

CHAIRMAN'S STATEMENT

I am pleased to present to the shareholders the Annual Report of the Group for the year ended 31st January, 2001.

In respect of the results of the Group for the year ended 31st January, 2001, the Group's audited loss attributable to shareholders is HK\$8,422,328.

The hearing of the civil litigation between Ka Fai Land Investment Company Limited ("Ka Fai"), a 81.65% owned subsidiary of the Group, and its joint venture partner, Lune Kin Investment and Development Company Limited ("Lune Kin") in respect of the development of Phases II, III, IV & V of Lisboa Gardens was completed in July 2000. The outcome of the litigation delivered from the Court of First Instance of Macau SAR in March 2001 was that the Injunction Order had been put aside. Meanwhile, Lune Kin had filed an appeal to the Court of Second Instance of Macau SAR. However, such appeal has not yet been confirmed by the Court of Second Instance of Macau SAR. The lawyer of Ka Fai has been following up the case closely. The Group is of the opinion that the outcome will be favourable to Ka Fai. As Lune Kin has filed an appeal, Ka Fai has not yet received from the Court documents in relation to the release of the Injunction Order.

The loss for the year is in part due to the provision of HK\$5,500,000 being made for the account receivable from Lune Kin. Though an expected outcome of the litigation was given by the Court of First Instance of Macau SAR, as Lune Kin had filed an appeal to the Court of Second Instance of Macau SAR, the account receivable from Lune Kin remains under arbitration and is subject to the decision of the Court of Second Instance of Macau SAR. Hence, the Group considers it appropriate to put the account receivable from Lune Kin into provision.

The sales of certain remaining units of the multi-storey building "Little Lisboa", which is solely developed by Ka Fai, were recorded in this year's results. In order to boost the property market, the Macau Government had launched the Interests Benefits Plans. Due to the launching of the said Plans, all the remaining units of "Little Lisboa" have been sold subsequent to the financial year end.

The development progress of the composite building of Hudong Building in Fuzhou, China, which is developed by Staten (Fujian) Real Estate Co., Ltd. ("Staten"), a 45% owned associate of the Group, is up to the stage that framework, bricklaying and tiling have been completed. The installation of water, electricity and communication systems and other equipments has commenced. Although delay has been caused by revisions in design which are required to be made to fit customers' needs and by suppliers of certain equipments, the whole composite building is expected to be completed before the deadline on 30th September, 2001, as guaranteed by the vendor of Staten. In addition, Staten has started marketing the composite building and has been negotiating with potential purchasers. If possible, Staten hopes that a purchaser of the whole composite building or purchasers each taking up several storeys of the composite building can be found.

The investment properties of the Company with a book value of HK\$9,700,000 (2000: HK\$10,850,000) were pledged to secure banking facilities to the Group. In addition, the Group had obtained bank overdrafts of HK\$2,000,000.

As at 31st January, 2001, the Group had utilizable fund in cash of HK\$2,972,618. The sales of the remaining units of "Little Lisboa" and the Hudong Building can provide the Group with financial resources.

The gearing ratio of the Group, calculated on total liabilities to shareholders' funds, is 0.38.

As at 31st January, 2001, the Group's net current liabilities amounted to HK\$300,086 representing a liquidity ratio of 1.00:1.023. The Group is in a liquid position to meet the repayment of bank loan and the loan repayment schedule.

Save as disclosed above, there has been no material change to the information disclosed in the Company's annual report for the year ended 31st January, 2000.

JONG KONG KI

Chairman

Hong Kong, 25th May, 2001