Chairman's Statement

On top of strong sales of properties and improvement in leasing in Hong Kong, the Group also realised a substantial profit from it's investment in Suntec City in Singapore during the year ended 31 March 2005. The results of the year were a record for the Group in terms of both turnover and profit.

RESULTS

The Group's audited turnover for the year ended 31 March 2005 was HK$508.9 million, an increase of 130.5% compared to HK$220.8 million for the previous year. The overall increase was attributed to the sale of properties whereas rental income reported a small decline due to the loss of rental of the sold properties.

Audited Group profit attributable to shareholders for the year ended 31 March 2005 was HK$459.8 million, more than quadrupled from HK$99.3 million for the previous year. Earnings per share for the year under review was HK$1.77, compared to HK$0.38 for the previous year.

BUSINESS REVIEW

Sale of Properties

The entire Fibres and Fabrics Industrial Centre in Kwun Tong with a gross floor area of about 305,000 sq.ft. was sold in June 2004. Three whole floors and 5 other units of the Regent Centre in Kwai Chung with a combined gross floor area of about 73,000 sq.ft. were sold in the second half of the year under review. Turnover generated by these sales of investment properties amounted to HK$312.3 million. In the previous year, spaces totalling only about 22,000 sq.ft. in Global Gateway (Hong Kong) in Tsuen Wan and the Regent Centre were sold with a turnover of HK$16.4 million. Together with a write-back of prior year provision for the stock of properties for sale in the amount of HK$1.7 million, total profit of this segment for the year ended 31 March 2005 was HK$282.2 million before tax, compared to HK$1.3 million for the previous year.

On 22 December 2004 the Group announced that it had entered into agreement with the Australia based Macquarie Goodman Group for the disposal of the unsold portion of Global Gateway (Hong Kong) (the "Sale Property") with a total gross floor area of 579,960 sq.ft. at a consideration of HK$750 million. Deposits totaling HK$150 million have been received in a stakeholders' account. The Group has exercised its option to extend the completion date of the sale from 28 February 2005 to the end of August 2005. Pursuant to the terms of the said option, the Group is required to pay to the purchaser on a monthly basis 10% of the net property income before tax derived from the Sale Property for the period from 1 March 2005 to the final date of completion. The purchaser has also granted, and shall procure its associates to grant, other options and rights exercisable by the Group upon the occurrence of certain contingent future events. The Group will consider the exercise of these options and rights at the time the same become exercisable in light of the circumstances then obtaining.

Part of the Sale Property is classified as investment properties and the rest is classified as properties for sale in the Group's accounts. At the time the sale and purchase agreement was entered into, the book value of the Sale Property was about HK$481 million. Had the sale been completed on the original completion date of 28 February 2005, the Group would have reported a pre-tax profit of about HK$361 million on the sale, after deducting expenses and including the realization of investment properties revaluation reserve of about HK$101 million as at that date. A sum of about HK$35 million would also have been transferred from land and buildings revaluation reserve to retained earnings. After the extension of the completion date, the Sale Property was revalued on 31 March 2005. As at that date, the book value of the Sale Property was about HK$661 million, the investment properties revaluation reserve associated therewith was increased to about HK$278 million and prior year provision of about HK$1.7 million in respect of the relevant properties for sale has been credited to the Group's profit and loss account for the year ended 31 March 2005.

On 1 April 2005 the Group changed its accounting policy on investment properties by adopting the new Hong Kong Accounting Standard 40, and transferred the entire balance of the Group's investment properties revaluation reserve to retained earnings. As a result of this change in accounting policy, only the excess of the net sale proceeds over the most recent book value of the Sale Properties will be recognised as profit on completion. Accordingly, the net pre-tax profit arising from the sale is estimated to be about HK$81 million. The transfer of the aforesaid sum of about HK$35 million from land and buildings revaluation reserve to retained earnings will also be effected on completion.

