



Our strengths remain our strong balance sheet, an effective business strategy and a dedicated staff force.

集團的財政狀況維持穩健，兼具有效的商業策略及努力不懈的員工。

Management Discussion and Analysis

管理層討論及分析

OVERVIEW OF 2004

2004 was a difficult year for forecasters as conflicting price trends dominated the markets for equities, bonds, commodities and energy. While many observers were predicting a hard landing for the Chinese economy and soft property prices in Hong Kong's rising interest rate environment, the P.R.C. economy grew 9% for the year and Hong Kong's residential property prices recovered sharply signalling an end to the 68-month deflationary period experienced in Hong Kong.

Although stock turnover contracted in the early part of the year due to surging oil prices, cooling measures imposed upon the P.R.C. economy and fear of interest rate hikes in the U.S., a reversal took place mid-year, which subsequently gained momentum from enthusiasm relating to Macau linked stocks and extensive speculation regarding the appreciation of the RMB. By year-end, the average daily turnover was more than HK\$18 billion, which marked a 78.8% increase over 2003. Hong Kong Stock Exchange annual turnover reached a record high of HK\$3,941 billion surpassing the previous record set in 1997. The Hang Seng Index finished the year 13% higher than year-end 2003.

According to a recent survey conducted by The Stock Exchange of Hong Kong Limited, the number of retail investors participating in the stock market reached a new historical high of over 1.4 million investors. With the growing interest from investors in the P.R.C., we anticipate this number may continue to rise.

REVIEW OF OPERATIONS

Securities Broking

Our commission income, which is primarily derived from stock broking exceeded that of the previous year. The efforts of our experienced sales staff, working through our extensive network, expanded our market share during the year.

二零零四年綜論

二零零四年是難以預測的一年，股票、債券、商品及能源價格走勢難以捉摸。儘管大部份觀察員均預計中國經濟將會出現硬著陸，而在本地利率上升之環境下，預料樓價將會回落；但事實是，中國全年經濟增長9%，香港住宅物業價格顯著回升，標誌著本港所經歷之68個月通縮期已經告一段落。

雖然二零零四年初油價上升，中國經濟實行降溫措施以及市場憂慮美國利率趨升，令股市成交縮減；但至年中情況出現逆轉，其後投資者熱烈追捧澳門相關股份及市場普遍揣測人民幣升值，刺激股市重拾升勢。年底前，每日平均成交金額超過180億港元，較二零零三年增長78.8%。香港聯交所全年成交金額創新高，達39,410億港元，打破一九九七年創下的紀錄。於二零零四年底，恒生指數較二零零三年底上升13%。

根據香港聯合交易所有限公司最近進行的一項調查顯示，參與香港股票市場的散戶投資者超過140萬名，創出歷史新高。隨著來自中國的投資者對股市的興趣日濃，我們預期散戶投資者的數目將會持續上升。

業務回顧

證券經紀業務

集團主要來自證券經紀之佣金收入超逾上年度。於二零零四年，憑藉經驗豐富之營銷僱員努力不懈，加上集團廣闊之銷售網絡，令集團得以擴大市場佔有率。

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Excess liquidity fueled buoyant primary and secondary markets in fund-raising activities, with HK\$271 billion in equity funds being raised through the HKEx in 2004; and 70 companies being listed on the main board and GEM combined. Our strong brand and extensive client base enabled the Group to be involved in a number of fund-raising exercises. We participated in more than 60 issues including new share offerings, sub-underwriting and placements of equities and warrants for clients.

We also continue to maintain a strong income stream from our role as a Liquidity Provider of derivative warrants, and equity linked notes to warrant issuers.

Financial Institutions Group

The Financial Institutions Group has been able to build on the strong momentum generated in 2003, posting impressive growth and profit in 2004. Derivatives remained the primary focus for both trading and institutional broking. Additional traders have been recruited, and customer accounts added throughout 2004. The resulting increase in trading and broking activities was a significant factor in the Group's continued dominant market position and ongoing high ranking in the local listed-derivatives market.

Online Trading

SHK Online achieved significant growth across the board in 2004. The division was able to benefit from its largely fixed cost structure and translated much of the increased revenue directly into bottom-line profit.

At the end of 2004, the number of accounts increased by 34% compared to the previous year. Total transaction value for 2004 exceeded HK\$50 billion, representing an increase of over 120% compared to the previous year. Net profit for the year increased by 240% compared to the previous year, largely as a result of continued focus on cost control and further rationalizations on profit margin.

市場充斥大量資金有助刺激首次上市及上市後之集資活動，於二零零四年透過聯交所之股份籌集的資金總額達2,710億港元，在主板及創業板上市的公司合共有70家。集團擁有卓著的品牌及廣闊之客戶層，年內曾參與不少集資活動，包括新股發行、股份與認股權證的分包銷及配售活動逾60宗。

此外，為衍生工具發行人擔任衍生認股權證及股票掛鈎票據的流通量提供者，繼續為集團帶來豐厚收入。

金融機構統營部

在二零零三年建立的堅實基礎上，金融機構統營部保持動力，在二零零四年締造理想的增長和利潤。衍生工具仍然是集團的交易及機構經紀業務之重點所在。集團亦增聘經紀，於二零零四年客戶數目不斷增加。交易及期貨經紀活動增加是集團得以持續穩佔市場領導地位及在本地上市衍生工具市場獲得前列排名之重要因素。

鴻財網

鴻財網於二零零四年錄得強勁增長。該部門受惠於其大致固定的成本結構，故其大部份新增之收益均帶來溢利。

於二零零四年底，鴻財網客戶數目較二零零三年增加34%。二零零四年總交易金額超逾500億港元，較二零零三年增加逾120%。去年淨溢利較上年度增長240%，主要是由於部門致力控制成本及增加邊際利潤所致。

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The launch of the Lucky Draw Programme, in which one Mini Cooper will be given away each quarter in 2005, should underpin consistent growth in our client base and transaction volume. The introduction of new products, such as the new e-Option platform for the locally listed HSI Options and additional e-Futures products should further diversify revenue streams and provide additional growth. A number of short-term, tactical marketing programmes have also been planned and will be introduced throughout 2005. When opportunities present themselves, SHK Online will benefit from its position as a market leader and pursue suitable acquisitions.

Research

During 2004, the Research division encouraged investors to buy into weaknesses rather than sell into strength. Our advice to investors to be positive on Hong Kong equities mid-year benefited our clients, as the Hang Seng Index was consolidating in the 11,000 point region.

