

CHAIRMAN'S STATEMENT



“The outbreak of SARS and other unexpected events in 2003 adversely affected Shanghai’s real estate market and the economy of China at large. The dedications of the Group’s workforce and better management services, combined with continuing economic growth and sustainable property development, these difficulties have been overcome. By taking advantage of recovery of the Shanghai real estate market and the prestigious status of the Group as one of the top 50 real estate development supported by “Oasis Garden” brand, new projects have been started. Further strategic planning has been formulated, enabling the Group to continue its growth and achieve its performance targets. Meanwhile, the competitiveness of the Group was further enhanced through improvements in its organization structure and systems.”

Performance Review

The Group achieved a net turnover of approximately HK\$825,061,982 for the year 2003, which is 3% higher than that of 2002. Profit attributable to shareholders was approximately HK\$91,779,482, a 1.8% increase compared with 2002. Earnings per share was HK\$0.0678 on a weighted average basis, or HK\$0.0672 on a diluted basis.

Dividend

The Board of Directors proposed a final dividend of HK\$0.0166 per share.

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Operation Reviews

Building on its established business of property and land development, building construction and housing technology, the Group has strengthened its competitiveness and gained wide recognition in its "Oasis Garden" brandname. The Group took the opportunity of the rising property market in Mainland China, especially in Shanghai, with satisfactory results. Our further development in municipal construction projects has also provide satisfactory returns.

Excellent sales record for the "Oasis Garden" brand

All units of City Oasis Garden and Bauhinia Oasis Garden were fully sold in 2002, the Group currently owns 7 residential, service apartment and office and hotel development, namely, the Beverly Oasis Garden, Long Island Oasis Garden, Jiangnan Oasis Garden, Thousand Island Oasis Garden, Skyway Oasis Garden Hotel and Condominium, Rich-Gate Oasis Garden and Oasis Central-Ring Center, and a land development project at Luodian New Town.

The impact of SARS and other unexpected events during the first half of 2003 had adversely affected property sales of the Group. The latter half of the year, however, saw the property market in Shanghai regain its momentum. The Group expanded its sales effort for "Oasis Garden" brand by adopting a more flexible and efficient strategy and participating in trade shows and exhibitions such as the "Second Shanghai Villas Festival" in August, the "Holiday Home Sale" in October. Promising sales volumes were achieved from these venues.

In 2003, the Group completed the sales of a total of approximately 85,625 square metres of properties, which include:

- *Jiangnan Oasis Garden* Sale of Phase 1 officially commenced in May 2003. As at end of December 2003, 22,967 square metres were sold.
- *Beverly Oasis Garden* 3,402 square metres were sold for Phase 1 and 42,466 square metres for Phase 2, making an aggregate of 45,868 square metres.
- *Long Island Oasis Garden* 6,788 square metres were sold for Phase 1 and 7,391 square metres for Phase 2. A total of 14,178 square metres were sold.



Oasis Garden – Shinning Star on Exhibition



Loans Signing Ceremony with Citic Ka Wah Bank and Citic Industrial Bank

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- *Thousand Island Oasis Garden* Sale of Phase 1 officially commenced in November 2003. As of end of December 2003, 2,611 square metres were sold.
- *Luodian New Town* For Baoshan Luodian New Town project, foundation work was completed for some 261,000 square metres of land; and the land was transferred through government tender in the market.



In March 2004, eight member companies of the Group participated in the “Spring of Shanghai - Real Estate Trade Fair” organized by the Shanghai Exhibition Centre. The first exhibition to house all the “Oasis Garden” projects since Group listed five years ago. It was the first large-scale sales and marketing campaign for the Group in 2004. The Group projects displays occupied the main pavilion of the Shanghai Exhibition Centre and attracted many visitors, other exhibitors and the media as well as numerous enquiries from potential buyers. The exhibition also promoted the Group’s brand and confine the bright prospect for properties sale in 2004. More than one thousand letters of intent were received from prospective purchasers.

