

Management Discussion and Analysis



High above the Huangpi South Road subway station at one of Shanghai's prime downtown addresses on the famous Huaihaizhong Road, the property has become a prestigious landmark in the heart of the city. Offering a gross floor area of approximately 140,000 sq.m., the twin-building complex contains offices, shopping arcades and service apartments (356 units) with extensive clubhouse facilities. Since its opening in late 1997, Hong Kong Plaza has attracted a diverse portfolio of prominent shopping arcade tenants including HSBC, Bank of China, Physical Fitness Centre, Zen, KFC, Ajisen Ramen, China Resources Logic Office Furniture and Cyber



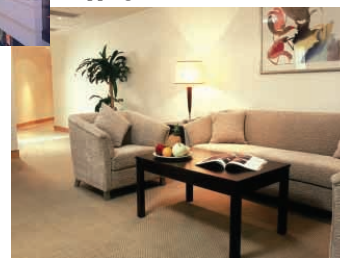
Service apartment — bedroom

Mart. It is also a choice location for many esteemed corporate tenants who lease office space and service apartments. In the year under review, not only has the occupancy level and room rates of service apartments recovered from the aftermath of outbreak of the Severe Acute Respiratory Syndrome (SARS) in the first half of 2003, but has, in fact, risen higher than before. Hong Kong Plaza has contributed both a record-high rental income from HK\$112,626,000 to HK\$128,604,000, and maintained a reliable stable income flow.

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Shopping arcade



Service apartment — living room

*North Tower — service apartment
South Tower — office tower*



Another key project of the Group is a 36,000 sq.m. site located in Shanghai's prestigious Changning District near Zhongshan Park subway station. On completion, the Regents Park community will comprise 13 residential towers, with approximately 156,000 sq.m. of gross floor area, around 14,800 sq.m. of commercial area, a fully appointed clubhouse and other facilities. Regents Park was designed to perfection at international standards by an award-winning team of renowned professionals, reflecting the best qualities in an exclusive residence. This includes meticulous planning, optimum architecture, landscaped courtyards of 15,000 sq.m., exclusive roof-top gardens for deluxe apartments and a state-of-the-art cinema. Phase I of the project, including 7 residential towers (Towers 1 to 7) with approximately 1,000 units, is scheduled for completion in 2005.



Show flat — living and dining room

The pre-sale permits for Towers 1 to 5 were obtained during the year under review. Pre-sale started in October 2003 and achieved an impressive sales performance. For the year ended 31st July, 2004, 360 out of 407 units of Towers 1 to 5 were sold. Turnover and profit were recognised gradually after the signing of sales and purchase agreements following the issue of the pre-sale permits. Pre-sale permit for Tower 7 was issued in September 2004 and the one for Tower 6 will be issued at a later stage.



