

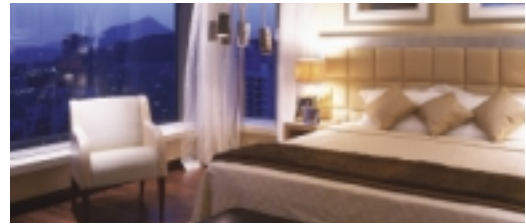
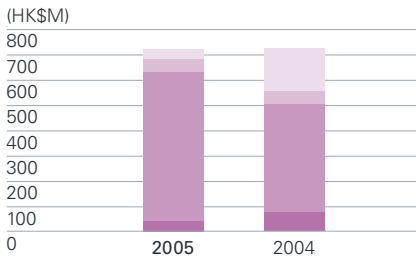
Operational and Financial Review

Grosvenor Place



Turnover

- Property sales
- Property leasing
- Hotel and travel
- Other operations



Results

The Group recorded a profit attributable to shareholders of HK\$202 million, turnaround from last year's HK\$142 million loss. Turnover for the year amounted to HK\$705 million, a slight drop from HK\$726 million of last year.

The Directors recommend a final dividend for the year ended 31st March 2005 of HK0.4 cents (2004: Nil) per share to shareholders whose names appear on the Company's Register of Members on 26th August 2005 ("Record Date"), amounting to HK\$20,304,000. The shareholders will be given an option to elect to receive shares of the Company credited as fully paid in lieu of cash in respect of part or all of the proposed dividend ("Scrip Dividend Scheme").

The Scrip Dividend Scheme will be subject to (i) the approval of the proposed final dividend at the annual general meeting to be held on 26th August 2005; and (ii) The Stock Exchange of Hong Kong Limited (the "Stock Exchange") granting listing of and permission to deal in the new shares to be allotted thereunder. For the purpose of determining the number of new shares to be allotted, the market value of new shares will be calculated as the average of the closing prices of the existing shares of the Company on the Stock Exchange for the five trading days prior to and including the Record Date. Full details of the Scrip Dividend Scheme will be set out in a circular to shareholders. New shares certificates will be posted on or about 24th October 2005.

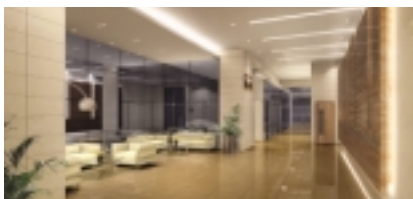
Profit/(loss) attributable to shareholders



Operational and Financial Review



LeiYue Mun residential project

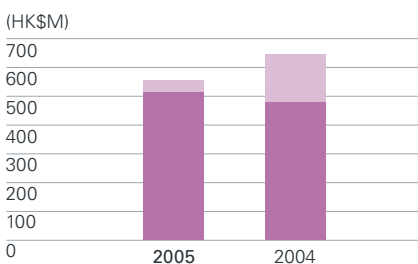


Gross floor area is approximately 195,000 sq.ft. and Grosvenor participates in 50% of this development. In aggregate, the Group has over 1.1 million sq.ft. gross floor area of properties under development.

Land premium of HK\$219 million were paid during the year, and negotiations for another 2 sites for residential development at Aberdeen and Hung Shui Kiu totalling approximately 750,000 sq.ft. gross floor area continue.

Property sales

- Subsidiaries
- Jointly controlled entities and associated companies



Properties sales and development

Development properties sold this year including joint ventures projects was HK\$562 million as compared with HK\$627 million last year.

Standout from this year is the sale of a luxurious residential development together with Grosvenor and Ayala Group while the remaining sales for the year represent disposal of inventory properties.

In the coming year, the Group will be launching two residential developments which, when completely sold, will generate HK\$1.1 billion. A 190,000 sq.ft. gross floor area sea-view residential development in Kowloon, facing LeiYue Mun, a landmark tourist destination will be launched before September. Another low-rise residential development of 43,000 sq.ft. gross floor area alongside the light rail in New Territories is expected to follow towards beginning of 2006.

During the year, the Group acquired a residential development site in Castle Peak Road, Ting Kau for a total consideration of HK\$261 million.

Leasing

Rental income attributed to the Group for the year was approximately HK\$60 million, a slight drop of 8% from previous year. This is mainly due to continuing sales of inventory in retail portfolio. Average occupancies remains at 89%. After the financial year end, the Group sold 2 office floors of about 22,000 sq.ft. at 28 Marble Road.

