Chairperson's Statement

Despite the very difficult economic conditions, turnover of the Group slightly increased from HK$652 million last year to HK$661 million for the year under review.

Results attributable to shareholders, however, recorded a loss of HK$706 million as compared with a loss of HK$255 million last year. The loss mainly arose from loss incurred by an associate of the Group, devaluation of properties and impairment of internet streaming right value.

OPERATION REVIEW

Property Development and Investment

Property development is the core business of the Group from which steady and significant income was derived. All the remaining units of Tower II of South Bay Palace, a luxurious residential development in Repulse Bay, had been sold, bringing in a profit of HK$31 million for the year under review. The construction works of (1) JC Castle, a residential development in Tai Po, and (2) Royal Bay, another residential development in Chung Hom Kok were both completed and occupation permits were issued. The management expected the sale proceeds from these 2 projects to bring positive contribution to the results of the Group in the coming year. As at the date of this report, 70% of the total units of JC Castle had been sold at a total consideration of HK$252 million. Construction works for the redevelopment of the Lido complex, a development comprising restaurants and shopping arcades in Repulse Bay, were scheduled to commence around August 2003.

Financial Services

Contribution derived from the securities and futures brokerage and margin financing business dropped by 26% as compared with last year as a result of a less active financial market. The management had been working on the recruitment of new marketing teams, strengthening the existing human resources, introduction of new investment products and the extension of the Group's financial services business to the bigger PRC market through seminars and joint venture with PRC partners.

Hotel and Furniture

Both the hotel and the furniture business suffered as a result of the continuing economic depression. The loss incurred by The Emperor (Happy Valley) Hotel increased slightly for the year. Cost-cutting measures had been implemented to counter the adverse economic condition. The furniture business of Ulferts also suffered setback and recorded a loss for the year. In order to boost the sales of Ulferts, shops were renovated with a young and modern image and new lines of products were sourced and introduced to suit different market segments.

OPERATION REVIEW (continued)

Matsunichi Communication Holdings Limited ("Matsunichi")

During the year in July 2002, the Group disposed of its entire interest in Matsunichi (previously known as Emperor Technology Venture Limited) at a profit. Matsunichi is a listed company and had operated at a loss prior to the disposal.

Publishing and Printing

Contemporaneous with the disposal of Matsunichi, the Group acquired from Matsunichi its publishing and printing business, which comprised one newspaper, five magazines and one printing arm, namely Hong Kong Daily News, Eastweek, Weekend Weekly, New Monday, Oriental Sunday, Economic Digest and Hong Kong Daily Offset Printing.

During the year, Hong Kong Daily News continued to operate under a difficult environment of cut-throat competition and economic depression. The management had been taking steps to enrich the contents of the newspaper, while at the same time controlling its costs and opening up new income streams to improve its results.

Eastweek, Weekend Weekly, New Monday and Oriental Sunday were published and managed by the New Media Group ("New Media"). New Media ceased the publication of Eastweek in early November 2002, as a result of which the Group incurred a substantive loss. Shortly after the year under review, the trademark of Eastweek was disposed of outside the Group. Weekend Weekly had turned from the red and generated a satisfactory profit for the Group during the year. A slight loss was recorded for New Monday and Oriental Sunday, which was a substantive improvement as compared with last year. The management expected the performance of the magazines to continue to improve for the coming year.

During the year, the operation of Economic Digest had diversified into book publishing, seminar and event organization and professional training to broaden its income stream. In the latter part of the year, the management of Economic Digest decided to pare down its diversification programme, and shortly after the end of the year under review, the management was consolidated under the New Media Group to facilitate the sharing resources and to create synergy.

The printing arm of the Group, Hong Kong Daily Offset Printing, continued to generate a steady profit for the Group, despite keen competition and a difficult economic environment.

OPERATION REVIEW (continued)

Marine Products

The Group acquired the business of glass eel trading in late January 2003. This business contributed a mild profit to the Group for the period from February to March 2003.

