



Chairman's Statement

I have pleasure in presenting to the shareholders my report on the operations of the Group for the year.

BUSINESS RESULT

The Group's consolidated profit after taxation for the year ended 31 December 2002 amounted to HK\$358.4 million, representing an increase of 27% from the consolidated profit after taxation of HK\$281.9 million in 2001. The profit per share was HK\$1.01 for the year as compared to HK\$0.79 in the previous year.

DIVIDENDS

The Board of Directors recommended a final dividend of 20 cents per share. This dividend, together with the interim dividend of 8 cents per share already paid, will make a total distribution of 28 cents for the full year.

BUSINESS REVIEW

The Group's profit from operations for the year was mainly derived from the pre-sale of residential units of Metro Harbour View, the redevelopment at 8 Fuk Lee Street, Tai Kok Tsui, Kowloon (formerly named 201 Tai Kok Tsui Road).



Property Development and Investment Operations

8 Fuk Lee Street ("Metro Harbour View")

During the year, the Group recorded an operating profit of HK\$426 million from the pre-sale of residential units of Metro Harbour View based on the stage of completion of the development. Phase I of the development has been completed while Phase II is in satisfactory progress. About 730 residential units and 190 car park spaces were sold during the year, making up to an accumulated total residential units sold of approximately 1,600. The softened residential property market has rendered the sales of residential units in the second half of the year below forecast.

Chairman's Statement (Continued)

222 Tai Kok Tsui Road

The site is at present vacant and ready for development. Construction will begin if an agreement can be reached over the land premium with the Government.

6 Cho Yuen Street, Yau Tong

The average occupancy of the Kingsford Industrial Centre is still maintained at above 80%. Since the opening of the MTR Tseung Kwan O Line in August 2002, the industrial property market in Yau Tong area has gone steady. But due to the weakened market rental for industrial property, rental income for the year was decreased by 20% to HK\$8.2 million when compared with last year.

The Group is negotiating with the Government over the land premium for the change in land use to residential/commercial use.

Ferry, Shipyard and Related Operations

Taken into account an impairment loss of HK\$62.1 million on the shipyard assets, the operating loss of the Ferry, Shipyard and Related Operations for the year amounted to HK\$68.4 million against a profit of HK\$12.9 million in last year, which previously included a surplus from the termination of the retirement schemes. The Ferry, Shipyard and Related Operations recorded a decrease in total turnover of 12% in comparison with last year.

Travel and Hotel Operations

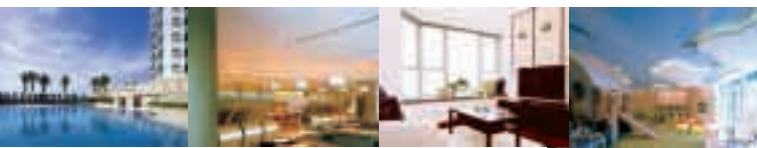
Owing to the weak consumer market, the Travel and Hotel Operations recorded a minor decrease in turnover of 2% in comparison with last year. In addition, the gross margin of the hotel package and the ship ticketing businesses shrank. As a result, the profit from operation of the Travel and Hotel Operations dropped to HK\$3.8 million, representing a decrease of 22% from HK\$4.9 million in last year.

PROSPECTS

It is likely become clear in the near future whether there will be war or reconciliation in the Middle East. If the United States were to embark on a war with Iraq, oil price may fluctuate more violently. Pending the outcome of the war, capital investments in general will be delayed and consumers around the world will be more cautious in spending, casting a shadow over the global economy.

In Hong Kong, despite the sluggish consumer market and the high unemployment rate, the economy is undergoing a restructuring. Hong Kong is moving towards an economic integration with the Pearl River Delta. With the benefits of low interest rate and high economic growth in the mainland, the outlook on the local economy will improve.





Chairman's Statement (Continued)

The Government in last November announced a set of new housing policies, acknowledging that the property sector, closely interwoven with every single aspect of life, has been a major pillar of the economy, and together with the construction industry, accounted for 14% of the Gross Domestic Product. With a view to restore the public's confidence in the property market, the government introduced nine measures, namely, the suspension of all scheduled land auctions, the coordination of railway-related property developments, the formulation of a Public Rental Housing construction programme, the cessation of sale of flats under the Home Ownership Scheme, the review of the Home Assistance Loan Scheme, the suspension of the Flat for Sale Scheme, the termination of the Tenants Purchase Scheme, the revision of tenancy control legislation, and the removal of anti-speculation measures. The above measures will result in a decrease in supply and an increase in demand and will have a favourable impact on the property market in the medium to long term. In addition, the newly announced investor immigration program for investors of HK\$6.5 million, the policy to attract professionals from the mainland and overseas, and the new measures to facilitate travel of businessmen between Hong Kong and China all help to stimulate the demand for

property and hotel accommodation. These favourable factors will gradually be reflected in the property prices in Hong Kong.

The sale of the residential units of Metro Harbour View will continue to be the major source of income for the Group. In addition, the completion of the arcade of the Metro Harbour View, "Metro Harbour Plaza", later this year will enhance the recurrent income base of the Group in the coming years.

ACKNOWLEDGEMENT

On behalf of the shareholders and the Board, I would like to take this opportunity to express appreciation to all our staff for their dedication and hard work during the past year.

Colin K. Y. Lam
Chairman

Hong Kong, 14 March 2003

