

The year 2002 was a disappointing year for almost all who had connections with the property market. Unfortunately the problems that we were presented with were completely outside our control so that considerable hard work and much expertise displayed by our competent staff were of no avail. Like many groups which have major interests in property, we have been adversely affected by the drop in property selling prices, rental rates, and most important of all, the valuation of the property portfolio held by Allied Properties (H.K.) Limited ("Allied Properties") and its subsidiaries at the financial year end, which has caused further impairment losses and revaluation deficits.

The Group's financial services operations, however, provided very welcome profitable contributions to the results for the year.

FINANCIAL RESULTS

For the year ended 31st December, 2002, the loss attributable to shareholders was HK\$145 million, a decrease of 240% compared to the corresponding profit in the previous year of HK\$103 million. This result was attributable mainly to the impairment losses and deficits, which are non-cash in nature, arising from the revaluation of Hong Kong properties held by Allied Properties and its subsidiaries of HK\$562 million (2001: HK\$332 million).

It should be noted that, if these impairment losses and revaluation deficits had not arisen in 2002, the Group's results for the year would have been a profit attributable to shareholders of HK\$269 million.

DIVIDEND

The Directors do not recommend the payment of a final dividend (2001: Nil) for the year 2002. However, it should be noted that the Group took advantage of the relatively low share prices compared to the net asset value of Allied Properties' shares during the year and increased its shareholding in Allied Properties from 68% to 74%.

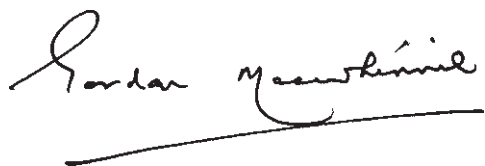
The Annual General Meeting will be held on 11th June, 2003, and there will be no closure of the Register of Members of the Company as no final dividend is being paid.

FUTURE PROSPECTS

The Review of Operations by the Chief Executive which follows this statement includes the Group's outlook for the future.

APPRECIATION

I would like to thank my fellow Directors and the staff for their diligence, dedication and support in the past year, which has been most commendable.



Sir Gordon Macwhinnie

Chairman

Hong Kong, 10th April, 2003