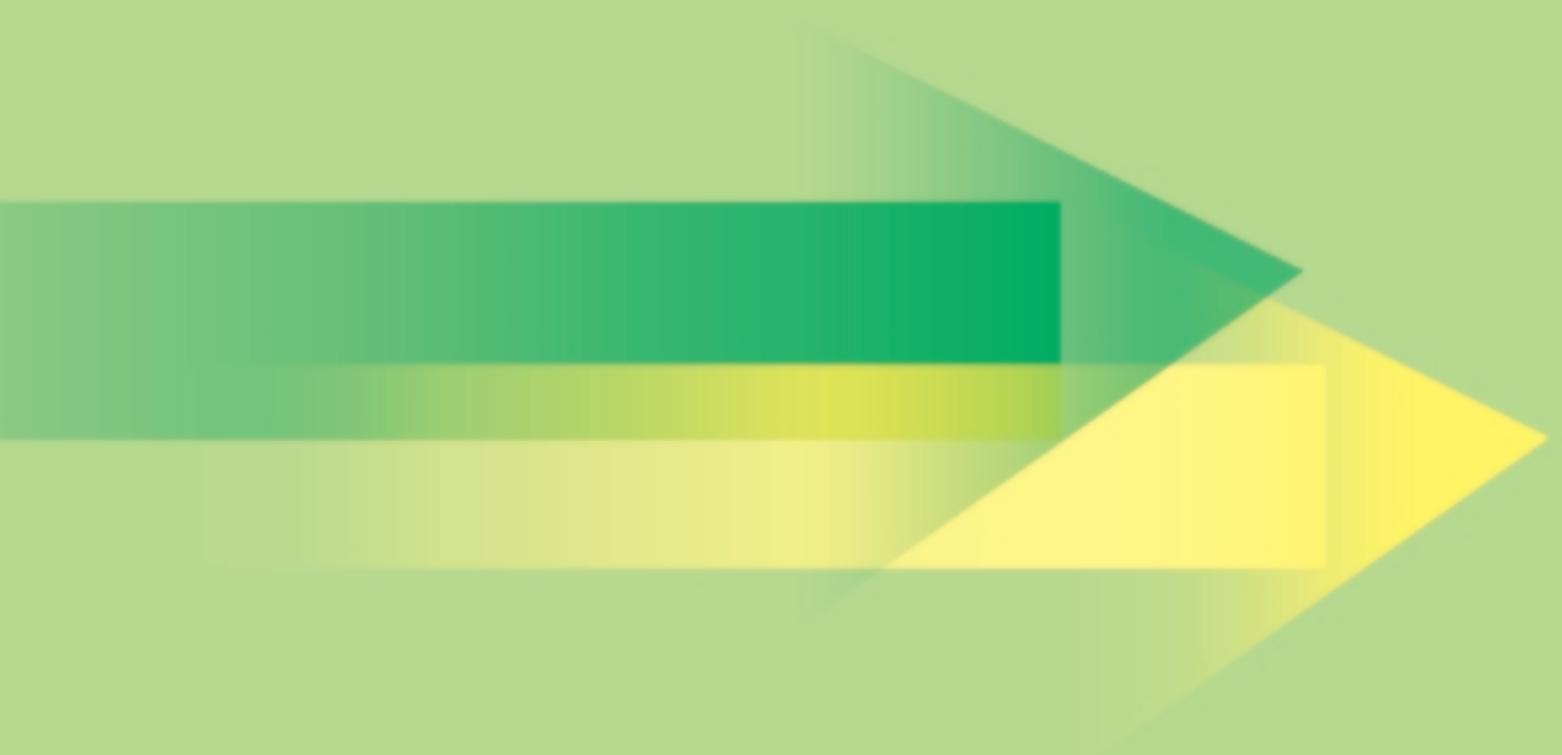

Management Discussion

And Analysis



Management Discussion and Analysis

| Financial Review |

For the year ended 31st December 2002, the Group recorded a turnover of HK\$583,508,000 (2001: HK\$1,844,845,000), representing a decrease of 68% as compared to the prior year. The significant decrease was mainly due to the inclusion in 2001 turnover of the sale of the residential units and car parks of Boardview Court, a Private Sector Participation Scheme project developed by the Group, amounting to HK\$1,218,815,000.

The Group incurred an operating loss of HK\$507,837,000 for the current year (2001: HK\$106,964,000), and the loss attributable to shareholders increased to HK\$538,056,000 (2001: HK\$168,098,000). The loss was mainly due to provisions of HK\$539,043,000 (2001: HK\$181,800,000), comprising the revaluation deficit of investment properties of HK\$45,900,000 (2001: HK\$45,000,000); impairment loss on a leasehold land and building of HK\$207,000,000 (2001: nil); impairment loss on other investment in a joint venture of HK\$140,798,000 (2001: nil); provision for diminution in value of investment securities of HK\$13,650,000 (2001: HK\$128,800,000); provision for claims and foreseeable losses on certain construction contracts of HK\$87,729,000 (2001: nil); provision for completed properties held for sale in Hong Kong of HK\$43,966,000 (2001: HK\$8,000,000).

