

CHAIRMAN'S STATEMENT

Your Group remains mainly in property development, property investment and property related businesses.

RESULTS

I am pleased to report that audited consolidated profit before tax and minority interests for the year ended 31st March, 2002 amounted to HK\$30,647,000, compared with a loss of HK\$395,442,000 for last year. After the tax charge and minority interests of HK\$27,491,000, net profit attributable to shareholders for the year ended 31st March, 2002 was HK\$3,156,000 (2001: net loss of HK\$397,101,000). The turn-around was mainly due to profit contribution from the Group's property development in Shenzhen during the year, which offset the operating loss suffered from local development projects, finance costs and group overheads.

For details, would shareholders please refer to Segment Information on pages 40 to 44 in this report.

DIVIDEND

The directors do not recommend the payment of any dividend for the year ended 31st March, 2002 (2001: Nil).

REVIEW OF OPERATIONS

Issue and Redemption of Convertible Guaranteed Bonds

Details of the issue of HK\$300 million convertible guaranteed bonds in April, 2001 and the full repayment of the US\$50 million due December, 2000 and the US\$60 million due July, 2001 convertible guaranteed bonds were fully reported in my interim report dated 12th December, 2001 to which shareholders are kindly referred.

Development Properties

Since the issue of occupation permit on 5th June, 2001 for our development project, **Shun Cheong Building** (順昌大廈) at 20-34 Hau Wo Street, Kennedy Town, Hong Kong and on 25th January, 2002 for **Le Village** (駿愉居) at 49 Village Road, Happy Valley, Hong Kong followed by the certificate of compliance on 26th April, 2002, over 95% of the residential units have been sold. Sales of the remaining units at various completed development projects have been very satisfactory during the year under review.



CHAIRMAN'S STATEMENT (Continued)

Construction of **The Grandeur** (采怡閣) at 44 Jardine's Crescent and 47 Jardine's Bazaar, Causeway Bay, Hong Kong has been completed up to the final stage. Pre-sale of residential units is scheduled to commence within two months when construction work is expected to be fully completed.

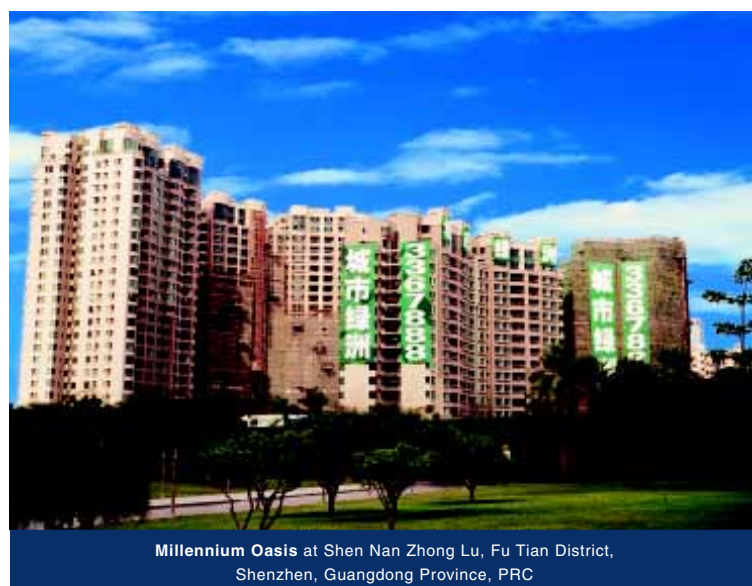
Progress for land premium appeal for lease modification of our re-development project at 97 Po Kong Village Road, Diamond Hill, Kowloon has been slow, pending now for the revised land premium figure from the Government. The re-assessment and acceptability of which depends mainly on the then property market conditions.

Investment Properties

Rental for commercial properties at choice locations has stabilised since the first quarter of this year as business for hotels, service apartments and retails improved due to the steadily increased number of visitors coming from the mainland China every day. Occupancy for the Group's service apartments, **The Bauhinia** (寶軒) and the **Honwell Commercial Centre** (漢貿商業中心) at 237-241 Des Voeux Road Central, Hong Kong and **Hon Kwok Jordan Centre** (漢國佐敦中心) at 5, 7, 7A Hillwood Road, Tsim Sha Tsui, Kowloon maintain a satisfactory level, thus generating recurrent income to the Group. Rental from the commercial complex, **Plaza Ampang** at Kuala Lumpur, Malaysia remains steady.



