

## Chairman's Statement



**Dai Xiaoming**  
*Chairman & Chief Executive*

## RESULTS

The Group recorded a turnover of HK\$253,657,000 for the year ended 31st December, 2001, which represented a decrease of approximately HK\$271,644,000 or 52% as compared with last year. It is mainly due to the decrease in sale of property in the PRC from HK\$457,732,000 to HK\$179,089,000, a decrease of HK\$278,643,000.

The Group's profit attributable to shareholders for this year was HK\$6,681,000, whereas a loss attributable to shareholders of HK\$28,272,000 was made in last year. It is mainly due to decreases in administrative expenses and finance cost of HK\$10,825,000 and HK\$15,764,000 respectively.

## MANAGEMENT DISCUSSION AND ANALYSIS

### REVIEW OF OPERATIONS

#### PRC BUSINESS

##### *The Xidan Project*

The long term financing from banks and reorganisation of Beijing Jing Yuan Property Development Co., Ltd. ("Jing Yuan") were completed on 26th June, 2001. Subsequent

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to the obtaining of a loan of RMB720 million (approximately HK\$680 million) from China Development Bank on 12th September, 2000, the Industry and Commerce Bank of China has approved to grant an aggregate amount of loan of RMB2.3 billion (approximately HK\$2.17 billion) on 12th June, 2001. Up to the end of year 2001, the sum of RMB930 million (approximately HK\$880 million) was granted and received and the remaining loan amount will be released according to the funding requirements of the project development. At present, the entire funding requirements for a property development project in Xidan District of Beijing (the "Xidan Project") of RMB3.02 billion (approximately HK\$2.85 billion) is available. As a result, on 26th June, 2001, the shareholders of Jing Yuan formally approved the reorganisation in the shareholders' meeting, and the reorganisation was completed on the same date. Completion of the reorganisation was also announced by press. After the completion of the reorganisation, the Group's interests in Jing Yuan has been reduced from 60% to 29.4% and Beijing Huayuan Property Co. Ltd. (currently known as China Resources Land (Beijing) Co., Ltd.) and Beijing Huarong Investment Co., Ltd. now hold 19.6% and 51% respectively of Jing Yuan.

As at 31st December, 2001, most of the municipal public utility work was completed, and the remaining work will be completed following the construction of properties at individual Lot and the development of Xi Dan North Avenue. The new Pi Cai Road is in use. The installation of power switch station located at Lot No. 8 was completed. The installation of town gas pressure control box located at Lot No. 7 is in progress, and will be completed in the first half of the year 2002.

On construction of properties at individual Lot, as at 31st December, 2001, the construction works for Lot No. 8 were completed and residents moved in. In addition, part of the office space was also in use. In respect of the remaining Lots, except for Lot No. 10 which is planned to start construction in the second half of the year 2002, facilities installation and decoration work for Lot Nos. 1, 2, 5, and 9 are in progress and will be completed in the year 2002. In respect of the largest Lot No. 4 of the Xidan Project, currently a temporary shopping mall has been used to carry out retail business, and, in the meantime, the functions and design proposals for the permanent building are being examined. Construction of the permanent building at Lot No. 4 is expected to be started between the end of the year 2002 and the beginning of the year 2003.

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### *The Wangfujing Project*

#### Lot F1

At the beginning of the year 2001, the reorganisation to form the company namely Beijing Lucky Building Company Limited ("Beijing Lucky") was completed following the approvals from Beijing Development Planning Committee and Beijing Administration for Industry and Commerce. Approval has been obtained to construct a permanent building located at Wangfujing F1 known as "Jixiang Building". The Group's interests in the new company with enlarged capital is 61.1%. The registered capital of the company is US\$30,140,000 (approximately HK\$235,051,000), representing 1/3 of the total investment costs.

The demolition of the temporary shopping mall "Liu Uk Department Store" was completed on 15th June, 2001, which ensures that the construction of Jixiang Building can be carried out smoothly. By the end of June, 2001, the feasibility study of Jixiang Building was completed and the certificate for the use of state-owned land was obtained. In the meantime, RMB200 million loan (approximately HK\$189 million) was obtained from the Bank of China, Beijing Branch.

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At the end of the year 2001, the functions and usages of the building are being examined. By the third quarter of the year 2002, the functions and usages of the building will be determined, and the arrangement for financing the building construction will also be completed. It is expected that construction of Jixiang Building will be started before the end of the year 2002.

#### Lot B3

On another piece of land at Wangfujing, a building known as "Danyao Building" was built. The construction work was carried out in accordance with the design plan. At the end of April, 2001, the construction of commercial area was completed, and was opened on 18th May, 2001. The decoration work for the apartments was completed by the end of November, 2001. The apartments were ready for use at the beginning of December, 2001.

