Chairperson's Statement

For the year ended 31st March, 2002, the Company and its subsidiaries (collectively referred to as the "Group") recorded a turnover of approximately HK$46.8 million, representing an increase of 20.8% from that of the prior year. Results attributable to shareholders, however, turned from a profit of approximately HK$32.6 million to a loss of approximately HK$33.0 million. The loss was mainly attributable to the absence of exceptional net gain arising on disposal and deconsolidation of subsidiaries, while the increase in turnover was mainly due to the sale of properties in Phase I of Riverside Garden, Xiamen and the income from the holiday resort in Yuhu, Xinhui.

DIVIDEND

The Board of Directors of the Company (the "Board") did not recommend the payment of dividend for the year ended 31st March, 2002.

REVIEW OF OPERATIONS

The development projects and investment of the Group in the People's Republic of China (other than Hong Kong) (the "PRC") are as follows:

Riverside Garden, Xiamen

The construction work of Tower 1 and Tower 2, Phase I of Riverside Garden, Xiamen had been completed. The turnover arising from the sale of Tower 1 and Tower 2 for the year amounted to approximately HK$35.4 million, representing an increase of about 21.3% over that of last year. Sale of residential units of Tower 2 was launched during the year, and about 66.8% of the residential units of Phase I had been sold as at 31st March, 2002. The management planned to commence the construction work of Phase II in the second half of the year 2002. The Group expected the project to continue to make positive contributions to the results of the Group in the coming financial year.

Yuhu Recreation Village, Xinhui

Yuhu Recreation Village is a well-known holiday resort in Xinhui. The operation recorded a loss for the year and it was mainly due to the impairment loss recognised in respect of property, plant and equipment. Putting aside the impairment loss, the performance of the operation improved with an increase in its revenue by approximately 19.3% due to the opening up of the resort's new entertainment facilities such as sauna and karaoke in September 2001. The management expected the new entertainment facilities to bring new income stream and stimulate the existing business of the resort as a whole in the coming financial year.

Emperor Star City, Shanghai

Emperor Star City, Shanghai was located in the famous tourist area of Yuyuan, Shanghai. The site clearance work had been completed. In view of the recent improvement in the property market in Shanghai, the management would study the latest market performance and consider if changes to the previously approved development scheme are necessary. Barring any unforeseeable adverse changes to the property market, the management planned to commence the construction works in the year 2003.

Peony Garden, Beijing

Peony Garden, the hotel and service apartment development in Beijing, was owned as to 80% by the Group through its 80% interest in Canlibol Holdings Limited ("Canlibol") which in turn held Beijing Peony Garden Apartment House Co., Ltd. ("Beijing Peony"), the registered owner of Peony Garden. Pursuant to an agreement with the vendor of the project, the vendor guaranteed a minimum return of approximately HK$92.6 million per annum to the Group for five years as from June 1998. The Group had been receiving such guaranteed return by way of set-off against the accrued interest and part of the principal of the loan notes issued by the Company in settlement of part of the purchase price for the project when the Group acquired the project.

The local management of Beijing Peony in the PRC had not been cooperative with the Company. The Company had difficulty in exerting management control over Beijing Peony and gaining access to its financial information. The Company is taking appropriate actions with a view to exerting control over Beijing Peony.

New Century Plaza, Chongqing

Phase I of the project, an integrated retail, office and hotel complex with a total gross floor area of 1,614,600 sq.ft. was under construction. In April 2002, the Company entered into a joint venture agreement ("JV Agreement") with a joint venture partner ("JV Partner") whereunder the Group handed over the daily management of the development of the project to the JV Partner and further expenditure in relation to the project would be borne by the JV Partner. Pursuant to the terms of the JV Agreement, 10% of the Group's share in the project had been transferred to the JV Partner and further shareholding would be transferred to the JV Partner as the construction of the project progressed. In return, the Group would receive a total of 11% of the gross development value of the completed floor area of the project and an additional floor area of the project that worths RMB3.0 million, out of which the Group would be responsible for discharging the entitlement of a PRC joint venture partner in the project. It is expected that the construction work of the project would be completed by the end of the year 2006.

Hongfu Villas, Dongguan

In June 2001, the Group entered into an agreement with a PRC party to dispose of its entire interest in the project in Zhangmutou, Dongguan and expected to receive sale proceeds equivalent to approximately HK$36.5 million. According to the terms of the agreement, the sale proceeds would be received by instalments over a period of 2 years commencing from August 2001. Up to the date of this report, the Group had duly received an aggregate of HK$20.9 million.