Excluding the above provisions, the Group achieved an operating profit of HK\$31,206,000 (2001: HK\$74,836,000). The decrease in operating profit by 58% as compared to the previous year was the result of the decrease in operating profit from the sale of properties at Boardview Court by HK\$26,097,000 since most of the Boardview Court sales were made in 2001, and the decrease in net return from investments in Henan Power Plant by HK\$17,899,000 when the guaranteed return period expired in September 2001.

| Financial Resources and Liquidity |

As at 31st December 2002, shareholders' funds of the Group decreased by 35% to HK\$1,004,285,000 as a result of the loss attributable to shareholders of HK\$538,056,000 recorded for the year.

The trade receivables of the Group decreased substantially from HK\$419,230,000 to HK\$74,118,000 as at 31st December 2002, due mainly to the settlement of the accounts receivable from the purchasers of the residential units of Boardview Court. The sales proceeds received had been applied towards the repayment of the bank loan relating to the project.

For the year ended 31st December 2002, the Group solicited a total of HK\$170,000,000 new banking facilities and had a net repayment of bank loans in the amount of HK\$361,076,000. As at 31st December 2002, total banking facilities available to the Group amounted to HK\$1,507,615,000 (2001: HK\$1,629,600,000) of which HK\$1,106,281,000 (2001: HK\$1,467,357,000) were utilised. The decrease in utilization of banking facilities was primarily attributable to the repayment of bank loans by applying the proceeds from the sale of properties at Boardview Court and Shanghai Fragrant Garden. The gearing ratio, which represents total bank loans over total assets, was approximately 44% (2001: 43%). The gearing ratio increased despite the reduction in utilization of banking facilities due to the aforesaid provisions of HK\$539,043,000 made on certain assets.

As at 31st December 2002, the Group's borrowings were denominated in Hong Kong dollar and Renminbi and carry interests at rates calculated with reference to Hong Kong Interbank Offered Rate and the base rates announced by the People's Bank of China. The Group did not have any financial instruments used for hedging purpose.

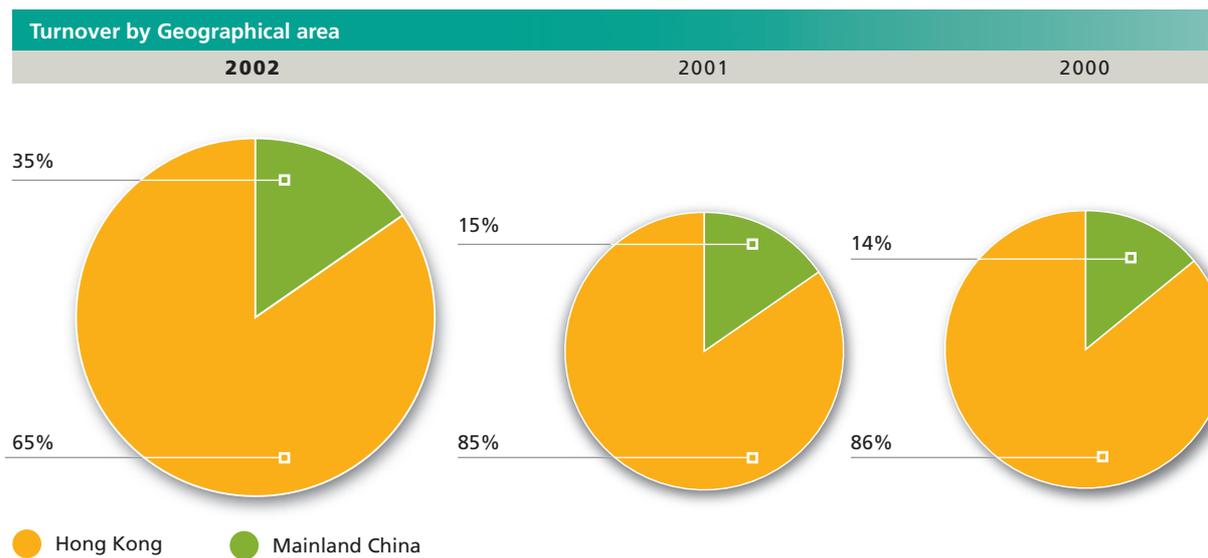
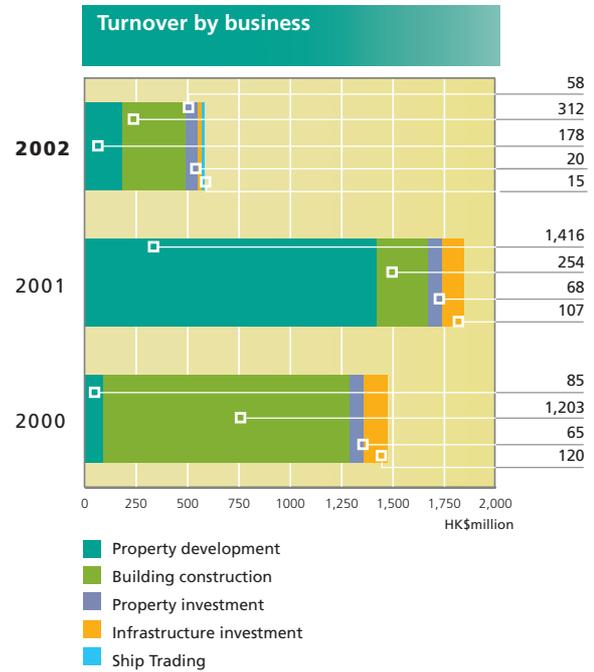
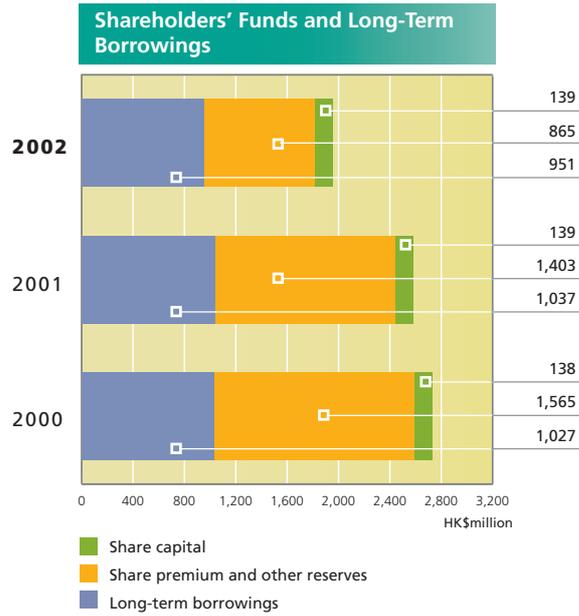
The maturity and currency profiles of the outstanding bank loans as at 31st December 2002 are analysed as follows:

