

Quality property development and investment in first-tier PRC cities, namely Beijing and Shanghai, for the middle to upper market is the Group's core strategy in this division.

The property market is comparable to the overall development of China, in terms of speed, growth and the future outlook. As at the end of 2002, the Group owns a total land bank in excess of 137,000 square metres in China.

Beijing

In 2002, the Beijing property market continued to flourish, following the successful application of Beijing city to host the 2008 Olympic Games. At the same time the market also became more competitive as customers became increasingly sophisticated and demanded better quality homes. Amongst all the new property developments for sale in 2002, residential developments constituted the major product in the market and accounted for almost 80% of the 171 projects in the market, or in excess of 87% of the total 36.06 million square metres in gross floor area being built.

During the period under review, sales of Phase I of Starcrest in Beijing have been performing well and the property is expected to be ready for occupation by June 2003. The removal of a two-tier market for foreign and local housing in Beijing and Shanghai provided an impetus to demand for high quality developments and an enlarged market for the Group.

Although there is a constant stream of new supplies of residential properties in the market, property developments that offer better designs and product quality, such as Starcrest, has received recognition from both the foreign and local buyer's market. The availability of retail financing from both local and foreign banks is a further stimulus to the property market in China.

Looking ahead, Phase II of Starcrest, which is now in the design stage, is expected to commence construction in late 2003. The project will be developed into a complex with both residential and commercial units, as well as an exquisite first-class clubhouse



to be managed by the globally renowned Fitness First. The final product will be one that offers upmarket and quality living to the residents.

Shanghai

Shanghai, noted for its impressive economic figures, is immensely beneficial to the country's property market. The double-digit growth in GDP of 10.7%, the 40% in foreign direct investments as well as the historic-low bank lending rates that boost borrowing and consumption will play a pivotal role in sustaining the promising outlook of the robust Shanghai property market.

During the year, the piece of land bank held at Wu Zhong Road, Shanghai was disposed to an independent third party. 2002 was a year of planning for the property division. Looking ahead, the Group intends to develop a residential and commercial property project in Shanghai and construction is expected to commence in 2003. In addition, the Group also has land banks in other cities.



trading division



Trading in many international markets continues to be affected by the sluggish economy and weakening commodity prices. However, the Group's trading business has recorded a marginal increase of 4% in turnover for the period under review.

Sales of fertilisers recorded a significant increase of 52% in volume over the previous year. Over the last year, there has been an increasing demand from Malaysia palm oil producers for fertilisers as new plantations come on stream as a result of attractive palm oil and cocoa prices.

Following the success of trading fertiliser in Southeast Asia, the Group plans to expand the business to emerging markets, such as Vietnam, to capitalise on the strong agricultural bases of these countries. In the medium term, the Group is confident of becoming a significant player in the fertiliser market in both Malaysia and Vietnam.

Trading of wood-based products remains competitive in China as a result of the prolonged weakness in veneer and plywood prices and the influx of round log supply from Indonesia. However, the Group is optimistic that China's demand for wood-based products will start to increase as a result of large-scale infrastructure and construction projects for the 2008 Olympics and 2010 World Exposition. The Group will broaden its sales network in the most promising markets, including Shanghai, Zhejiang, Jiangsu and Guangdong.

The Group maintained its turnover for its watch component business in the Hong Kong market. In the near term, the outlook for the watch component business in 2003 will remain subdued, until the economies outside Asia show signs of an economic turnaround and a return of consumer confidence.

The Group's **trading of commodity** for Northeast and Southeast Asia performed steadily, especially for fertilisers which will continue to expand to emerging markets.

