

## Chairman's Statement

I am pleased to present the annual report of the Group for the year ended 31st March 2002 to the shareholders.

### RESULTS AND APPROPRIATIONS

Turnover for the year amounts to HK\$839 million against HK\$673 million of last year. Due to increase in provisions made on certain property projects of the Group, jointly controlled entities and associated companies, loss attributable to shareholders for the year was HK\$481 million, compared to last year's loss of HK\$358 million. The Board of Directors does not recommend the payment of a dividend.

### BUSINESS REVIEW

#### *Properties sales and development*

Battered by the weak economy and deterioration of confidence in the general market place, property prices still faced downward pressure. Our Group's sales effort during the year were mostly directed towards clearing inventory, while new projects for sale only launched towards the end of the financial year. As a result, property sales turnover has reduced to HK\$254 million from HK\$407 million of last year. About 66,000 sq.ft. of properties were sold this year against last year's 120,000 sq.ft. These include mainly the residential and retail units from Royal Jubilee in Sheung Shui, and Bayshore Apartments in Aberdeen.

Two new residential developments were launched for sales in early 2002, the luxurious apartments of Royalton II in Pokfulam and the Oakridge at Yiu Hing Road, Shaukeiwan. These two projects will bring in a total sales proceeds of over



*Oakridge at Yiu Hing Road, Shaukeiwan*



**Front — Bijou Court II under construction,  
Behind — Bijou Court I at Prince Edward Road**

HK\$600 million. Majority of these sales have been secured up to date and will be recognised in the coming financial year. Other residential developments where superstructure are currently under construction and which will be coming up for sales in the coming 12 months include the apartments of Bijou Court II in Mongkok, and the deluxe development at Repulse Bay and Shiu Fai Terrace at Stubbs Road.

During the year, the Group has made provisions totalling HK\$283 million for the Groups development projects and share of provisions on properties held by jointly controlled entities / associated companies. This compared with total provisions of HK\$88 million made in last year. The current year provisions were mainly made against the commercial building at Marble Road, North Point and residential buildings at Royalton II, Bijou Court I and II and Shiu Fai Terrace.

In January 2002, the Group disposed of the 40% interests in the Panyu development. The transaction brought in a net proceeds of HK\$114 million and resulted in a loss of HK\$124 million.

The Group continued to carry out land use modification and exchanges, and negotiation with the Government on the land premium of several developments. In April 2002, we successfully concluded the premium on Shiu Fai Terrace and Repulse Bay residential development in the aggregate sum of HK\$208 million paid. Premium negotiation is still continuing with the Government in the cases of Aberdeen Main Road on Hong Kong Island and Yau Tong in Kowloon, both are residential development with a total saleable area of 340,000 sq.ft. We are also in discussion and engaged with Government on a series of surrender and regrant process involving our land holdings along West Rail Network and Light Rail Station in the New Territories. Planning approvals for total floor area of 700,000 sq.ft. were already obtained for these land holding to be redeveloped into residential purposes.

### **Leasing**

The Group's rental income for the year has substantially increased to HK\$61 million, up 56% from that of last year. The main focus was on letting out the 108,000 sq.ft. office building at 8 Wing Hing Street. The building achieved 90% occupancy at 31st March 2002. Also, there was a rental income increase from Asia Standard Tower as its retail spaces had been completely let out after completion of its renovation in last year. Rental income from other properties including Asia Orient Tower in Wanchai and 28 Marble Road in North Point was stable.

### **Hotel**

The hotel sector has gone through a difficult year, being hit by the slowdown of global economy and the sudden downturn caused by the 9-11 aftermath. However, the situation in Hong Kong was cushioned by the substantial increase of Mainland travellers arising from its booming prosperity.

The occupancies for Empire Hotel Hong Kong and Landmark Hotel in Vancouver were 84% and 57% respectively against 87% and 60% of last year. Room rate for Empire Hotel Hong Kong was down by 13% when comparing with last year. Empire Hotel Kowloon was soft opened in September 2001 and achieved full operation in February 2002. This hotel was well received by customers and will bring substantial income to the Group in the coming year.