During the year, the Group continued to strengthen its research capability by recruiting high calibre staff. We made 709 company visits and corporate presentations in Hong Kong and mainland China and communicated our views and investment ideas through the publication of 226 strategy, sector and company reports, excluding our daily investment notes. We also conducted four large-scale seminars for our clients in mainland China and Taiwan, and 16 branch seminars for our branch clients in Hong Kong and Macau. In addition, two press conferences were organized to communicate our market views to the public.

Our top 20 calls of 2004 outperformed the Hang Seng Index by a margin of between 37% and 105%.

鴻財網於二零零五年舉辦幸運大抽獎，每季送出Mini Cooper名車乙部，應可使該部門的客戶層及交易量持續增長。藉著不斷推出新產品（例如可供買賣本地恒指期權之新電子期權平台及其他電子期貨產品），應可進一步擴闊部門之收入來源及帶來額外增長。此外，鴻財網亦計劃於二零零五年推出多項短期、策略性之市場推廣計劃。受惠於其市場領導地位，鴻財網將在適當時機尋求合適之收購項目。

資料研究

集團資料研究部對香港年中股市持正面態度，在二零零四年內一直鼓勵投資者趁低吸納而非趁高沽售。隨著恒指於11,000點區域進行整固，我們的投資建議令客戶有所得益。

年內，集團透過招聘優秀人才進一步提升其資料研究實力。我們在香港及中國內地出席了709次公司探訪及企業簡報會，透過刊發策略性、個別行業及公司報告（不包括我們每日發表之投資摘要）共226份，傳達我們的觀點及投資理念。我們亦為中國內地及台灣的客戶舉辦了4次大型講座，在香港及澳門則為分行客戶舉辦了16次講座。此外，亦曾籌辦兩次新聞發布會，以向公眾傳達我們的市場觀點。

二零零四年，我們推介買入而表現最佳的20隻股份，其股價表現超越恒指37%至105%。

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Corporate Finance

During the year, the Corporate Finance division successfully completed the secondary placement of shares of Sinotronics Holdings Limited and Champion Technology Holdings Limited. The division was also involved in the placement of B shares of 京東方科技集團股份有限公司 (BOE Technology Group Co., Ltd.) which is listed on the Shenzhen Stock Exchange, P.R.C.

The division was the financial adviser to Wonderful World Holdings Limited on the proposed open offer to qualifying shareholders, the financial adviser to COL Capital Limited on the general offer for the repurchase of shares, and the independent financial adviser to Melco International Development Limited, Shanghai Century Holdings Limited, and Shanghai Zendai Property Limited on various connected transactions respectively. Furthermore, the division was actively involved in a number of underwriting exercises for IPO issues.

Looking ahead, the division will continue to focus on expanding its operations in Greater China and on capital formation in the primary market.

Securities Financing

The market rebound in the second half of the year resulted in an increase in our margin loan book of 5.8% compared to 2003. Net revenues were strongly positive through the substantial use of the Group's shareholders' funds in a low interest rate environment.

Term Lending

Term lending levels trended downwards in 2004 as stronger capital markets provided potential borrowers with alternative funding opportunities. Net income levels, however, were still strongly positive.

企業融資

年內，企業融資部成功為華翔微電子控股有限公司及冠軍科技集團有限公司在交易市場進行股份配售，並參與於中國深圳交易所上市之京東方科技集團股份有限公司之B股配售活動。

就榮德豐控股有限公司擬向其合資格股東提出之股份公開發售建議、中國網絡資本有限公司以全面收購方式購回股份之建議，部門獲委任為該等公司之財務顧問，並分別就新濠國際發展有限公司、上海世紀控股有限公司及上海証大房地產有限公司之各項關連交易出任獨立財務顧問。此外，部門亦積極參與數間公司首次公開招股之承銷工作。

展望未來，部門將繼續致力拓展在大中華及一級市場之資本籌組業務。

證券放款

股市於下半年反彈，令集團之證券放款額較二零零三年上升5.8%。集團在低利率之環境下有效運用其股東資金，令集團在此項業務取得理想之淨收益。

有期借款

由於資本市場暢旺，為潛在借款人提供其他融資機會，因此集團在二零零四年之有期借款額下跌。然而，此項業務之淨收入仍然可觀。

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Foreign Exchange, Bullion, Commodities, Financial Futures and Other Products

With the continuing weakness in the U.S. dollar in 2004, our foreign exchange volumes reflected a decline in investor interest. However, interest in commodities and precious metals increased significantly.

Our turnover in overseas commodities products including DJIA, S&P and physical commodities traded on the Japanese Exchange marked an 80% growth. Our business from Hang Seng Index Futures also rose substantially this year. The volatility in forex and oil prices provided good opportunities for trading in currency and oil futures, for the purposes of hedging and as speculative instruments.

Precious metals trading, while not providing a substantial income stream for the Group, will continue to allow us to offer to our clients a very broad range of financial products.

Wealth Management

SHK Wealth Management experienced strong growth in 2004. The number of consultants grew from 39 to 65. The "assets under management" and revenue almost doubled compared with 2003. To cater for continuing expansion and to better service our clients' needs, SHK Wealth Management moved into larger appropriately furnished offices. We expect to maintain our position as a market leader.

外匯、黃金、商品、期貨及其他產品

隨著美元於二零零四年表現持續疲弱，集團之外匯成交額減低，反映投資者在此方面之投資意欲下降。然而，投資者對商品及貴金屬之投資意欲卻顯著上升。

我們在海外商品（包括道指、標普指數及在日本交易所買賣之實物商品）之成交額錄得80%之增長。本年度集團來自恒指期貨之業務亦見顯著增長。外匯及油價的大幅波動為投資者帶來投資貨幣期貨及原油期貨（用作對沖及作為投機工具）之良機。

貴金屬交易雖然未能為集團帶來重大收入來源，但卻讓集團繼續為客戶提供多元化的金融產品。

資產管理

新鴻基資產管理部業務在二零零四年增長強勁。該部門的顧問人數由39人增至65人。其「託管資產」及收益均較二零零三年增長近兩倍。為配合部門持續拓展業務及更能滿足客戶之需要，新鴻基資產管理部已遷往面積更大備有合適設施的辦公室。我們預期能維持市場領導者之地位。

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Alternative Investments

For SHK Fund Management's Alternative Investments division, the second half of 2004 remained challenging as the U.S. market continued to grapple with the uncertainties surrounding the outcome of the presidential election, the impact of the war in Iraq, higher interest rates and oil prices, and the falling U.S. dollar. A turning point in the fourth quarter, however showed a pickup in market activity and stabilization of fund flows. We ended 2004 with US\$222 million under management. Despite the difficult environment, all our funds experienced positive growth, including the SHK Credit Opportunities Fund and the SHK Value Restructuring Fund, both of which were launched in 2004. As at 31 December 2004, SHK Fund Management's Alternative Investments division had three funds within its SHK Global Strategy Fund range.

