



**THE HONG KONG BUILDING
AND LOAN AGENCY LIMITED**

Annual Report 2004

CORPORATE INFORMATION

BOARD OF DIRECTORS

Non-executive Directors

Mr. Ning Gaoning (*Chairman*)
Mr. Leon Nim Leung Chan
Mr. Michael Kwok Shung Chan
Mr. Wai Lam Chan

Executive Directors

Mr. David T. Yeh
Mr. Jark Pui Lee, O.B.E., J.P.
Mr. Jonathan Miles Foxall
Mr. Tai Chiu Ng

Independent non-executive Directors

Dr. Nai Kong Leung, B.B.S., J.P.
Mr. King Fai Tsui
Mr. Victor Ha Kuk Yung

AUDIT COMMITTEE

Dr. Nai Kong Leung, B.B.S., J.P.
Mr. King Fai Tsui
Mr. Victor Ha Kuk Yung
Mr. Leon Nim Leung Chan
Mr. Michael Kwok Shung Chan

SECRETARY

Ms. Marisa Mun Chung Mak

QUALIFIED ACCOUNTANT

Mr. Alex Shiu Leung Au

AUDITORS

Ernst & Young

PRINCIPAL BANKERS

CITIC Ka Wah Bank Limited
International Bank of Asia Limited
The Hongkong and Shanghai Banking
Corporation Limited

SOLICITORS

Richards Butler

REGISTRARS

Tengis Limited
G/F., Bank of East Asia Harbour View Centre
56 Gloucester Road
Wanchai
Hong Kong

REGISTERED OFFICE

Room 2301, 23rd Floor
Tower One
Lippo Centre
89 Queensway
Hong Kong

STOCK CODE

145

CONTENTS

2	Chairman's Statement
3	Discussion and Analysis of Annual Results
5	Report of the Directors
17	Report of the Auditors
18	Consolidated Profit and Loss Account
19	Consolidated Balance Sheet
20	Balance Sheet
21	Consolidated Summary Statement of Changes in Equity
22	Consolidated Cash Flow Statement
23	Notes to the Financial Statements
44	Summary of Financial Information

CHAIRMAN'S STATEMENT

I have pleasure in presenting to the shareholders the annual report of the Company for the year ended 31st December, 2004.

BUSINESS REVIEW

Following the growth of the global economy and improved local economic conditions, the Hong Kong economy enjoyed a strong rebound in 2004. Low cost of funds and renewed confidence boosted the property and securities markets.

During the year, the Group took advantage of the continuously improving securities markets and invested in higher yield securities which brought satisfactory returns. The rebound of property market as well as the growth of retail sales improved the consumer confidence and investment climate. However, with narrow interest margin and increased competition, mortgage finance business remained challenging. The loan portfolio of the Group and the income generated from mortgage finance dropped further.

For the year under review, the Group's turnover increased substantially to HK\$189.7 million and achieved a net profit attributable to shareholders of HK\$8.3 million. The Group was debt-free and maintained a strong liquidity position.

PROSPECTS

It is expected that Hong Kong will continue to benefit from the economic growth of China Mainland and the central government's favourable policies. The economic outlook of Hong Kong is generally optimistic despite the expected increase in interest rates. With its strong financial position, the Group is well-positioned to seize new investment opportunities to expand its income base.

APPRECIATION

On behalf of the Board of Directors, I would like to express my sincere appreciation to the management and all our staff for their dedicated service during the year.

Ning Gaoning

Chairman

17th March, 2005

DISCUSSION AND ANALYSIS OF ANNUAL RESULTS

In 2004, Hong Kong's economy continued to benefit from the implementation of the Closer Economic Partnership Arrangement between China Mainland and Hong Kong and the surge of China Mainland tourists to Hong Kong. The global economy also expanded by 4 per cent., the best since 2000. The Group took advantage of the strong rebound in both the local and global economy by seeking good investment opportunities in Hong Kong and overseas, and achieved encouraging results. For the year ended 31st December, 2004, the Group recorded a net profit attributable to shareholders of HK\$8.3 million, being 65 per cent. higher than the HK\$5 million recorded in last year.

RESULTS FOR THE YEAR

Due to the robust market conditions during the year, the Group's total turnover increased by 155 per cent. to HK\$189.7 million (2003 – HK\$74.4 million) for the year 2004, mainly arising from active trading of securities investments. Mortgage finance and treasury investments (which includes securities investment and other treasury activities) remained the principal businesses of the Group.

The Group took advantage of the improved market conditions in both Hong Kong and overseas securities markets and invested in higher yield securities to enhance returns. Total returns from these investments for the year amounted to HK\$12.8 million (2003 – HK\$4.9 million), of which HK\$8.4 million (2003 – HK\$2.5 million) related to overseas investments mainly in Singapore and Japan.

In view of the weak loan demand and narrowing interest margin, lending business in Hong Kong remained competitive and challenging. Total loan portfolio of the Group reduced and interest income from mortgage finance dropped. Management continued to monitor the portfolio and loan loss was kept to a minimum.

With tightening cost control, the Group's administrative expenses reduced by 11 per cent. from HK\$3.3 million to HK\$2.9 million. In addition to improving operational performance and cost efficiency, the Group was devoted to exploring growth in existing businesses and various new potential investment opportunities. The associated costs incurred resulted in a rise of other operating expenses from HK\$0.4 million to HK\$2.2 million in 2004. A provision for impairment in value of HK\$3.6 million (2003 – HK\$4.2 million) was made against its long term investment securities during the year.

TOTAL ASSETS

As at 31st December, 2004, total assets increased slightly to HK\$221 million (2003 – HK\$213 million). Assets denominated in Hong Kong dollars and United States dollars amounted to 62 per cent. (2003 – 88 per cent.) of the total assets. The remaining balance was mainly denominated in Singapore dollars and Japanese yen. The Group considered that its exposure to exchange rate risk was not material, but shall remain alert to changing global circumstances which may affect exchange rate exposure.

TOTAL ASSETS *(Continued)*

The Group maintained a very strong liquidity position throughout the year. As at the balance sheet date, the Group had listed investments amounting to HK\$23 million (2003 – HK\$86 million), unlisted investments amounting to HK\$23 million (2003 – Nil) and cash and bank balances amounting to HK\$168 million (2003 – HK\$107 million). The unlisted investments were investment funds with underlying assets principally composed of quoted investments in Asia which had been marked to market at the year end date. During the year, the Group liquidated part of its listed investment portfolio to realise the gains resulted from the market rebound.

CAPITAL STRUCTURE

Currently, the Group is debt-free. There were no charges on the Group's assets and the Group had no material capital commitment or contingent liabilities outstanding at the end of the year (2003 – Nil).

The net asset value of the Group as at 31st December, 2004 increased by 4 per cent. to HK\$219 million (2003 – HK\$211 million) with the net asset value per share stood at HK\$0.97 (2003 – HK\$0.94).

