Chairman's Statement

Strong growth of the Hong Kong economy in the year ended 31 March 2001 was not reflected in the industrial leasing and sales markets, other than the leasing demand for spaces suitable for logistics operations. Nonetheless the Group has benefited from the sale of Portion A of Global Gateway (Hong Kong) (formerly known as Winsor Centre) and the leasing of those portions not yet taken up by the purchaser. The occupancy and rental income of the Group's other investment properties also improved slightly in the year under review.

RESULTS

The Group's audited turnover for the year ended 31 March 2001 was HK$385.3 million, an improvement of 47.7% as compared to HK$260.9 million for the previous year. Sale of properties for sale increased by more than two-fold principally due to the completion of Portion A of Global Gateway (Hong Kong). Sales of investment properties in the amount of HK$159.9 million were not included as turnover. Rental income and storage income also improved by 15.1% and 35.8% respectively.

Audited Group profit attributable to shareholders for the year ended 31 March 2001 was HK$52.1 million, compared to HK$10.8 million for the previous year. Earnings per share for the year under review was HK$0.20 per share, compared to HK$0.05 for the previous year adjusted for the one-for-one rights issue in August, 1999.

BUSINESS REVIEW

Sale of Properties

As previously reported, a sale and purchase agreement for the disposal of the entire Global Gateway (Hong Kong) at 168 Yeung Uk Road, Tsuen Wan (the "Disposal") to Comfort Development Limited ("the Purchaser") was executed on 19 July 2000. Portion A of the Disposal with a total gross floor area of 421,685 sq.ft. was completed during the year under review. Portion B comprises committed purchases as and when vacant possessions of the currently leased units are delivered to the Purchaser, and delivery of the first unit will take place very shortly. Portion C represents options to purchase exercisable on or before 15 October 2001. Portion D comprise options to purchase the rest of the building subject to exercise in full of the Portion C options.

Two floors of the Regent Centre at 63-73 Wo Yi Hop Road, Kwai Chung with a gross floor area of 44,532 sq.ft. were also sold during the year.

Total net profit on the sale of properties during the year under review was HK$31.1 million, which comprised a profit of HK$42.6 million from the sale of investment properties (including realisation of investment properties revaluation reserve in the sum of HK$76.6 million) and a loss of HK$11.5 million from the sale of properties for sale. Upon the disposal of properties for sale, a sum of HK$22.2 million was also directly transferred from land and buildings revaluation reserve to retained profits.

In comparison, the Group's total net profit on the sale of properties (including both investment properties and properties for sale) in the previous financial year was HK$15.8 million. In addition, a sum of HK$15.3 million was also directly transferred from land and buildings revaluation reserve to retained profits in the previous financial year.

Rental Operation

Contribution from Global Gateway (Hong Kong) accounted for most of the improvement in the Group's rental income and rental profit for the year under review. Its occupancy had already improved substantially prior to the signing of the sale and purchase agreement with the Purchaser in July 2000. Market interest in Portion C, which is accessible by ramp, continued thereafter and about 75,000 sq.ft. were further leased subject to the terms and conditions of the sale and purchase agreement. As at 31 March 2001, the occupancy rate of the unsold portions was about 61%.

Apart from Global Gateway (Hong Kong), aggregate rental income from the Group's other investment properties in Hong Kong, namely the unsold portion of the Regent Centre in Kwai Chung, the Fibres and Fabrics Industrial Centre in Kwun Tong, the Winner Godown Building in Tsuen Wan, the Lucky Industrial Centre in Kwai Chung, also improved slightly in the year under review. Their overall occupancy rate is about 91%. The 9th floor of Office Tower 2 of Suntec City in Singapore remains fully leased except for about 1,500 sq.ft.

As at 31 March 2001, total floor spaces leased out by the Group aggregated about 2.3 million sq.ft.

Storage

Storage income of the Group's godown operation in Hong Kong benefited from the increase in cargo throughput of the local economy, and reported a turnaround in the year under review. The godown operation in Mainland China continued to report a small loss.

Dividend Income from Other Investments

During the year dividends totalling HK$11.9 million were received from the Group's other investments, compared to HK$12.5 million for the previous year. The decrease was due to translation loss as a result of the weakening of the Singapore dollar.

The Group's investment in Suntec City Development Pte. Ltd. ("SCDPL") and Suntec Investments Pte. Ltd. ("SIPL"), both incorporated in Singapore and carried in the accounts at Directors' valuation, reported a revaluation decrease of HK$11.7 million during the year which was set off to the Group's investment revaluation reserve account. The revaluation showed an increase in terms of Singapore dollar but resulted in a decrease after exchange translation. At 31 March 2001 SCDPL and SIPL were carried in the Group's accounts at HK$517.9 million. SCDPL, owner of the Suntec City development in Singapore, accounted for the predominant share. It reported a 16.5% increase in turnover and an even better improvement in profit in its most recent audited accounts for the year ended 30 September 2000.

Associated Companies

An associated company made a substantial provision against its investment in a property project in Panyu, Guangdong, Mainland China. The Group's attributable share of the provision was HK$20.9 million. The business of the cold storage in Shekou, Guangdong, Mainland China also weakened during the year. As a result the Group's associated companies reported in aggregate attributable loss before tax of HK$22.6 million for the year under review, compared to a profit of HK$6.9 million for the previous year.

