

## MANAGEMENT DISCUSSION AND ANALYSIS

### INTERIM BUSINESS REVIEW

The Group's net profit attributable to shareholders for the period under review was HK\$58,116,000 (2000: HK\$21,149,000), representing an 175% increase over the previous period. The significant increase in net profit is mainly due to a greater profit contribution from a jointly controlled entity – Shenzhen Tian An Cyberpark Co., Ltd.

During the period, total sales of 41,310 m<sup>2</sup> Gross Floor Area (“GFA”) from residential/commercial property was recorded (2000: 59,820 m<sup>2</sup> from residential/commercial property and 600 m<sup>2</sup> from industrial property). Under the same period, 84,760 m<sup>2</sup> GFA were completed (2000: 64,700 m<sup>2</sup>) whereas 254,000 m<sup>2</sup> GFA were under construction (2000: 312,000 m<sup>2</sup>).

The improving purchasing power of consumers and low mortgage loan interest rates prevailing in the PRC have encouraged new purchasers to become home-owners. The abolition of the traditional bonus house allocation system and the unification of the domestic and foreign housing markets are viewed as two long-term favourable factors for the property market in the PRC.

Potential house buyers are becoming more demanding in their property selection. The development of high quality properties and provision of satisfactory after-sale services including first class property management represent the Group's strategy to maintain competitive advantage in the market.

The acquisition of a controlling interest in Interform Ceramics Technologies Limited (“Interform”), the shares of which are listed on The Stock Exchange of Hong Kong Limited, was completed on 15 May 2001.

### FINANCIAL POSITION

#### *Liquidity and Financing*

The Group managed to maintain its liquidity at a healthy level with a well-balanced portfolio of financial resources. As at 30 June 2001, bank balances and cash of the Group (mainly in Renminbi) were maintained at HK\$254 million, providing sufficient working capital for the daily operations of the Group.

As at 30 June 2001, the total borrowings in current liabilities and non-current liabilities amounted to HK\$649 million and HK\$442 million respectively. Since the investments of the Group are located in the PRC and the interest rate on bank borrowings in Renminbi is lower than that on Hong Kong dollars, most of the bank borrowings are obtained from PRC banks in Renminbi in order to reduce the borrowing costs and minimize the risk of exchange rate fluctuations. Approximately 15% of the Group's bank borrowings bear interest at floating rates and the remaining 85% are at fixed rates.

The gearing ratio (net debt over shareholder's equity) of the Group was maintained at a healthy level of 21% as at 30 June 2001.

#### *Charges on Assets*

As at 30 June 2001, all the Company's undertaking and assets and the Group's interest in an associate with a carrying value of HK\$484,310,000 were pledged against a bank overdraft facility granted to the Company. Bank deposits of HK\$9,581,000, aggregate carrying values of development properties of approximately HK\$373,337,000 and the Group's interest in certain subsidiaries with aggregate carrying values of approximately HK\$100,912,000 were pledged to banks for banking facilities granted to those subsidiaries.

#### *Contingent Liabilities*

As at 30 June 2001, guarantees given to banks by the Group in respect of banking facilities granted to jointly controlled entities, a third party and a minority shareholder were HK\$122,616,000, HK\$46,449,000 and HK\$18,692,000 respectively. Guarantees given to banks in respect of mortgage loans granted to property purchasers totalled HK\$411,570,000.

#### *Employees*

As at 30 June 2001, the Group, including its subsidiaries but excluding associates and jointly controlled entities, employed approximately 391 persons. Total staff costs for the period under review amounted to approximately HK\$22,532,000. The remuneration policies and bonus schemes of the Group are based on the performance of the staff and market conditions.