

## CHAIRMAN'S STATEMENT

2002 saw a gradual recovery of the local hotel market while the property rental market remained adversely affected by the economic downturn. The Group achieved a total turnover of HK\$335.2 million in 2002, representing a decrease of 17% from the previous year. Group profit after taxation for the year ended 31st December, 2002 amounted to HK\$16.2 million against a loss of HK\$113.1 million for 2001. Earnings per share were HK\$0.05, against a loss of HK\$0.36 per share last year.

### Hotel Operations

Tourist arrivals to Hong Kong increased in 2002 by 21% compared to the previous year following a continuous surge of visitors from Mainland China. Under intensely competitive market conditions, The Marco Polo Hongkong Hotel recorded a mild increase both in occupancy and average room rate in 2002 over the previous year. Its food and beverage operations had also been adversely affected by its renovation project.

### Commercial Property

The Group's commercial space in The Marco Polo Hongkong Hotel reported a decrease in rental income. Average occupancies were affected by the remodelling and upgrading of the retail podium which is scheduled for completion in March 2003. The Group concluded with Lane Crawford a long-term lease, which is effective from 2nd January, 2003, in respect of a retail area of 57,000 square feet.

### Property Projects in Hong Kong

Following recent Government rezoning, lease modification of this property situated at Kennedy Town into a residential project is under application. A provision of HK\$43.3 million for impairment in the value of this project has been made in the Group accounts for the year ended 31st December, 2002.

For the development of Sorrento (Kowloon Station Package II development), in which the Group has a 20% interest, phase pre-sale has progressed satisfactorily. The Group's share of its losses (including a provision for the impairment in the value of this project) amounted to HK\$103.8 million for the year under review.

### Investments

Steady income from the Group's investment portfolio comprising blue chip stocks for the year was reported.



## CHAIRMAN'S STATEMENT (Cont'd)

### Prospects

The tourism industry in Hong Kong in 2003 will certainly be affected by the recent outbreak of atypical pneumonia and the war in Iraq. While the full impact of these events remain to be seen, the hotel manager will continue its flexible pricing policy to maximise the Group hotel's room yield.

Rental revenues are anticipated to return to a steady level after completion of the retail podium upgrade project.

**Gonzaga W. J. Li**

*Chairman*

Hong Kong, 20th March, 2003