Rental and Property Management

Although the Group's rental income base has become smaller as a result of disposals, rental income of the Group's other properties has benefited from higher unit rental and improved occupancy. The Group has been retained by the purchaser of the Fibres and Fabrics Industrial Centre as the estate manager, and has been appointed estate manager of two other properties owned by outside owners during the year. All factors included, turnover of the rental and property management operations for the year ended 31 March 2005 was HK$168.8 million, reporting a net decrease of HK$8.6 million compared to HK$177.4 million for the previous year. The profit before tax of this segment was also slightly reduced from HK$126.8 million to HK$119.0 million. As at 31 March 2005, total floor spaces leased out by the Group aggregated about 1.9 million sq.ft., representing an overall occupancy rate of 92%.

Warehousing

The 95% owned cold storage operation in Shekou reported further improvement in both turnover and profit. The warehousing operation in Zhangjiagang, Jiangsu was sold in June 2004 at a profit. The 70% owned warehousing operation in Hong Kong has had another difficult year but managed to maintain its turnover and improved its profit slightly through cost reduction. Overall profit of this segment for the year ended 31 March 2005 was HK$2.3 million before tax, compared to a loss of HK$4.9 million for the previous year which included an impairment loss of HK$5.6 million.

Investments

The Group holds a 5.14% interest in Suntec City Development Pte. Ltd., Singapore ("SCD"). On 9 December 2004, SCD completed the sale of all its remaining office and retail spaces in Suntec City, Singapore to Suntec Real Estate Investment Trust ("Suntec REIT"). The total consideration of S$2,107 million was payable as to S$1,443.3 million in cash and S$456.7 million in 456.7 million Suntec REIT units issued at par on completion, with the balance of S$207 million payable in 207 million Suntec REIT units in 6 equal semi-annual installments starting from June 2008.

All the Suntec REIT units received by SCD were distributed to SCD shareholders on 9 December 2004 by way of a special dividend in specie, and the Group's entitlement thereof is 23.48 million units. In addition to its normal annual dividend, SCD also distributed a special cash dividend in December 2004 out of the cash proceeds. After deducting the Group's investment cost attributable to SCD's special distributions, dividend income aggregating HK$101.9 million was recognized by the Group for the year ended 31 March 2005. The comparative amount for the previous year was HK$11.9 million.

Trading of Suntec REIT units commenced on 9 December 2004, and the units have been actively traded. The Suntec REIT units held by the Group are carried in the accounts at market value which was HK$142.1 million as at 31 March 2005. A revaluation surplus of HK$31.1 million was recognized and credited to the Group's investment revaluation reserve. The Group's interest in SCD and a 10.60% interest in Suntec Investments Pte. Ltd., Singapore are carried in the accounts at Directors' valuation. Due to the downsized operation and assets of SCD, a net revaluation deficit of HK$72.8 million was recognized at 31 March 2005 and debited to the Group's investment revaluation reserve.

Interest income and finance costs

Interest income during the year aggregated HK$8.4 million, mainly accruing on loans advanced by the Group to investee companies in respect of joint property development projects in Hong Kong and Singapore. The comparative amount in the previous year was HK$7.0 million. Since the Group's bank borrowings have been reduced substantially during the year, finance costs have also been reduced by HK$2.6 million to HK$14.8 million, inclusive of the costs of interest rate hedges, despite repeated increases in interest rate in the latter half of the year under review.

Associated Companies

For the year under review, the combined net results of the Group's associated companies was a profit of HK$0.6 million before tax, compared to a loss of HK$0.2 million for the previous year. Their carrying value in the Group's balance sheet has been reduced by about HK$87.3 million to HK$19.6 million. The reason for this is that the associated company participating in The Grandville project, in addition to repaying all previous amounts advanced to it by the Group, has made advances to the Group in a total sum of about HK$54 million using its pre-sale proceeds after repaying all its bank borrowings and after setting aside a full amount for all outstanding construction costs.