*Luxurious residential development at Repulse Bay*

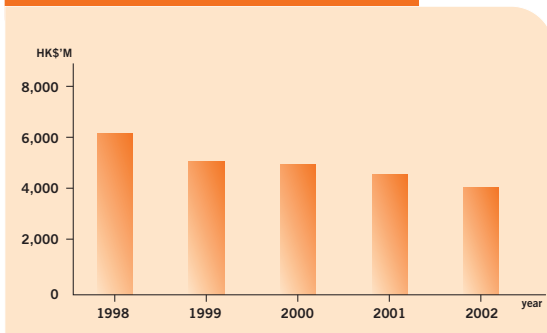
At the beginning of the financial year, the hotel group acquired a renowned travel agency. The agency has contributed substantially to the Group's turnover although profit contribution relative to the overall hotel operation is small.

### FINANCIAL REVIEW

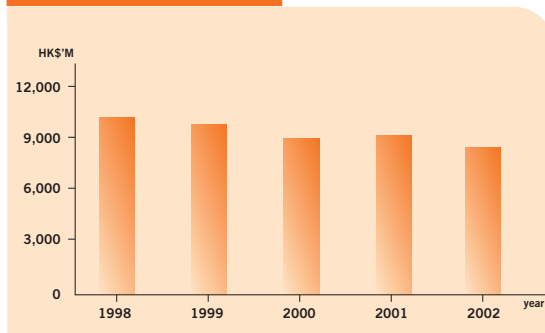
As at 31st March 2002, the Group's total assets stood at HK\$8.5 billion (2001: HK\$9.3 billion) while net assets amounted to HK\$4.1 billion (2001: HK\$4.6 billion). The Group had net borrowing of HK\$3.0 billion (2001: HK\$2.9 billion) of which HK\$1.2 billion (2001: HK\$1.0 billion) belonged to the listed hotel subgroup. Net debt to equity ratio (including minority interests) was 61% (2001: 52%).

All the Group's borrowings are in Hong Kong dollar except for the mortgage loan of the Vancouver hotel which is denominated in Canadian dollar. Accordingly, there is no exchange rate risk exposure. Over 85% of these borrowings

#### SHAREHOLDERS' FUNDS



#### TOTAL ASSETS



were repayable after one year, with repayment schedules spreading over a long period of time to over 10 years.

As at 31st March 2002, assets with an aggregated net book value of HK\$6,220 million (2001: HK\$6,693 million) were pledged to secure banking facilities of the Group. The Group has also provided guarantees to financial institutions on credit facilities to jointly controlled entities, associated companies and third parties of HK\$416 million (2001: HK\$401 million).



*Development site at Shiu Fai Terrace*

In the past few years, the Group has been reducing the borrowing costs through a series of financing exercises and credits were obtained at improved rates. As a result, total financial costs have reduced significantly from that of the previous year. Further savings are expected in the coming financial year amidst the low interest environment.

In November 2001, the Group has redeemed fully the then outstanding convertible bond of HK\$251 million. In January 2002, the Group issued a new 5 year convertible bond of HK\$290 million to the Grosvenor Group of England. Grosvenor Group, headed by the Duke of Westminster, is a substantial shareholder of the Group and a strategic partner of the Repulse Bay project.

## EMPLOYEES AND REMUNERATION POLICIES

As at 31st March 2002, the Group employed a total of 618 full time employees, with over 93% working for the hotel subsidiary group. Their remuneration packages, which commensurate with their job nature and experience level, include basic salary, annual bonus, retirement and other benefits. There was no share options granted during the year.

## FUTURE PROSPECTS

With the prospects of continuing low interest rates, a coherent stable public towards property industry and banking institutions refinance negative equity mortgages, confidences and sentiments towards property ownership for owner occupation, investment vehicle and hedges will be gradually improved. This was the case in the last quarter of 2001, transaction volume of property sales has picked up, as a result of the suspension of sales of subsidised housing and a various unprecedented payment/financing arrangement in favour of purchasers prompting a more positive inducement to potential buyers. Similarly, our property sales performances in the first quarter after the balance sheet date have been quite encouraging. Barring unforeseen circumstances, we remain confident that a slowly improving property market will emerge and returning to a more normal transacted volumes.

By Order of the Board

**Fung Siu To, Clement**

*Chairman*

Hong Kong, 18th July 2002