

# Chairman's Statement

## Profit for the Year

The Group reported a profit attributable to shareholders of HK\$45,539,000 for the year ended 31 March 2005, which represents a decrease of 9.04% against the amount of HK\$50,066,000 in last year.

## Dividends

The Directors recommend the payment of a final dividend of 7 cents per share for the year 2005, amounting to HK\$9,450,000, to shareholders whose names appear on the register of members on 12 August 2005. Together with the interim dividend of 7 cents per share already paid, the total distribution for the year ended 31 March 2005 will be 14 cents per share. Total distribution for the previous year was 11 cents per share.

## Closure of Members Register

The Register of Members of the Company will be closed from Wednesday, 10 August 2005 to Friday, 12 August 2005, both days inclusive, during which period no transfer of shares can be registered. In order to qualify for the proposed final dividend, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's Share Registrars, Standard Registrars Limited, G/F., Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong, for registration not later than 4:00 p.m. on Tuesday, 9 August 2005.

## Business Review

Benefiting from the supportive and favourable policy implemented by the Central Government, the local retail and consumer markets have seen a considerable recovery. The property market has also begun to revive and the employment rate is on the rise, showing that Hong Kong's economy is steadily recovering from its downturn.

Although the macroeconomic adjustment in Mainland China temporarily held back the movement of goods, it also led to a sharp increase in demand for godown service from different sources at the beginning of the financial year. The Group's godowns were able to maintain a relatively high occupancy rate for a long time during the year under review. The flow of goods in the second quarter improved, yet with the fall in cotton price in the third quarter and the cancellation of quota restraints on garments in 2005, the turnover rate of goods in the second half of the year fluctuated slightly. Generally speaking, the godown business performed better this year, with a growth of 12% in revenue.

As the economy has rebounded and continued to improve, our warehouse property leasing business has also grown following the reviving property market. The vacancy rate fell and the rental income increased. Profits derived from the leasing of warehouse property remained stable during the year.

Average occupancy rate in Lu Plaza, however, dropped slightly in the face of the intensified competition in office leasing in Eastern Kowloon as a result of the increasing supply of industrial and commercial office premises in the region. The overall rental income from office property was lower than that in last year.

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## Outlook

The godown business is still facing a number of uncertain factors in the year ahead. After the global textiles quota was lifted at the beginning of 2005, the surging textile product exports to the United States and Europe in the first quarter has led to a rise of protectionism in these territories. This constant trade conflict will adversely affect the export and re-export trades of Hong Kong and China. The volatility and persistent rise in raw material and oil prices are dampening the global economy. In addition, the mode of operation in logistics industry has changed, and increasing competition in godown business is expected. The growth of godown business will be difficult to maintain.

As most of the lease tenancies of warehouse property expire in the coming year, the increased demand for warehouse premises during the year will favour the negotiation for increase in rental prices of the renewable tenancies.

In the next two to three years, a large scale of office premises will become available in Eastern Kowloon, creating certain pressure on Lu Plaza's leasing activities. To ensure Lu Plaza stays competitive in rental market and to attract new tenants, the Group realises the importance of continued upgrading of Lu Plaza through recurrent repair and maintenance, continuous improvement and confinement of facilities and properties so as to enhance the performance and standard of the premises. The occupancy rate of Lu Plaza is expected to remain stable.

**Lu Sin**

*Chairman*

Hong Kong, 30 June 2005