

## FINANCIAL OPERATION REVIEW

### 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.

For property leasing, despite the adverse effect on Severe Acute Respiratory Syndrome (“SARS”) in the second quarter, the Year still recorded a slight increase of 2.3% in rental income from HK\$653.7 million in 2002 to HK\$668.9 million in 2003 which included rental from the acquisition of two buildings, Tung Ying Building and Tung Sang Building in the second quarter of the year.

Gross profit for the Year amounted to HK\$754.0 million, a 19.3% increase as compared with last year.

In relation to property development, underpinned by the economic recovery, and excellent marketing strategy, presale of the Group’s property has been successful. Property presale included Manhattan Avenue in Queen’s Road Central (100% interest), City 151 in Kau Pui Lung Road (100% interest), Shiu Fai Terrace in Stubbs Road (50% interest) and Parc Palais in King’s Park (10% interest). Contribution of HK\$47.0 million, HK\$114.3 million and HK\$42.4 million was included in operating profit, other income and investment income respectively. In 2002, HK\$1,391.3 million impairment loss was recorded on development property.

In respect of the performance of listed securities investment, the Company and its subsidiaries (“the Group”) has recorded gross profit of HK\$108.4 million (2002: a loss of HK\$3.3 million) and unrealized holding gain of HK\$438.2 million (2002: a loss of HK\$25.3 million) for the Year. In addition, unrealized exchange gain of HK\$45.9 million (2002: Nil) and net other investment income of HK\$4.0 million (2002: HK\$2.7 million) were recorded. Listed securities investment held was marked to market at year end date.

## 財務業務回顧

### 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。

在物業租賃方面，儘管第二季爆發非典型肺炎帶來負面影響，本年度的租金收入仍輕微增加2.3%，由二零零二年653,700,000港元增至二零零三年668,900,000港元，當中包括第二季購入的東英大廈及東生大廈所帶來的租金收入。

本年度之毛利為754,000,000港元，較上年度增加19.3%。

在物業發展方面，隨着經濟復甦、市場氣氛好轉加上銷售策略運用得宜，本集團物業之預售顯著改善。該等物業包括皇后大道中Manhattan Avenue（100%權益）、靠背壟道都會151（100%權益）、司徒拔道肇輝臺（50%權益）及京士柏君頤峰（10%權益）。本集團分別於經營溢利、其他收入及投資收入撥回款項47,000,000港元、114,300,000港元及42,400,000港元。於二零零二年，就發展物業錄得1,391,300,000港元減值虧損。

至於上市證券投資的表現，本年度本公司及其附屬公司（「本集團」）錄得毛利108,400,000港元（二零零二年：虧損3,300,000港元）及未變現持有收益438,200,000港元（二零零二年：虧損25,300,000港元）。此外，年內錄得未變現滙兌收益45,900,000港元（二零零二年：無）及其他投資收入淨額4,000,000港元（二零零二年：2,700,000港元）。所持有的上市證券投資乃按結算日的市價計值。

## FINANCIAL OPERATION REVIEW

Other operating income recorded an increase of 12.0% to HK\$44.0 million when compared with last year. Administrative expenses decreased by 13.2% to HK\$188.7 million and finance cost decreased by 40.3% to HK\$190.1 million, as compared with last year.

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 HK52.1 cents (31st December, 2002: loss per share HK62.4 cents).

A final dividend has been resolved to pay at HK12 cents per share. Together with the interim dividend of HK5 cents per share, the total dividend paid for the Year is HK17 cents per share, representing a total cash dividend payout of 32.6%. A special dividend paid in specie of HK4.9 cents per share was made during the year representing the distribution of 62,989,870 shares in Chi Cheung Investment Company, Limited to shareholders of the Company.

## NET ASSET VALUE

As at 31st December, 2003, the Group's total net asset amounted to approximately HK\$14,368 million (31st December, 2002: HK\$11,103 million), an increase of HK\$3,265 million or 29.4% when compared with 31st December, 2002. With the total number of ordinary shares in issue of 2,163,900,000 as at 31st December, 2003, the net asset value per share was HK\$6.64, an increase of 37.2% over 31st December, 2002 (HK\$4.84). In addition to the profit retained for the Year, this was mainly attributable from a revaluation surplus of investment properties of HK\$2,594 million and the result of share repurchase during the year.

