

CHAIRMAN'S STATEMENT

RESULTS

Turnover for the year ended 31st December, 2003 (the "Year") amounted to HK\$2,531.5 million, a 2.5 times increase over the last year. It was mainly due to the increase in turnover of listed securities investment which comprising Hong Kong listed shares and overseas listed shares, amounted to HK\$1,831.5 million. Turnover for sales generated from development properties in Manhattan Avenue and City 151 will be included in year 2004 upon the issuance of relevant occupation permits and certificate of compliance.

Profit attributable to shareholders for the Year was HK\$1,153.8 million as compared to a loss of HK\$1,478.4 million for the last year. Earnings per share was HK\$52.1 cents (31st December, 2002: loss per share HK\$62.4 cents)

DIVIDEND

The Board of Directors recommended a payment of final dividend of HK12 cents per share for the year ended 31st December, 2003 (2002: Nil).

The register of members will be closed from 11th May, 2004 to 18th May, 2004 both days inclusive. To qualify for the final dividend, transfers should 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 10th May, 2004.

It is expected that the relevant dividend will be payable to those entitled on or about 19th June, 2004 subject to the shareholders' approval in the 2004 Annual General Meeting.

BUSINESS REVIEW

Hong Kong Investment Properties

Despite the unexpected outbreak of SARS in March 2003 that led to the decrease in overall office and retail rental levels, especially in the second quarter of the Year, our Group's gross rental income reported a 2.3% increase by the end of the fiscal year. The two newly acquired Tung Ying Building and Tung Sang Building also contributed to rental income. Tung Ying Building, which was added to our property portfolio in April 2003, has a gross floor area of about 389,000 square feet in which about 133,000 square feet is retail. The acquisition of Tung Sang Building, which is a commercial/residential property with a gross floor area of about 91,216 square feet, was completed in June 2003.

主席報告書

業績

截至二零零三年十二月三十一日止年度（「本年度」）之營業額為2,531,500,000港元，較上年度增加2.5倍，主要與證券投資（包括香港上市股份及海外上市股份）的交易額增加有關，為1,831,500,000港元。來自銷售Manhattan Avenue及都會151發展物業的營業額將於獲發有關入伙紙及滿意紙後於二零零四年入賬。

本年度之股東應佔溢利為1,153,800,000港元，上年度則為虧損1,478,400,000港元。每股盈利為52.1港仙（二零零二年十二月三十一日：每股虧損62.4港仙）。

股息

董事會建議派發截至二零零三年十二月三十一日止年度之末期股息每股12港仙（二零零二年：無）。

本公司將於二零零四年五月十一日至二零零四年五月十八日（首尾兩天包括在內）暫停辦理股東登記手續。為符合獲派末期股息的資格，過戶文件須於二零零四年五月十日下午四時前，交回本公司香港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。

預期有關股息將於二零零四年六月十九日或之後派予合資格股東，惟須待股東於二零零四年股東週年大會上批准。

業務回顧

香港投資物業

儘管二零零三年三月份突然爆發非典型肺炎，令回顧年度特別是第二季整體寫字樓及商舖租金水平下跌，本集團截至年底的總租金收入仍然增加2.3%。新購入的兩項物業東英大廈及東生大廈亦帶來租金收入。東英大廈乃本集團於二零零三年四月購入的物業，樓面面積約為389,000平方呎，其中約133,000平方呎為零售樓面。東生大廈之收購於二零零三年六月完成，為一項商住物業，樓面面積約為91,216平方呎。

Rentals from retail properties continued to be the main source of our rental income. As of December 2003, the occupancy levels for the Group's retail portfolio were maintained at over 91%. Such sustainable high occupancy rate is attributable to the prime location of majority of our retail properties in highly demanded shopping districts such as Causeway Bay, Wanchai, Tsim Sha Tsui and Mongkok. Retail rents have continued to improve since August 2003 due to the growth in tenants' business turnover from increasing tourists' spending and reviving local consumption.

