

# Chairman's Statement

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### RESULTS

2001 was a complex year of changes for the global economy that risks and uncertainties have increased. Nonetheless, our Group has utilized the advantage of networking Shenzhen and Hong Kong with the economy of the P.R.C. that our business was operated in a stable manner with satisfactory development.

The consolidated net profit of the Group for the year ended 31st December 2001 was HK\$353 million, which represented an increase of 22.4% over the preceding year. Earnings per share was HK32.55 cents.

### BUSINESS REVIEW

**Solid performance of property segment** The Group continued to focus in Shenzhen as the prime location of property development. As major property developers of the Group adopted the strategy of brand marketing and strengthened control over costs, the net profit derived from property development remained to contribute about half of the total net profit of the Group. The turnover of property segment amounted to HK\$1,095 million. Net profit amounted to HK\$187 million, which was more or less similar to last year. The total gross floor area ("G.F.A.") of property sold amounted to 290,000 sq.m., of which the interest attributable to the Group was 170,000 sq.m. The leasing rate of property maintained at around 85%. Land reserves totaled 2,470,000 sq.m. G.F.A., of which 850,000 sq.m. was interest attributable to the Group.



Mr. SONG Zhiwang, Chairman

**Prestigious brand image of property management** The property management companies of the Group namely, Pengji, Goldfield Industries and Shum Yip, were renown for quality service and good management. They were leading brands of property management in the P.R.C. Covering area of property management of over 15 million sq.m., the branded services had extended to other major cities of the P.R.C. such as Beijing, Shanghai, Nanjing, Changsha, Qingdao and Haerbin. The prestigious brand image of the Group has provided active support to promoting the sale of property.

**New project of transportation services** During the year, the Group had been awarded permission from the municipal government of Shenzhen and successfully obtained the mandate of the formation of "the second public transportation corporation". This would bring new arena of profit growth to the Group.

**Satisfactory return from infrastructure investment** The Group investment in Shenzhen Mawan Power Company Limited performed satisfactorily and brought considerable return. Net profit contribution amounted to HK\$110 million.

## BUSINESS REVIEW *(continued)*

**Cautious entry to new high-technology** The Group initiated the incorporation of Shenzhen Thunder-sky Power Battery Co., Ltd. which is engaged in the development, manufacture and sale of a new environmental protection model of ionized lithium-drive battery and related products. At present, the technology has a leading role at international level.

**Prominent return in capital market** During the year, the Group's associate, Goldfield Industries, has been listed on the Share-A market of the Shanghai Stock Exchange. Substantial gain was brought to the Group.

**Stable and sound financial position** The Group adheres to prudent and practical financial principles. As of 31st December 2001, the Group's cash and bank balances amounted to HK\$1,809 million. Total borrowings, including convertible bonds, amounted to HK\$2,035 million which comprised long-term and short-term borrowings of 36.4% and 63.6% respectively. Shareholders' equity amounted to HK\$2,751 million with net debt to equity ratio of 8.2%

## PROSPECTS

In 2002, as the economy of Hong Kong gradually recovers so as business opportunities increases after the entry of the PRC to the WTO. It is expected the Group will fully utilize advantages of the strong economical growth of the PRC and the unique function of Hong Kong market to further expand our core business. Along with the Group's primary focus of property development and investment in Shenzhen, it will actively increase land reserves in Beijing and Shanghai to develop middle-to-high-end residential and industrial/commercial projects. The Group's acquisition from its parent company the remaining 60% equity interest of Shenzhen Pengji (Group) Company Limited will elevate its profitability base. Through assets restructuring, the Group will enlarge the asset base of its subsidiary, Shum Yip Holdings (Shenzhen) Co., Ltd., to facilitate the expansion in property development.

Coping with our resources in transportation, the Group activated the formation of "The Second Public Transportation Corporation" in Shenzhen. The Group invested RMB\$40 million for a 40% equity interest in Shenzhen City Bus Co., Ltd. ("City Bus") which will offer public transportation services in urban Shenzhen. City Bus will not only bring new profit growth to the Group and will maintain the advantage of the Group's transportation business for professional management as well as its quality and safe service.

Taking the opportunity of increasing demand for electricity in the province of Guangdong, the Group will further invest in electricity power project.

The Group's subsidiary, Shum Yip Logistics, has basically completed the one-year nourish period for listing on the A-share market in the PRC and it is preparing for listing submission. Should the spin-off and listing be successful, it is expected to bring substantial gain to the Group.

## PROSPECTS *(continued)*

The Group will participate a 20% equity interest in Shenzhen Thunder-sky Power Battery Co. Ltd. for RMB\$40 million. Index of major functionalities of the ionized lithium-drive power battery with new design for environmental protection have already passed testing and inspection by relevant state's authorities. It is scheduled that its 70,000 sq. m. new plant located in Hi-Tech Zone of Shenzhen will be in full operation in 2002. By that time, Thunder-sky lithium-drive power battery will be in fully automated mass production.

The Company's management expects Shenzhen's economy will maintain the track of continuing growth after the PRC's entry to the WTO together with the progress of the collaboration between Hong Kong and Free-Trade Zone of the Pearl River delta. The management is very confident of the prospects of the Group.

## APPRECIATION

On behalf of the Board, I wish to thank all our shareholders and the public for their continued support. Last but not least, the staff of the Group for their loyalty and valued contributions.

*Chairman*

**Song Zhiwang**

22nd April 2002