BUSINESS ANALYSIS

The Group recorded a turnover of approximately HK$202 million for the financial year ended 31 March 2002, a decrease of about 43% over that of last year.

A breakdown of the Group's turnover together with an analysis of contribution to operating results by activity is set out below:

	Year ended 31 March			
	2002		2001	
	Turnover	**Contribution to operating results**	Turnover	Contribution to operating results
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
Sale of properties	**179,574**	**(448,302)**	316,574	(64,335)
Rental income	**21,110**	**1,780**	37,718	17,197
Property management	**1,312**	**548**	1,270	481
Corporate and other	**–**	**(28,042)**	–	(19,117)
Interest income	**–**	**157**	–	164
Total	**201,996**	**(473,859)**	355,562	(65,610)

Note: Certain prior year figures have been reclassified to conform to the current year's presentation.

The Group's turnover for the year was mainly derived from operations in the mainland of the People's Republic of China.

The turnover of approximately HK$179.57 million for sale of properties for the year is about 43.28% lower than that of last year. The decline was primarily attributable to a slow down in the sale of Anshan Greenland IT City as a result of increased competition in the local market and the fact that lesser developed or developing floor areas were available for sales or pre-sales during the year. The sale revenue for the year mainly came from sales or pre-sales of Phase II and III of Xiamen Lu Jiang New City, Phases I, II and III of Anshan Greenland IT City, Shanghai Golden Bridge Garden and Wuhan Wah Zhong Trade Plaza, which respectively accounted for 34.24%, 31.13%, 13.39% and 10.07%, of the turnover for sale of properties. The balance of 11.17% was mainly contributed from the sales of the small remaining areas in Phase I of Shenzhen Dragon Court and Shanghai Belgravia Court and the initial pre-sale of Phase I of Shanghai Ritz Villa and Phase II of Shenzhen Dragon Court.

Compared with last year, rental income for the year has reduced by about 44.03% to approximately HK$21.11 million. The decrease was mainly due to the termination of the leasing arrangement undertaken by the Group for certain properties in Shanghai Golden Bridge Garden purchased by a third party and the disposal of a rental generating property in Hong Kong World-Wide House during the year. Wuhan Wah Zhong Trade Plaza, Shanghai Golden Bridge Garden and Shanghai Golden Bridge Mansion continued to be the main rental income generators and their rental respectively accounted for about 57.19%, 32.24% and 9.46% of the rental income for the year. Rental income recorded from leasing of Shanghai Golden Bridge Mansion remained weak as the sluggish market situation continuously exerted pressure on the rental and occupancy rates of the property during the year. However, there had shown a significant improvement in the leasing of Wuhan Wah Zhong Trade Plaza that substantially all the lettable floor area in the property was leased out. As a result, rental income generated from Wuhan Wah Zhong Trade Plaza had increased to about HK$12.07 million from last year's HK$7.40 million.

BUSINESS ANALYSIS *(Continued)*

A slight increase of 3.31% in property management income was recorded for the year as compared with last year. The improvement was due to the fact that the Group has started to provide property management services for Phase II of Anshan Greenland IT City during the year.

Included in contribution to operating results under the "Corporate and other" category was a loss of about HK$7.72 million arose from disposal of an investment property during the year. The balance represented corporate general and administrative expenses which was at about the same level as last year.

The Group has recorded a net loss attributable to shareholders of approximately HK$499.5 million for the year, compared to a net loss attributable to shareholders of approximately HK$93 million for last year. The loss for the year was largely due to the followings:

1. Provision for impairment of certain properties held for development of approximately HK$379.65 million upon replacement of land during the year *(Note i)*;

2. Provision for impairment of certain properties under development of approximately HK$94.69 million was made during the year *(Note ii)*;

3. Provision for impairment of certain completed properties for sale of approximately HK$36 million was made for the year;

4. A loss of about HK$5.38 million was incurred from realization of certain car parking spaces in Shanghai Golden Bridge Garden pursuant to a sale campaign launched for Shanghai Golden Bridge Garden during the year;

5. Realisation of revaluation deficit of HK$7.72 million upon disposal of an investment property during the year;

6. Lesser developed or developing floor areas were available for sales or pre-sales during the year as new developments were progressing at slower paces than expected;

7. A substantial part of the properties sold during the year were old aged projects with lower profit margin; and

8. Rental income for the year had decreased owing to the termination of the leasing arrangement with a purchaser of certain properties sold by the Group as mentioned in the foregoing paragraph.

