

# Management Discussion and Analysis

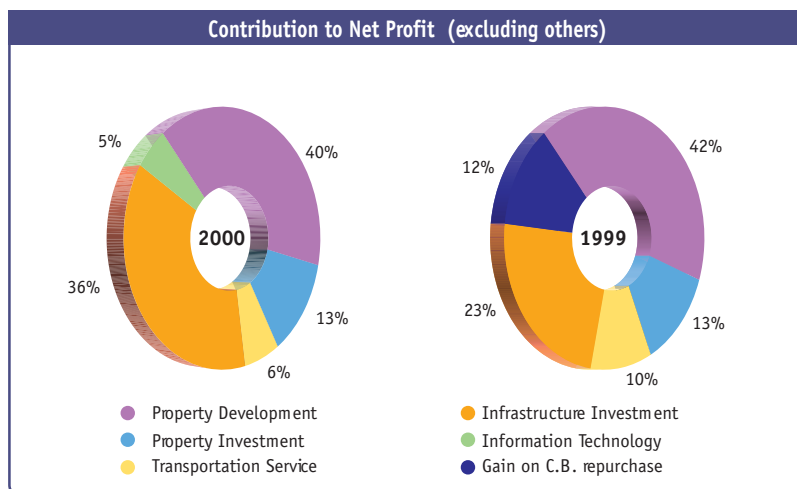
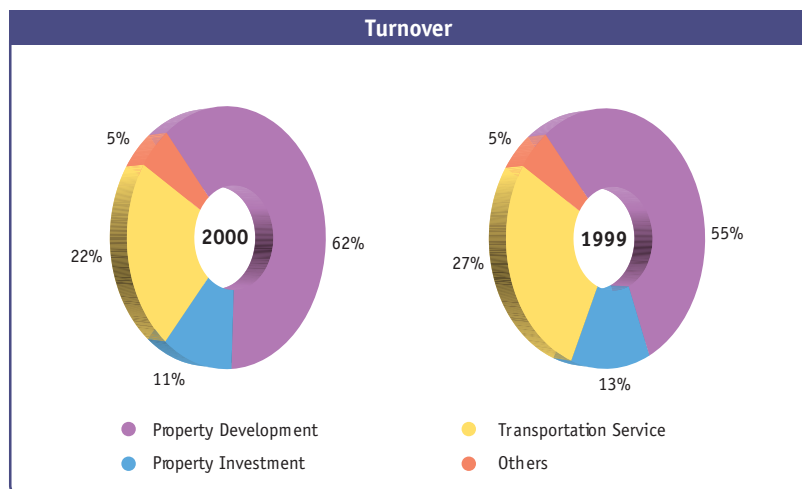
## Review of Operating Results

The turnover of the Group for the year of 2000 recorded HK\$1.192 billion, representing an increase of 24% as compared to that of HK\$965 million for the previous year. The consolidated profit attributable to shareholders amounted to HK\$289 million, representing an increase of 25% as compared to that of HK\$231 million for the previous year. Excluding the factor on the repurchase of convertible bonds, the actual growth of consolidated profit was 57%, indicating the encouraging performance of the core businesses of the Group. The proportion of net profit which the property, infrastructure and transportation activities contributed to the consolidated results of the Group was 53%, 36% and 6% respectively. During the year, the profit of the Group attributable by the newly acquired IT business was HK\$17 million, which accounted for 5% of the consolidated results. The business portfolio of the Group is set out in "Analysis of Turnover and Profit".



Shenzhen City

## Analysis of Turnover and Profit



# Management Discussion and Analysis

## Shareholders' Equity and Financial Position

The financial position of the Group remained stable. The Group adopted strict financial control policies. As at 31st December, 2000, the shareholders' equity of the Group amounted to HK\$2.295 billion and cash on hand of HK\$1.532 billion. Total bank borrowings, including bonds, amounted to HK\$2,309 million which comprised long-term borrowings of HK\$1,621 million and short-term borrowings of HK\$688 million, representing 70.22% and 29.78% respectively. The net borrowings amounted to HK\$777 million and the ratio of net debt to equity was 33.85%.

