

Chairman's Statement

After the long, six-year downturn, the Hong Kong property market has entered into a cyclical recovery. Driving the recovery has been a supportive government policy which has pumped liquidity into the economy and reduced land supply. As a result, future supply of residential units is declining to near-term lows, interest rates are at all-time lows and unemployment is falling, helping to spark a recovery in consumer sentiment.

Results

The 2003/2004 financial year represents a combination of a very depressed economy and market in the first half with a strong recovery in the second. Eventually, our Group has been able to report a reduction of the loss attributable to shareholders from last year's HK\$277 million to this year's HK\$142 million. After the financial year end, the Group has sold the award winning super luxury building, the Grosvenor Place, in Repulse Bay. As a result of this transaction, I expect the Group will return to profit in the coming financial year.

Corporate objectives

It is our corporate objective to become a developer in Hong Kong synonymous with innovation and quality design, with a principal focus on the middle-upper market in Hong Kong and major cities in mainland China. We have targeted to improve shareholders' return (in terms of market capitalisation growth plus dividend) over the next 5 years. To achieve this, we shall increase our development projects, particularly in the middle to higher luxury sector. We shall continue to expand the strategic / co-investment relationship with Grosvenor. We shall also build up branding for innovation and quality design.

Future Outlook

We are confident that Hong Kong's property market will continue to improve, as evidenced by the encouraging land auction results. Our Group will continue to acquire quality development sites. We expect to see more joint venture developments with the Grosvenor group. We are also in the process of setting up a joint office with Grosvenor in Shanghai to participate in the PRC property development market.

For the hotel and travel business, we foresee continuous improvement for our Hong Kong operation as more cities in the mainland join the Individual Travellers scheme. Vancouver has won the 2010 Winter Olympic host city. As a result, the federal government will be allocating additional resources to the city thereby improving the business environment and the tourism industry in the coming few years.

By Order of the Board
Fung Siu To, Clement
Chairman

Hong Kong, 19th July 2004