Newly-developed real estate projects launched on schedule

The Group is putting emphasis and focus on continuously improving in planning and development of projects launched in 2002 and 2003. All construction work started in 2003 has progressed as planned. Which included:



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Jiangnan Oasis Garden – natural lake and landscaping

- *Jiangnan Oasis Garden* The 96 villas in Phase 1 were completed to roof-top, and the first clubhouse, waterways, lakes and landscaping in the residential district were simultaneously completed. The preliminary planning and foundation works for Phase 2, including 46 villas and the second clubhouse covering an area of 2,500 square metres, were commenced.
- *Thousand Island Oasis Garden* The construction of 22 villas in Phase 1 was commenced in May 2003 and was completed to roof-top by end-December 2003. The 50,000 square metre landscaped lake and hill in the district were also completed.
- *Long Island Oasis Garden* The planning and design work for the residential apartments in Phase 3 (Oasis Xiangdao) was completed. The construction of the main structure was completed to the 8th storey at the 4 residential blocks in Area A. Pre-sale permit has been obtained for marketing and sales.
- *Skyway Oasis Garden Hotel and Condominium* The No. 1 residential building (18 storeys) was topped-out. 20 storeys were completed for the No. 2 residential building (32 storeys). Pre-sale permits were obtained in February and March 2004 for the 2 blocks respectively. The foundation works for the 52-storey hotel and condominium complex had been completed.
- *Central-Ring Center (originally the Oasis Lakeside Trade Port)* Resettlement of existing residents was substantially completed. The underground structural works were commenced on the Nos. 10, 11 and 12 residential blocks and the Nos. 7, 8 and 9 office buildings.



Skyway Oasis Garden – Progressing on Scheme

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Rich-Gate Oasis Garden – Luxury Apartment at premium location

- *Rich-Gate Oasis Garden (originally the Mayfair Oasis Garden)* Resettlement of existing residents and preliminary construction preparation were completed, and construction commenced in early 2004.

- *Luodian New Town Development Project* As a major land development project of the Group which comprises of a lake of 0.2 million square metres, an international convention centre of 30,000 square metres, Scandinavian-style shopping district, Nobel Technology Park and 3 public squares of 75,000 square metres, etc. the construction work proceeds smoothly. The Lake Meilan Golf Course, currently under construction, was granted approval by the government in mid-2003 and will be completed for opening in 2004. The construction of the five roads, a major infrastructure project in Shanghai's Luodian New Town development which includes the Lake Meilan Road and the Scandinavian-style street, had been completed.

Reshaping the Housing Technology Business

The Group has reshaped the structure of its business during the year, with greater emphasis on the quality and standard of construction, environmental factors and increasing investment in municipal construction. Examples of this are:



Luodian New Town – Progressing on schedule

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- *Reorganization of the Shanghai Well Real Estate Company Ltd into Shanghai New Housing Technology Development Company Ltd*

As all unites of Bauhinia Oasis Garden were all sold out, the Group reorganized its subsidiary - Shanghai Well Real Estate Company Ltd to embark on the business of new housing technology, the development, application and promotion of new products and integrated water treatment technology in demonstrative residential districts.

- *Shanghai Trans-Ocean Housing Technology Company Ltd renamed Shanghai Wingo Infrastructure Company Ltd*

The shareholders and shareholding structure of the newly named company remains the same as the old. The company will focus on being the principle contractor on all types of construction projects while continuing in the business of broadband network products, application software development and the development and production of housing related technological products.

With these skills behind it, Shanghai Wingo Infrastructure Company Limited is qualified to take on the role of lead contractor in high-tech construction and municipal public works. The company has established a long term partnership with Shanghai Construction Works Group, Echelon (the Lonworks company), Accton and others. The company is the main contractor for electrical work in Luodin New Town. As of December 2003, household users of VDSL broad band reached 26,000 houses and the broad band network extended to 471 residential districts and some 75 office buildings.

Rationalising the Groups management structure

In order to strengthen the Groups competitiveness, overall control and influence in the market the following actions have been taken.

- *Establishment of the office of the chief architect/engineer*

This will result in a more professional approach to the planning and design of the groups property development and construction projects. It will also improve the review of construction drawings and specifications while providing technical support over cost control and improved quality.

