

CHAIRMAN'S STATEMENT

THE YEAR ENDED 31 DECEMBER 2003

Overall, 2003 was a volatile and vulnerable year for Hong Kong at large with the outbreak of SARS, unpromising economic outlook, severe business contraction, persistent deflationary pressure, and high unemployment rate for at least three quarters of the year. Towards the end of the year 2003, we have finally seen light in the tunnel and are pleased to see real tangible recovery in the Hong Kong economy recently. Against this background of vulnerable economic conditions, the underlying core operating results of the Group as a whole were still very pleasing with a net profit of HK\$54.7 million, an increase of 78.6% when compared to the previous year. Throughout the year, the Group again remained very focused in its core rental business and concentrated its effort in consolidating and maintaining its market position in both Hong Kong and Shanghai.

This year, what was particularly noteworthy was the completion of a brand new prime residential development in Shanghai known as "Windsor Place", a project comprising 126 detached houses and townhouses of first class hotel quality. The responses from new tenants have been very encouraging so far and all the houses are filled as soon as they are released to the market. At the date of writing this report, the occupancy rate for this new project is 100%. It is envisaged that a recurring annual rental of close to HK\$65 million would be generated from this project alone.

Despite an abundant supply of service apartments in Shanghai, over the years, the Group has already stood out to become one of the most renowned "5 stars" operators and owners in Shanghai with a portfolio of around 500 service apartments and houses under its management. The rental return for the past few years was strong and it is expected that this trend would continue. As large multinational corporations continue to march into China especially after China formal accession to the WTO, the need to house their executives is ever increasing, especially for Shanghai, the financial and commercial hub of China. We strongly believe that the Group is heading the right direction and is extremely well placed to capitalise on this exciting opportunity. At present, we are actively searching for appropriate investment opportunities in Shanghai in order to enhance shareholders' return and value.

The achievements of the past several years, which brought the Group to its current strong position, allow us to look forward with confidence to the future. The Board and management of the Group are dedicated to rewarding the shareholders who have supported the company by their investment and have decided to continue to upkeep the dividend policy by proposing a final dividend of 0.3 HK cents per share at the forthcoming annual general meeting.

Looking ahead, the future is bright for the Group and with the first few months of 2004 behind us, it is pleasing to be able to report that our results to date are very much in line with our expectations. Accordingly, we remain very optimistic for the performance of the Group during 2004. With its proven track record, the Group is now well positioned to capitalize on the market opportunities which are available to it, both in Hong Kong and Shanghai. I am sure that the coming year will again provide growth and satisfaction to all of our shareholders and investors.

Lau Chi Yung, Kenneth

Chairman

Hong Kong
16 April 2004