During the year, the Group repurchased and cancelled the 1.2% convertible bonds due in 2002 with a carrying value of approximately US\$19.05 million for a total consideration of US\$21.50 million and incurred a loss of HK\$18.58 million.

## Capital Structure

As at 31st December, 2000, Shum Yip Holdings Company Limited, the parent company of the company of the Company, held approximately 57.12% interests in the Company as the single major shareholder. As at balance sheet date, the Company had 1,079,500,000 ordinary shares in issue.

## Internal Management

The Group and its subsidiaries and the operations strictly complied with the laws and regulations of the respective places of incorporation. Management efforts were deployed to achieve standardization, efficiency, investment, control, human resources and management financial control in order to continuously elevate the transparency of the Company.

# Management Discussion and Analysis

## *Property Development and Investment*

Ninety-two per cent. of the Group's properties are concentrated at prime locations in Shenzhen, the PRC and it owns high-quality land bank. In year 2000, sale and lease of properties of the Group recorded phenomenal results. The property business of the Group attained a turnover of HK\$865 million and a net profit contribution of HK\$190 million, representing an increase of 32% and 19% respectively as compared to the previous year. The area of properties sold totalled 400,000 sq.m., of which approximately 190,000 sq.m. was attributable to the Group. Among them, 78% are residential properties, 9% are commercial residential properties and 13% are industrial and commercial properties. 96% of the properties are situated in Shenzhen. Leasing of properties maintained steady growth and the occupancy rate was approximately 85%. The Group's land bank totalled a gross floor area of 2.42 million sq.m. of which 1.03 million sq.m. was attributable to the Group, representing an increase of 15%. The property portfolio of the Group is set out in "Property Portfolio" and the particulars of properties are listed in "Schedule of Properties" of this report.

### **Major Properties for Sale during the Year**

Major properties for sale situated in Shenzhen included residential units namely, Shum Yip Garden, Bai He Shan Zhuang, Caitian Garden, Golden Bay Garden, Pengxing Garden and Tianan Golf Garden together with industrial and commercial units and apartments for single residents. Major properties for sale situated out of Shenzhen included Qingdao Shum Yip Centre and Xian Commercial City.



*Golden Bay Garden*

# Management Discussion and Analysis

## Properties Completed for Occupancy during the Year

Gross area of properties completed for occupancy totalled 403,665 sq.m., of which 198,730 sq.m. are attributable to the Group.

Projects	Location	Expected usage	Interests attributable to the Group	Gross floor area (sq.m.)	Area Attributable to the Group (sq.m.)
Phase I of Shum Yip Garden	Shenzhen	Res.	100%	26,987	26,987
Bai He Shan Zhuang	Shenzhen	Res.	62%	13,422	8,321
Tairan 306 Industrial & Office Building	Shenzhen	Factory	51%	38,708	19,741
Phase II of Pengxing Garden	Shenzhen	Res.	40%	179,000	71,600
Pengji Gaofa Industrial Building	Shenzhen	Factory	40%	5,852	2,341
Phase I of Pengji Sun Garden	Shenzhen	Com., Res.	40%	43,929	17,572
Xian Shum Yip Commercial City	Xian	Office	100%	37,245	37,245
Phase II of Golf Garden	Shenzhen	Res.	25.5%	58,522	14,923
Total				403,665	198,730

## Properties under Construction during 2000

Gross area of properties under construction during the year totalled 637,511 sq.m., of which 314,146 sq.m. are attributable to the Group.