Tienmapien, Xinhui

The construction of the project in Tienmapien, Xinhui, a mixed commercial/recreational group of buildings built on a site of about 360,000 sq.ft., was yet to commence pending improvement in the sentiment of the property market of Xinhui and completion of the infrastructure facilities of the area by the local authority.

Hong Tai Building, Chongqing

The Group held interest in certain units and car parking spaces at Chongqing Hong Tai Building, construction works of which have been suspended. In view of the prolonged suspension of the development and the restructuring scheme of the developer, the Group had already made full provision for the paid deposit of approximately HK$18.7 million in the previous financial year.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group currently funds its operation and capital expenditure through cash from its operations, debentures and advances from related companies.

As at 31st March, 2002, the debentures were approximately HK$50.6 million, which were denominated in Hong Kong dollars. The debentures were issued to Rise Rich Development Limited (the "Vendor") on 1st December, 1997 as a partial consideration for the acquisition of 80% equity interest in Canlibol, which bear interest at 10% per annum payable in arrears and are repayable after five years from the date of issue. The Company may redeem the debentures, either in cash and/or by issue of ordinary shares of the Company, at an initial price of HK$2.5 per share, subject to adjustment, with an annually compounded increment of 17.5% calculated on a daily basis, at any time before the repayment date. Pursuant to the instrument constituting the debentures and a Deed of Cancellation and Undertakings dated 28th January, 1999 entered into between the Group and the Vendor, the Group had the right to set off the interest accrued on the debentures against an annual minimum return of approximately HK$92.6 million guaranteed by the Vendor, and to cancel any outstanding debentures to the extent the guaranteed return exceeded the accrued debenture interest. During the year, the Group had exercised the right to cancel debentures held by the debenture holder of approximately HK$81.4 million.

As at 31st March, 2002, advances from related companies were approximately HK$162.1 million, which were also denominated in Hong Kong dollars, out of which approximately HK$146.1 million from a related company were interest bearing at prevailing market rates while HK$16.0 million from another related company were interest-free. All these advances were unsecured and had no fixed terms of repayment.

Save as disclosed above and the intra-group liabilities and normal trade payables and accruals, the Group had no other external borrowings as at 31st March, 2002. Bank and cash held in hand by the Group at the same date was approximately HK$34.9 million, which were denominated in Hong Kong dollars, U.S. dollars and Reminbi. With the external borrowings and bank and cash held in hand denominated in Hong Kong dollars, U.S. dollars and Reminbi, the Group expected no significant exposure to foreign exchange rate fluctuation in the coming year.

Together with the cash flow generated from the operation of the Group in its ordinary course of business and the advances from related companies, the directors of the Company expected the Group to have sufficient working capital for its operation.

As at 31st March, 2002, the Group had a debt to equity ratio (expressed as a percentage of total liabilities over shareholders' fund) of 33.3% as compared with that of 43.4% in the previous year. The decrease in the debt to equity ratio is mainly due to cancellation of debentures of approximately HK$81.4 million and repayment of approximately HK$21.0 million of the advances from a related company. The directors of the Company expected debt to equity ratio to continue to improve through the cancellation of debentures by way of set-off against the guaranteed return receivable, and the repayment of the advances from the related company using the proceeds received from the disposal of the Dongguan project in the coming year.

COMMITMENTS AND CONTINGENT LIABILITIES

As at 31st March, 2002, the Group had operating lease commitments of approximately HK$2.4 million, capital commitments of approximately HK$100.6 million in respect of property development projects and contingent liabilities of HK$36.7 million in respect of the guarantees on the mortgage loans given by the Group to the purchasers of properties sold by the Group. Save as disclosed above, the Group had no other material commitments and contingent liabilities.

PROSPECTS

In view of the volatility of the PRC property market, the Group would closely monitor its existing development projects and investment in the PRC while cautiously exploring promising development projects in the PRC when opportunities arise.

NUMBER AND REMUNERATION OF EMPLOYEES

As at 31st March, 2002, the Group had 255 employees and total staff costs for the year ended 31st March, 2002 was approximately HK$4.1 million. All employees were under the remuneration policy of fixed monthly salary with commission and discretionary bonus. No training scheme was in operation. The share option scheme adopted by the Company on 7th July, 1992 was expired on 6th July, 2002. No options were granted or outstanding during the year.

APPRECIATION

On behalf of the Board, I would like to express my sincere thanks and gratitude to all our shareholders and business associates for their encouragement, support and assistance. I would also like to thank all the employees of the Group who have worked hard for the benefit of the Group.

Luk Siu Man, Semon
Chairperson

Hong Kong, 17th July, 2002