



PROFIT AND DIVIDEND

I am pleased to present to the shareholders the operating results of our Group.

Our Group's audited profit attributable to shareholders for the financial year ended 31 March 2002 ("the year") amounted to HK\$256.85 million, an increase of 38.6% when compared to that of the previous year. The Board of Directors proposed that the final dividend of HK\$0.20 be paid on each share. If the recommendation is approved, the total dividend for the year including the interim dividend of HK\$0.13 per share will amount to HK\$0.33 per share.

BUSINESS OVERVIEW

Overall, the Group recorded satisfactory profit growth during the period under review. In the face of difficult and challenging operating environment, the Group managed to improve the operating profitability through stringent cost control and proactive marketing strategies. At the same time, financing costs for the year were substantially reduced due to lower interest rates throughout the year. In addition, the successful sale of several plots of developed land in Placer County, California, U.S.A. also made substantial contribution in the Group's performance.

PROPERTY BUSINESS

The rental income from Miramar Shopping Centre increased slightly. In spite of the closure of a few major tenants' business, the occupancy rate still maintained at a level of 90%. Miramar Tower was able to sustain a high level of occupancy, albeit the overall adverse market pressure on rental rates in the office segment. The leasing status of the shopping arcade of Hotel Miramar remained stable while the rental income from the units at No. 6 Knutsford Terrace registered a satisfactory increase.

The residential property market in Shanghai has been active. Consequently, the selling price and rental rate of Shang-Mira Garden in Shanghai had improved. Sales activities on residential units are almost completed with very few units still available. As for the leasing of offices and shops, the occupancy rates have improved with almost all the shops being leased out.

With respect to the land situated in Placer County, California, U.S.A., the Group successfully sold about 660 acres of residential land and 30 acres of commercial land during the year. These transactions resulted in significant cash in-flow into the Group. Although the overall recovery of the U.S. economy is slower

than expected, the property market sentiments at some regions are still positive. A number of potential buyers are negotiating with the Group for acquiring some portions of the remaining land. When concluded, it is anticipated that these transactions will bring substantial cash inflow into the Group.

HOTEL BUSINESS

The Group's hotel business has developed into one which manages a total of ten hotels and serviced apartments — five in Hong Kong, and five in the Mainland. These properties cover wholly owned, joint-venture as well as pure managed properties.

In facing the negative impact from the global economic slowdown and the terrorist attack in the U.S., the Group's flagship Hotel Miramar recorded a modest decline in its occupancy to 85%, a drop of 3% when compared to that of the previous year. Fortunately, with the improvement in its food and beverage business, the overall performance of the hotel recorded only a slight drop. During the year, Hotel Miramar remained flexible in managing its room rates and customer mix in order to maximise its competitiveness. For the food and beverage business, the hotel was aggressive in going after banquet and conference business, resulting in expanded market shares in these segments.

The Group's wholly owned Miramar Serviced Apartment in Shanghai has continued to achieve a healthy increase in both revenue and occupancy rate resulting from its quality services and strong client base. For the joint-venture hotels in the Mainland, Nan Hai Hotel registered a reasonable growth in operating profit, while Haitao Hotel in Shekou has significantly increased the occupancy rate through expansion in its commercial segment business.

As for the hotel management business, even though room rates were under pressure due to overall market conditions, hotels managed by the Group still recorded steady performance. During the year, the Group was successful in securing hotel management contracts with two hotels in Shanghai. The Group will continue to pursue opportunities to develop its hotel management business in the Mainland.

FOOD & BEVERAGE OPERATIONS

Faced with the continuing sluggish market condition in the food and beverage industry in Hong Kong, the Group's operations experienced a drop when compared with that of the previous year. However, the Group took stringent cost-control measures and strengthened its marketing strategies in developing festive food promotions to increase its competitiveness and profitability.

In the Mainland, the food and beverage operations generally performed satisfactorily partly due to the growing economy and increasing purchasing power in the Mainland, and partly resulting from operating improvements.

TRAVEL OPERATIONS

The terrorist attack in the U.S. last year affected the travel industry severely. The Group's travel division reported a decrease in the overall turnover, yet registered an improvement in gross profit through better cost control. A review of recent statistics showed that the number of both business and leisure travellers has gradually resumed to previous levels. The operating environment for Miramar Express is improving.

PROSPECTS

It is expected that the Hong Kong economy will benefit from China's entry into the World Trade Organization, as well as from the coming Olympic Games in 2008. More significantly, the relaxing of quota for the number of mainlanders visiting Hong Kong will directly help the tourism industry in Hong Kong. The Group will continue to pursue business opportunities in Hong Kong and in the Mainland. The Board of Directors is confident that barring any unpredicted circumstances, the Group's business will remain stable in the coming year.

GRATITUDE

I would like to express my sincere gratitude to the Directors and all the staff for their hard work and contributions in the past year.

LEE SHAU KEE

Chairman

Hong Kong, 9 July 2002