

FINANCIAL OPERATION REVIEW

RESULTS

Profit attributable to shareholders for the year ended 31st December, 1999 (the "Year") amounted to HK\$138.2 million, representing a decrease of 73.2% over last year's figure of HK\$514.9 million. Basic earnings per share for the Year was 7.2 cents, representing a decrease of 73.1% over last year. Diluted earnings per share for the Year was 6.7 cents, representing a decrease of 74.9% over last year. No interim and final cash dividends were declared for the Year. (1998: A bonus issue of warrants was granted to shareholders on the basis of one 1999 bonus warrant and one 2000 bonus warrant for every ten shares held on 30th October, 1998.)

Property investments

Gross rental income of HK\$602.0 million was included in the turnover for the Year, representing a 11.8% decrease over the gross rental income of HK\$682.8 million for last year. The four major investment properties of the Group, namely Windsor House, Harcourt House, CRC Protective Tower and Silvercord Shopping Arcade had an average occupancy rate in 1999 of 89.03%, 66.57%, 87.74% and 82.85% respectively.

Property disposals

During the Year, investment properties disposed of included Paul Y. Industrial Building, 16 Repulse Bay Road, half floor of Harcourt House, Universal Trade Centre and Marina Cove at Sai Kung together with disposal of development property at 60 Peak Road, making up, in aggregate, turnover and loss on disposal in the amounts of HK\$584.3 million and HK\$59.1 million (1998: gross profit HK\$388.0 million) respectively. The loss incurred was mainly attributable to the resumption of Paul Y. Industrial Building which recorded a loss of HK\$113.0 million, whereas in 1998, disposal of properties generated a profit of HK\$388.0 million. In addition, disposal of an associate holding a development project in 1998 also generated a profit of HK\$313.9 million, however no similar disposal was recorded in the Year.

業績

截至一九九九年十二月三十一日止年度（「本年度」），股東應佔溢利為138,200,000港元，較去年之514,900,000港元減少73.2%。本年度之每股盈利為7.2仙，較去年下跌73.1%。本年度每股攤薄盈利為6.7仙，較去年下跌74.9%。本年度並無宣派中期及末期現金股息（一九九八年：按於一九九八年十月三十日每持有十股股份可獲一份一九九九年紅利認股權證及一份二零零零年紅利認股權證之基準，向股東授出紅利認股權證。）

物業投資

本年度營業額中包括租金收入總額602,000,000港元，較去年之租金收入總額682,800,000港元減少11.8%。本集團四個主要投資物業為皇室大廈、夏慤大廈、華潤美衛大廈及新港中心商場，其於一九九九年之平均租用率分別為89.03%、66.57%、87.74%及82.85%。

出售物業

本年度期間，出售之投資物業包括保華工業大廈、淺水灣道16號、半層夏慤大廈、環貿中心及西貢匡湖居，連同出售位於山頂道60號之發展物業，合共帶來之營業額及出售虧損分別為584,300,000港元及59,100,000港元（一九九八年：毛利為388,000,000港元）。虧損主要來自政府收回保華工業大廈而錄得虧損113,000,000港元，而於一九九八年出售物業帶來之溢利則為388,000,000港元。此外，於一九九八年出售一間持有發展項目之聯營公司亦帶來313,900,000港元之溢利。然而，本年度並無錄得任何類似出售記錄。

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Securities investment

During the Year, the turnover for the Group's securities investment activities was HK\$121.8 million (1998: HK\$2,153.4 million), rationalisation of securities investment generated a gross profit for the Year of HK\$39 million and investment expenses of HK\$2.6 million respectively (1998: gross loss of HK\$647 million and investment expenses of HK\$34.7 million respectively). The Group's remaining listed securities investment portfolio as at 31st December, 1999 amounted to HK\$1.5 million. (1998: HK\$25.1 million)

Other investments and activities

Dividend income of HK\$14.1 million was received from the Group's unlisted investments in New Hong Kong Tunnel Company Limited during the Year. Primasia Securities Company Limited (33.76% interest) showed a pretax profit contribution of HK\$11.3 million for the Year and was recorded in the Group's share of results of associated companies.

Other operating expenses

Provision made for the Year in respect of diminution in value for a development project held by an associate amounted to HK\$66 million, in last year HK\$152.3 million was made for the Group and associates.

Financial and interest income/expenses

Interest income was included in other revenue. Finance cost included interest expenses on bank and other loans, arrangement and commitment fee expenses. Interest income for the Year was HK\$87.1 million, representing a decrease of 76.2% from that of 1998 (HK\$366.2 million). A decrease of interest income was mainly attributable to decrease on interest generated from securities investment held and decrease in money lending portfolio. Interest expenses for the Year amounted to HK\$298.2 million, representing a 19.6% decrease over the interest expenses of HK\$371.0 million recorded for last year.

