

## Letter to Shareholders

*“It is always darkest just before the day dawns.” — Thomas Fuller, 1650*  
*“But let the day dawn, for goodness sake!” — Tan Boon Seng, 2003*

To the Shareholders of Lee Hing Development Limited:

First, the bad news. For the past fiscal year 2002, we are reporting a loss of HK\$239 million because of a \$20.6 million finance cost and a \$215 million write-down on the following investments:

	(HK\$ Million)
Amanresorts	140
Novotel Century Harbourview Hotel	63
Renaissance Riverside Hotel Saigon in Ho Chi Minh City	5
Key Finance Limited	7
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Total	215
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Our 27.5% stake in the Novotel Century Harbourview Hotel dates from 1995 when we took a 50% stake in the privatization of Hsin Chong International Holdings Limited. Key Finance Limited was the vehicle used for the privatization exercise.

Unfortunately, 2002 was another year of asset deflation for Hong Kong and our local assets were adversely affected.

### **Good news: relatively**

Now for some good news: relatively.

At the end of 2002 the book value of Lee Hing shares was HK\$3.57, which was down 9.2% from the close of 2001. By comparison, the Hang Seng Index was down 18.2%.

Over the past 15 years (i.e., during the stewardship of current management), the book value of each Lee Hing share has increased from HK\$3.01 to HK\$8.95, after adjusting for the rights and bonus issues in 1987 and including all dividends paid. This increase represents an average annual growth rate of 7.54% compounded. I regret to say that this figure is still below the growth rate of 8.97% achieved by the Hang Seng Index.

### **Amanresorts**

Since 2000, many unfortunate events have happened. The World Trade Centre tragedy on 11 September 2001 and the Bali bomb last year on 12 October 2002 go beyond the ordinary risks involved in the hospitality industry. When the bombs exploded, tourism imploded. Amanresorts was not exempt from the reluctance of travelers to journey far from home. The uncertainties in Iraq have not helped. The hospitality industry around Asia has been further damaged by the outbreak of the SARS virus.

## Letter to Shareholders (Cont'd)

No one can say when the current fear of flying will abate, but our view is that the world will adapt to uncertainty and terrorist threats. Quite simply, life goes on. The SARS virus will likely be mastered sometime in the near future. With the return of typically normal, tough and challenging business times and with the opening of more Aman hotels, I am convinced that our Amanresorts holdings will be worth a lot of money. In short, a big winner.

### Sources of reported losses

The following table shows the main sources of our operating profits (losses):

	2002 (HK\$ Million)	2001 (HK\$ Million)
Operating profit (loss):		
Rental income	3.0	3.0
Dividend income	10.6	9.4
Interest income	2.3	2.9
Others	0.2	3.5
	<u>16.1</u>	<u>18.8</u>
Corporate expenses — finance costs	( 20.6)	( 29.6)
— others	( 13.6)	( 14.1)
	<u>( 18.1)</u>	<u>( 24.9)</u>
Operating loss	( 18.1)	( 24.9)
Profit on sales of listed shares	15.8	12.1
Loss on sale of property	( 0.9)	—
(Loss) profit on sales of unlisted investments	( 0.3)	10.9
Net provision for impairment in value of long-term investments and associates	( 21.5)	( 164.8)
Unrealised loss on unconsolidated subsidiary	( 140.0)	( 20.0)
Unrealised gain on investments held for trading purposes	1.5	2.0
	<u>( 163.5)</u>	<u>( 184.7)</u>

## Letter to Shareholders (Cont'd)

### Listed shares

Below we present our holdings in listed shares with a market value of more than HK\$30 million as at 31 December 2002:

	Original investment cost (HK\$ Million)	Market value (HK\$ Million)
Malaysia		
Gold IS Berhad	165.8	84.1
IGB Corp. Berhad	125.2	60.2
Resorts World Berhad	189.2	440.4
Padiberas Nasional Berhad	70.8	64.8
	<u>551.0</u>	<u>649.5</u>

We appear not to own any listed shares in Hong Kong only because the year-end values of our Hong Kong listed holdings are all still below HK\$30 million. Smaller property share prices are still depressed in 2002.

### Going forward

In coming years, we will devote our energy and resources to reducing our bank debt. Our future profit stream from Amanresorts and some of our Malaysian investments is potentially a torrent, but it will be a “lumpy” torrent because we will not be selling these shares until market conditions are right. Shareholders will thereby gain maximum benefit from the growth in our excellent underlying businesses. While waiting for these eggs to hatch or the day to dawn, we will try to be more active in share buy-backs, cash flow permitting.

### Conclusion

The informal reporting approach is an attempt to provide a deeper analysis and better understanding of our business. Indeed, I have tried to give you the information that I myself would like to receive as a shareholder.

On behalf of the Board, I thank the management and all staff members for their efforts and contributions during the difficult past year.

Tan Boon Seng  
Chairman

Hong Kong, 28 April 2003