

Chairman's Statement

Financial Results

The audited group loss attributable to shareholders for the year ended 31st March 2003 amounted to HK\$293.8 million, as compared with a profit of HK\$76.7 million last year. The loss is mainly due to a provision of HK\$361.5 million as a result of the continued weakness in the property market and economy here in Hong Kong. In view of the loss, the Directors do not recommend the payment of a final dividend.

The shareholders should be reminded that even after the loss for the past year, the group has retained earnings of over HK\$2,636 million and shareholders' funds of over HK\$4,092 million as at 31st March 2003. The net asset value is HK\$6.6 per share.

Property Development

Your group has purchased San Clemente Technology Park II in California during the year. Construction work for the site is at a preliminary stage. Foundation work at the Chung Hum Kok luxury residential project (Rural Building Lot No. 1164) is progressing. Superstructure work for the project is expected to take place around mid-August this year.

Hotel

Major renovation work of the hotel rooms at Sheraton-Hong Kong Hotel, in which your group has a 35% interest, has completed. However, due to the SARS crisis, occupancy rates had dropped to historical low levels. It is expected that occupancy rates would not return to more normal levels before the end of 2003.

High-tech Investments

We have not committed any new high-tech investments during the year. As the US economy is showing signs of recovery, it is expected that our investments will generate satisfactory return to the shareholders over the next few years.

Prospects

The Hong Kong economy is suffering from deflation and anaemic economic growth. The SARS crisis is making a recovery even more distant. Your group is expecting that the current economic situation will last a few more years before a genuine recovery can take place. Our strategy for the past few years was based upon this economic scenario; it will continue to be so for the foreseeable future.

Your group's low gearing and conservative policies will help us emerge from the current economic downturn a much stronger company than many of our competitors.

Finally, I would like to thank all staff for their loyal support and hard work.

David P. Chan

Chairman

Hong Kong, 26th June 2003