The decrease in interest expenses was due to a decrease in the level of bank borrowings during the Year and the Group's bank and other borrowings amounted to HK\$3,837 million as at 31st December, 1999 (1998: HK\$4,043 million).

證券投資

在本年度期間，本集團證券投資業務之營業額為121,800,000港元（一九九八年：2,153,400,000港元），而整頓證券投資亦於本年度分別帶來毛利39,000,000港元及投資開支2,600,000港元（一九九八年：分別為總虧損647,000,000港元及投資開支34,700,000港元）。本集團其餘上市證券投資組合於一九九九年十二月三十一日共值1,500,000港元。（一九九八年：25,100,000港元）。

其他投資及業務

本集團於本年度在新香港隧道有限公司非上市投資所獲得之股息收入為14,100,000港元。華亞證券股份有限公司（佔33.76%權益）列於本年度攤佔聯營公司業績之除稅前溢利貢獻為11,300,000港元。

其他經營開支

本年度就聯營公司持作發展項目之減值撥備為66,000,000港元，去年，本集團及聯營公司所作之撥備為152,300,000港元。

財務及利息收入/支出

利息收入計入其他收益內。財務成本包括銀行及其他借貸之利息支出，安排及承擔費用開支。本年度之利息收入為87,100,000港元，較一九九八年（366,200,000港元）減少76.2%。利息收入減少主要由於所持證券投資所獲得之利息減少以及貸款組合減少所致。本年度利息支出為298,200,000港元，較去年錄得之利息支出371,000,000港元下跌19.6%。

利息支出減少乃因年內之銀行借貸水平下跌所致。於一九九九年十二月三十一日，本集團之銀行及其他借貸為3,837,000,000港元（一九九八年：4,043,000,000港元）。

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Taxation

The Group's taxation charge in respect of Hong Kong Profits Tax amounted to HK\$2.9 million for the Year (1998: HK\$16.0 million). In 1998, there was also a provision written back of HK\$168.5 million.

PRC properties

The Group holds its PRC property interests through its investment in the listed shares of Evergo China Holdings Limited ("Evergo China"). The Group's direct interest in Evergo China was 46.6%.

Evergo China had total asset and net asset of HK\$2,356.5 million and HK\$2,045.1 million respectively as at 31st December, 1999.

The Kwong Sang Hong International Limited

During the Year, the Group had an effective interest of 32.1% in the listed shares of The Kwong Sang Hong International Limited ("Kwong Sang Hong"). Following a placing and top-up of shares in Kwong Sang Hong in March 2000, the Group's equity interest in Kwong Sang Hong had been diluted to 26.79%.

Kwong Sang Hong had total asset and net asset of HK\$2,824.1 million and HK\$1,958.7 million respectively as at 30th November, 1999.

CORPORATE INFORMATION**Equity and warrants**

The number of issued shares as at 31st December, 1999 was 2,081,298,563 (1998: 1,913,200,927). 16,248,000 shares were repurchased on the Stock Exchange for the Year. During the Year, 184,054,076 and 291,560 shares were issued to 1999 warrant holders and 2000 warrant holders respectively who exercised their rights during the Year. Cash in the sum of HK\$178,532,453.72 and HK\$297,391.20 respectively were received from 1999 and 2000 warrants exercised during the Year. Number of 2000 warrants outstanding at 31st December, 1999 was 191,015,339 units.

稅項

本集團於本年度之香港利得稅稅項支出為2,900,000港元（一九九八年：16,000,000港元）。於一九九八年撥回之稅項準備為168,500,000港元。

中國物業

本集團透過其投資於Evergo China Holdings Limited（「愛美高中國」）之上市股份而持有其中國物業權益。本集團於愛美高中國之直接權益為46.6%。

於一九九九年十二月三十一日，愛美高中國錄得之資產總值及資產淨值分別為2,356,500,000港元及2,045,100,000港元。

The Kwong Sang Hong International Limited

本年度期間，本集團於The Kwong Sang Hong International Limited（「廣生行」）之上市股份持有32.1%之實際權益。於二零零零年三月以先舊後新方式配售廣生行股份後，本集團於廣生行之股權已攤薄至26.79%。

廣生行於一九九九年十一月三十日之資產總值及資產淨值分別為2,824,100,000港元及1,958,700,000港元。

公司資料**資本及認股權證**

於一九九九年十二月三十一日之已發行股份數目為2,081,298,563股（一九九八年：1,913,200,927股）。本年度，本公司於聯交所購回16,248,000股股份。年內，184,054,076股股份及291,560股股份已分別發行予於本年度內行使彼等權利之一九九九年認股權證持有人及二零零零年認股權證持有人。本年度，因行使一九九九年及二零零零年認股權證而分別獲得之現金款項為178,532,453.72港元及297,391.20港元。於一九九九年十二月三十一日尚未行使之二零零零年認股權證數目為191,051,339份。

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Debt and gearing

As at 31st December, 1999, the Group's bank and other borrowings amounted to HK\$3,837 million (1998: HK\$4,043 million). Cash and deposit at bank amounted to HK\$1,388 million (1998: HK\$639 million) and net borrowings amounted to HK\$2,449 million (1998: HK\$3,404 million).

