

ADDRESS OF THE CHAIRMAN



PROFIT AND DIVIDEND

I am pleased to present to the shareholders the operating results of our Group.

Our Group's audited profit attributable to shareholders for the financial year ended 31 March 2001 ("the year") amounted to HK\$185 million, an increase of 14% when compared to that of the previous year. The Board of Directors proposed that the final dividend of HK\$0.19 be paid on each share. If the recommendation is approved, the total dividend for the year including the interim dividend of HK\$0.13 per share will amount to HK\$0.32 per share.

BUSINESS OVERVIEW

The Group has achieved steady growth in its overall results during the financial year under review. Property division performed satisfactorily while hotel operations achieved healthy growth. The food and beverage division returned to profitability while the performance of travel operations continued to improve.

PROPERTY

The Group's property portfolio continued to contribute steady rental income. Miramar Shopping Centre experienced a satisfactory growth in occupancy achieving an average occupancy rate of more than 95%. Miramar Tower also saw an increase in occupancies although its rental income was negatively affected by the adverse market rental rate

pressure in the office segment. Rental income from Hotel Miramar Shopping Arcade also improved and all units at No. 6 Knutsford Terrace were fully leased.

In Shanghai, the sale of residential units of Shang-Mira Garden achieved satisfactory results. Most of the remaining lower floors residential units were sold with more effective marketing programs. With less than 10% of the residential units remaining in inventory, selling price has been slightly adjusted upward. The leasing of the shopping arcade and offices have also been stable.

With regard to the land situated in Placer County, California, USA, the Group has recently entered into preliminary sale and purchase agreements with several interested developers who are in the process of completing their due diligence studies. If these developers' due diligence studies are satisfactory, these transactions will bring in healthy cash flow and strengthen the investment base of the Group. At the same time, on-going negotiations are taking place with other potential buyers who are interested in acquiring some of the remaining portions of the properties.

HOTEL BUSINESS

Hotel Miramar recorded an average occupancy rate of 88% with an average room rate increased by 16% compared to that of last year. The total

room revenue increased by 11.7% despite the loss of income caused by the refurbishment and fire-prevention system works carried out during part of the year.

The Hotel's continuous effort in developing overseas market to broaden the client base achieved rewarding results especially in the North America and United Kingdom markets. Owing to the continuing growth potential of the commercial segment from Mainland China, the Hotel intends to devote additional resources towards this market.

Faced with fierce competition, the hotel food and beverage division has taken proactive strategies by introducing innovative food promotions and organising various promotional functions. Turnover in food and beverage increased by 16.9%. The additional multi-function facilities are now well accepted by patrons and were able to generate a steady source of revenue to the Hotel during the year.

As for the hotel business in the PRC, Nan Hai Hotel has adjusted its operating and pricing strategies and implemented a number of effective cost control measures. As a result, occupancy has risen, and overall profits recorded substantial improvements. Haitao Hotel in Shekou registered a moderate drop in profits under fierce competition from additional developments in the same class of hotels in the

area. Vigorous sales drives were carried out in the second half of the year resulting in expanding customer base with better performance than the first six months. Miramar Apartment in Shanghai continued to improve its operating results and recorded an earnings growth of more than 20%.

Henderson-Miramar Hotel Management Co. Ltd., a joint-venture between the Company and Henderson Investment Ltd., is managing three Newton hotels in Hong Kong. All three hotels registered substantial growth in earnings during the year.

FOOD & BEVERAGE OPERATIONS

Hong Kong was still in a deflation situation, and consumer confidence remained low. Many restaurant operators were adopting low-margin tactics in order to boost sales. The Group's food and beverage business had chosen to react by offering greater choices of specialty dishes to promote to and to broaden its client base. Despite weakening trend within the industry and a difficult operating environment, the Group's food and beverage operations in Hong Kong recorded healthy improvements while the operations in the PRC also registered modest growth.

TRAVEL OPERATIONS

Economic uncertainty has prompted many travellers to be more budget-conscious and

opted for lower-priced group tours. Tour prices have dropped appreciably over the past few years and the fierce competition had prevented any rebound. As a result, tour businesses continued to face great challenges. The Group's travel division was able to improve its operating performance but still registered an operating loss.

PROSPECTS

It is expected that spending power in Hong Kong will remain weak, and the business environment continues to be difficult. The tourism industry still faces challenges including the shorter average length of stay and the shrinking spendings by tourists in Hong Kong. The Group is committed to strengthen its core businesses in order to achieve a higher return on operations. The Board of Directors is confident that barring any unforeseen circumstances, the Group's business will remain stable in the coming year.

GRATITUDE

I am pleased to express my gratitude to the Directors and all the staff for their hard works and contributions in the past year.

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Chairman

Hong Kong, 29 June 2001