STAFF AND REMUNERATION

The Group had 16 (2003 – 14) employees as at 31st December, 2004 and total staff costs incurred during the year amounted to HK\$1.9 million which was 13 per cent. lower than the HK\$2.2 million recorded in 2003. The Group offers competitive remuneration packages to its employees. Currently, there is no share option scheme for employees.

OUTLOOK

With continued improvement of the economy and market sentiment, the Group is cautiously optimistic about the economic performance of Hong Kong in 2005. It will continue to leverage its strong financial position to seize investment opportunities with attractive returns in order to optimise the value of its resources. However, the Group shall remain very cautious on risk management and changing global economic and political conditions, and their impact on the Group's business development.

REPORT OF THE DIRECTORS

The Directors have pleasure in presenting their report together with the audited financial statements for the year ended 31st December, 2004.

PRINCIPAL ACTIVITIES

The Company and its subsidiaries are principally engaged in investment holding, treasury investments and the provision of mortgage finance and other related services. The principal activities and other particulars of the Company's subsidiaries are set out in Note 20 to the financial statements.

There were no significant changes in the nature of the Group's principal activities during the year.

SEGMENT INFORMATION

An analysis of the Group's turnover and results by principal activity and geographical area for the year ended 31st December, 2004 is set out in Note 4 to the financial statements.

RESULTS AND DIVIDENDS

The results and details of cash flows of the Group for the year ended 31st December, 2004 and the state of affairs of the Group and the Company as at 31st December, 2004 are set out in the financial statements on pages 18 to 43.

The Directors have resolved not to recommend the payment of any final dividend for the year ended 31st December, 2004 (2003 – Nil). No interim dividend was declared for the year (2003 – Nil).

SUMMARY OF FINANCIAL INFORMATION

A summary of the published results and assets and liabilities of the Group for the last five financial years ended 31st December, 2004, as extracted from the audited consolidated financial statements, is set out on page 44.

FIXED ASSETS

Details of movements in fixed assets during the year are set out in Note 12 to the financial statements.

SHARE CAPITAL

Details of the share capital of the Company are set out in Note 18 to the financial statements.

RESERVE

Details of movements in the reserve of the Company and of the Group during the year are set out in Note 19 to the financial statements and the Consolidated Summary Statement of Changes in Equity, respectively.

As at 31st December, 2004, there were no reserves of the Company available for distribution, calculated in accordance with Section 79B of the Companies Ordinance (2003 – Nil).

SUBSIDIARIES

Particulars of the Company's subsidiaries are set out in Note 20 to the financial statements.

DIRECTORS

The Directors of the Company during the year were:

Non-executive Directors

Mr. Ning Gaoning (*Chairman*)

Mr. Wai Lam Chan

Mr. Leon Nim Leung Chan (re-designated as non-executive Director from independent non-executive Director on 30th September, 2004)

Mr. Michael Kwok Shung Chan (re-designated as non-executive Director from independent non-executive Director on 30th September, 2004)

Executive Directors

Mr. David T. Yeh

Mr. Jark Pui Lee, O.B.E., J.P.

Mr. Jonathan Miles Foxall

Mr. Tai Chiu Ng

Independent non-executive Directors

Dr. Nai Kong Leung, B.B.S., J.P. (appointed on 30th September, 2004)

Mr. King Fai Tsui (appointed on 30th September, 2004)

Mr. Victor Ha Kuk Yung (appointed on 30th September, 2004)

DIRECTORS *(Continued)*

In accordance with Article 110 of the Company's Articles of Association, Dr. Nai Kong Leung and Messrs. King Fai Tsui and Victor Ha Kuk Yung will retire from office at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election.

In accordance with Article 120 of the Company's Articles of Association, Messrs. Michael Kwok Shung Chan and Tai Chiu Ng will retire from office by rotation at the forthcoming annual general meeting. Mr. Tai Chiu Ng, who being eligible, will offer himself for re-election. Mr. Michael Kwok Shung Chan will retire from office by rotation at the forthcoming annual general meeting and not offer himself for re-election.

The Company has received from each independent non-executive Director an annual confirmation of his independence pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Company considers such Directors to be independent.

BRIEF BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Ning Gaoning, aged 46, was appointed Chairman of the Company in August 1998. He holds a Bachelor of Arts degree in Economics from Shandong University in China and a Master of Business Administration degree in Finance from the University of Pittsburgh in the United States of America. He is currently the Chairman of China National Cereals, Oils and Foodstuffs Corporation and COFCO International Limited, and a director of BOC International Holdings Limited as well as a non-executive director of SABMiller plc. He is also a Director of Lippo China Resources Limited ("LCR").

Mr. Leon Nim Leung Chan, aged 49, was appointed an independent non-executive Director of the Company in December 1994 and was re-designated as a non-executive Director of the Company in September 2004. He is a practising lawyer and presently the principal partner of Messrs. Y.T. Chan & Co. He was admitted as a solicitor of the Supreme Court of Hong Kong in 1980 and is a member of the Solicitors Disciplinary Tribunal. Mr. Chan was also admitted as a solicitor in England in 1984 and in Victoria, Australia in 1985. He is also a non-executive Director of Lippo Limited ("Lippo"), LCR and Hongkong Chinese Limited ("HKCL") and an independent non-executive Director of Auric Pacific Group Limited.

Mr. Michael Kwok Shung Chan, aged 44, was appointed an independent non-executive Director of the Company in March 2002 and was re-designated as a non-executive Director of the Company in September 2004. He holds a Bachelor of Laws degree from The University of Hong Kong and a Master of Business Administration degree from the University of Western Ontario, Canada. Mr. Chan is a practising solicitor and presently a consultant of the international law firm Jones Day. He was admitted as a solicitor in Hong Kong in 1986 and a solicitor in England in 1990. He is also a notary public of Hong Kong.

BRIEF BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT *(Continued)*

Mr. David T. Yeh, aged 53, was appointed a Director of the Company in August 2000. He holds a Bachelor of Arts degree from St. John's University in Minnesota, the United States of America. He has over 20 years' experience in retail, commercial and merchant banking in Hong Kong and the United States of America. Mr. Yeh is also a Director of Lippo, First Tower Corporation, Skyscraper Realty Limited, No. 1 Dragon Ltd. ("No. 1 Dragon") and HKCB Corporation Limited ("HKCB Corporation").

Mr. Jark Pui Lee, O.B.E., J.P., aged 65, was appointed a Director of the Company in August 2000. Mr. Lee holds a Bachelor of Arts degree (Hons) from The University of Hong Kong. Mr. Lee worked for the Hong Kong Government and was the Secretary-General of The Chinese Manufacturers' Association of Hong Kong. He has served and contributed to the local community for over 30 years. Mr. Lee is currently the Chairman of The Legal Aid Services Council, The Agency for Volunteer Service and the Hong Kong Council of Volunteering. Mr. Lee is also a Director of Lippo.