Emperor (China Concept) Investments Limited ("ECC")

ECC is a Hong Kong listed company and was held as to 49.11% by the Company. In January 2003, the Company reduced its shareholding in ECC to 30.99%.

The Group incurred a loss of HK$300 million from ECC. The loss was mainly attributable to the writing off of ECC's investment in the Beijing Peony Garden project. ECC acquired 80% interest in Peony Garden, the hotel and service apartment development in Beijing, through its acquisition of 80% equity interest in Canlibol Holdings Limited ("Canlibol"), the holding company of Beijing Peony Garden Apartment House Co., Ltd. ("Beijing Peony"), the registered owner of Peony Garden in December 1997. The local management of Beijing Peony had not been cooperative with ECC. ECC had retained PRC lawyers with a view to exerting management control over Beijing Peony. ECC had recently been informed by its PRC lawyers that according to the records of 工商行政管理局, the interest of ECC in Beijing Peony was transferred to a third party in August 2001 without the knowledge of ECC. ECC had been in consultation with its PRC lawyers with a view to recovering ECC's interest in Peony Garden. In view of the unauthorised transfer of interest in Beijing Peony, ECC had re-assessed the carrying amount of the project and made an allowance of HK$627 million during the year.

Shortly prior to the end of the year in March 2003, the Company through its wholly-owned subsidiary, Achieve Perfect Group Limited ("Achieve Perfect") purchased from Lavergem Holdings Limited ("Lavergem"), a wholly-owned subsidiary of ECC, the entire issued share capital of Lacework Profits Limited ("Lacework") and the loan due from Lacework and its subsidiaries to Lavergem, at a consideration of approximately HK$127 million. Lacework was an investment holding company with its subsidiaries principally engaged in property development projects in Xiamen, Chongqing and Tienmapien in the PRC. With this acquisition, the Group increased its investment in these PRC properties.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at March 31, 2003, total external borrowings (excluding intra-group liabilities, normal trade payable and accruals, and tax liabilities) amounted to approximately HK$1,109 million, which was the same as last year. Debt to equity ratio (measured by total external borrowings as a percentage to the shareholders' fund of the Group) increased from 40% as at March 31, 2002 to 54% as at March 31, 2003.

During the year under review, the Group had been funding its operation and capital expenditure through bank balances and cash on hand, cash from operations, bank borrowings and unsecured loans from a shareholder and related companies.

The Group's external bank borrowings (mainly secured by the Group's leasehold land and buildings, investment properties, hotel properties and properties under development) and bank balances and cash were mainly denominated in Hong Kong dollars and no significant exposure to foreign exchange rate fluctuation is expected. External borrowings bear interest at prevailing market rates. The Group had contingent liabilities in respect of guarantees given by the Group to (a) banks as security for banking facilities granted to third parties and as at March 31, 2003, the total amount of facilities utilized was HK$23 million and (b) a bank in the PRC in respect of the mortgage loans granted to third parties totalling HK$18 million.

With the cashflow generated from operations of the Group in their ordinary course of business, the Group's existing loan facilities and unsecured loan from a shareholder, the Board expected to have sufficient working capital for the Group's operation.

STAFF COSTS

The total cost incurred for staff, including directors' emoluments amounted to HK$199 million (as compared to HK$114 million for the last corresponding period) and the number of staff was approximately 1,100 as at March 31, 2003, as compared to 390 for the last year. Such increases were mainly on account of the Group acquiring the publishing and printing business from Matsunichi.

ASSETS PLEDGED

Assets with carrying value of HK$2,468 million were pledged as security for banking facilities.

PROSPECTS

Faced with the continuing unfavourable economic conditions and the impact of SARS, the Group had taken steps to cut costs to sustain its competitiveness and would at the same time continue to look for suitable investment opportunities in a prudent manner.

By Order of the Board
Luk Siu Man, Semon
Chairperson

Hong Kong, July 17, 2003