

**BUSINESS ANALYSIS**

The Group recorded a turnover of approximately HK\$841 million for the financial year ended 31 March 2004, an increase of about 38% 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			
	2004		2003	
	Turnover HK\$'000	Contribution to operating results HK\$'000	Turnover HK\$'000	Contribution to operating results HK\$'000
Sale of properties	810,786	120,768	579,528	56,143
Rental income	27,589	13,574	29,681	18,421
Property management	3,098	2,664	1,565	(5,508)
Corporate and others	–	(9,662)	–	(30,680)
Interest income	–	223	–	227
<b>Total</b>	<b>841,473</b>	<b>127,567</b>	610,774	38,603

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

The performance of the Group for the financial year has been encouraging. The turnover for the year ended 31 March, 2004 has reached a record high of about HK\$841 million, representing an increase of about 38% over that of last year. The net profit attributable to shareholders for the year has increased by about 11.5 times to approximately HK\$52.35 million from last year's HK\$4.17 million (restated).

The turnover for sale of properties increased by about HK\$231 million, from last year's HK\$580 million to about HK\$811 million for the year. The increase was mainly due to the satisfactory advancement in the pre-sales and sales of Phase I, Phase II and Phase III of Shanghai Riviera Villa, Phase I and Phase II of Wuhan Lakeside Apartment, Phase IV of Xiamen Lu Jiang New City, Fuzhou Mansion, and Phase III and IV of Anshan Greenland IT City. The revenue for the year contributed from sales and pre-sales of Phase I, Phase II and Phase III of Shanghai Riviera Villa, Phase I and Phase II of Wuhan Lakeside Apartment, Phase IV of Xiamen Lu Jiang New City, Fuzhou Mansion, Phase III and IV of Anshan Greenland IT City, Wuhan Wah Zhong Trade Plaza and Phase II of Shenzhen Dragon Court respectively accounted for 32.84%, 18.50%, 16.29%, 10.19%, 8.41%, 4.95% and 4.88% of the turnover for sale of properties. The balance of 3.94% was contributed from the pre-sales of the Group's new developments, namely Phase I of Beijing Sunvilla Realhouse (formerly known as Beijing Ritz Garden Villa) and Anshan Riviera Garden.

## BUSINESS ANALYSIS *(Continued)*

For property rental, the Group recorded a drop in turnover of about 7% from last year. The decline was mainly due to the sales of certain commercial areas in Wuhan Wah Zhong Trade Plaza by the Group during the year resulting in lesser area available for leasing. The leasing performance of the remaining commercial area in Wuhan Wah Zhong Trade Plaza held by the Group has been satisfactory during the year. The leasing performance of the commercial/office area held in Shanghai Golden Bridge Mansion remained relatively weak as the old design features of this property has rendered it less competitive in the commercial/office rental market.

For property management operations, the Group has entered into a number of service contracts for properties developed by other developers during the year. As a result, a growth of about 98% in the turnover of property management from last year was recorded.

Administrative expenses of the Group for the year increased by about 27% as compared to that of last year. The increase was mainly due to additional costs incurred to cope with the business growth as well as in the set up of new operating establishments in anticipation of acquiring new development projects in cities where the Group has no presence in the past.

The improvement in the performance of the Group for the year was mainly attributable to the following factors:

- (1) Satisfactory results were achieved from sales and pre-sales of Phase I, Phase II and Phase III of Shanghai Riviera Villa, Phase I and Phase II of Wuhan Lakeside Apartment, Phase IV of Xiamen Lu Jiang New City and sales of certain commercial areas in Wuhan Wah Zhong Trade Plaza;
- (2) A positive result was achieved from property management operations for the year, a turn-around from a deficit in last year; and
- (3) A compensation of HK\$4.31 million was received by the Group from a buyer of certain properties in Wuhan Wah Zhong Trade Plaza for breaching of a sale agreement.

Despite the satisfactory overall performance for the year, the following events had caused a negative impact on the Group's profit for the year:

- (1) Certain properties in Phase I of Shenzhen Dragon Court surrendered by certain buyers were resold at a loss of HK\$4.7 million due to decline in selling price;
- (2) Losses in the amount totalling HK\$21.84 million were resulted from realization of properties in two old aged development projects namely, Phase II of Shenzhen Dragon Court and Fuzhou Mansion, as additional marketing expenses were incurred in the sales promotion of these two developments and their selling prices were lower than that expected; and
- (3) A share of losses of a joint venture company of HK\$18.01 million resulting from a disposal of certain land by the joint venture company so as to generate working capital for the operations of the joint venture company and alleviate the need to call for further capital injection from the joint venture partners.

### **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 one of the 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 the first four phases with a total GFA of 247,047 sq.m. had been completed. As at the end of the year, about 90% of the GFA in these four phases had been sold. The remaining area with a GFA of about 17,253 sq.m., excluding the club house with a GFA of about 6,320 sq.m. which was held by the Group as an investment property, was held for sale by the Group.

