

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS ANALYSIS

The Group recorded a turnover of approximately HK\$553 million for the financial year ended 31 March 2005, a decrease of about 34% from 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			
	2005 Turnover HK\$'000	2005 Contribution to operating results HK\$'000	2004 Turnover HK\$'000	2004 Contribution to operating results HK\$'000
Sale of properties	524,988	112,065	810,786	120,768
Rental income	24,836	67,589 (Note)	27,589	13,574
Property management	3,090	(3,427)	3,098	2,664
Corporate and others	–	(6,312)	–	(9,662)
Interest income	–	180	–	223
Total	552,914	170,095	841,473	127,567

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 continues to be encouraging. The net profit attributable to shareholders for the year increased to about HK\$104 million, representing an increase of about 99% over that of last year, although the turnover decreased from last year's about HK\$841 million to about HK\$553 million in current year which is mainly attributable to a decrease in turnover for sale of properties as explained in the following paragraph.

For property sales, the turnover decreased by about HK\$286 million, from last year's about HK\$811 million to about HK\$525 million for the year. The decrease was mainly attributable to the early adoption of Hong Kong Interpretation 3 "Revenue-Pre-completion Contracts for Sale of Development Properties" by the Group for accounting the revenue of sale of property developments for the year. The principal impact of this change in accounting policy is that revenue from pre-sales of properties under development is not accounted for in the turnover for the year, whereas in prior years revenue from pre-sales of properties under development was accounted for and reflected in the turnover on a percentage of completion basis. Also, the sales of properties held as investment properties or through disposal of equity interests in the subsidiaries holding the properties were not included in the turnover for the year. The turnover for sale of properties for the year ended 31 March 2005 was mainly attributable to the sales of Phase III of Shanghai Riviera Villa, sections A, B and C of Phase I of Beijing Sunvilla Realhouse, Anshan Riviera Garden and Phases III and IV of Anshan Greenland IT City which respectively accounted for about 62.01%, 22.21%, 7.46%, and 3.76% of the turnover for sale of properties for the year. The balance of about 4.56% was contributed from sales of the remaining commercial area in Phase IV of Xiamen Lu Jiang New City, remaining residential units in Phase II of Wuhan Lakeside Apartment and Shenzhen Dragon Court and certain commercial area classified as completed properties for sale in Wuhan Wah Zhong Trade Plaza.

Note: Included in this amount of contribution to operating results is an amount of about HK\$53.90 million gain on disposal of investment properties.

BUSINESS ANALYSIS *(Continued)*

Turnover for property rental decreased by about 9.98% as compared to last year. The decrease was mainly due to the disposal during the year of a substantial portion of the commercial area in Wuhan Wah Zhong Trade Plaza so as to generate additional working capital for new development projects. The disposal has also resulted in a significant profit contribution to the Group for the year. The leasing performance of the commercial/office area held in Shanghai Golden Bridge Mansion has slightly improved although the revenue contribution to the Group is not significant. Based on the successful experience of the Group in Wuhan Wah Zhong Trade Plaza and as a business development opportunity, the Group acquired Shenyang Dongbei Furniture and Ornaments Plaza (see the section headed "Review of major properties and development projects" for a description of this property) during the year. Since the acquisition of this property much of the Group's effort on it has been focusing on identifying a niche market that can be held in this property. Before the launch of a new theme of market to be held in this property, only insignificant rental income was generated from the existing lessees for the year. Subsequent to the year end, the Group has successfully come into an agreement with a major PRC automobile manufacturer and vendor to develop an automobile and related accessories market in this property, which is planned to be the largest of its kind in the north-east part of the PRC. The preparation works for setting up the market, including the lining up of distributors and wholesalers to operate in this premises and the drawing up of a master marketing plan are in progress. It is anticipated that in two to three years' time the contemplated market will be established in this property and hence the value of this property will be greatly enhanced.

The income from property management operations remained stable. However a negative result of about HK\$3.43 million was recorded for the year ended 31 March 2005, which was attributable to a provision of about HK\$1.7 million made for certain aged receivables in respect of Anshan Greenland IT City and Shenzhen Great Park Garden, and an increase in general expenses for property management operations with a view to upgrading the overall quality of property management services provided to customers in a bid to enhance the brandname image of the Group.

To strengthen the management team in anticipation of business expansion, during the year the Group has added certain new recruits to its management team and has revised its human resources policy so as to attract and retain high-calibre employees which involves an increase in the remuneration level for employees in terms of basic salary, benefits in kind and performance related bonus. As a result administrative expenses increased by about 12.4% as compared to that of last year.