- *Establishment of a sales and marketing office*

To coordinate with group companies all sales and marketing related issues. Unification and promotion of the "Oasis Garden" brand name while improving costs through a centralised selling organization.



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Continuous improvement of the Group's market position

Following the promotion of the Groups "Oasis Garden" brand name in 2002 to become one of the nine most popular brands in the Shanghai real estate market the Group has further improved their promotional position by achieving the following awards in 2003.

- The Group was ranked as one of the top 50 real estate development enterprises in Shanghai in June 2003 in terms of operating results, financial strength, development potential and contribution to the community, by the Association of the Shanghai Real Estate Industry.
- *Luodian New Town* A development project owned by the Group's associated company Shanghai Jin Luodian Real Estate & Development Co Ltd. The success of the project was attributed to its well thought out design plan, quality of construction and the creation of a distinct atmosphere and environment so that it became the ideal home for people. The project was recognised by the Association of China Real Estate Industry as a "Famous small town in China". The only town in Shanghai's "One City and Nine Towns" project to receive such recognition.



"Top 50 Real Estate Developer in Shanghai"



Luodian New Town – "Famous Small Town in China"

- *Skyway Oasis Garden Hotel and Condominium* With its conceptual architectural planning and classical Italian design, which features a 3,000 square meter lake within a city and distinctive lakeside high-rise hotel and apartments and villas, the project was described by the Residential Properties Centre of the China National Construction Department as, "a property with special scenery within an urban area". It was also ranked as one of the "Top 10 famous residencies in Shanghai from a Hong Kong and Taiwan perspective" by the first residential housing competition jointly held by the Association of China Real Estate Industry and the Association of Hong Kong Real Estate Agency.
- *Jiangnan Oasis Garden* Because of its low plot ratio and Yangtze Delta water town features, the villas project earned the description of "a successful model of China (Shanghai's) classic villas community" in the 2003 contest for a successful model for a China/Shanghai real estate development organised by the Association of Real Estate Industry of the China National Construction Department.

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- *Beverley Oasis Garden* A well organised international villa community with large villas surrounded by abundant waterways and extensive landscaping. The project earned the description of “a quality and classic housing development of international standard” in the 2003 International Housing contest.
- *Thousand Island Oasis Garden* Once again this development earned high praise in the 2003 competition for a successful model of China/Shanghai real estate development by the Association of Real Estate Industry of the China National Construction Department.



Mayor of Shanghai visiting project site

Business Outlook

Real Estate

The GDP growth in Shanghai should continue at 10% or above in 2004. The strength of the economy will further increase the purchasing power of individuals to the benefit of property sales and the continuing development of the Shanghai real estate market. The market is expected to follow the trend in 2003 which featured strong supply and demand, high quality development and stable growth.

- *Real Estate Investment in Shanghai will continue to grow*
In 2004 funds invested in the Shanghai real estate industry could amount to RM90 billion. With the completion of more than 80 high quality housing developments and some 50 small scale developments, an energy saving residential area of 2 million square meters, 10 environmentally friendly resident projects, medium to low priced community housing of 3 million square meters and the renovation of 30 derelict urban districts totalling 1.7 million square meters, the real estate market will experience rapid growth.
- *The market will continue to be tightly regulated resulting in a further concentration of market share amongst the developers*
The State Council promulgated in 2003 a notice on, “The Improvement and sustainable Development of the Real Estate Market” with the objective of maintaining a healthy and stable real estate market as part of the national economy. The People’s Bank of China also issued a series of policy documents and regulations such as the notice on “The Further Strengthening of the management of Real Estate Credit and Loan Account” to help regulate the behaviour of the real estate market.

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Real estate enterprises who possess financial strength and development potential will experience a more controlled and orderly market. Mergers and acquisitions amongst real estate companies in Shanghai has already begun with the number of real estate developers reduced from some 4,000 to approximately 2,000. The consequence for those remaining is an increased market share. Although those ranked within the top 50 already had a total market share of approximately 45%.