Insurance Broking

2004 was a difficult year for the general insurance broking industry with premiums dropping up to 40% in some insurance classes.

Active development of insurance business by banks, and competition amongst intermediaries for pending construction projects in the government sector led to downward pressure on commissions.

Despite the difficult environment, the division performed well and achieved slight growth in profits compared to the preceding year. We continue to maintain our position as one of the leading insurance brokers in Hong Kong and Macau.

To meet the challenges ahead, the division continues to strengthen marketing activities, focus on the development of specialty products and markets, and pursue quality business partners and opportunities in the P.R.C.

另類投資

新鴻基投資管理轄下之另類投資部在二零零四年下半年仍然面對重重挑戰，原因是美國市場受到總統大選、伊拉克戰事、利率及油價趨升以及美元疲弱的不明朗因素影響而持續波動。然而，於第四季市場轉趨活躍，資金流動回穩。截至二零零四年底，我們管理之資產達222百萬美元。雖然市況欠佳，但集團旗下基金（包括於二零零四年推出之新鴻基信用基金及新鴻基價值重建基金）均錄得理想之增長。於二零零四年十二月三十一日，另類投資部共推出三隻新鴻基環球策略基金系列的基金。

保險經紀

二零零四年整個保險市場經營環境困難，大部份保險產品之保費均下跌，個別險種跌幅多達40%。

各大銀行積極發展保險業務及多個政府建築項目延期動工，更加劇中介機構間之競爭，導致保險佣金有下調壓力。

雖然經營環境困難，但保險經紀部之業務仍有良好表現，其溢利較上年度錄得輕微增長。集團繼續保持其在香港及澳門保險經紀業之領先地位。

為應付未來的挑戰，該部門將繼續加強市場推廣工作，集中開發專業保險產品及市場，物色優秀業務夥伴，開拓國內合作商機。

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SHK Financial Data

In 2004, SHK Financial Data achieved substantial growth in operating profit. Revenue from our online subscription product, "Intelligent Stock Monitor", is growing steadily and should become a stable income stream for us. We have recently added the new "Market Calendar" feature to this product which should benefit subscribers and create additional revenue.

SHK Financial Data hopes to continue to enhance both the coverage and quality of our equity database in order to pave the way for further business expansion.

Information Technology

To ensure that our clients and staff benefit from the latest technology, a new trading platform is being developed with Sun Microsystems. The project commenced in December 2004 and is expected to be completed within two years. In the meantime, the Group's Information Technology ("I.T.") department is implementing measures such as upgrading our firewall and Internet connection, which should increase performance, improve customer service levels and further strengthen security.

Branch Network

The focus for branch management has been on the continued training and professional development of our sales staff, and the long-term promotion of the Group through client education programmes. Initiatives such as opening the Customer Service Centre in Macau, investment seminars (held in conjunction with the Research division), site/factory visits of listed companies for branch clients, and mutual fund seminars have been well received and have strengthened client relationships. A continuing improvement in the branches' contribution to the Group's bottom-line is expected in 2005.

新鴻基財經資訊

二零零四年，新鴻基財經資訊之經營溢利錄得顯著增長。來自網上訂購產品「港股綜覽」之收入穩步上升，預期應可成為集團之穩定收入來源。我們最近為此產品加設嶄新的「財經日誌」功能，應有助於訂戶並增加集團之收益。

新鴻基財經資訊期望藉著繼續增強其股票資料庫的覆蓋面及質素，業務得以進一步拓展。

資訊科技

為確保客戶及員工能使用最新科技，集團已夥同Sun Microsystems開發一個嶄新的交易平台。此項目於二零零四年十二月展開，預期將於兩年內完成。同時，集團之資訊科技部亦正推行多種措施，例如把防火牆及互聯網接駁升級，藉以提高工作表現、改善顧客服務質素及進一步加強保安。

分行網絡

集團之分行管理策略，著重於營銷僱員的持續培訓及專業發展，並透過各項客戶教育計劃不斷提高集團之知名度。分行所展開之工作如於澳門設立客戶服務中心、為分行客戶舉辦（與資料研究部聯合舉辦）投資講座、上市公司／廠房探訪以及互惠基金講座均深受客戶歡迎，並鞏固與客戶之關係。預期分行對集團之業績貢獻於二零零五年將持續提升。

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Shun Loong Group

The business structure, management, compliance and system of controls of the Shun Loong Group have undergone significant transformation following its acquisition by Sun Hung Kai Investment Services Limited (“SHKIS”) in mid 2003. The gradual stabilization and strengthening of the Shun Loong Group from a near terminal situation has continued in 2004 with Shun Loong Group now positioning itself for growth with a range of marketing and promotional initiatives planned for Hong Kong and P.R.C.

Sun Hung Kai International Bank [Brunei] Limited

Sun Hung Kai International Bank [Brunei] Limited was officially opened in February 2004. The bank plans to develop international banking business including deposit taking from non-residents, extending credits, arranging money collections and transmissions, foreign exchange, issuance of guarantees as well as offering investment banking and other banking services.

COST RATIONALIZATION

A Cost Rationalization Committee has been set up to continuously review operational effectiveness and efficiency.

Cost savings have been achieved in a number of areas including those of general administration and information technology infrastructure. However, renovation and staff costs have increased in line with our business expansion, most notably in the SHK Wealth Management division. We foresee information technology costs rising in 2005 as a result of the ADSR project with Sun Microsystems.

The Company continues to be observant of costs and will attempt to ensure, where appropriate, that any cost increases result in additional revenue, promotion of growth or expansion of our business.

順隆集團

自新鴻基投資服務有限公司（「新鴻基投資」）於二零零三年中收購順隆集團以來，順隆集團之業務架構、管理層、法規監核及監控制度已出現重大改善。經過二零零四年不斷整固以及強化，順隆集團已成功渡過困境，現時已作好準備，即將在香港及內地開始市場推廣及宣傳攻勢，以把握業務增長的契機。

Sun Hung Kai International Bank [Brunei] Limited

Sun Hung Kai International Bank [Brunei] Limited 於二零零四年二月正式開業。該銀行計劃發展國際銀行業務，包括接受非定居人士的存款、提供信貸、安排現金代收及轉遞、外匯交易、簽發擔保以及提供投資銀行及其他銀行服務。

營運成本控制

本集團已成立營運成本控制委員會，負責持續檢討集團之營運效益和效率。

集團致力節省成本，並已在多方面顯見成效，包括在一般行政及資訊科技基建方面。然而，隨著集團致力拓展業務，辦工室修建費用及僱員成本均見增長，情況尤以新鴻基資產管理部最為顯著。隨著集團與Sun Microsystems合作發展ADSR項目，預期二零零五年之資訊科技成本將會上升。

本公司將繼續密切監察成本，並在適當時候致力確保成本上升可為集團帶來額外收益、促進其業務增長及擴展。

Management Discussion and Analysis 管理層討論及分析

HUMAN RESOURCES AND TRAINING

As at 31 December 2004, the total number of employees was 817. Staff costs (including Directors' emoluments) and contributions to retirement benefit schemes amounted to approximately HK\$171.9 million (2003: HK\$148.2 million).

