

## OVERALL PERFORMANCE

The Group recorded a profit attributable to shareholders of HK\$411,492,000 for the year (2000: HK\$268,072,000). Basic earnings per share was HK7.54 cents (2000: HK4.93 cents) and diluted earnings per share was HK7.45 cents (2000: HK4.87 cents). The Group's total shareholders funds amounted to HK\$8,011,170,000 (2000: HK\$8,043,386,000). The net asset value per share was HK\$1.47 as at 31st December, 2001 (2000: HK\$1.48 per share).

### Income

Total operating income of the Group for the year was HK\$6.58 billion, representing an increase of 5.8% from the previous year, in which:

Property sales in the total amount of HK\$3.58 billion, accounting for 54% of the total turnover and representing an increase of 22% from the previous year. This is mainly attributable to the increase of HK\$600 million in the sales of Hong Kong properties as result of speed-up the sales of properties for sales on hand, and a slight growth in the sales of mainland properties.

Contracting revenue in the total amount of HK\$2.54 billion, accounting for 38.9% of the total turnover and representing a decrease of 8.2% from the previous year. This is mainly attributable to the fact that most of the new projects commenced in the second half of 2001, leading to a slight decrease in such revenue for the year.

Revenue from property investments in the total amount of HK\$198 million, representing a growth of 18% from the previous year. This is mainly attributable to the positive developments in the mainland commercial property market, resulting in an increase in the occupancy rate and rental income of most investment properties held by the Group in the mainland.

Infrastructure investment revenue in the total amount of HK\$101 million, representing a decrease of 25% from the previous year. This is attributable to the early repayment of the Group's investment in mainland infrastructure projects, leading to a decrease in the infrastructure investment revenue.

Turnover from other operations totaled HK\$161 million.

### Operating Profit

The profit attributable to shareholders of the Group was HK\$411 million in 2001, representing an increase of 53% from the previous financial year. Without taking into account of the exceptional gain from the investment in Ryoden and the impairment loss in Hong Kong properties, the operating profit of the Group for the year was HK\$213 million, representing a decrease of 51% from the operating profit of HK\$434 million in 2000. This is mainly attributable to the decrease in the number of mainland properties ready for occupation, resulting in a decrease in profit contribution for the year of HK\$134 million from the previous year, while the preliminary expenditure substantially increased due to the accelerated growth in the number of new projects contracted in the second half of 2001.

## OVERALL PERFORMANCE (Cont'd)

### Operating Expenses

The operating expenses of the Group were HK\$260 million in 2001, representing an increase of 5.3% from the previous year. This is mainly attributable to the increase in contribution to the mandatory provident fund that the Group provides for its staff, and the increase in management fees due to the expansion of the contracting and mainland property businesses of the Group.

### Taxation

The Group's taxation charge for the year decreased by 45% to HK\$79,311,000 (2000: HK\$143,547,000). This is mainly attributable to the decrease in the operating profit generated from Hong Kong, and written back of overprovision in previous years amounted to HK\$17,804,000.

## LIQUIDITY, FINANCIAL RESOURCES AND GEARING

As at 31st December, 2001, the Group's consolidated bank debts was HK\$3,032,947,000 in which HK\$2,814,760,000 matures in 2002 and HK\$140,187,000 is due for repayment in 2003. The Group is in the course of working on the refinancing for the US\$160,000,000 syndicated loan due to mature on 2 September, 2002 and is confident of the outcome. As at 31st December, 2001, the Group's bank balances and cash was HK\$1,699,658,000.

As at 31st December, 2001, the net gearing ratio of the Group was 16.6% (2000: 28.9%) (basis: total bank debts net of bank balances and cash, and divided by shareholders' funds).

The Group's bank borrowings as at 31st December, 2001 was HK\$3,032,947,000 in which 37% was denominated in RMB, 51% was denominated in US dollars and 12% was denominated in Hong Kong dollars.

The Group's cash and bank balances as at 31st December, 2001 was HK\$1,699,658,000, in which 56.3% was denominated in RMB, 21.1% was in US dollars and 22.6% was denominated in Hong Kong dollars.

All of these bank borrowings were made on a floating-rate basis. The Group has no outstanding derivative exposure, either for hedging or speculative purpose.

## SEGMENTAL INFORMATION

As at 31st December, 2001, contributions to the results by business segments were: HK\$55,003,000 from property development business (an increase of HK\$82,889,000 from 2000, mainly attributable to a decrease in impairment loss), HK\$93,138,000 from construction business (a decrease of HK\$242,291,000 from last year, mainly attributable to a substantial drop in inter-segment contracted projects and a remarkable increase in the preliminary costs of the new projects), HK\$141,213,000 from property investment business (an increase of HK\$7,361,000 from last year, mainly attributable to a rise in the occupancy rate and rents of certain properties) and contribution from infrastructure investment decreased by HK\$61,505,000 from last year due to an early repayment of certain investment costs.

## EMPLOYEES

As at 31st December, 2001, the Group has a total number of 2,634 staff.

During the year, the Group has tightened cost control and also made an aggressive effort in optimising human resources. The Group retained competent staff and strived to improve the quality of the rest so as to optimise its human resources. At the beginning of the year, certain employees received a pay rise of up to 3% in average as part of the Group's plan to retain staff who had made great contribution to the Group by providing incentives based on their individual performance and the market rate. The appraisal scheme was also improved so that those competent and outstanding would be promoted. High-caliber employees would be offered plenty of development opportunities, while those who were less competent would be trained or handled otherwise. To further enhance the overall staff quality, the Group focused on the job seekers' strengths and capabilities during recruitment. During the year, the Group retained a number of high-caliber people with extensive professional knowledge and experience.

In relation to training, the Group has opened a training centre during the year. The Group adopted a credit system in staff training. Under the system, all staff must participate in training to meet credit requirements set down by the Group for different positions, so as to enhance both of their technical expertise and management skills. Besides, the Group also organised courses jointly with professional institutes to assist staff acquiring recognised professional qualifications.

## CHARGES ON ASSETS

As at 31st December, 2001, certain shares of the subsidiaries of the Group as well as properties were pledged as securities against banking facilities granted to the Group. The Group's interests in and advances made to its associates and syndicated property projects were pledged as securities and subordinated indebtedness against the banking facilities granted to such companies. In addition, the Group provided guarantees for the bank mortgage loans granted to certain purchasers of its properties and pledged certain portion of its bank deposits as security.

### EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES

The Group believes that the linked exchange rate will not change in the short term and that the exchange rate of Renminbi will remain stable. Approximately 51% of the Group's loans were denominated in US Dollars, most of which were repayable within one year. Since its exchange exposures were minimized by operating on three currencies, the Group adopted no other related hedges.

### CONTINGENT LIABILITIES

As at 31st December, 2001, the Group had contingent liabilities relating to guarantees given and indemnities provided in respect of the credit facilities granted to certain associates amounted to HK\$1,024,300,000 and syndicated property project companies amounted to HK\$206,620,000. The Group also had outstanding counter indemnities amounted to HK\$309,684,000 for surety bonds issued in respect of construction projects. The Group has provided buy back guarantees to banks which granted the mortgage loan facilities to purchasers of the Group's properties in mainland China amounted to HK\$1,141,935,000. Certain subsidiaries of the Company and their respective joint development partners were jointly and severally liable for the due and prompt completion of various joint development projects undertaken by associates and syndicated property project companies.