

Chairman's Statement



The swift rebound of Hong Kong's economy in 2004 rejuvenated the sluggish local property market. Benefiting from the Individual Visit Scheme and the Closer Economic Partnership Arrangement (CEPA) and supported by scores of good news including a surge in the consumers' propensity to spend, a buoyant property and retail market, a rise in rental rates of Grade A commercial buildings and retail shops as well as a steady fall in the unemployment rate, Hong Kong's economy and retail market experienced a speedy recovery as reflected in the territory's robust 8.1% GDP growth in 2004. With these beneficial factors, the Group achieved a sound financial position with outstanding performance in business development during the year.

The traffic flow of Soundwill Plaza, the Group's flagship property, remained robust and its leasing performance was outstanding, recording an occupancy rate of close to 100% throughout the year – one of the highest amongst Grade A commercial buildings in Causeway Bay, thereby generating respectable and stable rental income for the Group.

In view of the speedy recovery of the local property market, property prices are back on the rising track. In view of the escalating demand for quality residential properties while supply of same are dwindling, the Group chose this opportune time to commence development of the low-density residential projects located in Yuen Long and Sai Kung in the New Territories with a view to further develop the Group's operations and widen its income sources. In addition, the Group has also been proactive in researching on property investment strategies for the Mainland and monitoring closely the needs of different cities and provinces in this respect. Should there be any attractive opportunity, the Group will consider to undertake suitable real estate or related projects with great potential in a prudent and cost effective way.

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The Group is committed to promoting urban redevelopment in Hong Kong. Renowned for property acquisition, the Group had acquired over 100 sites of various sizes for development over the years, which generated respectable profit for the Group. The Hong Kong Government's existing "Land (Compulsory Sale for Redevelopment) Ordinance" highly facilitates developers' urban renewal projects in the course of property acquisition. The Group will focus on pursuing the urban redevelopment business by prudently exploring potential sites for redevelopment with a view to enhance the Group's core assets.

In terms of financial position, the Group's turnover increased and net assets doubled. As at 31 December 2004, the Group's bank balances and cash amounted to approximately HK\$47,000,000 which should be sufficient for its funding requirement for operations. The Group achieved a sound financial position and maintained a good relationship with bankers. During the year, benefiting from a low interest rate environment and also having secured better financing terms from major creditor banks, the Group was able to reduce its interest expenses drastically. In addition to a reduction in borrowing costs and effective cost control measures, the stable and respectable rental revenue from Soundwill Plaza also contributed towards the Group's solid financial position.

The Group saw a healthy financial position, adequate working capital as well as positive results in property leasing and property development activities during the year. The prospects of the Group's business in Hong Kong and the Mainland are encouraging. I sincerely thank the Board of Directors and our staff for their contributions during the past year. I also wish to extend my appreciation to our bankers and shareholders for their continued support. Looking forward, I anticipate higher growth momentum for the Group's business, thus enhancing the shareholders' return for their continued support for the Group.

Foo Kam Chu, Grace
Chairman

Hong Kong, 21 April 2005