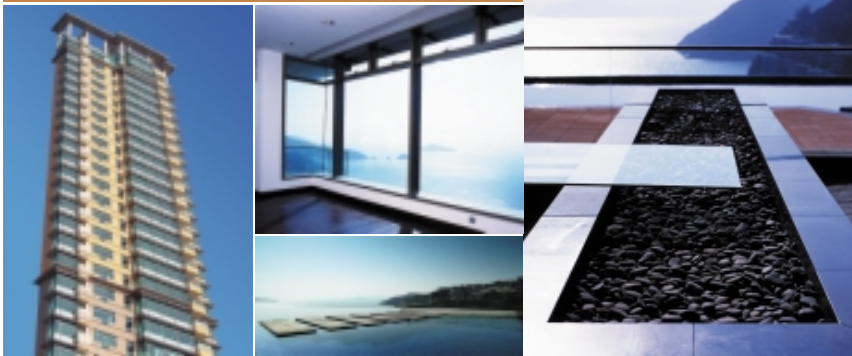


Business and Financial Review

Grosvenor Place



Change of shareholdings in Asia Standard

During the year, the Group's shareholdings in Asia Standard International Group Limited ("Asia Standard") has reduced from 52.8% at 1st April 2004 to 40.5% at 31st March 2005. The decrease have resulted in accounting losses of HK\$150 million.

Results and Appropriations

As mentioned above, Asia Standard changed from subsidiary to associated company in January 2005. Accordingly, results of Asia Standard was only consolidated up to December 2004 and then equity accounted for thereafter. This explained the majority of the 28% decrease in turnover from last year's HK\$767 million to this year's HK\$553 million. Mainly affected by the losses arising from the reduction of interests in Asia Standard described above, the Group reported a loss attributable to shareholders of HK\$161 million, which is lower than the loss of HK\$228 million last year.

The Board of Directors has declared to pay to shareholders whose names appear on the Register of Members of the Company on 26th August 2005 ('Record Date') a distribution of HK4.3 cents (2004: Nil) per share in scrip ("Distribution").

The Distribution will be subject to The Stock Exchange of Hong Kong Limited (the "Stock Exchange") granting listing of and permission to deal in the new shares to be allotted thereunder. For the purpose of determining the number of new shares to be allotted, the market value of new shares will be calculated as the average of the closing prices of the Company's shares on the Stock Exchange for the five trading days prior to and including the Record Date. Full details of the Distribution will be set out in a circular to shareholders. New shares certificates will be posted on or about 14th October 2005.

Property sales and leasing

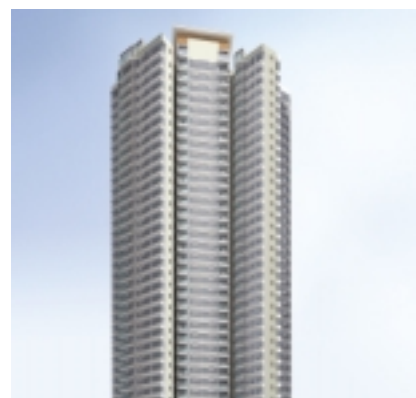
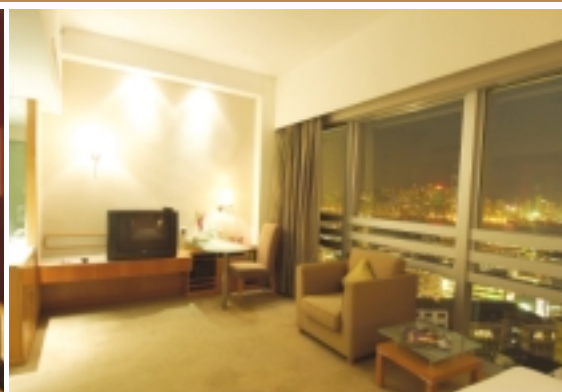
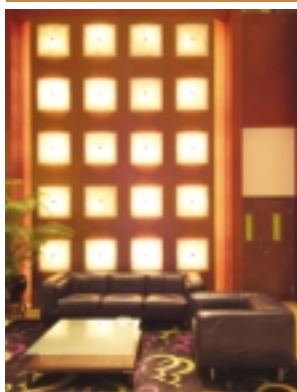
With the positive market sentiment nourished by the supportive government land and housing policy, Asia Standard was able to capitalise from this favourable environment and recorded a profit attributable to shareholders of HK\$202 million, turnaround from last year's HK\$142 million loss.

Market spotlight was shed on Grosvenor Place, the joint venture luxury residential development in Repulse Bay, when it was sold in April 2004 for HK\$940 million, approximately HK\$15,500 per sq.ft., and equally exciting when it won an MIPIM award in Europe.

In late 2004, Asia Standard acquired a residential development site at Castle Peak Road, Ting Kau for HK\$261 million. Gross floor area is approximately 195,000 sq.ft. Land premium negotiations of two other residential development sites totaling approximately 750,000 sq.ft. gross floor area continue. The Group currently holds about 1.1 million sq.ft. gross floor area residential land bank in Hong Kong.

