

Millennium Oasis at Shen Nan Zhong Lu, Fu Tian District, Shenzhen, Guangdong Province, PRC



Your Group remains mainly in property development, property investment and property related businesses.

CONSOLIDATED RESULTS

The Group's loss for the year was HK\$479 million, against a 26% drop in turnover.

The decrease in turnover was principally related to the decrease in property sales activities in Hong Kong and the Mainland China during the year. Property sales dropped from HK\$585 million to HK\$416 million in the year.

The weak property market continued to have a severe impact on the financial performance of the Group. Having critically reviewed the market situation, the Group made a provision of HK\$462 million to write down the Group's development and investment properties. The provision together with the decreased profit contribution from property sales accounted mainly for the loss of the Group in the year.

DIVIDEND

The Directors do not recommend the payment of any dividend for the year ended 31st March, 2003 (2002: Nil).

CORPORATE EVENTS

Rights issue

In February 2003, the Group proposed to effect a three-for-two rights issue of 200,123,100 rights shares at HK\$1.00 each together with a ten-for-one share consolidation. The rights issue, being underwritten by Chinney Investments Limited ("Chinney Investments"), was approved by the independent shareholders of the Company on 22nd April, 2003 and completed on 21st May, 2003. The net proceeds of HK\$195 million generated from the rights issue were used to redeem the convertible guaranteed bonds of HK\$141 million held by Chinney Investments (the repayment of which was deferred from 18th April, 2003 to the date of completion of rights issue) as well as to repay the bridging loan provided by Chinney Investments for the purpose of redeeming the convertible guaranteed bonds held by other bondholders upon their maturity on 22nd April, 2003. Full details of the transactions are set out in the circular and the prospectus to the shareholders of the Company dated 4th April, 2003 and 30th April, 2003, respectively.

Following the capital reorganisation, every ten shares with a par value of HK\$0.10 each have been consolidated into one new share with a par value of HK\$1.00. The Group's equity has been strengthened by a capital injection of HK\$200 million, which partly mitigated the erosion of

shareholders' funds arising from devaluation of properties during the year. Our controlling shareholder, Chinney Investments, demonstrated its commitment and full financial support to the Group. In fulfilling its obligations as an underwriter in the rights issue, Chinney Investments increased its shareholding in the Company from 47.39% to 69.39% immediately after the completion of the rights issue.

As disclosed in the rights issue circular of the Company dated 4th April, 2003, a surplus of HK\$103 million arose from the revaluation of the Group's development properties. The surplus, in contrast to a revaluation deficit, has not been recognised in the Group's results for the year ended 31st March, 2003 as development properties are stated at historical cost less impairment losses under the Group's accounting policies. The surplus is recognised only when the properties are being launched to the market for sale or for lease.

Redemption of convertible guaranteed bonds

On 18th April, 2001, the Group issued two-year convertible guaranteed bonds with a principal sum of HK\$300 million. The bonds were guaranteed by the Company and bore interest at the rate of 10% per annum. Chinney Investments was beneficially interested in a principal sum of HK\$141 million of the bonds.

None of the bondholders have exercised their rights to convert the bonds into equity shares of the Company. As a result, the entire bonds in the principal sum of HK\$300 million were redeemed at par subsequent to the year end partly through internal resources of the Group and partly through a bridging loan from Chinney Investments. As at the date hereof, the bridging loan has been repaid in full.

The financing of the bond repayment partly through rights issue and partly through other financing means produced the dual benefit of lowering the gearing as well as reducing the interest expenses of the Group.

OPERATIONAL REVIEW

Property development

Hong Kong

The Group's residential project at Causeway Bay, known as the **Grandeur** (采怡閣), was launched to the market for sales during the year. In view of its prime location and limited supply of new flats in the vicinity, it is expected that the property can be fully sold at reasonable prices as and when the property market stabilises. The **Grandeur** (采怡閣), together with other completed projects, contributed total property sales of HK\$83 million in the year (2002: HK\$244 million).



The Grandeur
at 44 Jardine's
Crescent & 47
Jardine's Bazaar,
Causeway Bay,
Hong Kong

A perspective view as well as the present site of **City Square** at Jia Bin Lu, Luo Hu District, Shenzhen, Guangdong Province, PRC



Mainland China

The Group's residential project at Fu Tian District, Shenzhen, known as the **Millennium Oasis (城市綠洲花園)**, fetched a satisfactory return. The project, developed in two phases with 679 residential units, has been completely sold out during the year at a profit. Since the beginning of the pre-sale in August 2000, the Group has recognised turnover and profit from the project in stages. Total sales for the year amounted to HK\$318 million (2002: HK\$341 million).

Another project of the Group in Shenzhen, known as the **City Square (城市天地廣場)**, is progressing on schedule. The development, with a total of 2,142 residential units and an 8-storey commercial podium, has been constructed up to the 6th floor level. Marketing efforts have been stepped up to target the project for pre-sale towards the end of this calendar year.

