Chairman's Statement

OVERVIEW

During 2004 the Group had been actively executing its strategic plan and successfully sold a number of investment properties in New Zealand and Australia which were perceived to be of lower growth potential. On the other hand the Group had made several property acquisitions in Hong Kong during the year, and will continue to seek new investment opportunities in Asia Pacific region to replenish its property portfolio.

For the year under review, twelve properties were sold for HK$1,520.4 million and new property investments for HK$1,900.9 million were made. Another property was sold for HK$125.2 million subsequent to close of the year end. The repositioning of the Group's investment strategy takes advantage of the counter-cyclical effect in various geographical locations where the Group has expertise on. Despite the fact that the mentioned property disposals had resulted in a short term negative impact on the Group's profit, the actions taken have now placed the Group in a stronger financial position to meet new challenges.

It should be noted that the adopted strategic plan of a greater emphasis on property development than property investment would mean a less stable income stream for the Group, and efforts are being made by the management to broaden and strengthen its source of income.

97 Po Kong Village Road, Diamond Hill

Attributable gross floor area of 18,825 sq.m. for construction of a 48-storey residential and retail composite building. Development is expected to be completed by mid-2007.

RESULTS

The Group's audited consolidated profit attributed to the shareholders for the financial year ended 31st December, 2004 was HK$120.5 million which, compared to HK$187.3 million in the previous year, represented a drop of 35.7%. The drop in profit was mainly due to decrease in rental receipts, and losses realized on disposal of certain investment properties. Such losses however were partially offset by profits generated from sale of a percentage of interest in a subsidiary, as well as the contribution from liquidation of an investment in a subsidiary.

DIVIDEND

The Board of Directors recommends a final dividend of HK6 cents per share for the year ended 31st December, 2004 payable on 18th May, 2005 to the shareholders of the Company whose names appear on the Register of Members on 12th May, 2005. Together with the interim dividend of HK4 cents per share paid on 4th October, 2004, the total dividend for the year is HK10 cents per share. An interim dividend and a final dividend of HK4 cents and HK6 cents per share respectively were paid in the preceding year. Total dividends payable are HK$30,692,000 which will be increased by HK$8,924,000 as a result of additional ordinary shares issued upon the exercise of all the outstanding warrants and share option subscription rights.

Chairman's Statement

BUSINESS REVIEW

Property Investments and Developments

Hong Kong

Market sentiment had improved during the year under review and the Group benefited from the leases that were signed in the year. The vacancy rate also recorded marked improvement towards the end of the year. With the general increased confidence in the local economy, the Group expects a better rental return for the new tenancies negotiated.

Royal Green, Sheung Shui

Attributable gross floor area of 45,120 sq.m. for construction of three 40-storey residential towers. Pre-sale consent has been obtained from the Government Authority.

The Sheung Shui project in which the Group has a 55% interest, is near completion. Pre-sale consent has been obtained from the Government Authority, and the Group plans to launch sale of the units in stages in around mid-2005. With the present favourable market sentiment, the Group expects to yield a satisfactory return on this development. Booking of the Phase 1 profit is expected to be made in the 2005 financial year.

The purchase of the adjoining site to 14-20 Leighton Road in March 2004 enabled the Group to maximize the benefits on this property through repositioning of the development potential on the combined sites, which would offer greater flexibility in the design and efficiency use of the development. Ground investigation work was completed at beginning of this year. At present, it is intended that this 884 sq.m. site will be developed into a hotel.

The Group, through its 61.31% owned subsidiary, Trans Tasman Properties Limited ("TTP"), made the following acquisitions in 2004:

- A retail shop in Causeway Bay for investment purpose.
- A 20,092 sq.m. development site in Shatin, near Fo Tan KCR Railway Station, and development plan for the site is being formulated.
- A 2,250 sq.m. development site in Po Kong Village Road, Diamond Hill for construction of a 48-storey residential and retail composite building. Foundation work has commenced and the development is expected to be completed by mid-2007.
- A 414 sq.m. development site in Wan Chai Road, Wanchai for construction of a 21-storey composite building with three levels of shop podium and eighteen levels of residential apartments. Construction is due to commence in mid-2005 and completion is expected by end of 2006.

Chairman's Statement

Phase II, Westmin Plaza, Guangzhou

Adjoining to phase I, phase II Westmin Plaza comprised of four towers of residential blocks and one office block. Development is expected to be completed by end of 2006.

Overseas Exchange Square, Chengdu

Gross floor area of 89,306 sq.m. comprising of two 29-storeys office blocks and a seven-level retail podium. Construction will be completed by the third quarter of 2005.

