

CHAIRMAN'S STATEMENT

PROFIT FOR THE YEAR

The Group's profit attributable to shareholders for the year ended 31st December 2003 was HK\$42.5 million as compared to HK\$48.7 million (restated) for 2002. Earnings per share was HK14.8 cents (2002: HK 16.9 cents (restated)). The drop was mainly attributable to the decline in contribution from the operation in the USA. The changes in the accounting standard on deferred taxation has led to an extra provision of HK\$3.0 million.

DIVIDEND

Your Directors have resolved to recommend a final dividend of HK 5 cents (2002: HK 5 cents) per ordinary share.

BUSINESS REVIEW

The Group's rental revenue in Hong Kong decreased slightly by 4% to HK\$116.3 million mainly due to the sluggish warehouse market. Near full occupancy has however been maintained by competitive pricing and the Group shall continue this policy with harmonious landlord-tenant relationship and continuous property improvement works.

Gross rental from Montgomery Plaza in the USA for the year amounted to HK\$50.8 million, a 17.5% drop from last year. The decline was attributable to the significant rental adjustment in the San Francisco office market. By the end of the year, the occupancy rate was 89%. The market will stabilise at current level in coming year.

The performance of the Group's new arm of business in sports equipment and software was affected by the fluctuating economic condition worldwide. The launching of new products in the Asia Pacific Region in April 2003 was halted by the SARS attack causing a significant under-performance of sales. Although the turnover has increased, the operating loss remained high at HK\$14.4 million. The mode of operation is now under review with an objective to reduce further loss to the Group.

CASH FLOW

The Group generated cash inflow of approximately HK\$79.2 million from operations. The cash available was applied mainly to repay bank loan of HK\$16.5 million and, pay interest expenses of HK\$20.1 million, profits tax of HK\$7.5 million and dividends of HK\$39.2 million. The Group also applied the proceeds of HK\$11.3 million from disposal of investment securities to purchase additional fixed assets of HK\$8.9 million and an unlisted investment of HK\$6 million during the year. The cash flows were also funded by long term and short term borrowings.

LOAN FINANCING

The bank loan of US\$19 million of a subsidiary in the USA will be payable within the year and the Group has already started the negotiation for the re-financing of the loan. The interest rate for this facility will be reduced. The construction loan in the region of HK\$75 million for the development of No. 1 Barker Road will be due for repayment upon completion of the project and re-financing of the same will then be sought.

PROSPECTS

We are glad to notice that the economy has revived after the SARS impact in the second quarter of 2003. With the policy support from the mainland, which includes CEPA and the Individual Visit Scheme, the momentum gained shall become more visible in 2004.

With the devaluation of the US dollar, Hong Kong is now positioned more competitively with EU and the rest of the world. While the US president post-election situation may pose certain uncertainty, the interest rate rise is not expected to be excessive in the second half of 2004. Business environment in Hong Kong will become more favourable and we expect, in turn, will benefit the local property sector. The Group will seek new business opportunities in the future.

Barring any unforeseen circumstances, the Group will continue to pursue its prudent policy and maintain stable earnings for the coming year.

In closing, I wish to thank my fellow directors for their valuable guidance and to all staff members for their dedication and hard work.

William Ma Ching Wai
Chairman

Hong Kong, 31st March 2004