

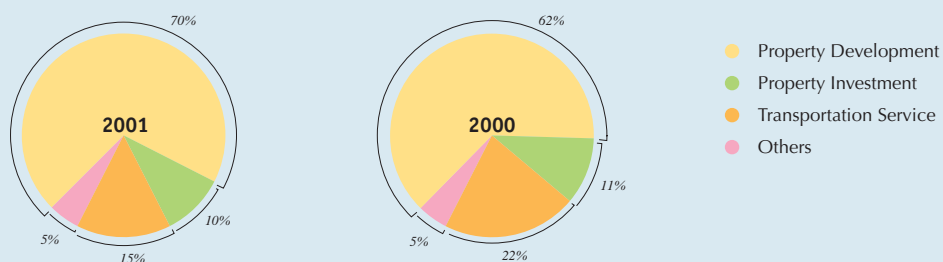
Management Discussion and Analysis

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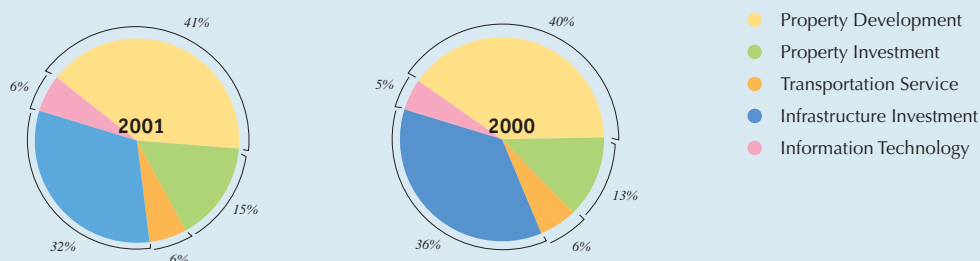
BUSINESS REVIEW

For the year ended 31 December 2001, the Group's turnover was HK\$1,358 million, which was 14% higher than the year before. Net profit attributable to shareholders increased by HK\$65 million to HK\$353 million, an increase of 22% over last year's. The results demonstrated that the core businesses of the Group were running satisfactorily.

Turnover

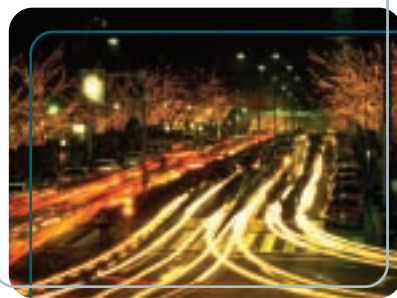


Contribution to Net Profit (excluding others, C B repurchase and gain on deemed disposal)



SHAREHOLDERS' EQUITY AND FINANCIAL POSITION

The financial position of the Group remained stable. The Group adopted strict financial control policies. As at 31 December 2001, the shareholders' equity of the Group amounted to HK\$2,751 million and cash on hand of HK\$1,809 million. Total bank and other borrowings, including convertible bonds, amounted to HK\$2,035 million which comprised long-term borrowings of HK\$741 million and short-term borrowings of HK\$1,294 million, representing 36.4% and 63.6% respectively. The net borrowings amounted to HK\$226 million and the ratio of net debt to equity was 8.2%.



CAPITAL STRUCTURE

As at 31 December 2001, Shum Yip Holdings Company Limited, the parent company of the Company, held approximately 53.98% interests in the Company as the single major shareholders. As at balance sheet date, the Company had 1,140,300,000 ordinary shares in issues.

INTERNAL MANAGEMENT

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

PROPERTY DEVELOPMENT AND INVESTMENT

During the year, the Group has spun off one of its property companies, Goldfield Industries, Inc. (“Goldfield Industries”), which was listed on the A-share market of the Shanghai Securities Exchange of the PRC. This has generated tremendous income to the Group.



The Group's property

Property development and investment has remained the profit generator of a 50% contribution share of net profit of the Group. It recorded turnover of HK\$1,095 million and net profit of HK\$187 million. In view of the growing competition in the property market in the PRC, the major property companies of the Group have adopted brand marketing strategy. On the basis of strengthening control over cost and speeding up return of capital, all property companies of the Group adopted competitive pricing strategy to promote sales. During the year, the total sales in G.F.A. was 290,000 sq. m., in which 170,000 sq. m. was interests attributable to the Group. Among them, sale of residential property accounted for 64.5%, commercial property accounted for 1.5% and industrial/commercial buildings accounted for 34%. Property leasing rate remained at around 85%. Since 1999, the Group has acquired by lots part of office building of Shun Hing Square in Shenzhen and has brought satisfactory rental return.

While the Group will continue to focus on property development in Shenzhen, the Group's associated company, Goldfield Industries has expanded its land reserves in Beijing and Shanghai. With the accession of the PRC to the World Trade Organization (WTO) and Beijing's successful bid for hosting 2008 Olympic games, good opportunities are anticipated in property development.

PROPERTY SALES

Properties for sale which located in Shenzhen are: Shum Yip Garden Phase II, Bai He Shan Zhuang Phase I & II, Caitian Garden, Tai On Apartment, Tairan 216 Industrial & Office Building, Tairan Apartment, Golden Bay Garden, Pengxing Garden Phase III, Gaofa Jia Yuan, Pengji Sun Garden Phase I, Gold Garden Phase II and IT Square, Other properties for sale which located outside of Shenzhen are Harbin Shum Yip Building and Xian Shum Yip Commercial City.



