

CHAIRMAN'S REPORT

I am pleased to report to the shareholders the results and activities of the Group for the year ended 31st January, 2001.

RESULT AND DIVIDENDS

The audited consolidated net profit after taxation and minority interests for the financial year amounted to approximately HK\$32 million.

The Board of Directors has recommended a final dividend of HK\$0.25 per share to be approved by the shareholders at the forthcoming annual general meeting. This, together with the interim dividend of HK\$0.08 per share paid on 15th December, 2000, will make a total dividend distribution of HK\$0.33 per share.

REVIEW OF OPERATIONS

The principal activities of the Group continue to be investment holding, property investment, property development and provision of property agency services. Substantially all the activities of the Group are based in Hong Kong and more than 90% of the Group's turnover and profit from operations were derived from lease of properties in Hong Kong.

Since the impact of the Asian currency turmoil has eased in 2000 and the economic climate has improved, the demand in commercial and residential leasing began to firm. The turnover from the Group's long term property portfolio increased by approximately 14% owing to the increase of occupancy of Jubilee Centre Phase II.

For the financial year ended 31st January, 2001, the Group reported a net profit after taxation and minority interests of HK\$32 million. The overall increase in net profit was mainly due to the increase of occupancy of Jubilee Centre Phase II. Another reason was that market rental began to firm beginning from the first quarter of 2000 and did not further go down. In Hong Kong, the Group's rental income in respect of Jubilee Centre Phase II increased significantly while rental from other investment properties in Hong Kong suffered a slight decrease. New leases have to be negotiated at prevailing low rentals. With the existing leases coming due for renewal, the Group has to offer a reduction of rental and more rent free period to retain the existing tenants.

In view of the possibility that plot ratio and height restriction may be eased in Kowloon Tong area in the next two or three years, the Directors have decided to continue to delay the commencement of the Oxford Road, Kowloon Tong project, even though the airport has already moved to Chek Lap Kok, so as to generate most benefit for the shareholders.

The Group's major Guam investment property – Aspac Industrial Park Phase I suffered a slight decline of rental income owing to the protracted economic downturn in Guam. As economic conditions in Guam and Japan are still not favourable, the development of Lot No. 5148-3 and 5148-4, Tamuning, Guam will continue to be postponed.

No material acquisitions or disposals of subsidiaries and associates were transacted during the year.

The Group has a total of 23 (2000: 32) staff. Staff costs incurred during the year amounted to HK\$5,058,000 (2000: HK\$4,996,000).

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FINANCE ACTIVITIES

Shareholders' funds at 31st January, 2001 amounted to HK\$1,089 million (2000: HK\$1,079 million). At 31st January, 2001, total borrowings of the Group were HK\$167 million (2000: HK\$176 million) which bear interest at floating rate and are substantially repayable in Hong Kong dollars. The bank borrowings to the extent of HK\$44 million (2000: HK\$40 million) were repayable within one year. Accordingly, the Group's gearing ratio at 31st January, 2001 is 15.3% (2000: 16.3%). The Group's available undrawn bank facilities at 31st January, 2001 amounted to HK\$54 million (2000: HK\$37 million).

At 31st January, 2001, properties of the Group with an aggregate book value of approximately HK\$903 million (2000: HK\$917 million) were mortgaged or charged to banks for credit facilities granted to the Group.

At 31st January, 2001, the Company had issued guarantees for banking facilities granted to certain subsidiaries to secure the banking facilities granted to these subsidiaries to the extent of HK\$221 million (2000: HK\$221 million) of which approximately HK\$167 million (2000: HK\$176 million) was utilized.

PROSPECTS

The Board of Directors expects that the economy of Guam will still be under depression and will last for further one or two years. Moreover, since the economy of Hong Kong is under slow improving and the leasing market is still soft, the Board of directors is more conservative about the performance of the coming year. But, the Directors are still confident that the Group will maintain a sound financial foundation and continue its cautious business strategy in identifying investment opportunity in Hong Kong and elsewhere.

I would like to take this opportunity to express my gratitude to all fellow Directors as well as the Group's management and staff for their dedicated service and contributions during the year.

Lee Teh Yee, William
Chairman

Hong Kong, 21st May, 2001