

CHAIRMAN'S STATEMENT

RESULTS

The profit attributable to shareholders for the year ended 31st March 2003 amounted to HK\$2,087,257 (2002: HK\$8,744,220). Earnings per share for the year was 1.7 cents (2002: 7.2 cents).

DIVIDENDS

The Board has resolved not to recommend the payment of a final dividend for the year ended 31st March 2003 (2002: 2.0 cents per share).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL RESULTS

During the year under review we experienced further deterioration in the local economy. The Government of the Hong Kong Special Administrative Region ("the Government") had undertaken a broad directions to invigorate the economy which included the announcement of the nine measures last November aimed at ailing the property sector. However, this together with some favourable factors, like the persistent low interest-rate and comparably affordable property prices, failed to spur buying desire for properties amid the weak market condition. Furthermore, the US-Iraq war and the sudden outbreak of the atypical pneumonia ("SARS") inevitably aggravated the already weak local market. As the Group's businesses are primarily conducted in Hong Kong, we are unavoidably being affected by such poor economic sentiment and fundamentals.

For the year under review, the Group recorded a turnover of HK\$12,179,451, representing a drop of 10.9% when compared to that of last year. This moderate decrease was mainly caused by the significant shrinkage in the Group's interest income by 47.4% to HK\$1,296,737. Reduction in the instalment loans extended to purchasers of the Group's properties and the persistent low interest rate environment were the main contributors of the sharp decline. Apart from the above, the business volume was stable throughout the year under review. The Group principally derived its revenue from the rental and management sectors which aggregately accounted for about 74% of the Group's turnover. Despite the decrease in the Group's revenue, operating profit had improved from HK\$412,614 to HK\$2,102,590.

The Group's profit attributable to shareholders slumped 76.1% to HK\$2,087,257 for the year. This dramatic decline was largely attributable to the increased revaluation deficits of about HK\$9.9 million in the Group's investment properties, compared to HK\$4.2 million of last year. The share of realized loss of about HK\$7.0 million from the sale of units in the low-rise residential projects at Belair Villa, Fanling, in which the Group has 25% interest, had further eroded the profitability of the Group. On the other hand, improvement in the operating result of the investment business for HK\$2.1 million had mitigated the downside pressure on profitability.

CHAIRMAN'S STATEMENT *(Continued)*

BUSINESS REVIEW

Property Investment, Development, Management and Building Contractor

On the Group's Property Sale Business, two car parks at Festigood Centre, Fanling were sold during this financial year. Furthermore, the Group had received about HK\$34 million from the sale of units at Belair Villa, Fanling. In spite of the intense efforts and sale campaign, the shrinking demand as a result of the weak economy and increasing unemployment rate had severe pressure on the selling prices. The sale of this property became stagnant especially following the outbreak of the SARS in this March. To date, about 57% of the units at Belair Villa had been sold.

During this financial year, the rental market at all fronts continued to come under great pressure in the oversupply and highly competitive situation. The Group's Rental Business had been able to sustain a comparable revenue level to that of the last year. The turnover of the Rental Business for the year under review stood at about HK\$4.2 million, representing a marginal decrease of 2% from last year. Although rental income had decreased slightly when compared to that of 2002, the recurrent rental income base of the Group's property portfolio remains strong.

Performance of the Group's Property Management Business remained weak, in line with the shrinkage in rental business of the associates and the related companies of the Group. During the year under review, turnover was about HK\$1.3 million, representing a decrease of 5.4%. However, with the implementation of the effective cost-trimming measures, the operating profit had improved by 2.5%.

For the year ended 31st March 2003, the Group's Building Contractor Business was inevitably affected by the continuing hard-pressed construction industry. However, turnover of this segment was comparable to that of last year and recorded a slight increase of 3% to about HK\$1.5 million.

Investment and Corporate Service

For the year under review, although the operating result of the Group's Investment Business was better than last year, it was still disappointing due to the slackened global economy and the local fragile stock market. In the early part of the year under review, improvement in the market sentiment was seen on the stock market as witnessed by the upward trend both in transaction volume and in securities prices. However, this upward trend was subsequently reversed in the following months. Stocks slumped as investors curtailed investment in advance of the war in Iraq coupled with the adverse effects afflicted by the sudden outbreak of SARS in March. Unavoidably, profit generated from the sales of the Group's short-term investments was wholly squeezed out by the decrease in the value of our investment portfolio. Consequently, a loss of approximately HK\$3.3 million was recorded, 41.2% lower than that of the last financial year.

The reduction in management income was further hampered by the rising costs and expenses in the Corporate Services Business. As a result, its contribution to the Group's profitability was limited.

CHAIRMAN'S STATEMENT *(Continued)*

Employee Information

The Group has less than twenty employees and their remuneration are maintained at competitive levels. Employees' salaries are determined on performance basis with reference to the market trend. In addition, discretionary bonuses are granted to eligible employees by reference to the Group's result and individual performance. Other benefits include education subsidies, medical and retirement benefits.

Liquidity and Financial Resources

The Group is virtually debt-free and generally finances its operations with internally generated cash flows. The Group's cash and bank balances amounted to HK\$45.7 million at 31st March 2003. The Board believes that the Group has sufficient financial resources for its operations. The Group has no exposure to foreign exchange rate fluctuation and material contingent liabilities.

Other than as disclosed above, the Directors are not aware of any other material changes to the information in relation to the Group's performance and the material factors underlying its results and financial position published in the annual report for the year ended 31st March 2002.

PROSPECTS

Looking ahead, we shall focus our resources and energy on our core business in Hong Kong. Therefore, the Group's performance will heavily depend on the local business environment. The coming fiscal year will still be challenging and difficult amid the weak and uncertain local economy. Externally, Hong Kong will be influenced by the global political and economic conditions. Internally, Hong Kong still faces significant economic hurdles including the concerns on restructuring of the economy, persistent deflationary pressure, a record high unemployment rate of 8.3%, mounting bankruptcies and the enlarged budget deficit etc.. Furthermore, the impacts of US-Iraq war and SARS-infection on the general economy are likely to take effect in the second half of 2003.

Fortunately, on the economic fronts, there are some lights shed on the local bleak market, such as the delisting of Hong Kong from the SARS-infected area, the scrapping of the 25-year-old Home Ownership Scheme and the commitment of the Government to boost and revive the SARS-hit economy. Furthermore, the recent signing of the Closer Economic Partnership Agreement confers Hong Kong a competitive edge in its access to China. These news and efforts put by the Government signal the Government's supportive attitude towards the market.

CHAIRMAN'S STATEMENT *(Continued)*

However, significant improvement in the local economy would unlikely come along with the end of the SARS epidemic. With the sheer number of unsold and new units in the pipeline, keen competition amongst developers in launching sales of property projects will continue.

Barring any unforeseen circumstances, the management will maintain its prudent financial policies so as to face the challenges ahead with confidence and dedication and adopt appropriate measures to safeguard and strengthen its business operations.

APPRECIATION

I would like to take this opportunity to express my gratitude to all our board members including Madam Chin Lan Hong who has resigned 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, 11th July 2003