

# Chairman's Statement

## Profit for the Year

The Group reported profit attributable to shareholders of HK\$50,066,000 for the year ended 31 March 2004, an increase of 9.75% in earnings compared to profit attributable to shareholders of HK\$45,620,000 in last year.

## Dividends

The Directors recommend the payment of a final dividend of 6 cents per share for the year 2004, amounting to HK\$8,100,000, to shareholders whose names appear on the register of members on 20 August 2004. Together with the interim dividend of 5 cents per share already paid, the total distribution for the year ended 31 March 2004 will be 11 cents per share. Total distribution for the previous year was 9 cents per share.

## Business Review

During the first half of the year, the global economy and business activities were frustrated by the outbreak of SARS and the U.S. war in Iraq. Demand for godown space dropped and the flow of goods slackened. Fortunately, the godown business was relatively less affected than the other industries. As things came under control in the second half of the year, together with the supporting policies put forward by the central government, such as Closer Economic Partnership Arrangement ("CEPA") and the individual travellers' scheme that facilitated gradual recovery in various industries, a smooth flow of goods was resumed and the overall godown business remained stable and even saw a slight improvement compared with the preceding year. The turnover in godown business for this year was slightly increased by 3% to HK\$27,660,000.

The Group's major investment property, Lu Plaza, maintained a relatively steady leasing rate last year. However, the rental income still diminished slightly by 5% this year in spite of the reviving economy as some of the new and renewed contracts were signed during or after the SARS period with lower rentals, and new commercial buildings completed in Eastern Kowloon resulted in a rapid and huge increase in the supply of office premises and fiercer competition in the rental market.

This year, as the stock market has picked up substantially after SARS, the Group has achieved gains of about HK\$9,223,000 on securities investment, making the profit for this year of HK\$50,066,000, an increase of approximately 10% over the previous year.

## Outlook

Despite the effects brought by unfavourable factors such as the persistent high oil price, turmoil in the Middle East, the upward trend cycle of interest rates, macroeconomic adjustments in Mainland China, etc., which may undermine the short-term economic growth, the godown business is expected to maintain a steady growth following the upcoming of the Athens Olympic Games and the above unfavourable factors being gradually subsided. It is anticipated that with the continued growth of economy, the demand for office

# Chairman's Statement

premises will improve and the supply of office premises in Eastern Kowloon will gradually be taken up. The rental rate of Lu Plaza is expected to stabilise in the coming year, and slightly pick up in the second half of next year as vacant units are filled and new supply decreases.

In addition to its traditional godown business, the Group also established Safety Logistics Services Limited in April of this year to provide a more comprehensive and modernised logistic services to our customers. The initial investment is set to be HK\$5 million, the Company will adopt a proactive and prudent approach in promoting this new investment project.

**Lu Sin**

*Chairman*

Hong Kong, 18 June 2004