Although the office property market remained competitive throughout the Year, office rents have been recovering since the fourth quarter of 2003. As of December 2003, the occupancy rates for Windsor House, MassMutual Tower and Harcourt House were 94%, 87% and 89% respectively.

Hong Kong Development Properties

In general, the Group's development projects have been progressing well and are on schedules.

For the Tai Yuen Street/Wanchai Road redevelopment project undertaken with the Urban Renewal Authority (75% direct interest), basement works at Site A of Phase 1 are in progress and superstructure works have already commenced in March 2004. For Site B of Phase 1, superstructure works commenced in August 2003. 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 510,000 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 and will be available for presale in the second half of 2004.

Site formation and foundation works for the development project at the junction of Cornwall Street and Tat Chee Avenue (33 1/3% interest) commenced in January 2003. The project will have a total gross floor area of around 301,200 square feet. This development is scheduled for completion in late 2005. It will be available for presale in the second half of 2004.

零售物業的租金繼續是集團租金收入的主要來源。截至二零零三年十二月，本集團的零售物業組合的出租率超過91%。出租率維持高企與集團的大部份零售物業位於銅鑼灣、灣仔、尖沙咀及旺角等需求殷切的購物旺區有關。由於旅客消費增加及本地消費好轉令租戶的營業額增加，商舖租金自二零零三年八月起逐漸重拾升軌。

儘管年內寫字樓物業市場仍然存在競爭，寫字樓租金自二零零三年第四季開始有所改善。截至二零零三年十二月，皇室大廈、美國萬通大廈及夏慤大廈的出租率分別為94%、87%及89%。

香港發展物業

整體上，本集團各個發展項目進展理想，符合預期的進度。

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)正於第一期地盤A進行地基工程，而上蓋工程已於二零零四年三月展開。至於第一期地盤B，上蓋工程已於二零零三年八月展開。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510,000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，並可望於二零零四年下半年展開預售。

位於歌和老街及達之路交界的發展項目(33 1/3%權益)已於二零零三年一月展開地盤平整及地基工程。該項目將提供總樓面面積合共約301,200平方呎。該發展項目預計於二零零五年年底落成。該發展項目將於二零零四年下半年展開預售。

CHAIRMAN'S STATEMENT

The residential development at Shiu Fai Terrace, Stubbs Road (50% interest) was completed in the first quarter of 2004. Its gross floor area totalled around 107,600 square feet. Presale commenced in November 2003 and all the units were successfully sold within 6 weeks.

Site formation and foundation works for the development at 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 early 2006.

Superstructure works for the residential development at Parc Palais in King's Park, Kowloon (10% interest) commenced in September 2002. Completion of this project with a total gross floor area of around 904,200 square feet is scheduled for mid 2004. Presale of the project commenced in August 2003 and as of December 2003 around 25% of the units were sold.

Superstructure works for the residential development at City 151 in Kau Pui Lung Road, Kowloon East (100% interest) commenced in August 2002. The gross floor area totalled approximately 45,564 square feet and the development was completed in the third quarter of 2003. Its Certificate of Compliance was obtained in early 2004. The units were offered for presale in August 2003 and were sold out within 3 weeks.

Superstructure works for the development at 31 Barker Road at the Peak (100% interest) were completed and Occupation Permit was obtained in the third quarter of 2003. It comprises 4 luxury houses with a total gross floor area of approximately 13,600 square feet.

The development project at Manhattan Avenue in Hillier Street, Central (100% interest) was completed in the fourth quarter of 2003. The development has a total gross floor area of approximately 42,314 square feet with residential area of approximately 39,332 square feet in gross floor area. Presale was launched in August 2003 and all 75 residential units were sold within 2 weeks.

PRC Properties

The Hong Kong New World Tower, Shanghai (34.65% interest) comprises approximately 1,470,000 square feet of office and retail space. Leasing activities are currently in progress and the office section and retail section are around 70% and 30% let respectively as of December 2003.