Projects	Location	Expected usage	Interests attributable to the Group	Gross floor area (sq.m.)	Area Attributable to the Group (sq.m.)	Expected date of completion
Phase II of						
Shum Yip Garden	Shenzhen	Res.	100%	71,700	71,700	2001
Caitian Garden	Shenzhen	Res.	100%	66,000	66,000	2001
Tairan 216 Industrial & Office Building	Shenzhen	Factory	51%	69,650	35,521	2001
Tairan Apartment	Shenzhen	Apartment	51%	22,650	11,551	2002
Golden Bay Garden	Shenzhen	Res.	28%	120,150	33,642	2001
Pengji Building	Shenzhen	Off.	40%	31,000	12,400	2001
Phase III of						
Pengxing Garden	Shenzhen	Res.	40%	59,600	23,840	2002
Pengxing Yuan	Shenzhen	Res.	40%	50,500	20,200	2002
Pengji Gaofa Farden	Shenzhen	Res.	40%	13,761	5,504	2001
Block I of						
IT Square	Shenzhen	Factory	25.5%	132,500	33,788	2001
Total				637,511	314,146	

# Management Discussion and Analysis

## Properties with Construction Scheduled to Commence in 2001

Gross area of properties scheduled to commence construction totalled 557,864 sq.m., of which 214,291 sq.m. are attributable to the Group.

Projects	Location	Expected usage	Interests attributable to the Group	Gross floor area (sq.m.)	Area in which the Group has interests (sq.m.)	Expected date of completion
Tairan Service Building	Shenzhen	Com.	51%	17,300	8,823	2002
Phase I of Tairan Red Tree Garden	Shenzhen	Res.	51%	60,000	30,600	2003
Tairan Industrial Office Building	Shenzhen	Ind. / Comm.	51%	53,000	27,030	2003
Zone D and E of Golden Seaview Garden	Shenzhen	Res.	28%	151,776	42,498	2002
Pengji Xinjia Zhuang	Shenzhen	Res.	40%	16,450	6,580	2002
Pengji Gaofa IT Industrial & Residential	Shenzhen	Factory	40%	57,870	23,148	2002
Pengji Apartment	Shenzhen	Res.	20%	34,918	6,984	2002
Pengji Longdian Building	Shenzhen	Factory	25.38%	19,000	4,823	2002
Phase II of Pangji Sun Gardan	Shenzhen	Comm. / Res.	40%	104,050	41,620	2002
Sungang Motor Spare Parts Distribution Centre	Shenzhen	Warehouse	51%	13,500	6,885	2001
Sungang Household Distribution Centre	Shenzhen	Warehouse	51%	30,000	15,300	2002
Total				557,864	214,291	

During 2000, the overall situation of Shenzhen's property market remained healthy and stable. The level of land granted was similar to that of 1999. The aggregate supply and the actual demand increased at the same time. The mutual beneficial relationship of the parallel accommodating of supply and demand had become the major characteristic of the operation of Shenzhen's property market during the year. The sale of commodity houses reached a historical high, increased by 13% as compared to that of the previous year. The turnover of the pre-sale units under construction exceeded that of the completed units for two consecutive years. The vacancy position of completed units continued to decline by 8.4% as compared to that of the previous year.

Looking ahead for 2001, there is plenty of room for the development of Shenzhen's property market. It is anticipated that property prices would be stabilized and the magnitude of their downward adjustment would be limited. The Group will continue to regard Shenzhen as its regional focus for property development and investment for expanding the scale of property development. Matching with the development of advanced technologies and modern logistics in Shenzhen, the Group will expedite erection of Che Gong Miao Hi-tech Industrial & Commercial Zone and Pengji Eastern Hi-tech Zone. For the development of residential properties, the Group will commence the residential projects such as Phase I of Che Gong Miao Red Tree Garden and Zones D and E of Golden Seaview Garden. The Group will continue to apply the brand name strategy to bring residential properties to hit the targets of precise positioning, excellent brand name, beautiful environment and smart living.



