

For the year ended March 31, 2001, the Company and its subsidiaries (collectively referred to as the "Group") recorded a turnover of HK\$38.7 million, representing a decrease of 15.5% as compared with that of the previous year. The drop in turnover was mainly due to the disposal of the Group's Hong Kong investment properties portfolio to its substantial shareholder, Emperor International Holdings Limited in July 1999.

During the year, the profit attributable to shareholders was HK\$31.3 million as compared to a loss of HK\$60.2 million for the previous year. The significant increase was mainly attributable to the recognition of net gain arising on disposal and deconsolidation of subsidiaries of HK\$93.4 million.

#### **DIVIDEND**

The board of directors of the Company (the "Board") did not recommend the payment of a dividend for the year ended March 31, 2001.

#### **REVIEW OF OPERATIONS**

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

##### **Yuhu, Xinhui**

Yuhu is a well-known holiday resort in Xinhui. Owing to the unfavourable economic condition, the operation made a loss for the year. With a view to improving the profitability of the business, the management had been implementing strict cost control measures during the year and proceeded to renovate the entertainment facilities of the resort such as sauna and karaoke.

## **Riverside Garden, Xiamen**

The construction work of Tower 1 and Tower 2, Phase I of Riverside Garden, Xiamen had been completed and about 80% of the residential units of Tower 1 were sold. Sale of the residential units of Tower 2 is planned to be launched in August 2001, and the construction work of Phase II is scheduled to commence in year 2002. For the year ended March 31, 2001, the Group recorded a turnover from the sale of Tower 1 of approximately HK\$29.2 million, which is about 40.4% increase as compared with that of the previous year. The Group expects the project to continue to make positive contribution to the results of the Group 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 adverse property market of Shanghai, the Group decided to defer its development and treat it as land reserve of the Group.

## **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 holds 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 has been receiving such guaranteed return by way of set-off against the accrued debenture interest and part of the principal of the convertible notes issued by the Company in settlement of part of the purchase price for the project when the Group acquired the project.

Recently, 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 management 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 about 1,680,000 sq. ft. is still under construction. The formation work had been completed. To comply with the latest town planning requirements of Chongqing city, the master plan and design of the project was recently revised and has been approved by the government authority and the basement construction work commenced in June 2001. It is expected that the construction work of Phase I of the project will be completed by 2003.

### **Other PRC projects**

Other PRC projects included a mixed commercial/recreational group of buildings with a site area of 360,000 sq. ft. in Tienmapien, Xinhui and a commercial/residential development with a site area of 1,076,000 sq. ft. in Zhangmutou, Dongguan. The construction of the Tienmapien project was yet to commence pending improvement in the PRC property market. The Group has recently entered into an agreement to dispose of its entire interest in the Zhangmutou project.

Other than the above projects, the Group also holds interest in certain units and car parking spaces at Chongqing Hong Tai Building, construction of which has been suspended. As the developer planned to undergo a restructuring scheme and in view of the prolonged suspension of the development, the Group has already made full provision of the carrying value of the paid deposit of HK\$18.7 million.

Owing to the lack of development potential of the Shunde project, the Group decided to terminate this project and entered into a termination agreement with the local authority in October 2000. A net proceed equivalent to approximately HK\$9.3 million as compensation for the land premium paid in previous years was received and the Group recorded a gain on disposal of approximately HK\$2.3 million.

## **LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE**

The Group currently funds its operations and capital expenditure through cash generated from its operations, debentures and advances from related companies. The debentures were issued on December 1, 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. The advances from a related company are interest-bearing at prevailing market rates while the advances from another related company are interest-free. All these advances are unsecured and have no fixed terms of repayment.

Save as disclosed above and the normal trade payables and accrued charges, the Group had no other external borrowings as at March 31, 2001. Bank balances and cash held in hand were denominated in Hong Kong dollars, U.S. dollars and Reminbi. During the year, the Group had no significant exposure to foreign exchange rate fluctuation.

As at March 31, 2001, the Group had current assets of approximately HK\$120.8 million and current liabilities of approximately HK\$12.8 million. At the same date, the Group had a debt to equity ratio (expressed as a percentage of interest bearing debts over shareholders' fund) of 33.3% as compared to that of 43.0% in previous year.

As at March 31, 2001, the Group had capital commitments of approximately HK\$122.1 million and contingent liabilities, in respect of the guarantees on the mortgage loans given by the Group to the purchasers of properties sold by the Group, of approximately HK\$15.4 million given to a bank. Save as disclosed above, the Group had no other material commitments and contingent liabilities, including operating lease commitments.

#### **PROSPECTS**

The Group will closely monitor its existing development projects and investment in the PRC while cautiously pursuing other development opportunities in the PRC.

#### **NUMBER AND REMUNERATION OF EMPLOYEES**

As at March 31, 2001, the Group had 261 employees and total staff costs for the year ended March 31, 2001 was approximately HK\$3.9 million. All employees are under the remuneration policy of fixed monthly salary with commission and discretionary bonus. No share option scheme and training scheme were in operation.

#### **APPRECIATION**

On behalf of the Board, I would 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 24, 2001