

CHAIRMAN'S STATEMENT

FINANCIAL POSITIONS

As at March 31, 2004, the Group had total outstanding bank borrowings of approximately HK\$116 million, out of which HK\$39 million was repayable within one year, HK\$22 million repayable between one to two years, HK\$23 million repayable between two to five years and HK\$32 million repayable after five years. Out of the HK\$39 million repayable within one year, HK\$22 million together with its related interest accrued (the "Amount") shall be deemed to have discharged and released in the event that all conditions of the settlement agreement entered into between a subsidiary of the Group and the Group's banker relating to the settlement of the Amount are satisfied. For more details, please refer to the third paragraph in the section headed "Business Review".

The gearing ratio of the Group, defined as the total bank borrowings over the total assets of the Group, was 77% as at March 31, 2004.

INVESTMENT AND PERFORMANCE

The directors of the Company have considered the carrying value of the Group's investment in Hong Kong Satellite Technology Holdings Limited ("Hong Kong Satellite") with reference to the valuation report prepared by a firm of independent valuers in respect of the value of Hong Kong Satellite as at March 31, 2004. The value of Hong Kong Satellite as set out in the valuation report was prepared after taking into consideration of various principal factors and major assumptions, one of which being the availability of finance to fund the forecast growth of Hong Kong Satellite's operations in accordance with its business plan and projection. At present, Hong Kong Satellite is still unable to obtain the required funds to develop the satellite communications platform in accordance with its business plan and projection. With reference to the valuation report and on a prudent basis, impairment loss of HK\$140.4 million was recognised in full in respect of the investment in Hong Kong Satellite.

BUSINESS REVIEW

For the year ended March 31, 2004, the Group incurred a loss of approximately HK\$102 million, reduced by approximately 22% from the loss of approximately HK\$130 million in the previous year. The Group's loss was mainly attributed to the recognition of impairment loss in respect of investments in securities and to the loss on disposal of properties, although gains from revaluation of properties and waiver of bank borrowings and related accrued interest helped reduce overall losses.

Over the year, turnover of the Group was HK\$99.5 million, increase of approximately 18% from last year of HK\$84.4 million. Proceeds from sale of properties, rental income and building management fee income which comprised the turnover were HK\$87.8 million, HK\$9.4 million and HK\$2.3 million, representing an increase of 41%, a decrease of 47% and 48% respectively as compared with the corresponding figure in the last year. The drops in rental income and building management fee income were within expectation as the number of investment properties held and managed by the Group declined upon disposal of properties in the current and previous years to meet the financial obligation of the Group.

CHAIRMAN'S STATEMENT

During the year under review, the management had spared no effort in improving the overall financial position of the Group. To alleviate financial commitment, the Group disposed of two investment properties during the year and the aggregate proceeds obtained amounting to HK\$87 million were applied towards repayment of the relevant bank loans of the Group for which these properties were secured. Apart from this, the Group also actively held discussions and negotiations with its bankers regarding the rescheduling of the Group's remaining borrowings. Subsequently in September 2003, certain subsidiaries of the Company entered into settlement agreements with two of the Group's banks under which the banks had agreed, conditional upon certain conditions being fulfilled, to deem the repayment obligation of the aggregate outstanding debts owing by these subsidiaries to have been fully discharged and released. The total amount of these debts at the time in aggregate amounted to approximately HK\$43 million. During the year, as all conditions to completion of one of the settlement agreements had been satisfied, the repayment obligation of the outstanding debt amounting to HK\$9.6 million in respect of the HK\$43 million was deemed to have been fully discharged. The remaining portion of the debt outstanding as at March 31, 2004 together with its related interest accrued up to the balance sheet date amounting to approximately HK\$34.7 million in aggregate (of which approximately HK\$22 million was principal) included in the current liabilities of the financial statements shall also be deemed to have fully discharged and released accordingly once all conditions to completion of the relevant settlement agreement are satisfied.

FUTURES AND PROSPECTS

During the year under review, the Severe Acute Respiratory Syndrome (SARS) outbreak in Hong Kong has led to a slow-down in economic activities as well as a massive deterioration in investment sentiment. However, the Group's determination to improve its financial position has not been wavered or impeded. To achieve this, the Group has taken a series of measures, which include continuing its effort to dispose of its properties in order to reduce its debts, negotiating with the creditor banks about debt restructuring arrangements and implementing cost reduction measures. After a year of persistence, the Group has reported a greater financial stability. Showing signs of recovery, the improved economy of the Territory will provide the Group with a stabler environment for development, laying down a firm foundation for further business developments. Further, the Group will continue to explore investment opportunities in order to generate the best returns for the shareholders.

APPRECIATION

I would like to take this opportunity to express my appreciation to my fellow directors and all our staff for their support, hard work and dedication over the past year.

Liu Deshu
Chairman

Hong Kong, July 23, 2004