

## Chairman's Statement

Dr. Lee Shau Kee, Chairman and Managing Director



“ I am pleased to present to the Shareholders my report on the operations of the Group ”

### Profit and Turnover

The Group's consolidated net profit after taxation and minority interests for the year ended 30th June, 2002 amounted to HK\$1,780 million, representing a decrease of 10% from that reported in the previous financial year. The turnover of your Group showed an increase of 13% over that of the previous financial year and amounted to HK\$1,188 million.

### Dividends

Your Board recommends the payment of a final dividend of HK\$0.11 per share to shareholders whose names appear on the Register of Members of the Company on 18th December, 2002. The total distribution per share of HK\$0.22 for the full year, including the interim dividend of HK\$0.11 per share already paid, represents a decrease of 4% from the total distribution in the previous year. Warrants for the final dividend will be sent to shareholders on 19th December, 2002.

### Business Review

#### PROPERTY RENTAL

As at the end of the period under review, the total attributable gross floor area of the Group's rental property portfolio amounted to 1.8 million sq.ft. Total gross rental income of the Group amounted to approximately HK\$607 million, reflecting an increase of 18% over that recorded in the previous financial year and representing 48% of the total revenue of the Group. Rental income has become a steady source of income to the Group. Performance of the local economy, similar to that of the United States, had been subject to volatility. This had adversely affected the property rental market and local consumer spending. However, the major retail shopping properties owned by the Group were able to maintain an overall occupancy rate of 93% whilst rental levels generally remained steady. Such resilience shown from the Group's rental property portfolio is mainly a result of the positioning strategy adopted by the Group whereby most of the Group's retail shopping podiums are

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located in the new towns and right at the existing and planned mass transportation network. Thus, during the financial year under review, there was an increase recorded in the rental level and also an improvement shown in the occupancy in respect of certain retail shopping centres owned by the Group. Further, the disposal of equity interests in the retail shopping podium in the City One Shatin project also brought substantial profit to the Group in the financial year under review.

### HOTEL & RETAILING OPERATIONS

Since the local tourist industry had been affected by the negative impacts of the economic developments occurring both locally as well as overseas, the Group's two Newton Hotels recorded an operating loss in the financial year under review as room tariffs were subject to pressure for downward adjustments, notwithstanding that the average occupancy rate was maintained at 89%, being the same as that recorded in the previous financial year.

In respect of retailing operation, the Group now operates a total number of six outlets of Citistore department stores. Notwithstanding a decrease recorded in the Group's turnover in its retailing operation in light of the slowdown in the local economy and contraction in consumer spending, overall operating profit showed an increase as efficiencies were improved due to management efforts made.

### INFRASTRUCTURAL PROJECTS

In the past financial year, the toll-bridge and toll-road joint venture operations of the Group in Mainland China continued to make contributions to the Group's profit. The turnover and profit of these two categories of business operations totally amounted to HK\$222 million and HK\$145 million respectively.

### ASSOCIATED COMPANIES

#### The Hong Kong and China Gas Company Limited ("Hong Kong and China Gas") —

36.42% owned by your Group: Hong Kong and China Gas reported a slight increase in profit to approximately HK\$1.7 billion for the six months ended 30th June, 2002 as compared to the profit of the corresponding period in the previous financial year. The number of customers reached 1,436,984, representing an increase of approximately 5% over that of the previous year. With respect to the energy business of this group, investment in mainland gas projects in line with the environmental policy of the Mainland China has been a long term strategic priority for this group's core business development. In particular, this group has participated in environmentally-friendly energy projects, including the Guangdong Liquefied Natural Gas Receiving Terminal and Trunkline Project and the West-to-East gas pipeline project. During the first eight months of 2002, this group concluded sino-foreign joint venture projects in three mainland cities with a vast territory, large population and prosperous commercial and industrial activities, namely Zhuhai in Guangdong Province, Taizhou in Jiangsu Province and Zibo in Shandong Province, for the transmission of natural gas. Recently, this group had entered into a framework agreement with Nanjing General Gas Company to establish a sino-foreign city gas joint venture and the total investment for the project will be RMB1.2 billion.

This group strives to strengthen its environmentally-friendly energy businesses in Hong Kong by expanding its filling station services to meet the demand for liquefied petroleum gas from the existing 16,000 taxis and 200 light buses. ECO Stations' current market share is approximately 32% and the

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business of ECO Stations generates steady revenue for this group. On the property development front, besides participating in two large development projects - Two International Finance Centre of Airport Railway Hong Kong Station project and Sai Wan Ho Ferry Concourse project - which are presently under construction, this group agreed with Henderson Land Development Company Limited in August to co-operate in the development of Ma Tau Kok South Plant Site which will provide a total gross floor area of over 1.1 million sq.ft. and is expected to be completed in 2005.

