

Review of Operations and Outlook

Review of operations for the first half of the year

As at 30th June, 2001, the Group achieved a turnover of Rmb969,122,000, representing an increase of 6.4% over the same period of last year. Operating profit was Rmb 97,477,000, an increase of 21.1% compared with the same period of last year. Profit attributable to shareholders was Rmb103,215,000 an increase of 28.7% as compared with the same period of last year.

Investment Properties

In the first half of year 2001, the investment properties market in Beijing continued to experience excess supply, in particular, competition in the apartments leasing market had been intense, and rentals had dropped in general. However, office market maintained its good position since last year, and created a favorable environment for the Group's operation in office properties. In the first half of this year, the Group continued its strategy of maintaining and expanding its market share while adhering to the concept of profit maximisation. Based on market research, a segmentation analysis of target customers was carried out. The standard of property management was lifted to better cater to the needs of different customers, thereby increasing the average occupancy rate of the Group's investment properties as compared with the corresponding period of last year.

Structural adjustment and re-positioning were made to Hui Yuan Apartment and Hui Yuan International Apartment. Long-term guest oriented strategy was changed for a more flexible approach by the combination of long-term and short-term guests alike and thereby boosting the occupancy rates of apartments. Income generated from business stays and conference facilities formed another major revenue stream in which occupancy rates reached 80% and 75% respectively. In particular, as Hui Yuan International Apartment segregated business stays and ordinary guests, occupancy rates for business stays and ordinary guests recorded an increase of 14% and 9% respectively as compared with the beginning of last year. Upon its redevelopment into a hotel and its commencement of operation in March this year, Hui Yuan Apartment Block A has attracted numerous business guests and conference guests. Occupancy rates continued to grow, frequently hitting the level of 100% and resulting in a new profit growth area.

Capitalising on the high demand of the office leasing market and with ensuring high occupancy rate as the foremost consideration, rental levels were suitably raised to be in line with the rise in occupancy rate. During the first half of the year, the occupancy rate of Hui Bin Office reached a higher-than-average level of 97.6%. Hui Xin Office which was completed by the end of last year and started operation only early this year, hit an occupancy rate of 37% in the first half of the year.

The Group plans to redevelop Beijing Recreation Centre. Approval had been obtained from the relevant authorities of Beijing in May this year. Planning and design had been speeded up. While actively exploring external markets, Beijing Xin He Property Management Company had undertaken the property management for the Newspaper Office of the People's Supreme Court.

Property Development

In the first half of the year, with the aim of improving the operating efficiency of real estate projects, the Group rationalised its development system by restructuring its property developments, under which 北辰置地分公司 was set up to undertake the development of Green Garden and the latter phases of the works of Hui Xin Apartment and Hui Xin Office projects, whereas 北辰房地產開發股份有限公司 strived to be market oriented based on the foundation of improving inventory and recovery of funds.

Upon the establishment of 北辰置地分公司, sales, planning and design, and project management had been closely integrated to proceed with a professional sales and marketing business. In the first half of the year, 6,432 square meters of commodity apartments in the Hui Xin Apartment had been sold, with 23,411 square meters sold in aggregate, representing 76% of the total saleable units. Total office space of Hui Xin Office sold amounted to 2,515 square meters, with 5,273 square meters in aggregate, representing 48% of the total saleable area. In the first half of the year, 3,733 square meters of the first phase of Green Garden had been sold, and by improving the environment, sales had been recovering. The development of central garden and B1 district of the Green Garden is now under way, and foundation works of Blocks A, B and C have commenced. Meanwhile, a reputable international design company was appointed for reviewing the overall planning of Green Garden project to improve the quality of the project, thereby enhancing its market competitiveness.

北辰房地產開發股份有限公司 adopted effective measures to address the existing problems of inventory and accelerated its movement. Kerrie Plaza acquired the basement car-park developed by a neighbouring owner, improved the environment and furnished the ancillary facilities. The power supply improvement proposal by Ma Dian Commercial Complex has created favourable conditions for its sales in general. Demolition of the original structures of Jiang Zhuang Hu Garden Villas and re-accommodation of the affected tenants were completed while its design nearly finished. For further expansion, the Company is actively identifying new projects which are in line with its development strategy.

Bei Chen Shopping Centre

As more shopping malls in the vicinity of the Asian Games Village emerged and competition in the retail sector became increasingly keen, measures such as product mix adjustment and improvement of the shopping environment were put in place to attract customers and further expand its market share. Sales revenue of Bei Chen Shopping Centre reached 642 million from January to June. Ranking of retail sales jumped to first from third in the corresponding period of last year in Beijing. Sales revenue per square meter continued to rank first in Beijing.

Information Technology Company

Beijing North Star Dongdai Aher Information Technology Company Limited is actively exploring the market of high speed broadband networks. Broadband network access in apartment has exceeded 50%. The Company has also undertaken projects including the Chaoyang contemporary education information network in Beijing, regional network of Xiamen education committee and regional network project of Shaoxing Zhuji city education committee in Zhejiang while capturing fair market shares in the education market in provinces and cities such as Shanghai, Guangxi and Hubei. The development and sales of network application software and network charging have also made progress.