

On behalf of the board of directors, I am pleased to report the following results and operations of the Group for the year ended 31 December 2002.

CHANGE OF COMPANY NAME

The Company changed its name from Prestige Properties Holdings Limited with Chinese name adopted as 彩星地產集團有限公司 to "Y. T. Realty Group Limited" and adopted the Chinese name of "渝太地產集團有限公司" for identification purposes on 29 May 2002.

RESULTS

The audited consolidated profit after taxation for the year was HK\$22,440,000 and the earnings per share amounted to HK2.8¢, as compared to net profit of HK\$33,130,000 and the earnings per share of HK4.2¢ for the year ended 31 December 2001.

DIVIDENDS

The directors recommend the payment of a final dividend of HK1.5¢ per share for the year ended 31 December 2002. Subject to the approval of shareholders at the forthcoming annual general meeting, it is expected that the final dividend will be paid on 2 June 2003 to shareholders registered on 26 May 2003. No interim dividend was paid during the year. In respect of the preceding year, a final dividend of HK2.0¢ per share was paid and no interim dividend was declared.

NET ASSET VALUE

The consolidated net asset value per share of the Group as at 31 December 2002 was HK\$2.26 based on the 797,157,415 shares in issue, as compared to HK\$2.27 per share and 797,157,415 shares in issue as at 31 December 2001.

BUSINESS REVIEW

The Group's net profit attributable to shareholders for the year was HK\$22.4 million as compared to a net profit of HK\$33.1 million in 2001. Turnover for the year was HK\$153.4 million as compared to HK\$233.0 million reported in 2001. The decrease in turnover was mainly attributed to reduced property sales and decrease in rental income in 2002.

Excluding the effect of a net loss of HK\$43.4 million (2001: loss of HK\$46.8 million) from revaluation of the Group's portfolio of properties, the profit attributable to shareholders which included the share of results of an associated company for 2002 was HK\$65.8 million as compared to HK\$79.9 million in 2001, a decrease of HK\$14.1 million. In 2002, the Group's share of net profits of an associated company of HK\$18.3 million came from The Cross-Harbour (Holdings) Limited ("Cross-Harbour"). In 2001, the Group reported share of net profits of HK\$21.3 million from Cross-Harbour, and profits of HK\$15.5 million from another associated company, Maxdo Investments Limited which was disposed of in 2001.

CHAIRMAN'S STATEMENT

Property investment

The Group's major investment properties include:

- Century Square
- Prestige Tower
- 2/F New Mandarin Plaza

Gross rental income for the year amounted to HK\$110.7 million which represents a decrease of about 13% when compared with last year's income of HK\$127.1 million. The decrease was the result of the overall decline in rental value of the properties and loss of rental income due to disposal of certain properties. During 2002, the property market particularly the commercial leasing sector within which the Group mainly operates continued to be volatile and competitive. Globalisation of economy has prompted widespread consolidation and streamlining of businesses amongst many major corporations. Coupled with other negative factors such as record-high rate of unemployment and fiscal deficit, the demand and interest in property requirements reflected notable shrinkage in 2002. Average rental rates for the Group's office premises have generally slipped and there have been little signs that such trend has stabilised, primarily due to a large number of new stocks expected to be available imminently. As for the retail sector, rental rates across the board have also been falling due primarily to continuous drop in the year-on-year sales turnover in a deflationary economy. The knock-on effect of the September-11 event in 2001, coupled with the geo-political conflicts in the Middle-East has altogether dampened the market sentiment. Despite all these challenges, the Group has been able to maintain a relatively higher level of occupancy rate of above 94% for our major commercial properties. Favourable locations of buildings, proactive leasing approach, and dedicated management services are, amongst other things, main contributors to such stable leasing results.

Property development in the Hong Kong SAR

The Group has been advised by the appointed land consultants that the Government will soon be able to issue the land premium assessment in relation to the development site at Anderson Road, Fei Ngor Shan.

Property projects in the People's Republic of China

We are pleased to report that the Group has disposed of most of its property interests in the Mainland.

Major Investment

On 11 June 2002, the Group invested HK\$117 million to purchase the interest-bearing convertible note (the "Note") issued by Cross-Harbour. The Note will mature and the principal will be repayable to the Group, if not previously converted, on the third anniversary of the date of issue. The Note bears interest at 3.5% per annum and interest is payable annually in arrears. The Note entitles the Group to convert the whole or part of the principal amount (in amounts of not less than HK\$1,000,000) of the Note into ordinary shares of Cross-Harbour within the maturity date, at HK\$3.5 per share in the first year, HK\$3.7 per share in the second year, and HK\$3.9 per share in the third year.

