

CHAIRMAN'S STATEMENT

I am pleased to report to shareholders the results and activities of the Group for the year ended 31st January, 2004.

REVIEW OF OPERATIONS

The principal activities of the Group continue to be investment holding, property investment, property development and the provision of property agency services. The Group's activities during the year are substantially based in Hong Kong and more than 90% of the Group's turnover and profit from operations were derived from the lease of properties in Hong Kong.

During the year under review, in the first half year, the property leasing market remained very soft and office rentals further fell as the local economy was severely affected by the impact of SARS and has not yet recovered. After the Hong Kong Government introduced a variety of measures to cope with the situation in the second half year, some degree of stabilisation was achieved. However the Group's rental income, which mainly comprises office and residential rentals, did not show significant improvement.

For the financial year ended 31st January, 2004, the Group reported a net profit of approximately HK\$25.7 million after taxation and minority interests (2003: a net profit of approximately HK\$26.1 million). Such decrease was mainly attributable to further falls in office rentals and soft demand in the property leasing market. Impairment losses on properties in the amount of HK\$2.5 million previously made was written back and accounted for in the income statement for 2004 (2003: impairment losses of HK\$2.9 million recognised).

The savings in interest expenses on borrowings were more than offset by the fall in office rentals. Although the property-leasing market in Hong Kong has slightly improved since the financial year end, new leases have to be negotiated at a competitive rate.

In view of the possibility that plot ratios and height restrictions may be eased in the Kowloon Tong area in the next two or three years, the Board of Directors has decided to continue to defer the commencement of the Oxford Road project at Kowloon Tong, in order to maximise the benefit to shareholders.

The Group's major Guam investment property – Aspac Industrial Park Phase I – recorded a moderate decline in rental income owing to the protracted economic downturn in Guam and Japan, where most tourists to Guam come from. For this reason, the development of Lot Nos. 5148-3 and 5148-4, Tamuning, Guam will continue to be postponed.

No material acquisitions or disposals of subsidiaries and associates were transacted during the year.

The Group has a total of 25 (2003: 23) staff. Staff costs incurred during the year amounted to HK\$7,810,000 (2003: HK\$6,604,000).

FINANCE ACTIVITIES

Shareholders' funds at 31st January, 2004 amounted to HK\$791 million (31st January, 2003: HK\$769 million). At 31st January, 2004, total borrowings of the Group were HK\$62 million (2003: HK\$119 million) which bear interest at floating rates and are substantially repayable in Hong Kong dollars. Bank borrowings to the extent of HK\$4 million (2003: HK\$38 million) were repayable within one year. The Group's gearing ratio at 31st January, 2004 was 8% (2003: 15%). The Group's available undrawn bank facilities at 31st January, 2004 amounted to HK\$110 million (2003: HK\$63 million).

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At 31st January, 2004, properties of the Group with an aggregate book value of approximately HK\$634 million (2003: HK\$659 million) were mortgaged or charged to banks for credit facilities granted to the Group.

At 31st January, 2004, the Company had issued guarantees for banking facilities granted to certain subsidiaries to secure the banking facilities granted to these subsidiaries to the extent of HK\$281 million (2003: HK\$281 million) of which approximately HK\$62 million (2003: HK\$119 million) was utilised.

RESULTS AND DIVIDENDS

The audited consolidated net profit after taxation and minority interests for the financial year amounted to approximately HK\$25.7 million.

The turnover from the Group's long term property portfolio decreased by approximately 12% due to the persistent fall in office rentals (2004: HK\$59.3 million; 2003: HK\$67.7 million and 2002: HK\$75.6 million) and the soft demand in the property leasing market during the year.

In view of the continuous decrease in rental income of the Group, the rapidly escalating oil prices, the sharp declines in world stock market indices and increasing political tensions in the Middle East and Asia, all of which have aggravated the global economic uncertainty, the Board of Directors is of the view that Hong Kong's economic recovery, and thus an improving property leasing market, may be shortlived.

In these circumstances, the directors are of the unanimous view that it would not be in the best interests of the Group and the Company's shareholders as a whole to recommend any final dividend to be approved by shareholders at the forthcoming annual general meeting and in this respect they have so decided.

PROSPECTS

The property leasing market in Hong Kong in line with the economy has shown no significant improvement in early 2004. The office rental market is still subject to relatively high vacancies, particularly in Central. Supply in Hong Kong is abundant providing ample options for tenants seeking quality office space at competitive rates. The Board of Directors does not see improvement to the economy of Guam in the short term. The recession there is expected to continue for a further few years.

On behalf of the Board of Directors, I should like to take this opportunity to thank our Bankers, Auditors, Shareholders and Staff for their continued support of the Group.

Seto Chak Wah, Michael
Chairman

Hong Kong, 20th May, 2004