RESULTS

The financial year ended 31 March 2004 featured significant changes in the financial position of the Group after the completion of the Group reorganisation dated 20 June 2003 (the "Reorganisation"). The Reorganisation included, amongst other things, the cancellation and distribution of the share premium and a portion of the retained profits of the Company amounting to approximately HK$1,187 million in specie in the form of shares of Besteam Limited (a then wholly owned subsidiary of the Company). As a result, Besteam Limited, its subsidiaries and its associated companies (collectively "Besteam Group") had been disposed of by the Company after the completion of the Reorganisation. Results of Besteam Group up to 20 June 2003 were included in the results of the Group and the shareholders' funds of Besteam Group were excluded from the Group's balance sheet as at 31 March 2004.

Loss attributable to shareholders of the Group for the year ended 31 March 2004 was approximately HK$12 million compared with a loss of approximately HK$129 million (as restated) last year. The results included the loss of approximately HK$8 million attributable to Besteam Group and the expenses of approximately HK$38 million incurring from the Reorganisation exercise. The reorganisation costs included the cancellation of share options of the Company amounted to approximately HK$33 million. Apart from this, during the year under review, recurring profits were still generated from the Group's normal operation.

As a consequence of the Reorganisation, turnover for the year amounted to approximately HK$91 million, representing a decrease of 62% compared with that of last year. Profit from operations for the year amounted to approximately HK$19 million, compared with a profit from operations of approximately HK$13 million last year. Profit from operations included the reorganisation costs of approximately HK$38 million as mentioned above and the operating profit of approximately HK$2 million generated from Besteam Group.

Pursuant to the management contract entered on 20 June 2003, the Group will receive a guaranteed annual net rental receipt in respect of the Elizabeth House Commercial Podium ("E-House") of HK$78 million for three years commencing from 26 June 2003. In this regards, during the year, guaranteed net rental receipt of approximately HK$17 million had been accounted for on time-apportionment basis. Gross rental income and its segment result (after inclusion of the guaranteed net rental receipt as mentioned) for the year amounted to approximately HK$74 million and a profit of HK$76 million respectively, representing a decrease of approximately 4% and an increase of approximately 10% respectively when compared with those of last year.

Contribution from property development was derived from Besteam Group. As a consequence of the Reorganisation, the turnover and the segment result (excluding the impairment loss occurred in last year) decreased by approximately 90% and 92% respectively. On the other hand, contribution from securities investment was insignificant to the Group for both years.

LIQUIDITY AND FINANCIAL INFORMATION

The Group's total borrowings as at 31 March 2004 amounted to approximately HK$828 million compared with approximately HK$894 million last year. Cash and bank balances, including the pledged deposits of approximately HK$280 million amounted to approximately HK$291 million as at 31 March 2004 compared with approximately HK$789 million last year. Net borrowings amounted to approximately HK$537 million as at 31 March 2004 compared with approximately HK$105 million last year.

Gearing ratio of the Group which is expressed as a percentage of total borrowings to shareholders' funds was approximately 48% as at 31 March 2004 compared with approximately 32% last year. Net gearing ratio of the Group which is expressed as a percentage of net borrowings to shareholders' funds was approximately 31% as at 31 March 2004 compared with approximately 4% last year.

Of the Group's total borrowings as at 31 March 2004, HK$111 million (13%) would be due within one year, HK$64 million (8%) would be due in more than one year but not exceeding two years, HK$409 million (49%) would be due in more than two years but not exceeding five years and the remaining balance of HK$244 million (30%) would be due in more than five years.

The above borrowings included the bank borrowings of approximately HK$612 million, which were secured by the first charges on the investment properties and other specified assets of the Group and corporate guarantees from the Company.

The Group has limited exposure to foreign exchange fluctuations as most of its transactions including the borrowings are mainly conducted in Hong Kong dollars.

EQUITY, RESERVES AND NET ASSET VALUE

The annual revaluation of the Group's investment properties was carried out by DTZ Debenham Tie Leung Limited, an independent professional property valuer. The total value of the Group's investment properties as at 31 March 2004 amounted to HK$1,620 million compared to approximately HK$1,553 million last year.

Shareholders' funds of the Group as at 31 March 2004 was approximately HK$1,730 million compared with approximately HK$2,784 million last year. The reduction was mainly due to the Reorganisation.

BUSINESS REVIEW AND OUTLOOK

During the year under review, as Hong Kong witnessed some solid economic recovery, the Company has also seen general pick up in business environment particularly in the retail sector. As a result, the Group has enjoyed some improvement in its rental income in the E-House and it looks like that the upward market trend will continue.