Comparing to last year, the amount of finance costs (mainly interest for bank and other borrowings) before capitalisation increased by about 119% to about HK\$77.97 million. The increase is mainly due to an overall increase in the total amount of bank and other borrowings for financing the development of ongoing projects and acquisition of new development projects.

The net profit attributable to shareholders for the year has increased by about 99% to approximately HK\$104 million from last year's about HK\$52 million. The improvement in the performance of the Group for the year was mainly attributable to the following factors:

- (1) Satisfactory results achieved from sales of Phase III of Shanghai Riviera Villa, sections A, B and C in Phase I of Beijing Sunvilla Realhouse, and the Anshan Riviera Garden;
- (2) Significant profits realized from the sale of certain commercial area in Wuhan Wah Zhong Trade Plaza, all the interests in the Tangshan Tourism Project and in the Fuzhou Gushan Luxury Villa during the year;

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS ANALYSIS *(Continued)*

- (3) Sharing of losses of jointly-controlled entities and an associate company was narrowed down from about HK\$21.92 million in last year to about HK\$3.34 million in current year;
- (4) During the year, there were a reversal of business tax provision and a waiver of loan and interest payable totalling about 24 million.

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

- (1) An additional cost of about HK\$4.5 million was incurred for Phase II of Shenzhen Dragon Court;
- (2) Deficit in the amount totalling about HK\$6 million was resulted from the sales of the remaining units in Phases III and IV and a provision made for diminution in value of certain commercial area in Phase I of Anshan Greenland IT City; and
- (3) A provision of about HK\$14 million was made for the prepayment in respect of the acquisition of a parcel of land in Shenyang due to a uncertainty in the ability of the Group to convert the land use right of the parcel of land from agricultural use to property development use.

REVIEW OF MAJOR PROPERTIES AND DEVELOPMENT PROJECTS

The Group continues its business strategy of mainly 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. was completed. As at the end of the year, about 95% of the GFA in these four phases was sold. The remaining area with a GFA of about 6,581 sq.m., excluding the clubhouse with a GFA of 6,320 sq.m. held by the Group as an investment property, was held for sale by Group.

The construction of Phase V with a total GFA of 44,211 sq.m. was started in May 2003 and was completed in June 2005. As at the end of the year about 52% of the GFA had been pre-sold.

During the year, the Group had deployed the remaining site area of 83,107 sq.m. from its Anshan Greenland IT City landbank for the development of Phase VI with a total GFA of about 145,000 sq.m. The construction of Phase VI was started in May 2005 and is expected to be completed in June 2007. Pre-sale of the development is planned to be commenced in December 2005.

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

Anshan Riviera Garden

This is the 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 development was divided into two sections. During the year, one of the sections was completed and the remaining section is expected to be completed in November 2005. As at the end of the year the Group had sold and pre-sold about 88% of the GFA in this development

Beijing Silo City

Beijing Silo City is a newly acquired development in which the Group has a 49.75% equity interest. The development has a total site area of about 250,000 sq.m. and is planned to be developed as a residential/commercial/leisure complex with a GFA of about 850,280 sq.m. The development is being carried out in phases.

The construction of Phase I with a total GFA about 89,572 sq.m. was started in December 2004 and is expected to be completed in June 2006. Pre-sale of Phase I was started in June 2005.

Beijing Sunvilla Realhouse

The development comprises a villa estate. During the year, the Group has acquired an additional piece of land with a site area of about 74,421 sq.m adjoining to the existing development, making the total site area for this development to reach about 484,421 sq.m. The additional site is to be developed as Phase III with a total GFA of about 22,895 sq.m. The first two phases of the development have a total GFA of about 116,474 sq.m.

The construction of Phase I with a GFA of about 69,156 sq.m. was started in September 2002. During the year, the construction of sections A, B and C in Phase I with a GFA of about 29,907 sq.m. was completed and the construction of the remaining sections is expected to be completed in December 2005. As at the end of the year the Group had sold and pre-sold about 43% of the GFA in the Phase I.

The construction of Phase II with a GFA of about 47,318 sq.m. was started in January 2005 and is planned to be completed in September 2006. Pre-sale of the phase is planned to be commenced in December 2005.

The construction of Phase III with a GFA of about 22,895 sq.m. is planned to be started in March 2006 and is expected to be completed in early 2007.

Dongguan Riviera Villa

Dongguan Riviera Villa 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 Phase I with a total GFA of approximately 123,900 sq.m. was started in September 2004 and is expected to be completed in January 2006. Pre-sale of the development is planned to be commenced in September 2005.