主席報告書

司徒拔道肇輝臺住宅發展項目（50% 權益）已於二零零四年第一季落成。該發展項目提供總樓面面積合共約 107,600 平方呎，於二零零三年十一月展開預售，所有單位已於六個星期內成功售出。

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合共約 87,800 平方呎，預計於二零零六年初落成。

九龍京士柏住宅發展項目君頤峰（10% 權益）於二零零二年九月展開上蓋工程。該項目預計於二零零四年中落成，屆時將提供總樓面面積合共約 904,200 平方呎。該項目於二零零三年八月展開預售，截至二零零三年十二月已售出約 25% 的單位。

東九龍靠背壟道都會 151 住宅發展項目（100% 權益）於二零零二年八月展開上蓋工程。該項目的總樓面面積約 45,564 平方呎，並已於二零零三年第三季落成。該項目已於二零零四年初獲發滿意紙，其單位於二零零三年八月進行預售，並於三個星期內全部售出。

位於山頂白加道 31 號的發展項目（100% 權益）已完成上蓋工程，並於二零零三年第三季獲發入伙紙。該項目包括四幢豪華洋房，總樓面面積合共約 13,600 平方呎。

中環禧利街 Manhattan Avenue 發展項目（100% 權益）已於二零零三年第四季落成。該發展項目之總樓面面積合共約 42,314 平方呎，住宅範圍的總樓面面積約為 39,332 平方呎。預售於二零零三年八月展開，75 個住宅單位全部於兩個星期內售出。

中國物業

上海香港新世界大廈（34.65% 權益）包括約 1,470,000 平方呎寫字樓及零售樓面。招租活動正在進行，截至二零零三年十二月，寫字樓部份及零售部份的出租率分別約為 70% 及 30%。

CHAIRMAN'S STATEMENT

The Hilton Hotel, Beijing (50% interest) suffered a single digit occupancy level for a period because of the SARS. However, business rebounded quickly in the second half of the year and reached an average occupancy rate of 84%. For the whole year of 2003, an average occupancy rate of 66% was attained and a gross operating profit of HK\$29 million were reported. Renovation works to the guestrooms commenced in March 2004 and are scheduled for completion by the end of 2004. Beijing Municipal Commission of Urban Planning has approved the application for redevelopment of the adjoining multi-functional complex into a hotel extension with executive rooms and other ancillary hotel facilities.

The Oriental Place (50% interest), a 10-storey office building next to Hilton Beijing, is 87% let as of December 2003.

The Lowu Commercial Plaza, Shenzhen (100% interest), comprising 79 retail outlets with approximately 29,000 square feet, was fully let as of December 2003.

The co-operative joint venture company of Lot E of Huangsha Station in Guangzhou (33 $\frac{1}{3}$ % interest) is under liquidation due to project termination.

CORPORATE GOVERNANCE

The Company is committed to high standards of corporate governance. The Audit Committee which comprises two Independent Non-executive Directors of the Company has reviewed the details of the annual report for the year ended 31st December, 2003. After a review on the current composition of the Board, an additional Independent Non-executive Director will be appointed in the nearest future.

Throughout the year, the Company complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules, except that the Independent Non-executive Directors were not appointed for any specific terms, as they would be subject to retirement by rotation in accordance with Bye-law 111 of the Bye-laws of the Company.

Rule 8.08 of the Listing Rules required at least 25% of the issued share capital of the Company must be held in public hands. Based on information available and within the knowledge of the Directors, the obligation has been complied with as at 8th April, 2004 (the latest practicable date prior to the issue of the annual report).

主席報告書

受非典型肺炎影響，北京希爾頓酒店（50% 權益）的出租率在一段時間內下跌至個位數，然而業務在下半年迅速反彈，平均出租率為 84%。於二零零三年整個年度，平均出租率為 66%，經營毛利為 29,000,000 港元。酒店房間的翻新工程已於二零零四年三月展開，預計於二零零四年底完工。北京市城市規劃委員會已批准將毗鄰的多用途中心重建為提供行政人員房間及其他酒店配套設施的酒店擴建部份。