We operate different remuneration schemes according to role. For sales personnel, the package may comprise either a base pay or draw and commission/bonus/sales incentive, or alternatively, it can be a straight commission arrangement. For non-sales personnel, the remuneration is comprised of either a straight base pay, or where appropriate, a base pay with a performance-based bonus element.

There are currently no share option schemes applicable to the Group's officers or employees.

To maintain our position as a market leader in the financial sector, the Group will continue to recruit high quality candidates with proven experience in the provision of financial services.

In our continuing support of the Financial Services Bureau in meeting the human resources development needs of the financial services sector, we have offered internship places to local university students to consolidate their practical working experience and enrich their financial knowledge. We also extensively recruit trainees each year, particularly at our branch offices.

We have also organized a total of 31 in-house Continuing Professional Training (CPT) programmes and Continuing Professional Development (CPD) programmes for our licensed and relevant staff to ensure their full compliance with regulatory requirements and that they are updated with new product knowledge and the latest regulatory-related issues.

人力資源及培訓

截至二零零四年十二月三十一日，集團僱員人數共有817名。僱員成本（包括董事酬金）及退休福利計劃供款合共約171.9百萬港元（二零零三年：148.2百萬港元）。

集團為營銷及非營銷僱員設立不同之薪酬制度。營銷僱員之薪酬組合包括底薪以及佣金／花紅／銷售獎金，或僅佣金安排，而非營銷僱員之薪酬則僅有底薪，或於適當情況下底薪連同按表現發放之花紅。

集團現時並無適用於其高級職員或僱員之認購股權計劃。

為保持集團於金融業之市場領先地位，我們將繼續招聘於金融服務業具有實質經驗的優秀人才。

為繼續支持財經事務局滿足金融服務業培訓人才的需要，集團提供實習生空缺予本地大學生，協助他們增加實際工作經驗及汲取財經知識。集團（尤其各分行）每年均廣泛地招聘見習人員。

集團亦為旗下之持牌及相關僱員舉辦了共31個內部持續專業培訓課程及持續專業培訓計劃，確保員工全面遵守有關監管規定，並掌握最新之產品知識及現行之監管事務資訊。

Management Discussion and Analysis 管理層討論及分析

INVESTMENTS IN PRINCIPAL ASSOCIATED COMPANIES

Tian An China Investments Company Limited (“Tian An”)

Tian An recorded sales of total gross floor areas (“GFA”) of approximately 225,000m² (2003: 291,000m²), representing a decrease of 23% over 2003. A total GFA of approximately 319,000m² (2003: 314,000m²) of residential/commercial properties was completed, representing an increase of 2% over last year. Properties sold in the P.R.C. such as Shanghai Tian An Centre, Nantong Tian An Garden (Phase 2), Shenzhen Tian An New Technology Plaza (Phase 2), Changzhou New City Garden (Phase 4), Wuxi Redhill Peninsula (Phase 3), Shanghai Tian An Villa (Phase 1) and Changchun Tian An City One (Phase 2) contributed significantly to the satisfactory performance, bringing an increase in the net profit of Tian An of 96% to HK\$200.6 million.

Since late April 2004, the P.R.C. government has actively applied macro-economic policy in an attempt to reduce the scale of fixed capital investment, calm inflation, ease shortages in raw materials and electricity and to slow the rise in property prices. However, because of the reduction in land supply, property markets continue to rise. The government may therefore be inclined to introduce further measures to curb the rise in property prices.

Tian An will continue to seek opportunities whilst adopting appropriate strategies to deal with the changing economic environment. Tian An maintains its positive outlook and is hopeful that P.R.C. property markets may maintain a steady and sustainable uptrend in the medium to longer term.

於主要聯營公司之投資

天安中國投資有限公司（「天安」）

天安錄得售出之總樓面面積約為225,000平方米（二零零三年：291,000平方米），較二零零三年下降23%。已竣工商／住物業總樓面面積約為319,000平方米（二零零三年：314,000平方米），較去年上升2%。在中國銷售之物業如上海天安中心、南通天安花園（二期）、深圳天安數碼城創新科技廣場（二期）、常州新城市花園（四期）、無錫紅山半島（三期）、上海天安別墅（一期）及長春天安第一城（二期）等對天安年內之理想表現有重大貢獻，帶來淨溢利增長96%至200.6百萬港元。

自二零零四年四月底，中國政府高調宏觀調控，以收窄固定資產投資規模，平抑通脹、原燃材料、電力緊張局面及抑制房價上漲幅度。然而，房價卻由於土地供應量減少而繼續上漲，因此政府或會推出新政策以壓抑房價。

天安將繼續尋找商機，同時採取合適策略應對經濟環境之變化。對於內地房市之前景，天安仍然感到樂觀，並期望房市在中期至長期維持平穩上升之趨勢。

Management Discussion and Analysis 管理層討論及分析

Quality HealthCare Asia Limited (“Quality HealthCare”)

Quality HealthCare has been successful in delivering significantly improved results for 2004 with an 84% increase in net profit to HK\$45 million. The improved performance was a combined result of continued cost control, an expansion in coverage and services, and an increase in private paying clients.

Quality HealthCare has continued to focus on the development of its core businesses. It has expanded medical centre coverage and the range of its specialist services. In particular, during the year Quality HealthCare opened its Quality Women's Health and Reproductive Medicine Centre. It also continued to develop and expand its third party administration services and its health scheme administration skills for corporate clients. Additional programs including Employee Assistance and Occupational Health and Safety Programs are also being developed to better service Quality HealthCare's client base.

Quality HealthCare has also directed effort and resources to improving training and medical centre management to better address patient needs. The I.T. platform is constantly being reviewed and improved in order to facilitate patient service and claim processing.

Quality HealthCare is also continuing its initiatives to both improve services and profitability in its elderly care division.

Yu Ming Investments Limited (“Yu Ming”)

During the year, the major investments of Yu Ming were in Asia World-Expo at the Hong Kong International Airport, Argyle Centre shopping mall in Mongkok, a Hong Kong based airline, high yield bonds and equity securities.