Show flat — kitchen



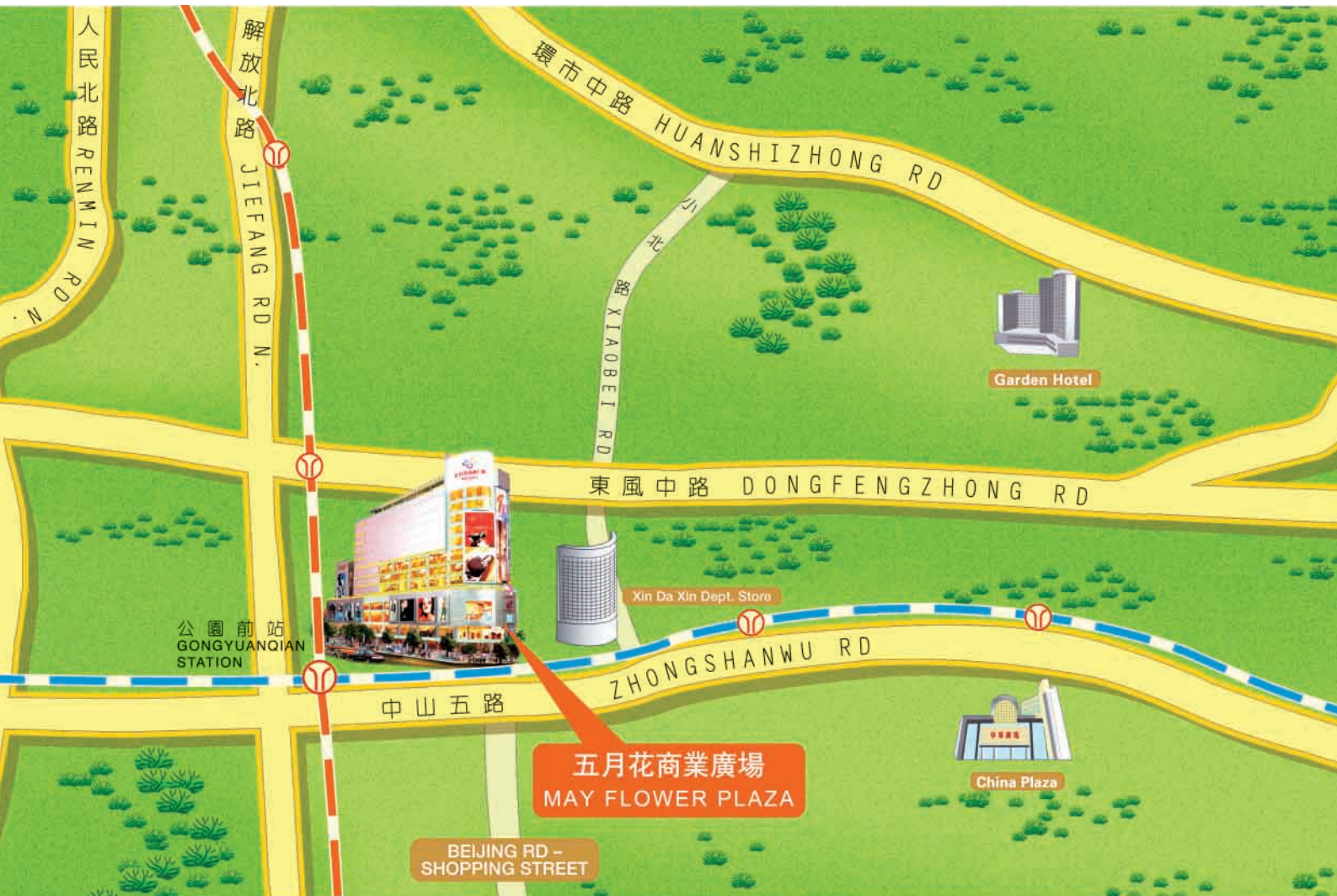
Show flat — bathroom

Conceptual design of opulent architecture



Management Discussion and Analysis

Guangzhou



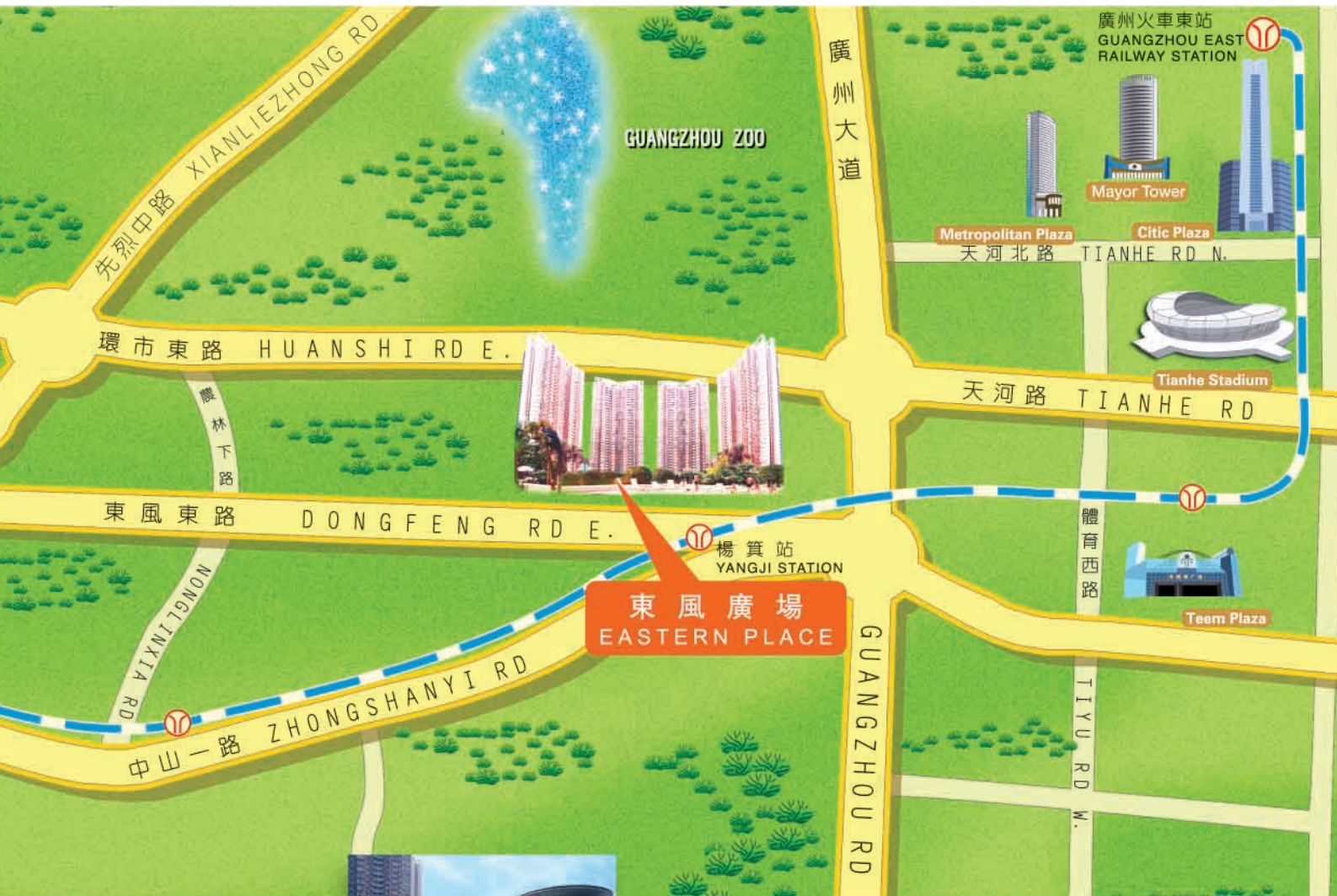
May Flower Plaza, Yuexiu District



The impact of the macro-economic policies in Guangdong in the first half of 2004 was relatively low compared to other regions as Guangdong was not a main target market. Property prices rose steadily and market sentiments, especially in Guangzhou and other surrounding areas, remain optimistic. Stable but strong demand from local residents in improving living conditions in Guangdong has become the fundamental force driving the market. This is also one of the most important elements for ensuring a healthy market.

May Flower Plaza — sales office opening

PROJECT REVIEW



Eastern Place — clubhouse & facilities



Eastern Place, Dongshan District



*Harmonious family life
in Eastern Place*

Eastern Place — ideal living place