Mr. Jonathan Miles Foxall, aged 51, was appointed a Director of the Company in August 2000. He is also a Director of No. 1 Dragon and HKCB Corporation. Mr. Foxall holds a Bachelor of Arts degree in Geography from Liverpool University in the United Kingdom. He is a Fellow of the Royal Institute of Chartered Surveyors and a Fellow of the Hong Kong Institute of Surveyors. Mr. Foxall has 29 years' experience in the property industry, of which 19 years have been spent in Hong Kong.

Mr. Tai Chiu Ng, aged 51, was appointed a Director of the Company in August 2000. He is a qualified accountant. Mr. Ng holds a master's degree in Business (Electronic Commerce) from Curtin University of Technology in Australia, a master's degree in International Banking and Financial Studies from the Heriot-Watt University in the United Kingdom and a doctor's degree in Business Administration from the University of Hull in the United Kingdom. Mr. Ng is a fellow member of the Hong Kong Institute of Certified Public Accountants, the Association of Chartered Certified Accountants and the Institute of Chartered Secretaries and Administrators. Mr. Ng has over 20 years' experience in the accounting and corporate finance field in Hong Kong.

Mr. Wai Lam Chan, aged 60, holds a Bachelor of Arts degree from The University of Hong Kong. He joined the Company in 1968 and was appointed a Director of the Company in March 1991. Mr. Chan has over 20 years' experience in mortgage loan lending.

BRIEF BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT *(Continued)*

Dr. Nai Kong Leung, B.B.S., J.P., aged 62, was appointed an independent non-executive Director of the Company in September 2004. Dr. Leung is a respected medical practitioner with extensive expertise experience in Paediatrics. He was the Hospital Chief Executive of Princess Margaret Hospital and had served and contributed to Princess Margaret Hospital for over 20 years. Dr. Leung is currently an Honorary Professor of The University of Hong Kong and The Chinese University of Hong Kong. He is also an Honorary Consultant of Princess Margaret Hospital and Kwong Wah Hospital. Dr. Leung has been active in public and community services and is a member of various community bodies. He is the Medical Consultant of Children's Cancer Foundation and Council Member of Hong Kong Red Cross and The Spastics Association of Hong Kong. He is also the Chairman of Council for the AIDS Trust Fund, National Committee for the Certification of Wild Poliovirus Eradication, and Scientific Committee on Vaccine Preventable Diseases, Centre for Health Protection, Department of Health, and a member of Town Planning Board. Dr. Leung was awarded the Bronze Bauhinia Star of Hong Kong Special Administrative Region in 2000.

Mr. King Fai Tsui, aged 55, was appointed an independent non-executive Director of the Company in September 2004. Mr. Tsui is the managing director of a financial services company in Hong Kong. He has extensive experience in finance, management and investment management, particularly in investments in mainland China. He worked for two leading audit firms in the United States of America and Hong Kong and served in various public listed companies in Hong Kong in a senior capacity. He graduated from the University of Houston, Texas, the United States of America and holds a Master of Science in Accounting degree and a Bachelor of Business Administration degree with first class honour. Mr. Tsui is a Fellow of the Hong Kong Institute of Certified Public Accountants, a member of the Institute of Chartered Accountants in Australia and a member of the American Institute of Certified Public Accountants. He is also a member of the finance committee of the Construction Industry Training Authority in Hong Kong. Mr. Tsui is also an independent non-executive director of Lippo, LCR, HKCL and AcrossAsia Limited.

Mr. Victor Ha Kuk Yung, aged 51, was appointed an independent non-executive Director of the Company in September 2004. Mr. Yung is a professional accountant with over 30 years of working experience in the financial and accounting fields, and has served in management positions in various multinational companies in Hong Kong, mainland China, Taiwan and Singapore. He has also sat on the boards of several listed companies in Hong Kong and Singapore as their independent director and member of the audit committees. He is an independent non-executive director of Wanji Pharmaceutical Holdings Limited. He was appointed a member of the listings sub-committee of the Stock Exchange of Singapore from 1998 to 1999. Mr. Yung is a member of the Hong Kong Institute of Certified Public Accountants, the Institute of Certified Public Accountants of Singapore and the Association of Chartered Certified Accountants of the United Kingdom. He is also an independent non-executive director of Lippo, LCR and HKCL.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ASSOCIATED CORPORATIONS

As at 31st December, 2004, the interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers under the Rules Governing the Listing of Securities on the Stock Exchange (the "Model Code") were as follows:

1. *Interests in shares of the Company's associated corporations*

Lippo Limited

Name of Director	Number of ordinary shares of HK\$0.10 each			Approximate percentage of total interests in the issued share capital
	Personal interests (held as beneficial owner)	Family interests (interest of spouse)	Total interests	
Jark Pui Lee	–	48	48	0.00

Hongkong Chinese Limited

Name of Director	Number of ordinary shares of HK\$1.00 each			Approximate percentage of total interests in the issued share capital
	Personal interests (held as beneficial owner)	Family interests (interest of spouse)	Total interests	
Jark Pui Lee	350	350	700	0.00
King Fai Tsui	–	50,000	50,000	0.00

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ASSOCIATED CORPORATIONS (Continued)

2. *Interests in underlying shares of the Company's associated corporation*

Lippo China Resources Limited

Name of Director	Capacity and nature of interest	Number of underlying shares of HK\$0.10 each in respect of which options have been granted*	Approximate percentage of the issued share capital
Jonathan Miles Foxall	Personal (held as beneficial owner)	6,000,000	0.06
David T. Yeh	Personal (held as beneficial owner)	9,000,000	0.09

* The options were granted on 23rd June, 1997 at a consideration of HK\$1.00 per grantee under the Share Option Scheme for Employees (the "LCR Share Option Scheme") adopted by Lippo China Resources Limited ("LCR"). Such options vested after two months from the date when the options were deemed to be granted and accepted and are exercisable from 23rd August, 1997 to 23rd June, 2007 in accordance with the rules of the LCR Share Option Scheme to subscribe for ordinary shares in LCR at an initial exercise price of HK\$5.30 per share (subject to adjustment). Pursuant to the bonus issue of new shares in the ratio of one for one in October 1997, the rights issue of new shares in July 1999 on the basis of one rights share for every one share held and the rights issue of new shares in November 2000 on the basis of one rights share for every two shares held, the holder of each option is entitled to subscribe for six ordinary shares of HK\$0.10 each in LCR at an exercise price of HK\$0.883 per share (subject to adjustment). None of the options were exercised by any of the above Directors during the year and the quantity of options held by each of the above Directors as at 1st January, 2004 and 31st December, 2004 remained unchanged.

