

# Chairman's Statement

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On behalf of the Board of Directors, I am pleased to present the Annual Report of the Company and the Group for the year ended 31st December, 2002.

## FINANCIAL RESULTS

The Group achieved a pre-tax profit of HK\$22,519,000 for the financial year ended 31st December, 2002 (2001: loss of HK\$106,171,000 after providing for impairment of assets and revaluation deficit of investment properties totalling HK\$123,194,000). The consolidated net profit attributable to shareholders for 2002 amounted to HK\$2,093,000 (2001: loss of HK\$125,234,000).

## DIVIDEND

The Directors do not recommend the payment of a dividend for the financial year ended 31st December, 2002 (2001:Nil).

## REVIEW OF OPERATIONS

### Travel and Tourism Division

website: [www.morningstar.com.hk](http://www.morningstar.com.hk)

The economy of Hong Kong SAR rose from 0.6% in year 2001 to 2.3% in year 2002, with the main impetus coming from growth in exports of goods and services. However, local consumption and investment remained weak as deflation persisted. The consolidation of the property market resulted in substantial decreases in revenues generated directly and indirectly from real estate activities. The Hong Kong economy also faced considerable challenges arising from economic restructuring adjustments. As such, 2002 was a very challenging year for the Group's Travel and Tourism Division.



A roadshow held at Tuen Mun Town Plaza



MST's booth at Japanfest 2002

Morning Star Travel ("MST") continued to enhance its customer services during the year and improved its high quality outbound tour packages. As a result, there was no discernible decline in

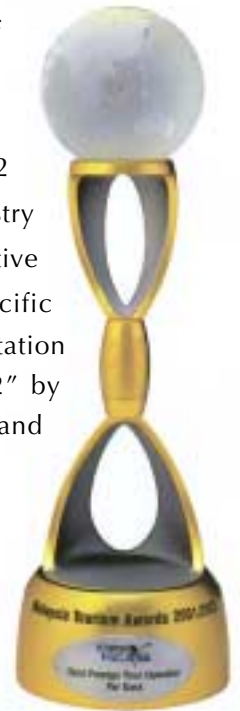


A promotion held at Plaza Hollywood

the number of customers who booked tours with MST despite the deflationary environment. With increased gross profit margin and stringent control of operating expenses, the Travel and Tourism Division achieved a marginal improvement in operating profit of HK\$4,455,000 for year 2002 (2001: HK\$4,341,000).

MST was awarded the Malaysia Tourism Awards 2001/2002 as the “Best Foreign Tour Operator — Far East” by the Ministry of Culture, Arts and Tourism of Malaysia for a second consecutive year. In addition, MST also won the “2002 Top Agent Award” by Cathay Pacific Airways, “Golden Performance Award 2001/2002” by Malaysia Airlines, “Citation of Excellence In Recognition of Valuable Support and Contribution 2002” by Korean Air, “Outstanding Agent Award 2001/2002” by Singapore Airlines and “Star Pisces Best Performing Agent Award 2002” by Star Cruises.

Beijing Morning Star – New Ark International Travel Service Co., Ltd. (“MST (Beijing)”), the Group’s 49% owned joint venture company in Beijing, the People’s Republic of China (“PRC”) which focusses on international and domestic inbound travels, achieved a turnaround in 2002 with a modest profit.



The award of “Best Foreign Tour Operator - Far East”

### Property Division

website: [www.morningstarvilla.com](http://www.morningstarvilla.com)

During the year, the construction of Part III (160 units) of Phase VII Canale DiVenezia of Morning Star Villa (“MSV”) in Zhongshan, PRC was completed. Delivery of the units sold took place in April 2002. To-date, 96% of the units built under Phases I to VII of MSV had been sold. In view of the difficult economic conditions in Hong Kong SAR and an apparent oversupply of properties in Zhongshan during the year, the Group decided to postpone the launch of Phase VIII Firenze and the construction of the Western site of Morning Star Plaza (“MSP”) to the first half of 2003. Turnover for the Property Division was thus lower.



Phase IV of MSV, Zhongshan

Phase V of MSV, Zhongshan

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The Property Division achieved a satisfactory net profit of HK\$24,413,000 for the financial year ended 31st December, 2002 (2001: HK\$40,630,000) before minority interests and tax.

The launch of pre-sale of Part I (211 units) of Phase VIII Firenze of MSV took place in February 2003. The response so far is encouraging. The launch of pre-sale of Parts I and II of the Western site of MSP, comprising of a 12-storey tower, a 9-storey tower and three 7-storey towers of commercial and residential units, is scheduled during the second quarter of 2003.



*Phase VII of MSV, Zhongshan*



*Eastern site of MSP, Zhongshan*



*Phase II of MSV, Zhongshan*



*Phase V of MSV, Zhongshan*

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## Hotel Division



*Plaza on Hyde Park Hotel,  
London*

The recently refurbished Corus Grosvenor hotel in Adelaide, Australia, recorded better operating results for 2002. As a result, Morning Star Holdings (Australia) Limited registered an unaudited consolidated profit after tax of A\$109,000 (approximately HK\$483,000) for the year ended 31st December, 2002 as compared to a loss of A\$1,376,000 (approximately HK\$5,516,000) in 2001.

The Plaza on Hyde Park Limited, which owns the 401-room Plaza on Hyde Park Hotel in London and in which the Group has a 40% interest, posted a profit before tax of GBP1,045,000 (approximately HK\$13,070,000). The Group has equity accounted for its profit before tax amounting to HK\$4,965,000 for 2002.



*Corus Grosvenor hotel,  
Adelaide*

## Financial Services Division

For the year ended 31st December, 2002, Morning Star Financial Services Limited, in which the Group has a 78.35% interest, recorded an audited consolidated net profit after tax of HK\$2,734,000 as compared to a profit of HK\$305,000 in 2001. The principal activity of the Financial Services Division is securities broking. The Division continues to tightly manage its operating expenses and that has also contributed to the improvement in the trading results.

## OUTLOOK

Hong Kong's economy continues to be affected in a mixed effect by external political and economic factors. While mainland China's economic growth continues unabated, the EU and US economies seem uncertain in the wake of the Iraq war. The Hong Kong Government has forecast an economic growth rate of 1% in nominal terms for the whole of 2003. The year 2003 will be an extremely challenging year for the Group's businesses. However, the Group will continue to seek new opportunities for growth in its core activities and will at the same time keep a strong rein on its operational expenses.

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## **ACKNOWLEDGMENT**

On behalf of the Board, I would like to thank the management and staff for their dedication and commitment. To our valued customers and shareholders, I would like to express our sincere appreciation for the continued support.

**TAN SRI DR. KHOO KAY PENG**

*Chairman*

Hong Kong, 26th March, 2003