卓健亞洲有限公司（「卓健」）

卓健成功大幅改善其二零零四年度之業績，淨溢利增長84%至45百萬港元。持續控制成本、擴大服務覆蓋範圍與種類，以及私人付款客戶之增長令該公司之業績取得上述改善。

卓健繼續加強發展其核心業務，擴大醫療中心覆蓋範圍及一系列專科服務，特別是在年內開設卓健婦女健康及生殖醫療中心。卓健亦繼續發展及加強第三者管理服務及企業客戶之健康計劃管理，並正發展新增計劃，包括僱員援助及職業健康及安全計劃，務求提供更佳服務予客戶。

卓健亦集中資源致力改善培訓及醫療中心之管理，以切合病人所需，又經常檢討及改善其資訊科技平台，以便改善病人服務及申索處理程序。

卓健亦正繼續致力改善其護老部之服務及盈利。

禹銘投資有限公司（「禹銘」）

年內，禹銘之主要投資項目包括於香港國際機場經營之亞洲國際博覽館、位於旺角區之旺角中心商場、一間以香港為基地之航空公司、高息債券及股本證券。

Management Discussion and Analysis 管理層討論及分析

For the Asia World-Expo, significant bookings were secured from both local and overseas exhibition organizers well in advance of its scheduled opening in 2006.

Retail sector confidence in 2004 was reflected in pleasing shop sale prices and very high occupancy rates in the Argyle Centre.

While the high yield bond portfolio provides reliable income for Yu Ming, it will continue to closely review its holdings in 2005.

In the second half of 2004, Yu Ming and another investor made a HK\$140 million investment in a convertible note issue of a Hong Kong based airline. Also, conditional agreement was reached in December 2004 for Yu Ming to invest HK\$47 million in a leading P.R.C. cashmere garment manufacturing company. Yu Ming expects that the agreement conditions will be satisfied by the end of April 2005.

FINANCIAL RESOURCES AND GEARING RATIO

The Group consistently maintained a strong and healthy financial position.

As at 31 December 2004, the net assets of the Group amounted to HK\$5,013.8 million, representing an increase of HK\$521.8 million or approximately 11.62% from that of 31 December 2003. The Group's short-term bank deposits, bank balances and cash amounted to HK\$487.2 million (at 31 December 2003: HK\$566.9 million). The Group's total bank borrowings and loan notes amounted to HK\$217.8 million (at 31 December 2003: HK\$551.3 million) with HK\$63.9 million (at 31 December 2003: HK\$289.4 million) repayable within one year and HK\$153.9 million (at 31 December 2003: HK\$261.9 million) repayable beyond one year.

亞洲國際博覽館雖預定於二零零六年開幕，但目前已獲得不少本地及海外展覽營辦商之訂場預約。

旺角中心之店舖售價理想，出租率極高，反映二零零四年零售市場復甦。

高息債券組合為禹銘帶來穩定收入。禹銘於二零零五年會繼續密切監察此項投資。

於二零零四年下半年，禹銘與另一投資者於一間以香港為基地之航空公司所發行之可換股票據投資達140百萬港元。此外，禹銘亦於二零零四年十二月簽訂一份有條件協議，於中國一間領先的開士米毛衣廠投資47百萬港元，預期該協議之條件將於二零零五年四月底前得以達成。

財政資源及資本與負債比率

集團繼續維持強健之財政狀況。

於二零零四年十二月三十一日，集團之淨資產為5,013.8百萬港元，較集團於二零零三年十二月三十一日錄得之淨資產增長521.8百萬港元，或約11.62%。集團之短期銀行存款、銀行結存及現金合共為487.2百萬港元（於二零零三年十二月三十一日：566.9百萬港元）。集團之總銀行借款連同貸款票據合共為217.8百萬港元（於二零零三年十二月三十一日：551.3百萬港元），須於一年內償還之款項為63.9百萬港元（於二零零三年十二月三十一日：289.4百萬港元），而須於一年後償還之款項為153.9百萬港元（於二零零三年十二月三十一日：261.9百萬港元）。

Management Discussion and Analysis 管理層討論及分析

The liquidity of the Group remained healthy as demonstrated by the current ratio (current assets/current liabilities) of 2.43 times as at 31 December 2004 (at 31 December 2003: 1.92 times). The Group's current ratio showed further improvement in the year ended 31 December 2004.

The Group continued to maintain a low gearing ratio, calculated on the basis of the Group's total bank borrowings and loan notes over the Group's shareholders' funds, at 4.34% at the year end (at 31 December 2003: 12.27%).

CAPITAL STRUCTURE, BANK BORROWINGS AND EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

The Company has not issued any additional shares or made any share repurchases during the year as shown in note 26 to the accounts.

Other than the mortgage loans as shown in note 30 to the accounts and the remaining balance of 4% loan notes issued on shares repurchase as shown in note 29 to the accounts, the Group's bank borrowings were on a short-term basis and in H.K. dollars as at 31 December 2004. They were charged at floating interest rates. There are no known seasonal factors in our borrowing profiles.

The fluctuation in exchange rates and market prices do not impose a significant risk to the Group as its level of foreign currency exposure is relatively immaterial.

於二零零四年十二月三十一日，集團之流動資產比率（流動資產相對流動負債）為2.43倍（於二零零三年十二月三十一日：1.92倍），顯示集團之流動資金依然穩健。截至二零零四年十二月三十一日止期間，集團之流動資產比率獲得進一步改善。

集團繼續維持一個低的資本與負債比率，按集團之銀行總借款及貸款票據相對集團之股東資金計算，該比率於本年底為4.34%（於二零零三年十二月三十一日：12.27%）。

資本結構、銀行貸款及匯兌率浮動風險

集團於本年內並無發行任何額外股份或購回股份，請參閱賬目附註26。

除了於賬目附註30所述之按揭貸款及於賬目附註29所述之就回購股份而發行的4%貸款票據結餘外，集團於二零零四年十二月三十一日之銀行貸款為港元短期貸款，並根據浮動利率計算。集團之借款並不受任何已知之季節性因素所影響。

匯率及市價之變動概不會令集團承擔重大風險，因其外匯風險水平相對來說不大。

Management Discussion and Analysis 管理層討論及分析

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINTLY CONTROLLED ENTITIES

During the year, the Group exercised warrants to subscribe for 44,000,000 shares and purchased 2,196,000 shares in Tian An for a total consideration of HK\$92.8 million.

Other than the aforesaid acquisition, there has been no material acquisition or disposal of subsidiaries, associated companies or jointly controlled entities during the year.

SEGMENT INFORMATION

Detailed segment information in respect of the Group's turnover and contribution to profit before taxation are shown in note 2 to the accounts.