The above interests in the underlying shares were held pursuant to unlisted physically settled equity derivatives. As at 31st December, 2004, none of the Directors or chief executive of the Company had any interests in the underlying shares in respect of cash settled or other equity derivatives of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

All the interests stated above represent long positions. Save as disclosed herein, as at 31st December, 2004, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be recorded in the register kept by the Company under Section 352 of the SFO or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ASSOCIATED CORPORATIONS *(Continued)*

Save as disclosed herein, as at 31st December, 2004, none of the Directors or chief executive of the Company nor their spouses or minor children (natural or adopted) were granted or had exercised any rights to subscribe for any equity or debt securities of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

ARRANGEMENTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed herein, at no time during the year was the Company or any of its subsidiaries, holding companies or fellow subsidiaries a party to any arrangements to enable a Director of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SECURITIES AND FUTURES ORDINANCE

As at 31st December, 2004, so far as is known to the Directors of the Company, the following substantial shareholders (as defined under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules")) and other persons, other than Directors or chief executive of the Company, had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the Securities and Futures Ordinance (the "SFO") as follows:

Interests of substantial shareholders (as defined under the Listing Rules) and other persons in the shares of the Company

Name	Number of ordinary shares of HK\$1.00 each	Approximate percentage of the issued share capital
<i>Substantial shareholders:</i>		
Lippo China Resources Limited ("LCR")	168,313,038	74.80
Lippo Limited ("Lippo")	168,313,038	74.80
Lippo Cayman Limited ("Lippo Cayman")	168,313,038	74.80
Lanius Limited ("Lanius")	168,313,038	74.80
Dr. Mochtar Riady	168,313,038	74.80
Madam Lidya Suryawaty	168,313,038	74.80
<i>Other persons:</i>		
CITIC Ka Wah Bank Limited ("CITIC Ka Wah")	11,250,000	5.00
CITIC International Financial Holdings Limited ("CIFH")	11,250,000	5.00
China International Trust and Investment Corporation ("CITIC") (now known as CITIC Group)	11,250,000	5.00

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SECURITIES AND FUTURES ORDINANCE *(Continued)*

Interests of substantial shareholders (as defined under the Listing Rules) and other persons in the shares of the Company *(Continued)*

Note:

- (i) 168,313,038 ordinary shares of the Company were held by HKCB Corporation Limited directly as beneficial owner which was wholly owned by LCR through its wholly-owned subsidiary, No. 1 Dragon Ltd. LCR was a 71.13 per cent. owned subsidiary of Skyscraper Realty Limited which in turn was a wholly-owned subsidiary of First Tower Corporation ("First Tower"). First Tower was a wholly-owned subsidiary of Lippo. Lippo Cayman, and through its wholly-owned subsidiaries, Lippo Capital Limited (which owned approximately 50.47 per cent. interest in the issued share capital of Lippo), J & S Company Limited and Huge Returns Limited, was directly and indirectly interested in approximately 57.34 per cent. of the issued share capital of Lippo.
- (ii) Lanius was the registered shareholder of the entire issued share capital of Lippo Cayman and was the trustee of a discretionary trust, of which Dr. Mochtar Riady is the founder. The beneficiaries of the trust included Dr. Mochtar Riady and his family members. Madam Lidya Suryawaty is the spouse of Dr. Mochtar Riady. Dr. Mochtar Riady was not the registered holder of any shares in the issued share capital of Lanius.
- (iii) LCR's interests in the ordinary shares of the Company were recorded as the interests of Lippo, Lippo Cayman, Lanius, Dr. Mochtar Riady and Madam Lidya Suryawaty.
- (iv) 11,250,000 ordinary shares of the Company were held by CITIC Ka Wah directly as beneficial owner. CITIC Ka Wah was a wholly-owned subsidiary of CI FH which in turn was a 56 per cent. owned subsidiary of CITIC.

All the interests stated above represent long positions. Save as disclosed herein, as at 31st December, 2004, none of the substantial shareholders (as defined under the Listing Rules) or other persons, other than Directors or chief executive of the Company, had any interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year and up to the date of this report, none of the Directors of the Company was considered to have interests in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

DIRECTORS' SERVICE CONTRACTS

No Director of the Company proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries, which is not determinable by the employing company within one year without payment of compensation (other than statutory compensation).

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS

During the year, the Company and the Group had the following continuing connected transactions:

On 16th December, 2002, a tenancy agreement (the "Tenancy Agreement") was entered into between the Company and Prime Power Investment Limited ("Prime Power"), a wholly-owned subsidiary of Lippo China Resources Limited ("LCR") which in turn is the intermediate holding company of the Company, pursuant to which Prime Power agreed to let to the Company a portion of Room 2301, 23rd Floor, Tower One, Lippo Centre, 89 Queensway, Hong Kong with a gross floor area of 3,316 square feet for a term of two years from 1st February, 2003 to 31st January, 2005, both days inclusive, at a monthly rental of HK\$55,709, exclusive of rates, service charges and all other outgoings, for office use. During the year, the Company paid rental expenses of HK\$669,000 (2003 – HK\$721,000) to Prime Power. The rental was determined by reference to the then prevailing open market rentals. Pursuant to the waiver granted by The Stock Exchange of Hong Kong Limited in February 2003, the independent non-executive Directors have confirmed that (i) the above tenancy was entered into in accordance with the terms of the Tenancy Agreement by the relevant parties in the ordinary and usual course of their business; (ii) the above tenancy was undertaken on normal commercial terms and on terms that were fair and reasonable so far as the shareholders of the Company were concerned; and (iii) the rental paid in respect of the Tenancy Agreement for the year did not exceed the cap amount as stated in the above waiver. The auditors of the Company have also confirmed that (i) the Tenancy Agreement has received the approval of the Board of Directors of the Company; (ii) the Tenancy Agreement is in accordance with the pricing policies stated in the financial statements of the Company; (iii) the above tenancy was entered into in accordance with the terms of the Tenancy Agreement; and (iv) the rental paid did not exceed the rental as agreed in the Tenancy Agreement.

Subsequent to the balance sheet date, on 16th March, 2005, standard trading accounts agreements were entered into between the Company (for itself and its subsidiaries) and each of Lippo Securities Limited ("Lippo Securities") and Lippo Futures Limited ("Lippo Futures"), both are wholly-owned subsidiaries of Hongkong Chinese Limited which in turn is a subsidiary of LCR. Pursuant to the above trading accounts agreements, the Company and/or its subsidiaries would make securities and/or futures investments through trading accounts operated by Lippo Securities and Lippo Futures for a term commencing from 31st March, 2004 to 31st December, 2006 with trading commissions paid and payable to Lippo Securities and Lippo Futures in respect of trading of securities and futures based on the relevant market rates at the time of each transaction. During the year, no futures transactions were entered into in accordance with the trading accounts agreement relating to trading of futures. Commissions paid to Lippo Securities during the year amounted to HK\$803,000 (2003 – HK\$441,000). The independent non-executive Directors have confirmed that the said securities and futures transactions (if any) have been entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or on terms no less favourable to the Group than terms available from independent third parties; and (iii) in accordance with the above trading accounts agreements on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole. The auditors of the Company has also confirmed that (i) the above trading accounts agreements have received the approval of the Board of Directors of the Company; (ii) the said securities transactions were entered into in accordance with the terms of the trading accounts agreement relating to trading of securities; and (iii) the aggregate commissions receivable by Lippo Securities did not exceed the cap as disclosed in the announcement dated 16th March, 2005.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS *(Continued)*

Save as disclosed herein and in Note 23 to the financial statements, there were no other contracts of significance in relation to the Company's business, to which the Company or any of its subsidiaries, holding companies or fellow subsidiaries was a party, subsisting at the end of the year or at any time during the year, and in which a Director or the controlling shareholders of the Company or any of their respective subsidiaries, directly or indirectly, had a material interest.

