

## Chairman's Statement

### RESULTS

Loss attributable to shareholders of the Company for the year ended 31st March 2001 was approximately HK\$275 million compared with a profit of approximately HK\$83 million last year. Turnover for the year amounted to approximately HK\$687 million, representing an increase of 85% over that of last year. Profit from operations for the year amounted to approximately HK\$211 million, representing an increase of 193% over that of last year. Loss per share for the year amounted to 21.36 cents compared with earnings per share of 6.49 cents last year. During the year under review, regular profits were generated from the Group's investment properties. Losses were generated from securities trading. Profits were generated from the pre-sale of "The Colonnade", a property development of the Group. However, a loss of approximately HK\$333 million has arisen from the write down of the carrying value of Paul Y. -ITC Construction Holdings Limited ("Paul Y. -ITC") to the market value. These accounted for the overall loss of the Group.

Gross rental income and its contribution to profit from operations for the year amounted to approximately HK\$93 million and HK\$87 million respectively, which were basically in line with those of last year.

Turnover from pre-sale/sale of property interests and its contribution to profit from operations for the year amounted to approximately HK\$591 million and HK\$175 million respectively compared with approximately HK\$240 million and a loss of approximately HK\$21 million respectively last year. During the year, the pre-sale of "The Colonnade" was launched and the resulting profits recognised in the accounts.

Turnover from securities investment and its contribution to profit from operations for the year amounted to approximately HK\$3 million and a loss of approximately HK\$6 million respectively compared with approximately HK\$40 million and a profit of approximately HK\$37 million respectively last year.

During the year under review, the Board of Directors of the Company (the "Board") considered that the investment in Paul Y. -ITC no longer coincided with the Group's investment strategy, and that the Group would no longer have significant influence over its management. Therefore, the Group has reclassified its investment in Paul Y. -ITC from investment in an associated company to other investments under current assets, and the carrying value of the investment was adjusted accordingly to market value resulting in a loss of approximately HK\$333 million.

## Chairman's Statement

### LIQUIDITY AND FINANCIAL INFORMATION

The Group's total bank and other borrowings as at 31st March 2001 amounted to approximately HK\$913 million compared with approximately HK\$925 million as at 31st March 2000. Cash and bank balances and short term listed investments amounted to approximately HK\$123 million as at 31st March 2001 compared with approximately HK\$176 million as at 31st March 2000. Net borrowings amounted to HK\$790 million as at 31st March 2001 compared with HK\$749 million as at 31st March 2000.

Gearing ratio of the Group which is expressed as a percentage of total borrowings to shareholders' funds was 25% as at 31st March 2001 compared with 22% as at 31st March 2000. Net gearing ratio of the Group which is expressed as a percentage of net borrowings to shareholders' funds was 22% as at 31st March 2001 compared with 18% as at 31st March 2000.

Of the Group's total borrowings, approximately HK\$430 million (47%) would be due within one year, approximately HK\$55 million (6%) would be due in more than one year but not exceeding two years, approximately HK\$207 million (23%) would be due in more than two years but not exceeding five years and the remaining balance of approximately HK\$221 million (24%) would be due in more than five years.

### EQUITY, RESERVES AND NET ASSET VALUE

The annual revaluation of the Group's investment properties was carried out by DTZ Debenham Tie Leung Limited, independent professional property valuers. The total value of the Group's investment properties as at 31st March 2001 amounted to approximately HK\$1,932 million compared with approximately HK\$2,035 million as at 31st March 2000.

Shareholders' funds of the Group as at 31st March 2001 was approximately HK\$3,595 million compared with approximately HK\$4,152 million as at 31st March 2000. The net asset value per share of the Company was HK\$2.79 compared with HK\$3.23 as at 31st March 2000.

The reduction of shareholders' funds and net asset value per share of the Company as at 31st March 2001 was mainly due to the write down of the carrying value of Paul Y. - ITC to the market value.

# Chairman's Statement

## BUSINESS REVIEW AND OUTLOOK

Although sales in the residential market remained weak, the Group has, together with the units sold subsequent to the year under review, disposed of a total of about 70% of the units in the joint development at The Colonnade, No.152 Tai Hang Road in which the Group has a 55% interest. Occupation permit and Certificate of Compliance in respect of this development were issued during the year under review, and profit derived from the sales during the year has been reflected in this year's results.

Subsequent to the year end, demolition works for the joint development at Nos. 33 and 35 Island Road, in which the Group has a 57% interest, was completed. It is anticipated that surrender and regrant documents in connection with the project will be issued very shortly and construction of the superstructure may commence shortly thereafter.

During the year under review, the economy of Hong Kong continued to improve but at a slow pace. The Group's rental income from the Commercial Podium at Elizabeth House, which was almost fully occupied, remained stable. The Group's hotel business improved moderately during the year. On the other hand, the Group considered that its investment in Paul Y. -ITC is no longer in line with its long-term investment strategy, and that there would no longer be significant influence in its management. Therefore, the Group decided to cease treating Paul Y. -ITC as its associated company and hence, sharing of Paul Y. -ITC's profit and loss through equity accounting. As a result, the Group's investment in Paul Y. -ITC has been reclassified as other investments under current assets, and its carrying value was written down to market value, and a loss of approximately HK\$333 million was recognised.

During the year under review, the Board was informed by Huey Tai International Limited ("Huey Tai", now known as Premium Land Limited), the former controlling shareholder of the Company, that Huey Tai had on 17th November 2000 entered into a conditional sale and purchase agreement with Mr. Chan Boon Ho, Peter ("Mr. Chan"), chairman of the Company, and a company equally beneficially owned by Mr. Chan and a third party for the disposal of 63.68% interest, representing Huey Tai's entire interest, in the issued share capital of the Company. Details of the above transaction are set out in the joint announcement dated 25th November 2000 issued by, among other parties, the Company and such transaction was completed on 19th January 2001.

## Chairman's Statement

### **BUSINESS REVIEW AND OUTLOOK – continued**

As a result of a series of interest rate cuts, residential market has seen some upturn in turnover recently. The difference between rental yield and mortgage interest rate continues to shrink, and it is expected that the property market will benefit from this series of interest rate cuts. Nevertheless, because of the abundant new supply, sharp and drastic recovery in the property market will not be expected. The overall sentiment may improve further consequent upon the expected accession of China into WTO. Yet slowdown in the US economy may hinder the recovery process of Hong Kong. The Board will continue with its prudent approach to explore new business opportunities.

### **EMPLOYEE INFORMATION**

As at 31st March 2001, the total number of employees of the Group was approximately 40 (2000: 44). Remuneration packages are generally structured by reference to market terms and individual qualifications. The remuneration policies of the Group are normally reviewed on periodic basis. The Group operates a mandatory provident fund scheme which covers all the eligible employees of the Group.

The Group maintains a share option scheme, pursuant to which share options are granted to selected eligible executives, with a view to provide the directors and employees with an appropriate incentive interests in the growth of the Group.

### **APPRECIATION**

On behalf of the Board, I would like to take this opportunity to extend my sincere thanks to our shareholders, professional advisers, bankers, customers and suppliers for their continuous support, patronage and trust. I would also like to thank my fellow directors and staff for their dedicated contribution and loyal services.

**Chan Boon Ho, Peter**  
*Chairman*

Hong Kong, 18th July 2001