Managing Director's Report

BUSINESS REVIEW

Total turnover for the Group (including subsidiaries and share of associates) in the 12 months ended 31 March 2005 was HK$122.3 million (2004: HK$127.6 million). The turnover decreased mainly because of a drop in revenues from the Group's listed associate Siam Food Products Public Company Limited. On the other hand, I am pleased to report that net profit for the Group increased sharply to HK$45.6 million from HK$21.9 million in the same period in 2004. The increase in net profit was due mainly to profit from disposal of some of the Group's investment properties as well as lower operating expenses.

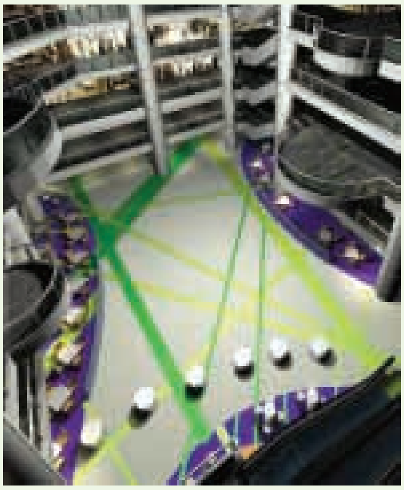
Property Investments

Shanghai K Wah Centre, Shanghai, People's Republic of China

For the 12 months ended 31 March 2005, the Group's directly held investment properties generated rental revenues of HK$22.4 million, compared to HK$24.3 million in 2004. Rental revenues decreased due to the disposal by the Group of some of its properties in the previous and current reporting periods. Profit from disposals during the period was HK$14.0 million.

The Pioneer Building in Kwun Tong has continued to perform well and achieved an occupancy rate of 93.9% at the end of the period.

Phase II of the Pacific Plaza project in Shanghai (now named Shanghai K Wah Centre) was completed in first quarter 2005 as planned. Since its launch, the property has attracted strong demand from the market. As at the end of March 2005, the occupancy rate was already at 76%.



New Arcade, Kowloon City Plaza, Kowloon City, Kowloon (artist's impression)

New Lobby Area, 68 Yee Woo Street, Causeway Bay, Hong Kong

In May 2004, the Group formed a joint venture with Morgan Stanley Real Estate Funds and PamFleet Investments Limited to purchase the 217,625 sq.ft. 68 Yee Woo Street in Causeway Bay and the 640,000 sq.ft. Kowloon City Plaza in Kowloon City. During the period, the partners finalized repositioning plans for the properties.

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The performance of Global Gateway, the Group's 20:80 joint venture with Morgan Stanley Real Estate Funds, has continued to improve. During the period under review, Global Gateway contributed profit of HK$5.9 million to the Group (2004: Loss of HK$1.8 million). Demand has been high at the company's Hong Kong asset in Tsuen Wan, pushing occupancy to over 90% during the period. Occupancy at the Singapore asset has remained at 32%.

Investments in Hotel Industry

As noted in the last interim report, the 382 rooms Garden Beach Resort in Pattaya, Thailand has been renamed in November 2004 as the Aisawan Resort & Spa after an extensive renovation program and the addition of a full serviced destination spa. The repositioning exercise has been well received by the market. For the year ended 31 March 2005, the resort produced revenues of Baht 177.9 million and gross operating profits of Baht 83.0 million. While the December 2004 tsunami that struck many of the leading beach resorts in southern Thailand (and other Indian Ocean destinations) had a mild negative impact on the performance of Aisawan Resort & Spa due to cancellations from some long-haul markets to Southeast Asia in the first quarter of 2005, Pattaya was physically unaffected by the tragic event. And by the second quarter of 2005, business has recovered to the usual level. With the completion of the renovation program at the Aisawan Resort & Spa and the planned 2006 opening of the new Suvarnabhumi Airport in Bangkok, the Group is bullish on the future prospects of the resort and Pattaya as a destination.

Upgraded Guest Room,
Aisawan Resort & Spa, Pattaya, Thailand

New Spa,
Aisawan Resort & Spa, Pattaya, Thailand

The Group's associated company Grandsworth Pte. Limited owns 10.3% of Dusit Thani Public Company Limited ("Dusit Thani"), the leading owner and operator of hotels in Thailand. During the year ended December 2004, Dusit Thani continued to upgrade many of its hotels and resorts, including the on-going major renovation program at the flagship Dusit Thani Bangkok. In addition to upgrading its existing assets, the company purchased an existing hotel and land in Chiang Mai, which will be renovated and re-launched under the new "D2" brand. Furthermore, the company also purchased new land in Koh Samui (a popular island destination in the Gulf of Thailand) to be developed into a brand new Dusit resort and villa project. For the 12 months ended December 2004, Dusit Thani had revenues of Baht 2.58 billion (2003: Baht 2.25 billion) and net income of Baht 565.8 million (2003: Baht 314.4 million).

