

REVIEW OF PERFORMANCE

Turnover and profit attributable to shareholders for the year ended 31st December 2003 were HK\$3,076,143,000 and HK\$120,380,000, an increase of 44% and 18% respectively.

Contribution from the Properties Division continued to increase during the year. Major properties sold during the year were La Costa, The Palace, Anglers' Bay and The Cairnhill in Hong Kong, and Parkview Place Phase 3 in Guangzhou. Sale from this Division has accounted for approximately 61% of the Group's turnover.

Due to the escalating competition in Hong Kong, contribution from the Construction Materials Division was 51% less than that of last year despite the increased contribution from the gradual phasing in of new projects in the Mainland.

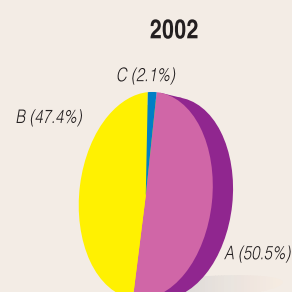
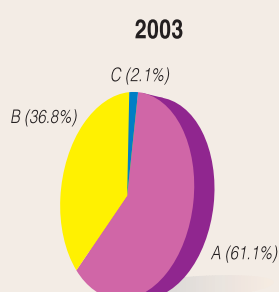
Set out below are the segmental analysis of the Group's operation for the year ended 31st December 2003.

By Division

| | Properties <i>HK\$'000</i> | Construction materials <i>HK\$'000</i> | Others <i>HK\$'000</i> | Total <i>HK\$'000</i> |
|--------------------------|--------------------------------------|--|----------------------------------|---------------------------------|
| Turnover | 1,879,105 | 1,130,894 | 66,144 | 3,076,143 |
| Cost of sales | <u>(1,749,863)</u> | <u>(1,085,600)</u> | <u>(56,169)</u> | <u>(2,891,632)</u> |
| Gross profit | 129,242 | 45,294 | 9,975 | 184,511 |
| Other revenues | 12,102 | 4,066 | 1,477 | 17,645 |
| Other operating income | 15,936 | 42,993 | 13,959 | 72,888 |
| Administrative expenses | (18,843) | (47,406) | (11,350) | (77,599) |
| Other operating expenses | <u>(29,090)</u> | <u>(22,464)</u> | <u>(370)</u> | <u>(51,924)</u> |
| Operating profit | <u>109,347</u> | <u>22,483</u> | <u>13,691</u> | <u>145,521</u> |

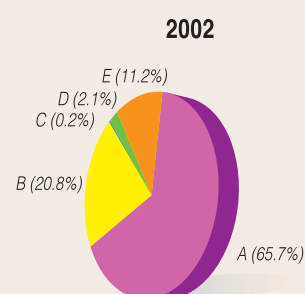
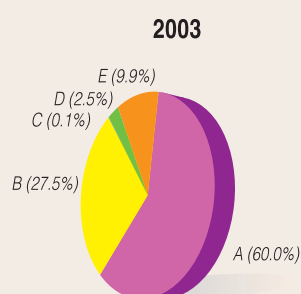
TURNOVER BY DIVISION

| | 2003 HK\$'000 | 2002 HK\$'000 |
|--------------------------|------------------|------------------|
| A Properties | 1,879,105 | 1,079,095 |
| B Construction materials | 1,130,894 | 1,010,999 |
| C Others | 66,144 | 44,458 |
| | <u>3,076,143</u> | <u>2,134,552</u> |



EMPLOYMENT OF GROSS ASSETS

| | 2003 HK\$'000 | 2002 HK\$'000 |
|--------------------------|------------------|------------------|
| A Properties | 3,149,711 | 4,034,751 |
| B Construction materials | 1,443,168 | 1,276,310 |
| C Trading | 7,784 | 11,690 |
| D Central services | 133,074 | 132,711 |
| E Cash & bank balances | 517,065 | 686,409 |
| | <u>5,250,802</u> | <u>6,141,871</u> |

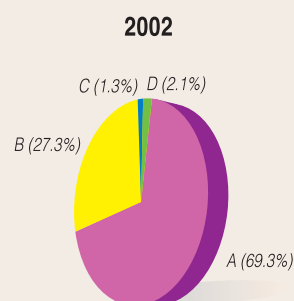
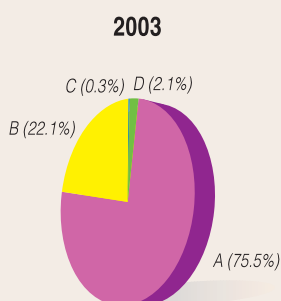


