works for the development at No. 55 Conduit Road (70% interest) commenced in February 2003. This residential project has a total gross floor area of around 87,800 square feet and is scheduled for completion in 2007.

The Group's tender for the Urban Renewal Authority redevelopment project at Reclamation Street and Arran Street in Mongkok (100% interest) was accepted in December 2004. With completion targeted in 2007, the composite development has a total gross floor area of approximately 52,000 square feet.

位於上水之住宅式別墅綜合發展項目邁爾豪園 (34.36% 權益*) 之建築工程已經完成。該發展項目建有78幢三層高獨立/半獨立洋房，總樓面面積約為153,860平方呎。入伙紙已於二零零五年一月發出。預期滿意紙將於二零零五年第二季發出。該項目將於二零零五年第二季展開預售。

位於歌和老街及達之路交界的發展項目筆架山 (33 1/3% 權益) 已於二零零四年八月展開上蓋工程。該項目將提供總樓面面積約301,200平方呎，預計於二零零五年年底落成，並計劃於二零零五年年中展開預售。

與市區重建局合作進行的太原街/灣仔道重建項目 (75% 直接權益#) 正於第一期進行上蓋工程。當落成後，該項目的第一期將包括三幢高層住宅大廈，提供約652個住宅單位，總樓面面積約為510,960平方呎。於二零零四年二月，該項目獲規劃批准將第二期的用途由寫字樓轉為住宅。根據住宅發展計劃，第二期將包括一幢高層住宅大廈，提供約252個住宅單位，總樓面面積約為159,727平方呎。第一期預計於二零零五年下半年落成，並計劃於二零零五年第三季展開預售。

干德道55號發展項目 (70% 權益) 已於二零零三年二月展開地盤平整及地基工程。該住宅項目的總樓面面積約為87,800平方呎，預計於二零零七年落成。

本集團投標承辦市區重建局位於旺角新填地街及鴉蘭街的重建項目 (100% 權益) 於二零零四年十二月中標。該綜合發展項目計劃於二零零七年落成，提供總樓面面積約52,000平方呎。

PRC Property Investment

Hong Kong New World Tower, Shanghai (34.65% interest) comprises approximately 1,459,275 square feet of office and retail space. Around 87% and 71% of the office section and retail section were let respectively as of December 2004.

Hilton Beijing (50% interest) maintained an average occupancy rate of 88% and a gross operating profit of HK\$46 million for the year ended 31st December, 2004. Renovation works to all the guest rooms are expected to be completed by mid 2005. Beijing Municipal Commission of Urban Planning has approved the conceptual design of the hotel extension building which includes executive rooms and other ancillary hotel facilities. The owner and hotel operator are finalizing the building plan for further submission to various government authorities.

Oriental Place (50% interest), a 10-storey office building next to Hilton Beijing, is fully let as of December 2004.

The 79 retail outlets in Lowu Commercial Plaza, Shenzhen (100% interest), with approximately 29,000 square feet, was fully let as of December 2004.

Peregrine Plaza, Shanghai (34.36% interest*) is located in one of the most prestigious commercial districts in Shanghai, Huaihai Middle Road. This 23-storey office/shopping complex has a total gross floor area of 267,100 square feet. Apart from 313 square metres of office space which had been sold, the remaining portion of the property is for leasing purpose as a long-term investment. The occupancy rates of the office and retail spaces stood high at 99% and 94% respectively.

Due to project termination, the liquidation of the co-operative joint venture of Lot E of Huangsha Station in Guangzhou (33 1/3% interest) was completed on 13th February, 2004.

* The Group's interest in each of the projects and the property has increased to 50% upon the completion of privatisation of The Kwong Sang Hong International Limited in February 2005 (the "Privatisation").

The Group's interest in the project has increased to 87.5% upon the completion of the Privatisation.

中國物業投資

上海香港新世界大廈（34.65% 權益）包括約 1,459,275 平方呎寫字樓及零售樓面。截至二零零四年十二月，寫字樓部份及零售部份的出租率分別約為 87% 及 71%。

北京希爾頓酒店（50% 權益）於截至二零零四年十二月三十一日止年度的平均出租率為 88%，經營毛利為 46,000,000 港元。所有酒店房間的翻新工程預計於二零零五年年中完工。北京市城市規劃委員會已批准酒店擴建樓宇的概念設計，包括行政人員房間及其他酒店配套設施。業主與酒店經營者現正落實建築圖則，準備向多個政府部門提交。

樓高 10 層毗鄰北京希爾頓酒店的東方國際大廈（50% 權益）的單位截至二零零四年十二月全部租出。

深圳羅湖商業城面積約 29,000 平方呎的 79 個零售商舖（100% 權益），截至二零零四年十二月全部租出。

上海百富勤廣場（34.36% 權益*）坐落於上海最著名商業區之一淮海中路。該幢樓高 23 層的寫字樓／購物商場的總樓面面積為 267,100 平方呎。總樓面面積當中，面積 313 平方米的寫字樓樓面已售出，該物業其餘樓面面積作出租之用，並作為長期投資項目。寫字樓及商場的出租率分別高企於 99% 及 94%。

