

MANAGEMENT DISCUSSION AND ANALYSIS

Analysis of results

The Group attained a turnover of HK\$1,325,448,000 for the period ended 30th June 2001, an increase of approximately 30% as compared to the previous corresponding period. The increase was mainly attributable to the sale of the Boardview Court PSPS Project at Shum Wan, Hong Kong, which contributed a turnover of HK\$1,041,608,000 and the sales recognised from Fragrant Garden in Shanghai increased by HK\$66,318,000 during the period. The increases were however largely mitigated by the decrease in turnover from building construction activities as most of the construction projects had been substantially completed in last year. The contributions from infrastructure investment and property investment remained fairly constant during the current period.

Despite the increase in turnover, the profit attributable to shareholders decreased to HK\$20,700,000 for the current period from HK\$35,220,000 for the previous corresponding period. This is due to the decrease in profit contribution from building construction activities as a result of the lack of new construction contracts.

Analysis of financial resources and liquidity position

In the first half of 2001, shareholders' funds of the Group increased by 2% to HK\$1,731,372,000 resulting from the profit generated during the period and the issuance of new shares of the Company pursuant to the exercise of share options.

During the period, the Group entered into an agreement with a bank which had agreed to extend the repayment of a banking facility in respect of a three-year long-term bank loan of HK\$780,000,000 for 60 months, that is, on or before 18th June, 2006. As at 30th June, 2001, total banking facilities available to the Group amounted to HK\$2,388,615,000 of which HK\$2,142,464,000 had been utilised. The gearing ratio, which represents total bank loans over total assets, was approximately 50%.

Cash and bank balances excluding restricted bank deposits were HK\$472,123,000 as at 30th June, 2001 which represents 21% of the current assets. Armed with strong cash position and available banking facilities, the Group has adequate resources for its ongoing operations and future development.