

The Company and its subsidiaries (collectively referred to as the "Group") recorded a turnover of HK\$536 million for this year, representing a decrease of 36% from HK\$832 million for the previous year. The decrease in turnover was mainly due to the drop in proceeds from sale of properties from HK\$373 million for the previous year to HK\$77 million for this year.

The profit attributable to shareholders dropped by 73% from HK\$265 million to HK\$70 million mainly due to the lower profit margin and transaction volume resulting from stagnant property market condition and devaluation of property prices.

#### **FINAL DIVIDEND**

The board of directors of the Company (the "Board") recommend the payment of a final dividend of 1.8 cents per share payable on November 28, 2001 for the year ended March 31, 2001, to shareholders on the register of members on August 27, 2001.

#### **REVIEW OF OPERATIONS**

##### **Property Development and Investment**

Property development and investment remains the core business of the Group which continues to enjoy steady rental income from the leasing of its investment properties in Hong Kong.

During the year, the construction work of JC Place at Tuen Mun and Tower Two of South Bay Palace were completed. The sale of the residential units at JC Place received good response and nearly all units were sold. With regard to Tower Two of South Bay Palace, the sales progress of the residential units and carparks was steady. The sale of these two developments contributed a profit of approximately HK\$40 million to the Group during the year.

The renovation works of the eleven town houses of Little Palm Villas at Sai Kung and the construction works of the residential development at Ting Kok Road, Tai Po have been completed. As a result of marketing and promotion program which was launched in the second quarter of this year, all houses of Little Palm Villas and some houses at Ting Kok Road had been successfully sold. Therefore it is expected that the developments will contribute to the profit of the Group in the coming financial year. Besides, the construction works of the Group's two residential developments at Chung Hom Kok and Tai Po Town Lot No.165 commenced during the year and are scheduled to complete in the fourth quarter of next year.

With the successive cut in interest rates, the management is optimistic that the local property market sentiment will improve and will prudently look for opportunities to replenish the land reserve of the Group.

### **Emperor (China Concept) Investments Limited (“Emperor China”)**

Emperor China is a Hong Kong listed company and is held as to 49.11% by the Company. During the year, Emperor China and its subsidiaries recorded a profit attributable to the Group of HK\$15 million.

The subsidiaries of Emperor China principally engaged in the business of property development in the People's Republic of China (other than Hong Kong) (“PRC”). Emperor China and its subsidiaries turned from a loss in the previous year to a profit in the current year. This is mainly due to the recognition of net gain arising on disposal and deconsolidation of subsidiaries. Recently, the local PRC management of Beijing Peony Garden Apartment House Co. Ltd. (“Beijing Peony”), the registered owner of the property development project at Peony Garden, Beijing, PRC had not been cooperative with Emperor China which had difficulty in exerting management control over Beijing Peony and gaining access to its financial information. As a result, Emperor China was not in a position to verify the financial position of Beijing Peony. Emperor China is seeking advice on appropriate actions to be taken with a view to exerting management control over Beijing Peony.

**Securities and Financial Services**

During the year, the securities and futures brokerage business benefited from the more active financial market. With the profit realised on the sale of all the Group's shares in Hong Kong Exchanges and Clearing Limited, the securities and brokerage business contributed over HK\$95 million to the Group's profit.

**Hotel and Furniture**

With the gradual recovery of the tourist industry in Hong Kong, The Emperor (Happy Valley) Hotel recorded encouraging results for this year. The Ulferts furniture continued to make a steady contribution to the Group. It is expected that the performance of the hotel and furniture businesses will continue to grow steadily in the coming year.

**Emperor Technology Venture Limited ("Emperor Technology")**

Emperor Technology is a Hong Kong listed company and is held as to 34.94% by the Company. During the year, Emperor Technology and its subsidiaries recorded a loss attributable to the Group of HK\$20 million.

Pursuant to an internal restructuring scheme, the Company acquired from Emperor Technology 50% of the eDaily Group, the flagship of the internet and technology business of Emperor Technology and certain songs and movie internet streaming rights of the Emperor Entertainment Group and the Emperor Movie Group during the year. In view of the huge loss in the investment and the unfavourable market condition, Emperor Technology ceased its internet business in early 2001.

Emperor Technology acquired the printing and publishing division during the year from Graneagle Holdings Limited, the Group's former associate and this business made a loss for the year. The apparel trading and retailing business and the marine product distribution business on the other hand recorded a profit.

## **CORPORATE EXERCISE**

In June 2000, the Company proposed a rights issue of 215,823,380 shares of HK\$1.00 each at HK\$1.00 per rights share with bonus share in the proportion of one bonus share for every rights share taken up ("Rights Issue"). At the Special General Meeting of the Company held on July 17, 2000, the shareholders of the Company approved the Rights Issue which became unconditional on August 4, 2000. The Company raised approximately HK\$215.8 million before expenses from the Rights Issue.

## **FINANCIAL RESOURCES**

During the year, the Group funded its operation and capital expenditures through cash generated from operations, proceeds from issue of shares, bank loans and advances from a shareholder and related parties. As at March 31, 2001, the Group had banking facilities totalling HK\$1,784 million, of which HK\$1,036 million had been utilized. The banking facilities are mainly secured by the Group's investment properties, property, plant and equipment, properties under development and properties for sale. As at the same date, the Group maintained a gearing ratio of 42% (measured by total indebtedness as a percentage to the net asset value of the group). The Group's indebtedness and bank balances and cash held in hand are mainly denominated in Hong Kong dollars and US dollars. During the year, the Group had no significant exposure to foreign exchange rate fluctuation. As at March 31, 2001, the Group had capital commitments, operating lease commitments and contingent liabilities in respect of guarantees given to banks for credit facilities utilized by associates of HK\$75 million, HK\$13 million and HK\$132 million respectively.

## **STAFF COSTS**

The total cost incurred for staff including directors emoluments amounts to HK\$82 million which represents a small increase over last year's HK\$75 million. The number of staff as at year end date was approximately 510. All employees are under the remuneration policy of fixed monthly salary with commission and discretionary bonus.

**PROSPECTS**

The management would continue to tighten cost control and look for suitable investment opportunities in a prudent manner to sustain the Group's profitability.

**APPRECIATION**

On behalf of the Board, I would like to express our heartfelt thanks to Messrs. Hong Po Kui, Martin and Cheung Hon Kit, who have resigned as directors of the Company, for their valuable contribution to the Group's development.

I would also thank our staff for their dedication and hard work, and our shareholders and business associates for their continuous support and confidence in the Group.

**Luk Siu Man, Semon**  
*Chairperson*

Hong Kong, July 20, 2001