

## CHAIRMAN'S REPORT

I am pleased to report to the shareholders the results and activities of the Group for the year ended 31st January, 2002.

### RESULT AND DIVIDENDS

The audited consolidated net loss after taxation and minority interests for the financial year ended 31st January, 2002 amounted to approximately HK\$11 million.

The Board of Directors has recommended a final dividend of HK\$0.20 per share to be approved by the shareholders at the forthcoming annual general meeting. This, together with the interim dividend of HK\$0.10 per share paid on 12th December, 2001, will make a total dividend distribution of HK\$0.30 per share.

### REVIEW OF OPERATIONS

The principal activities of the Group continue to be investment holding, property investment, property development and provision of property agency services.

The leasing market was still very soft and the economic climate has not yet improved; the demand in commercial and residential leasing were slightly improved in the first half year but adversely affected after U.S. "911" calamity in the second half year. The turnover from the Group's long term property portfolio increased by approximately 1 % which is attributable to the increase of occupancy of Jubilee Centre Phase I and Phase II in the first half year but adversely affected after U.S. "911" calamity in the second half year.

For the financial year ended 31st January, 2002 the Group reported a net loss after taxation and minority interests of HK\$11 million which is mainly attributable to an impairment loss of HK\$58 million made against the Group's land in Guam, U.S.A.. Apart from this impairment loss, net of minority interests, the Group still made a net profit for the year of approximately HK\$39 million compared with the net profit of HK\$32 million for the last year. The increase in contribution of HK\$7 million is mainly attributable to the reduction of interest expenses on bank loans and bank overdrafts as well as the increase of occupancy of Jubilee Centre Phase I and Phase II in the first half year.

In Hong Kong, the contribution from the Group's rental income in respect of Jubilee Centre Phase I and Phase II increased moderately while rental from other investment properties in Hong Kong suffered a slight decrease. New leases have to be negotiated either at prevailing low rental or with some rent free period. With the existing leases coming due for renewal, the Group has to offer a slight reduction of rental to keep the existing tenants. In view of the possibility that plot ratio and height restriction may be eased in Kowloon Tong areas in the next two or three years, the Directors have decided to continue to delay the commencement of the Oxford Road, Kowloon Tong project, even though the airport has already moved to Chap Lap Kok, so as to generate most benefit for the shareholders.

The new Statement of Standard Accounting Practice No. 31 "Impairment of Assets" ("SSAP 31") has become effective for the current year which requires recoverable amounts of assets be determined based on their market value or value in use. Accordingly, the directors reviewed the recoverable amounts of the land in Guam, U.S.A. by reference to the valuation conducted by an independent property valuer subsequent to the balance sheet date. As a result, in order to conform with SSAP 31, an impairment loss of HK\$58 million against the carrying value of certain land in Guam has been

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charged to the income statement in respect of the year. On the other hand, other land in Guam has appraised in value, giving rise to a surplus on revaluation of approximately HK\$55 million (before attributable tax effects) which, according to the Group's accounting policies, has not been accounted for in the consolidated financial statements of the Group.

The Group's major Guam investment property – Aspac Industrial Park Phase I suffered a slight decline of rental income owing to persisting bad economy in Guam and adversely affected by U.S. "911" calamity. As economic conditions in Guam and Japan are still not favourable, the development of Lot No. 5148-3 and 5148-4, Tamuning, Guam will continue to be postponed.

No material acquisitions or disposals of subsidiaries and associates were transacted during the year.

The Group has a total of 23 (2001: 23) staffs. Staff costs incurred during the year amounted to HK\$5,026,000 (2001: HK\$5,058,000).

### FINANCE ACTIVITIES

At 31st January, 2002, total borrowings of the Group were HK\$138 million (2001: HK\$167 million) which bear interest at floating rate and are substantially repayable in Hong Kong dollars. The bank borrowings to the extent of HK\$33 million (2001: HK\$44 million) were repayable within one year. The Group's gearing ratio at 31st January, 2002 is 14.5% (2001: 15.3%). The Group's available undrawn bank facilities at 31st January 2002 amounted to HK\$76 million (2001: HK\$54 million).

At 31st January, 2002, properties of the Group with an aggregate book value of approximately HK\$823 million (2001: HK\$903 million) were mortgaged or charged to banks for credit facilities granted to the Group.

At 31st January, 2002, the Company had issued guarantees to the extent of HK\$281 million (2001: HK\$281 million) for banking facilities granted to certain subsidiaries of which approximately HK\$128 million (2001: HK\$167 million) was utilized as at that date.

### PROSPECTS

The Board of Directors expects that the economy of Guam will continue to be adversely affected by the U.S. "911" calamity and under depression. It will last for another one or two years. Moreover, since the economy of Hong Kong is still slow and the leasing market is still soft, the Board of Directors is more conservative about the performance of the coming year. However, the Directors are still confident that the Group will maintain a sound financial foundation and continue its cautious business strategy in identifying investment opportunity in Hong Kong and elsewhere.

I would like to take this opportunity to express my gratitude to all fellow Directors as well as the Group's management and staff for their dedicated service and contributions during the year.

**Lee Teh Yee William**

*Chairman*

Hong Kong, 22nd May, 2002