

## **BUSINESS REVIEW**

### **Construction**

The Group had in hand contracts valued at \$9.0 billion at the end of August 2001. They included two Government contracts for the construction of five schools in the territory, one Government contract in joint venture for Penny's Bay reclamation Stage 1, Government contracts for the widening of Tolo Highway, improvement works at Wong Chu Road in Tuen Mun, design and construction of Shatin Government Offices, Polytechnic University Phase VI development, three KCRC West Rail projects, a residential development at 41C Stubbs Road, construction of Science Park Phase 1A at Pak Shek Kok, the Qingzhou Min Bridge in Fuzhou, Shanghai Expo Centre, Shanghai Outer Ring Immersed Tube Tunnel project and a Chinese Government joint venture contract for the main construction of the National Grand Theatre in Beijing. The Directors are confident that all the projects will be completed despite the Group's liquidity problems. Provisions have been made against those contracts where losses may be incurred due to delays.

### **Property**

The Group has interests in first class commercial and residential developments in Shenzhen, Guangzhou, Haikou, and Beijing. Though the leasing market improved gradually in the second half of year 2000, the property sales market has not yet recovered for the period. This made the sales and rental income still less than expected during the period. Revenue from rental income and sale of properties reduced from \$19.7 million during the corresponding period of the previous year to \$10.7 million for the period ended 30th June, 2001. The Group remains optimistic that China's eventual admission to the WTO will stimulate the lackluster property market.

### **Changes in the Structure of Shareholding**

On 13th June, 2001, China Everbright International Ltd and its subsidiary Maddington Ltd entered into an acquisition agreement with Shanghai Construction (Group) General Co under which Shanghai Construction (Group) General Co conditionally agreed to purchase 114,000,000 shares in the Company from Maddington Ltd at a price of \$1.66 per share.

On the same day, the Company respectively entered into (a) a subscription agreement with Shanghai Construction (Group) General Co, under which Shanghai Construction (Group) General Co conditionally agreed to purchase 35,000,000 new shares in the Company at a price of \$1.12 per share; and (b) a placing agreement with BNP Paribas Peregrine Securities Ltd, under which 65,000,000 new shares in the Company, underwritten by BNP Paribas Peregrine Securities Ltd, were placed to several independent investors at a price of \$1.12 per share.

The acquisition, subscription and placing agreements were respectively completed in July, 2001. Currently, Shanghai Construction (Group) General Co has become a substantial shareholder and the single largest shareholder of the Company as it is interested in 24.51% of the issued share capital of the Company. China Everbright International Ltd still holds 10.20% interests in the Company.

## **Employees**

At the end of June, 2001, there were a total of approximately 432 employees employed by the Group. The employees are remunerated according to the nature of jobs, their and the Group's performance, and market conditions. Some of the employees are entitled to year end bonus and participation in the share option scheme of the Group.