

# Chairman's Statement

## RESULTS

For the year ended 31 March 2002, the Group recorded a loss attributable to Shareholders of HK\$81.3 million, which was mainly due to a provision of HK\$217.8 million for impairment in value of properties. Loss per share was 7.1 cents. Turnover during the year amounted to HK\$503.6 million.

An interim dividend of 3.0 cents per share was paid by the Company in January 2002 in respect of the year ended 31 March 2002. Your Directors have recommended the payment of a final dividend of 6.0 cents per share, subject to the Shareholders' approval at the forthcoming Annual General Meeting. The total dividend distribution for the year will be 9.0 cents per share.

The Group's investment properties were revalued as at 31 March 2002 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 2002 was HK\$5.19 compared to HK\$5.62 for the preceding year.

## BUSINESS REVIEW & PROSPECTS

For the most part of the financial year under review, the operating environment was fairly difficult due mainly to the global economic downturn. However, the impressive US GDP growth announced for first quarter this year as well as improving Hong Kong exports in the recent one to two months prompted the general market expectation of a sizeable recovery in the second half of 2002. Latest moves adopted by several leading financial institutions in revising upwards their respective 2002 Hong Kong GDP projections have also added further credibility to such an expectation.

## PROPERTY DEVELOPMENT

During the year under review, the Group continued its sales of various property projects, including mainly The Primrose, The Astrid, Forest Hill and My Loft.

In November 2001, Sorrento Phase I, a joint-venture project above the MTR's Kowloon Station comprising 1,272 units in three towers, was launched with an initial target to sell 600 units. The excellent response exceeded all expectations and total sales reached 926 units or 73 per cent of total Phase I units. Sales proceeds generated during the year under review amounted to HK\$4.2 billion.

Sorrento is equally owned by a five-member consortium comprising the Group, Wheelock, New Asia Realty, Wharf and Harbour Centre Development. The total area for the entire development with 2,126 units under two phases is 2.5 million square feet. Completion of Phase II, two towers consisting of 854 units, is expected by early 2004. The soft-launch or pre-sale may start as early as the fourth quarter of 2002.

The pre-sale for Palm Cove commenced in March 2002. The amount of interests gathered throughout Easter Holidays was extremely encouraging. Out of the total 260 units, 155 units or 60 per cent have already been sold. This residential development located along Castle Peak Road has a total GFA of 243,600 square feet and completion is expected by mid-2003.

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The King's Park development is owned by a five-member consortium comprising the Group, 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. Demolition works have completed and foundation works are now in progress. Pre-sale is now targeted to take place during the fourth quarter of 2002.

## INVESTMENT PROPERTIES

Wheelock House was virtually fully let at the end of March 2002, with an occupancy rate of more than 99 per cent for its office space. About 30 per cent of the tenancies are due for renewal within the current financial year. The occupancy of Fitfort continued to climb and reached 94 per cent at the end of the financial year. In December 2001, the Chinese name of this shopping arcade located in North Point was changed in order to better reflect its trade and merchandize mix.

## OUTLOOK

With significantly lower financing costs and more affordable prices, there was some noticeable improvement in both primary and secondary residential property transactions. The great response attracted by the recent land auctions has also shown undoubtedly a recovery of confidence among developers.

As to the general economic situation, Hong Kong is exceptionally strong in the service industry which now contributes 86 per cent of Hong Kong's GDP. Yet, this sector accounts for only 33 per cent of GDP in China, and we see that as an opportunity. We believe Hong Kong is in the right place, at the right time, with the right neighbour. China's WTO membership is a new milestone for Hong Kong, presenting unprecedented positive opportunities and challenges. With its sizeable landbank, mainly represented by its 20 per cent interest in each of Sorrento and the King's Park development, the Group is well-placed to take advantage of the gradual recovery of the economy.

**John T. Hung**

*Chairman*

Hong Kong, 7 June 2002