

# CHAIRMAN'S STATEMENT

## RESULTS

For the year ended 31st March, 2001, the Group reported an audited consolidated loss after tax and minority interests of HK\$397,101,000. Such loss was mainly due to provisions for diminution in value of the development and investment properties held by the Group and its jointly-controlled entities to the extent of HK\$302,354,000 upon annual revaluation of the Group's portfolio at year end. All these provisions have been charged to the profit and loss account in the same year.

## DIVIDEND

In view of the loss for the year, the directors do not recommend the payment of any dividends for the year ended 31st March, 2001.

## CORPORATE ACTIVITIES

Our venture to develop Internet and technology related investments started in January, 2000 when we established our wholly-owned subsidiary, Hon Kwok Technology (Holdings) Limited, to invest in a website in Beijing for long-term purpose. The interest in the website was partly realized in May, 2000 through the disposal of a 27.9% interest in PRC Youth Holdings Limited to a strategic partner. Full details of this transaction are set out in the circular to the shareholders dated 20th March, 2000. As a result of the protracted downturn of the global Internet industry, your Group ceased and disposed of its entire Internet business and related investments in Hong Kong, Beijing and Shenzhen at the end of the financial year under review. Subsequent to the year end, the remaining investment in marketable securities received from the disposal of the 27.9% interest in PRC Youth Holdings Limited were fully realized into cash through open market sales. Despite these, I am pleased to report that your Group still maintained a net profit of HK\$108,459,000 from the disposals of technology investments during the year.

The sale of the Group's investment interest in Adams Parking (International) Limited, Adams Secuforce (International) Limited and Access Control Systems Limited through its 50% equity in Zeson Management Limited on 26th June, 2000 was duly completed on the same day.

## REDEMPTION OF CONVERTIBLE BONDS

As reported to you in my Interim Report for the period ended 30th September, 2000, your Group has fully redeemed the 7-year 4.875% convertible guaranteed bonds upon maturity on 15th December, 2000. In order to honour our obligations to fully redeem in time another 5-year convertible guaranteed bonds on 5th July, 2001, your Group has issued and completed a private placement of new convertible guaranteed bonds on 18th April, 2001 to raise a total of HK\$300 million which was followed by another fund raising arrangement on 11th June, 2001 to raise HK\$150 million. All outstanding convertible guaranteed bonds issued in July, 1996 were fully redeemed upon their maturity on 5th July, 2001. For details, please refer to the two circulars issued by the Group to all shareholders dated 23rd March, 2001 and 11th June, 2001 for the respective fund raising arrangements.

## REVIEW OF OPERATIONS

### Disposal of properties

Formal agreement for sale of the Group's investment property known as **Hon Kwok Causeway Bay Tower** (漢國銅鑼灣中心) entered into on 26th April, 2000 for a cash consideration of HK\$198,000,000 was completed on 26th May, 2000.

Sale of residential flats at **Shun Cheong Building** (順昌大廈), 20-34 Hau Wo Street, Kennedy Town, Hong Kong has been very encouraging. Since the issue of the occupation permit on 5th June, 2001, 89% of the flats were sold up to the date of this report. A 50/50 joint venture development project named **Le Village** (駿愉居) at 49 Village Road, Happy Valley, Hong Kong is also under pre-sale. Approximately 40% of the residential flats have been pre-sold and construction of the entire building is expected to be completed early next year.



**Shun Cheong Building** at 20-34 Hau Wo Street, KennedyTown, Hong Kong



**Le Village** at 49 Village Road, Happy Valley, Hong Kong under construction

During the year under review, the Group continued to sell the remaining units of the following completed development projects:

- Kam Fung Court** (金豐閣)  
19 Wo Tik Street, Tsuen Wan, New Territories
- Kensington Plaza** (金威廣場)  
98 Parkes Street, Jordan, Kowloon
- Kent Place** (金濤閣)  
8 Yen Chow Street, Shum Shui Po, Kowloon
- Kentwood Place** (金湖居)  
21 San Shing Avenue, Sheung Shui, New Territories
- Regent on the Hill** (帝峯豪苑)  
183 Hammer Hill Road, Diamond Hill, Kowloon



