

### **CONSOLIDATED RESULTS**

The Group's results have been benefited from the recovery of the local property market in the fourth quarter of last year. As a result, the Group reported a net profit of HK\$134 million (2003: loss of HK\$479 million, as restated) against turnover of HK\$331 million (2003: HK\$474 million) in the year.

### **DIVIDEND**

The Directors recommend the payment of a final dividend of 6 cents per share for the year ended 31st March, 2004 (2003: Nil) to shareholders whose names appear on the Company's register of members on 8th September, 2004. It is expected that the dividend cheques will be despatched to shareholders on or before 15th September, 2004.

### **CLOSURE OF REGISTER OF MEMBERS**

The register of members will be closed from 3rd September, 2004 to 8th September, 2004 (both days inclusive), during which period no share transfers will be registered. In order to qualify for the final dividend, all transfers accompanied by relevant share certificates must be lodged with Tengis Limited at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong by not later than 4:30 p.m. on 2nd September, 2004.

### **CORPORATE EVENTS**

#### **Rights issue**

As disclosed in last year's annual report, the Group proposed 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. Following the capital reorganisation, every ten shares with a par value of HK\$0.10 each were consolidated into one new share with a par value of HK\$1.00. The rights issue was completed on 21st May, 2003, raising net cash proceeds of HK\$195 million for redemption of the 10% convertible guaranteed bonds issued by Hon Kwok Land Treasury II Limited (the "Bonds").

#### **Redemption of convertible guaranteed bonds**

As disclosed in last year's annual report, the Group redeemed the Bonds in full. The Bonds with a principal amount of HK\$159 million were redeemed at par upon their maturity on 22nd April, 2003. The remaining Bonds held by Chinney Investments, Limited ("Chinney Investments") were redeemed at par upon completion of the rights issue on 21st May, 2003. The redemption monies were financed partly through the rights issue and partly through internal resources of the Group.

### Share placement

On 25th February, 2004, the Company entered into a top-up placing arrangement with Chinney Investments and a placing agent pursuant to which the placing agent placed on an underwritten basis 66,700,000 existing shares held by Chinney Investments to independent third parties at a price of HK\$1.65 per share. Concurrently, Chinney Investments subscribed for 66,700,000 new shares of the Company also at the same price of HK\$1.65 per share. The subscription was completed on 10th March, 2004 and generated net cash proceeds of HK\$107 million for general working capital purpose.

### Club loan

Subsequent to the balance sheet date, the Group arranged a club loan facility of HK\$135 million on an unsecured basis. The loan was drawn in full on 7th July, 2004 raising additional cash resources for general working capital purpose.

## OPERATIONAL REVIEW

### Property development

#### *Hong Kong*

The Group's residential project at Causeway Bay known as **The Grandeur** (采怡閣) was the major project under sale. Sales activities picked up in the last quarter of 2003, as market sentiment improved. **The Grandeur** (采怡閣), together with other completed projects, contributed total property sales of HK\$231 million in the year (2003: HK\$83 million).

In September 2003, the Group concluded its premium negotiation with the Hong Kong Government for lease modification of our development project at 97 Po Kong Village Road,



Demolition works at 97 Po Kong Village Road, Diamond Hill, Kowloon in progress

## Chairman's Statement (Continued)

Diamond Hill, Kowloon into non-industrial use. The land premium paid was HK\$150 million, an equivalent of HK\$740 per square feet based on the total gross floor area of approximately 202,633 square feet. Demolition works have been in progress to pave the way for the development of a high-rise residential/commercial building with carparks and clubhouse facilities.

Upon assessing the market value of our development properties, a net provision of HK\$11 million previously charged to the profit and loss account was written back in the year (2003: provision for property impairments of HK\$367 million).

### *Mainland China*

There were no significant sales activities in the Mainland during the year (2003: HK\$318 million).

Construction works for the Group's residential project in Luo Hu District, Shenzhen known as **City Square** (城市天地廣場) have been progressed to the decoration and fitting stage. The development, comprising 6 residential towers of 2,262 units erected on an 8-storey commercial



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

podium, is to be completed in May 2005. **City Square (城市天地廣場)** is well located in the financial and shopping hub of the Luo Hu District, with close proximity to the future MTR station. In view of the distinctive location and high quality of our development, this major project is expected to produce satisfactory return in the coming year. The first batch of the residential units was launched to the market for pre-sale earlier last month.

