

## CHAIRPERSON'S STATEMENT

For the year ended March 31, 2004, the Company and its subsidiaries (collectively referred to as "the Group") recorded a turnover of HK\$1,280 million, representing an increase of 93% as compared with HK\$661 million for the previous year. The increase in turnover was mainly attributable to the increase in sale proceeds of properties from HK\$78 million for the previous year to HK\$534 million for the year under review.

Profits attributable to shareholders amounted to HK\$335 million as compared with a loss of HK\$711 million for the last year. During the year, various sections including leasing and sale of properties, magazine publishing and printing, provision of financial services and sale of marine products made satisfactory contribution to the Group while the value of the properties of the Group appreciated due to the recovery of the property market.

### FINAL DIVIDEND

The board of directors ("Board") recommended the payment of a final dividend of HK\$0.38 per share for the year ended March 31, 2004 ("Final Dividend"), amounting to approximately HK\$33 million, subject to the approval of shareholders at the forthcoming annual general meeting of the Company to be held on Thursday, August 26, 2004. If approved, the Final Dividend will be paid on Thursday, October 21, 2004 to shareholders whose names appear on Register of Members of the Company on Thursday, September 23, 2004.

### OPERATION REVIEW

#### Hong Kong Property Development and Investment

Property development remained the core business from which the Group derived its income. All units in JC Castle at Tai Po and Royal Bay at Chung Hom Kok were sold during the year and their sale proceeds contributed approximately HK\$376 million and HK\$137 million to the revenue of the Group respectively, leading to a net profit of around HK\$14 million. Basement excavation and foundation works of the redevelopment site in Repulse Bay had commenced. Such works were expected to be completed by 2005.

#### PRC Property Development and Investment

##### *Riverside Garden, Xiamen*

Nearly all the residential units of Phase I of the development had been sold. The sale proceeds generated positive contribution to the results of the Group for the year. Construction work of Phase II of the development was tentatively scheduled to commence by the end of this year.

##### *New Century Plaza, Chongqing*

The project was intended to comprise an integrated commercial, office and hotel complex. During the year, the Group disposed of its interest in the development at a consideration of RMB55 million.

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### Brokerage and Financial Services

During the year, contribution from the Group's brokerage and financial services businesses amounted to HK\$23 million as compared with a profit of HK\$29 million for the last year. The drop was mainly due to the less active financial market during the SARS period and the keen competition within the industry.

The current equity investment market is fast moving and volatile. Apart from offering extensive brokerage and trading services of Hong Kong stocks, the Group is also providing margin-financing services to enable clients to capture favourable investment opportunities. A full range of investment products will be offered to clients including asset management, futures, options and other derivative products with a view to broadening the income stream.

### Hotel, Restaurant and Furniture

Though a loss was incurred by The Emperor (Happy Valley) Hotel, its results had substantially improved as compared with the previous year, despite the outbreak of SARS during the year. The karaoke business in the Hotel thrived following completion of refurbishment of the karaoke rooms. The refurbishment work of the hotel rooms was also in progress. The management expected the refurbishment to bring about a better result in the coming year.

Chiu Chow Dynasty, a Chinese restaurant offering Chiu Chow cuisine was opened around the end of the financial year. The restaurant was still at an investment stage. The management hoped that it could bring in positive contributions to the Group in the coming periods.

The performance of the furniture business of Ulferts was also adversely affected by SARS and incurred losses during the year. As the general demand for imported brands was surging in mainland China, the management would consider to explore good development opportunities in the bigger cities of the PRC and Macau. Shortly after the year under review, a new flagship store of the second furniture line called @Home, was opened to boost the sales of the furniture line.

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### Publishing and Printing

#### *New Media Group*

Weekend Weekly, New Monday, Oriental Sunday, Economic Digest, Fashion and Beauty, Free Walker and Much More were published and managed by the New Media Group ("New Media"), offering a wide range of magazines for different readers. Weekend Weekly, New Monday and Oriental Sunday generated satisfactory profit for the Group during the year. Though a loss was recorded for Economic Digest, the management saw a substantive improvement as compared with the last year. Fashion and Beauty, Free Walker and Much More were all new magazines launched during the year. They were still at an investment stage and the management anticipated a steady growth in their contribution in the coming year. During the year, New Media had diversified into publishing books like pocket books and movie magazines to broaden its income stream. The management expected the results of New Media to continue to improve.

#### *Hong Kong Daily News*

During the year, Hong Kong Daily News recorded a loss owing to the keen competition in the industry. The management was taking pro-active steps to enrich its editorials, draw advertising income and strengthen its market teams to increase the circulation and revenue of the newspaper.

#### *Hong Kong Daily Offset Printing*

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.

### Marine Products

During the year, the business of glass eel trading contributed a slight profit to the Group.

## LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at March 31, 2004, total external borrowings (excluding payables) amounted to approximately HK\$694 million, as compared with HK\$1,109 million for the last year. Debt to equity ratio (measured by total external borrowings as a percentage of net asset value of the Group) decreased from 54% as at March 31, 2003 to 29% as at March 31, 2004. In addition to its share capital and reserves, the Group made use of cash from operations, bank borrowings, unsecured loans from a shareholder and related companies to finance its operations. The Group's bank borrowings were mainly denominated in Hong Kong dollars and their interest rates followed prevailing market rates. The Group's bank balances and cash were denominated in Hong Kong dollars and Renminbi; therefore, the Group had no material exposure to fluctuations in exchange rates. Besides, the Group had contingent liabilities in respect of (i) guarantees given to a bank as security in connection with mortgage loans granted to third parties totalling HK\$9 million and (ii) loss and damages due to defects claimed by purchasers of some of the Group's properties.

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### STAFF COSTS

The total cost incurred for staff, including directors' emoluments amounted to HK\$238 million, as compared with HK\$199 million for the last year. The increase was mainly due to the fact that only part of the staff cost of the printing and publishing business acquired by the Group during last year was accounted for in the financial statements of the Group for last year. The number of staff was approximately 1,200 as at March 31, 2004.

### ASSETS PLEDGED

Assets with carrying value of approximately HK\$2,333 million were pledged as security for banking facilities.

### PROSPECTS

Though there were signs of gradual recovery in Hong Kong's economy, the management found it premature to diagnose a full rebound at this stage as deflation persisted, unemployment rate remained high, and the global economy suffered following the war in Iraq. However, in anticipation of an improving economy, the management had been cautiously looking for new investments and suitable properties to replenish its land bank and strengthen its investment property portfolio. Looking ahead, the management would closely monitor the performance in every segment of its business so as to maintain its growth momentum and profit margins.

**Luk Siu Man, Semon**

*Chairperson*

Hong Kong, July 19, 2004