樓高 10 層位於北京希爾頓酒店毗鄰的東方國際大廈（50% 權益）截至二零零三年十二月的出租率為 87%。

深圳羅湖商業城（100% 權益）包括面積約 29,000 平方呎的 79 個零售商舖，截至二零零三年十二月全部租出。

有關廣州黃沙站 E 地段的合作合營公司（33 $\frac{1}{3}$ % 權益）由於項目終止而正在清盤。

公司管治

本公司實行嚴格的公司管治。由本公司兩名獨立非執行董事組成之審計委員會已審閱截至二零零三年十二月三十一日止年度年報之資料。在檢討目前董事會的成員後，本公司在不久將來將再委任一名獨立非執行董事。

除獨立非執行董事因根據本公司之公司細則第 111 條須輪值告退而並無獲委任任何特定年期外，本公司於整個年度一直遵守上市規則附錄十四所載之最佳應用守則。

上市規則第 8.08 條規定，本公司最少 25% 之已發行股本須由公眾人士持有，按所得資料及據董事所知，於二零零四年四月八日（本年報刊發前之最後實際可行日期）已符合上述規定。

CHAIRMAN'S STATEMENT

PROSPECT

Economic sentiment has improved significantly since the fourth quarter of the year. Buyers' confidence and market demand have been growing stronger and stronger. The Hong Kong property market demonstrates signs of gradual recovery.

The retail sector has benefited immensely from the relaxed travel policy since July 2003. With the recent influx of PRC tourists, the Group also anticipates a continuous upward momentum in its retail income, as its retail properties are located in popular tourist districts. Rental growth in the retail sector is expected from the higher rents for new leases and renewals, and increasing tenants' business turnover. On the other hand, rental levels in office sector have also been increasing encouragingly. As more business opportunities arise as a result of the Closer Economic Partnership Agreement (CEPA), demand for office space is expected to rise.

Leveraging on our sales success in the past year, the Group will strategically market its high quality development projects in 2004 and 2005, with the view of generating vast market popularity and considerable returns.

The acquisition of Tung Ying Building and Tung Sang Building demonstrated that our business strategy and commitment in quality property investments have not been hindered by the economic uncertainties during the first half of 2003. In the future, the Group will continue to capture premier investment and development opportunities in Hong Kong and the PRC. We also believe in our efforts to enhance the rental value of our existing properties. At the same time, we aim to raise our operational efficiency and cost effectiveness so as to improve our operating margins. We are positive towards the prospect of the Hong Kong and PRC property markets as well as the promising development in the Company in 2004.

APPRECIATION

I would like to take this opportunity to thank our shareholders for their continuous support and my fellow directors and our staff for their hard work and contribution throughout the year.

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

Hong Kong, 29th March, 2004

主席報告書

展望

市道在本年度第四季開始顯著改善。買家信心及市場需求續見增強。香港物業市場呈現逐步復甦的跡象。

隨着旅遊政策自二零零三年七月起放寬，零售業顯著受惠。近期國內旅客大批訪港而集團的零售物業位處旅客消費旺區，故集團預計其租金收入會持續上升。商舖租金的增長預計來自新租約或續租時租金的上調或戶租營業額的增加。另一方面，寫字樓租金水平增長令人鼓舞。更緊密經貿關係的簽訂帶來更多商機，預期寫字樓樓面的需求有所增加。

在去年成功銷售的基礎上，本集團會在二零零四年及二零零五年策略性地推售其優質發展項目，以吸納市場需求及帶來理想回報。

東英大廈及東生大廈的收購顯示集團專注優質物業投資項目的策略並無受二零零三年上半年經濟不明朗所影響。未來本集團會繼續爭取香港及中國的優質投資及發展機會。我們的努力定會提升集團現有物業的租值。與此同時，我們致力提高營運效率和成本效益，務求擴大經營利潤。我們對香港及中國物業市場的前景感到樂觀，並相信本公司在二零零四年將會有理想的發展。

致謝

本人謹藉此機會對年內股東從不間斷的支持與董事及本公司員工的竭誠努力工作及貢獻表示謝意。

代表董事會
主席
劉鑾鴻

香港，二零零四年三月二十九日