Change in Group Structure

The wholly-owned subsidiary in Zhangjiagang, Jiangsu engaged in warehousing business was sold in June 2004 at a profit. At the end of March 2005, the equity ownership in respect of the unsold portions of the Regent Centre was restructured. Before the restructuring, the Group's equity ownership therein was 80%. As a result of the restructuring, units in the Regent Centre with a total gross floor area of about 72,000 sq.ft. were distributed to three of the minority shareholders and the Group's equity interest in the remaining units of the Regent Centre with a total gross floor area of about 716,000 sq.ft. has become 95.24%.

Valuation of Properties

The aggregate professional valuation of the Group's investment properties at 31 March 2005 was about HK$1,628 million, reporting a valuation increase of about HK$238 million. After adjusting for minority interests, the valuation increase attributable to the Group in the sum of about HK$228 million has been credited to the Group's investment properties revaluation reserve. Due to the adoption of Hong Kong Accounting Standard 40 on 1 April 2005, the entire balance of about HK$551 million in the Group's investment properties revaluation reserve has been transferred to retained earnings on that date.

The professional valuation of the 102 How Ming Street site at 31 March 2005 was HK$2,200 million, resulting in a valuation increase of about HK$1,310 million which has been credited to the Group's land and buildings revaluation reserve.

Certain units in Global Gateway (Hong Kong) are classified under current assets as properties for sale. Their professional valuation at 31 March 2005 was higher than their cost. Prior year provision in the sum of about HK$1.7 million has been written back to the Group's profit and loss account for the year under review.

Property held for Development

Use of the site at 102 How Ming Street, Kwun Tong as an open space car park was stopped by the Group in January 2005 to facilitate site investigation. Negotiation in respect of the lease modification for changing the use of part of the gross floor area from office to hotel has been protracted, and the Government has not yet made an offer of the modification premium. While the modification premium will be considered when an offer is received, the Group's present plan is to develop the site into two office towers for rental income.

PROJECT PROGRESS

"The Grandville", Hong Kong

The Group has a 10% indirect interest in this luxurious residential development at No. 2 Lok Kwai Path, Sha Tin. Over 90% of the development was sold within about one month with an average price of about HK$7,500 per sq.ft. when pre-sale was launched at the end of 2004. The Grandville has generated about HK$3.4 billion of revenue. The revenues and profits pertaining to The Grandville project will be recognized by the Group after completion of the development, which is scheduled for the first half year of 2006.

"Draycott Eight", Singapore

The Group has a 15% interest in Winworth Investment Pte Ltd, the developer of this prime residential development with a gross floor area of about 340,000 sq.ft. upon completion. This development will be completed in the second half year of 2005. Sale has not yet been launched.

"Kovan Melody", Singapore

The Group has a 12% indirect interest in this condominium apartment development with a gross floor area of about 952,000 sq.ft., completion of which is scheduled for the second half year of 2006. Pre-sale commenced in August 2004 and about 54% of the development has been sold by the end of June 2005.

EMPLOYEES

As at 31 March 2005, the Group employed a total of 194 employees of which 67 were based in Mainland China. Most of the employees in Hong Kong are engaged in estate management. The increase of 14 in the overall headcount was mainly due to the additional manpower required to discharge the duties under the external estate management contracts obtained by the Group during the year. All eligible employees in Hong Kong are enrolled to a defined contribution mandatory provident fund scheme. Other benefits are awarded at the discretion of the Group. Staff training is provided as and when required.

FINANCIAL REVIEW

The Group's cash and bank balances as at 31 March 2005 amounted to HK$76.2 million, compared to HK$126.2 million as at 31 March 2004. After repayment via cash generated from operations, sale proceeds and investment activities, the Group's total bank borrowings were HK$254.2 million as at 31 March 2005, representing a net decrease of HK$561.6 million during the year. Bank borrowings net of cash and bank balances have also been reduced by HK$511.6 million to HK$178.0 million. The bank loans are secured by certain investment properties and properties for sale with a total book value of HK$1,588.8 million as at 31 March 2005. Computed as the ratio of total bank borrowings to shareholders' funds, which amounted to HK$4,174.1 million at 31 March 2005, the Group's gearing was 6.1% as at that date.

