

On behalf of the board of directors (the "Board"), I have pleasure in presenting the 2001 annual report of the Company and its subsidiaries (the "Group").

## RESULTS

During the year, the Group's turnover was approximately HK\$114.9 million when compared to last year's figure of approximately HK\$69.7 million. The increase was mainly attributable to sale of properties in both Hong Kong and the People's Republic of China (the "PRC").

The Group reported a net loss of HK\$394 million in 2001 compared to a net loss of HK\$583 million in 2000. The loss incurred was mainly attributable to the provision for impairment and revaluation losses on properties which were acquired in previous years. The loss for the year before making provisions was HK\$33 million.

Barring unforeseeable circumstances, the Board does not anticipate further provision for impairment and revaluation losses in the coming year.

## DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31st December, 2001.

## REVIEW OF OPERATIONS

The year under review was an eventful year to China. The economy of China was stimulated by its accession to the World Trade Organization and the exciting news that the 2008 Olympic Games will be held in Beijing. The Group was eager to increase its recurring income. The construction works of the Group's project in Guangzhou were resumed with a view to increase the rental income from the Group's leasing business. The construction works of the toll road project in Shenzhen were substantially completed at the end of year 2001. In July 2001, the Group was successful in raising funds through the placing and subscription of new shares.



*The Shenzhen Highway*

### Long Term Investments

#### ***Toll Road Project in Shenzhen, PRC ("Shenzhen Highway") (60% owned)***

The Shenzhen Highway has become operational and started to generate recurring income to the Group from February 2002. The toll rates approved by relevant PRC government authorities were lower than expected. As a result, the provision for impairment and revaluation losses in respect of Shenzhen Highway for the year 2001 amounted to HK\$360 million (before shared by minority interest). A substantial portion of the toll-fee received will be applied to the repayment of the bank loans used to finance the construction of the Shenzhen Highway.

**Paul Y. Plaza Guangzhou, PRC  
(formerly named as Jiangnan Centre)  
(75% owned)**

The fittings and refurbishment works of the commercial podium of Paul Y. Plaza have been substantially completed. The Group has successfully invited Shanghai Shiji Lian Hua Supermarket, a sizeable supermarket chain in the PRC to hold an anchor tenancy for 4 levels out of the 6-level podium. The marketing team has stepped up the leasing campaign for the remaining areas of the podium. It is expected that Paul Y. Plaza will start to generate recurring income to the Group from the third quarter of 2002.



*The Podium of Paul Y. Plaza*



*Entrance of Rosedale Hotel & Suites ■ Guangzhou and its flower beds*



*Hotel lobby of Rosedale Hotel & Suites ■ Guangzhou*

**HMH China Investments Limited (82.17% owned)**

**(i) Rosedale Hotel & Suites ■ Guangzhou  
(formerly named as Plaza Canton Hotel)  
(81% owned)**

The last quarter's performance of Plaza Canton Hotel for the year under review was adversely affected by the September 11th incident. However, the overall results of the hotel for the year 2001 remained moderate. In order to raise its profile to a modern and international standard, the hotel has been renamed as Rosedale Hotel & Suites ■ Guangzhou ("Rosedale Hotel") and is undergoing a series of face-lifting exercises to upgrade the hotel facilities. At the same time, more intensive staff-training programme is implemented to improve the quality of hotel services.

## (ii) Shenzhen Development Centre (86% owned)

The leasing business of Shenzhen Development Centre continues to generate stable recurring income to the Group, though at a moderate rental rate.

## Property Development Projects Intended for Resale

### **Lang De Dong, Taishan, PRC (100% owned)**

The development site is ready for the commencement of superstructure works. Phase one of this project includes residential apartments and villas with a saleable area of 19,469 square meters. The Board intends to pre-sale these properties in phases once the pre-sale permit is obtained.



*Night Scenery of Rosedale Hotel & Suites ■ Guangzhou*

## PROSPECTS

It is expected that the Shenzhen Highway and Paul Y. Plaza will contribute significant recurring income to the Group in the forthcoming years.

The management of Rosedale Hotel intends to reposition Rosedale Hotel from a leisure market hotel to a business class hotel in order to increase the occupancy and average room rates. With a view to promote an international image and to improve the performance of Rosedale Hotel, a hotel management company will be appointed to manage Rosedale Hotel.

China's accession to the World Trade Organization has become a reality. China will open its market to foreign companies. The annual growth rate of China in year 2002 is expected to be about 7%. With the Group's significant investments in China, the Board anticipates that the Group will benefit from China's economic growth in the coming years.

## APPRECIATIONS

The Board welcomes the appointments of Mr. Cheung Hon Kit as the Executive Vice Chairman and an executive director and Mr. Chan Shu Kin as an independent non-executive director of the Company and extends our appreciation to Messrs. Lam Shan, Lee Kim Ying and Kwok Chi Keung for their past contributions to the Company. Moreover, I would like to take this opportunity to thank our shareholders for their continual support and wish to extend my sincere appreciation for the efforts and loyalty of our staff.

## CHAN KWOK HUNG

*Chairman*

Hong Kong, 16th April, 2002