

FINANCIAL REVIEW

For the year ended 31st December, 2001, despite a decrease in turnover of HK\$948,660,000 in building construction, the Group achieved a turnover of HK\$1,844,845,000, a 25% increase compared with that of the previous year. It was attributable to the sale of residential units and car parks at Broadview Court, the PSPS project of the Group during the year. The overall gross profit dropped by 26% which was due to a narrow gross profit margin of the PSPS project.

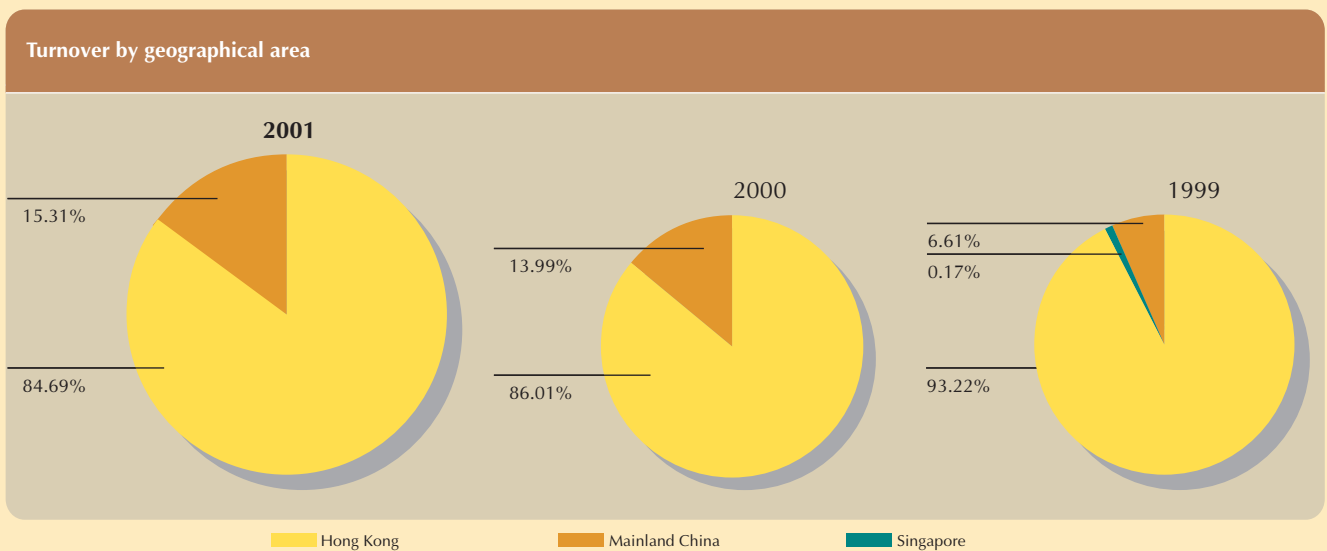
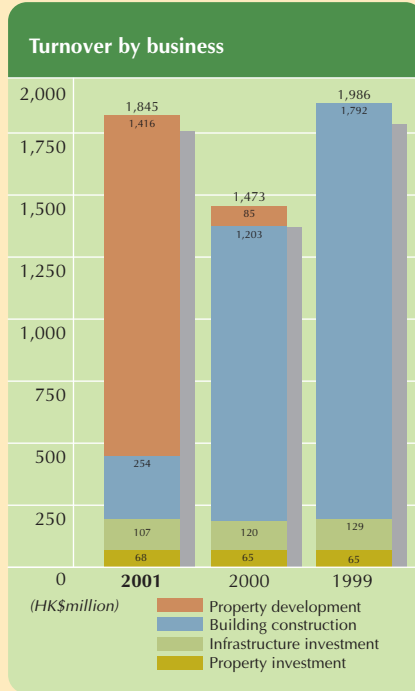
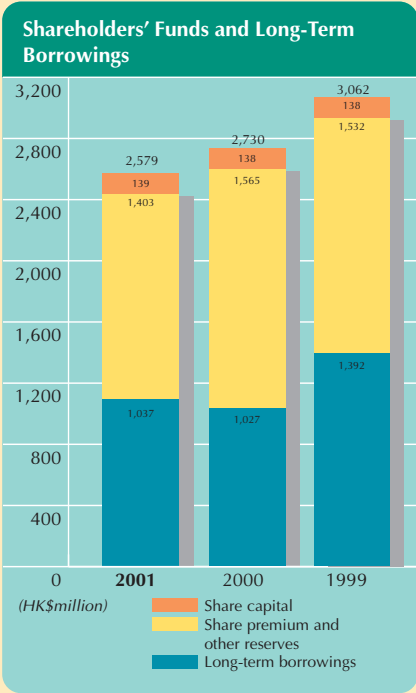
The operating loss for the year included provisions made for diminution in value of investment securities and completed properties held for sale and revaluation deficit of the investment properties totalling HK\$181,800,000, after consideration of various underlying conditions of the Group's assets. Excluding these provisions, the Group achieved an operating profit of HK\$74,836,000, a decrease by HK\$37,061,000 from the previous year. During the year, operating profit from property development, before provision for completed properties held for sale, grew by almost fourfold to HK\$37,798,000 over the previous year, comprising mainly the profit contribution from the sale of the residential units of Broadview Court in Hong Kong and Fragrant Garden in Shanghai. The building construction of the Group, however, suffered from the adverse market condition, incurred a mild loss of HK\$6,822,000 in 2001 from a profit of HK\$40,389,000 in the previous year. The operating profit is further impacted by the decline in profit by HK\$22,561,000 from infrastructure investment, mainly contributed by the Henan Power Plant. The performance of property investment, securities investment and other operations maintained fairly steady during the year.