As at 31 March 2005 the Group's total bank borrowings comprised long term loans only and the borrowing costs were all calculated on a floating rate basis. The equivalents of HK$94.2 million were denominated in Singapore dollars and were backed up by the Group's assets in Singapore. 32.0% or HK$81.4 million of the long term loans would fall due before 31 March 2006. The repayment has been and will be met by the funds generated from the Group's operations and by the proceeds from the disposal of Global Gateway (Hong Kong) reported above.

Interest rate hedge instruments for an aggregate notional principal amount of HK$380 million were in effect throughout the year. The net settlement position of these instruments are presently in the Group's favour.

At 31 March 2005 the Group also carried other long term loans amounting to HK$35.4 million, being unsecured interest-free loans with no fixed terms of repayment from minority shareholders of two subsidiaries. Such loans have been reduced by HK$110.1 million during the year by repayment and via the restructuring of the equity ownership of the unsold portions of the Regent Centre.

The Group's capital commitments in the aggregate sum of HK$36.6 million as at 31 March 2005 were all in relation to the engagement of professional consultants for the purpose of the 102 How Ming Street development.

Other than a small increase of HK$1.9 million due to exchange fluctuation during the year, there were no other changes to the Group's contingent liabilities in respect of guarantees and indemnity provided to secure banking facilities granted to The Grandville and Kovan Melody projects. The balance of such contingent liabilities was HK$213.5 million as at 31 March 2005. Since all the amounts outstanding under the banking facilities granted to The Grandville project have been repaid in full, documentation is in progress to cancel the relevant banking facilities as well as the guarantees for HK$100 million provided by the Group in connection therewith.

NEW INVESTMENT

Subsequent to 31 March 2005 the Group acquired 20% of the issued share capital and shareholders' loans of Pangold Development Ltd. ("Pangold") from the USI Group for a consideration of HK$53,057,000, prior independent shareholders' approval of this connected transaction having been obtained on 21 April 2005. Pangold's sole asset is the property known as No. 157 Argyle Street, Kowloon which it acquired by way of public tender in January 2005 at a tender purchase price of HK$250.1 million. The said property has a site area of approximately 18,000 sq.ft. and Pangold is presently holding it for investment purpose. The property may be redeveloped into residential units for sale if the market condition, the cost involved (including the land premium for increasing its buildable gross floor area to the permissible maximum) and the risk levels associated therewith are considered suitable, justifiable and acceptable respectively.

OUTLOOK

The gearing, liquidity, assets mix and overall financial position of the Group have all been strengthened very considerably by the results of the year under review. SCD has paid another special cash dividend in May 2005. The Group's share thereof is about HK$79.8 million and about HK$60 million will be recognized as income for the current financial year after deducting the attributable investment cost. Completion of the disposal of the unsold portion of Global Gateway (Hong Kong) by the end of August 2005 will place the Group in a cash surplus position. The income base of the Group, however, has been reduced by reason of the disposals reported herein and it will be about 4 years before the rental income from the 102 How Ming Street development begins to flow. The Group is actively seeking investment opportunities both in and outside Hong Kong to enhance the Group's earnings base. Barring unforeseen circumstances and given the progress of the projects in the pipeline, the Directors are cautiously optimistic of the Group's prospects.

DIVIDEND

The Directors have recommended a final dividend of HK$0.18 per share for the year ended 31 March 2005. Subject to approval of the Annual General Meeting to be held on 25 August 2005, total dividend for the year ended 31 March 2005 will amount to HK$0.25 per share and the total amount distributed will be HK$64,921,000. The final dividend will be payable on 7 September 2005 to all shareholders on register as at 25 August 2005.

TRIBUTE

On behalf of the Board of Directors, I would like to thank the management and staff for their continuing efforts and the record results for the year under review.

CHENG Wai Chee, Christopher
Chairman

Hong Kong, 14 July 2005.