

Chairman's Statement

I am pleased to present the annual report of the Group for the year ended 31st March 2003 to the shareholders.

RESULTS AND APPROPRIATIONS

Turnover for the year amounts to HK\$1,057 million against HK\$839 million of last year. Mainly due to various property provisions, the Group recorded loss attributable to shareholders for the year of HK\$283 million (2002: HK\$481 million loss). The Board of Directors does not recommend the payment of a dividend.

BUSINESS REVIEW

Properties sales and development

During the year under review, the increase of turnover mainly came from the sales of Oakridge, a residential development at Shaueiwan, which has been completed in March 2003. The building has 155 residential units or 100,279 sq.ft. and generates a total proceeds of HK\$425 million, of which 78% was recognised in this financial year. Royalton II, a luxury residential development at Pokfulam, was over 70% sold. The joint venture development, Bijou Apartments at Prince Edward Road, was close to completion. Sales of this residential and commercial building is still ongoing.

In the coming months, two luxurious residential developments will be offered for sales. These two joint venture developments are located at Repulse Bay and Shiu Fai Terrace. The sales proceeds attributable to the Group are approximately HK\$700 million.

The residential development at Yau Tong is at foundation stage, while the foundation work of another residential development at Aberdeen has been completed. Negotiation of land premium for these two projects continues. Lease modification of several pieces of land along the Western Railway are in progress.



Oakridge at Yiu Hing Road, Shaueiwan

Provisions totaling HK\$274 million were made on several properties, including the commercial buildings at Marble Road and Wing Hing Street, the joint venture development of Shiu Fai Terrace and land banks at Sai Kung and Yuen Long.

Leasing

The rental income from Asia Standard Tower and Asia Orient Tower are stable. The increase in rental income from the commercial building at Wing Hing Street arising from higher occupancy was offset by the drop from the commercial building at Marble Road due to disposal of some retail area.

Hotel

The hotel business has recovered from the 9-11 events, benefited from the increase of tourists from Mainland China. Room rate and occupancy of Empire Hotel Hong Kong slightly increased. The new Empire Hotel

Kowloon entered its first full year operation. The occupancy rates of both hotels achieved 84% at this financial year end. The revenue from Empire Landmark Hotel and travel business decreased by 12% and 7% respectively due to weak economy and war in Iraq. The outbreak of SARS has hit the economy on many fronts particularly the inbound tourism. Its impact was not only on hotel and airline business but also the food and beverage business. With the WHO's travel warning lifted in May, the tourism is gradually recovering.



Grosvenor Place, Repulse Bay



The Kingston, No 8 Shiu Fai Terrace

FINANCIAL REVIEW

As at 31st March 2003, the Group's total assets stood at HK\$7.3 billion (2002: HK\$8.5 billion) while net assets amounted to HK\$3.4 billion (2002: HK\$4.1 billion). The net borrowing was HK\$2.8 billion (2002: HK\$3.0 billion) of which HK\$1.3 billion (2002: HK\$1.2 billion) was belonged to the separately listed hotel group. Net debt to equity ratio (including minority interests) was 68% (2002: 62%). Except the borrowing of Vancouver Landmark Hotel is denominated in Canadian dollar, all others are in Hong Kong dollar. As a result, the exchange rate risk is minimal. Over 86% of total borrowings were repayable after one year. As at 31st March 2003, assets with an aggregated net book value of HK\$5,914 million (2002: HK\$6,220 million) were pledged to secure banking facilities of the Group. The guarantees provided to financial institutions for jointly controlled entities, associated companies and third parties was HK\$482 million (2002: HK\$416 million).

EMPLOYEES AND REMUNERATION POLICIES

As at 31st March 2003, the Group has employed 400 employees and over 90% are working for hotel subgroup. The remuneration packages including basic salary, annual bonus, retirement and other benefit are commensurate with their job nature and experience level. There was no share options granted during the year.

FUTURE PROSPECTS

Hong Kong property market is suffering from oversupply, with demand dampened by the weak economy. Government has taken various strategic measures to reduce the supply, such as freezing land sales and abandonment of the Home Ownership Scheme. Although the situation has been aggravated by the SARS outbreak, we believe that the historical low interest rate environment coupled with a revival of the local economy supported by the growing economy of Mainland China, the property market will gradually improve. Our Group is looking forward to every opportunity to such improvement when it arises.

Fung Siu To, Clement

Chairman

Hong Kong, 22nd July 2003



*Left - Bijou Court,
Right - Bijou Apartments at Prince Edward Road*