

GENERAL OVERVIEW

The Group reported an encouraging results for the year ended 31st December, 2000. An audited consolidated net profit of approximately HK\$97.87 million attributable to shareholders of the Company was recorded for the year under review, compared with an audited consolidated net loss of approximately HK\$79.65 million in 1999. Basic earnings per share for 2000 was 9.24 HK cents while basic loss per share for 1999 was 7.52 HK cents. The sound improvement was attributable to an increase in turnover, a tight control of cost and expenses, and an adjustment to provision for diminution in value of certain properties in Shanghai after a market valuation. Turnover was increased drastically during the year mainly due to the recognition of sale proceeds of various property development projects in Shanghai after obtaining the relevant reality title certificates.

OPERATIONS REVIEW

Mainland China is the development base of the Group and is also its source of income. Nearly all the turnover of the Group for the year under review was generated in mainland China while property development was the most significant contributor to the results of the Group and accounted for over 80% of the Group's turnover for the year. In addition to property development, the Group also engages in property investment, hospitality and leisure industry, and industrial operations.

Property Development and Investment

The Group disposed of its entire interest in a development project in Huizhou, Guangdong Province in January 2001 and then all of the property development and investment projects of the Group were in Shanghai, with a focus in Pudong.

Tomson Golf Villas and Garden

Up till now, 6 phases of residential units have been developed around the periphery of Tomson Shanghai Pudong Golf Club in Huamu District of Pudong, Shanghai. Amongst them, 5 phases are development of detached and semi-detached houses and so the project is named as Tomson Golf Villas whilst the remaining phase, that is Phase Three, is a high-rise apartments development and is called as Tomson Golf Garden.

As at the year end, all but 1 unit of Phases One and Two of Tomson Golf Villas was sold and one third of the total gross floor area of all the other 3 phases of Tomson Golf Villas of 88,376 square meters were pre-sold. Construction works of Phase Four was finalized in January 2001 while 2 more phases are expected to be completed in June 2001 and March 2002 respectively.

The development of Tomson Golf Garden (Phase Three) was completed in December 2000 and a sale of around 38% of the total gross floor area of 52,541 square meters was recorded.

Tomson Garden

A new residential property project, Tomson Garden, is being developed by two phases in Zhangjiang Hi-tech Park of Pudong and next to Tomson Shanghai Pudong Golf Club. There are altogether 662 units of semi-detached townhouses of a total gross floor area of 156,684 square meters. Construction of Phases One and Two is scheduled to complete in January and July 2002. Internal subscription of the project is being carried out and around 36% of the total gross floor area of the whole project have been sold out.

Xingguo Garden

Xingguo Garden is a project of low-rise residential development of a total gross floor area of 12,201 square meters in Changning District of Puxi, Shanghai. Construction works is targeted for completion in November 2001 and marketing programme will be launched in May 2001.

Tomson Business Centre

Tomson Business Centre is situated at Zhangyang Road, Lujiazui Finance and Trade Zone of Pudong, Shanghai and comprises three 21 to 24-storey residential/office tower blocks erected on top of a 4-level commercial podium plus a carpark basement. The management initiated marketing programmes in July and August 2000 to boost sales of the residential/office towers and 86% of their total gross floor area of 53,096 square meters have been sold while the remaining units are arranged to be leased out as serviced apartments.

Rainbow Townhouse

Together with a local developer in Shanghai, the Group developed series of townhouses named as Rainbow Townhouse in Puxi, Shanghai by two phases. Of the total gross floor area of 39,417 square meters, 86% was sold while 3% was leased as at the year end.

Participating Projects in Longbai and Zhudi, Shanghai

The Group has also participated in development of two high-rise residential property projects in Longbai and Zhudi, suburbs in Shanghai. Up to the end of year 2000, all the entitled units of the Longbai project and 64% of the attributable gross floor area of the Zhudi project of 68,390 square meters have been sold out.



湯臣高爾夫別墅及花園
TOMSON GOLF VILLAS AND GARDEN





Commercial and Industrial Buildings

Apart from residential projects, the Group has also developed office-cum-commercial buildings and industrial buildings.

Tomson Financial Building is situated at Lujiazui Finance and Trade Zone of Pudong, Shanghai and comprises an office tower, a commercial podium and basement, and a carpark. The office tower is earmarked for sale while the other areas are held for investment. Of the total gross floor area of the office tower, 84% have been disposed of. The leasing level of the commercial podium and basement was improved during the year with an average rate of around 44% of the unsold gross floor area being taken up.