Note i: The Group had concluded with the relevant local government authorities the replacement of the seven parcels of land in Wuhan with 1,950 mu (about 1.3 million sq.m.) of land parcels situated in a new town district in Wuhan. As a consequence of the exchange of assets, the attributable revaluation reserve of the seven parcels of land being replaced amounting to approximately HK$1,256.21 million has been transferred to retained profits upon the replacement and a provision for impairment of the properties held for development of approximately HK$379.65 million was made based on a valuation performed by an independent professional valuer firm on these new land parcels as at 31 March 2002. Also, upon the replacement, there is a reduction in land grant fees payable of approximately HK$63.65 million, representing the difference between the fees payable for the new properties and the properties being replaced, which has been credited to the profit and loss account.

Note ii: The impairment is mainly caused by a recent alteration to the plan of development of certain properties under development imposed by local relevant government authorities.

REVIEW OF MAJOR PROPERTIES AND DEVELOPMENT PROJECTS

The Group continues its business strategy of focusing on developing quality residential estates for PRC middle class domestic market. A summary of the status of the Group's major properties and development projects is set out below.

Anshan Greenland IT City

Anshan Greenland IT City is a large-scale developments of the Group and has a total site area of about 268,807 sq.m. which is being developed in phases into a low density residential estate with ancillary facilities and attached commercial area.

The construction of Phases I and II with a total GFA of 183,959 sq.m. had been completed. As at the end of the year about 84% of the GFA in these two phases had been sold.

The construction of Phase III with a GFA of approximately 48,339 sq.m. was started in March 2001 and was completed in April 2002. Phase III mainly comprises low density residential properties with about 4,066 sq.m. commercial area. As at the end of the year, about 35% of the GFA in Phase III had been pre-sold.

The construction of Phase IV with a total GFA of approximately 32,148 sq.m. comprising residential, commercial and car parking area was commenced in April 2002 and is expected to be completed in January 2003. Pre-sale of Phase IV was started in May 2002.

Beijing Ritz Garden Villa

The development has a site area of 410,000 sq.m. and is planned to be developed into a villa estate. The detailed development plan for this project is still in process at this stage.

Fuzhou Roman Garden

The development is a residential building with a total GFA of 40,443 sq.m. of which about 35,222 sq.m. is residential area and about 5,221 sq.m. is car parking space and storage space located on two basement levels.

The construction of the development is expected to be completed in December 2002 and pre-sale of the development is planned to be commenced in September 2002.

Qingdao Xiang Hai Garden

The joint venture company for this project has entered into an agreement with an independent third party during the year for the disposal of all its property interests in this project to the independent third party. As at the end of the year, the agreement has still not yet been completed. It is anticipated that no significant profit or loss will arise from the disposal for the Group.

REVIEW OF MAJOR PROPERTIES AND DEVELOPMENT PROJECTS *(Continued)*

Shanghai Belgravia Court, Block 2

All the remaining GFA in Shanghai Belgravia Court, Block 2 had been sold during the year.

Shanghai Golden Bridge Garden

Completed in November 1997, Shanghai Golden Bridge Garden is a residential/commercial development with a total GFA of 65,908 sq.m. As at the end of the year about 92% of the GFA had been sold and a small remaining GFA of about 5,242 sq.m. was held for sale.

Shanghai Golden Bridge Mansion

Shanghai Golden Bridge Mansion is a residential/commercial building developed by an independent PRC developer. The Group held for sale a total GFA of about 7,365 sq.m. which comprises commercial area on level 1 to level 4 in the podium, and 70 car parking spaces in the basement. Pending sale, a substantial part of the commercial area held by the Group was leased to generate rental income and the car parking spaces are being operated as a public car park by the Group.

Shanghai Ritz Villa

Shanghai Ritz Villa is a low density residential estate developing on a land parcel with a total site area of 259,984 sq.m. The development is planned to be carried out in phases.

Phase I of the development has a total GFA of 59,939 sq.m. The construction was started in July 2001 and is expected to be completed in September 2002. Pre-sale was commenced in January 2002. As at the end of the year, about 6% of the GFA had been pre-sold.

Shenzhen Dragon Court

Shenzhen Dragon Court is a residential/commercial development with two residential buildings and two levels of commercial podium.

Phase I (Tower I) of the development was completed in March 2000 with a total GFA of 25,322 sq.m., of which, about 97% had been sold as at the end of the year and the remaining GFA of about 832 sq.m. (mainly car parking spaces) was held for sale.