To further enhance the E-House rental income, the Group has worked together with the management company of E-House to renovate the 5th floor of the building completely to make it not only better looking but a more e-business focused theme floor. The Board is convinced that the Group will benefit tremendously as the renovated floor is better known to Hong Kong e-business retailer's market.

As detailed in the Company's announcement of 29 October 2004, the Group on 15 October 2004 entered into a conditional sale and purchase agreement ("S&P Agreement") with Kowloon Development Company Limited and its subsidiaries ("Kowloon Development Group") to dispose of the Group's entire interests in E-House for HK$1,342 million. However, as detailed in the Company's announcement of 15 December 2004, certain conditions of the S&P Agreement have not been fulfilled and in the opinion of the Group, the S&P Agreement is no longer in force. The Group was informed by the solicitors acting for the Kowloon Development Group that Kowloon Development Group does not agree that the S&P Agreement is no longer of any force and effect and has taken the position that the S&P Agreement remains valid and binding on the Group. The Group does not agree with the position of Kowloon Development Group. Kowloon Development Group has, through its solicitors, reserved all of its rights. The Group will continue to optimize the return from rental operation in E-House and to enhance the value of E-House property through continued marketing, improved operational efficiency and if necessary, further renovations and improvements. The Group is also open to future opportunities to realize the investment in E-House at good price.

The Governments of the Hong Kong SAR and the People's Republic of China ("PRC") entered into the Closer Economic Partnership Arrangement ("CEPA") in June 2003. Under the CEPA, Hong Kong professionals and business entities enjoy certain privileges to gain access to the PRC market and the same applies vice versa. The scope of individuals traveling scheme of PRC citizens, first implemented in 2003, continues to extend. The Hong Kong Disneyland is expected to open in second half of 2005. All of the foregoing factors contribute to growing numbers of visitors and tourists to Hong Kong and hence the demand on hotel rooms.

BUSINESS REVIEW AND OUTLOOK – continued

To capitalize such business opportunities, the Group in October 2003 agreed with Hutchison Whampoa Limited and its subsidiaries ("Hutchison Group") to acquire a 800-room three-star standard hotel for HK$660 million. The Group made full payment of the acquisition on 23 December 2004 and renamed the hotel as "Mexan Harbour Hotel" ("Mexan Harbour"). Mexan Harbour commenced soft opening forthwith. Mexan Harbour is designed for tourists particularly for theme park visitors and is located in Rambler Crest, Tsing Yi, a strategic location of close proximity to both the Hong Kong International Airport and Hong Kong Disneyland which is due to open in 2005. With the successful opening of the Mexan Harbour, a quality asset is added to the Group's investment portfolio and Hutchison Group is successfully brought in as one of the Group's strategic investors with a view of possible co-operation in future.

It is the Group's long-term development strategy to identify and evaluate viable business opportunities from time to time for diversification of its business activities, the ultimate aim of which is to enhance profitability of the Group and shareholders' value in the Company. In light of the PRC's rapid economic growth and its need for high-quality infrastructure band in line with the long-term development strategy mentioned above, the Company has identified the toll road sector in the PRC as a focus area for future development. On 1 June 2004, the Group announced the proposed acquisition of 44.9% equity interest in Ningbo Beilun Port Expressway Company Limited ("Beilun Acquisition"). The Beilun Acquisition was approved by the independent shareholders at a special general meeting of the Company on 23 November 2004. The Beilun Acquisition presents an opportunity for the Company to diversify further its business and strengthen the earnings base.

Looking forward, the Group will continue to develop in each of the core business sector namely property investment, hotel ownership and toll road ownership with a view to seeking further investments in synergetic or prospective business if there arises such opportunities, which the Board may think fit and are allowed under the relevant regulatory provisions.

EMPLOYEE INFORMATION

As at 31 March 2004, the total number of employees of the Group was 25 (2003: 35). Remuneration packages are generally structured by reference to market terms and individual qualifications. The remuneration policies of the Group are normally reviewed on periodic basis. The Group participates in a mandatory provident fund scheme which covers all the eligible employees of the Group.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to extend my sincere thanks to our shareholders, professional advisers, bankers and customers for their continuous support, patronage and trust. I would also like to thank my fellow directors and staff for their dedicated contribution and loyal services.

Lau Kan Shan
Chairman

Hong Kong, 31 December 2004