At present, the Group has about 440,000 sq.ft. office and retail portfolio. About 30% of the tenancies is due to renew in the coming financial year. We expect that the renewal will, in light of the current trend, bring up the rental income despite of inventory clearing.

The Empire Hotel, Kowloon



Hotel

Hotel group's performance is very exciting compared with last year. It achieved a HK\$569 million (34% increase) turnover and HK\$85 million profit compared with HK\$426 million turnover and HK\$12 million loss last year.

Visitors' arrivals reached a record high of 21.8 million for the year to December 2004, 40% higher than 2003. Hong Kong based hotels in the Group achieved a combined occupancy of 86% against 66% of last year and average room rate also recorded a 30% growth from last year.

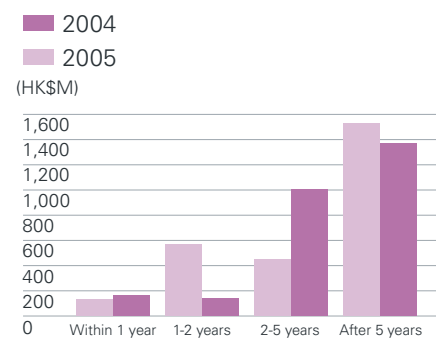
Guest room renovation is being carried out in the Empire Hotel, Hong Kong and is expected to be finished before Disney Park opening in September.

Our Canadian hotel in Vancouver also show improvement with its turnover increased by 14%.

Financial review

At 31st March 2005, the Group's total assets stood at HK\$8 billion (2004: HK\$7.3 billion), and the net assets amounted to HK\$4.3 billion (2004: HK\$3.5 billion). The increase in HK\$0.8 billion net asset was firstly due to strengthening of the Company's capital base through the HK\$360 million placement of new shares. Secondly, with the improving hotel and property market, the Group's asset appreciated with an attributable HK\$237 million surplus credited to revaluation reserve in respect of hotel and investment properties. Thirdly, the Group achieved a HK\$202 million profit attributable to shareholders.

Debts maturity profile



The net borrowing was reduced substantially to HK\$2.2 billion (2004: HK\$2.6 billion) of which HK\$1.2 billion (2004: HK\$1.3 billion) belonged to the separately listed hotel group. Net debt to equity ratio (including minority interests) was significantly reduced to 44% (2004: 62%).

Operational and Financial Review

All our Group's borrowings are in Hong Kong dollar except the Empire Landmark Hotel in Vancouver which is denominated in Canadian dollar. Of the total borrowings, 5% were repayable within one year and repayment of the remaining portion is spread over twelve years.

Except for the HK\$290 million convertible bonds, all the debts were at floating rates. The continuing low interest rate, coupled with the decrease in borrowing level, led to a 13% reduction in finance cost over last year. Interest cover is 4.0 times.

As at 31st March 2005, assets with an aggregated net book value of HK\$6,606 million (2004: HK\$6,103 million) were pledged to secure banking facilities of the Group. The guarantees provided to financial institutions for jointly controlled entities, associated companies and third parties was HK\$159 million (2004: HK\$246 million).

New accounting policies

The Group will adopt the new and revised financial reporting and accounting standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") which are effective for the 2005/06 financial year. The resulting changes in accounting policies have no impact on the Group's cash flows. However, these changes will affect the Group's results and net assets in the following areas:

1. Revaluation movements of investment properties will be recorded in the profit and loss account, instead of the revaluation reserve.
2. Deferred tax has to be provided on revaluation surplus of investment properties, notwithstanding that there is no capital gain tax applicable to Hong Kong.
3. Owner-operated hotel properties and self-occupied buildings will be stated at cost less accumulated depreciation and any provision for impairment with annual depreciation charged to the profit and loss account. Currently they are stated at open market values.
4. Leasehold land on which these properties are situated will be reclassified as a separate class of non-current assets and stated at cost less accumulated amortisation with annual amortisation charged to the profit and loss account.
5. The Group's convertible bonds will be split between liability component and equity component.
6. Stage completion method will no longer be used to recognise revenue from presale of development properties, instead revenue will be recognised upon completion of those properties.
7. Share options granted are to be expensed over the vesting period.

Employees and remuneration policies

As at 31st March 2005, the Group employed 395 employees and approximate 90% worked for the separately listed hotel subgroup. The remuneration packages including basic salary, annual bonus, retirement and other benefit are commensurate with their job nature and experience level. Options to acquire a total of 165,000,000 shares have been granted to the Company's employees at an exercise price of HK\$0.325 per share.