Including a provision of HK\$181,800,000, the Group recorded a loss attributable to shareholders of HK\$168,098,000 for the year, representing a plunge compared to the previous year.

FINANCIAL RESOURCES AND LIQUIDITY

During the year, share option holders exercised their rights to subscribe for 12,430,000 new shares of the Company at HK\$0.656 per share, contributed HK\$8,154,080 to the shareholders' funds. Despite of that, shareholders' funds of the Group as at 31st December, 2001, was decreased by 9% to HK\$1,542,357,000 as a result of the provisions for diminution in value of investment securities and completed properties held for sale and the revaluation deficit of the investment properties during the year.

For the year ended 31st December, 2001, in addition to the renewal of banking facilities amounting to HK\$780,000,000 for the eight floors of COSCO Tower, the Group solicited a total of HK\$40,000,000 new banking facilities and the net repayment of bank loans amounted to HK\$528,349,000. As at 31st December, 2001, total banking facilities available to the Group amounted to HK\$1,629,600,000 (2000: HK\$2,428,615,000), of which HK\$1,467,357,000 (2000: HK\$1,995,706,000) were utilised. The reduction in utilisation of banking facilities was primarily attributable to the repayment of bank loans by using proceeds from the sale of properties under Broadview Court. The gearing ratio, which represents total bank loans over total assets, was approximately 43% (2000: 48%).



MANAGEMENT DISCUSSION AND ANALYSIS

As at 31st December, 2001, the Group's borrowings were denominated in Hong Kong dollars and Renminbi and carried at interest rates calculated with reference to Hong Kong Interbank Offered Rate and the Base Rate announced by the People's Bank of China respectively. The Group did not have any financial instruments used for hedging purpose.

The maturity and currency profiles of the outstanding bank loans as at 31st December, 2001 are analysed as follows:

	HK\$'000	
Maturity profiles:		
Bank loans repayable		
Within one year	430,731	29%
In the second year	256,626	17%
In the third to fifth year	780,000	54%
	1,467,357	100%
Secured	1,208,567	82%
Unsecured	258,790	18%
	1,467,357	100%
Currency profiles:		
Hong Kong Dollar	1,271,941	87%
Renminbi	195,416	13%
	1,467,357	100%

As at 31st December, 2001, investment properties in Hong Kong of HK\$360,000,000 (2000: HK\$405,000,000) and other properties in Hong Kong of HK\$966,686,000 (2000: HK\$987,566,000) were pledged as securities to a bank in respect of certain banking facilities granted to the Group. Moreover, completed properties held for sale amounting to HK\$100,108,000 (2000: Nil) were pledged as securities to banks in respect of certain banking facilities granted to the Group, and the pledge was released subsequent to the year end.

Cash and bank balances amounted to HK\$487,942,000 (2000: HK\$369,820,000) as at 31st December, 2001 accounted for 35% (2000: 18%) of the current assets of the Group. In addition to the above, bank balances of HK\$83,794,000 (2000: HK\$92,709,000) has been restricted for the purpose of granting a banking facility to a subsidiary of the Group.

During the year, the Group had no material exchange rate exposure. With its strong cash position and the available banking facilities, the Group has adequate resources for its ongoing operations and future development.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31st December, 2001, the aggregate amount of turnover attributable to the Group's five largest customers represented less than 30% of the Group's total turnover. Also, during the year, the aggregate amount of purchases from the five largest suppliers accounted for less than 30% of the total cost of sales of the Group.

None of the Company's directors, their associates, or any shareholders of the Company (which to the knowledge of the Company's directors owned more than 5% of the Company's issued shares) had a beneficial interest in any of the Group's five largest customers or five largest suppliers.



EMPLOYEES

As at 31st December, 2001, excluding associated companies and jointly controlled entities, the Group had approximately 251 (2000: 292) employees of whom approximately 181 (2000: 264) employees are employed in Hong Kong. In 2001, employees costs including directors' emoluments totalled HK\$78,838,000 (2000: HK\$86,275,000). Following the adoption of the Mandatory Provident Fund ("MPF") scheme in December 2000, all employees employed in Hong Kong participate in the MPF scheme.

