

On behalf of the board of directors (the "Board"), I have pleasure in presenting the 2002 annual report of the Company and its subsidiaries (the "Group").

## RESULTS

During the year, the Group's turnover was approximately HK\$181.7 million compared to last year's figure of approximately HK\$114.9 million. The increase was mainly due to the revenues generated by the Shenzhen Highway, which became operational in February 2002.

The Group reported a net loss of approximately HK\$99.8 million in 2002 compared to a net loss of HK\$393.7 million in the previous year. The loss was mainly attributable to provision for impairment on toll highway and properties and the finance costs associated with construction of the Shenzhen Highway.

## DIVIDEND

No interim dividend was paid for the year of 2002. The Board does not recommend any payment of final dividend for the year ended 31st December, 2002.

## REVIEW OF OPERATIONS

During the year under review, the economy in Hong Kong had not yet recovered. However, the Group managed to raise funds through the issue of a convertible note, placing and subscription of new shares.

### Hotel operations

In view of China's accession to World Trade Organisation and Beijing's hosting of the 2008 Olympic Games, the Board believes that the hotel and other leisure-related businesses in Hong Kong and the People's Republic of China (the "PRC") have considerable potential. During the year under review, the Group had undergone an extensive group reorganisation and acquired certain investments in hotels located in Hong Kong and the PRC. To achieve synergy effect in hotel operations, a hotel chain branded under the name of "Rosedale" was developed. Rosedale Hotel Chain consists of Best Western Rosedale On The Park in Hong Kong, Rosedale Hotel & Suites ■ Guangzhou, and Rosedale Hotel & Suites ■ Beijing in the PRC. Luoyang Golden Gulf Hotel located in Luoyang, the PRC will become another Rosedale at a later stage.

*Best Western Rosedale On The Park ("ROTP"), Causeway Bay, Hong Kong*

ROTP was acquired in December 2002. During the year of 2002, this deluxe international business class hotel earned the 2002 HKGCC Innovative Service Award, the Best Practice Award – Technology Deployment 2002 and the Best Budget Hotel in Asia Pacific, 2002 awarded by Hong Kong General Chamber of Commerce, Best Practice Management and TTG Asia Media Pte Ltd., respectively.

# Chairman's Statement

## *Rosedale Hotel & Suites ■ Guangzhou ("Rosedale-GZ"), Guangzhou, the PRC*

The overall results of Rosedale-GZ for the year 2002 remained moderate. The newly opened China Guangzhou Convention Center (venue of Guangzhou Trade Fairs) in Pazhou is in close proximity to Rosedale-GZ. The new extension of the Guangzhou Metro (underground mass transit railway) became operational in December 2002. These factors have largely improved the geographic location of Rosedale-GZ.

During the year of 2002, the refurbishment and renovation programme was carried out at a gradual pace in order not to upset the daily operations of Rosedale-GZ. The programme is expected to be completed by the end of June 2003.

## *Rosedale Hotel & Suites ■ Beijing, Beijing, the PRC*

This 4-star hotel located in close proximity to the Beijing Capital International Airport was acquired in December 2002 and started to contribute constant cash flow to the Group.

### **Property leasing**

#### *Paul Y. Plaza, Guangzhou, the PRC*

The fittings and refurbishment work of the commercial podium of Paul Y. Plaza has been substantially completed. Shanghai Century Lianhua Supermarket, a sizeable retail chain in the PRC, is now occupying 4 levels of the podium as its first flagship-operation in the southern part of China. The podium started to generate rental income to the Group following the soft opening of Shanghai Century Lianhua Supermarket in October 2002.

The marketing team has stepped up the leasing campaign for the remaining 2 levels of the podium and the results are encouraging. It is anticipated that the podium will be substantially leased out in a few months' time. The 300 car parks at the basement ancillary to Paul Y. Plaza will also start to generate income shortly.

Meanwhile, the Board is planning to reactivate the construction works of office buildings above the podium.

### **Property development project intended for resale**

#### *Lang De Dong, Taishan, the PRC*

The superstructure of phase 1 of the project has been commenced. This phase consists of residential apartments and villas with a saleable area of approximately 16,500 square metres. The Board intends to pre-sale these properties by phases once the pre-sale permit is obtained.

### **Toll highway operation**

In February 2002, the Shenzhen Highway commenced operation and started to generate revenue. The Group's turnover from the Shenzhen Highway during the year amounted to approximately HK\$66 million. However, the toll rates approved by relevant PRC government authorities were lower than expected. The Group's entire 60% interest in Shenzhen Highway was disposed of in November 2002.

**PROSPECTS**

As a result of the outbreak of war in Iraq and the spread of atypical pneumonia in Asia and internationally, global travelling activities are depressed. Advance bookings for hotel rooms are cancelled and the performance of the Group's hotels in April 2003 is significantly affected. However, the war in Iraq is now over and with the hope that the infectious disease will soon be brought under control. It is expected that hotel business will be back to normal in the latter part of the year. Contingency plans have been carried out to minimize the adverse effects on the Group.

A strong team of hotel management professionals has been assembled and with this support, the Group has been exploring acquisition and management opportunities in Hong Kong and major cities in Mainland China.

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

**APPRECIATIONS**

The Board welcomes the appointment of Mr. Wong Lai Shun, Benny as an executive director of 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, 23rd April, 2003