

CHAIRPERSON'S STATEMENT

For the year ended 31st March, 2004, the Company and its subsidiaries (collectively referred to as "the Group") recorded a net profit of approximately HK\$86.4 million as compared with a net loss of approximately HK\$598.3 million in the previous year. The net profit for the year was mainly attributable to reversal of impairment loss in respect of property under development of approximately HK\$93.1 million and reversal of allowance for doubtful recovery of loan receivable from a minority shareholder of a subsidiary of approximately HK\$6.8 million.

However, no turnover was recorded during the year, as compared with a turnover of approximately HK\$31.4 million in the previous year, as the existing property development project in Shanghai, the People's Republic of China ("PRC") was still in an investment stage.

DIVIDEND

The board of directors (the "Board") did not recommend payment of dividend for the year ended 31st March, 2004.

OPERATION REVIEW

The development project and investment of the Group were as follows:

Yu Yuan, Shanghai

During the year, the Group had licensed the property to maximise its income, but the licence agreement was terminated in February, 2004 to cater for the Group's development plan in the coming year.

Post balance sheet events

The Group previously held 90% interest in the development project in Yu Yuan, Shanghai. On 26th April, 2004, the Group entered into a conditional sale and purchase agreement with Star City Entertainment Holdings Limited ("Star City") to acquire the remaining 10% interest in the project. The acquisition was completed on 9th June, 2004 at a consideration comprising waiver of all liabilities amounting to approximately HK\$37.8 million due by Star City to the Group arising as a result of the project and repayment to Star City of its initial investment in the project in the amount of HK\$16.0 million.

On 26th May, 2004, the Group entered into a conditional cooperative joint venture agreement ("JV Agreement") with Shenzhen Lianhe Jinhao Investment Development Co. Ltd. ("JV Partner") pursuant to which both parties agreed to jointly develop the property in Yu Yuan, Shanghai, with the JV Partner being responsible for the construction work of the project at its own cost. Details of the joint venture arrangement had been disclosed in the Company's circular dated 30th June, 2004. As at the date of this report, the JV Agreement is still subject to the approval of the shareholders of the Company in the special general meeting of the Company to be held on 16th July, 2004.

CHAIRPERSON'S STATEMENT

OPERATION REVIEW (continued)

Hong Tai Building, Chongqing

The Group had entered into an agreement ("Agreement") with Chongqing Hong Tai Property Development Co., Ltd. ("Hong Tai") to acquire certain units and car parking spaces (collectively referred to as "Properties") at Chongqing Hong Tai Building ("Building"), the construction work of which had been suspended. In view of the prolonged suspension of the development, the Group had already made full provision for the paid deposit of RMB29.05 million (approximately HK\$25.9 million) in the previous years. During the year, the Group commenced legal proceedings against Hong Tai due to its failure to complete and deliver vacant possession of the Properties in accordance with the Agreement.

Post balance sheet event

A court judgment was issued on 12th April, 2004 under which Hong Tai was ordered to deliver the Properties or to refund a sum of RMB29.05 million together with accrued interests to the Group. The Group had recently been informed that as the Building had remained uncompleted for a long time, the court in Chongqing had sold the Building (including the Properties) and the Group would be entitled to part of the sale proceeds.

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

During the year, the Group continued to finance its operations and capital expenditure through internally generated cash flow from operations and advances from related companies and a minority shareholder of a subsidiary.

As at 31st March, 2004, advances from related companies and a minority shareholder of a subsidiary were approximately HK\$25.9 million and HK\$17.5 million respectively. Out of these advances, approximately HK\$9.9 million of the advances from a related company were interest bearing at prevailing market rates while HK\$16.0 million from another related company and the advances from a minority shareholder of a subsidiary were interest-free. All these advances were denominated in Hong Kong dollars, unsecured and had no fixed terms of repayment.

Save as disclosed above and the accrued charges and other payables, the Group had no other external borrowings as at 31st March, 2004. The Group's bank and cash in hand as at the same date was approximately HK\$5.6 million, which was denominated in Hong Kong dollars, U.S. dollars and Reminbi. During the year, the Group had no significant exposure to foreign exchange rate fluctuation.

As at 31st March, 2004, the Group had current assets of approximately HK\$40.8 million and current liabilities of approximately HK\$1.5 million. As at the same date, the Group had a debt to equity ratio (expressed as a percentage of total liabilities over shareholders' fund) of 14% as compared to 18% in the preceding financial year.

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NUMBER AND REMUNERATION OF EMPLOYEES

Following disposal by the Group of Lacework Profits Limited and its subsidiaries in the previous year, no regular staff was employed by the Group as at 31st March, 2004. Total staff costs for the year, mainly represented by directors' remuneration, was approximately HK\$0.5 million. As disclosed under the heading of "Yu Yuan, Shanghai" above, the Group had entered into the JV Agreement to develop the property jointly with the JV Partner. Subject to the approval of the JV Agreement by the shareholders of the Company, it is expected that the construction work of the project would commence soon, and the Group would recruit new staff when appropriate.

The Company adopted a share option scheme on 2nd September, 2002, the purpose of which was to provide incentives or rewards to participants. No option had been granted since its adoption.

PROSPECTS

The core business of the Group remained property development and investment in the PRC. During the year, the Group has taken steps to reactivate its development project in Shanghai to benefit from the thriving property market, while at the same time cautiously exploring suitable investment opportunity to enlarge its land bank and broaden its income stream.

By Order of the Board

Luk Siu Man, Semon

Chairperson

Hong Kong, 6th July, 2004