Total debt to equity ratio was 24.1% (1998: 25.7%) and net debt to equity ratio was 15.4% (1998: 21.7%), which are expressed as a percentage of bank and other borrowings, and net borrowings respectively, over the total net asset of HK\$15,934 million (1998: HK\$15,719 million).

The decrease of the total and net debt to equity ratio was mainly due to an increase in total net asset base together with a decrease in bank and other borrowings. The increase in total net asset was elaborated in net asset value below.

At the balance sheet date, 28.7% and 71.3% of the Group's bank and other borrowings are denominated in Hong Kong dollars and United States dollars respectively. Of the Group's total bank and other borrowings HK\$3,837 million, 23.8%, 8.2% and 68.0% are repayable within 1 year, 1 to 2 years, and 2 to 5 years respectively. The majority of the Group's bank borrowings carry interest rates calculated with reference to HIBOR or LIBOR. After refinancing carried out in March 2000 which was elaborated below, the Group's bank and other borrowings are wholly denominated in Hong Kong dollars.

Refinancing after year end

In March 2000, the Group's borrowings comprising term loan, revolving loan and floating rate notes with the aggregate balances at year end of US\$352 million and HK\$407 million was fully repaid. Apart from deploying fund from internal resources, the repayment was achieved by refinancing through

- (a) a Hong Kong dollar commercial mortgage-back securities (the "CMBS") of Windsor House for HK\$1,821 million, and

債務及資本與負債比率

於一九九九年十二月三十一日，本集團之銀行及其他借貸為3,837,000,000港元（一九九八年：4,043,000,000港元），現金及銀行存款為1,388,000,000港元（一九九八年：639,000,000港元），而借貸淨額則為2,449,000,000港元（一九九八年：3,404,000,000港元）。

總債務與資本比率為24.1%（一九九八年：25.7%），而淨債務與資本比率為15.4%（一九九八年：21.7%），此比率乃分別以銀行及其他借貸以及借貸淨額作為比較總資產淨值15,934,000,000港元而計算（一九九八年：15,719,000,000港元）。

總債務及淨債務與資本比率減少之主要原因為總資產淨值基礎有所增加以及銀行及其他借貸減少。總資產淨值增加已載於下文資產淨值。

於結算日，本集團以港元及美元為單位之銀行及其他借貸分別為28.7%及71.3%。本集團之銀行及其他借貸總額為3,837,000,000港元，其中23.8%、8.2%及68.0%分別須於一年內、一年至兩年期間以及兩年至五年期間償還。本集團大部分銀行借貸乃按香港銀行同業拆息率或倫敦銀行同業拆息率計算利息。於二零零零年三月進行重新融資後（詳情載於下文），本集團之銀行及其他借貸全部以港元計算。

於年結日後重新融資

本集團於二零零零年三月之借貸包括定期貸款，循環貸款及浮動利率票據，於年底之結餘合共352,000,000美元及407,000,000港元，並已悉數償還。本集團除動用內部資源提撥資金外，亦透過下列途徑重新融資以償還債項：

- (a) 皇室大廈之1,821,000,000港元之商業按揭證券（「商業按揭證券」），及

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- (b) a syndicated loan of HK\$650 million secured by CRC Protective Tower.

The CMBS with 3-year tenor comprised of 5 series and was rated by Moody's Asia Pacific Limited ("Moody's") as follows:

- (i) Series A floating rate notes in the sum of HK\$1,032 million with Moody's rating of Aaa;
- (ii) Series B1 fixed rate notes in the sum of HK\$150 million with Moody's rating of Aa2;
- (iii) Series B2 floating rate notes in the sum of HK\$199 million with Moody's rating of Aa2;
- (iv) Series C1 fixed rate notes in the sum of HK\$153 million with Moody's rating of A3; and
- (v) Series C2 floating rate notes in the sum of HK\$287 million with Moody's rating of A3.

Interest rate swap was booked for hedging of all series of floating rate notes. The credit rating of Aaa and Aa2 for series A, B1 and B2 respectively of the CMBS, which was above Hong Kong's local currency ceiling of A3, was achieved without a monoline wrap. The CMBS was named by a financial journal The Asset as the "Best Local Currency Securitisation" in Asia in the year 1999.

