



ADDRESS OF THE CHAIRMAN

PROFIT AND DIVIDEND

I am pleased to present to the shareholders the operating results of our Group.

Our Group's audited profit attributable to shareholders for the financial year ended 31 March 2004 ("the year") amounted to HK\$250.3 million, an increase of 11.9% when compared to that of the previous year. The Board of Directors proposed that the final dividend of HK\$0.20 be paid on each share. If the recommendation is approved, the total dividend for the year including the interim dividend of HK\$0.13 per share will amount to HK\$0.33 per share.

BUSINESS OVERVIEW

Due to the SARS outbreak in early 2003, the Group's core business operations were adversely affected to various extents at the beginning of this financial year. The implementation of the Individual Visit Scheme initiated by the central government thereafter stimulated a surge of Mainland tourists. As a result, retail markets returned to an upward trend. This proved to be directly and indirectly beneficial to the Group's core businesses. Together with the satisfactory land sales performance in U.S.A., the Group's overall results recorded an increase of 11.9% over that of the previous year.

PROPERTY BUSINESS

The average occupancy rate of Miramar Shopping Centre was maintained at the same level as last year at 85% with a slight drop in rental income. Major reconstruction work on the Knutsford Steps project was completed early this year and some tenants have already begun operating soon after. The international cuisine and stylish ambience of different restaurants at Knutsford Steps will add greater variety to the entire area. The merging of Knutsford Steps and the adjacent Knutsford Terrace is poised to transform the area into the premier dining and entertainment hub in Tsimshatsui.

The Hotel Miramar Shopping Arcade's rental income and leasing status remained stable with an average occupancy rate of 97%.

The Grade A offices of Miramar Tower recorded a 12% drop in rental income compared with that of the previous year. However, the leasing of No. 6 Knutsford Terrace reported an increase in the average occupancy rate to 96%, leading to a more than 10% rise in rental income.

The offices and retail units of Shang-Mira Garden in Shanghai are now almost completely leased. A number of office units were sold at satisfactory price level this year.

The property market in Placer County, California, U.S.A. remains positive. During the financial year under review, the Group successfully sold approximately 640 acres of primarily residential land in Placer County, with satisfactory profits and cash flows recorded from these transactions. To date approximately 90% of the developable land owned by the Group in Placer County has been sold.

HOTEL BUSINESS

During the SARS epidemic, Hotel Miramar experienced a severe decline in occupancy rates, room rates as well as food and beverage revenues. However, spurred on by the Individual Visit Scheme, Hong Kong saw a dramatic increase in Mainland travelers. Moreover, overseas visitors have regained confidence in visiting the territory for business as well as for leisure. Occupancy rates have quickly returned to pre-SARS period levels. The Group as well stepped up promotion efforts and pro-actively developed more sales networks through hotel reservations centres in Shanghai and Beijing in order to further strengthen its hold on the Mainland business travel market. Primarily due to the increase in Mainland travelers, Hotel Miramar's occupancy rate in the first quarter of 2004 increased 8% over the same period last year. Average room rates also reached their expected target levels. Overall, guests from China accounted for approximately 20% of the Hotel's total room occupancy.

The Hotel's food and beverage business in the second half of the period under review surpassed that of the same period last year with an encouraging overall performance during the financial year. Over the past several years, the Food and Beverage division has made concerted efforts to create innovative varieties for its cuisine. This was reflected in their taking top honours at the Hong Kong Tourism Board's 2003 Best of the Best Culinary Awards, which also provided a big boost in brand awareness. The business performance of the newly renovated Hotel Ballroom was satisfactory. Quality services as well as attractive wedding and function packages enhanced overall market competitiveness and helped meet a diverse range of customer needs.

The Group's hotel business in China saw the Nan Hai Hotel record a drop in gross margin due to the SARS outbreak as well as due to refurbishment work, while Hai Tao Hotel operations in Shekou remained stable during the period under review.

FOOD AND BEVERAGE OPERATIONS

The Group's food and beverage operations in Hong Kong rebounded in the second half of the year with a significant increase in sales. The overall turnover dropped only slightly compared to last year. In the 2003 Best of the Best Culinary Awards, hosted by the Hong Kong Tourism Board, Tsui Hang Village Restaurant scored satisfactorily by winning an array of awards in various competition categories, which helped it win much renown. However, food and beverage operations in China recorded a decline in turnover due to keen market competition.

TRAVEL OPERATIONS

Faced with the SARS outbreak, intense competition and consumer spending caution, the overall performance of the travel operations was lower compared with that of the previous year. During the year, the overall travel operations have completed major structural and operational reforms to enhance overall efficiency and market competitiveness. Efforts have been focused on expanding new market sectors and developing more innovative and diverse itineraries for cruise operations. Market response has proven to be positive.

PROSPECTS

Consumer confidence in Hong Kong has strengthened recently. The improvement of the unemployment rate with gradual drop in rate of deflation pointed to an economic recovery. Although, with a rather substantial increase of new hotel rooms coming on line over the next two years, the hotel business in general will continue to benefit from the expansion of the Individual Visit Scheme as well as a series of upcoming large-scale meetings and conferences to be held in Hong Kong. The Group's various business operations will continue to make progress by adopting flexible strategies, providing quality services, and strengthening market competitiveness. The Board of Directors is confident that barring any unforeseen circumstances the Group's businesses will achieve improved results in the next financial year.

GRATITUDE

I would like to express my sincere gratitude to the Directors and all the staff for their hard work and contributions in the past year.

LEE SHAU KEE

Chairman

Hong Kong, 29 June 2004