



CHAIRMAN'S STATEMENT

On behalf of the board of directors, I am pleased to report the following results and operations of the Group for the year ended 31 December 2003.

RESULTS

The audited consolidated profit after taxation for the year was HK\$28.4 million and the earnings per share amounted to HK3.6 cents, as compared to net profit of HK\$23.3 million (as restated) and the earnings per share of HK2.9 cents (as restated) for the year ended 31 December 2002. The net profit after taxation for 2003 represents a 21.8% increase from 2002.

DIVIDENDS

The directors recommend the payment of a final dividend of HK1.5 cents per share for the year ended 31 December 2003. Subject to the approval of shareholders at the forthcoming annual general meeting, it is expected that the final dividend will be paid on 13 May 2004 to shareholders registered on 6 May 2004. No interim dividend was paid during the year. In respect of the preceding year, a final dividend of HK1.5 cents per share was paid and no interim dividend was declared.

NET ASSET VALUE

The consolidated net asset value per share of the Group as at 31 December 2003 was HK\$2.30 based on the 797,157,415 shares in issue, as compared to HK\$2.25 per share (as restated) and 797,157,415 shares in issue as at 31 December 2002.

BUSINESS REVIEW

The Group's net profit attributable to shareholders for the year was HK\$28.4 million as compared to a net profit of HK\$23.3 million (as restated) in 2002. Turnover for the year was HK\$105.6 million as compared to HK\$153.4 million reported in 2002. The decrease in turnover was mainly attributed to reduced property sales and decrease in rental income in 2003.

Excluding the effect of a net loss of HK\$17.2 million (2002: loss of HK\$43.4 million) from revaluation of the Group's portfolio of properties, the profit attributable to shareholders which included the share of results of associates for 2003 was HK\$45.6 million as compared to HK\$66.7 million (as restated) in 2002, a decrease of HK\$21.1 million. In 2003, the Group's share of net profit after taxation of HK\$24.1 million came from an associated company, namely The Cross-Harbour (Holdings) Limited ("Cross-Harbour"). In 2002, the Group reported share of net profit after taxation of HK\$16.8 million (as restated) from Cross-Harbour.

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Property business

The Group's major investment properties include:

Century Square
Prestige Tower
2/F New Mandarin Plaza

Gross rental income for the year amounted to HK\$87.8 million which represents a decrease of about 20.7% when compared with last year's income of HK\$110.7 million. The decrease was the result of the overall decline in rental value of the properties and loss of rental income due to disposal of certain non-core properties.

The economy of Hong Kong experienced an exciting year in 2003. The outbreak of Severe Acute Respiratory Syndrome ("SARS") in mid-March 2003 pushed the local economy and market confidence to the bottom. Property market particularly the commercial leasing sector which the Group mainly operates almost came to a complete halt during the second quarter of 2003.

Following the World Health Organisation's decision to remove Hong Kong from the list of SARS affected areas in June 2003, the economy gradually recovered after a series of contingent policies introduced by both the central as well as the local governments. The market accelerated its pace of recovery towards the third quarter of 2003 after witnessing the successful implementation of the contingent policies, in particular the Closer Economic Partnership Arrangement ("CEPA") and the relaxation of travel restriction for individual travelers from the Mainland.

Currently all major economic indicators such as the stock market, property transactions, retail sales turnover, unemployment rate etc. reflect strongly the optimism of the prospect of Hong Kong entering into a full market recovery.

Leveraging on this improved market sentiment, the Group has successfully concluded a number of leasing deals which comprise of some key retail premises, all with satisfactory rental upward adjustments. Moreover, the Group's effort in bringing-in quality tenants to improve the image and value of property continue to make good progress. Benetton, the leading fashion group opened its first flag-ship store at Prestige Tower in last August. illy coffee which was originated in Italy some seventy years ago and is now widely known throughout the world recently opened its first coffee bar concept in Hong Kong. Again, Prestige Tower was chosen to launch their debut.

Overall, despite the volatility of the market in 2003, the Group has been able to maintain a stable result which is primarily ascribed to our effort in reducing vacancy rate in our buildings. Currently, the occupancy rate of our commercial portfolio stands firmly around 93-94%. Favourable locations of buildings, proactive leasing approach, and dedicated management services are, amongst other things, the main contributors to such stable leasing results.