China

Guangzhou

The Westmin Plaza, Phase II development which has a gross floor area of 118,211 sq.m., comprised of four towers of residential blocks and one office block on top of the commercial podium, has been in progress. Construction of the superstructure has already commenced and the development is expected to be completed by end of 2006. Pre-sale of the units is being planned.

Chengdu

The construction of Overseas Exchange Square with a gross floor area of 89,306 sq.m. comprising of two 29-storeys office blocks and a seven-level retail podium, will be completed by the third quarter of 2005. The Group intends to hold the property for long term investment and leasing marketing plan is being actively pursued.

As for the New Century Plaza sale and lease of the development are being marketed. Its retail podium has been successfully leased to a furniture operator.

New Zealand and Australia

The Group's 60% interest in Jacks Point land in Queenstown, New Zealand was sold down to 26.1%. The disposal resulted in a gain to the Group of approximately HK$61.2 million, of which HK$34.9 million was recognized in 2004 with the remaining HK$26.3 million to be booked as and when the units of the development are sold. The land will be developed into a resort consisting of a golf course, hotel and residential units.

Chairman's Statement

In the second half of 2004, the Group entered into a joint venture for acquisition of sites with good redevelopment potential. The Group directly holds a 24.9% interest in the joint venture, and it has since identified a piece of land of 616 hectare in Northland, Auckland called Te Arai. The land will be rezoned for residential, commercial, retail and resort development. Total advances from the Group to the joint venture upto the balance sheet date was NZD0.4 million.

The Group's 61.31% subsidiary, TTP, announced its combined profits of NZD30.7 million for the financial year under review, compared to NZD40.6 million in the previous year. Net Assets Value per share as at 31st December, 2004 was NZ64.3 cents compared to NZ63.4 cents as at 31st December, 2003.

TTP sold eleven investment properties in Auckland and one investment property in Melbourne. At the date of the report, all the sales proceeds except three disposals have been received. The only remaining property held in Australia is being marketed for sale and so far 50% of the development was sold.

On the Airpark Business Centre Stage 1 development ("Airpark 1"), five industrial sites were sold in 2004 at a profit and the remaining two Airpark 1 sites are currently being marketed. Also, a 52 hectare site adjoining Airpark 1 was bought, partially developed and sold at a profit during the financial year.

To replenish its investment property portfolio, TTP bought the following properties:

- One investment property and three development properties in Hong Kong, as mentioned under "*Hong Kong*" section.
- Three adjoining development properties in Viaduct Harbour, Auckland, New Zealand with a total lettable area of 9,585 sq.m.
- A controlling interest in the Clearwater residential and resort development in Christchurch, New Zealand with a total site area of 27,778 sq.m.
- A controlling interest in a 500 carparks development in Queenstown, New Zealand.

In addition, the design and build project on the Viaduct Harbour site for a 19,745 sq.m. commercial office complex for Air New Zealand's new head office, is underway. The development is expected to be completed in April 2006.

Global Property Fund, in which TTP has a 64% interest, finally settled all litigations against the former Trustee and Manager of the fund. Winding up of the fund has commenced. TTP booked a net gain of NZD8.2 million from the settlement.

Garment Operation

Turnover generated from the garment business for the year under review amounted to HK$57 million which, compared to HK$147 million in 2003, represented a drop of 61.2%, while its profit was maintained at the same level of previous year. The drop in turnover was mainly due to a significant decrease in the quota-related business activities. It should be noted that with the abolition of textile quotas requirement in 2005, the Group's profit from this segment will be significantly affected.

Chairman's Statement

Supply Chain Management

The performance of Professional Service Brokers Limited, in which the Group owns 43.3%, was satisfactory and the operation contributed a positive return to the Group. The volume of business being transacted expanded significantly in 2004 and growth of this business is anticipated in 2005, particularly in Australia.

CORPORATE CHANGES IN TTP

Increase in shares in TTP

An offer for the remaining 40.0% interest in shares of TTP not owned by the Group was made in March 2004. The offer price was NZD0.40 as compared to net assets value per share of NZD0.63 as at 31st December, 2003. As a result of this offer, the Group succeeded in increasing its interest in TTP from 59.97% to 61.31%. As the acquisition cost of NZD3.9 million was below the net asset value of the shares acquired, a negative goodwill of NZD1.2 million had resulted, which will be amortized in future years. Subsequent to the year end, the Group acquired further shares in TTP from the market and its interest in the Company increased to 62.14% at the date of this report.

Relocation of head office

The head office of TTP was relocated from Auckland to Singapore with effect from 1st January, 2005. Having its senior management based in Singapore, TTP benefits from being able to keep abreast of market conditions in the region, respond to opportunities quicker and maintain closer monitoring on projects in the region.