CHARGES ON GROUP ASSETS

Listed shares with an aggregate value of HK\$227 million were pledged by subsidiaries for bank loans and overdrafts. Leasehold properties of the Group with a total book value of HK\$96 million were pledged by subsidiaries to banks for mortgage loans and overdrafts granted to them with a total outstanding balance of HK\$67.4 million as at 31 December 2004.

CONTINGENT LIABILITIES

Details regarding the contingent liabilities are set out in note 34 to the accounts.

TAXATION

Details regarding the Group's taxation are set out in note 11 to the accounts.

附屬公司、聯營公司及共同控制公司之重大收購及出售

於本年內，集團行使認股權證以認購44,000,000股及購入2,196,000股天安股份，總代價為92.8百萬港元。

除上述以外，於本年內並無任何附屬公司、聯營公司及共同控制公司之重大收購或出售。

分項資料

有關集團營業額、除稅前溢利之貢獻之分項資料詳情，請參閱賬目附註2。

集團資產押記

集團之附屬公司將其持有總值227百萬港元之上市公司股份抵押予銀行，以換取銀行貸款及透支。集團之附屬公司亦將其賬面總值96百萬港元之物業抵押予銀行，作為給予按揭貸款及透支之抵押，該等貸款於二零零四年十二月三十一日之未償還結餘為67.4百萬港元。

或然負債

或然負債詳情載於賬目附註34。

稅項

集團稅項詳情載於賬目附註11。

Management Discussion and Analysis 管理層討論及分析

The Group's taxation charge in 2004 increased by 121.07% to HK\$128 million (2003: HK\$57.9 million), primarily due to increase in net assessable profit and increase in the share of taxation from associated companies during the year, which in turn was mainly a result of the higher profits of Tian An in the P.R.C. and the higher tax rates there.

MATERIAL LITIGATION UPDATE

- (a) On 28 February 2005, by order of the Hong Kong High Court, the claim by Shenzhen Building Materials Group Co. Limited against SHKIS was dismissed with costs to SHKIS.
- (b) By the Judgment of Deputy High Court Judge To on 1 April 2004 (the "Judgment") in HCA 3191/1999 between New World Development Company Limited ("NWDC") and Stapleton Development Limited against Sun Hung Kai Securities Limited ("SHKS"), a wholly-owned subsidiary of the Company, SHKS was ordered to pay NWDC the sum of HK\$105,534,018.22 together with interest on the principal sum of HK\$80,117,652.72 at judgment rate from 16 December 1998 until payment, pursuant to the terms of an oral agreement which His Lordship found (the "Oral Agreement"). As at 17 June 2004, the date when the Judgment sum was paid, the Judgment amounted to HK\$150,115,681.54 (being HK\$105,534,018.22 plus interest of HK\$44,581,663.32). SHKS has paid the Judgment amounts. SHKS has filed an appeal against the Judgment both as to liability and quantum (the "Appeal") to the Court of Appeal. The Appeal has been set down for hearing commencing 7 June 2005. The decision of the Court of Appeal is likely to be delivered some months after the Appeal. Matters relating to the Judgment are further described in notes 4,19 and 34(c) to the accounts.

集團於二零零四年之稅項支出增加121.07%至128百萬港元(二零零三年:57.9百萬港元),主要原因是年內淨應課稅溢利增加,以及天安於中國之溢利增加,而當地之稅率較高,以致年內應佔聯營公司稅項增加。

重大訴訟之最新進展

- (a) 於二零零五年二月二十八日,根據高等法院之判令,深圳市建材集團有限公司向新鴻基投資提出之索償已被撤銷,須支付堂費予新鴻基投資。
- (b) 根據高等法院暫委法官To於二零零四年四月一日就新世界發展有限公司(「新世界發展」)與Stapleton Development Limited向本公司全資附屬公司新鴻基証券有限公司(「新鴻基証券」)提出之法律訴訟(高等法院民事訴訟1999年第3191宗)作出之裁決(「裁決」),新鴻基証券被判令向新世界發展支付總額105,534,018.22港元,連同本金金額80,117,652.72港元由一九九八年十二月十六日起至付款期間按判定利率(根據法官認定的口頭協議(「口頭協議」)內訂明之條款)計算之利息。於二零零四年六月十七日(即支付判定金額當日),判定金額總數為150,115,681.54港元(即105,534,018.22港元連同利息44,581,663.32港元),而新鴻基証券已支付該判定金額。新鴻基証券已向上訴法院申請就該項裁決之法律責任及索償金額提出上訴(「上訴」)。上訴聆訊已獲編排於二零零五年六月七日展開。預期上訴法院將於上訴後數個月後作出判決。有關裁決之進一步詳情載於賬目附註4、19及34(c)。

Management Discussion and Analysis

管理層討論及分析

- (c) Shun Loong Finance Limited and Shun Loong Holdings Limited (together the "Petitioners"), both wholly-owned subsidiaries of the Company, filed a winding-up petition on 19 February 2004 in the British Virgin Islands ("B.V.I.") seeking an order that Shanghai Finance Holdings Limited be wound up by reason of its failure to pay debts owing to the Petitioners. The B.V.I. proceedings were stayed by order of the B.V.I. court. The Petitioners have appealed that decision but have agreed not to pursue the appeal during the stay of 200/2004, which is further described in note 34(b) to the accounts.
- (c) 順隆財務有限公司及順隆集團有限公司(統稱為「呈請人」)(同為本公司之全資附屬公司)在二零零四年二月十九日於英屬處女群島提交一項清盤呈請,由於Shanghai Finance Holdings Limited未能償還欠負呈請人之債務,故要求判令Shanghai Finance Holdings Limited清盤。英屬處女群島法院判令暫停辦理英屬處女群島之司法程序。呈請人已就該決定提出上訴,但同意在法院暫停辦理司法程序200/2004(該項訴訟之詳情載於賬目附註34(b))期間不提出上訴。
- (d) The Company, Sun Tai Cheung Credits Limited and SHKIS filed a writ on 7 February 2004 (230/2004) naming as defendants Shanghai Land Holdings Limited, Stephen Liu Yiu Keung, Yeo Boon Ann, The Standard Newspapers Publishing Limited and Hong Kong Economic Times Limited and claiming damages for libel, injunctive relief, interest and costs. The case remains at an early stage.
- (d) 本公司、新泰昌授信有限公司及新鴻基投資於二零零四年二月七日向上海地產控股有限公司、廖耀強、楊文安、英文虎報出版有限公司及香港經濟日報有限公司(作為被告人)發出傳訊令狀(230/2004),申索誹謗賠償、要求頒佈禁制令,以及索償涉及之利息及費用。此訴訟仍處於初步階段。
- (e) SHKIS filed a notice of action on 8 June 2004 in Canada naming as defendants Sung Chun ("Sung"), Song Lei ("Song") and the Bank of Montreal claiming from Sung and Song reimbursement for funds totalling US\$1,300,000 transferred by them in addition to costs, and against the Bank of Montreal for an injunction freezing the subject funds or alternatively for payment of the funds into court. SHKIS discontinued the action in respect of the Bank of Montreal, and agreed to a dismissal of the action against Song. The funds are currently in the custody of the Superior Court of Justice. On 31 March 2005, Madam Justice Herman granted summary judgment to SHKIS in the amount of Canadian currency sufficient to purchase HK\$10,533,000 plus prejudgment and postjudgment interest thereon.
- (e) 新鴻基投資於二零零四年六月八日在加拿大提呈一份訴訟通知書,向宋秦、Song Lei及蒙特利爾銀行發出傳票,要求宋秦及Song Lei償付由其轉撥合共1,300,000美元之金額連同堂費,並要求向蒙特利爾銀行發出禁制令凍結上述金額或將該金額繳存法院。新鴻基投資終止對蒙特利爾銀行之訴訟及同意撤銷對Song Lei之訴訟。有關金額現正由高級法庭保管。於二零零五年三月三十一日,大法官Herman女士向新鴻基投資作出簡易判決,判予獲取一筆相等於10,533,000港元之加幣金額(連同判決前後之利息)。

