

# Chairman's Statement

Mr. Lee Ka Kit, Chairman and President



I am pleased to present to the Shareholders my report on the operations of the Group

## Profit and Turnover

The Group's consolidated net loss after taxation and minority interests for the financial year ended 30th June, 2003 amounted to approximately HK\$395 million, mainly attributed to the provisions made on the property projects of the Group and bad debts written off by the Group which amounted to HK\$307 million in aggregate. This compares with net profit of HK\$133 million that was recorded in the same period in the previous financial year. Turnover of the Group amounted to HK\$188 million for the financial year ended 30th June, 2003 whilst HK\$578 million was recorded as the Group's turnover in the previous financial year.

## Dividends

Your Board recommends the payment of a final dividend of HK\$0.03 per share to shareholders whose names appear on the Register of Members of the Company on 1st December, 2003. The total distribution per share of HK\$0.06 for the full year, including the interim dividend of HK\$0.03 per share already paid, represents a decrease of 50%

from the total distribution in the previous year. Warrants for the final dividend will be sent to shareholders on 3rd December, 2003.

## Business Review

### PROPERTY MARKET

In Mainland China, property markets in major cities have benefited from the sound administrative policies of the government. Strong growth was witnessed in the export trade leading to steady performance in property markets. As major world-class events of the Olympic Games and World Expo will be respectively hosted by Beijing and Shanghai, economic activities increased in these major cities. Although the outbreak of the Severe Acute Respiratory Syndrome ("SARS") in March of this year brought about adverse effects on the domestic economy for a brief interval, inflow of foreign investment to Mainland China generally continued to record increase. The office as well as retail shopping properties remained in good demand whilst markets in the residential sector also showed satisfactory performance.

## Chairman's Statement *(cont'd)*

### PROPERTY DEVELOPMENT

During the financial year under review, the Group put up the remaining units in the previously completed development projects for sale and these included the residential portion of Heng Bao Garden which is located on top of the Changshou Road Station of the Metro Line in Guangzhou, the Everwin Garden and the Skycity in Shanghai as well as the Group's joint venture development project of Lexi New City Phase VIII — Luotao South Zone Villa and Phase IX — Green Island House located in Panyu, Guangdong Province. The residential units of the Heng Bao Garden have almost been completely sold. Further, all of the completed residential units in the Skycity project in Shanghai were also sold out as a result of the focussed marketing efforts in the financial year, whilst sale of the remaining units in the Everwin Garden also increased significantly. As for sale of residential units in the Phase VIII and Phase IX of the Lexi New City project, these developments continued to record good sales results as in the past and almost all of the residential units in Phase VIII were sold out during the financial year under review. Around 50% of the residential units in Phase IX of this project, which had been put up for sale at a later date, were also sold.

The Group disposed of its interests in certain small-scale undeveloped sites to a third party during the period under review and received sales proceeds of around HK\$276 million. At the end of the period under review, the Group took a conservative approach and made provisions on certain property projects located in Guangzhou and Shanghai for an amount of approximately HK\$260 million to reflect the value of such relevant projects as at relevant financial year-end date.

During the financial year under review, the Group's shareholdings in the joint venture company that developed The Grand Gateway were exchanged for the Group's interest in the entire development right of one block of 42-storey office tower.

Satisfactory progress has been made in respect of the construction work of this office tower and the superstructure building work has now reached the 10th floor. Upon its completion, currently scheduled in mid-2005, this will add approximately 660,000 sq.ft. in attributable gross floor area to the investment property portfolio of the Group.

### PROPERTY RENTAL

During the period under review, certain tenants in the Henderson Centre in Beijing breached the tenancy agreement and vacated the premises and this has given rise to the write-off of bad debts relating to property rental in the amount of approximately HK\$37 million. Under a new round of marketing campaign planned for the leasing of the commercial podium of the Heng Bao Garden in Guangzhou, new tenants have gradually been signed up and moved in. Further, the shopping podium at the Skycity in Shanghai remained fully leased with stable rental income.

### Prospects

The economy in Mainland China has continued to witness steady growth. This is expected to lead to gradual and stable development in the overall property market in the mainland. From a long term perspective, the value of properties situate in the major cities have good potential for appreciation and this will be particularly applicable for the cities of Beijing and Shanghai. The Group holds plentiful development land bank in major cities in the mainland. Conditions are becoming ripe now for development of certain of these development sites and construction work for two of the Group's projects, namely, those located at 2 Guan Dong Dian, Chao Yang District in Beijing (the old Beijing Lightbulb Factory site) and 210 Fangcun Avenue, Fangcun District in Guangzhou (the old Guangzhou Preservation Fruit Factory site), is expected to commence in the current financial year. In respect of property leasing, the Group has just concluded a retailing management contract with an associate company of Henderson Land Development Company

## Chairman's Statement *(cont'd)*

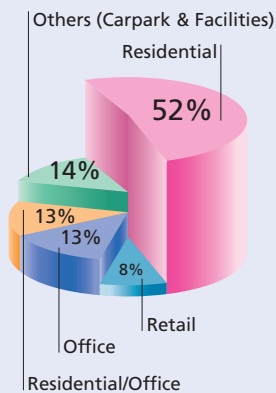
Limited, namely, Beijing Youyi Shopping City Co., Ltd. ("Youyi") whereby Youyi and the Group will work together to seek leasing tenants to certain dedicated spaces located at the shopping podium of the Henderson Centre in Beijing. It is currently planned that leasing will be promoted under the joint name of "Henderson-Yan Sha". With the long history of establishment of department store business by Youyi under the trading name of "Yan Sha" in Beijing and the wide recognition of the "Yan Sha" name associated with retailing in the marketplace, it is expected that this will project a fresh image to the shopping podium of the Henderson Centre upon the opening of business that is expected by the Second Quarter of next year.

Continued progress will be made in respect of the property development business of the Group. Further, property rental will provide a source of steady income to the Group. Your Group will expedite the development and sale of its existing property projects.

**Lee Ka Kit**  
Chairman

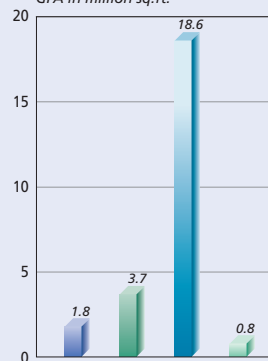
Hong Kong, 2nd October, 2003

**Usage of Land Bank of the Group**



**Distribution of Land Bank of the Group**

*(Not Counting Completed Development Footage)*  
GFA in million sq.ft.



■ Beijing  
■ Shanghai  
■ Guangzhou  
■ Pearl River Delta

Total land bank: 24.9 million sq.ft.