By Geographical Spread

| | Hong Kong HK\$'000 | Mainland China HK\$'000 | Singapore HK\$'000 | Japan HK\$'000 | Total HK\$'000 |
|--------------------------|-----------------------|-------------------------------|-----------------------|-------------------|--------------------|
| Turnover | 2,322,052 | 678,729 | 9,218 | 66,144 | 3,076,143 |
| Cost of sales | <u>(2,171,636)</u> | <u>(661,178)</u> | <u>(2,649)</u> | <u>(56,169)</u> | <u>(2,891,632)</u> |
| Gross profit | 150,416 | 17,551 | 6,569 | 9,975 | 184,511 |
| Other revenues | 16,189 | 1,440 | 15 | 1 | 17,645 |
| Other operating income | 28,651 | 43,517 | 613 | 107 | 72,888 |
| Administrative expenses | (52,421) | (14,600) | (1,384) | (9,194) | (77,599) |
| Other operating expenses | <u>(24,089)</u> | <u>(17,877)</u> | <u>(9,589)</u> | <u>(369)</u> | <u>(51,924)</u> |
| Operating profit/(loss) | <u>118,746</u> | <u>30,031</u> | <u>(3,776)</u> | <u>520</u> | <u>145,521</u> |

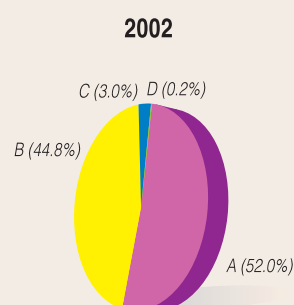
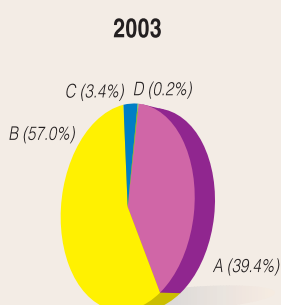
TURNOVER BY GEOGRAPHICAL SPREAD

| | 2003 | 2002 |
|------------------|------------------|------------------|
| | HK\$'000 | HK\$'000 |
| A Hong Kong | 2,322,052 | 1,479,594 |
| B Mainland China | 678,729 | 583,176 |
| C Singapore | 9,218 | 27,324 |
| D Japan | 66,144 | 44,458 |
| | <u>3,076,143</u> | <u>2,134,552</u> |



GROSS ASSETS BY GEOGRAPHICAL SPREAD

| | 2003 | 2002 |
|------------------|------------------|------------------|
| | HK\$'000 | HK\$'000 |
| A Hong Kong | 2,068,303 | 3,194,419 |
| B Mainland China | 2,993,565 | 2,748,299 |
| C Singapore | 176,625 | 185,932 |
| D Japan | 12,309 | 13,221 |
| | <u>5,250,802</u> | <u>6,141,871</u> |



REVIEW AND OUTLOOK OF OPERATION

(1) Properties in Hong Kong

(A) Current development properties in Hong Kong (Total gross floor area of approximately 160,000 square metres)

(i) La Costa, 8 Po Tai Street, Ma On Shan, Sha Tin (100% owned)

The property is located at the seaside and near to the Ma On Shan Rail which is scheduled to be completed in 2004, providing convenient access to Kowloon and Hong Kong. The development comprises two towers of 32-storey residential buildings with a full range of clubhouse facilities and an outdoor swimming pool, overlooking the panoramic view of Tolo Harbour. Superstructure work was completed and occupation permit was obtained in February 2004. All the 600 units have been sold.



Hong Kong Real Estate Development



2



- 1,5. The Palace, Broadcast Drive
- 2,3. The Cairnhill, Route Twisk, Tsuen Wan
- 4,7. Anglers' Bay, Sham Tseng, Tsuen Wan
- 6. La Costa, Ma On Shan

(ii) *The Palace, 83 Broadcast Drive, Kowloon Tong (100% owned)*

The property is a 37-storey high rise luxurious residential apartment building with clubhouse facilities and a large swimming pool. Nearly all of the 94 units have been sold.