During the year, the Group acquired 57.56% interest in the listed G-Prop (Holdings) Limited, further the Group acquired two properties, namely Tung Ying Building and Tung Sang Building and increased its holding in securities investment.

Other than the existing projects and as disclosed in the annual report, the Group did not have any future plans for material investment or capital assets.

## 財務業務回顧

其他經營收入較上年度增加12.0%至44,000,000港元。行政開支較上年度減少13.2%至188,700,000港元。財務費用較上年度減少40.3%至190,100,000港元。

本年度之股東應佔溢利為1,153,800,000港元，而上年度則為虧損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）。

本公司議決派發末期股息每股12港仙。連同中期股息每股5港仙，本年度派發之股息總額為每股17港仙，總現金股息分派率為32.6%。本公司於年內以實物方式向本公司股東分派特別股息62,989,870股至祥置業有限公司股份，相當於每股4.9港仙。

## 資產淨值

於二零零三年十二月三十一日，本集團之總資產淨值約為14,368,000,000港元（二零零二年十二月三十一日：11,103,000,000港元），較二零零二年十二月三十一日增加3,265,000,000港元或29.4%。根據二零零三年十二月三十一日之已發行普通股總數2,163,900,000股計算，每股資產淨值為6.64港元，較二零零二年十二月三十一日（4.84港元）增加37.2%。除本年度保留之溢利外，每股資產淨值增加主要與年內之投資物業重估盈餘2,594,000,000港元及股份購回之結果有關。

本集團於年內購入上市的金匡企業有限公司57.56%權益，此外，本集團購入兩項物業（東英大廈及東生大廈）以及增加其證券投資。

除現有項目及年報所披露者外，本集團對將來之重大投資或資本資產暫無計劃。

## FINANCIAL OPERATION REVIEW

### SECURITIES INVESTMENT

At 31st December, 2003, listed securities investment, which formed part of the Group's cash management activities, amounted to HK\$1,979.9 million, representing 8.8% of the total assets at the year end, which mainly comprises blue chips listed shares in Hong Kong and overseas and listed debt securities. For overseas securities investment, nearly all the cost of investment was hedged by corresponding foreign currency loans in order to eliminate the exchange risk on these investments.

### RISK MANAGEMENT

The Group has established adequate risk management procedures that enable it to identify, measure, monitor and control the various types of risk it faces. This is supplemented by active management involvement, effective internal controls and adequate internal audits in the best interests of the Group.

### EQUITY

The number of issued ordinary shares as at 31st December, 2003 and 31st December, 2002 were 2,163,900,000 and 2,294,146,212 respectively.

### DEBT AND GEARING

As at 31st December, 2003, the Group's bank and other borrowings amounted to HK\$7,052 million (31st December, 2002: HK\$4,653 million). Cash, deposit at bank and US Treasury bills amounted to HK\$929 million (31st December, 2002: HK\$1,060 million) and net borrowings amounted to HK\$6,123 million (31st December, 2002: HK\$3,593 million).

Total debt to equity ratio was 49.1% (31st December, 2002: 41.9%) and net debt to equity ratio was 42.6% (31st December, 2002: 32.4%), which are expressed as a percentage of bank and other borrowings, and net borrowings respectively, over the total net asset of HK\$14,368 million (31st December, 2002: HK\$11,103 million).

The increase of the total and net debt to equity ratio was mainly due to an increase in total bank loans and total other borrowings, which was mainly employed in acquisition of new property investment, to fund the construction cost for the development properties and to hedge the cost of overseas securities investment respectively.

