Chairman's Statement

RESULTS

The Group reported a loss attributable to Shareholders of HK$781.8 million for the year ended 31 March 2003. Loss per share was 37.8 cents. Turnover for the year amounted to HK$1,999.0 million.

An interim dividend of 2.0 cents per share was paid by the Company in January 2003 in respect of the year ended 31 March 2003. Your Directors have recommended the payment of a final dividend of 5.0 cents per share, subject to the Shareholders' approval at the forthcoming Annual General Meeting. The total dividend distribution for the year will be 7.0 cents per share.

The Group's investment properties were revalued as at 31 March 2003 and the Group's investments in securities were also stated at fair value. The consolidated net asset value per share of the Company as at 31 March 2003 was HK$4.69 compared to HK$5.55 for the preceding year.

BUSINESS REVIEW & PROSPECTS

The past financial year proved to be another remarkably challenging year. Property value dropped. Both Group net profit and shareholders' capital were adversely affected by the downward revaluation of property, reflecting market reality. Even though several fragmented signs of economic recovery, such as the improved property sales recorded in Hong Kong shortly after the launch of the HKSAR Government's property stimulus package and China's accelerating exports growth, were witnessed in the second half of the financial year, both the Middle East military conflict and the SARS outbreak have nevertheless caused an unquantifiable disruption to such developments.

PROPERTY ACTIVITIES

Company's own interests

Sorrento is an MTRC joint-venture project above the Kowloon Station, equally owned by a five-member consortium comprising New Asia Realty, Wheelock, Realty Development Corporation (now a wholly-owned subsidiary of the Group), Wharf and Harbour Centre Development. During the financial year under review, Phase II units were launched in November 2002 for pre-sale. As at the end of March 2003, cumulative sales recorded for Phase I and Phase II reached 1,050 and 300 units respectively, realising sales proceeds of about HK$4.78 billion and HK$2.04 billion, respectively.

Each of the five stakeholders has contributed financial capital and funding on a *pro rata* basis to the project company which holds Sorrento. The total area of the development is 2.5 million square feet, comprising 2,126 units in two phases. Phase I consisting of 1,272 units was completed in October 2002, one year ahead of the expected completion of Phase II which covers the remaining 854 units.

Bellagio, in Sham Tseng on the western shore of the New Territories, is a joint-venture development equally owned by New Asia Realty, Wheelock and Wharf. During the financial year under review, both Phases I and II were launched in September 2002 for pre-sale. As at the end of March 2003, cumulative sales for Phases I and II reached 1,290 units, realising sales proceeds of about HK$2.95 billion.

The three stakeholders contributed financial capital and funding on a *pro rata* basis to the project company which holds Bellagio. With a total area of 3.1 million square feet, once completed it will provide altogether 3,354 units in four phases. Phase I and Phase II, consisting of 1,704 units in total, were completed in May and August 2002 respectively. Construction works for Phases III and IV which cover the remaining 1,650 units commenced only recently in March 2003.

The King's Park development is owned by a five-member consortium comprising Realty Development Corporation, New World Development, Sino Land, Chinese Estates and Manhattan Garments. This residential site located in Homantin is being developed into eight towers consisting of 700 units with a total GFA of 904,200 square feet. Superstructure construction is now in progress. Having obtained the pre-sale consent for Phase I covering 273 units, pre-sale is now targeted to take place during mid-2003.

Marco Polo Developments group (75% owned)

Wheelock Place, a commercial building with 464,900 square feet in GFA on Orchard Road in Singapore, is currently 97 per cent leased at satisfactory rental rates.

As at the end of the financial year under review, all 330 apartments in Ardmore Park had been sold and sales proceeds thereof have been fully billed and collected. Since the soft-launch of Grange Residences in September 2002, eleven apartments have been sold on a deferred payment scheme. Ardmore View is currently 93 per cent leased at satisfactory rental rates.

CORPORATE REORGANISATION

As part of the Group's ongoing efforts in streamlining the overall structure, a proposed privatisation scheme for Realty Development Corporation Limited ("RDC") was put forward by the Group on 13 December 2002 and such proposed exercise was subsequently approved by shareholders of RDC. The proposed price for the scheme was HK$3.20 per RDC share, totalling HK$1,016.1 million for the 27.58 per cent interest in RDC acquired by the Group. As a result, RDC's listing status was withdrawn on 19 March 2003 and the company thereafter became a wholly-owned subsidiary of the Group.

BOARD

I would like to welcome with pleasure Messrs. J. M. K. Chow and G. S. Yee on their joining as new members of our Board. Subsequent to the financial year end, Mr. C. L. Pan has decided not to stand for re-election at the forthcoming Annual General Meeting. In addition, Mr. C. C. Haung has also resigned as a Director of the Company, effective from the conclusion of the forthcoming Annual General Meeting.

OUTLOOK

Hong Kong's immediate hinterland, the Pearl River Delta, is growing steadily; with the highest GDP per capita, its GDP growth rate is also the highest in the Mainland. China's WTO entry also means opportunities for Hong Kong. However, Hong Kong continues to experience economic rationalization and adjustment.

With its sizeable landbank, mainly represented by its 40 per cent interest in Sorrento, 33-1/3 per cent interest in Bellagio and 20 per cent interest in the King's Park development, the Group is well-placed to take advantage of the gradual recovery of the economy in Hong Kong.

The continuing deflationary environment means that the real cost of borrowing is high despite today's all-time low nominal interest rates. The Group will seek to optimize its assets and dispose of non-core assets whenever possible.

Gonzaga W. J. Li
Chairman

Hong Kong, 10 June 2003