During the year, no contract of significance for the provision of services to the Group by a controlling shareholder or any of its subsidiaries has been made.

MANAGEMENT CONTRACTS

No contracts concerning the management and/or administration of the whole or any substantial part of the business of the Company was entered into or existed during the year.

DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS

Details of the Directors' emoluments and of the five highest paid individuals in the Group are set out in Note 7 to the financial statements.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year, there was no purchase, sale or redemption of the Company's listed securities by the Company or any of its subsidiaries.

MAJOR SUPPLIERS AND CUSTOMERS

During the year, the percentage of purchases attributable to the Group's five largest suppliers combined and that of sales attributable to the Group's five largest customers combined was less than 30 per cent. of the Group's aggregate purchases and sales, respectively.

RETIREMENT BENEFIT SCHEMES

Details of the retirement benefit schemes of the Group and the employer's retirement benefit costs charged to the consolidated profit and loss account for the year are set out in Note 8 to the financial statements.

AUDIT COMMITTEE

The Company has established an audit committee (the "Committee") in compliance with Rule 3.21 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. On 30th September, 2004, Dr. Nai Kong Leung and Messrs. King Fai Tsui and Victor Ha Kuk Yung, who were appointed independent non-executive Directors of the Company, were appointed as members of the Committee. The members of the Committee comprises five non-executive Directors, namely Dr. Nai Kong Leung, Messrs. King Fai Tsui, Victor Ha Kuk Yung, Leon Nim Leung Chan and Michael Kwok Shung Chan. The Committee meets regularly. The Committee has reviewed with the management of the Company the accounting principles and practices adopted by the Group and financial reporting matters including the review of the audited financial statements for the year ended 31st December, 2004.

CODE OF BEST PRACTICE

In the opinion of the Directors, the Company has complied with the Code of Best Practice (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited throughout the year ended 31st December, 2004, except that non-executive Directors (other than the three independent non-executive Directors appointed during the year with a term of two years) were not appointed for a specific term as required by paragraph 7 of the Code. Save for Mr. Ning Gaoning who is the Chairman of the Company, all the non-executive Directors are subject to retirement by rotation and re-election at the Company's annual general meetings in accordance with the Company's Articles of Association.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Board of Directors of the Company has adopted the Model Code for Securities Transactions by Directors (the "Model Code") as set out in Appendix 10 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited as the code for securities transactions by Directors during the year. Having made specific enquiry of all Directors, the Directors have complied with the required standard set out in the Model Code.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this report, the Company has maintained sufficient public float as required under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

AUDITORS

The financial statements for the year were audited by Ernst & Young who will retire at the conclusion of the forthcoming annual general meeting and, being eligible, will offer themselves for re-appointment.

On behalf of the Board

Jark Pui Lee

Director

Hong Kong, 17th March, 2005



TO THE MEMBERS

THE HONG KONG BUILDING AND LOAN AGENCY LIMITED

(Incorporated in Hong Kong with limited liability)

We have audited the financial statements on pages 18 to 43 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Companies Ordinance requires the Directors to prepare financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently. It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion solely to you, as a body, in accordance with Section 141 of the Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the content of this report.

BASIS OF OPINION

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Institute of Certified Public Accountants. An audit includes an examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31st December, 2004 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Companies Ordinance.

ERNST & YOUNG

Certified Public Accountants

Hong Kong, 17th March, 2005

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 31st December, 2004

	<i>Note</i>	2004 HK\$'000	2003 <i>HK\$'000</i>
Turnover	5	189,682	74,390
Cost of sales		(173,426)	(70,517)
Gross profit		16,256	3,873
Other revenue		91	348
Administrative expenses		(2,938)	(3,284)
Other operating expenses		(2,210)	(394)
Exchange gains/(losses), net		2,194	(199)
Unrealised holding gain/(loss) on other investments in securities		(622)	4,585
Provision for impairment in value for investment securities		(3,600)	(4,198)
Profit before tax	6	9,171	731
Tax	9	(886)	4,282
Net profit from ordinary activities attributable to shareholders	10, 19	8,285	5,013
		HK cents	<i>HK cents</i>
Earnings per share	11		
Basic		3.7	2.2
Diluted		N/A	N/A

CONSOLIDATED BALANCE SHEET

As at 31st December, 2004

	Note	2004 HK\$'000	2003 HK\$'000
ASSETS			
NON-CURRENT ASSETS			
Fixed assets	12	52	3
Mortgage loans	13	1,764	2,846
Investment securities	15	–	3,600
Deferred tax asset	16	3,396	4,282
		5,212	10,731
CURRENT ASSETS			
Other investments in securities	17	45,334	86,069
Mortgage loans	13	1,288	2,141
Prepayments, deposits and other receivables		741	6,491
Cash and bank balances		168,144	107,163
		215,507	201,864
TOTAL ASSETS		220,719	212,595
EQUITY AND LIABILITIES			
CAPITAL AND RESERVE			
Share capital	18	225,000	225,000
Reserve	19	(5,625)	(13,910)
		219,375	211,090
CURRENT LIABILITIES			
Creditors and accruals		1,344	1,505
TOTAL EQUITY AND LIABILITIES		220,719	212,595

Jark Pui Lee
Director

Jonathan Miles Foxall
Director

BALANCE SHEET

As at 31st December, 2004

	Note	2004 HK\$'000	2003 HK\$'000
ASSETS			
NON-CURRENT ASSETS			
Fixed assets	12	52	3
Mortgage loans	13	1,764	2,846
Interests in subsidiaries	20	22,387	3,584
Deferred tax asset	16	3,396	4,282
		27,599	10,715
CURRENT ASSETS			
Other investments in securities	17	22,806	86,069
Mortgage loans	13	1,288	2,141
Prepayments, deposits and other receivables		300	6,050
Cash and bank balances		168,144	107,163
		192,538	201,423
TOTAL ASSETS		220,137	212,138
EQUITY AND LIABILITIES			
CAPITAL AND RESERVE			
Share capital	18	225,000	225,000
Reserve	19	(6,044)	(14,258)
		218,956	210,742
CURRENT LIABILITIES			
Creditors and accruals		1,181	1,396
TOTAL EQUITY AND LIABILITIES		220,137	212,138

Jark Pui Lee
Director

Jonathan Miles Foxall
Director

CONSOLIDATED SUMMARY STATEMENT OF CHANGES IN EQUITY

For the year ended 31st December, 2004

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Total equity as at 1st January	211,090	206,077
Net profit from ordinary activities attributable to shareholders	8,285	5,013
Total equity as at 31st December	219,375	211,090

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31st December, 2004

	Note	2004 HK\$'000	2003 HK\$'000
Cash flows from operating activities			
Cash generated from/(used in) operations	21	59,428	(61,501)
Interest received		1,618	2,869
Net cash inflow/(outflow) from operating activities		61,046	(58,632)
Cash flows from investing activities			
Payments to acquire fixed assets		(65)	(3)
Net cash outflow from investing activities		(65)	(3)
Net increase/(decrease) in cash and cash equivalents		60,981	(58,635)
Cash and cash equivalents at beginning of the year		107,163	165,798
Cash and cash equivalents at end of the year		168,144	107,163
Analysis of balances of cash and cash equivalents:			
Cash and bank balances		168,144	107,163

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The Company and its subsidiaries are principally engaged in investment holding, treasury investments and the provision of mortgage finance and other related services.