Subsequent to the balance sheet date, the Group entered into agreements to acquire interests in two development projects in Guangzhou. Further details of the acquisitions will be disclosed when appropriate.

#### *Canada*

The project at Bay and Dundas Street, Toronto is to be developed in two phases.

Excavation works for Phase I land, in which the Group has 75% interest, was commenced in May 2004. The Phase I land is to be developed into a 17-storey residential building with 526 units. Approximately 68% of the units have been pre-sold up to the date hereof.



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

50% interest of Phase II land was sold in March 2004 to our joint venture partners in Phase I land for a cash consideration of CAD 6 million. The Phase II land with a site area of 36,545 square feet will be held as land bank for future development.

#### **Property investment**

##### *Hong Kong*

The Group has made a number of acquisitions to enlarge its property portfolio. Office buildings known as **Hon Kwok TST Centre (漢國尖沙咀中心)** at 5-9 Observatory Court, Tsim Sha Tsui, Kowloon and **Yien Yieh Commercial Building (鹽業商業大廈)** at 236-242 Des Voeux Road Central, Hong Kong were both acquired in December 2002. The Group has also diversified into carpark operation. An initial 60% interest in the 369 carparks at **Provident Centre (和富中心)**, 21-53 Wharf Road, North Point, Hong Kong acquired in May 2003 followed by the acquisition of

the remaining 40% interest and two other lots of carpark in October 2003 enlarged the Group's carpark portfolio to 510 parking bays. Rental income thereby increased to HK\$47 million in the year (2003: HK\$36 million).

As in previous years, the Group revalued all its investment properties to year-end open market values based on independent professional valuations. The current year revaluation surplus was HK\$191 million (2003: revaluation deficit of HK\$95 million), contributed mainly by the recovery of the property market and the holding gains from properties acquired at the market trough. Out of the surplus, HK\$184 million was credited to the profit and loss account to the extent of the deficit previously charged. The remaining HK\$7 million was credited directly to the investment property revaluation reserve.

### *Malaysia*

The commercial complex, **Plaza Ampang**, at Kuala Lumpur maintained a steady rental income of HK\$11 million in the year (2003: HK\$12 million).

## OVERVIEW

Hong Kong staged a strong economic rebound after the outbreak of Severe Acute Respiratory Syndrome in the second quarter of last year. The introduction of "Closer Economic Partnership Arrangement", the relaxation of the restrictions on Mainland visitors to Hong Kong and the permission of local circulation of the Renminbi are all the supportive measures from the Central Government to help the Hong Kong economy. As a result, the local property market, both office and residential, went into a full upswing in the fourth quarter of last year.

The property market has recently slowed down, amid mounting concerns on interest rate hikes and impact from macro-economic tightening in the Mainland. One however should not overlook that interest rates are still at historical lows with average mortgage rate standing at 2.6%. Average residential prices remain around 55% below the peak of 1997. As the local economy continues to improve under the supportive measures from the Central Government, it is anticipated that the cyclical upturn of the local property market can be sustained.

Across the border, the Mainland economy has been growing at a rate exceeding 9.5% in the first quarter of the year as a result of strong loan growth and increased money supply. The Central Government has recently introduced austerity measures to cool the over-heated economy and this has provided buying opportunities for the Group to replenish its land bank in the Pan Pearl River Delta. It is anticipated that the Mainland economy can achieve a soft landing and will

continue to prosper as foreign investors keep tapping the enormous Mainland market. The surging Mainland economy will certainly boost property demand in major cities and benefit our property development activities in the Pan Pearl River Delta.

### **BOARD CHANGES**

There have been several changes to the composition of the board of directors of the Company. Mr. Roderick Sue-Cheun Wong resigned as a director of the Company on 14th January, 2004 whilst Mr. Zuric Yuen-Keung Chan and Mr. Kenneth Kin-Hing Lam have been appointed as directors of the Company with effect from 11th December, 2003 and 26th March, 2004 respectively.

On behalf of the Board, I would like to record my heartfelt thanks to Mr. Roderick Sue-Cheun Wong for his contribution to the Company during his tenure of service. At the same time, I would like to extend my warmest welcome to Mr. Zuric Yuen-Keung Chan and Mr. Kenneth Kin-Hing Lam to the Board.

Taking this opportunity, I would like to express my appreciation to my fellow directors for their advice and to all staff for their dedication and hard work in the past year.

**James Sai-Wing Wong**  
*Chairman*

Hong Kong, 13th July, 2004