Valuation of Properties

The aggregate professional valuation of the Group's remaining investment properties at 31 March 2001 was HK$2,278.0 million, reporting a small increase of HK$5.2 million in comparison to the corresponding valuation at 31 March 2000. After minority interests, the increase on revaluation attributable to the Group was HK$2.7 million The associated companies also revalued their investment properties and the Group's share of the revaluation decrease was HK$4.0 million. The net revaluation decrease of HK$1.3 million has been set off against the Group's investment properties revaluation reserve.

The professional valuation of the 102 How Ming Street site at 31 March 2001 was HK$296 million. The revaluation decrease of HK$0.5 million has been set off against the Group's land and buildings revaluation reserve.

Property held for Development

During the year under review, the 95,940 sq.ft. industrial/office site at 102 How Ming Street, Kwun Tong continued to be used as an open space car park with Government approval. In August 2000 the Town Planning Board approved the Group's application for an office development on the site. The Group has applied to Government for the lease modification. Draft terms of the lease modification have been agreed and the Group is waiting for Government's offer of the modification premium. In the meantime and subject to Government's approval, the Group is considering to revise the development plan to integrate Government land abutting the site to create a better environment and to enhance the overall value of the development. Notwithstanding, the development plan and the timing of its implementation have not been finalised.

Group Structure

Apart from the disposal of a dormant subsidiary, there were no acquisitions or disposals of subsidiaries and associated companies during the year under review.

Employees

As at 31 March 2001 the Group employed 120 employees, most of whom were engaged in estate management. All eligible employees of the Group in Hong Kong were enrolled to a defined contribution mandatory provident fund scheme as from 1 December 2000.

FINANCIAL POSITION

The Group's total bank borrowings have been reduced by HK$286.1 million during the year under review from HK$1,134.8 million to HK$848.7 million, through the application of the net proceeds of the sale of properties and funds generated from the Group's other operations. The loans are secured by certain investment properties, property held for development and properties for sale with a total net book value of HK$2,214.5 million. Computed as the ratio of total bank borrowings to shareholders' funds, which amounted to HK$2,268.3 million at 31 March 2001, the Group's gearing was 37.4% as at that date.

The Group's aggregate bank borrowings outstanding at 31 March 2001 comprised short-term revolving loans and overdrafts of HK$162.4 million and long term loans of HK$686.3 million. Out of the long term loans, HK$575.3 million will fall due within the next two years. Irrespective of the extent to which the options for the purchase of Portion C of Global Gateway (Hong Kong) are exercised by the Purchaser, the Group is confident that it will be able to generate sufficient funds from its operations and/or to obtain continuing and sufficient banking facilities to meet is liabilities as and when they fall due.

In view of the changed interest rate disparities in favour of Hong Kong dollar borrowings, the Group's subsidiaries in Hong Kong have during the year under review converted all their US dollar bank borrowings into loans denominated in Hong Kong dollar with interest based on HIBOR plus a margin. As at 31 March 2001, a wholly-owned subsidiary in Singapore continued to carry foreign currency bank borrowings of which an equivalent of HK$21.6 million was denominated in Singapore dollar and the balance in the equivalent of HK$13.4 million was denominated in Japanese yen.

The Group also carries other long term loans in the amount of HK$195.1 million, being unsecured interest-free loans with no fixed terms of repayment from minority shareholders of a 75% owned subsidiary for financing the development costs of the Regent Centre.

As at 31 March 2001 the Group did not have any contingent liabilities.

DIVIDEND

The Directors do not recommend a dividend for the year ended 31 March 2001. They expect they will be in a position to do so for the current financial year.

OUTLOOK

After strong growth in the year 2000, the Hong Kong economy has shown signs of softening. Whereas the industrial leasing and sales markets have not benefited from the growth of the economy, the economic slowdown likewise is also not expected to create any substantial adverse impacts. The lower interest rate environment, although not resulting in any enhancement of investment interest in industrial properties, will definitely help to reduce the Group's borrowing costs.

The extent to which the options for the purchase of Portion C of Global Gateway (Hong Kong) will be exercised by the Purchaser probably will only be known by 15 October 2001. In view of the strong leasing demand for Portion C, the Group will be able to achieve a reasonable rental yield over any floor spaces not taken up by the Purchaser.

CHANGE IN DIRECTORATE

For the reason of affording themselves more time with their other commitments, Mr. CHOU Wen Hsien, Mr. CHOW Chung Kai and Mr. CHOW Pai Ying have tendered their resignation as Chairman/Executive Director, Managing Director/Executive Director, and Independent Non-Executive Director of the Company respectively. All resignations will take effect from the close of the coming Annual General Meeting of the Company to be held on 15 August 2001. For the same reason, Mr. CHOW Ming Shan and Mr. TANG Hung Yuan will not stand for re-election at the said Annual General Meeting at which they are due to retire by rotation. The Board is grateful for their invaluable service and wise counsel throughout the years and wish them every success in their other endeavours.

The Board has elected Mr. CHENG Wai Chee, Christopher as Non-Executive Chairman and appointed Mr. CHOW Wai Wai, John as Managing Director of the Company to take effect from the close of the said Annual General Meeting to succeed Mr. CHOU Wen Hsien and Mr. CHOW Chung Kai respectively.

The Board also wishes to record special thanks to Mr. CHOU Wen Hsien and Mr. CHOW Chung Kai whose service has been instrumental in the founding and running of the Group.

CHOU Wen Hsien
Chairman

Hong Kong, 4 July 2001