Superstructure construction for **The Grandeur and Grandeur Place** at 44 Jardine's Crescent & 47 Jardine's Bazaar, Causeway Bay, Hong Kong

### Progress of development projects

Superstructure construction for the project at 44 Jardine's Crescent and 47 Jardine's Bazaar, Causeway Bay, Hong Kong, known as **The Grandeur and Grandeur Place** (采怡閣及渣甸廣場) has been progressed up to the 28th floor. The project is expected to be completed by mid 2002 and will be launched for pre-sale in the coming months. Premium appeal procedure for our redevelopment project at 97 Po Kong Village Road, Diamond Hill, Kowloon has been slow and the revised premium assessment is still pending from the government.

### Investment properties

Close to full occupancy has recently been achieved for your Group's fully furnished service apartment, known as **The Bauhinia** (寶軒), at the 5th to 18th floors, 119-121 Connaught Road Central and 237-241 Des Voeux Road Central, Hong Kong while **Honwell Commercial Centre** (漢貿商業中心) at the podium floors is fully let. Occupancy for **Hon Kwok Jordan Centre** (漢國佐敦中心), a commercial/office building at 5-7A Hillwood Road, Tsim Sha Tsui, Kowloon, remains at a very high level. Recurrent rental income from these investment properties has been satisfactory, especially during the period when the prevailing interest rate is relatively low. Rental performance of **Plaza Ampang** at Kuala Lumpur, Malaysia has been stable.

### PRC properties

Occupation permit for Phase One of your Group's development project at Fu Tian District, Shenzhen, known as **Millennium Oasis** (城市綠洲花園), comprising two 25-storey buildings of 184 residential units was issued on 29th June, 2001. Up to the date of this report, all 184 units have been sold and construction work for Phase Two, comprising seven high-rise buildings of a total of 547 residential units, is in progress. It is expected that pre-sale of units in Phase Two will be launched by September, 2001 while the expected completion date of the entire project is scheduled in July, 2002. The three other development projects situated at the Luo Hu District of Shenzhen known as **Hon Kwok Lu Wu Plaza** (漢國羅湖廣場), the Da Li District of Nanhai and the Liwan District of Guangzhou, having a total gross floor area of approximately 5,000,000 square feet, will be held as landbank of the Group for development in the coming years.



Phase One of **Millennium Oasis** at Shen Nan Zhong Lu, FuTian District, Shenzhen, PRC

### **Overseas properties**

Application to change the zoning and land use of our development site at Bay Street and Dundas Street West, Toronto, Ontario, Canada has been approved by the City Council on 4th July, 2000 and your Group is in the final stage of proceeding with the development of the site into a 685,247 square feet residential/retail complex with carparking facilities.

For full details of the Group's property portfolio, please refer to the Particulars of Properties on pages 71 to 76 in this report.

### **OVERVIEW**

Hong Kong is still facing a prolonged period of slow economy and weakness in the property market is expected to persist for quite some time. Although interest rate has been reduced by a total of 2.75% since January this year, with further downward adjustments expected in the coming months coupled with various incentives provided by developers on top of the much lowered home prices, buying activities remain subdued while prices continue to be sluggish. Consumer sentiment, though slightly stabilized, remains fragile in view of the increasing number of negative asset mortgage loans for existing home owners. Nowadays, property prices tend to be indifferent to lower interest rates. So long as there is no significant improvement in the number of home owners with negative asset values and the high unemployment rate, the market is expected to linger at the current level despite favourable interest rate.

The property markets in Shenzhen, Guangzhou and the Pearl River Delta remain active, with prices improved satisfactorily as compared to the property market in Hong Kong. With the continued economic growth in China and the expected increase in investment opportunities as a result of the forthcoming accession of China to WTO and the hosting of the 2008 Olympics in Beijing, your directors are confident in the development and growth of the Group's existing property portfolio in China and are looking for further investment opportunities when arise.

I wish to express my sincere appreciation to my fellow directors for the guidance and all staff for their loyalty and dedication during this period of adverse market conditions.

**James Sai-Wing Wong**  
*Chairman*

Hong Kong SAR, 17th July, 2001