- *Adjustment in residential construction; better use of available land for residential development*
From 2004 onwards, the allocation of land for residential construction will be adjusted resulting in three tiers, comprising the inner city, the area between the inner city and the outskirts and the outskirts. The percentage of developable area between the three will be 20%, 50% and 30%. The first area will comprise high to medium high quality construction, the second will be medium quality housing and medium to low priced housing will be developed on the outskirts usually beside express ways and other transportation corridors.

The Group, despite an increasingly regulated market but still developing market, will in 2004 fully utilize its land bank and grasp every opportunity to expand its operations and complete all its projects in a timely and cost effective manner resulting in greater sales volume and profits.



Italian Architecture for Residential of Skyway

- *Beverly Oasis Garden* Interior decoration in the 9 completed villas at lot no.14 will be completed. The other 24 villas will be topped out and some offered for sale.
- *Long Island Oasis Garden* The pre-sold apartments in phase 3 area A will be delivered and the landscaping will also be completed. Construction work on the other apartments in area A will progress to the stage of obtaining a pre-sale permit.
- *Jiangnan Oasis Garden* The 96 villas of phase 1 will be delivered for occupation. The 46 villas in phase 2 will be topped out and offered for sale as soon as the pre-sale permit is obtained. Construction of the second clubhouse of 2,500 meters is underway.
- *Skyway Oasis Garden Hotel and Condominium* Sale of the residential units in block no.1 (18 storeys) and block no.2 (32 storeys) will be launched as soon as a pre-sale permit is obtained. The 52 storey hotel apartments will be topped out on time.

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- *Thousand Island Oasis Garden* The 22 villas of phase 1 will be delivered for occupation. The 60 villas in the south-eastern area of Phase 2 will be topped out and offered for sale once a pre-sale permit is obtained.
- *Central-Ring Center* A pre-sale permit will be obtained for the no.10 and 11 residential blocks and part of the these units will be sold. The no. 7 office building will be topped out on schedule. Foundation works for phase 2 will be completed.
- *Rich-Gate Oasis Garden* A pre-sale permit for this residential building under construction is expected in August 2004.
- *Luodian New Town Development Project* The Lake Meilan, the international convention centre, Scandinavian style street area, the Noble Technology Park and the three squares in the western area will be completed in 2004. On the other hand, the Lake Meilan Golf course, the golf hotel and the golf club in the eastern area will also complete in 2004. More than 0.27 million square meters of land with levelling work completed will be put up for tendering through the government this year.
- *Property management for the "Oasis Garden" residential district*
With the mission of "Providing the best services everywhere", the Group's property management company will team up with an internationally renown property/hotel management group to provide total quality management services to the growing numbers of owners or clients of the "Oasis Garden" properties. The aim will be to obtain service accreditation of ISO9001 and ISO14000.

Municipal construction project and housing technology

In recent years there has been enormous development in the areas of municipal construction, housing technology and construction related projects in Shanghai. It is estimated that direct investment on the site of the 2010 Shanghai World Expo has so far amounted to US\$ 3 billion. This investment will trigger five to ten times more investment in related infrastructure investment. The holding of the World Expo in Shanghai will definitely accelerate improvements in transportation, the city's infrastructure, urban landscaping and environmental planning. As the World Expo event will symbolize a growing and well managed economy, this in turn will lead to increases in the development of housing and related construction activity.

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The transition of housing development in Shanghai from problem solving construction to quality development has now been completed. The buyers expectation for quality living has now to be met. With the continuous improvement in peoples earning power and their ability to purchase well designed and well constructed quality housing needs to be met and those developers of residential property must meet the demand.

The Group's subsidiary company, Shanghai New Housing Technology Development Company Ltd and Shanghai Wingo Infrastructure Company Ltd, were reorganised to cater for these developing trends. Both companies will expand their development potential while maintaining the expansion of the broadband network into residential districts.

Acknowledgement

Over the last twelve months, the support of shareholders, the efforts of the board of directors and the hard work performed by the Group's management and work force have all contributed to the Group's business development and performance. I shall in the future rely on their dedication, loyalty and innovation to drive the Group forward. I should like to take this opportunity to express my gratitude to my fellow directors and all the Group's employees for their service and contribution to the Group over the past year.

Shi Jian

Chairman

Hong Kong, China

26 April 2004