Tomson International Trade Building and Tomson Waigaoqiao Industrial Park are the only projects developed by the Group in Waigaoqiao Free Trade Zone of Pudong. Though no sale was recorded during the year under review, these two projects generated a steady rental income to the Group. In average, around 38% of the total unsold gross floor area of the office tower of Tomson International Trade Building and 56% of the total gross floor area of Tomson Waigaoqiao Industrial Park were leased out during the year.

Hospitality and Leisure Industry

Tomson Shanghai Pudong Golf Club

The Group in the centre of Pudong, Shanghai, has operated an 18-hole golf course, Tomson Shanghai Pudong Golf Club, since May 1997. Both life and term memberships are offered to cater for different demand of its potential clients in Shanghai. Up to 31st December, 2000, over 600 memberships have been subscribed for and more than 80% thereof are life membership.

Hotel Inter-Continental Pudong Shanghai

The Group holds a 50% interest in a hotel in Lujiazui Finance and Trade Zone in Pudong, Shanghai and the average occupancy rate of the hotel rose slightly to 71% during the year. No contribution has yet been made to the results of the Group in view of dwindled profit margin under serious competition from a number of glamorous hotels in the vicinity and burden of hefty financing and depreciation charges.

The hotel has been re-named as Hotel Inter-Continental Pudong Shanghai since October 2000 after engagement of an international management company, Inter-Continental Hotels Corporation, to manage the hotel and better operating results is expected under the new management.

Industrial Operations

The Group has invested in various manufacturing operations ancillary to its property projects, namely, PVC pipes and fittings, metal door as well as ready-mixed concrete. During the year, Shanghai PVC pipes operation generated revenue to the Group but the industrial operations as a whole reported loss.

In November 2000, the Group entered into a contract to dispose of its interest in 10% of the registered capital of the Shanghai PVC pipes operation and now retains the interest in 58% of the registered capital of that operation as long-term investment.

FINANCIAL REVIEW

Liquidity and Financing

The Group had a satisfactory financial position as at 31st December, 2000 with a current ratio of 1.40 and a gearing ratio (total liabilities to shareholders' funds) of 27.06%.

At the balance sheet date, the cash and cash equivalents of the Group amounted to HK\$174.54 million. During the year under review, the Group generated a cashflow of HK\$683.01 million from the operations. In the same year, cash utilization of HK\$726.57 million was spent in servicing of finance net of returns on investment and in investing activities of the Group. Together with the net cash inflow of HK\$65.84 million from tax refund and financing activities, the net cash inflow of the Group for the year amounted to HK\$22.28 million.

The Group's borrowings at the balance sheet date amounted to HK\$246.55 million, equivalent to 7.72% of the Group's shareholders' funds at the same date. Amongst those borrowings, HK\$201.36 million was financed by bank loans under security and the remainder was loan from minority shareholders of subsidiaries of the Company. 82.77% of the total borrowings are due for repayment within one year from the balance sheet date while the rest is long-term borrowings and has no fixed terms of repayment.

At the balance sheet date, the Group's capital and other commitments in aggregate amounted to HK\$273.10 million. The Group anticipates to fund those commitments from its future operating revenue which include proceeds from pre-sale of properties and from bank borrowings and other sources of finance where appropriate.

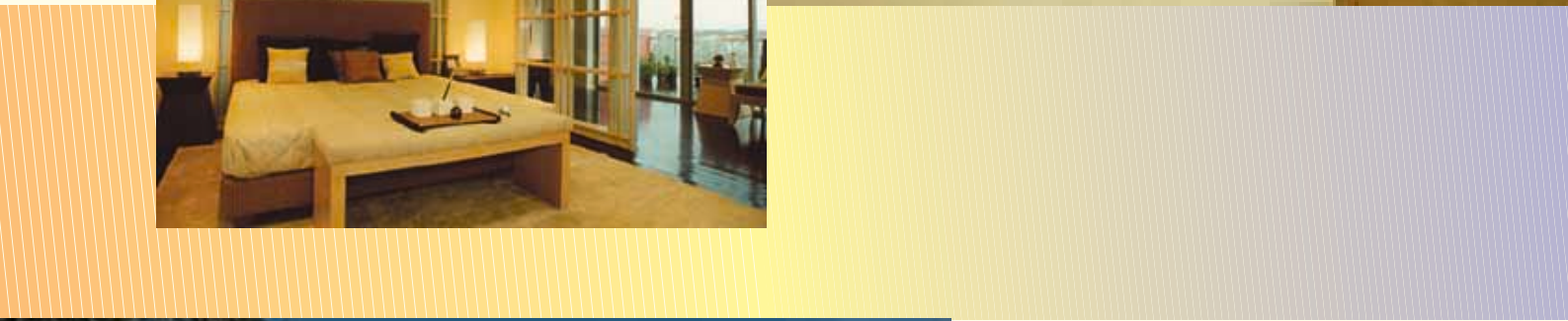
Charge on Assets

As at 31st December, 2000, assets of the Group with an aggregate book value of HK\$363.40 million were pledged to secure general banking facilities of the Group and mortgage finance granted to buyers of properties developed by the Group or the Group's jointly controlled entity.



