

CHAIRMAN'S STATEMENT

RESULTS

The profit attributable to shareholders for the year ended 31st March 2001 amounted to HK\$354,796 (2000: HK\$23,310,881). Earnings per share for the year was 0.3 cents (2000: 19.3 cents).

DIVIDENDS

The Board has resolved to recommend a final dividend of 2.8 cents (2000: 3.9 cents) per share for the year ended 31st March 2001. Together with the interim dividend of 1.1 cents (2000: 1.1 cents) per share, total dividends for the year amount to 3.9 cents (2000: 5.0 cents) per share.

BUSINESS REVIEW

The year under review marked a period of grief and mourning for the Company. The founder of the Company, Mr. Cheung Kung Hai, passed away last October. From its early beginnings, Mr. Cheung had shared his extensive experience in the property industry, building a solid foundation and guiding assured growth for the Company. His ingenious intuition and insight has proven to be a priceless asset to the Company. It is and will continue to be immensely missed and remembered for the years to come.

The profit attributable to shareholders for the year ended 31st March 2001 amounted to HK\$354,796 (2000: HK\$23,310,881), representing a decrease of approximately 98.5% compared with that of the previous year. For the year under review, the property market experienced a further decline in both value and yield. Consequently, further write down of investment properties was unavoidable this year. The charge included in the profit and loss account was HK\$19.8 million which was HK\$15 million higher than the previous year. In addition, the weakening US economy also triggered further slowdown of the local economy, adversely impacting the stock market in Hong Kong. The Group's profits generated from investment business dropped substantially. The Group recorded a profit of about HK\$0.9 million from investment activities which was HK\$6.6 million below that of last year. Excluding these factors, the Group experienced a drop of approximately 6% in net profit. This drop in net profit was mainly due to some of the units being vacant and suffering from reduction in rental. Despite this, the Group's investment properties and properties held for sale continued to generate a steady cash flow.

The Group's management fee income varies with the level of rental income of the serviced parties. The general downside in rental income led to the decrease in operating profit of this activity.

Following our streamlining steps, we are able to strengthen the operation segment of construction fee. The costs of this segment would be controlled at a manageable level so that a reasonable profit could be maintained.

The renovation of the Shopping Arcade at Midland Centre at No. 328 Queen's Road Central, in which the Group has 50% interest, was completed in October 2000. The floor layout of the premises had been modified. The Shopping Arcade could accommodate more prestigious tenants and some tenancies are under negotiation. We are optimistic that the overall profitability from this premises will be satisfactory. As reported previously, Horizon Plaza at Ap Lei Chau is fully occupied and most of the luxury residential units are rented out with a satisfactory return.

CHAIRMAN'S STATEMENT *(Continued)*

The Group is also closely observing the outlook of the property market in the foreseeable future. In light of the recent favourable factors, namely lowering of the mortgage rate, we plan to commence the marketing of residential units at Belair Villa, in which the Group has 25% interest, in the coming year.

PROSPECTS

Hong Kong had followed the US's series of reduction in interest rate. The prime rate currently stands at 6.75% p.a. In spite of this, the real interest rate in Hong Kong is still high and this tends to remain in the near future. There was little improvement in the high unemployment rate since the Asian financial turmoil.

Nevertheless, the mortgage interest rates had dropped below the prime rate. Undoubtedly, this favours the property market as a whole. It was also observed that the market condition for luxury residential properties had improved significantly. Furthermore, it is very likely that China will join the World Trade Organisation within this year. There is a general consensus that Hong Kong will benefit from this.

The Group's core business is property investment, development and holding. Its prospect depends on the performance of the property market. However, the recovery of the property market is still uncertain. The Group should be more cautious when looking for investment opportunities. But given the fact that the Group is debt-free and has positive cash flows, the Group is ready for good investment opportunities.

APPRECIATION

I would like to take this opportunity to express my gratitude to all our board members including those who have retired and ceased in this year for their invaluable contribution. I would also like to extend my appreciation to our shareholders for their continued support and our staff for their hard work and dedication.

Cheung Kee Wee

Chairman

Hong Kong, 13th July 2001