In December 2003, the Group received an attractive offer for the sale of the site at Anderson Road, which had been earmarked for re-development. To avoid investment risk associated with construction period and re-development, the Group had accepted the offer. The transaction was subsequently completed in February 2004.

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Major investment

In May 2003, the Group entered into a share option agreement with Cross-Harbour to acquire an option to subscribe further shares of Cross-Harbour and the terms and details of the option were announced by Cross-Harbour. Subsequently, the option was granted to the Group on 24 June 2003.

FINANCING AND LIQUIDITY

Financial expenses for the year ended 31 December 2003 amounted to HK\$23.1 million (2002: HK\$31.8 million), a decrease of HK\$8.7 million. The decrease is mainly due to the continuation of low interest rate environment in Hong Kong.

The bank loans are secured by mortgages on certain investment properties with an aggregate carrying value of HK\$1,760 million (2002: HK\$1,785 million) and the assignment of rental income from these properties.

The following is the maturing profile of the Group's bank borrowings as of 31 December 2003:

Within one year	42.4%
In the second year	5.0%
In the third to fifth year	25.6%
After the fifth year	27.0%
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Total	100.0%
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The gearing ratio, which is calculated as the ratio of the net bank borrowings to shareholders' funds, was 43.5% (2002: 45.2% (as restated)). Revolving loans with outstanding balance of HK\$320 million will be renewable within the next financial year. Term loan installments repayable within one year is HK\$36 million which will be serviced by the Group's rental income and proceeds from sales of properties. Since the Group's borrowings are denominated in Hong Kong dollars and its sources of income are primarily denominated in Hong Kong dollars, there is basically no exposure to foreign exchange rate fluctuations.

At the end of 2003, the Group's cash and cash equivalents was HK\$40.1 million. With its cash and available banking facilities, the Group has sufficient resources to meet foreseeable funding needs for its working capital and capital expenditure.

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PROSPECTS

With the restoration of confidence and coupled with the economic bolstering measures by the central and local governments, we anticipate that Hong Kong will continue to advance, at a quicker pace, to the exit of the tunnel of recession for the coming year.

CEPA, further relaxation of travel restriction for Mainland visitors, investor immigration scheme, opening of restricted renminbi banking services in Hong Kong are all important impetus to our economic recovery in the coming years. These important economic impetuses have already shown signs of success in restoring and enhancing market confidence as reflected by the recent buoyancy of property and stock markets.

The Group will capture the improved market conditions to further consolidate our investment strategies. We will continue to strive to augment in terms of quality and quantity our investment portfolio of properties. There is a good prospect for the remainder of the Group's non-core property investment to be disposed in the coming year.

On the leasing sector, we will step up marketing effort in transforming our major commercial buildings into retail centres. We believe this will bring greatest return for our investments in view of the improved consumer turnover and the influx of Mainland visitors.

Despite the recent market improvements, there are nonetheless not without worrying factors amongst all optimisms. The huge budget deficit, the unemployment rate although improved but is still considered to be very high in Hong Kong context and the potential rise in interest rate etc. are factors which need to be closely watched. The management of the Group will continue to monitor the market situation closely in order to drive the business forward smoothly and in a stable manner. We will therefore continue to maintain a prudent investment policy and will shun high-risk though high-yield projects. Efforts will continue to be made in maintaining a high level of occupancy rate and hence reducing vacancy in our buildings thereby ensuring a strong recurrent income position and stable return for the Group. We will continue to explore diversified investment opportunities with stable growth and yields to supplement our core business in property investment and property management services. In the year to come, we are optimistic that under the improved economic climate, our established investment strategies will help sustain the business growth and enhance the asset value of the Group.

STAFF

At 31 December 2003, the Group employed a total of 30 staff. Staff remuneration is reviewed by the Group from time to time. In addition to salaries, the Group provides staff benefits including medical insurance, life insurance, provident fund and discretionary vocational tuition/training subsidies. Share options and bonuses are also available to employees of the Group at the discretion of the directors and depending upon the financial performance of the Group.



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APPRECIATION

I would like to take this opportunity to thank our shareholders and business partners for their continuing support, and the Group's dedicated management and staff for their valuable contributions during the past year.

Cheung Chung Kiu
Chairman

Hong Kong, 19 March 2004