Canada

The project at Bay and Dundas Street, Toronto is to be developed in two phases. 25% interest of Phase I land with a site area of 37,979 square feet was sold on 31st March, 2003 for a cash consideration of CAD 3 million. The Phase I land, in which the Group has a 75% interest, will be developed from the existing bare land into a 17-storey residential building of 539 units. Since the launch of the project to the market in January 2003, approximately 40% of the units have been pre-sold.

Property investment

Hong Kong

The Group has been active in accumulating high-yield properties to strengthen its investment portfolio. Set out below are the properties newly acquired since the end of the last financial year.

- (i) **Hon Kwok TST Centre (漢國尖沙咀中心)**, 5-9 Observatory Court, Tsim Sha Tsui, Kowloon

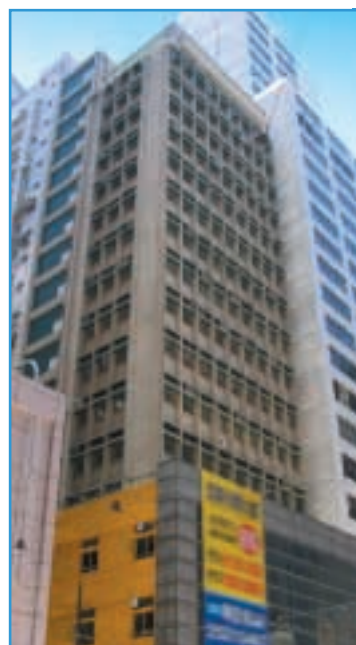
The commercial property, with a gross floor area of 59,608 square feet, was acquired in December 2002 for a cash consideration of HK\$55 million. Rather than converting the property into a service apartment as originally intended, it has been retained for office use for better and immediate return.



Hon Kwok TST Centre at 5-9 Observatory Court, Tsim Sha Tsui, Kowloon

- (ii) **Yien Yieh Commercial Building (鹽業商業大廈)**, 236-242 Des Voeux Road Central, Hong Kong

The commercial property, with a gross floor area of 46,410 square feet, was acquired in December 2002 for a cash consideration of HK\$68 million. The property is under renovation to boost its tenancy.



Yien Yieh Commercial Building at 236-242 Des Voeux Road Central, Hong Kong

- (iii) Carparks at **Provident Centre (和富中心)**, North Point, Hong Kong

In May 2003, the Group acquired a 60% interest in Island Parking Limited from Guangdong Investment Limited for a cash consideration of HK\$63 million. The major assets held by Island Parking Limited are the 369 carparks at **Provident Centre (和富中心)**, North Point, Hong Kong. Chinney Alliance Group Limited, an associate of Chinney Investments, owns the remaining 40% equity interest in Island Parking Limited.

Perspective of
**One City
Hall** at South-
West Corner
of Bay Street
and Dundas
Street West,
Toronto,
Ontario,
Canada



The Group's service apartment at the **Bauhinia (寶軒)**, including the commercial podium, **Honwell Commercial Centre (漢貿商業中心)** at 237-241 Des Voeux Road Central, Hong Kong and the office building, **Hon Kwok Jordan Centre (漢國佐敦中心)** at 5-7A Hillwood Road, Tsimshatsui maintained a steady rental income during the year.

The outbreak of SARS led to a temporary drop in occupancy of the **Bauhinia (寶軒)** after year end. Occupancy has been gradually improving since the uplift of the travel ban and the removal of Hong Kong from the list of SARS-affected areas in June 2003.

Malaysia

The commercial complex, **Plaza Ampang**, at Kuala Lumpur, Malaysia produced a steady rental income during the year.

OVERVIEW

The current year's loss arose mainly from property devaluation, which was exceptional and had no cashflow impact on the Group. The Group's financial position has indeed been strengthened after the redemption of the HK\$300 million convertible bonds and the completion of the HK\$200 million rights issue. Barring unforeseen circumstances, the Group hopes that it will be able to report a better performance in the coming year.

The Hong Kong economy suffered further setback from the outbreak of SARS in March 2003. Lukewarm market response has prompted property developers to slash prices to lure homebuyers. With the abundant supply of new flats in the coming years, it is expected that property prices will remain weak. Problems plaguing the Hong Kong economy such as the high unemployment rate, the soaring budget deficit and the deflationary spiral must be resolved before the property market can recover. Across the border, the mainland economy continues to prosper at a real GDP growth in excess of 7% despite the impact of SARS. The fast economic growth will generate a large latent demand on high-quality housing development. The recently announced new measures to tighten bank lending on certain categories of property development projects is beneficial to the market as these can help to prevent the booming market from being overheated.

The Group will continue its strategy of accumulating high-yield properties in Hong Kong for recurrent rental income while at the same time exploring property development opportunities in the major cities of Mainland China. The local market is very difficult at present but provides buying opportunities for the Group to replenish property holdings at reasonable costs. Your directors will remain cautious in evaluating such investment opportunities, with the primary goal of maintaining a healthy cashflow position of the Group at all times.

Lastly, I would like to express my heartfelt thanks to my fellow directors and all staff for their dedication and hard work during this period of adverse market conditions.

James Sai-Wing Wong
Chairman

Hong Kong, 15th July, 2003