

CHAIRMAN'S STATEMENT

RESULTS AND DIVIDENDS

In the fiscal year 1999, the Group's turnover was approximately HK\$1,400 million which was 59.6% lower than HK\$3,464 million in year 1998. Net profit attributable to shareholders decreased to approximately HK\$138 million, representing a decline of 73.2% over 1998's figure, as there consisted in the 1998's figure a profit of approximately HK\$388 million derived from the disposals of certain investment properties. Earnings per share for the year 1999 was 7.2 cents (1998: 26.8 cents), if fully diluted, 6.7 cents (1998: 26.7 cents).

A reduction of turnover was mainly due to a reduction of HK\$2.0 billion turnover from securities investment as recorded in 1998. Rental turnover for 1999 was HK\$602 million, a reduction of 12% from HK\$683 million in 1998. In year 1999, disposal of property by the Group had recorded turnover of HK\$594 million (1998: HK\$444 million) and gross loss of HK\$59 million (1998: gross profit of HK\$388 million). The gross loss on disposal of property was mainly attributable to the loss of HK\$113 million arising from the Government's resumption of the Paul Y. Industrial Building for which the consideration is still in dispute; whereas gross loss in 1998, included loss from securities of HK\$657 million. Other operating expenses reduced from HK\$249 million in 1998 to HK\$104 million in 1999, mainly represented provision made for development property of HK\$66 million in 1999 (1998: HK\$211 million).

The Board has resolved not to recommend the payment of any final dividend (1998: nil) for the fiscal year 1999.

BUSINESS REVIEW

Hong Kong Investment Properties

Although the Hong Kong economy recovered steadily in 1999 after the sharp economic slowdown in 1998, rents across the property market spectrum have halved since the peak in mid 1997. The Group's gross rental income continued to record a decrease of 12% to HK\$602 million for the year 1999 when compared to HK\$683 million in 1998. The decline in rental income for the year 1999 has been significantly reduced as compared with the decrease of 19.3% in rent roll for the same period in 1998.

業績及股息

於一九九九財政年度，本集團之營業額為1,400,000,000港元，較一九九八年之3,464,000,000港元下跌59.6%。股東應佔溢利淨額減至約138,000,000港元，較一九九八年下跌73.2%，此跌幅乃因一九九八年之數字包括來自出售若干投資物業所產生之溢利約388,000,000港元。一九九九年每股盈利為7.2港仙（一九九八年：26.8港仙），倘攤薄後，則為6.7港仙（一九九八年：26.7港仙）。

營業額減少主要由於證券投資營業額較一九九八年減少2,000,000,000港元所致。一九九九年之租金營業額為602,000,000港元，較一九九八年之683,000,000港元下跌12%。於一九九九年，本集團出售物業錄得之營業額為594,000,000港元（一九九八年：444,000,000港元），而總虧損為59,000,000港元（一九九八年：總溢利為388,000,000港元）。出售物業之總虧損主要來自政府收回保華工業大廈虧損113,000,000港元，而有關代價乃在商討中。而一九九八年之虧損總額已包括為來自證券之虧損657,000,000港元。其他經營開支由一九九八年之249,000,000港元減少至一九九九年之104,000,000港元，主要由於發展物業於一九九九年所作之撥備為66,000,000港元（一九九八年：211,000,000港元）所致。

董事會決議不建議派發一九九九年財政年度任何末期股息（一九九八年：無）。

業務回顧

香港投資物業

香港經濟經一九九八年急轉直下後，雖然已於一九九九年穩步復甦，但就整體物業市道而言，租金水平仍僅達一九九七年年中高峰期之一半。本集團之總租金收入繼續錄得12%之跌幅，由一九九八年之683,000,000港元下降至一九九九年之602,000,000港元。與一九九八年同期之跌幅19.3%比較，租金收入之跌幅已顯著收窄。

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Office Space

Supported by the recovery in the Hong Kong economy and the diminution in the over-supply of new grade A office space after the absorption which resulted from aggressive leasing policies by landlords, office rent has reached the bottom of the current rental cycle. The increase in economic activity resulting from emerging business opportunities related to the high technology sector and the telecommunications sector have provided a positive impact to the office leasing market and have increased demand in office spaces in some fringe areas other than the traditional Central District in Hong Kong.

