

# CHAIRMAN'S STATEMENT

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## RESULTS

The profit attributable to shareholders for the year ended 31st March 2002 amounted to HK\$8,744,220 (2001: HK\$354,796). Earnings per share for the year was 7.2 cents (2001: 0.3 cents).

## DIVIDENDS

The Board has resolved to recommend a final dividend of 2.0 cents (2001: 2.8 cents) per share for the year ended 31st March 2002. No interim dividend had been declared or paid (2001: 1.1 cents per share) during the year, total dividend for the year will amount to 2.0 cents (2001: 3.9 cents) per share.

## FINANCIAL RESULTS

In the face of a global economic downturn, investment confidence was further undermined by the September 11 tragedy in the United States. The Federal Reserve of the United States, in an attempt to stimulate the economy, implemented a series of interest rate cuts. However, the stock market persisted to underperform. Such weak economic conditions undoubtedly also had certain adverse consequences on the Group's business.

For the year ended 31st March 2002, the Group's turnover decreased by approximately 19.5% to HK\$13,668,777 (2001: HK\$16,976,204). This is mainly attributable to a contraction of interest income. The recorded interest income was a total of HK\$3.8 million lower than that of the previous year. Revenue from Construction Supervision Business was HK\$1.5 million which was HK\$0.5 million below that of the previous year. However, this was overshadowed by increases in rental and management fee income of HK\$1 million.

The Group's net profit attributable to shareholders for the year ended 31st March 2002, nevertheless increased to HK\$8,744,220 (2001: HK\$354,796), nearly 24.6 times over that of the previous year. This was due to the notable reduction of nearly 78.7% in revaluation deficits required for the Group's investment properties. A total of HK\$4.2 million was recorded in the profit and loss account, which was HK\$15.6 million lower than that of the previous year. As a reflection of the shaky worldwide equity markets, the Hong Kong stock market remained weak in spite of the low interest rates. The Group, hence, experienced unavoidable losses in securities investment. A loss of about HK\$8.9 million was recorded in this operation. These losses were greater than that of the last year by HK\$3.7 million.

## BUSINESS REVIEW

### Property investment, management and building contractor

In spite of the weak domestic demand and the excessive supply in the local rental market, the Group's investment properties still performed satisfactorily. The 25-storey Horizon Plaza at Ap Lei Chau and most of the luxury residential units are currently fully occupied and rented out with satisfactory returns. It is anticipated that the Group will maintain a steady stream of revenue from this operation in the forthcoming year. The renovation works to upgrade the shopping arcade at Midland Centre, carried out late 1999, has also improved both occupancy and rental income. A decline in overheads further enhanced profit.

## CHAIRMAN'S STATEMENT *(Continued)*

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The Group's Property Management Business recorded growth in turnover and profitability last year. Together with the Rental Operation Sector, these two sectors continue to be the main pillars of the Group's profits during the year.

However, the sluggish construction market led to shrinkage in turnover of the Group's Building Contractor Business for the year under review. But given the thin margin of this operation, the reduction in profitability was insignificant.

The Group is considering changing its approach towards its investment property of Belair Villa at Fanling, in which the Group has 25% interest. Subsequent to the year under review, the Group has proceeded to formulate its marketing programmes for the sale of this property.

Subsequent to the year under review, two car-parking spaces at Festigood Centre have been sold. No other fixed assets were acquired or disposed of during the year ended 31st March 2002.

### **Investments and corporate services**

The Group's Investment Business performed unsatisfactorily mainly due to the shaky worldwide equity markets, particularly since the weeks following the September 11 event. Realized gains from sales of the Group's equity investments were all squeezed out. On the other hand, increased management fee income coupled with savings in overheads had reduced the impact from losses in listed investments.

Other than as disclosed above, the Directors are not aware of any other material changes to the information in relation to the Group's performance and the material factors underlying its results and financial position published in the annual report for the year ended 31st March 2001.

### **PROSPECTS**

Looking ahead, as part of the Group's strategy to continue strengthening its business operations and lowering operating overheads, the Management will continue to implement effective control measures in order to enhance the Group's turnover and overall margins.

In spite of the present lacklustre market conditions, the Group will continue focusing on its core business in Hong Kong. Local business environment will hence undoubtedly determine much of the Group's results. Mostly attributable to low interest rates, developer incentives and pro-housing policies promulgated by the Government, the volume of sales in the residential property market has improved since the later part of last year but has tapered off recently. A sustainable recovery is strongly anticipated through a restoration of confidence in the property market along with a reduction in future supply. Uncertainty nevertheless lingers in the face of adverse news involving massive layoffs, wage cuts, persisting deflation, growing jobless and personal bankruptcy rates as well as excessive future supply from both the Government and most large developers. In the global context, the news of US corporations' accounting scandals and tensions in the Middle East have also aggravated the lack of confidence in worldwide equity market, precipitating the local bearish sentiment.

## CHAIRMAN'S STATEMENT *(Continued)*

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Given the current challenging and uncertain market conditions, the Management will remain prudent and conservative in investing its cash resources. However, some of these adverse elements listed above will very possibly be mitigated by other auspicious factors such as the business opportunities following China's admission to the World Trade Organization and the positive GDP growth. In addition, continuing low yields on bank deposits also spurs incentives for alternative investments. Most property end-users will consequently find it more affordable to buy than to rent. Hence, in spite of some market uncertainties, the Directors remain confident regarding the performance of the Group. Well endowed with a strong foundation, long established experience in the property business and a debt-free financial position, the Group is more than ready to grasp the opportunities of a recovering economy.

### APPRECIATION

I would like to take this opportunity to express my gratitude to all our board members for their invaluable contribution. I would also like to extend my appreciation to our shareholders for their continued support and our staff for their hard work and dedication.

**Cheung Kee Wee**  
*Chairman*

Hong Kong, 12th July 2002