



MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF OPERATIONS

The Group recorded a turnover of HK\$199,452,000 for the six months ended 30th June, 2001, which represented an increase of approximately HK\$164,414,000 or 469% as compared with the same period in 2000. It is mainly attributable to the sales of property in the PRC amounting to HK\$160,149,000 (2000: HK\$6,857,000) and the increase in rental income in Hong Kong as compared with the same period in last year.

The profit attributable to shareholders for the six months ended 30th June, 2001 was HK\$5,686,000 whereas a loss attributable to shareholders of HK\$7,542,000 was made for the same period in 2000. It is mainly due to the decrease in administrative expenses and financial cost of HK\$5,969,000 and HK\$7,832,000 respectively.

PRC Business

The Xidan Project

The long term financing from banks and the reorganization of Beijing Jing Yuan Property Development Co., Ltd. ("Jing Yuan") were completed on 26th June, 2001. Subsequent to the obtaining of a loan of RMB720 million (or approximately HK\$680 million) from China Development Bank in September 2000, the Industry and Commerce Bank of China has approved to grant an aggregate amount of loan of RMB2.3 billion (or approximately HK\$2.17 billion) on 12th June, 2001. The first-installment loan agreement of RMB955 million (or approximately HK\$900 million) has been signed where a loan of RMB400 million (or approximately HK\$380 million) has been received. The remaining loan amount will be released by installments according to the funding requirements of the project development. The entire funding requirements for the Xidan Project of RMB3.02 billion (or approximately HK\$2.85 billion) is now available. As a result, on 26th June, 2001, the shareholders of Jing Yuan formally approved the reorganization in a shareholders' meeting, and the reorganization was completed on the same date. Completion of the reorganization was also announced by press. After the completion of the reorganization, the Group's interests in Jing Yuan has been reduced from 60% to 29.4% and Beijing Huayuan Property Co. Ltd. and Beijing Huarong Investment Co. Ltd. now hold 19.6% and 51% respectively of Jing Yuan.

As at 30th June, 2001, the other municipal public utility work has been completed and the new Pi Cai Road is in use. After the completion of the sections B and C of the second phase of the municipal public utility work, the work for section D has commenced since 20th May, 2001. All the second phase of the municipal public utility work will be completed by the end of 2001. The installation of power switch station located at Lot No. 8 is in progress, which will be completed by the end of October, 2001.



On construction of properties at individual Lots, except for the design proposal which is being carried out for Lot No. 10, facilities installation and decoration work for all other lots are in progress. The construction works for Lots No. 1, 5 and 8 will be completed by the end of December 2001. The construction for Lot No. 2 is expected to be completed in the first quarter of 2002, and the construction works for Lot No. 9 will be completed in the third quarter of 2002.

The Wangfujing Project

Lot No. F1

Since the Beijing Government has approved the construction of a permanent building located at Wangfujing F1 known as “Jixiang Building,” and the reorganisation to form the company namely Beijing Lucky Building Company Limited, all the shareholders have signed the equity joint venture contract, which was approved by Beijing Planning and Development Committee. After the completion of the reorganization, the Group’s investment in Beijing Form Long Property Co. Ltd. will be transferred to the new equity joint venture company. The Group’s interests in the new Company with enlarged capital is 61.1%.

The development of Jixiang Building is divided into two phases, namely land development and property development. Demolition of the temporary shopping mall Liu Uk Department Store was completed in early September, 2001, and site investigation work is in progress. A design company is modifying the design proposal of Jixiang Building which is expected to be completed by the end of October 2001, and the approval to start the preliminary design will be obtained within this year. In addition, the construction of temporary shops and setting up advertisements along the boundary of the building area were approved. The temporary shops are planned to be completed and in use by the end of September 2001. The construction of Jixiang Building is planned to commence in the year 2002 and is expected to be completed within two years.

Lot No. B3

The construction of the building known as “Dan Yao Building” with a gross floor area of 41,000 square metres is in accordance with the design plan. At the end of April 2001, the commercial area and more than half of the decoration work for apartments were also completed.

On 18th May, 2001, the commercial area of Dan Yao Building was formally opened. Its total commercial area is 18,985.54 square metres, of which 9,621.19 square metres are used for resettled merchants. 65% of the remaining commercial area (that is 6,088 square metres) were sold, giving rise to sales proceeds of approximately RMB170 million (or approximately HK\$160 million).



The apartments of Dan Yao Building are expected to be completed by the end of October 2001, and will be in use within the year 2001. As planned, marketing for pre-sales of the apartments has begun since August 2001.

Hong Kong Business

Property

For the six months ended 30th June, 2001, the average occupancy rates of the Group's residential properties situated at Red Hill Peninsula and South Horizons were approximately 58% and 86% respectively, while the average occupancy rate of commercial properties situated at Harbour Crystal Centre was approximately 80%. During the year, the Group's net rental income from property leasing was higher than that for the same period in last year as a result of the increase in average occupancy rates.