Danyao Building consists of commercial area in total of 18,985.54 square metres. Other than an area of 9,621.19 square metres for resettlements, up to the end of the year 2001, 6,132.37 square metres of the remaining commercial area has been sold. The total sales proceeds including the sale of resettlements units amounted to RMB248

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million (approximately HK\$234 million). Danyao Building also consists of apartments with an area of 13,858.10 square metres, including 1,777.72 square metres for resettlements, and therefore the saleable area is 12,080.38 square metres. At the end of the year 2001, a total of 6 apartments with an area of 1,550.97 square metres were sold, giving rise to sales proceeds of RMB31 million (approximately HK\$29 million).

### HONG KONG BUSINESS

#### *Property*

The Group's residential properties situated at Red Hill Peninsula and South Horizons recorded average occupancy rates of approximately 60% and 85% respectively, while the commercial properties situated at Harbour Crystal Centre recorded an average occupancy rate of approximately 76%. During the year, the Group's net rental income from property leasing was less than that in the last year mainly because of the bad debts provision against some outstanding rental.

### GROUP ASSETS POSITION AND CHARGE ON GROUP ASSETS

The total assets of the Group has decreased from HK\$4,506,292,000 in the last year to HK\$2,659,570,000 this year as a result of Jing Yuan becoming an associated company upon completion of the reorganisation. The net assets of the Group has decreased from HK\$2,150,758,000 to HK\$2,051,551,000 due to the decrease in value of property. The amount of the Group's bank borrowings where the property assets and bank deposits are pledged has decreased from HK\$1,011,149,000 in the last year to HK\$375,174,000 in the current year.

### GROUP FINANCIAL POSITION, LIQUIDITY AND FINANCIAL RESOURCES

Subsequent to the dilution of interests in Jing Yuan, the total liabilities (including minority interests) of the Group has decreased from HK\$2,355,534,000 as at 31st December, 2000 to HK\$608,019,000 as at 31st December, 2001. The Group had cash at banks and in hand of HK\$61,025,000 as at 31st December, 2001 (2000: HK\$511,304,000). The ratio of total liabilities to total assets was approximately 23% (2000: 52%). As at 31st December, 2001, the aggregate amount of bank loan and bank overdraft was HK\$375,174,000 (2000: HK\$1,576,482,000) and the amount of

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shareholders' funds was HK\$2,051,551,000 (2000: HK\$2,150,758,000), and therefore the capital gearing ratio was 18% (2000: 73%). Of the total borrowings, HK\$267,270,000 is repayable within one year and HK\$107,904,000 is repayable within two to eight years. Directors believe that loans amounted to HK\$220,264,000 repayable within one year are renewable. For the year ended 31st December, 2001 the Group has no exposure to fluctuation in exchange rates and related hedges and there was no contingent liabilities except for the tax dispute with the Inland Revenue Department in respect of an associated company, the amount of our share of the potential tax liability is HK\$3,242,000 (2000: HK\$ Nil).

## EMPLOYEES AND SHARE OPTION SCHEME

As at 31st December, 2001, the Group, excluding associated companies, employed 115 people of which 79 were employed in Hong Kong.

In addition to basic salaries and the provision of mandatory provident fund scheme, employees in Hong Kong are provided with medical insurance and some of them are included under a defined contribution provident fund scheme. Details of the provident fund scheme of the Group are set out in note 8 to the financial statements.

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A share option scheme has also been established for senior executives of the Group pursuant to the terms and conditions stipulated therein, and are exercisable until June, 2002.

## PROSPECTS

Due to the great changes of the global economic and political environments, and the speed up process in the unification of world technology development and economies, the Group will learn to respond and adopt the great changes. In the meantime, the Group continues to adopt the prudent financial management policies to safeguard the Group's assets and to develop the Group's business.

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Finally, I would like to take this opportunity to express my sincere thanks to my fellow Directors for their guidance and support and to all members of the staff for their loyalty and dedication during the year.

**Dai Xiaoming**

*Chairman*

Hong Kong, 17th April, 2002



# Xidan and Wangfujing projects



**Danyao Building erected  
on Lot No. B3 of the Wangfujing Project**



**The commercial building erected  
on Lot No. 1 of the Xidan Project**



**The residential building  
erected on Lot No. 9  
of the Xidan Project**



# Investment property

**The Red Hill,  
Tai Tam, Hong Kong**



**Oceanic Industrial Centre,  
Ap Lei Chau, Hong Kong**

**Harbour Crystal Centre,  
Tsimshatsui East Kowloon**



**Harbour Industrial Centre,  
Ap Lei Chau, Hong Kong**