Shum Yip Garden

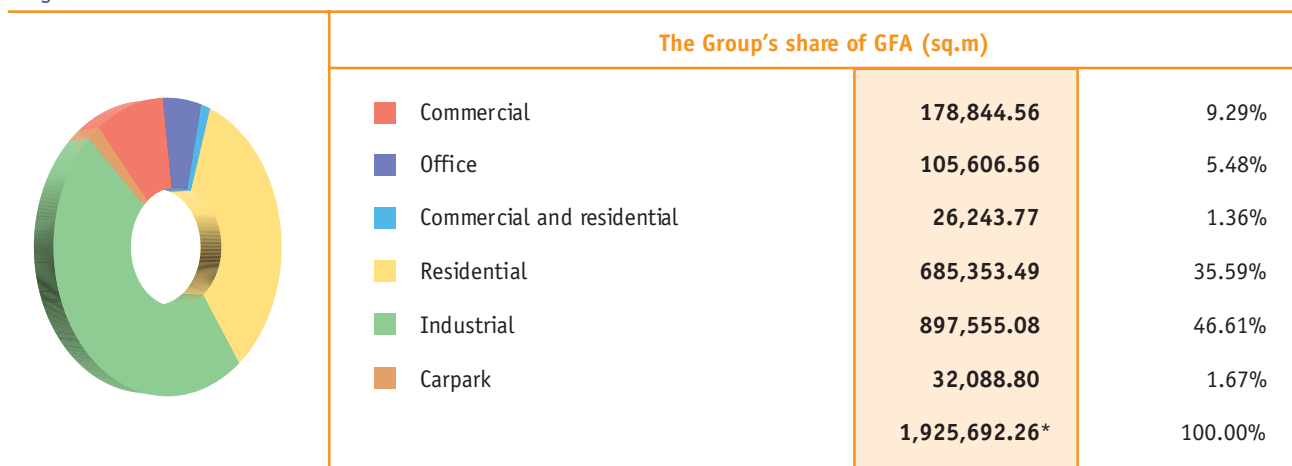
# Management Discussion and Analysis

## Property Portfolio

### Progress



### Usage



### Location



\* excluding those for self-occupation

# Management Discussion and Analysis

## *Transportation Service*

**T**he Group operates transportation service mainly in Shenzhen and Guangdong Province, including taxi service in Shenzhen, Shenyang, shuttle bus services in Shenzhen and Huizhou, inter-city shuttle bus services across cities of Guangdong Province, cross-border passenger and freight transportation between Hong Kong and Mainland, car rental and repair services.

Despite the tremendous increase of oil price, the transportation business of the Group managed to attain satisfactory results in 2000 due to professional management and as well as quality of safety services. The actual turnover for the year amounted to HK\$ 261 million with an increase of 2% and the contribution to net profit recorded HK\$ 21 million with a decrease of 23%.

Looking into the coming year, the Group will actively develop transportation routes and expand licensing resources by various means in order to achieve economy of scale and increase profitability.



*Fleet of passenger buses (upper)  
Taxi rental services (lower)*



# Management Discussion and Analysis

## Power Infrastructure Investment

The infrastructure investment of the Group mainly comprised of power infrastructure projects namely, a 19% interest in Mawan Power and a 70% interest in Panzhihua Power Station.

As the demand for electricity in Guangdong Province had been increasing, the electricity utility rate of the Mawan Power was very satisfactory. The electricity sold was 3.9 billion KWh, representing an increase of 22% compared to the corresponding period of last year. The profit attributable to shareholders had doubled and generated considerable cash return.

The Panzhihua Power Station situated in Sichuan Province did not have any profit contribution due to the failure of the local partner to fulfill the contract obligations. The Group is currently trying to resolve the issue arising from the contract violation of Panzhihua Power Station by the counter-party through legal procedures. In the context of the course of development of west China, it is anticipated that the authorities will attach more emphasis to this case and resolve it quickly in order to protect investors' interest.