The Grandeur at 44 Jardine's Crescent & 47 Jardine's Bazaar, Causeway Bay, Hong Kong among nearby buildings



Millennium Oasis at Shen Nan Zhong Lu, Fu Tian District, Shenzhen, Guangdong Province, PRC

PRC Development Properties

Construction work for the Group's development project **Millennium Oasis** (城市綠洲花園) at Fu Tian District, Shenzhen, PRC comprising a total of nine blocks of 679 luxurious flats with saleable area of approximately 1 million square feet, is scheduled for completion by the end of September, 2002. This project is under development in three phases and, up to the date of this report, over 80% of the flats have been pre-sold.

CHAIRMAN'S STATEMENT (Continued)



Since April this year, your Group has commenced construction for another development project in Shenzhen, formerly known as Hon Kwok Lu Wu Plaza (漢國羅湖廣場) and recently re-named as **City Square** (城市天地廣場). This is a 43-storey composite project with six blocks of 2,186 residential units on top of a 8-storey commercial podium, having a total gross floor area of approximately 1.7 million square feet for the whole project. Units are scheduled to be launched to the market for pre-sale in the third quarter next year and the whole project is expected to be completed within 24 months from today.

The composite project at Liwan District, Guangzhou is expected to be developed at a later stage when market conditions improve. The Company has an interest of 20,000 square metres (approximately 215,000 square feet) saleable area in this project. The site at Da Li District, Nanhai will be held as landbank by the Group for future development, pending completion of major highways leading to and bordering the site. This site near Guangzhou has an area of 250,000 square metres (approximately 2,670,000 square feet) and is intended to be developed into low density residential housing including villas.

Overseas Project

Negotiations with a reputable real estate developer in Toronto, Ontario, Canada for a joint development of the Group's site at the junction of Bay Street and Dundas Street, Toronto has reached the final stage. This project is to be developed into two phases with the first phase, comprising 494 luxurious apartments in a 16-storey condominium with shops on the ground floor, known as **One City Hall**, has been scheduled for marketing later this year. Shareholders will be informed with fuller details about the project in the forthcoming interim report of the Company.

For full details of the Group's property portfolio, please refer to the Particulars of Properties on pages 80 to 84 in this report.

CHAIRMAN'S STATEMENT *(Continued)***OVERVIEW**

Since the reunion of Hong Kong with the mainland China in July, 1997 followed by the Asian financial crisis in October the same year, there have been structural changes in the local property market. Despite the increasing liquidity in banks coupled with the all-time-low interest rates to residential end-users, plus various incentives from developers, the mass residential market has been sluggish ever since, both in turnover and in price. It is particularly so for areas in East and West Kowloon, Tung Chung and the new towns in the New Territories. Contraction in capital value of properties and evaporation of personal wealth have seriously dampened consumer sentiment, realising the fact that traditional wisdom of investing in property will no longer provide them a safety net in times of adverse economic cycles. Instead, the trend of potential purchasers being enticed away from Hong Kong for flats, or even houses, in Shenzhen, Dongguan and other major cities in the mainland is gaining momentum. This trend is set to continue with the forthcoming completion of the Western Railway and the well perceived 24-hour opening of the border to and from Shenzhen.

Large scale corporate layoffs and widespread wage cuts remain the major factors leading to local deflation which has been with us for the past four years. Hong Kong's historical function as a gateway to the mainland has diminished in recent years and is on its continued decline. While the economy is in the doldrums and public sentiment is low, there could be no quick solution. Local corporations will have to accept this reality and take timely steps to re-position themselves to adapt to the situation in order to remain competitive. Hong Kong needs to be positive and forward looking. Your directors took the opportunity to diversify the Group's property development business to Shenzhen and Guangzhou since 1997 while, in the meantime, endeavour to build up gradually the investment property portfolio in Hong Kong for steady recurrent income.

In order to be successful under these highly competitive market conditions, both in Hong Kong and in the mainland China, local know-how and expertise are indispensable. We need collective wisdom to survive and prosper. In this respect, I wish to express my sincerest thanks to our joint venture partners and fellow directors for their valuable advice and strategic insight and to all staff within the Group for their loyalty and dedication to enable the Group to tread forward during this difficult period.

James Sai-Wing Wong
Chairman

Hong Kong SAR, 11th July, 2002