In the opinion of the Directors, the ultimate holding company of the Company is Lippo Cayman Limited which is incorporated in the Cayman Islands.

2. IMPACT OF RECENTLY ISSUED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS")

The Hong Kong Institute of Certified Public Accountants has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards, herein collectively referred to as the new HKFRSs, which are generally effective for accounting periods beginning on or after 1st January, 2005. The Group has not early adopted these new HKFRSs in the financial statements for the year ended 31st December, 2004. The new HKFRSs may result in changes in the future as to how the Group's financial performance and financial position are prepared and presented.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (which also include Statements of Standard Accounting Practice and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong, the Companies Ordinance and the Securities and Futures (Accounts and Audit) Rules. They have been prepared under the historical cost convention.

(b) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries for the year ended 31st December, 2004. The results of subsidiaries acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal, respectively. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

(c) Subsidiaries

A subsidiary is a company in which the Company, directly or indirectly, controls more than half of its voting power or issued share capital or controls the composition of its board of directors.

Interests in subsidiaries are stated in the Company's balance sheet at cost less any impairment losses.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)***(d) Impairment of assets**

An assessment is made at each balance sheet date of whether there is any indication of impairment of any asset, or whether there is any indication that an impairment loss previously recognised for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's value in use and its net selling price.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the profit and loss account in the period in which it arises.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation), had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is credited to the profit and loss account in the period in which it arises.

(e) Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation and any impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after the asset has been put into operation, such as repairs and maintenance, is normally charged to the profit and loss account in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the asset, the expenditure is capitalised as an additional cost of that asset.

The gain or loss on disposal or retirement of a fixed asset recognised in the profit and loss account is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Depreciation of fixed assets is calculated on the straight-line basis to write off the cost of each asset over its estimated useful life. The principal annual rate used for this purpose is 33 $\frac{1}{3}$ per cent.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Investment securities

Investment securities are securities which are intended to be held on a continuing strategic or long term purpose. Investment securities are included in the balance sheet at cost less provisions for impairment losses, on an individual investment basis. When such impairment losses have occurred, the carrying amounts of the securities are reduced to their fair values, as determined by the Directors and the amounts of the impairments are charged to the profit and loss account for the period in which they arise. When the circumstances and events which led to the impairment losses cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future, the amounts of the impairments previously charged are credited to the profit and loss account to the extent of the amounts previously charged.

(g) Other investments in securities

Other investments in securities are those securities which are held for trading purpose, and are stated at fair value at the balance sheet date. Unrealised holding gains or losses arising from changes in fair value of the securities are dealt with in the profit and loss account in the period in which they arise. For unlisted investment funds where there is no quoted market price, fair value is determined on the basis of their last net asset value per unit.

(h) Recognition of revenue

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

- (i) interest income, on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable;
- (ii) dealings in securities and disposals of investments, on the transaction dates when the relevant contract notes are exchanged; and
- (iii) dividend income, when the shareholders' right to receive payment has been established.

(i) Mortgage loans

Mortgage loans are reported on the balance sheet at the total of principal amount outstanding and accrued interest receivable net of provisions for doubtful debts.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)***(j) Provisions for doubtful debts**

A provision for doubtful debts is made when the Directors consider the recoverability of mortgage loan is in doubt. In addition, an amount has been set aside as a general provision. These provisions are deducted from "Mortgage Loans" on the balance sheet.

(k) Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the balance sheet date of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the profit and loss account.

(l) Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Rentals payable under such operating leases are charged to the profit and loss account on the straight-line basis over the lease terms.

(m) Foreign currency transactions

Foreign currency transactions are recorded at the applicable exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable exchange rates ruling at that date. Exchange differences are dealt with in the profit and loss account.

(n) Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the profit and loss account, or in equity if it relates to items that are recognised in the same or a different period, directly in equity.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(n) Income tax *(Continued)*

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax assets and unused tax losses can be utilised. In respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

(o) Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts, which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the balance sheet, cash and bank balances comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

(p) Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial or operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

4. SEGMENT INFORMATION

Segment information is presented by way of business segment as the primary reporting format and geographical segment as the secondary reporting format.

The Group's operating businesses are structured and managed separately, according to the nature of their operations. The Group's business segments represent different strategic business units which are subject to risks and returns that are different from those of the other business segments. In respect of geographical segment reporting, turnover is based on the location of customers, and assets and capital expenditure are based on the location of the assets. Description of the business segments is as follows:

- (a) the mortgage finance segment engages in the provision of mortgage finance and other related services; and
- (b) the treasury investments segment includes securities trading, interest income on bank deposits and dividend income.

During the current and the prior years, there were no intersegment transactions.

4. SEGMENT INFORMATION (Continued)

An analysis of the Group's turnover and results by business segment and geographical segment is as follows:

Business segment

Group

	2004			
	Mortgage finance HK\$'000	Treasury investments HK\$'000	Other HK\$'000	Total HK\$'000
Turnover	482	189,200	–	189,682
Other revenue	91	–	–	91
	573	189,200	–	189,773
Segment results	573	17,069	(3,600)	14,042
Unallocated corporate expenses				(4,871)
Profit before tax				9,171
Tax				(886)
Net profit from ordinary activities attributable to shareholders				8,285
Segment assets	3,052	213,543	–	216,595
Unallocated assets				4,124
Total assets				220,719
Segment liabilities	522	128	–	650
Unallocated liabilities				694
Total liabilities				1,344
Other segment information:				
Net realised gain on disposal of other investments in listed securities	–	13,431	–	13,431
Unrealised holding loss on other investments in securities	–	(622)	–	(622)
Provision for impairment in value for investment securities	–	–	(3,600)	(3,600)

4. SEGMENT INFORMATION (Continued)**Business segment** (Continued)**Group**

	2003			Total HK\$'000
	Mortgage finance HK\$'000	Treasury investments HK\$'000	Other HK\$'000	
Turnover	946	73,444	–	74,390
Other revenue	348	–	–	348
	1,294	73,444	–	74,738
Segment results	1,593	7,512	(4,198)	4,907
Unallocated corporate expenses				(4,176)
Profit before tax				731
Tax				4,282
Net profit from ordinary activities attributable to shareholders				5,013
Segment assets	4,987	198,888	3,600	207,475
Unallocated assets				5,120
Total assets				212,595
Segment liabilities	584	73	–	657
Unallocated liabilities				848
Total liabilities				1,505
Other segment information:				
Net realised gain on disposal of other investments in listed securities	–	334	–	334
Unrealised holding gain on other investments in securities	–	4,585	–	4,585
Provision for impairment in value for investment securities	–	–	(4,198)	(4,198)

No capital expenditure and depreciation for the above segments are presented as they are related to the corporate office.