With ample experiences in infrastructure investment, the Group will actively capture the opportunities in power investment of Shenzhen and Guangdong Province. It will make investment in quality power projects at the right time so as to enlarge the scale of operation and increase recurrent income sources.



Mawan Power (upper)  
Mawan Power generation unit (lower)



# Management Discussion and Analysis

## Information Technology

The Group actively participated in the building of IT infrastructure in Shenzhen. It acquired a 21.1% interest in Shenzhen Topway Video Communication Co., Ltd. ("Topway") from the parent company in February 2000. In October of the same year, the Group co-operated with IBM to invest in the project of multimedia station in Shenzhen of which it had an equity interest of 70%.

### Topway

Possessing a cable television broadband network in Shenzhen, Topway is mainly engaged in the cable television network transmission, technological services and other value-added services in Shenzhen. These include the transmission of real-time financial securities information, provision of securities trading network service, internet technological service and smart property management technological service. By the end of 2000, the number of registered subscribers of Topway increased by 25% as compared to that of the previous year and the net profit boosted by more than 30%. Currently, Topway is speeding up the technological transformation for mutual internet access, the preparation of digital television transmission and expansion of channel resources. Besides, its main network is already equipped with the functions compatible with the IP telecommunication business, getting ready for the opening of the telecommunication market of the PRC. The Group is fully confident of Topway's growth potential of network operation, data and signal transmission, related digital value-added services and also its profitability. It will increase its shareholding in Topway in due course.



Topway

### Project of Multimedia Station for Urban Life in Shenzhen

Adopting the B2B2C model (namely, business to business to customer model), the Multimedia Station comprised eight major functionalities, which are ticketing centre, online securities, everyday property, recruitment, electronic map, public information, shopping centre and trend news together with the bank settlement and commercial advertising. The first 100 terminals installed are located at the venue of the Shenzhen Summit Conference, government office buildings, commercial centres and office buildings, residential areas, banks, hotels, airports, ports and other public places. The operation commenced on 24th April, 2001. The project has received strong support from the Shenzhen Municipal Government as one of the major IT infrastructure development projects in Shenzhen.



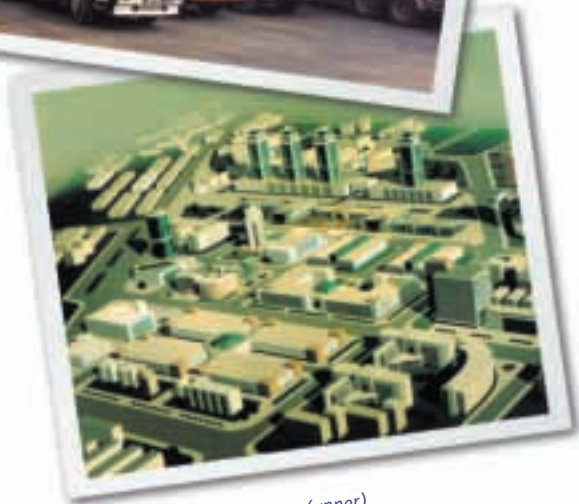
Multi-media Station

# Management Discussion and Analysis

## *Modern Logistics Industry*

**A**ccording to the Tenth “Five Year Plan” of the Shenzhen Municipal Government, logistics industry will be one of the three pillar industries in Shenzhen. Sungang warehouse zone is one of the eight major logistics zones in Shenzhen. In the coming years, the Group will develop its traditional warehouse business in Sungang, and at the same time, reconstruct, create and set up regional and international logistics centres, large-scale specialty markets and two-way logistics network platform which are specially designed for modern logistics

business. The Group will start to diversify the usage of Sungang warehouse zones. It will organize car exhibitions and set up a car centre and household appliances centre in southern PRC. The Group is also seeking the possibilities of listing on the PRC capital market.



*Sungang warehouse zone (upper)  
The plan of Sungang Logistics Centre (lower)*