## 財務業務回顧

### 證券投資

於二零零三年十二月三十一日，為本集團資金管理其中一部份之上市證券投資達1,979,900,000港元，佔年終之總資產8.8%，主要包括香港及海外地區之上市藍籌股及上市債務證券。海外證券投資方面，絕大部份投資成本乃以相關外幣貸款對沖，以減低該等投資之滙兌風險。

### 風險管理

本集團已制訂一套完善的風險管理程序，以識別、衡量、監察及控制其面對之各種風險，同時輔以積極管理、有效的內部監控及足夠的內部審核，以保障本集團之最佳利益。

### 股本

於二零零三年十二月三十一日及二零零二年十二月三十一日之已發行普通股數目分別為2,163,900,000股及2,294,146,212股。

### 債務及資本與負債比率

於二零零三年十二月三十一日，本集團之銀行及其他借貸為7,052,000,000港元（二零零二年十二月三十一日：4,653,000,000港元）。現金、銀行結存及美國國庫券為929,000,000港元（二零零二年十二月三十一日：1,060,000,000港元），而借貸淨額為6,123,000,000港元（二零零二年十二月三十一日：3,593,000,000港元）。

總債務與股本比率為49.1%（二零零二年十二月三十一日：41.9%）而淨債務與股本比率為42.6%（二零零二年十二月三十一日：32.4%），乃將銀行及其他借貸及借貸淨額分別除以總資產淨值14,368,000,000港元（二零零二年十二月三十一日：11,103,000,000港元）得出之百分比。

總債務及淨債務與股本比率之增加主要與銀行貸款總額及其他借貸總額增加有關。該等借貸主要分別用於收購新物業投資項目、支付發展物業之建築成本及對沖海外證券投資之成本。

## FINANCIAL OPERATION REVIEW

At the balance sheet date, the Group's bank and other borrowings were denominated in Hong Kong dollars, US dollars and Japanese Yen. Of the Group's total bank and other borrowings HK\$7,052 million, 31.8%, 19.7%, 47.6% and 0.9% were repayable within 1 year, 1 to 2 years, 2 to 5 years and over 5 years respectively. The Group's bank borrowings carried interest rates calculated mainly with reference to HIBOR and LIBOR. No hedging for interest rate was subsisted at the end of the year.

## PLEDGE OF ASSETS

As at 31st December, 2003, the Group's investment properties, development properties, securities investment and time deposits with their respective book value of approximately HK\$15,664.9 million (31st December, 2002: HK\$11,550.7 million), HK\$744.9 million (31st December, 2002: HK\$360.0 million), HK\$2,575.7 million (31st December, 2002: HK\$ Nil) and HK\$95.3 million (31st December, 2002: HK\$52.4 million) were pledged to secure general banking facilities and other loan facilities of the Group.

## FINANCIAL AND INTEREST INCOME/EXPENSES

Interest income was included in turnover and investment income. Finance cost included interest expenses on bank and other loans, interest expenses on obligations under finance leases, exchange loss on translation of foreign currency loans, arrangement, facility and commitment fee expenses. Interest income for the Year was HK\$26.4 million, representing a decrease of 19.8% from that of 31st December, 2002 of HK\$32.9 million. A decrease of interest income was mainly attributable to decrease on interest generated from loans. Interest expenses for the Year amounted to HK\$84.9 million, representing a 60.1% decrease over the interest expenses of HK\$212.9 million recorded for last year. The decrease in interest expenses was due to decrease in interest rate during the year.

## REMUNERATION POLICIES AND SHARE OPTION SCHEME

During the year, the Group employed about a total of 215 (2002: 222) staff (excluding about a total of 192 (2002: 169) estate management staff employed under the Group's estate management company, Perfect World Company Limited).

## 財務業務回顧

於結算日，本集團之銀行及其他借貸以港元、美元及日圓計算。於本集團之總銀行及其他借貸 7,052,000,000 港元中，31.8%、19.7%、47.6% 及 0.9% 須分別於一年內、一至兩年、兩至五年及五年後償還。本集團之銀行借貸主要參照香港銀行同業拆息及倫敦銀行同業拆息計算利率。於年底並無就利率作出對沖。