Even though the face rents showed little improvement, effective rents did improve, especially in the last quarter of 1999, when taking account of reduced incentives offered by landlords. Occupancy rates of the Group's office properties also showed signs of improvement in the second half of 1999. The average occupancy rates of the CRC Protective Tower and the Windsor House for the year 1999 improved from 75% to 88% and 88% to 89% respectively, when compared with figure of the year 1998. However, average office prices have shown only limited improvement in gains. In addition to certain foreign funds which have continued to absorb prime office space in anticipation for future capital gain, local end-users still remain as the most active buyers. Banks' offloading foreclosed properties continue to put direct pressure on average office prices in particular over the coming few months. There are signs that office values have bottomed out, and capital values of the Group's investment properties may stabilize at present adjusted level.

Retailing Space

The combination of increasing tourist arrivals and improvement in domestic demand because of better economic sentiment have benefited the recovery in Hong Kong retailing sector. Demands for retailing space and improvement in retailing rents have been evidenced with the Group's Silvercord Shopping Centre and retailing space at the Windsor House. Supply of prime street-fronting shops is always limited, especially in the traditional shopping districts such as Causeway Bay. In view of the demand, the Group plans to convert the 1st and 2nd floors of its Hong Kong Mansion in Causeway Bay from the original space which houses one single restaurant to a large shopping mall with an area of around 34,195 square feet. In the fiscal year under review, the Group has added certain retailing space to its investment

寫字樓單位

隨著香港經濟復甦，加上業主積極推廣以招徠租戶，令不少新落成的甲級寫字樓獲得吸納，供應過剩之情況正在舒緩，寫字樓租金亦已跌至現時租金周期低位。高科技行業及電訊行業之商機不斷湧現，令經濟活動增加，對寫字樓租務市場產生了利好影響，市場對傳統之香港中環商業區以外若干邊緣地區之寫字樓單位需求日漸殷切。

雖然表面租金之增幅不大，但實際租金卻已有所改善，尤其是計及業主紛紛削減所提供之租務優惠，這情況於一九九九年最後一季尤為顯著。於一九九九年下半年，本集團寫字樓物業之出租率亦已開始改善。與一九九八年之數字比較華潤美衛大廈及皇室大廈，一九九九年之出租率已分別由75%升至88%及由88%升至89%。然而，寫字樓之平均價格僅顯示有限的盈利增長。除了有若干外國資金繼續吸納優質寫字樓單位以期待日後資本增值外，本地最終用家仍然是最活躍之買家。銀行將止贖物業放盤求售，對寫字樓平均價格（尤其在未來數月）繼續造成直接壓力。有跡象顯示，寫字樓價格現已跌至谷底，本集團之投資物業之資本值相信可於現已調整之水平穩定下來。

零售商舖

外地遊客訪港數字日增，加上本地需求因經濟氣候好轉而漸趨活躍，均有助香港零售業復甦。本集團之新港中心購物商場及皇室大廈零售商舖單位廣受歡迎，足以證明市場對零售商舖單位之需求甚殷，零售商舖之租金亦已改善。黃金地段向街商舖之供應有限，尤以銅鑼灣等傳統購物區為甚。鑑於需求殷切，本集團計劃將位於銅鑼灣的香港大廈一樓及二樓樓面，由原本設有一間酒樓之單位改建為佔地約34,195平方呎之大型購物商場。在本報告之財政年度內，本集團已於其物業投資組合上增添若干零售商舖樓面，包括灣仔電腦城，該電腦城於一九九九年為本集團帶來超過

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portfolio, including the Wanchai Computer Centre which generated a gross rental income of over HK\$36 million in 1999 for the Group. This retailing centre is now one of the most prominent computer centres in Hong Kong, it participates in the International Computer Expo every year and currently has an occupancy rate of 97%.

Overall, the leasing environment for both new leases and renewals of existing leases is expected to continue to face keen competition for the year ahead. The Group will continue to strengthen its competitiveness, by enhancing the attractiveness of its leasing space through value-added services such as renovation, promotional events and special theme. The average occupancy rate of the Group's major investment properties is currently at approximately 84%.