由於項目終止，有關廣州黃沙站 E 地段的合作合營項目（33 1/3% 權益）已於二零零四年二月十三日完成清盤。

* 本集團於各項目及物業之權益於 The Kwong Sang Hong International Limited 之私有化（「私有化」）在二零零五年二月完成後增至 50%。

本集團於有關項目之權益於私有化完成後增至 87.5%。

SUBSEQUENT EVENT

On 27th August, 2004, Paul Y. Holdings Company Limited, a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with a company wholly-owned by a discretionary trust set up by Mr. Joseph Lau, Luen-hung ("Mr. Lau"), an executive director and a substantial shareholder of the Company, for the benefit of certain of his family members, relating to, among other things, the disposal of a group of wholly-owned subsidiaries of the Company, which hold indirect interests in various properties including No. 31 Barker Road, Hong Kong and the 7 residential units. The disposal of No. 31 Barker Road, Hong Kong and the 7 residential units were completed in December 2004 and March 2005 respectively.

The Company also entered into a sale and purchase agreement on 27th August, 2004 with another company wholly-owned by a discretionary trust set up by Mr. Lau, for the benefit of certain of his family members, relating to the disposal of Jade Wall Limited ("Jade Wall"), a wholly-owned subsidiary of the Company which holds direct interests in certain works of art including Chinese ceramics, furniture and paintings. The disposal of Jade Wall was completed in March 2005.

During the year, Power Jade Capital Limited, a 50% associate of the Group, had proposed privatisation of The Kwong Sang Hong International Limited ("Kwong Sang Hong") by way of scheme of arrangement, details of which are disclosed under section "Financial Operation Review".

On 9th March, 2005, the Company entered into a subscription agreement in relation to the issue of certain Zero Coupon Convertible Bonds due 2010 of an aggregate principal amount of up to HK\$2,000,000,000 (the "Bonds"), which are convertible into shares of the Company at the option of their holder(s) from time to time, in accordance to the terms of the Bonds. Details of the issue of the Bonds were disclosed in the announcement dated 10th March, 2005.

PROSPECTS

The overall economy has recovered and will continue to improve, as noted by the increasing consumption power and decreasing unemployment rate. The Group is optimistic with the property market, as both capital and rental values amongst all sectors of the property market will be in an upward trend. Quality development projects are still attractive due to the scarce supply of land in Hong Kong.

結算日後事項

於二零零四年八月二十七日，本公司之全資附屬公司 Paul Y. Holdings Company Limited 與一項全權信託所全資擁有之公司訂立一項買賣協議，該全權信託由本公司執行董事兼主要股東劉鑾雄先生（「劉先生」）以其若干家族成員為受益人而設立。該買賣協議乃關於（其中包括）出售一組本公司的全資附屬公司，該等附屬公司持有若干物業的間接權益，包括香港白加道 31 號及 7 個住宅單位。香港白加道 31 號及該 7 個住宅單位之出售分別於二零零四年十二月及二零零五年三月完成。

本公司亦已於二零零四年八月二十七日與一項全權信託所全資擁有之另一家公司訂立一項買賣協議，該全權信託由劉先生以其若干家族成員為受益人而設立。該買賣協議乃關於出售本公司之全資附屬公司 Jade Wall Limited（「Jade Wall」），該公司直接持有中國陶瓷、傢俱及畫等若干藝術品。Jade Wall 之出售於二零零五年三月完成。

年內，本集團擁有 50% 權益之聯營公司 Power Jade Capital Limited 建議透過協議計劃將 The Kwong Sang Hong International Limited（「廣生行」）私有化。有關詳情於「財務業務回顧」一節中披露。

於二零零五年三月九日，本公司就發行本金總額最多為 2,000,000,000 港元於二零一零年到期之若干零票息可換股債券（「債券」）訂立認購協議，債券持有人可根據債券之條款不時將債券兌換為本公司股份。發行債券之詳情已於二零零五年三月十日之公布中披露。

展望

隨着消費力增加及失業率下降，香港整體經濟已經復甦並會繼續改善。本集團對物業市場的前景持樂觀態度，物業市場各個環節的資本及租金價值將會趨升。由於香港土地供應有限，優質發展項目仍具吸引力。

Looking ahead, the Group will continue to capture opportunities for acquiring premier investment properties and replenishing its land bank at right timing. The Group will also further enhance the value of its properties' value through continuous redevelopment and commercialization programs. At the same time, the Group has strived to focus on producing mid to high-end development projects and identify lucrative business opportunities in the Greater China region, aiming at bringing long-term value to the shareholders.

APPRECIATION

I would like to take this opportunity to thank the shareholders for their continuing support and all the staff for their dedication and hard work.

On behalf of the Board
Thomas Lau, Luen-hung
Chairman

Hong Kong, 11th April, 2005

展望未來，本集團會繼續把握機會，在適當時間購入優質的投資物業及補充其土地儲備。本集團會繼續進行重建及商業化改造計劃，進一步提高其物業價值。同時，本集團會集中推出中價至高價的發展項目，並於大中華地區發掘回報可觀的商業機會，務求為股東帶來長期價值。

致謝

本人謹藉此機會對股東一直以來的鼎力支持與全體員工的竭誠工作表示謝意。

代表董事會
主席
劉鑾鴻

香港，二零零五年四月十一日