4. SEGMENT INFORMATION (Continued)

Geographical segment

Group

	2004				Total HK\$'000
	Hong Kong HK\$'000	Republic of Singapore HK\$'000	Japan HK\$'000	Other HK\$'000	
Revenue	88,132	57,584	30,994	13,063	189,773
Segment results	5,327	4,885	3,611	219	14,042
Segment assets	178,143	26,080	13,100	–	217,323
Unallocated assets					3,396
Total assets					220,719
Capital expenditure	(65)	–	–	–	(65)

	2003				Total HK\$'000
	Hong Kong HK\$'000	Republic of Singapore HK\$'000	Japan HK\$'000	Other HK\$'000	
Revenue	66,117	8,621	–	–	74,738
Segment results	2,457	1,545	–	905	4,907
Segment assets	182,925	20,413	–	4,975	208,313
Unallocated assets					4,282
Total assets					212,595
Capital expenditure	(3)	–	–	–	(3)

5. TURNOVER

Turnover represents interest income on mortgage loans and gross income on treasury investments which includes sales proceeds from securities trading, interest income on bank deposits and dividend income.

An analysis of the turnover of the Group by principal activity is as follows:

	Group	
	2004 HK\$'000	2003 HK\$'000
Mortgage finance:		
Interest on mortgage loans	482	946
Treasury investments:		
Interest on bank deposits	1,136	1,923
Sale of other investments in securities	186,857	70,851
Dividend income	539	670
Other investment income	668	–
	189,682	74,390

6. PROFIT BEFORE TAX

Profit before tax is arrived at after crediting/(charging):

	Group	
	2004 HK\$'000	2003 HK\$'000
Staff costs (includes directors' remuneration disclosed in Note 7)		
Wages and salaries	(1,859)	(2,120)
Retirement benefit costs – Note 8	(33)	(48)
Total staff costs	(1,892)	(2,168)
Depreciation	(16)	(3)
Auditors' remuneration	(170)	(200)
Minimum lease payments under operating leases in respect of land and buildings	(669)	(721)
Net realised gain on disposal of other investments in listed securities	13,431	334

7. DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS

Directors' emoluments for the year, disclosed pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and Section 161 of the Companies Ordinance, are as follows:

	Group	
	2004	2003
	HK\$'000	<i>HK\$'000</i>
Executive Directors:		
Directors' fees	60	155
Non-executive Directors:		
Directors' fees	391	215
	451	370

The number of Directors whose emoluments fell within the following band is as follows:

Emoluments band	Group	
	2004	2003
	Number of	Number of
	Directors	Directors
Nil – HK\$1,000,000	11	8

Emoluments paid to independent non-executive Directors amounted to HK\$61,000 (2003 – HK\$215,000) during the year.

There were no arrangements under which a Director waived or agreed to waive any emoluments.

7. DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS *(Continued)*

The five highest paid individuals during the year included one (2003 – one) Director, details of whose emoluments are set out above. The emoluments of the remaining four (2003 – four) non-director highest paid individuals for the year disclosed pursuant to the Listing Rules are analysed by amount and designated band as set out below.

	Group	
	2004	2003
	HK\$'000	HK\$'000
Basic salaries, allowances and benefits in kind	1,061	1,535
Retirement benefit costs	30	37
	1,091	1,572

Emoluments band	Group	
	2004	2003
	Number of	Number of
	individuals	individuals
Nil – HK\$1,000,000	4	4

8. RETIREMENT BENEFIT COSTS

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "Scheme") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the Scheme. The Scheme became effective from 1st December, 2000. Contributions are made based on a percentage of the employees' relevant income and are charged to the profit and loss account as they become payable in accordance with the rules of the Scheme. The assets of the Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the Scheme, except for the Group's employer voluntary contributions forfeited when the employees leave employment prior to their fully vesting in such contributions, which can be used to reduce the amount of future employer contributions, in accordance with the rules of the Scheme.

During the year, no forfeited voluntary contributions were utilised to reduce the amount of employer contributions (2003 – Nil). The amount of forfeited voluntary contributions available to offset future employer contributions to the Scheme was not material at the year end. The retirement benefit costs charged to the profit and loss account represent contributions paid and payable by the Group to the scheme and amounted to HK\$33,000 (2003 – HK\$48,000).

9. TAX

No provision for Hong Kong profits tax has been made for the year as the Group had applied the tax loss brought forward from prior years to offset the estimated profits earned during the year. No provision for Hong Kong profits tax had been made in the prior year as the Group did not generate any assessable profits during that year.

	Group	
	2004	2003
	HK\$'000	HK\$'000
Hong Kong		
Deferred tax charge/(credit) – Note 16	886	(4,282)

A reconciliation of the tax charge/(credit) applicable to profit before tax using the statutory rate for the country in which the Company and its subsidiaries are domiciled to the tax credit is as follows:

	Group	
	2004	2003
	HK\$'000	HK\$'000
Profit before tax	9,171	731
Tax at the statutory tax rate of 17.5 per cent. (2003 – 17.5 per cent.)	1,605	128
Effect of different tax rates in other jurisdictions	630	209
Income not subject to tax	(1,978)	(1,353)
Expenses not deductible for tax	682	560
Tax losses from previous periods recognised	–	(3,826)
Adjustments in respect of current tax of previous periods	(53)	–
Tax charge/(credit) at the group's effective rate of 9.7 per cent. (2003 – 586 per cent.)	886	(4,282)

10. NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net profit from ordinary activities attributable to shareholders includes the profit for the year dealt with in the financial statements of the Company amounted to HK\$8,214,000 (2003 – HK\$5,093,000) as referred to in Note 19 to the financial statements.

11. EARNINGS PER SHARE**(a) Basic earnings per share**

Basic earnings per share is calculated based on (i) the net profit from ordinary activities attributable to shareholders of HK\$8,285,000 (2003 – HK\$5,013,000); and (ii) the number of 225,000,000 ordinary shares (2003 – 225,000,000 ordinary shares) in issue during the year.

(b) Diluted earnings per share

No diluted earnings per share is presented for the years ended 31st December, 2003 and 2004 as there were no dilutive potential ordinary shares during these two years.

