

## Chairman's Statement

On behalf of the Board of Directors, I am pleased to present the results of the Group for the year ended 31 December 2002.

### RESULTS

The consolidated Group net profit for the year 2002 amounted to HK\$28,315,000, an increase of 4% as compared to HK\$27,293,000 in the previous year. Earnings per share for the year 2002 amounted to HK\$0.083 as compared to HK\$0.08 in 2001.

### DIVIDENDS

The Board is recommending that no final dividends be paid for the year ended 31 December 2002. An interim dividend of HK\$0.01 per share has already been paid. Total dividends for the year will be HK\$0.01 per share.

### REVIEW OF OPERATIONS

#### Macau

During 2002, there was no launch of new properties for sale at ***Ocean Gardens***. Your Group's subsidiary in Macau focused on the continuing sale of the residential units in Carnation and Dahlia Court, which were launched in 2001, as well as other luxurious residential units in the Ocean Gardens development. Total turnover of Macau for 2002 was HK\$159.2 million, a reduction of 22% as compared to HK\$204.8 million in 2001. Due to lower operating cost, however, the subsidiary reported a higher profit from operations as compared to 2001.

#### Vietnam

***Ocean Place*** in Ho Chi Minh City, in which your group holds 63%, is a twin-block complex comprising of a hotel block and a serviced apartment block on a common podium. The 96-unit serviced apartment block commenced operation in February 2002. Occupancy rates and room rates were strong. A positive gross operating profit was reported for 2002. After accounting for depreciation and amortization, however, the subsidiary reported a loss for the year.

The 382-room hotel within the development will commence operations in the second half of 2003. The complex, which will be the largest hotel/apartment/commercial complex in the city, will be managed by Sheraton, and will operate under the name ***Sheraton Saigon Hotels & Towers and Executive Residences***.

***Caravelle Hotel*** which is also located in Ho Chi Minh City, in which your group holds a 25% interest, reported increased room rates and occupancy rates in 2002 as compared to previous years. It also re-affirmed its position as the leading hotel in the city to date, and was named Best Business Hotel in Vietnam in 2002. Profit contribution to your Group also increased in 2002.

## **Chairman's Statement** (Continued)

### **The People's Republic of China**

**Holiday Inn Riverside Wuban** reported marginally improved occupancy rates and higher room rates in 2002, as compared to 2001. Competition amongst hotel in Wuhan remained intense, with the oversupply of hotel rooms expected to continue. Gross operating profit improved significantly during 2002. After deducting depreciation and amortization charges, however, the subsidiary still reported a loss, although the amount of loss has been reduced as compared to 2001.

Of the total number of 635 units of luxurious villas and apartments at **Beijing Riviera** residential development project, 438 units have been sold as at the end of 2002. Of the remaining 197 units, 149 units were leased out for income as at year end.

### **Canada**

The general state of the economy in Canada and the United States, as well as the tendency towards a reduction in business and leisure travel after the September 11 incident, resulted in lower overall revenue from your Group's three hotels in Canada. The management introduced stringent cost-rationalization measures, which helped to reduce the negative impact of falling revenues. The Group, however, reported a lower profit contribution from the Canadian associates as compared to 2001.

### **PROSPECTS**

The first quarter of 2003 was dominated throughout by the prospect of military conflict in Iraq. This spectre dampened the desire to travel as well as the desire to purchase or lease properties. Significant impact was felt by the two business sectors in which your Group invests and operates. The negative sentiments resulting from the unexpected and rapid spread of the Severe Acute Respiratory Syndrome further exacerbated an already unfavourable situation. It is generally expected that 2003 will continue to be a difficult year for property and hotel companies in Asia and the rest of the world.

Macau remains a relatively bright spot. The opening of the gaming industry to overseas investors and operators will provide a strong base for Macau to accelerate its transformation into Asia's preferred destination for travel, leisure, entertainment and gaming. The foresight of the Macau SAR Government in implementing various measures to attract overseas investments into the major sectors of its economy has laid the foundation for Macau to continue its path towards higher economic growth. The property sector will benefit from this development.

### **ACKNOWLEDGEMENT**

On behalf of the Board, I wish to express our appreciation to the management and staff of our Group for their invaluable contribution.

**Ho Kian Guan**

*Chairman*

Hong Kong, 17 April 2003