

## Chairman's Statement

### RESULTS

Loss attributable to shareholders of the Company for the year ended 31st March 2002 was approximately HK\$183 million compared with a loss of approximately HK\$275 million last year. Turnover for the year amounted to approximately HK\$615 million, representing a decrease of 10% compared with that of last year. Loss from operations for the year amounted to approximately HK\$136 million, compared with a profit from operations of approximately HK\$211 million last year. Loss per share for the year amounted to 14.26 cents compared with loss per share of 21.36 cents last year. During the year under review, regular profits were generated from the Group's investment properties while losses were incurred on securities trading. Profits were also generated from the sale of certain remaining units of "The Colonnade", a property development of the Group while loss was incurred by the partial disposal of a development project of the Group in Fanling. These accounted for the overall loss of the Group.

Gross rental income and its contribution to loss from operations for the year amounted to approximately HK\$92 million and a profit of HK\$87 million respectively, which were basically in line with those of last year.

Turnover from sale/pre-sale of property interests and its contribution to loss from operations for the year amounted to approximately HK\$472 million and loss of HK\$171 million respectively compared with approximately HK\$591 million and a profit of HK\$175 million respectively last year. During the year, the Group continued the disposal of the remaining units of "The Colonnade" and the resulting profits recognised in the accounts. On the other hand, the Group also completed the partial disposal of a development project in Fanling and the resulting loss recognised in the accounts.

Turnover and its contribution to loss from operations from securities investment for the year amounted to approximately HK\$51 million and loss of approximately HK\$12 million respectively compared with approximately HK\$3 million and loss of approximately HK\$6 million respectively last year.

### LIQUIDITY AND FINANCIAL INFORMATION

The Group's total bank and other borrowings as at 31st March 2002 amounted to approximately HK\$816 million compared with approximately HK\$913 million as at 31st March 2001. Cash and bank balances and short term listed investments amounted to approximately HK\$708 million as at 31st March 2002 compared with approximately HK\$123 million as at 31st March 2001. Net borrowings amounted to HK\$108 million as at 31st March 2002 compared with HK\$790 million as at 31st March 2001.

Gearing ratio of the Group which is expressed as a percentage of total borrowings to shareholders' funds was 25% as at 31st March 2002 which was basically in line with that of last year. Net gearing ratio of the Group which is expressed as a percentage of net borrowings to shareholders' funds was 3% as at 31st March 2002 compared with 22% as at 31st March 2001.

### LIQUIDITY AND FINANCIAL INFORMATION – continued

Of the Group's total borrowings, approximately HK\$45 million (5%) would be due within one year, approximately HK\$50 million (6%) would be due in more than one year but not exceeding two years, approximately HK\$276 million (34%) would be due in more than two years but not exceeding five years and the remaining balance of approximately HK\$445 million (55%) would be due in more than five years.

The above bank and other borrowings were secured by first charges on certain investment properties of the Group, other specified assets of the Group and corporate guarantee from the Company.

### 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 2002 amounted to approximately HK\$1,927 million compared with approximately HK\$1,932 million as at 31st March 2001.

Shareholders' funds of the Group as at 31st March 2002 was approximately HK\$3,304 million compared with approximately HK\$3,595 million as at 31st March 2001. The net asset value per share of the Company was HK\$2.57 as at 31st March 2002 compared with HK\$2.79 as at 31st March 2001.

### BUSINESS REVIEW AND OUTLOOK

During the year under review, the Group had (a) successfully sold a number of units in "The Colonnade" and (b) disposed of its interest in Paul Y. – ITC Construction Holdings Limited. Further, the Group had also disposed of the majority interest in its investment in the development project at DD 51 Fanling, resulting in a loss of approximately HK\$211 million; however, under this disposal, the buyer, being now the joint venture partner, has undertaken to arrange loans for and/or fund all costs necessary for the future development of the project, including the land premium and construction costs, thereby relieving the Group from commitment to provide funding for development of this project in the future. The profit and loss derived from the above transactions have been reflected in this year's account.

Subsequent to the year-end, the town planning application to the Government for the development project in Tai Po Tsai, Sai Kung, in which the Group has a 14% attributable interest, has been approved, and permission to build 1,057,000 square feet of residential accommodation and 21,000 square feet of commercial space has been obtained. The Group is now undergoing negotiation with the Government on the premium payable.

## Chairman's Statement

### BUSINESS REVIEW AND OUTLOOK – continued

Demolition work for the joint development at Nos. 33 and 35 Island Road, in which the Group has a 57% attributable interest, has been completed and foundation work is in progress. The Group had previously received a premium offer from the Government in respect of an application for insitu land exchange. The Group was of view that the premium offered was too high, and an appeal for reduction of the premium was lodged. Subsequent to the year-end, the Group received a revised premium offer from the Government and the premium was reduced by approximately 25% as compared to that under the previous offer. The Group considered the revised premium to be reasonable, and subsequently entered into a binding agreement with the Government in respect of the land exchange.

Despite the pressure of further downward adjustment in the rental of retail premises throughout the region, rental income from the Commercial Podium at Elizabeth House has remained relatively stable. The September 11 tragedy and the war in Afghanistan have dealt a heavy blow to the Group's hotel business; fortunately, the relaxation of quotas for tourists from mainland China helped to alleviate to a certain extent the difficulties.

During the year under review, turnover in sales of first-hand small to medium size residential units has improved substantially, probably due to the moratorium on sales of HOS flats and increase in the quota of government subsidized home-purchasing-scheme. Unfortunately, the improvement in turnover did little to prop up the property price. It is not expected that property price is likely to improve significantly in the coming two years due to the relatively high unemployment rate and abundant supply of new units, especially in the New Territories. Subsequent to the year-end, the Government announced its new housing policies. A number of government authorities and quasi-government entities participating in property development will be reorganised. Hopefully, the new policies will boost the confidence of buyers and investors, and the reformed authorities would coordinate more effectively and efficiently for the overall healthy balance of supply and demand in the property market.

The strength and speed of recovery in the global economy, especially in the US, remains uncertain, and its effect has yet to be ascertained. Nevertheless, the interest rate cuts after the September 11 tragedy has provided a stable environment for steady consolidation of the property market. Hong Kong, being a springboard to China, would also benefit from China's accession into WTO. The Board believe that, barring unforeseen circumstances, performance of the Group may improve in the coming years.

### EMPLOYEE INFORMATION

As at 31st March 2002, the total number of employees of the Group was 36 (2001: 40). Remuneration packages are generally structured by reference to market terms and individual qualifications. The remuneration policies of the Group are normally reviewed on a periodic basis. Share options were 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. The Group participates in a mandatory provident fund scheme which covers all the eligible employees of the Group.

## Chairman's Statement

### 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, 17th July 2002