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- (f) SHKIS filed a writ on 23 July 2004 in Hong Kong naming as defendants Sellon Enterprises Limited ("Sellon"), Sung and Song and seeking a declaration that Sellon holds property wholly or in part on trust for SHKIS.

REGULATORY ENVIRONMENT

In 2004, the Securities and Futures Commission and The Stock Exchange of Hong Kong Limited introduced a number of major rules, codes and guidelines which will impact our business operations and internal controls in 2005. The most significant of these are the amended Listing Rules relating to financial assistance disclosures, the Code on Corporate Governance Practices and Corporate Governance Report, guidelines to address analyst's conflicts of interest, and the regulation of Sponsors and Independent Financial Advisers. The implementation of the Securities and Futures Ordinance saw an increase in the enforcement and combating of market misconduct and regulatory breaches. In response, the Group has adopted various preventive measures which include updating operational procedures, modification of computer systems for more effective monitoring, amendment of relevant manuals or documentation, and provision of intensive training programmes to staff to reinforce their understanding of such areas.

The two-year transitional period for deemed licensed corporations to apply for migration to the new licensing regime under the Securities and Futures Ordinance ended on 31 March 2005. The Group has already lodged all necessary applications prior to the deadline.

- (f) 新鴻基投資於二零零四年七月二十三日於香港提交一份令狀，向 Sellon Enterprises Limited (「Sellon」)、宋秦及 Song Lei 等被告人提出訴訟，要求法庭判令聲明 Sellon 持有之財產全部或部份是為新鴻基投資所託管之財產。

規管環境

於二零零四年，證券及期貨事務監察委員會及香港聯合交易所有限公司相繼推出多項主要規則、守則及指引，對我們於二零零五年之業務及內部監控造成一定影響。其中影響最重大的是就有關財務資助之披露、企業管治常規守則及企業管治報告、申報分析員之利益衝突之指引以及保薦人及獨立財務顧問之規例而作出之上市規則修訂。隨著落實執行證券及期貨條例，當局更加嚴加執行及打擊市場失當及違規行為。就此，本集團已採納多項預防措施，包括更新營運程序、修改電腦系統以便作出更有效用之監控、修訂有關手冊或文件及為旗下僱員提供密集式培訓課程，藉以加深僱員對上述各方面之了解。

被視作持牌法團根據證券及期貨條例申請過渡至新發牌機制之兩年過渡期已於二零零五年三月三十一日屆滿。本集團已於截止限期前提交所有所須之申請。

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The proposed regulatory changes namely, the Hong Kong Financial Reporting Standards, securities margin financing regarding the pooling and re-pledging of client collateral, eligibility and obligations of listing Sponsors and Independent Financial Advisers, and the overall review of existing laws and regulations relating to public offerings of shares and debentures pose new challenges for the Group. The Group remains fully committed to compliance with all legal and regulatory requirements so as to protect and safeguard its clients' assets and to secure the interests of its shareholders.

MANAGEMENT OF RISKS

Policies and Procedures

The Group has established policies and procedures for risk management which are reviewed regularly by the management and the Credit & Risks Management Committee (the "CRM"), which reports to the Executive Committee of the Board of Directors, to ensure the proper monitoring and control of all major risks arising from the Group's activities at all times. The Group's Internal Audit and Compliance department ("IAC") (which reports independently to the non-executive Chairman and the Audit Committee) also performs regular reviews to supplement the various internal control measures adopted by the management and various divisions within the Group, to ensure compliance with policies and procedures.

Operational Risk

Operational risk has been defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

The Board places importance on ensuring that there is an effective operational risk management framework by maintaining strong risk and internal control cultures, including clear lines of responsibility and segregation of duties, effective internal reporting and contingency planning.

建議作出之規管事項變更(分別是香港財務報告準則、有關聯合及再抵押客戶之抵押品之證券放款、上市保薦人及獨立財務顧問之資格及責任、以及全面檢討有關公開發售股份及債券之現有法律及規例)均對本集團帶來新挑戰。本集團繼續承諾致力遵照所有法律及監管規定,以保障客戶資產及股東權益。

風險管理

政策及程序

集團已設立風險管理之政策及程序,並由管理層及須向董事會執行委員會匯報之信貸及風險管理委員會(「信貸風險委員會」)定期進行檢討,以確保於任何時候因集團業務而產生之所有主要風險得以受到監控。除管理層及個別部門採取各項內部監控措施外,集團之稽核及法規監核部(「稽核部」)(一個向非執行主席及審核委員會獨立匯報之部門)亦會定期查核,從而確保該等政策及程序得以遵守。

營運風險

營運風險指因內部程序、人為及制度不足或失當或外在事件導致產生損失之風險。

董事會一貫注重維持良好之風險及內部監控制度(包括清晰界定職權範圍及職務分工)、有效之內部匯報及應變計劃,以確保集團擁有有效之營運風險管理機制。

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Line management is required to declare and submit annually its “Responsibility Statement for Internal Control Procedures” for review by the Group’s IAC.

Credit Risk

Credit risk arises from a number of areas. These include the possibility that a counter-party in a transaction may default during the settlement process. It also arises from lending, settlement, treasury, market making, derivatives, proprietary trading, and other activities undertaken by the Group.

The Group’s credit manual sets out in detail the credit approval and monitoring procedures, which are established in accordance with sound business practices, the requirements and provisions of the relevant ordinances, and where applicable, the codes or guidelines issued by the Securities and Futures Commission.