12. FIXED ASSETS**Group and Company**

	Motor vehicle, furniture and equipment <i>HK\$'000</i>
Cost:	
At 1st January, 2004	282
Additions during the year	65
At 31st December, 2004	347
Accumulated depreciation:	
At 1st January, 2004	279
Provision for the year	16
At 31st December, 2004	295
Net book value:	
At 31st December, 2004	52
At 31st December, 2003	3

13. MORTGAGE LOANS

	Group and Company	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Total mortgage loan balances	3,517	5,479
Less: Provision for doubtful debts – Note 14		
– General	(62)	(102)
– Specific	(403)	(390)
	3,052	4,987
Amounts due within one year classified as current assets	(1,288)	(2,141)
Non-current portion	1,764	2,846

14. PROVISION FOR DOUBTFUL DEBTS

	Group and Company		
	Specific	General	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1st January, 2003	277	514	791
Provision written back during the year	–	(299)	(299)
Transfer	113	(113)	–
At 31st December, 2003 and 1st January, 2004	390	102	492
Provision written back during the year	–	(27)	(27)
Transfer	13	(13)	–
At 31st December, 2004	403	62	465

15. INVESTMENT SECURITIES

	Group	
	2004	2003
	HK\$'000	<i>HK\$'000</i>
Unlisted equity securities, at cost	7,798	7,798
Provision for impairment in value	(7,798)	(4,198)
	–	3,600

16. DEFERRED TAX ASSET

	Group and Company	
	2004	2003
	HK\$'000	<i>HK\$'000</i>
At 1st January	4,282	–
Deferred tax credited/(charged) to the profit and loss account for the year – Note 9	(886)	4,282
At 31st December	3,396	4,282

Deferred tax asset has arisen from unused tax losses available for offsetting against future taxable profit.

The Group has deductible temporary differences and tax losses arising in Hong Kong of HK\$3,882,000 (2003 – HK\$16,361,000) and HK\$14,133,000 (2003 – HK\$3,356,000), respectively, that are available indefinitely for offsetting against future taxable profits of companies in which the losses arose. Deferred tax assets have not been recognised in respect of these deductible temporary differences and tax losses due to the unpredictability of future taxable income stream.

17. OTHER INVESTMENTS IN SECURITIES

	Group		Company	
	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Listed equity securities, at market value:				
Hong Kong	6,154	60,681	6,154	60,681
Overseas	16,652	25,388	16,652	25,388
Unlisted investment funds, at fair value	22,528	–	–	–
	45,334	86,069	22,806	86,069

18. SHARE CAPITAL

	Group and Company	
	2004	2003
	HK\$'000	HK\$'000
Authorised:		
300,000,000 (2003 – 300,000,000) ordinary shares of HK\$1.00 each	300,000	300,000
Issued and fully paid:		
225,000,000 (2003 – 225,000,000) ordinary shares of HK\$1.00 each	225,000	225,000

19. RESERVE**Group**

	Accumulated losses
	<i>HK\$'000</i>
At 1st January, 2003	(18,923)
Profit for the year	5,013
At 31st December, 2003 and 1st January, 2004	(13,910)
Profit for the year	8,285
At 31st December, 2004	(5,625)

Company

	Accumulated losses
	<i>HK\$'000</i>
At 1st January, 2003	(19,351)
Profit for the year	5,093
At 31st December, 2003 and 1st January, 2004	(14,258)
Profit for the year	8,214
At 31st December, 2004	(6,044)

20. INTERESTS IN SUBSIDIARIES

	Company	
	2004	2003
	HK\$'000	<i>HK\$'000</i>
Unlisted shares, at cost	1	1
Due from subsidiaries	66,576	44,333
	66,577	44,334
Provisions for impairments in values	(44,190)	(40,750)
	22,387	3,584

The balances with subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

Particulars of subsidiaries as at 31st December, 2004 are as follows:

Name of company	Place of incorporation and operations	Issued and fully paid ordinary share capital	Percentage of equity attributable to the Company/Group		Principal activities
Galawin Limited	British Virgin Islands	US\$1	100	100	Securities investment
Sunshine Asia Limited	British Virgin Islands	US\$1	100	100	Investment holding
Winbest Holdings Limited	British Virgin Islands	US\$1	100	100	Investment holding
AAM Investments Limited	British Virgin Islands	US\$1	–	100	Securities investment
Goldjade Investment Limited	Hong Kong	HK\$2	–	100	Securities investment
Smart Dragon Limited	British Virgin Islands	US\$1	–	100	Investment holding

21. NOTE TO THE CONSOLIDATED CASH FLOW STATEMENT**Reconciliation of profit before tax to cash generated from/(used in) operations:**

	Group	
	2004	2003
	HK\$'000	HK\$'000
Profit before tax	9,171	731
Adjustments for:		
Interest income	(1,618)	(2,869)
Depreciation	16	3
Provision for impairment in value for investment securities	3,600	4,198
Operating profit before working capital changes	11,169	2,063
Decrease in mortgage loans	1,935	5,930
Decrease/(Increase) in other investments in securities	40,735	(63,675)
Decrease/(Increase) in prepayments, deposits and other receivables	5,750	(5,694)
Decrease in creditors and accruals	(161)	(125)
Cash generated from/(used in) operations	59,428	(61,501)

22. COMMITMENTS

The Group leases its office property under operating lease arrangements. The term of the lease is for a period of two years. At 31st December, 2004, the Group and the Company have total future minimum lease payments under non-cancellable operating lease fall due as follows:

	Group and Company	
	2004	2003
	HK\$'000	HK\$'000
Within one year	56	668
In the second to fifth years, inclusive	–	56
	56	724

23. CONNECTED AND RELATED PARTY TRANSACTIONS

Listed out below are related party transactions disclosed in accordance with the Hong Kong Statement of Standard Accounting Practice 20 "Related Party Disclosures" issued by the Hong Kong Institute of Certified Public Accountants.

- (a) During the year, the Company paid rental expenses of HK\$669,000 (2003 – HK\$721,000) to Prime Power Investment Limited, a wholly-owned subsidiary of Lippo China Resources Limited ("LCR") which in turn is the intermediate holding company of the Company, in respect of office premises let to the Company. The rental was determined by reference to open market rentals.
- (b) During the year, the Group through Lippo Securities Limited ("Lippo Securities"), a wholly-owned subsidiary of Hongkong Chinese Limited which in turn is a subsidiary of LCR, sold and purchased listed securities in the market. Commissions paid to Lippo Securities during the year amounted to HK\$803,000 (2003 – HK\$441,000). The commissions were in line with those offered by Lippo Securities to its customers.

The above transactions also constitute connected transactions under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

24. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 17th March, 2005.

SUMMARY OF FINANCIAL INFORMATION

A summary of the results and of the assets and liabilities of the Group for the five financial years ended 31st December, 2004, as extracted from the audited consolidated financial statements, is as set out below.

	2004	2003	2002	2001	2000
RESULTS	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	189,682	74,390	90,476	74,154	91,070
Net profit/(loss) attributable to shareholders	8,285	5,013	(16,333)	(32,116)	(24,313)
	HK cents	HK cents	HK cents	HK cents	HK cents
Earnings/(Loss) per share	3.7	2.2	(7.3)	(14.3)	(10.8)
ASSETS AND LIABILITIES	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Total assets	220,719	212,595	207,707	225,808	304,151
Total liabilities	(1,344)	(1,505)	(1,630)	(3,398)	(4,625)
Net assets	219,375	211,090	206,077	222,410	299,526