## 資產抵押

於二零零三年十二月三十一日，本集團賬面值分別約為 15,664,900,000 港元（二零零二年十二月三十一日：11,550,700,000 港元）、744,900,000 港元（二零零二年十二月三十一日：360,000,000 港元）、2,575,700,000 港元（二零零二年十二月三十一日：無）及 95,300,000 港元（二零零二年十二月三十一日：52,400,000 港元）之投資物業、發展物業、證券投資及定期存款已作抵押以令本集團獲得一般銀行信貸及其他信貸。

## 財務及利息收入 / 支出

營業額及投資收入包括利息收入。財務費用包括銀行及其他貸款之利息開支、安排、信貸及承擔費用開支。本年度之利息收入為 26,400,000 港元，較二零零二年十二月三十一日（32,900,000 港元）減少 19.8%。利息收入減少主要由於貸款產生之利息減少。本年度之利息支出為 84,900,000 港元，較上年度錄得之利息支出 212,900,000 港元減少 60.1%。利息支出之減少乃由於本年度之利率下調所致。

## 酬金政策及購股權計劃

年內，本集團共有僱員約 215 人（二零零二年：222 人）（不包括受僱於本集團之物業管理公司忠信物業管理有限公司之物業管理員工合共約 192 人（二零零二年：169 人））。

## FINANCIAL OPERATION REVIEW

Employees were remunerated on the basis of their performance, experience and prevailing industry practice. Remuneration packages comprised salary and year-end discretionary bonus based on market conditions and individual performance. The Executive Directors continued to review employees' contributions and to provide them with necessary incentives and flexibility for their better commitment and performance. No share option scheme has been adopted for the Year.

### PRC

Profit contribution from the Group's investment in the PRC (including operating profit and share of results of associated companies) for the Year amounted to HK\$92.1 million representing 8.0% of the profits attributable to shareholders (2002: HK\$29.6 million). The Group's China investment as at 31st December, 2003 amounted to HK\$873.9 million representing approximate 3.9% of the Group's total asset value (2002: HK\$863.0 million).

### KWONG SANG HONG

During the year, the Group has an effective interest 34.36% in the listed shares of Kwong Sang Hong.

Kwong Sang Hong had total asset and net asset of HK\$1,933.2 million and HK\$1,283.8 million respectively at 30th November, 2003.

### PROPERTY VALUATION

A property valuation has been carried out by Messrs. Norton Appraisals Limited, independent professional valuers, in respect of the Group's investment properties as at 31st December, 2003 and that valuation was used in preparing 2003 financial statements. The Group's investment properties were valued at HK\$14,449 million (2002: HK\$12,253 million), a 17.9% increase over 2002 after adjusted for additions and disposals of investment properties during 2003. Development properties, non-investment properties and unlisted investments of the Group were stated at cost less impairment, if any, in the financial statements.

## 財務業務回顧

僱員薪金乃根據其表現、經驗及目前業內慣例釐定。酬金包括薪金以及按市況及個人表現釐定之年終花紅。執行董事繼續檢討僱員工作表現，並於需要時給予獎勵及靈活處理，鼓勵員工在工作上更好成績。年內概無採納購股權計劃。

### 中國

本集團於中國之投資為本年度帶來溢利（包括經營溢利及應佔聯營公司業績）92,100,000 港元，佔股東應佔溢利 8.0%（二零零二年：29,600,000 港元）。本集團之中國投資於二零零三年十二月三十一日達 873,900,000 港元，佔本集團之資產總值約 3.9%（二零零二年：863,000,000 港元）。

### 廣生行

本年度內，本集團於廣生行上市股份之實際權益為 34.36%。

於二零零三年十一月三十日，廣生行之資產總值及資產淨值分別為 1,933,200,000 港元及 1,283,800,000 港元。

### 物業估值

獨立專業估值師普敦國際評估有限公司已就本集團於二零零三年十二月三十一日持有之投資物業進行物業估值，有關估值乃用於編製二零零三年財務報表。本集團投資物業之估值為 14,449,000,000 港元（二零零二年：12,253,000,000 港元），經作出二零零三年投資物業之增加及出售之調整後較二零零二年增加 17.9%。本集團之發展物業、非投資物業及非上市投資乃於財務報表中按成本減去減值（如有）列賬。