Hong Kong Development Properties

The Group's development activities focused mainly on the commercial and residential developments. After the absorption of the abundant supply of office space in Hong Kong as over 6 million square feet in 1998 and 3.7 million square feet in 1999, the supply of office space will drop significantly for a few years. Demands for residential units reflects two polarized developments in different residential markets, the abundant supply in mass residential developments inserted great pressure on the price and sale volume in primary residential markets in the developments in Kowloon and New Territories. On the other side, with the rapid growth in the financial services and information technology sectors has resulted in strong demands for luxury residential units, prospects for growth in the luxury residential market now seem to be more optimistic than in the mass residential market both in terms of price and rentals, especially in the traditional prime locations in Hong Kong Island where the supply of land is always limited.

In the fiscal year 1999, the Group concentrated on its existing 6 major development projects with a total development potential of approximately 800,000 square feet in gross floor area attributable to the Group. All projects are progressing as scheduled.

36,000,000港元之總租金收入，且已成為全港最著名電腦中心之一。該電腦城均於每年參予國際電腦博覽會，目前，其出租率為97%。

整體而言，在來年招徠新租戶及與現有租戶續約之租務環境將繼續面對激烈競爭。本集團將繼續透過增值服務（例如裝修、推廣活動及特別主題）以增加其租務單位之吸引力，從而加強其競爭力。本集團主要投資物業現時之平均出租率約為84%。

香港發展物業

本集團之發展業務主要集中於商業及住宅發展項目。過去兩年香港新落成之寫字樓樓面供應十分充裕，一九九八年之供應逾6,000,000平方呎，一九九九年之供應亦逾3,700,000平方呎，展望未來數年，寫字樓樓面之供應將顯著減少。市場對住宅單位之需求反映住宅市場向兩極化發展。大型住宅發展項目的供應量對位於九龍區及新界區一手住宅市場之價格及銷售量構成極大壓力。另一方面，隨著金融服務及資訊科技行業急速增長，市場對豪宅單位之需求十分殷切。就樓價及租金水平而言，豪宅市場之增長前景似乎較大型住宅市場為樂觀，尤其是土地供應一向有限之港島區傳統豪宅區為甚。

於一九九九財政年度，本集團集中發展其現有6個主要發展項目，本集團應佔可供發展之總樓面面積約為800,000平方呎。所有項目現正如期進行。

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Since August 1998, the Group had consolidated up to 83% attributable interest in the consortium which holds the joint-venture re-development project in Tai Yuen Street with the Land Development Corporation. The notice of land resumption by Government was gazetted in December 1999 and all land acquisition for Phase I will be completed by late 2000. Demolition work for Phase I has commenced and foundation work is scheduled to be commenced in April 2001. The joint-venture has succeeded in the conversion of certain originally planned office / commercial space into 139,264 square feet of additional residential space so as to enhance the overall value of the project. Phase I of the project will be completed as scheduled in 2003, while the completion of Phase II will be postponed to 2006.

The superstructure construction of the Group's 50% interest in the Hing Wah Street project is near to the final stage and the project will be completed this month. Up to now, over 88% of the residential space was pre-sold and sales of remaining residential and retail space are in progress.

Commencement of the superstructure construction of the Group's 50% interest in the Shiu Fai Terrace project has experienced a slight delay due to a revision of its building plans.

Piling works for the Group's 100% interest in the Queen's Road Central/Hillier Street was completed; the development plans for a 3 star hotel with 138 rooms were approved and the foundation work will be completed in August this year. The whole development is estimated to be completed by late 2001.

For the Group's 70% interest in the Conduit Road project, due to the success in applying for an increase of plot ratio by more than 30% with an addition of 22,980 square feet in residential gross floor area, a modification of building plans is required to give the best overall usage for the site and construction is expected to commence by the end of this year.

General building plans for the Group's 100% Barker Road project have been approved and demolition work was completed.

