

# Chairman's Statement



Mr. Peter T.C. Lee

We regard it of paramount importance that we keep a clear focus amidst the challenging environment. Our goal is to continue investing in areas which will enhance our asset value and underlying competitiveness. Our objective is asset management: we constantly ask ourselves how to put our properties to the highest and best use.

## RESULTS

The property investment sector, like the rest of the Hong Kong economy, experienced another challenging year in 2002. In this context, I am pleased to report that the overall occupancy levels throughout the Group's commercial property portfolio remained strong during the review year (office: 95%, retail: 96%).

Net profit for the year ended 31 December 2002 was HK\$543.9 million, 9.4% lower than in 2001 (HK\$600.3 million). The fall in gross rental income (2002: HK\$1,229.6 million; 2001: HK\$1,351.9 million) was largely attributable to negative rental reversions and the upgrading renovation works at the

Bamboo Grove residential property. If Bamboo Grove is excluded, the fall in gross rental income was 4.9%.

Earnings per share were HK52.66 cents, a decrease of 9.6% (HK58.26 cents for the same period in 2001).

The Group's investment property portfolio, as valued externally by independent professional valuers, was HK\$24,841 million as at 31 December 2002 (2001: HK\$26,639 million). Largely due to the net valuation deficit, shareholders' funds at 2002 year-end were HK\$19,087 million, compared to HK\$21,267 million in 2001. Net asset value per share (before final dividend) decreased by 10.5% to HK\$18.45.

Detailed commentary on our performance and assets valuation are set out in "Operating and Financial Review" on pages 4 to 10.

## DIVIDENDS

The Board recommends the payment of a final dividend of HK26.5 cents per share, which together with the interim dividend of HK10 cents per share, represents an aggregate distribution of HK36.5 cents per share, a decrease of 3.9% for the year. Subject to shareholder approval, the final dividend will be payable in cash with a scrip dividend alternative. Details on the payment of final dividend, including the scrip dividend arrangements, are set out in "Shareholder Information" on the inside back cover.

## A CHALLENGING YEAR

The past year remained a difficult one for the Hong Kong economy generally.

We regard it of paramount importance that we keep a clear focus amidst the challenging environment. Our goal is to continue investing in areas which will enhance our asset value and underlying competitiveness. As a property investment company, we look clearly beyond leasing as our key activity. Our objective is asset management: we constantly ask ourselves how to put our properties to the highest and best use. This involves developing a building, leasing, managing as well as servicing it; and most important of all, constantly reviewing and assessing it within its particular market segment, and following up with appropriate enhancement programmes including market repositioning and upgrades.

In addition to having achieved strong occupancy rates, we have further enhanced the asset value of our portfolio during the year. We completed the market repositioning of our Bamboo Grove residential property, which was well-received by the market. Upgrades have been completed for some of our other buildings.

We further improved our property service levels and our operating efficiency generally.

Our balance sheet remains strong with our maturity profile further strengthened.

Details of these initiatives and the progress we made in implementing our strategic principles, are further discussed in the "Operating and Financial Review" on pages 4 to 10.

## CORPORATE GOVERNANCE AND FINANCIAL TRANSPARENCY

A commitment to good corporate governance and financial transparency has always been a clear element of our management philosophy. I am pleased that our efforts in this area are being recognized, with our board having been elected Directors of the Year by the Hong Kong Institute of Directors. General progress we made in these areas are set out in the "Corporate Governance Statement" in this report.

## SOCIAL RESPONSIBILITY

Hysan is committed to playing its role as a responsible corporate citizen. Additional information on our policies in this area can be found in a separate section later in this report.

## DIRECTORS AND STAFF

Our Company owes much to its supportive Board of Directors and I would like to extend my thanks to them for their wise counsel. Dr. Victor K. K. Fung, having served on the board since 1998, gave notice that he would not stand for re-election as at the forthcoming annual general meeting to be held in May. The Board is greatly indebted to Dr. Fung for his invaluable guidance and contribution to the success of Hysan.

It is important that any organization which is facing a challenging environment has a combination

of experience and skills.

The Company has been further strengthened by the appointment of Michael T.H. Lee as Chief Operating Officer as from June 2002. My thanks go to our staff for their hard work and all they have achieved over the very challenging year, while extending my welcome to new executives who bring different skills and thinking to the Group.

## THE FUTURE

At the strategic level, our aim is to operate a property investment company of choice, capable of delivering attractive returns for investors.

Looking into 2003, works have commenced for a market repositioning of the retail podium of Caroline Centre. We are committed to further enhancing our portfolio value generally.

Of course, we are not immune from economic or financial pressure outside our control. Current global political and general economic uncertainties may continue to adversely impact the Hong Kong economy. Well-judged management decisions, implementation and risk management will thus be as important as ever. I am confident that we have, as demonstrated in the year under review, a clear focus as well as the financial and management capabilities to face these challenges.

**Peter T. C. Lee**

*Chairman and Managing Director*  
Hong Kong, 11 March 2003