The construction of Phase II (Tower II) of the development was started in September 2000 and is planned to be completed in March 2003. Phase II has a total GFA of 29,260 sq.m. comprising residential, commercial and office area and car parking spaces. Pre-sale of Phase II was started in March 2001 and as at the end of the year about 18% of the GFA had been pre-sold.

The Group is still negotiating to acquire the land parcel with a site area of about 5,024 sq.m. adjacent to the development which will become Phase III of the development when acquired. It is not certain at this stage that the acquisition will be materialized as the Land Administration Bureau in Shenzhen has recently altered the plan of the development which might affect the commercial viability of the development.

REVIEW OF MAJOR PROPERTIES AND DEVELOPMENT PROJECTS *(Continued)*

Wuhan Wah Zhong Trade Plaza

Wuhan Wah Zhong Trade Plaza is a 9-floor commercial/office building with a total GFA of 79,985 sq.m. As at the end of the year, the Group held about 45,359 sq.m. of the GFA on level 1 to 6 of the development as investment property, and car parking area in the basement and office area on level 8 to 9 totalling about 14,781 sq.m. as properties held for sale.

During the year, the GFA held by the Group as an investment property was leased by parts to various tenants.

Wuhan Ritz Garden

The development is carried out on one of the new land parcels that have replaced the seven parcels of land the Group originally held in Wuhan and is being developed in two phases into a residential estate with ancillary facilities and attached commercial area with a total GFA of approximately 300,000 sq.m.

The construction of Phase I with a GFA of 108,334 sq.m. has been commenced in March 2002 and is expected to be completed in mid 2003. Pre-sale of Phase I is expected to be started in September 2002.

Xiamen Lu Jiang New City

Xiamen Lu Jiang New City is a large-scale residential development. The development has a total site area of 36,721 sq.m. and is being developed into a residential estate with ancillary facilities and attached commercial area in four phases.

Phase I of the development, which had a total GFA of 17,297 sq.m., was completed in June 1998 and all sold in prior years.

Phase II was completed in August 2000 and had a total GFA of approximately 42,013 sq.m., of which, about 74% had been sold as at the end of the year and a remaining area of 10,893 sq.m. (mainly car parking spaces) was held for sale.

The construction of Phase III with a GFA of 29,237 sq.m. is expected to completed in September 2002. As at the end of the year, about 75% of the GFA in Phase III had been pre-sold.

The construction of Phase IV was commenced in March 2002 and is expected to be completed in late 2003. Phase IV of the development has a total GFA of 45,864 sq.m., comprising about 38,370 sq.m. residential area and 3,632 sq.m. commercial area. Pre-sale of Phase IV was started in June 2002.

Xiamen Xiang Jiang Garden

The development is a residential/commercial development completed in December 1993. The Group had sold over 94% of the GFA in the development. The remaining unsold GFA is mainly car parking spaces in the basements which are being operated as a public car park by the Group.

REVIEW OF MAJOR PROPERTIES AND DEVELOPMENT PROJECTS *(Continued)*

Unit 1402, World-Wide House, Hong Kong

The property which was used as the Group's head office in Hong Kong, was sold to an independent third party during the year.

Unit 1409, World-Wide House, Hong Kong

The property which was held as an investment property by the Group was sold to an independent third party during the year.

LAND USE RIGHTS HELD FOR FUTURE DEVELOPMENT

During the year, the Group has concluded with the relevant government authorities the replacement of the seven parcels of land in Wuhan with 1,950 mu (about 1.3 million sq.m.) land parcels in a new town district in Wuhan. About 125 mu (approximately 83,333 sq.m.) in these new land parcels had been deployed for the development of Phase I of Wuhan Ritz Garden with a planned GFA of about 108,334 sq.m.

During the year, the Group had also deployed a site area of 10,700 sq.m. from its Anshan landbank for the development of Phase IV of Anshan Greenland IT City which has a GFA of approximately 32,148 sq.m.

As the joint venture company for Qingdao Xiang Hai Garden has entered into an agreement with a independent third party to dispose of all its property interests in Qingdao Xiang Hai Garden, the landbank relating to this development was removed from the Group's landbank portfolio.

The landbank of the Group are located in Anshan, Shanghai and Wuhan. A summary of the landbank is set out below:

Landbank	**Site area of the development** *(sq.m.)*	**Estimated GFA of the development** *(sq.m.)*	**Interests of the development attributable to the Group**
Anshan Greenland IT City (excluding Phase I, II, III & IV)	105,107	179,521	96%
Shanghai Ritz Villa (excluding Phase I)	181,989	134,504	100%
Wuhan - new parcels of land (excluding Phase I of Wuhan Ritz Garden)	1,216,667	2,391,666	100%
Total	1,503,763	2,705,691	

LAND USE RIGHTS HELD FOR FUTURE DEVELOPMENT *(Continued)*

The landbank are capable of being developed into properties with a total GFA of approximately 2.71 million sq.m., based upon the plot ratios stated in the relevant land grant contract, land use right certificate or approval issued by competent authorities. Residential and/or commercial properties are expected to be developed on these sites in accordance with the market demand then prevailing.