本集團在其與土地發展公司共同持有太原街合營重建項目之財團之所佔權益，自一九九八年八月以來已鞏固至83%。政府已於一九九九年十二月在憲報刊登收地通告，第一期之所有收地工作將於二零零零年年底完成。第一期之拆卸工程現已開展，地基工程預計將於二零零一年四月開展。上述合營項目已成功將若干原本計劃興建寫字樓/商業樓面之土地改為興建139,264平方呎之額外住宅樓面，以提高該項目之整體價值。該項目之第一期發展將如期於二零零三年落成，而第二期之落成則延期至二零零六年。

本集團佔有50%權益之興華街項目上層建築已達最後階段，該項目將於本月完成。迄今，超過88%之住宅樓面已經預售，餘下住宅及零售商舖樓面之銷售亦在進行中。

由於修訂建築圖則，本集團佔有50%權益之肇輝臺項目上層建築之動工日期稍為延誤。

本集團佔有100%權益之皇后大道中／禧利街項目之打樁工程現已完成；發展為一間擁有138個房間之三星級酒店之圖則已獲批准，地基工程將於今年八月完成。整個發展項目預計於二零零一年年底之前完成。

有關本集團佔70%權益之干德道項目，由於提高30%以上地積比率之申請順利獲得批准，總住宅樓面面積額外增添22,980平方呎，因此需要修改建築圖則，以達至地盤最佳用途，建築工程預計於本年年底開展。

本集團佔有100%權益之白加道項目之建築總圖則已獲批准，拆卸工程現已完成。

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For the Group's Paul Y. Industrial Building, provisional payment of the compensation equivalent to 90% of the original resumption compensation offered by the Government was received in December 1999. The Group has been working for submission to the Lands Department for consideration of its further claims. The negotiation is expected to be finalised at the end of the year.

In addition to the reversion to the Government of the Group's Paul Y. Industrial Building, the Group had completed the disposal of two other development projects namely, the No.16 Repulse Bay Road project and the No. 60 Peak Road project. As a result of the disposals, a loss of HK\$56.8 million was recorded in the year 1999. Given existing market conditions, the Group will continue its prudent approach in committing to new development projects and will concentrate its resources in completing the existing projects.

PRC Properties

The Group's interests in PRC properties are held mainly in Evergo China Holdings Limited, which has recorded an attributable net loss of HK\$48.8 million for the year 1999 (1998 : HK\$ 26.8 million), representing an increase in loss of 82.1% as compared with the year 1998.

CORPORATE INFORMATION

During the year, HK\$1,821 million commercial mortgage-backed securities relating to the Group's Windsor House were issued in November 1999 and a syndicated loan of HK\$650 million secured by the CRC Protective Tower was arranged in early 2000. Both the issue and the syndicated loan had received overwhelming response and over-subscription.

The commercial mortgage-backed securities are the Group's first fund raising exercise with securitisation structure which the Group believes to be a more cost effective way of fundraising and diversified base of investors. By virtue of the quality of the building, the quality of the tenants and the unique structure of the securities, a majority portion of the securities was assigned with AAA credit rating from Moody's Asia Pacific Limited.

至於本集團的保華工業大廈，本集團已於一九九九年十二月獲得相等於政府提供原有收地賠償之90%之臨時賠償。本集團現正向地政總署提出呈請，以考慮其進一步的索償。商討預期於本年底落實。

除了向政府歸還本集團的保華工業大廈外，本集團已完成出售兩項其他發展物業，分別為淺水灣道16號項目及山頂道60號項目。由於出售該等物業項目，本集團於一九九九年年度錄得虧損56,800,000港元。鑑於現時市況，本集團在訂定新發展項目時將繼續持審慎態度，並集中資源完成現有項目。

中國物業

本集團透過Evergo China Holdings Limited持有中國物業之權益，而其於一九九九年錄得應佔虧損淨額48,800,000港元（一九九八年：26,800,000港元），較一九九八年錄得之虧損上升82.1%。

公司資料

本年度內有關本集團皇室大廈之1,821,000,000港元商業按揭證券，已於一九九九年十一月發行；而本集團亦於二零零零年年初安排由華潤美衛大廈作擔保650,000,000港元之銀團貸款。發行證券及銀團貸款獲熱烈支持及超額認購。

商業按揭證券為本集團首次以證券化架構進行之集資活動，而本集團相信此乃更具成本效益的集資途徑，投資者基礎亦更多元化。鑑於樓宇之質素、租客之質素以及證券之獨特結構，該等證券的主要部分已獲Moody's Asia Pacific Limited的信貸評級為AAA級。

