



PROFIT AND DIVIDEND

I am pleased to present to the shareholders the operating results of our Group.

Our Group's audited profit attributable to shareholders for the financial year ended 31 March 2003 ("the year") amounted to HK\$233.82 million, a decrease of 9% when compared to that of the previous year. The Board of Directors proposed that the final dividend of HK\$0.20 be paid on each share. If the recommendation is approved, the total dividend for the year including the interim dividend of HK\$0.13 per share will amount to HK\$0.33 per share.

BUSINESS OVERVIEW

The Hong Kong economy continued its downturn during the year, further aggravates the local business environment. Consumer spending sentiment continued to be weak with rising unemployment. Fuelled with the negative global impact from the U.S. Iraqi war, the SARS outbreak and the "911 incident" in the U.S., the Group recorded a slight drop in operating result.

PROPERTY BUSINESS

The rental income of Miramar Shopping Centre was comparable to that of last year and the occupancy rate maintained at a level of 90%. The occupancy rate of Miramar Tower maintained at 85% with a modest drop in rental income. The leasing of Miramar Hotel Shopping Arcade was stable and the occupancy rate reached 97%. The rental income of No.6 Knutsford Terrace declined slightly. The renovation work to convert the cinema in Miramar Shopping Centre, namely "Knutsford Steps" is scheduled to complete this year. "Knutsford Steps" will become a new dining and entertainment hub in Tsimshatsui. Meanwhile, the pre-leasing response has been encouraging. It is expected that "Knutsford Steps" will help to improve rental income for the Group.

Leasing of Shang-Mira Garden in Shanghai was satisfactory while some of the office units were sold during the year.

With respect to the Group's property at Placer County, California, U.S.A., approximately 300 acres of residential land, 20 acres of commercial land and the entire golf course with its clubhouse were successfully sold during the year. The total area sold was less than that of last year and a moderate loss was recorded due to an increase in the estimated total project development cost. The cash inflow of around

HK\$200 million generated from the sales was applied to the repayment of loans. In addition, a sale and purchase agreement on approximately 298 acres of developable land between the Group and the undersigned was reached on 3 June 2003. The transaction will bring about HK\$170 million of cash inflow to the Group. Details of the transaction were announced in the newspapers on 5 June 2003 as well as in this year's annual report.

HOTEL BUSINESS

Further to the uplift of quota for mainland tourists to visit Hong Kong, the number of mainland travellers continued to rise. The Group's sales offices in Shanghai and Beijing had taken proactive sales and promotion efforts in developing the China market. The average occupancy of Hotel Miramar maintained at a level of 87%, an increase of 2% as compared to that of last year. Room rates were also improved. In order to cope with the changing consumer spending patterns, the food and beverage operations of the Hotel had to offer various discounts and special packages. Coupled with the decrease in number of functions and wedding banquets, the operating result of the Hotel suffered slightly.

As for hotel management business, the Group will continue to explore new markets, develop new customer base and deploy flexible operating strategies for the managed hotels in order to cope with the competitive market conditions.

In China, Nan Hai Hotel in Shekou, in which the Group holds 25% of the ownership, registered a drop in operating performance. This is primarily due to new hotels offering fierce competition in the area, while Nan Hai Hotel itself is rather dated without major refurbishment for many years. With agreement recently reached by all owners of the Hotel, a large-scale renovation is scheduled for the coming year. This will help to build up profit growth in the future.

FOOD AND BEVERAGE OPERATIONS

The turnover of the Group's food and beverage operations in Hong Kong declined with the effect from fierce competition and adverse market conditions. To cope with the changing market demand, outlets had offered various promotional discounts in order to attract more customers, resulting in lower profit margins. In China, the Group's food and beverage business recorded a mild drop. The Group will continue to fine-tune operating strategies for meeting market trends and attracting new customers.

TRAVEL OPERATIONS

The performance of the Group's travel operations was inevitably affected by the continuing economic recession. However, the business of cruise travel, air-hotel packages as well as airlines ticketing sales registered moderate increases. Besides exploring domestic destination opportunities, the Group is taking proactive efforts to develop other potential markets to be better prepared for the coming economic recovery.

PROSPECT

Hong Kong has been taken off from the list of affected areas of SARS. The operating environment will gradually revive. Although Group businesses were severely hit by the SARS epidemic in April and May of this year, the Group has embarked on major cost reduction measures as well as taken proactive tactics to improve business volume. It is anticipated that the Group's core businesses will gradually recover. The Board of Directors is confident that barring any unforeseen circumstances, operating result of the Group in the coming year will only be affected by a modest magnitude.

DIRECTORS

Mr Robert Yue resigned as Director of the Company on 13 August 2002. He has been a director of the Company during the period from 1966 to 2002. The Board wishes to express its gratitude to Mr Yue for his valuable contribution to our Group.

GRATITUDE

I would like to express my sincere gratitude to the Directors and all the staff for their hard work and contributions in the past year.

LEE SHAU KEE

Chairman

Hong Kong, 25 June 2003