

CHAIRMAN'S STATEMENT

I am pleased to report to shareholders the results and activities of the Group for the year ended 31st January, 2003.

RESULTS AND DIVIDENDS

The audited consolidated net profit after taxation and minority interests for the financial year amounted to approximately HK\$27 million.

An interim dividend of HK\$0.08 per share was paid on 12th December, 2002. In view of an announcement issued by Smart Extra Holdings Limited dated 21st May, 2003 in relation to the Offer and the Scheme Proposal (each of which is defined in the said announcement), the Board of Directors does not recommend any final dividend to be approved by shareholders at the forthcoming annual general meeting.

REVIEW OF OPERATIONS

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

During the year under review, the property leasing market remained very soft and the economy has not only not improved but has continued to shrink. Since the end of our financial year, the economic situation has become even worse as the outbreak of SARS caused companies to hold back on property leasing deals. As a result, the retail property market was adversely affected and office and residential rentals further fell after the outbreak of SARS. The turnover from the Group's long term property portfolio decreased by approximately 10% due to the persistent falls in office rentals and the soft demand in the property market during the year.

For the financial year ended 31st January, 2003, the Group reported a net profit of HK\$27 million after taxation and minority interests (2002: a net loss of HK\$11.2 million) and this has been arrived at after taking into account an impairment loss on properties of HK\$2.9 million (2002: HK\$58 million). If the respective impairment losses on properties for this and the preceding financial year were both disregarded, the net profit of the Group has suffered a decrease for the year under review. This decrease was mainly attributable to further falls in office rentals and soft demand in the property leasing market.

The savings in interest expenses on borrowings were more than offset by the fall in office rentals. In the present sluggish property market, new leases have to be negotiated at the prevailing lower rentals. With existing leases coming due for renewal, the Group has to offer a moderate reduction of rental or a rent free period to retain existing tenants.

In view of the possibility that plot ratios and height restrictions may be eased in the Kowloon Tong area in the next two or three years, the Board of Directors has decided to continue to delay the commencement of the Oxford Road project at Kowloon Tong, so as to be in a position to maximize the benefit to shareholders.

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The Group's major Guam investment property – Aspac Industrial Park Phase I – recorded a moderate decline in rental income owing to the protracted economic downturn in Guam and Japan, where most tourists to Guam come from. For this reason, 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 (2002: 23) staff. Staff costs incurred during the year amounted to HK\$6,604,000 (2002: HK\$5,026,000).

FINANCE ACTIVITIES

Shareholders' funds at 31st January, 2003 amounted to HK\$773 million (31st January, 2002: HK\$951 million). At 31st January, 2003, total borrowings of the Group were HK\$119 million (2002: HK\$138 million) which bear interest at floating rates and are substantially repayable in Hong Kong dollars. Bank borrowings to the extent of HK\$38 million (2002: HK\$33 million) were repayable within one year. The Group's gearing ratio at 31st January, 2003 was 15.4% (2002: 14.5%). The Group's available undrawn bank facilities at 31st January, 2003 amounted to HK\$63 million (2002: HK\$63 million).

At 31st January, 2003, properties of the Group with an aggregate book value of approximately HK\$659 million (2002: HK\$823 million) were mortgaged or charged to banks for credit facilities granted to the Group.

At 31st January, 2003, 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\$281 million (2002: HK\$281 million) of which approximately HK\$119 million (2002: HK\$128 million) was utilised.

PROSPECTS

The Board of Directors expects that the economy of Guam will continue to be depressed. The recession there is expected to last for at least the short to medium term. Moreover, as the weak world global economy, coupled with the outbreak of SARS, continues to adversely affect Hong Kong, the office rental market is expected to remain soft. The Board of Directors is therefore conservative about the business prospects in the coming year. However, the Board of Directors is still confident that the Group will maintain a sound financial foundation and continue its cautious business strategy in identifying investment opportunities in Hong Kong and elsewhere.

On behalf of the Board of Directors, I should like to take this opportunity to thank our Bankers, Auditors, Shareholders and Staff for their continued support of the Group.

Seto Chak Wah alias Szeto Chak Wah

Chairman

Hong Kong, 22nd May, 2003