The Group will persistently seek for suitable landbank additions for its future development. Currently, certain negotiations are underway between the Group and a number of independent third parties regarding acquisition of certain land parcels in major cities of the PRC. There is no assurance that these negotiations will bring to fruition in future.

FINANCIAL RESOURCES AND LIQUIDITY

For the year ended 31 March 2002, the principal source of fund for the Group came from the cashflow generated from property sales and leasings supplemented by bank and other borrowings and equity fund raisings.

During the year, the Company has completed a rights issue of 384,000,000 new shares of HK$0.10 each on the basis of three rights shares for every five existing shares held taken up at a subscription price of HK$0.16 per rights share. In accordance with the plan for the use of proceeds as stated in the rights issue circular and prospectus, the net proceeds of approximately HK$60 million had been applied towards the repayment of part of the liability due to the ultimate holding company of the Company. As a result of the rights issue, the capital base of the Company was broadened whereby the financial position of the Group was strengthened.

As at 31 March 2002, the net borrowings of the Group, being interest-bearing bank and other borrowings less cash and bank balances and pledged bank deposits, amounted to about HK$423 million. Net debt to equity ratio, which is expressed as a percentage of the net borrowings over the net assets of the Group, increased by about 7.97% to about 28.68% from about 20.71% last year. The increase in the net debt to equity ratio is mainly due to the decrease in total net assets of the Group from about HK$1,910 million to about HK$1,475 million.

BORROWINGS AND CHARGES

At 31 March 2002, the level of bank and other borrowings of the Group and their maturity profile are as follows:

	HK$'000
Bank overdraft repayable:	
Within one year or on demand	9,141
Bank loans repayable:	
Within one year or on demand	284,702
In the second year	63,384
In the third to fifth years, inclusive	111,468
	459,554
Other loans repayable:	
Within one year or on demand	66,542
In the second year	558
In the third to fifth years, inclusive	1,673
Beyond five years	12,037
	80,810
	549,505

An analysis by currency denomination of the above borrowings is as follows:

	HK$'000
Renminbi	442,149
Hong Kong dollars	93,424
United States dollars	13,932
	549,505

The borrowings bear interest rates based on normal commercial terms.

BORROWINGS AND CHARGES *(Continued)*

(a) Certain of the Group's borrowings are secured by:

  (i) Certain leasehold land and buildings of the Group situated in Hong Kong with aggregated carrying value at the balance sheet date of approximately HK$3 million;

  (ii) Certain investment properties of the Group with aggregate carrying value at the balance sheet date of approximately HK$305 million;

  (iii) Certain properties under development of the Group with aggregate carrying value at the balance sheet date of approximately HK$324 million;

  (iv) Certain completed properties for sale of the Group with aggregate carrying value at the balance sheet date of approximately HK$20 million;

  (v) Corporate guarantees from the Company and its subsidiary companies; and

  (vi) Personal guarantees from two directors and one former director of the Company.

(b) Certain other loans are secured by certain completed properties for sale of the Group with an aggregate carrying value of approximately HK$22 million at the balance sheet date.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

The Group's operations are principally in the People's Republic of China. Majority part of the Group's income and expenditure is in Renminbi. The exchange rate for Renminbi has been stable over the past few years and the directors do not foresee any circumstances that will lead to erratic fluctuation in the exchange rate for Renminbi in the foreseeable future. Therefore, the directors consider the Group does not have undue exposure to fluctuation in exchange rates.

CONTINGENT LIABILITIES

At 31 March 2002, the Group had given guarantees to the extent of approximately HK$171,731,000 (2001: HK$271,776,000) to banks in respect of mortgage loan facilities granted by the banks to the buyers of certain properties developed by the Group and a property of which the sales were underwritten by the Group.

EMPLOYEES AND REMUNERATION POLICY

The Group employs a total of about 960 employees in the mainland China and Hong Kong. Employees are remunerated based on their work performance, skills and experience, and prevailing industry practice. Apart from basic salary and performance related bonus, the Group also provides other benefits to its employees including mandatory provident fund, medical insurance coverage and share options.