



Management Discussion and Analysis

OPERATING CAPITAL AND FINANCIAL RESOURCES

As at 31 December, 2001, the Group's total asset was HK\$553,750,000 (2000: HK\$434,950,000), representing an increase of 27.3% over last year. Non current assets was HK\$448,771,000, which mainly included investment property of HK\$238,710,000, developing property of HK\$165,741,000, and property, plant and equipment of HK\$44,320,000.

As at 31 December, 2001, bank borrowings were HK\$263,146,000 (2000: HK\$171,314,000), the increase of borrowings was mainly due to the part financing for the purchase of premier properties in Hong Kong.

As at 31 December, 2001, the Company issued 313,316,000 shares of HK\$0.10 each (2000: 258,688,400 shares). Shareholders' equity was HK\$157,784,000 (2000: HK\$175,040,000). During the year, the Company went through a share placement to enhance the Company's capital structure and strengthen the Company's shareholders base.

PLACEMENT

On 26 March, 2001, the Company offered a placement of 31,000,000 shares and 10,000,000 shares to a placing agent and a subscriber respectively at a price of HK\$0.40 each. The net proceeds from the placing, amounting to approximately HK\$15,993,000, have been used as working capital for the Group.

RIGHTS ISSUE

On 4 December, 2001, the Company announced a rights issue of 156,658,000 rights shares on the basis of one rights share for every two shares held at a price of HK\$0.65 per rights share. The net amount raised from the rights issue was approximately HK\$100,500,000. The raised funds have been used to settle part of the cash consideration for the purchase of the premier residential property "The Genesis". Excess amount in the proceeds was retained by the Company as working capital. The rights issue was completed on 23 January, 2002.

On 6 February, 2002, the Company announced another rights issue of 329,048,466 rights shares on the basis of seven rights shares for every ten shares held at a price of HK\$0.65 per rights share. This rights issue raised net amount of approximately HK\$212,300,000. The raised funds will be used to acquire a parcel of land located at Jinyang Shenghuoyuanju, Pudong, Shanghai for the development of the premier residential project — Shanghai Shimao Lakeside Garden. The project is jointly developed by a wholly-owned subsidiary of the Company and a subsidiary of Shanghai "A" share listed company, Shanghai Shimao Co. Ltd. Each party will own 50% interest in the project. The rights issue was completed on 11 April, 2002.

EXCHANGE RATE EXPOSURE

Most of the Group's transactions are denominated either in Hong Kong dollars or Renminbi. As their exchange rates were relatively stable in 2001, the Group was not exposed to material foreign exchange risk.

EMPLOYEE AND REMUNERATION POLICIES

As at 31 December, 2001, the Group has approximately 160 employees. They were remunerated according to the nature of the job and market conditions. Other staff benefits include a mandatory provident fund scheme, insurance, training and share option scheme.