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On the other hand, the exercise of warrants of the Company has provided the Company with a cash inflow as additional working capital. As at the date hereof, 184,065,070 units of 1999 warrants and 50,337,794 units of 2000 warrants have been exercised resulting in the issues of 234,402,864 shares and aggregate subscription moneys of approximately HK\$230 million. Mr. Joseph Lau, Luen-hung, a Director of the Company, has contributed subscription moneys of approximately HK\$149 million by exercising 101,279,153 units of 1999 warrants and 50,000,000 units of 2000 warrants to subscribe for a total of 151,279,153 shares. The 1999 warrants expired after the close of business on 24th November, 1999 and as at the date hereof, 140,980,099 units of 2000 warrants remain outstanding.

PROSPECTS

Hong Kong has experienced a steady economic recovery. Even though this process is incomplete, it is a generally held view that the local economy will outpace the GDP forecast by the Government of 4% in 2000. Encouraging news such as the Disney project and China's World Trade Organization progress emerging in late 1999 have much improved market sentiment. As the Mainland's market is expected to open up soon, multinationals in various sectors such as the information technology and telecommunications sectors are likely to expand their operations in Hong Kong as a stepping stone to increase business participation in the huge potential market in China.

In the local market, the New Economy driven by various business activities developing out of the co-ordination and integration of information technology, e-commerce, telecommunications and internet applications have created enormous business opportunities across society and have supported the rapid growth in various economic fundamentals.

再者，本公司之認股權證之行使也為本公司帶來現金作額外營運資金之用。於本報告日期，184,065,070份一九九九年認股權證以及50,337,794份二零零零年認股權證已獲行使，本公司就此發行合共234,402,864股股份，並獲認購款項約為230,000,000港元。本公司董事劉鑾雄先生亦已透過行使101,279,153份一九九九年認股權證及50,000,000份二零零零年認股權證以認購合共151,279,153股股份，從而使本公司獲得認購款項約149,000,000港元。一九九九年認股權證已於一九九九年十一月二十四日辦公時間結束後屆滿，而於本報告日期，140,980,099份二零零零年認股權證尚未獲行使。

前景

香港經濟已穩步復甦。儘管經濟仍未全面復甦，但一般都認為二零零零年本地生產總值增長率將高於政府預測的4%。興建迪士尼樂園及中國加入世界貿易組織取得進展等令人鼓舞的消息於一九九九年年底相繼湧現，令市場氣氛大為改善。由於國內市場預期快將對外開放，經營不同行業（例如資訊科技及電訊行業）之跨國公司正作好準備在香港擴展業務，以期利用香港為踏腳石，在龐大之中國市場上分一杯羹。

在本地市場，由協調及配合資訊科技、電子商貿、電訊及互聯網之應用而引發之各種商業活動發展，大大推動了新經濟，為整體社會創造了大量商機，從而使本港各項基礎經濟活動急速發展。

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The property market reacts positively to good news. Prime office rents in Hong Kong have already started to show signs of recovery. Landlords are cutting back incentives offered to attract potential tenants, such as shortening rent free periods. Although, the price of the lower quality properties or mass development projects are still soft, the firming property prices for good developments reflect the fact that both end-users and investors are willing to spend on quality, location and value-added services provided. This offers the Group new challenges and opportunities to strengthen and enhance its competitiveness for further growth with that of Hong Kong. The Group is continuous to be positive about its prospects and the economic outlook of Hong Kong and China.

Thomas Lau, Luen-hung
Chairman

Hong Kong, 27th April, 2000

物業市場對利好消息作出積極反應。香港優質寫字樓之租金已開始呈現復甦跡象，業主正削減過去為吸引租客而提供之優惠，例如縮短免租期。雖然較低質素物業或大型住宅發展項目之價格仍然偏軟，但優質物業發展項目之價格保持高企，從而反映出最終用家及投資者都樂意為高質素、優越地點及高增值的服務付出較高的租價。這將為本集團提供新挑戰及新機會，務求與香港經濟同步前進並加強及提升其競爭力。本集團則繼續對香港及中國之經濟展望保持樂觀。

主席
劉鑾鴻

香港，二零零零年四月二十七日