

Chairman's Statement

Results

Profit attributable to shareholders of the Group for the year ended 31 March 2005 was approximately HK\$0.8 million compared with a loss of approximately HK\$12 million last year. The results last year included the loss of approximately HK\$8 million attributable to a subgroup disposed of in last year and the expenses of approximately HK\$38 million incurring from a corporate reorganisation exercise. The results in current year were affected by the increase in finance cost of approximately HK\$10 million as a result of increased borrowings to finance the hotel operation and increase in interest rate and the loss of approximately HK\$6 million attributable to a jointly controlled entity.

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 and carpark complex (the "E-House") of HK\$78 million for three years commencing from 26 June 2003. In this regard, during the year, guaranteed net rental receipt of approximately HK\$21 million (2004: approximately HK\$17 million) had been accounted for on time-apportionment basis.

The Mexan Harbour Hotel in Tsing Yi commenced operation in late December 2004 and contributed approximately HK\$19 million and HK\$0.2 million to the turnover and profit of the Group respectively.

Liquidity and Financial Information

As at 31 March 2005, the Group's total borrowings amounted to approximately HK\$1,371 million compared with approximately HK\$828 million last year. Cash and bank balances, including the pledged deposits of approximately HK\$48 million amounted to approximately HK\$85 million as at 31 March 2005 compared with approximately HK\$291 million last year. Net borrowings amounted to approximately HK\$1,286 million as at 31 March 2005 compared with approximately HK\$537 million last year.

Gearing ratio of the Group which is expressed as a percentage of total borrowings to shareholders' funds was approximately 84% as at 31 March 2005 compared with approximately 48% last year. Net gearing ratio of the Group which is expressed as a percentage of net borrowings to shareholders' funds was approximately 79% as at 31 March 2005 compared with approximately 31% last year.

Of the Group's total borrowings as at 31 March 2005, approximately HK\$95 million (7%) would be due within one year; approximately HK\$221 million (16%) would be due in more than one year but not exceeding two years; and approximately HK\$1,055 million (77%) would be due in more than two years but not exceeding five years.

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Liquidity and Financial Information (continued)

The above borrowings included the bank borrowings of approximately HK\$890 million (2004: 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

Revaluations of the Group's investment properties in the People's Republic of China (the "PRC") at 31 March 2005 were carried out by an independent professional property valuer namely BMI Appraisals Limited. With reference to the provisional sale and purchase agreement signed on 30 June 2005 in respect of the subsequent disposal of the E-House, the investment property at the E-House of the Group in Hong Kong was stated at open market value at HK\$1,480 million. The net adjustment on revaluation, after effect of the deferred taxation, was a decrease of approximately HK\$112 million and was taken to the revaluation reserves.

Shareholders' funds of the Group as at 31 March 2005 was approximately HK\$1,619 million compared with approximately HK\$1,730 million last year. The reduction was mainly due to the net adjustment on revaluation of investment properties and hotel property of approximately HK\$112 million as mentioned above.

Business Review

During the year under review, Hong Kong economy continued to rebound with strong momentum and the rental market of prime street shop and shopping centre continued to recover with higher average rents and higher occupancy rate. The annual gross rental income for the year ended 31 March 2005 increased to approximately HK\$85 million, compared with approximately HK\$74.5 million recorded for the year ended 31 March 2004.

Mexan Harbour Hotel, a 800-room three-star standard hotel, commenced business in December 2004. Mexan Harbour Hotel 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 September 2005. Pursuant to the management contract with Harbour Plaza Hotel Management Limited ("Harbour Plaza"), Harbour Plaza guaranteed to the Group that the earnings before interest, tax, depreciation and amortization (EBITDA) of the Mexan Harbour Hotel for each of the 3 years commencing from 23 December 2004, will not be less than HK\$21 million. The commencement of its operation renders a new source of stable income for the Group.

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Business Review (continued)

Moreover, the Group acquired 44.9% equity interest in Ningbo Beilun Port Expressway Company Limited ("Ningbo Beilun"). The toll road owned and operated by Ningbo Beilun is an important route that connects Beilun Port (a major natural deep water port) to the prosperous regions in Zhejiang including Hangzhou, Wenzhou and Taizhou. It marked our first step of diversifying our business into the PRC toll road industry.

Employee Information

As at 31 March 2005, the total number of employees of the Group was 23 (2004: 25). 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.

Outlook

The Group has taken advantage of the favorable property market and entered into an agreement to realise the investment property at the E-House at a reasonable price by the end of June 2005. Upon future completion of the disposal of the E-House, the Group could utilise the proceeds from the sale of the E-House to reduce its borrowings and future interest expenses and improve its working capital condition. The gearing ratio will be reduced from 84% as at 31 March 2005 to 35% upon completion of the disposal of the E-House, assuming that the value of shareholders' funds upon completion of the disposal of the E-House to be the value as at 31 March 2005 less the interim dividend paid in May 2005.

Taking into the account of the future opening of new projects in Hong Kong (such as Hong Kong Disneyland, Tung Chung Cable Car and Hong Kong Wetland Park) and the fast growing number of PRC visitors attributed to the Individual Visit Scheme, the number of repeated and new visitors attracted to Hong Kong will continue to grow. The outlook for the tourist industry of Hong Kong appears optimistic in coming years and is expected to drive the growth of the Hong Kong hotel industry. In such favorable circumstance, Mexan Harbour Hotel is well-positioned to gain benefits from the boost and generates higher revenue and net income to the Group. Furthermore, the strong growth in the tourist and hotel industry resulted from globalization of the world economy will enable the group to pursue and identify opportunities to acquire new hotels to strengthen this source of income.

We expect that the PRC economy will maintain an average growth rate of 7% per annum which undoubtedly leads to higher overall national traffic volume supported by more sophisticated high quality expressway network. In January 2005, the PRC's Ministry of Communication announced the new "National Expressway Network Plan" under which new expressway network of 85,000 kilometers will be completed in thirty years. This new plan consists of seven trunks linking with Beijing, nine trunks linking the north with the south of the PRC and eighteen trunks connecting the east and the west of the PRC.

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Outlook (continued)

The PRC toll road industry is expected to be a fast growing industry enjoying high growth rate of revenue in coming years. The Group has already taken steps to roll out its plan to develop its position to be a leading toll road operator in the PRC. We are confident that toll road operations in the PRC is one of our core businesses which will provide long term growing and stable income to the Group.

On 9 May 2005, the Group has entered into four legally binding Memoranda of Understanding (the "MOUs") with three different companies (the "Toll Road Companies") pursuant to the MOUs the Toll Road Companies agreed not to enter into negotiation or agreements with any third parties for the sale of their toll road interests without written consent from the Group within 18 months from 9 May 2005. These MOUs enable the Group to have more time to conduct necessary due diligence and valuation on the toll road interests involved and it is expected that the Group would enter into arm's length negotiation with the Toll Road Companies with a view to reaching agreements on the acquisitions of the toll roads interests. The Group is still in the process of conducting due diligence and preliminary discussion with the Toll Road Companies and no final agreement has yet been made. Other than making investment in acquiring equity interest in toll road, the Group is also planning to build up its own professional team to manage the operation of our own toll roads in future. It enables the Group to take a more active role which will enhance the income generated from the toll road business.

Looking forward, the Group will continue to develop each of the core business sectors with a view to seeking further investments in synergetic or prospective business, in which the Board may think fit and are allowed under the relevant regulatory provisions. The long term objective is to provide maximum economic benefits for the shareholders of the Company.

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, 20 July 2005