

## Chairman's Statement

On behalf of the Board, I am pleased to announce that:

### RESULTS

The Group's consolidated profit attributable to shareholders amounted to HK\$ 30.8 million for the year ended 31<sup>st</sup> December 2001. This represented a decrease of 29.9% from a year before. Earning per share posted 6.9 cents (2000: 9.8 cents).

### DIVIDEND

The Board proposed to recommend a final dividend of 1.5 cents per share, which, together with the interim dividend of 1.0 cent per share already paid, will make a total distribution of 2.5 cents per share (2000: 5.0 cents per share). This represented a decrease of 50%. The final dividend will be payable on or before 21<sup>st</sup> June 2002 to shareholders whose names appears on the register of members of the Company on 23<sup>rd</sup> May 2002.

### BUSINESS REVIEW

In 2001, total turnover of the Group declined 18.3% from previous year to HK\$860.9 million. Turnover generated from trading business for the fiscal year ended 31<sup>st</sup> December 2001 amounted HK\$ 833.8 million, representing a decrease of 18.5% compared with HK\$ 1,023.2 million a year earlier. Total turnover generated from rental properties in 2001 rose by 2.9%, from HK\$ 19.7 million in 2000 to HK\$ 20.3 million in 2001. Segmental profit generated from trading business posted HK\$ 28.2 million in 2001, a decline of 23.9% from a year earlier. Segment profit generated from property investment however climbed HK\$ 16.7 million in 2001 to HK\$ 32.5 million. A segmental loss from securities investment was recorded amounting HK\$ 16.9 million in 2001 compared with profit of HK\$ 9.3 million in 2000.

Undoubtedly, year 2001 was very tough to most industries around the world. The slow down in U.S. economy certainly affected those countries that exported to it. Trading sales in Hong Kong, Taiwan, Singapore and Thailand all reported declines. Downturn in manufacturing sectors cut demand throughout Asian markets and slashed our trading turnover by 18.5%. Profitability was also challenged by severe price-cutting among other competitors in the market. It seemed that only China's economy stayed buoyant during global economic slowdown with remarkable economic growth, and its entry to the World Trade Organization represented one major step onto international business platform. While the rest of the world is slowing down, many foreign companies were eager to gain an

early entry into Mainland China. Excess trading with China during the year created an oversupply situation that could not be completely consumed and digested till the end of the year and fierce competition continued. Successive interest rate cuts relieved part of operation cost pressure when competing with other rivals. We also applied a prudent purchasing strategy to avoid exposure towards severe volatility in material prices during the year.

The result of property investment reflected stable rental earnings and resilience on properties value in Shanghai. A gain of HK\$ 16.1 million was recognized from a surplus on revaluation of investment properties for the year ended 31<sup>st</sup> December 2001. In 2001, the property investment portfolio performed well with high occupancy rate and stable rental income. Although Hong Kong properties continued to be under pressure, the rebound in Shanghai properties helped to offset the decrease in value of Hong Kong properties. With abundant new supply of properties in Shanghai, there is a lack of momentum to the recent rise in rental rates. Office rent in Hong Kong was still soft without sign of upward force.

2001 was a dismal year for the global equity markets. Corporate earnings was suffered from the world economy heading into recession during the year and further deteriorated after September 11<sup>th</sup> tragedy. The increased liquidity supplied by the U.S. Federal Reserve as well as added fiscal stimulus by U.S. government encouraged investors to look beyond near-term weakness, and world equity markets have rallied significantly from their lows in late September and are back to pre-September 11<sup>th</sup> levels. Rally in global bond markets during the year, on the contrary, was easier to comprehend in light of weakness in global economy and evidence that inflation was declining nearly everywhere. Under such circumstances, our securities portfolio did not perform well and posted a net realized and unrealized loss of HK\$ 21.8 million for the year ended 31<sup>st</sup> December 2001. In view of the impact of the market condition, we constructed the portfolio during the year not only to include traditional assets like stocks and bonds but also other financial assets like money market instruments, structured products, private equity, hedge funds etc. so as to balance the portfolio and anticipate re-appraising prospect for the economy and inflation.

#### AUDIT COMMITTEE

The company has an audit committee which comprises of three non-executive directors of the Board with two of them were independent non-executive directors. Chaired by an independent non-executive director, the Audit Committee meets at least three times a year. Their function is to review the internal and external risk control areas of the Group, make plans with external auditors in relation to the nature and scope of the audit, and review the interim and annual reports of the Group before submission to the Board of Directors for approval. The external auditors together with the Group's financial controller and an

executive director attend all audit committee meetings. For the year ended 31<sup>st</sup> December 2001, the audit committee met three times in total.

## PROSPECTS

Worldwide economic recovery is beginning to take shape as leading economic indicators in U.S. and Europe shown some improvement. However, we are cautiously aware of possible setbacks during the course of such recovery. It is therefore important for us to better control our operation costs and sales strategies. The interest rate cycle in the U.S. is passing its turn and possible rise of interest rate may exert pressure on profitability. Outlook of end-users demand is uncertain but we believe improvement will start as late as the second-half year after surplus inventories have been consumed and consumers' confidence return.

Existing tenancies on Shanghai's properties will expire in 2002 and more than half of such tenancies have been renewed. Total rental income in 2002 is expected to be lower than that of this year.

We remain resolutely confident that by focusing on our core business, we would weather this period of difficulty and be well positioned to benefit from the recovery in the year ahead.

LEUNG SHU WING

Chairman

Hong Kong, 28<sup>th</sup> March 2002