	2002		2001	
	HK\$'000		HK\$'000	
Maturity profiles:				
Bank loans repayable				
– Within one year	155,000	14%	430,731	29%
– In the second year	171,281	15%	256,626	18%
– In the third to fifth year	780,000	71%	780,000	53%
	1,106,281	100%	1,467,357	100%
Secured	853,281	77%	1,208,567	82%
Unsecured	253,000	23%	258,790	18%
	1,106,281	100%	1,467,357	100%
Currency profiles:				
Hong Kong Dollar	1,033,000	93%	1,271,941	87%
Renminbi	73,281	7%	195,416	13%
	1,106,281	100%	1,467,357	100%

As at 31st December 2002, investment properties in Hong Kong of HK\$313,000,000 (2001: 360,000,000) and other properties in Hong Kong of HK\$738,806,000 (2001: HK\$966,686,000) were pledged as securities to a bank in respect of certain banking facilities granted to the Group. In addition, completed properties held for sale pledged as securities to banks in respects of certain banking facilities granted to the Group in 2001 amounting to HK\$100,108,000 were released in the beginning of the year after the repayment of the respective bank loans.

Cash and bank balances amounted to HK\$486,117,000 (2001: HK\$487,942,000) as at 31st December 2002 and accounted for 53% (2001: 35%) of the current assets of the Group. In addition to the above, bank balances of HK\$54,129,000 (2001: HK\$83,794,000) has been restricted by banks for the purpose of granting banking facilities to the Group.

During the year, the Group had no material exposure to exchange rate fluctuations. 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 2002, the Group's five largest customers accounted for 63% of the Group's turnover and the largest customer included therein accounted for 51%. 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 suppliers and customers.

Employees

As at 31st December 2002, excluding associated companies and jointly controlled entities, the Group had approximately 292 (2001: 251) employees of whom approximately 158 (2001: 181) employees were employed in Hong Kong. The number of employees employed in Hong Kong decreased upon the completion of the Boardview Court project. On the other hand, the deliver for occupancy of the completed phase I of Fragrant Garden resulted in the employment of additional property management staff. For the year ended 31st December 2002, employees costs including directors' emoluments totalled HK\$55,411,000 (2001: HK\$78,838,000). The decrease in employee's cost was mainly due to the reduction in number of headcount in Hong Kong as mentioned above and stringent cost control measure adopted by the Group. All Hong Kong employees participate in the Mandatory Provident Fund scheme.