The construction Phase II with a total GFA of approximately 156,090 sq.m. is planned to be started in January 2006 and is expected to be completed in early of 2007.

MANAGEMENT DISCUSSION AND ANALYSIS

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 car parking spaces with a GFA of about 1,507 sq.m. was held for sale by the Group.

Fuzhou Gushan Luxury Villa

During the year, the Group sold all its interests in this development resulting considerable profit contribution to Group for the year.

Jiangxi Riviera Garden

Jiangxi Riviera Garden with a site area of about 186,394 sq.m. is a new development acquired by the Group during the year. The development is planned to be a low density residential estate with ancillary facilities and attached commercial area and is being carried out in two phases.

The construction of Phase I with a total GFA of approximately 98,900 sq.m. was started in February 2005 and is planned to be completed in July 2006. Pre-sale of the development is planned to be commenced in October 2005.

The construction of Phase II with a total GFA of approximately 136,000 sq.m. is planned to be started in May 2006 and is expected to be completed in late 2007.

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 car parking spaces with 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 was carried out in three phases.

The construction of all phases with a total GFA of 189,939 sq.m. had been completed. As at the end of the year all the residential area in the development had been sold. A clubhouse with a GFA of 6,320 sq.m. was held by the Group as an investment property.

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

Shanghai Riviera Garden

Shanghai Riviera Garden is a new development acquired by the Group during the year. The site of this development is nearby the Group's development, Shanghai Riviera Villa. The development is a low density residential estate with a site area of 326,118 sq.m. and is being carried out in two phases.

The construction of Phase I with a total GFA of approximately 131,143. sq.m. was started in June 2005 and is planned to be completed in November 2006. Pre-sale of the development is planned to be commenced in November 2005.

The construction of Phase II with a total GFA of approximately 156,817 sq.m. is planned to be started in September 2006 and is expected to be completed in December 2007.

Shenyang Dongbei Furniture and Ornaments Plaza

Shenyang Dongbei Furniture and Ornaments Plaza is a newly acquired investment property developed by an independent PRC developer. The property comprises two office buildings of 2 and 7 storeys respectively, a 5-storey exhibition centre, an 8-storey guest house, four single storey warehouses, a carport and various business shops. The total GFA of this property is 149,752 sq.m. As at the end of the year, the Group held a total GFA of about 80,752 sq.m. in this property as investment property.

The Group is currently working towards the establishment of an automobile and related accessories market in this property, which is planned to be the largest of its kind in the north-east part of the PRC. Rental income generated from the existing lessees for the year is not significant.

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 90% of the GFA in these phases had been sold. The remaining area (comprising mainly car parking spaces) with a GFA 3,532 sq.m., excluding the club house with a GFA of 1,200 sq.m. is held by the Group as an investment property, was held for sale by Group.

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 had sold all the GFA held in level 3 to level 6 in the property realizing significant profit for the year. Subsequent to the end of the year, the Group had also sold all the GFA of 7,728 sq.m. held in level 2 of the property. A remaining GFA of 10,680 sq.m. comprises level 1 of the property and car parking spaces in the basement is currently held by the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

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

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 being carried out in phases.

The construction of Phase I and Phase II with a total GFA of 109,445 sq.m. had been completed. As at the end of the year all the residential area had been sold and the remaining commercial area with a GFA of 2,170 sq.m., excluding the clubhouse with a GFA of 1,670 sq.m. held by the Group as an investment property, was held for sale by Group.

The construction of Phase III with a total GFA about 98,995 sq.m. was started in March 2004 and has been completed in July 2005. Pre-sale of Phase III was started in July 2004. As at the end of the year about 91% of the GFA had been pre-sold.

The construction of Phase IV with a total GFA about 73,802 sq.m. was started in December 2004 and is expected to be completed in March 2006. Pre-sale of Phase IV has commenced in May 2005.

During the year, the Group entered into a joint development agreement with an independent third party ("third party developer") to develop the remaining site area of 79,831 sq.m. in the development. Under the agreement, the third party developer is wholly responsible for the development of the property and the Group will receive a guaranteed return from the third party developer. Payments of the guaranteed return will be made according to an agreed schedule with the last payment falling due upon the completion of all the obligations of the Group under the agreement. As at the end of the year the Group has received about 51% of the guaranteed return which was accounted for as deposits received before the completion of all the obligations of the Group under the agreement. Subsequent to the end of the year, the Group has completed all its obligations under the agreement in July 2005 and all the payments for the guaranteed return have been received by the Group.

