

## CHAIRMAN STATEMENT

I am pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (the “Group”) for the six months ended 31st July, 2002.

The profit attributable to shareholders for the six months ended 31st July, 2002 decreased by approximately 16% to HK\$16,629,000 when compared with the profit of HK\$19,746,000 of the corresponding six months period in 2001.

Earnings per share for the period were HK25 cents, a decrease of approximately 14% over the earnings per share for the corresponding period in 2001 of HK29 cents.

The directors have declared the payment of an interim dividend of HK8 cents (2001: HK10 cents) per share to shareholders on record as at 15th November, 2002. The interim dividend will be payable on 12th December, 2002.

### REVIEW OF OPERATIONS

The principal activities of the Group continue to be investment holding, property investment, property development and the provision of property agency services. The Group’s activities during the period are substantially based in Hong Kong and more than 90% of the Group’s turnover and profit from operations were derived from the lease of properties in Hong Kong.

As the local economy continues to shrink and demand dwindles, office rents fell further in the first half of the year. The turnover from the Group’s long term property portfolio decreased by approximately 11% due to further falls in office rentals and soft demand in the property leasing market.

The savings in interest expenses on borrowings were more than offset by the fall in office rentals. In the present sluggish property market, new leases have to be negotiated at prevailing lower rentals. With existing leases coming due for renewal, the Group has to offer a moderate reduction of rental or a rent free period to retain existing tenants.

In view of the possibility that plot ratios and height restrictions may be eased in Kowloon Tong area in the next one or two years, the directors have decided to continue to delay the commencement of the Oxford Road, Kowloon Tong project, so as to maximize the benefit to the shareholders.

## **OXFORD PROPERTIES & FINANCE LIMITED**

The Group's major Guam investment property – Aspac Industrial Park Phase I recorded a slight decline in rental income owing to the protracted economic downturn in Guam and Japan, where most tourists to Guam are coming from. For this reason, the development of Lot No. 5148-3 and 5148-4, Tamuning, Guam will continue to be postponed.

“During the period under review in connection with the open offer of shares in the Company and in compliance with the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, a special valuation of the Group's land in Guam, U.S.A., was conducted by an independent property valuer operating in Guam. Such valuation gave rise to a surplus of approximately HK\$55 million, which in accordance with the Group's accounting policy, has not been recognized in the interim financial statements. In respect of certain of the Group's investment properties in Guam, which in the opinion of the Directors, are not significant to the Group in terms of both market value and profit contribution, the Group continued to adopt the accounting policies as those followed in the preparation of the Group's annual financial statements for the year ended 31 January, 2002. From the perspective of the cost and benefit analysis, such investment properties continued to be carried at 1983 valuations less subsequent depreciation.”

No material acquisitions or disposals of subsidiaries and associates were transacted during the period.

The Group has a total of 23 (2001: 23) staff. Staff costs incurred during the period amounted to approximately HK\$1,785,000 (2001: HK\$1,733,000).

On 2 August 2002, the Stock Exchange of Hong Kong Limited (the “Stock Exchange”) unilaterally suspended trading in the shares of the Company. After careful consideration of a number of initiatives proposed by the Company, the Listing Committee of the Stock Exchange has given its approval to the Company for the resumption with effect from 28 October 2002.

## **FINANCIAL ACTIVITIES**

Shareholders' funds at 31st July, 2002 amounted to HK\$953 million (31st January, 2002: HK\$951 million). At 31st July, 2002, total borrowings of the Group were HK\$129 million (31st January, 2002: HK\$138 million) which bear interest at floating rates and are substantially repayable in Hong Kong dollars. Bank loans to the extent of HK\$36 million (31st January, 2002: HK\$33 million) were repayable within one year. Accordingly, the Group's gearing ratio at 31st July, 2002 was 13.5% (31st January, 2002: 14.5%). The Group's available undrawn banking facilities at 31st July, 2002 amounted to HK\$63 million (31st January, 2002: HK\$76 million).

At 31st July, 2002, properties of the Group with an aggregate book value of approximately HK\$823 million (31st January, 2002: HK\$823 million) were mortgaged or charged to banks for credit facilities granted to the Group.

At 31st July, 2002, the Company had issued guarantees for banking facilities granted to certain subsidiaries to secure the banking facilities granted to these subsidiaries to the extent of HK\$281 million (31st January, 2002: HK\$281 million) of which approximately HK\$128 million (31st January, 2002: HK\$128 million) was utilized.

### **PROSPECTS**

The property leasing market in Hong Kong is still very soft and the economic situation has not yet improved. Furthermore, if demand does not pick up, it will be very difficult to absorb the significant supply of new office premises. It is to be expected that the market would weaken further next year before a recovery in the first half of 2004. The performance of the second half year may be slightly worse than the first half. The Board of Directors expects that the economy of Guam will still be adversely affected by the U.S. "911" calamity. The recession there is expected to last for a further one or two years.

On behalf of the Board, I should like to thank our Bankers, Auditors, Shareholders and Staff for their continued support of the Company.

**"Seto Chak Wah", alias, "Szeto Chak Wah"**

*Chairman*

Hong Kong, 25th October, 2002