The purchase of the Note has allowed us to further our investment interest in Cross-Harbour. The business in various investments of Cross-Harbour, namely the Western Harbour Tunnel, three motoring schools and the Autotoll, recorded stable performance in 2002. This in term has contributed predicted steady operating results to the Group.

FINANCING AND LIQUIDITY

Financial expenses for the year ended 31 December 2002 amounted to HK\$31.8 million (2001: HK\$55.3 million), a decrease of HK\$23.5 million. The decrease is mainly due to the continuation of low interest rate environment and reduction in the Group's overall bank borrowings in 2002. Bank borrowings totalled HK\$843 million at the end of 2002 (2001: HK\$914 million).

The bank loans are secured by mortgages on certain investment properties and properties held for sale with an aggregate carrying value of HK\$1,785 million (2001: HK\$1,882 million) and the assignment of rental income from these properties.

The following is the maturing profile of the Group's bank borrowings as of 31 December 2002:

Within one year	20.6%
In the second year	22.1%
In the third to fifth years	19.8%
After the fifth year	37.5%
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Total	100.0%
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The gearing ratio, which is calculated as the ratio of the net bank borrowings to shareholders' funds, was 45% (2001: 46%). Revolving loans with outstanding balance of HK\$140 million will be renewable within the next financial year. Term loan installments repayable within one year is HK\$34 million which will be serviced by the Group's rental income and proceeds from sales of properties. Since the Group's borrowings are denominated in Hong Kong dollars and its sources of income are primarily denominated in Hong Kong dollars, there is basically no exposure to foreign exchange rate fluctuations.

At the end of 2002, the Group's cash and cash equivalent was HK\$31.4 million. With its cash and available banking facilities, the Group has sufficient resources to meet foreseeable funding needs for its working capital and capital expenditure.

PROSPECTS

The current economic situation in Hong Kong is still being affected by the transformation of service-oriented industry to knowledge-based economy. The advent of globalisation continues to force widespread economic adjustments in many of our trading partner countries. Escalating budget deficits, persistent high level of unemployment rate and consecutive years of deflation are notably the main stumbling blocks that hinder our pace of economic recovery. We note that the Government has addressed some of these issues in the new budget. Also, as revealed in the recent Chief Executive's Policy Address, the Government in the way forward will focus on strengthening our "four pillar" industries, namely, finance, tourism, logistics and business support services and will forge closer tie

CHAIRMAN'S STATEMENT

with other cities within the Pearl River Delta. We echo such long term strategic direction and firmly believe that Hong Kong will benefit from the Mainland's fast growing economic development in the years to come. Already, we have witnessed an encouraging growth in the export sector which has contributed to a positive overall economic growth in 2002. Tourist arrival on the other hand has reached record figures. By capitalising our advantage as a major business hub in the region, providing necessary support and services in the area of finance and logistic and the like to the fast-developing Mainland, we are confident that Hong Kong will be able to gradually leap out from the economic doldrums.

The way forward is by no means easy as it is not likely that the market uncertainties such as deflation effect, over supply of office premises, reduction in general spendings due to tax increase and cost control measures, etc. will disappear. The Group will therefore continue to maintain a prudent investment policy and will shun high-risk though high-yield projects. We will strive to maintain a high level of occupancy rate and reduce vacancy in our buildings so as to operate in a sound financial manner, which is of paramount importance in enabling stable returns for our investments. We will continue to pursue diversified investment opportunities with stable growth and yields to supplement our core business in property investment and property management services. We strongly believe that under the current economic climate such investment strategies will help sustain the growth and preserve the value of the Group.

STAFF

At 31 December 2002, the Group employed a total of 30 staff. Staff remuneration is reviewed by the Group from time to time. In addition to salaries, the Group provides staff benefits including medical insurance, life insurance, provident fund and discretionary vocational tuition/training subsidies. Share options and bonuses are also available to employees of the Group at the discretion of the directors and depending upon the financial performance of the Group.

APPRECIATION

I would like to take this opportunity to thank our shareholders and business partners for their continuing support, and the Group's dedicated management and staff for their valuable contributions during the past year.

Cheung Chung Kiu

Chairman

Hong Kong, 28 March 2003