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The three hotels in Yangon, Myanmar (the Strand Hotel, Dusit Inya Lake Resort, and Thamada Hotel) owned by the Group's unlisted associate, Strand Hotels International Limited, performed satisfactorily in the 2004 fiscal year. In the back of a 16% increase in tourist arrival for the country in 2004, the properties performed above budget and improved significantly from 2003. While the hotels continued to perform in line with expectation in the first quarter of 2005, the terrorist attacks in Yangon in May 2005 proved to be yet another in a seemingly endless series of set backs to the long suffering tourism market in Myanmar.

Other Investments

For the year ended 31 December 2004, Siam Food Products Public Company Limited ("Siam Food"), a listed associate of the Group, reported revenues of Baht 2.25 billion (2003: Baht 2.46 billion) and net profit of Baht 30.58 million (2003: Baht 205.6 million). The substantial decrease in net profit was due to a loss of Baht 47.52 million in 2004 from the company's core pineapple canning operation (2003: profit of Baht 146.92 million). The reason for the company's net loss from operation was due mainly to high fruits cost. As a result of the unusual weather patterns of floods at the end of 2003 followed by drought in 2004, pineapple production in Thailand was 20% below projection. In addition, manufacturing costs were hit by the increase in international commodities prices, which affected the costs of cans, fuel, steel, and chemicals. Overall, Siam Food was able to achieve a net profit in 2004 due to the strength of the company's industrial estate business. As an associated company, the Group recorded a loss of HK$0.3 million for the year ended 31 March 2005 (2004: profit of HK$7.0 million).

LIQUIDITY AND FINANCIAL RESOURCES

As of 31 March 2005, the Group continued to enjoy a strong financial position, maintaining substantial unutilized bank facilities. At the balance sheet date, the Group's total debt to equity ratio was 24.8% (March 2004: 9.3%) and the net debt (net of cash and cash equivalent) to equity ratio was 17.9% (March 2004: 5.9%).

PROSPECTS

In March and April 2005, the Group purchased a total of approximately 63,840 sq.ft. of retail space in Maximall, City Garden, North Point of Hong Kong from three different vendors for a total consideration of HK$117.7 million. Details of the transactions were provided in a circular to shareholders dated 6 June 2005. The Group plans to turn the entire basement of Maximall into a themed education center for young children. The design and planning stage for the project is nearing completion and the center is expected to open in the last quarter of 2005.

Basement, Maximall, City Garden,
North Point, Hong Kong (artist's impression)

In April 2005, the Group also completed the purchase of an investment property, approximately 6,630 sq.ft. comprising 4 contiguous office units in Great Eagle Centre which is a high-grade commercial building located at the harbour front of Wan Chai, Hong Kong. The total consideration was HK$34.0 million.

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In April 2005, the Group entered into a joint venture with Morgan Stanley Real Estate Funds and Wachovia Development Corporation to acquire a 22-storey, approximately 437,000 sq.ft. commercial building in Macau for HK$600 million. The Group has 25% interest in the joint venture. Details of the transaction were provided in circulars to shareholders dated 3 May 2005 and 15 July 2005 respectively. The partners plan to renovate and reposition the property into an international class A office/ retail/entertainment building. Plans are being finalized and renovation work is expected to be completed by the first quarter of 2006.

251A-301 Avenida Commercial de Macau, Macau (artist's impression)

In May 2005, Global Gateway signed a sale & purchase agreement to sell its Hong Kong and Singapore assets for the consideration of HK$754.2 million and S$4.2 million respectively. The sale of the Hong Kong asset was completed in June 2005 while the sale of the Singapore asset is expected to be completed soon pending satisfaction of certain outstanding conditions. The sale will generate a profit before taxation of approximately HK$250 million for Global Gateway.

Going forward, the Group plans to continue to look for attractive real estate and hotels investments in the region.

EMPLOYEES

As at 31 March 2005, the number of salaried staff at the holding company level was 15 (2004: 28). The Group ensures that its employees' remuneration packages are competitive. Employees are rewarded on a performance-related basis within the general framework of the Group's salary and bonus system. Share options are granted by the Board of Directors to staff members as appropriate.

APPRECIATION

On behalf of the Board, I would like to express our sincere gratitude to all the employees for their contributions.

Kenneth Gaw
Managing Director

Hong Kong, 18 July 2005