The construction of Phase V with a GFA of about 44,211 sq.m. was started in May 2003 and is expected to be completed in December 2004. Pre-sale of the development is planned to be commenced in July 2004.

#### **Anshan Riviera Garden**

This is a second development of the Group in Anshan, which is a residential estate with ancillary facilities and attached commercial area with a total GFA of approximately 84,417 sq.m. The construction and pre-sale of the development were started during the year. The expected completion date of the development is in March 2005. As at the end of the year about 26% of the GFA had been pre-sold.

#### **Beijing Sunvilla Realhouse (formerly known as 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 in two phases. Due to a modification of the development plan in response to a change in the market demand, the GFA of the development is adjusted from 125,500 sq.m. to 116,474 sq.m. in the year.

The construction of Phase I with a GFA of about 69,156 sq.m. was started in September 2002 and is expected to be completed in December 2004. Pre-sale of Phase I was started in August 2003. As at the end of the year about 16% of the GFA had been pre-sold.

The construction of Phase II with a GFA of about 47,318 sq.m. is planned to be started in January 2005 and is expected to be completed in early 2006.

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

### Fuzhou Mansion

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 had been completed. As at the end of the year about 96% of the GFA in the development had been sold and the remaining area (comprising mainly car parking spaces) with a GFA of about 1,770 sq.m. was held for sale by the Group.

### Fuzhou Gushan Luxury Villa

The development is a villa estate with a site area of 234,160 sq.m. The development is planned to be carried out in two phases.

The construction of Phase I with a total GFA of approximately 25,550 sq.m. is planned to be started in August 2004 and is expected to be completed in August 2005. Pre-sale of the development is planned to be commenced in December 2004.

The construction Phase II with a total GFA of approximately 24,500 sq.m. is scheduled to be started in March 2005 and is expected to be completed in March 2006.

### 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, all of the residential and commercial area had been sold and the remaining area (comprising mainly car parking spaces) with a GFA of about 4,823 sq.m. was held for sale by the Group.

### Shanghai Golden Bridge Mansion

Shanghai Golden Bridge Mansion is a residential/commercial building developed by an independent PRC developer. As at the end of the year, 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 Riviera Villa

Shanghai Riviera Villa is a low density residential estate with a site area of 259,984 sq.m. The development is planned to be carried out in three phases.

The construction of Phases I and II with a total GFA of 129,939 sq.m. had been completed. As at the end of the year all GFA in these two phases had been sold.

The construction of Phase III with a total GFA of approximately 60,000 sq.m. was started during the year and is expected to be completed in December 2004. Pre-sale of Phase III was started in December 2003. As at the end of the year about 24% of the GFA had been pre-sold.

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

### 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) and Phase II (Tower II) of the development with a total GFA of 45,582 sq.m. had been completed. As at the end of the year about 89% of the GFA in these phases had been sold. The remaining area (comprising mainly car parking spaces) with a GFA of about 3,806 sq.m., excluding the club house with a GFA of 1,200 sq.m. which was held by the Group as an investment property, was held for sale by Group.

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. The negotiation process has been slowed down pending the resolution of a dispute between the outgoing developer of this site and the Land Administration Bureau in Shenzhen about the land parcel. The Group is not involved in the dispute.

### Dongguan Riviera Villa

The development is a low density residential estate with ancillary facilities and attached commercial area with a site area of 382,649 sq.m. The development is planned to be carried out in two phases.

The construction of Phase I with a total GFA of approximately 119,190 sq.m. was scheduled to be started in October 2004 and is expected to be completed in late 2005. Pre-sale of the development is planned to be commenced in March 2005.

### 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. During the year, the Group sold most of the area on level 8 and level 9 and the remaining area held for sale as at the end of the year is about 7,176 sq.m., which comprises mainly car parking spaces in the basement. As at the end of the year the Group held about 45,359 sq.m. of the GFA on level 1 to level 6 of the development as investment property.

During the year, substantially all of the GFA in this property held by the Group as an investment property was leased out.

### Wuhan Lakeside Apartment

Wuhan Lakeside Apartment is a large-scale residential estate development with ancillary facilities and attached commercial area with a total GFA of approximately 344,000 sq.m. The development is planned to be carried out in phases.

The construction of Phase I with a total GFA of 43,000 sq.m. had been completed. As at the end of the year all residential area had been sold and the remaining commercial area with a GFA of about 2,709 sq.m. was held for sale by the Group.

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

### Wuhan Lakeside Apartment *(Continued)*

The construction of Phase II with a total GFA of 66,445 sq.m. had been started in October 2003 and is expected to be completed in August 2004. Pre-sale of Phase II was started in May 2003. As at the end of the year about 93% of the GFA had been pre-sold.

The construction of Phase III with a total GFA about 98,995 sq.m. was started in March 2004 and is expected to be completed in June 2005. Pre-sale of the development is planned to be commenced in July 2004.

The construction of the remaining phases with a total GFA approximately 143,000 sq.m. is scheduled to be started in the years between 2004 and 2005 and is expected to be completed in the years between 2006 and 2007.