NET ASSET VALUE

As at 31st December, 1999, the Group's total net asset amounted to approximately HK\$15,934 million (1998: HK\$15,719 million), an increase of HK\$215 million or 1.4% when compared with 1998. With the total number of shares in issue of 2,081,298,563 as at 31st December, 1999, the net asset value per share of the Company was HK\$7.7, a decrease of 6.1% over 1998 (1998: HK\$8.2). The increase in total net asset was mainly due to the net profit recorded in the Year and a surplus on revaluation of investment properties. The decrease in net asset value per share was due to the dilution effect from an increase in number of shares by 184 million resulted from exercises of 1999 and 2000 warrants during the Year.

- (b) 由華潤美衛大廈作為擔保之650,000,000港元之銀團貸款。

商業按揭證券之期限為三年，包括五系列並由穆迪亞太有限公司（「穆迪」）作信貸評級如下：

- (i) 總額為1,032,000,000港元之A系列浮動利率票據，獲穆迪評為Aaa級；
- (ii) 總額為150,000,000港元之B1系列固定利率票據，獲穆迪評為Aa2級；
- (iii) 總額為199,000,000港元之B2系列浮動利率票據，獲穆迪評為Aa2級；
- (iv) 總額為153,000,000港元之C1系列固定利率票據，獲穆迪評為A3級；及
- (v) 總額為287,000,000港元之C2系列浮動利率票據，獲穆迪評為A3級。

用以對沖各系列浮動利率票據之利率調期已經入賬。商業按揭證券中A系列、B1及B2系列之信貸評級分別為Aaa級和Aa2級，較本港貨幣A3級之評級為高乃在沒有單一信貸包裝之情況下達到。商業按揭證券獲一份財經雜誌「The Asset」提名為一九九九年亞洲「最佳當地貨幣證券」。

資產淨值

於一九九九年十二月三十一日，本集團之總資產淨值約達15,934,000,000港元（一九九八年：15,719,000,000港元），與一九九八年比較，增加215,000,000港元或1.4%。按一九九九年十二月三十一日止年度已發行股份總數2,081,298,563股計算，本公司之每股資產淨值為7.7港元（一九九八年：8.2港元），較一九九八年下跌6.1%。總資產淨值增加乃主要由於本集團於年內錄得純利以及重估投資物業出現盈餘所致。由於年內行使一九九九年及二零零零年認股權證導致股份數目增加184,000,000股，故造成攤薄影響，因此每股資產淨值有所下跌。

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Property valuations

Property valuations were carried out by Brooke International Limited, an independent professional valuer, in respect of the Group's investment properties held as at 31st December, 1999 and that valuation was used in preparing 1999 financial statements. Investment properties were valued at HK\$13,384 million (1998: HK\$12,982 million), a 1.2% increase over 1998 after adjusted for additions and disposals of investment properties during 1999. Development properties, non-investment properties and unlisted investments of the Group were stated at book/historical cost in the financial statements.

OBLIGATIONS UNDER BANKING FACILITIES DOCUMENTATION

At the balance sheet date, circumstances which will trigger events of default of the Company under various banking facilities documents (including Floating Rate Notes) as far as the obligation of the controlling shareholder is concerned are as follows:

- (a) Mr Joseph Lau, Luen-hung and Mr Thomas Lau, Luen-hung and their respective associates cease to have control of the Company; or
- (b) Mr Joseph Lau, Luen-hung and Mr Thomas Lau, Luen-hung cease to manage the day to day operations of the Company.

The aggregate amount of outstanding banking facilities having the above covenants was HK\$3,144 million as at 31st December, 1999 with maturities of one to five years. Following the refinancing in March 2000 the above obligations were discharged.

物業估值

本集團於一九九九年十二月三十一日所持有之投資物業，已由獨立專業估值師Brooke International Limited 進行物業估值，而該項估值已用於編製一九九九年之財務報表。投資物業之估值為13,384,000,000港元（一九九八年：12,982,000,000港元），較一九九八年（按一九九九年所增添及出售投資物業調整後）增加1.2%。本集團之發展中物業、非投資物業以及非上市投資均按賬面值/歷史成本載列於財務報表中。

根據銀行融資文件之債務責任

於結算日，可導致本公司違反多份銀行融資（包括浮息票據）文件中有關控權股東責任之規定之情況如下：

- (a) 劉鑾雄先生及劉鑾鴻先生及彼等各自之聯繫人士不再擁有本公司之控制權；或
- (b) 劉鑾雄先生及劉鑾鴻先生不再管理本公司之日常業務。

於一九九九年十二月三十一日，訂有上述契諾之尚未償還銀行融資總額為3,144,000,000港元，並於一至五年內到期。於二零零零年三月進行重新融資後，上述責任已被解除。