Day-to-day credit management is performed by the Credit department with reference to the aforementioned criteria including creditworthiness, collateral pledged, and risk concentration of the counter-parties. Decisions made daily by the Credit department are reported and reviewed by the Executive Directors and senior management of the Group and by the CRM at its regular meetings.

Liquidity Risk

The Group manages its liquidity position to ensure the Group maintains a prudent and adequate liquidity ratio, in strict accordance with statutory requirements. This is achieved by the management, comprising the Executive Directors, the Chief Financial Officer and relevant senior managers monitoring the liquidity position of the Group on a daily basis to ensure the availability of sufficient liquid funds to meet all obligations and compliance with the statutory requirements such as the Financial Resources Rules applying to various licensed subsidiaries.

高級管理層須每年申報及提交一份「內部監控程序責任聲明」，供集團之稽核部審閱。

信貸風險

導致信貸風險的成因眾多，包括交易對手有可能在交收過程中出現違約，信貸風險亦可能來自放款、交收、庫務、作價買賣、衍生產品、自營買賣，以及其他集團所從事之活動。

集團之信貸政策指引詳列批准信貸及監管程序。該等程序乃按照專業守則、有關條例之規定以及證券及期貨事務監察委員會發出之有關守則或指引而訂定。

日常信貸管理由信貸部負責。信貸部會就交易對手之信譽、抵押品及風險分佈作出批核。並由集團之執行董事及高級管理層每日審閱，而信貸風險委員會亦於定期例會中作出檢討。

流動資金風險

集團監管其流動資金狀況，確保有審慎而充裕之流動資金比率，以遵守有關之法定要求。管理層包括執行董事、財務總監及有關高層管理人員每日均監察集團之流動資金狀況，以符合法定要求（如適用於集團多間持牌附屬公司的財務資源條例）。

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Capital Risk

The Group maintains a strong capital base to support the development of its businesses and to comply, where necessary, with at least the minimum statutory ratios.

Capital is allocated to the various activities of the Group depending on requirements and the degree of risk appropriate to various activities. Cost of capital, as determined from time to time, is allocated against its users.

Interest Rate Risk

Interest rate risk primarily results from timing differences in the re-pricing of interest bearing assets, liabilities and commitments. The Group's interest rate risk exposure arises mainly from margin financing and other lending activities undertaken. The Group has the legal capacity to quickly recall such loans or re-price its margin loans to an appropriate level. Its interest-sensitive positions can readily be identified. Interest rates paid by the Group are managed by the Finance department with the aim of maximizing the spread of interest consistent with liquidity and funding obligations.

Foreign Exchange Risk

Foreign exchange risk is the risk to earnings or capital arising from movements of foreign exchange rates.

The Group's foreign exchange risk primarily arises from currency exposures originating from its leveraged foreign exchange business or purchases of foreign securities on behalf of clients. Foreign exchange risk is managed and monitored by the relevant

資本風險

集團維持穩固之資本基礎，以支持其業務發展及遵從所須至少之最低法定比率要求。

資金乃按集團各業務不同之需求及所承擔之風險分配至集團各業務範圍。資金成本（隨時間而定）由其用者各自承擔。

利率風險

利率風險主要由就附有利息之資產、負債及承擔重新定價之時差所引致。集團的利率風險主要來自證券放款及其他貸款業務。集團可法定要求借款人即時償還貸款，或重訂證券放款之息率至適當水平。集團亦可容易地確定其在提供貸款時所承受之利率風險水平。集團所支付之利率乃由財務部管理，以盡量令息差符合資金之流動性及需求。

外匯風險

外匯風險乃外幣匯率變動對盈利或資本造成之風險。

集團之外匯風險主要來自其槓桿外匯或代客購買海外證券之業務。外匯風險由有關部門按集團董事會或執行委員會所批准之限額作出管理及監察。就槓桿外匯業務而言，由於集團

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department under the limits approved by the Group's Board or Executive Committee. In relation to our leveraged foreign exchange activity, our position is that of a market-maker, and accordingly our risk is our open currency positions which are subject to management approved limits and are monitored and reported daily. The other possible risk is primarily a derivative foreign exchange risk for a client who does not or cannot meet margin calls following any period of substantial currency turbulence. Our principal lending operations are carried out in local currency to obviate foreign exchange risk. Accordingly, the Group has no significant exposure to foreign exchange fluctuations on loan assets.

Market Risk

Proprietary trading activities across the Group are subject to limits approved by management. In early 2004, the Group established the Trading Risk Control Unit ("TRCU") for the purposes of independently monitoring and reporting the positions, risks and profit and loss of its proprietary trading activities involving derivatives, foreign exchange and bullion. In addition to the TRCU, the Group's exposures are closely monitored by the Credit department and senior management and are measured on both a "mark-to-market" and a "mark-to-fair" basis, and "maximum loss" limits are used. The Group's various proprietary trading activities are reported daily to senior management for review. The Group's IAC also performs audits to supplement the above controls to ensure compliance with the established market risk limits and guidelines.

Reputational Risk

A key factor for businesses in the financial services sector is their reputation for financial probity and prudence. In our case, with our important and valuable "brand", we manage these risks through our strong internal controls and risk management regime, by comprehensive employee training and operational manuals in key areas, and by the strength and independence of our IAC.

乃擔任莊家之位置，因此，外幣未平倉合約（須受由管理層審批之限額限制，並須每日受其監控及向其匯報）會存在外匯風險。另外，倘客戶在經歷重大匯率波動後未能或無法填補保證金額，亦可能對集團造成衍生外匯風險。集團主要之貸款業務仍以本地貨幣進行，以減低外匯風險，故此，集團之貸款資產並無承受重大外匯風險。

市場風險

集團之自營買賣活動須受管理層審批之限額限制。於二零零四年初，集團成立買賣風險監控小組，以獨立監察及匯報涉及衍生工具、外匯及黃金之自營買賣狀況、風險、利潤及虧損。除買賣風險監控小組外，信貸部及高級管理層均會密切監察集團之買賣風險，同時亦會按「市場價格」及「公平價格」計算風險，並設定「虧蝕上限」。集團各項自營買賣活動均每日匯報予高級管理層以供審閱。集團之稽核部亦會作出定期審核，以補充上述監控措施，確保遵從集團既訂之市場風險限額及指引。

商譽風險

誠實及審慎之商譽對金融服務業來說是一重要因素。就集團而言，「品牌」實屬非常重要及珍貴，而藉著嚴謹之內部監控及風險管理，如在主要業務上推行全面之僱員培訓及營運守則，加上集團稽核部之效能與獨立運作，致使我們成功管理此方面之風險。