Business and Financial Review

Empire Hotel Kowloon



Lei Yue Mun residential development

Asia Standard is currently under preparation for the marketing of a sea-view residential development of 190,000 sq.ft. gross floor area in Kowloon urban area. Another low-rise residential development in Ping Shan of 43,000 sq.ft. gross floor area is expected to follow towards beginning of 2006. If fully sold, these two projects will generate a total proceeds of over HK\$1.1 billion.

Rental income of Asia Standard decreased slightly by 5% as compared to last year due to sales of inventory. Occupancies remained high at an average of 89%. We hold a positive outlook upon coming renewal of tenancies given strong demand in the market place. We are also positioned to benefit from the very good quality investment portfolio of some 440,000 sq.ft. of retail and offices.

Hotel

Hotel group's performance is both exciting and encouraging compared with last year. It achieved a HK\$569 million (34% increase) turnover and HK\$85 million profit compared with HK\$426 million turnover and HK\$12 million loss last year.

A very strong revival is experienced by the local hotel business. Visitor's arrivals reached a record high of 21.8 million for the year to December 2004, 40% higher than 2003. Mainland visitors continue to dominate while visitors from elsewhere and Asia Pacific increases, as a result of CEPA and the gaming industry attractions in Macau, also play a role. Hong Kong based hotels achieved a combined occupancy of 86% against 66% of last year. Average room rate also recorded a 30% growth from last year.

Empire Hotel at Hong Kong Island is currently continuing with upgrading its guest room renovation programme and is expected to be finished before this year. Expected average room rates will accordingly escalate.

Our Canadian hotel in Vancouver shows improvement with turnover increase by 14%. Improvement in turnover and corresponding rate is anticipated in the coming year.

Investments

Various ventures in information technology, energy conservation apparatus, medical and health were largely disappointing. Our listed associate Q9 technology recorded a 31% drop in sales and HK\$7.8 million loss for the year 2004.



Left Asia Standard Tower
Middle Empire Hotel
Right Asia Orient Tower

Accordingly, we have written off the remaining goodwill of these ventures completely against previously adopted policy to amortise over periods of 3 to 5 years. Total impairment charge of HK\$87 million was therefore recorded.

Financial review

There was no gearing as at 31st March 2005 compared to a gearing (net debt to equity) of 62% in 2004.

All of the outstanding convertible notes were converted.

During the year, the company through a share placement issue raised HK\$84 million with HK\$70 million to repay revolving loans and the balance for working capital.

The Group is in a net cash position at 31st March 2005 (2004: net debt HK\$2,748 million).

Net asset value decreased by 4.2% to HK\$2.0 billion. This decrease was due to loss for the year, decrease in capital reserve and share of Asia Standard's property revaluation reserves resulting from reduction in its shareholdings, partly offset by the current year property revaluation surplus. Coupled with the increase in the number of shares issued, net asset value per share decreased from HK\$12.05 at 31st March 2004 to HK\$8.54 at 31st March 2005.

As at 31st March 2005, no properties (2004: HK\$6,055 million) were pledged to secure banking facilities of the Group. The Group did not provide any guarantees to banks and financial institutions on credit facilities to jointly controlled entities, associated companies and third parties (2004: HK\$246 million).

New accounting policies

The Group will adopt the new financial reporting and accounting standards issued by the Hong Kong Institute of Certified Public Accountants which are effective for the 2005/06 financial year. The resulting changes in accounting policies have no impact on the Group's cash flow. However, these changes will affect the Group's results and net assets in the following areas.

Most of these changes will not affect the Company and its subsidiaries directly, but will indirectly affect the Group through the share of results and net assets of the major associated company, Asia Standard.

Business and Financial Review

1. Revaluation movements of investment properties will be recorded in the profit and loss account, instead of the revaluation reserve.
2. Deferred tax has to be provided on revaluation surplus of investment properties, notwithstanding that there is no capital gain tax applicable to Hong Kong.
3. Owner-operated hotel properties and self-occupied buildings will be stated at cost less accumulated depreciation and any provision for impairment with annual depreciation charged to profit and loss account. Currently they are stated at open market values.
4. Leasehold land on which these properties are situated will be reclassified as a separate class of non-current assets and stated at cost less accumulated amortisation with annual amortisation charged to profit and loss account.
5. Convertible bonds will be split between liability component and equity component.
6. Stage completion method will no longer be used to recognise revenue from presale of development properties, instead revenue will be recognised upon completion of those properties.
7. Share options granted are to be expensed over the vesting period.

Employees and remuneration policies

At 31st March 2005, the Group employed 203 full time employees all working for building management services. Their remuneration package, which commensurate with their job nature and experience level, include basic salary, annual bonus, retirement and other benefits.

There were also 395 employees employed by the 40.5% owned Asia Standard group. During the year the Company granted 5,400,000 share options at an exercise price of HK\$2.895 per share to employees.