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TOMSON GARDEN





Foreign Exchange Exposure

The Group does not anticipate any material foreign exchange exposure since its cash and cash equivalents held, revenue and expenses are denominated either in Hong Kong Dollar or Renminbi. Besides, the majority of foreign currencies borrowings are denominated in Renminbi and it is expected that exchange risk exposure of the Group in respect of these borrowings is minimal.

Contingent Liabilities

As at 31st December, 2000, the Group had contingent liabilities in the following aspects:

- (a) provision of an indemnity to a joint venture partner in relation to a bank loan granted to a jointly controlled entity and guaranteed by that partner;
- (b) provision of undertaking to various banks in relation to mortgage finance granted to buyers of properties developed by the Group and the Group's jointly controlled entity;
- (c) provision of rental guarantee to buyers of a property developed by the Group;
- (d) a legal claim filed against the Company by an ex-director regarding the right of exercise of a share option granted to him under the Company's employee share option scheme;
- (e) provision of an indemnity to a purchaser of the Group's interest in a then subsidiary on certain liabilities of that subsidiary contracted before the disposal.

The Directors are of the opinion that it would be unlikely for the Group to suffer any material financial loss owing to the above issues, details thereof are shown in Note 22 to the financial statements of the Group for the year on pages 100 to 109.

PROSPECTS

China's impending entry to the World Trade Organization and strong economic growth offer tremendous business opportunities to both local entrepreneurs and multinational corporations. The influx of foreign enterprises and improvement in economic condition can then further favour the property market development in China. Shanghai, being an economic and financial centre in mainland China, is no doubt to be benefited from the development and the municipal government has recently formulated a city plan to improve its infrastructure. With the enhancement in the transportation system across Huangpu River, the Board is optimistic to the development of Shanghai, especially Pudong and the property market therein.

In fact, the office market in Shanghai showed signs of recovery in 2000 with increased absorption and rental rebounds while the demand for serviced apartments and villas was still strong. However, over-supply of stock obstructs the revival of the property market, hence the Board will exercise due care on scheduling the development of the Group's land bank.

In addition, the management will make every effort to improve the operation results of the Group's industrial investments and may also contemplate any feasible plans to restructure those investments so as to achieve the best return on its resources.

DIRECTORS AND STAFF

The Board of Directors was pleased to appoint Mr Lu Yao-Tsu as an independent non-executive Director in July 2000 to fill up the vacancy arose from the retirement of Mr Chen Yung Tai at the annual general meeting of the Company for 2000. There are now nine Directors sitting on the Board of the Company after the resignation of Mr Wu Choi Sun, William in February 2001.

The Group employed a total of more than 1,000 employees in its various offices in Hong Kong, Shanghai and Taiwan at year-end. The total remuneration paid to the employees (other than the Directors) during the year under review amounted to approximately HK\$32.75 million. The Group offers a competitive remuneration and benefit package to all employees. An employee share option scheme has been established by the Company in October 1990 and details of the scheme are set out in the paragraph headed "Arrangements to Purchase Shares or Debentures" in the Directors' Report of the Company for the year on pages 44 and 46.

We take this opportunity to extend our thanks to all the staff members of the Group for their hardwork, loyalty and continuing support over the years.

On behalf of the Board

Tong Cun Lin

Managing Director

Hong Kong, 12th April, 2001



湯臣金融大廈
Tomson Financial Building



湯臣金融大廈
Tomson Financial Building



上海嘉年別墅
Rainbow Townhouse

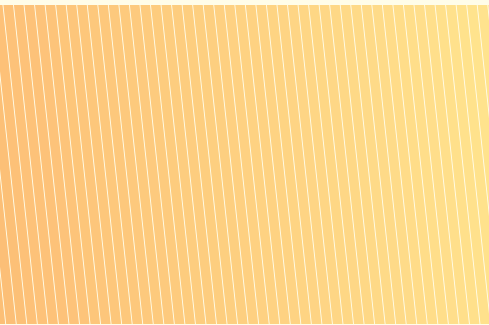


湯臣外高橋工業園區
Tomson Waigaoqiao Industrial Park

湯臣商務中心大廈
Tomson Business Centre



湯臣商務中心大廈
Tomson Business Centre



上海新亞湯臣洲際大酒店
Hotel Inter-Continental Pudong Shanghai