### 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.

As at the end of the year, all the four phases with a total GFA of approximately 143,411 sq.m. had been completed. The Group had sold about 89% of the GFA in the development and held for sale the remaining commercial and car parking area with a GFA of about 14,214 sq.m. at the end of the year.

### 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 GFA is mainly car parking spaces in the basements which are being operated as a public car park by the Group.

### Tangshan Tourism Project

During the year the Group had acquired in aggregate 47.5% indirect interest in a joint venture company which holds a piece of land (the "Property") situated in an island in Tangshan City, Hebei Province, the PRC. The Property is planned to be developed into a tourist resort with ancillary real estate development. During the year, a road of about 4 kilometers connecting the island and its nearby development zone was built and completed by the joint ventures company, thus providing an improved infrastructure network for access to the island. The development of the land in the island is still at the planning and design stage and it is expected that more time will be required for the planning and design phase due to the massive development scale and the long term investment in nature of this project. Since the Group's acquisition of the interest in this project, the joint venture company has disposed of certain land it held so as to generate working capital for the joint venture company's operations and alleviate the need to call for further capital injection from the joint venture partners.

**LAND USE RIGHTS HELD FOR FUTURE DEVELOPMENT**

During the year, the Group had deployed the entire site area of 92,000 sq.m. from its Anshan Riviera Garden landbank and a portion of site area of 22,000 sq.m. from its Anshan Greenland IT City landbank. These two site areas are capable of developing into properties with a total GFA of about 128,628 sq.m.

The landbank of the Group as at the end of the year are located in Anshan 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 the first five phases)	83,107	135,521	96%
Wuhan landbank (Note)	883,843	1,414,149	100%
<b>Total</b>	<b>966,950</b>	<b>1,549,670</b>	

Note: Due to the changes in the urban planning and environmental policies of the local authority, part of the site of Wuhan landbank was surrendered to the authority as green area, and in line with the new policies, plot ratio of this landbank has been slashed down to approximately 1.6. The estimated GFA of this landbank is revised in accordance with the new plan.

The landbank are capable of being developed into properties with a total GFA of approximately 1.55 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 is persistently seeking for suitable landbank additions for its future development. Currently, the Group is in negotiation for acquisition of certain land parcels in major cities of the PRC. There is no assurance at this stage that these negotiations will bring to fruition eventually.

**FINANCIAL RESOURCES AND LIQUIDITY**

For the year ended 31 March 2004, the principal source of fund for the Group came from the cashflow generated from property sales and leasings supplemented by bank and other borrowings.

During the year, the Company allotted and issued 1,000,000,000 ordinary shares of HK\$0.10 each in satisfaction of the consideration for the acquisition of an aggregate 47.5% indirect interest in a joint venture company in the PRC.

## FINANCIAL RESOURCES AND LIQUIDITY *(Continued)*

At 31 March 2004, the net borrowings of the Group, being interest-bearing bank and other borrowings less cash and bank balances, time deposits and pledged bank deposits, amounted to about HK\$484 million. Net debt to equity ratio, which is expressed as a percentage of the net borrowings over the net assets of the Group, decreased by about 4.15% to about 38.23% from about 42.38% last year. The decrease in the net debt to equity ratio is mainly due to the increase in net assets of the Group from about HK\$1,090 million to about HK\$1,266 million as a result of the issue of shares as stated in the foregoing paragraph and the net profit made for the year.

## BORROWINGS AND CHARGES

At 31 March 2004, the level of bank and other borrowings of the Group and their maturity profile are as follows:

	HK\$'000
Bank overdrafts repayable:	
Within one year or on demand	9,153
Bank loans repayable:	
Within one year or on demand	376,966
In the second year	222,727
In the third to fifth years, inclusive	91,107
	690,800
Other loans repayable:	
Within one year	39,164
In the second year	3,718
In the third to fifth years, inclusive	12,081
Beyond five years	28,363
	83,326
	783,279

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

	HK\$'000
Renminbi	711,208
Hong Kong dollars	59,583
United States dollars	12,488
	783,279

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 investment properties of the Group with an aggregate carrying value at 31 March 2004 of approximately HK\$395 million;
  - (ii) Certain properties under development of the Group with an aggregate carrying value at 31 March 2004 of approximately HK\$503 million;
  - (iii) Certain completed properties for sale of the Group with an aggregate carrying value at 31 March 2004 of approximately HK\$50 million;
  - (iv) Certain properties held for development with a carrying value at 31 March 2004 of approximately HK\$471 million;
  - (v) Corporate guarantees from the Company and certain its subsidiary companies; and
- (b) Certain other loans are secured by certain completed properties for sale of the Group with an aggregate carrying value of approximately HK\$42 million at 31 March 2004 and a 50% equity interest in Shanghai Golden Bridge Real Estate Ltd., a wholly owned subsidiary of the Company at 31 March 2004.

## **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 2004, the Group had given guarantees to the extent of approximately HK\$339,921,000 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 1,348 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.