

## DISCUSSION AND ANALYSIS OF THE GROUP'S PERFORMANCE

### Financial Resources and Cash Flow Situation

Shareholders' interest as at 30th June, 2002 increased by 0.72% compared with that as at 31st December, 2001. This increase was mainly due to the profit attributable to shareholders amounting to Rmb92,498,000.

Net borrowings of the Group as at 30th June, 2002 amounted to Rmb334,932,000, which mainly came from the holding company of the Group. The Group's current assets were mainly bank deposits and cash, land held for sale and properties under development, which amounted to Rmb2,811,722,000, whereas current liabilities were Rmb1,582,876,000. As at 30th June, 2002, balance of bank deposits and cash amounted to Rmb1,406,633,000.

### Comparison of Operating Results

#### *Comparison of the six months ended 30th June, 2002 over the same period of last year*

The Group's turnover for the six months ended 30th June, 2002 was approximately Rmb871,844,000, a decrease of approximately 10.0% over the same period of last year. The decrease in turnover was mainly attributed to the decrease in the sales of wholesale of commodity and a decrease in the turnover of commodity compared to the corresponding period of last year.

Operating profit of the Group for the six months ended 30th June, 2002 was approximately Rmb108,968,000, an increase of approximately 11.8% over the same period of last year. This was mainly attributed to the increase in operating profit from the newly launched projects including the Hui Xin Office, Hui Yuan Service Apartments after redevelopment. Profit attributable to shareholders was approximately Rmb92,498,000, representing a decrease of 10.4% over the same period of last year, owing to the increase in tax rate from 15% to 33%.

Sales of land and properties recorded a turnover of Rmb120,798,000, representing a decrease of 14.8% over the same period of last year. This was mainly attributed to the decrease in the total floor area of saleable apartments. The increase in operating profit is mainly due to higher gross profit margin of commodity estate.

Owing to the keen competition in the leasing properties market, the Group will maintain its market share through improving existing properties, upgrading its facilities, adjusting positioning, so as to maintain stable source of income. As at 30th June, 2002, the investment properties recorded a rental income of Rmb138,163,000, representing an increase of 19.4% compared to the same in previous year.

During the period under review, the shopping centre recorded a turnover of Rmb563,281,000, representing a decrease of 12.2% over the corresponding period of last year.