FINANCIAL REVIEW

Key 2004 financial data, policies and capital events relating to the Group and its major subsidiaries were as follows:

Financial Resources and Liquidity

As at 31st December, 2004, the Group continued to maintain a strong capital base, with shareholders' funds totaling HK$3,198.3 million (2003: HK$2,676.7 million). The increase was mainly attributable to the upward revaluation of the Group's investment property portfolio amounted to HK$345.3 million.

As at 31st December, 2004, the Group maintained HK$871.2 million (2003: HK$1,880.9 million) cash balances and unutilized facilities of HK$1,383.8 million (2003: HK$963.7 million) to meet its commitments and working capital requirements. The current (working capital) ratio decreased from 4.46 at 31st December, 2003 to 1.84 at 31st December, 2004. The decreases was mainly due to the repayment of loans after the disposals of properties and the acquisitions of development properties in Hong Kong and New Zealand.

Bank borrowings of New Zealand group including TTP and its Australia subsidiary Australian Growth Properties Limited are denominated in NZD and AUD respectively. At 31st December, 2004, the bank and other borrowings drawn down amounted to NZD220.1 million (HK$1,230.2 million) which were mainly secured by properties valued at NZD350.5 million (HK$1,959.3 million) and fixed deposits of NZD5.1 million (HK$28.5 million).

For the Group companies operating in Hong Kong and China, the bank borrowings amounted to HK$1,857.3 million had been drawn down at 31st December, 2004. These borrowings were secured by properties valued at HK$3,391.5 million and fixed deposits of HK$67.6 million.

Chairman's Statement

Refinancing and Gearing

Major credit facilities have been renewed on a medium and long-term basis, which have provided the Group with the capacity and flexibility to undertake further investment opportunities consistent with the Group's policy to remain a long-term investor in properties.

Gearing ratio as at 31st December, 2004, calculated on the basis of net interest bearing debts minus cash, as a percentage of total property assets, increased from 21% to 34%. However, although the gearing ratio has risen the Group's financial position remains strong with substantial cash on hand and undrawn secured banking facilities available.

Treasury policies

The Group adheres to prudent treasury policies. As at 31st December, 2004 about 88% of the Group's borrowings were raised through its wholly-owned or majority owned subsidiaries. Its borrowings are principally based on floating rate terms but for loans of sizeable amount, interest rate hedging mechanisms have been arranged to guard against any interest rate volatility. The use of hedging instruments including swaps and forwards are strictly controlled and solely for management of the Group's interest rate and forex exposures in connection with its borrowings.

Capital movements

During the year, certain holders of warrants exercised their rights to subscribe for 291,739 ordinary shares at an exercise price of HK$1.38 per share. Saved as aforesaid, the Company did not issue any additional shares or any type of capital instruments during the year.

Loan maturity profile

As at 31st December, 2004, maturities of the Group's outstanding borrowings were as follows:

	As at 31st December,	
	2004	2003
	HK$ million	*HK$ million*
Due within 1 year	**1,432.1**	205.5
1-2 years	**253.4**	1,512.3
3-5 years	**736.9**	1,020.8
Over 5 years	**774.9**	139.4
	3,197.3	2,878.0

At the end of 2004, the Group's long-term borrowings due after one year amounted to 49% (2003: 80%) of total liabilities.

Chairman's Statement

OUTLOOK

With an improved job market, a comparatively low interest rates environment, and a higher level of affordability, greater demand for housing in Hong Kong is anticipated. Also, in the light of the planned opening of Walt Disneyland Park later this year, and the continued influx of Mainland visitors to Hong Kong, coupled with the continued recovery in the economy demand for office and hotel space is expected to increase. The Group is of the view that these factors should benefit its operations and new business initiatives being undertaken.

In China, the Group's investments are beginning to bear fruit, and a reasonable income contribution to the Group is expected in the coming years.

The Group will continue to look for investment opportunities in the Asian Pacific region to further strengthen its asset base and broaden its income streams with a view to maximizing return to the Shareholders.

ADDITIONAL BOARD MEMBERS

The Group welcomes the joining of Mr. Tse Man Bun as executive director and Mr. Chung Pui Lam as independent non-executive director. Mr. Tse's extensive experience in the financial and banking industry and Mr. Chung's broad experience and knowledge in business should benefit the future business development of the Group.

MANAGEMENT AND STAFF

The Group had 200 employees at 31st December, 2004 compared with 170 in the previous year. Salary and benefits are reviewed at least annually both in response to market conditions and trends in conjunction with individual performance. Fringe benefits including study and training allowances, and voluntary employer contributions to retirement schemes are offered to most employees. The Company operates an employee share option scheme with options granted to the Group employees on a discretionary basis by the Board.

The Board wishes to thank the management and staff for their commitment, contribution and dedication and to the customers and tenants for their continued support to the Group.

Lu Wing Chi
Chairman and Managing Director
Hong Kong, 1st April, 2005