### Hong Kong Ferry (Holdings) Company Limited ("Hong Kong Ferry") —

30.98% owned by your Group: The interim results of Hong Kong Ferry for the six months ended 30th June, 2002 recorded HK\$140 million in profit, representing a decrease of 45.8% from that in the same period last year. This group's profit from operations was mainly derived from the pre-sale of the residential units of Metro Harbour View. Subsequent to the successful pre-sale of Phase 1 of Metro Harbour View in late 2001, Phase 2 was launched in April this year. The accumulated total number of units sold was approximately 1,500. Phases 1 and 2 are expected to be completed by late 2002 and late 2003 respectively, which will eventually generate profit to this group. In addition, this group is negotiating with Government over the land premium in respect of the future redevelopment plans regarding 222 Tai Kok Tsui Road and 6 Cho Yuen Street, Yau Tong.

### Miramar Hotel and Investment Company, Limited ("Miramar") —

43.67% owned by your Group: For the year ended 31st March, 2002, Miramar reported a profit of HK\$257 million, representing a substantial increase of 38.6% when compared to that of the previous financial year, as this

group managed to improve the operating profitability through stringent cost control and pro-active marketing strategies, and successfully sold several plots of land in California, U.S.A. during the financial year. The occupancy rate and rental income from shopping and office properties remained steady for the financial year.

This group's hotel management business now manages a total of ten hotels and serviced apartments - five in Hong Kong, and five in the Mainland China. In facing the negative impact of the terrorist attack in the U.S., this group's flagship Hotel Miramar recorded a modest decline in its occupancy to 85%. It is expected that China's entry into World Trade Organisation and its hosting of Olympic Games 2008 will facilitate the growth of the tourism industry as well as the economic recovery of Hong Kong, which will benefit the overall business development of this group.

### HENDERSON CYBER LIMITED ("HENDERSON CYBER") —

66.67% owned by your Group: Henderson Cyber reported a turnover of HK\$67.5 million for the financial year ended 30th June, 2002, representing an increase of 1.4 times over that registered in the previous financial year as a result of the substantial increase shown in its retailing business. Other revenue, mainly represented by interest income from deposits and debt securities, was recorded at a much lower level as compared with that of the previous financial year due to the significant fall in interest rates during the year under review. With the great efforts of this group in controlling direct costs, the operating expenses of this group recorded for the year were similar to those registered in the previous financial year. The loss attributable to shareholders for the financial year ended 30th June, 2002 amounted to HK\$136 million, after

Miramar Shopping Centre, Tsimshatsui



Held by a 43.67%-owned listed associate of the Group, this 350,000 sq.ft. core investment property enjoys an average occupancy rate of 90%.

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Metro Harbour View,  
Tai Kok Tsui



One of the major property development projects undertaken by Hong Kong Ferry (Holdings), providing a total G.F.A. of approximately 1.95 million sq. ft., comprising 1.71 million sq. ft. in residential footage and 240,000 sq. ft. for commercial use. This site is in close proximity to the Prince Edward Station and Olympic Station of the MTR, as well as the future terminal of the Western Railway.

accounting for a HK\$71.3 million provision for impairment loss in respect of data centre and network facilities and IT investments as well as a write-off of inventories in the amount of HK\$11.3 million. In the long run, this group seeks to integrate its existing businesses and where feasible, to offer "one-stop shopping", while also exploring a range of partnerships and alliances with leading technology companies to accelerate access to technologies and further enhance the relationship with the large customer bases of Henderson Group and Hong Kong and China Gas.

### Prospects

Economic recovery in the United States has been taking place at a slow pace at a time of uncertainty in the Middle East. However, Mainland China was able to show steady sustained growth. Hong Kong, being right at the southern gateway of Mainland China, is able to benefit from its growth. There are abundant business opportunities to bring about the recovery of the local economy.

Stable income streams are generated from the Group's quality rental property portfolio, investment in infrastructural projects and contributions from listed associates, as well as the Group's diversified businesses in hotel and retailing operations and also in technology business. Your Group possesses abundant financial resources and will position itself well to invest in a prudent manner in suitable business opportunities that may arise for the expansion of the Group's business.

Since contributions to profit will continue to be generated from the Group's rental property portfolio and the Group's listed associates, it is anticipated that, in the absence of the unforeseen circumstances, the Group will show steady performance in the current financial year.

**Lee Shau Kee**  
Chairman

Hong Kong, 3rd October, 2002