Wuhan Silo City

During the year, the Group had deployed the entire site area of 883,843 sq.m. from its Wuhan landbank for the development of Wuhan Silo City which is planned as a large-scale development with a total GFA about 1,460,000 sq.m. mainly comprises both residential and commercial area. The development is planned to be carried out in phases.

The construction of Phase I with a total GFA about 200,000 sq.m. is planned to be started in October 2005 and is expected to be completed in June 2007. Pre-sale of Phase I is scheduled to be in March 2006.

Xiamen Lu Jiang New City

Xiamen Lu Jiang New City is a large-scale development. The development has a total site area of 36,721 sq.m. and comprises a residential estate with ancillary facilities and attached commercial area.

As at the end of the year, all phases in the development with a total GFA of approximately 143,411 sq.m. had been completed and all the residential area had been sold. The remaining area (comprising commercial area and car parking spaces) with a GFA of 12,921 sq.m., excluding the club house with a GFA of 1,054 sq.m. held by the Group as an investment property, was held for sale by the Group.

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

Xiamen Xiang Jiang Garden

The development is a residential/commercial development completed in December 1993. Substantially all the GFA in the development had been sold in prior years. During the year, the Group sold all the car parking spaces it held in the development. As at the end of the year, the remaining unsold GFA held by the Group is a minimal amount of commercial area.

Tangshan Tourism Project

During the year, the Group sold all its interests in Tangshan Tourism Project making a profit contribution to the Group's results for the year.

LAND USE RIGHTS HELD FOR FUTURE DEVELOPMENT

During the year, the Group had deployed the entire site area of 883,843 sq.m. and the remaining area of 83,107 sq.m from its Wuhan and Anshan Greenland IT City landbank respectively. These two site areas are capable of developing into properties with a total GFA of about 1,605,000 sq.m.

As at the end of the year, the Group has the following landbank which were acquired during the year.

Landbank	Site area of the development (sq.m.)	Estimated GFA of the development (sq.m.)	Interests of the development attributable to the Group
Beijing Silo City (excluding Phase I)	222,427	770,428	49.75%
Chengdu landbank	280,668	222,534	90.00%
Total	503,095	992,962	

The landbank are capable of being developed into properties with a total GFA of approximately 992,962 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, certain negotiations are underway between the Group and a number of independent third parties regarding acquisition of certain land parcels in major cities of the PRC. There is no assurance that these negotiations will bring to fruition in future.

Please refer to the Schedule of Major Properties on pages 87 to 90 of the annual report for further information about the properties and development projects of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL RESOURCES AND LIQUIDITY

For the year ended 31 March 2005, the principal source of fund for the Group came from the cashflow generated from property sales and leasings supplemented by bank and other borrowings.

At 31 March 2005, the net borrowings of the Group, being interest-bearing bank and other borrowings less cash and bank balances and pledged deposits, amounted to about HK\$917 million. Net debt to equity ratio, which is expressed as a percentage of the net borrowings over the net assets of the Group, increased by about 31.15% to about 69.38% from about 38.23% last year. The increase in the net debt to equity ratio is mainly due to an overall increase in the total amount of bank and other borrowings for financing the development of ongoing projects and acquisition of new development projects.

BORROWINGS AND CHARGES

At 31 March 2005, 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	8,756
Bank loans repayable:	
Within one year or on demand	252,580
In the second year	431,506
In the third to fifth years, inclusive	–
	684,086
Other loans repayable:	
Within one year	520,876
In the second year	3,484
In the third to fifth years, inclusive	10,808
Beyond five years	13,978
	549,146
	1,241,988

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

	HK\$'000
Renminbi	1,184,834
Hong Kong dollars	44,706
United States dollars	12,448
	1,241,988

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 2005 of approximately HK\$177 million;
 - (ii) Certain properties under development of the Group with an aggregate carrying value at 31 March 2005 of approximately HK\$2,263 million;
 - (iii) Certain completed properties for sale of the Group with an aggregate carrying value at 31 March 2005 of approximately HK\$59 million;
 - (iv) Corporate guarantees from the Company and certain of its subsidiary companies; and
- (b) Certain other loans are secured by the 100% equity interest in Shanghai Xinhongda Real Estate Ltd., a wholly owned subsidiary of the Company at 31 March 2005.

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 which will cause a material adverse impact on the Group's operations. Therefore, the directors consider the Group does not have undue exposure to fluctuation in exchange rates.

CONTINGENT LIABILITIES

At 31 March 2005, the Group had given guarantees to the extent of approximately HK\$584,846,000 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, and in respect of certain borrowings of a jointly controlled entity.

EMPLOYEES AND REMUNERATION POLICY

The Group employs a total of about 1,669 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.