(iii) *Anglers' Bay, 18A Castle Peak Road, Tsing Lung Tau (50% owned)*

This is a development property joint venture of which the Group and Sino Group each holds 50% interest. The Group was appointed project manager for the development.

The property is being developed into two blocks of 37-storey residential buildings providing 248 residential units in total. All the units are southeast-oriented with balconies and command a scenic seaview of the Tsing Ma Bridge and Ting Kau Bridge. The clubhouse with an area of approximately 6,500 square metres will provide rich recreational facilities. Superstructure work is well underway and the development is expected to be completed by 2004. Pre-sale started in July 2003. Over 80% of the residential units have been sold.

(iv) *The Cairnhill, 108 Route Twisk, Tsuen Wan (25% owned)*

This is a development property joint venture of which the Group holds 25% interest. The remaining 50% and 25% are owned by Cheung Kong (Holdings) Limited and Sino Group respectively.

This project has a total gross floor area of approximately 92,450 square metres for residential property development. Superstructure work is at its final completion stage and the development is expected to be completed by 2004. Cheung Kong was appointed project manager for the development. The first phase that has 410 units were sold out in July 2003. The second phase that comprises 360 units are launched in 2004.

(B) ***Other Major Properties in Hong Kong (all 100% owned)***

(i) *Skyline Commercial Centre, Wing Lok Street, Sheung Wan*

The property is a 24-storey commercial building comprising approximately 3,900 square metres of office space and ground floor shops. The property is held for long term investment purpose. The occupancy rate maintained at 90% in 2003 and has contributed a steady rental income to the Group.

(ii) *Shopping Arcade at Grandview Garden, Pau Chung Street, Tokwawan*

The property is a shopping arcade of approximately 2,700 square metres held for sale and is currently leased for rental. Occupancy rate of the arcade maintained at 80% in 2003 generating a steady rental income to the Group.

(iii) *Kingsfield Centre, Shell Street, North Point*

The property comprises approximately 1,900 square metres of office space inside a 26-storey commercial building. The property is held for sale and is currently leased for rental. The property maintained an occupancy rate at 70% in 2003 and has contributed a steady rental income to the Group.

(2) Properties in the Mainland China

***Current Development Properties in the Mainland China
(Total gross floor area of approximately 750,000 square metres)***

- (i) *Lot A&B No.68 Jianguo Xi Road, Xuhui District, Shanghai (100% owned)*

The property will be developed into residential apartment buildings with a total gross floor area of approximately 152,000 square metres. Demolition work is being carried out and the development is expected to be completed by 2006.

- (ii) *Phase III, Yanjiazhai, Jingan District, Shanghai (99% owned)*

This development has a site area of about 29,000 square metres with a total gross floor area of approximately 114,000 square metres for residential property. Demolition work is being carried out and the development is expected to be completed by 2006.

- (iii) *Lot No. 701, Guangzhong Road, Zhabei District, Shanghai (100% owned)*

This development will be divided into three Phases for residential property development. The total floor area is approximately 400,000 square metres. Foundation work is being carried out and completion of the first Phase is targeted at the end of 2005.

- (iv) *Shanghai K. Wah Centre, Huaihai Zhong Road, Shanghai (35.75%)*

This is a development property joint venture of which the Group holds effective 35.75% interest, which is the largest single shareholding. The other partners are SVA Electron Co., Ltd. (30%), Tidefull Investment Ltd. (15.4%), Shanghai Xu Fang (Group) Co., Ltd. (15%) and Nissho Iwai Hong Kong Corporation Ltd. (3.85%). The Group is the project manager for the development.

The project is being developed into a high rise Grade A office tower and the development is expected to be completed by 2005. Foundation work was completed and superstructure works is in progress in accordance with schedule.

- (v) *Parkview Place, Dongfeng Road West, Guangzhou (100% owned)*

The property comprises three phases. Nearly all the residential flats of Phase 1 and Phase 2 were sold. The final Phase 3 was developed into four luxurious residential apartment buildings with clubhouse facilities, an indoor swimming pool and a ground floor shopping arcade. Over 95% of residential flats of this phase have been sold.

(3) Major Properties in Singapore

San Centre, Chin Swee Road (100% owned)

The property comprises approximately 5,800 square metres of office space inside a 12-storey building with carparks. Approximately 3,700 square metres of the development is held for long term investment purpose and the remaining area is held for sale. 80% of the property is leased contributing a steady rental income to the Group.