The Group's property



PROPERTIES COMPLETED FOR OCCUPANCY DURING THE YEAR

Projects	Location	Expected usage	Interests attributable to the Group	Gross floor Area (sq.m.)	Area attributable to the Group (sq.m.)
Phase II of Shum Yip Garden	Shenzhen	Res.	100%	72,601.97	72,601.97
Caitian Garden	Shenzhen	Res.	100%	66,000.00	66,000.00
Tairan 216 Industrial & Office Building	Shenzhen	Factory	51%	69,819.00	35,607.69
Pengji Building	Shenzhen	Office	40%	31,000.00	12,400.00
Gaofa Jia Yuan	Shenzhen	Res.	40%	13,761.00	5,504.40
Pengji Gaofa IT Industrial Building	Shenzhen	Factory	40%	42,884.49	17,153.80
Pengji Gaofa IT Residential Building	Shenzhen	Res.	40%	14,426.82	5,770.73
Golden Bay Garden	Shenzhen	Res.	19%	120,150.00	22,432.01
Qingte Warehouse	Shenzhen	Warehouse	45%	4,515.00	2,031.75
Jianyi Warehouse	Shenzhen	Warehouse	45%	1,800.00	810.00
IT Square	Shenzhen	Res.	25.5%	132,500.00	33,787.50
Total				<u>569,458.28</u>	<u>274,099.85</u>

PROPERTIES UNDER CONSTRUCTION DURING 2001

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
Tairan Apartment	Shenzhen	Res.	51%	22,650.00	11,551.50	2002
Jiabaotian Garden						
Phase I	Shenzhen	Res.	51%	133,746.92	68,210.93	2002
Pengxing Garden						
Phase III	Shenzhen	Res.	40%	52,620.00	21,048.00	2002
Pengxing Yuan	Shenzhen	Res.	40%	50,500.00	20,200.00	2002
Pengji Sun Garden	Shenzhen	Com., Res.	40%	40,000.00	16,000.00	2002
Shumashidai	Shenzhen	Factory	26%	86,000.00	21,930.00	2003
Pengji Apartment	Shenzhen	Res.	20%	28,900.00	5,780.00	2003
Chuiti Bay	Shenzhen	Res.	18.67%	175,170.00	32,704.24	2002
Total				<u>589,586.92</u>	<u>197,424.67</u>	

PROPERTIES WITH CONSTRUCTION SCHEDULED TO COMMENCE IN 2002

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
Xiangmi Yuan	Shenzhen	Res.	100%	45,000.00	45,000.00	2003
Pengji Xijia Zhuang	Shenzhen	Res.	100%	20,689.00	20,689.00	2003
Phase VI of Pengxing Garden	Shenzhen	Res.	100%	113,540.70	113,540.70	2003
Tairan Service Building	Shenzhen	Com.	51%	12,100.00	6,171.00	2003
Phase I of Tairan Red Tree Garden	Shenzhen	Res.	51%	60,000.00	30,600.00	2003
Jiabaotian Garden	Shenzhen	Res.	51%	90,000.00	45,900.00	2003
Multi-storeys Carpark	Shenzhen	Carpark	51%	11,676.00	5,954.76	2003
Qingte Warehouse	Shenzhen	Warehouse	45%	5,000.00	2,250.00	2002
Longhua Project	Shenzhen	Res.	18.67%	330,000.00	61,611.00	2003
Beijing BDA Project Phase I	Beijing	Res.	18.67%	95,000.00	17,736.50	2003
Total				<u>783,005.70</u>	<u>349,452.96</u>	

TRANSPORTATION SERVICES

While maintaining its scale of operation in transportation network, the Group has successfully participated to play a role in the public urban transport service of Shenzhen city. The municipal government of Shenzhen approved and granted to the Group the mandate to organize the formation of “the second public transportation corporation”. The venture will be a break-through to the monopolistic operation of the public transportation service in Shenzhen and will bring new arena of profit growth to the transportation business of the Group. During the year, the Group’s transportation companies continued to maintain their advantages in professional management of providing high quality and safe service. In the context of the unfavourable environment of increasing competition of the transportation industry in the PRC, the Group’s transportation business managed to record net profit similar to that of the previous year. Through the efforts of effective cost control, the turnover amounted to HK\$199 million and net profit amounted to HK\$21 million respectively.



Taxi fleet

INFRASTRUCTURE INVESTMENT

During the year, the Group’s investment in Shenzhen Mawan Power was satisfactory that considerate return on investment was brought to the Group. The contribution to net profit was HK\$110 million for the year. In line with increase in the demand of electricity in the province of Guangdong as well as the opportunity of the government policy in reducing its stake in state-owned power plant, the Group is actively seeking further investment opportunity in power and acquiring new investment project . In the meantime, the Group’s investment project in Panzhihua Hydro-Electric Power Station of Sichuan has obtained the support of the municipal government of Sichuan province that the issue of contract violations by the other venture party is expected to resolve finally.



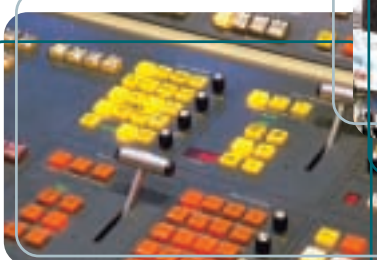
Shenzhen Mawan Power

INFORMATION TECHNOLOGY

The group has a 21.1% equity interests in Shenzhen Topway Video Communication Co., Ltd. The contribution to net profit for the year was HK\$18 million. Moreover, the Group's project of Multimedia Station for Urban Life of Shenzhen commenced operation on 24th April 2001. On-Line operations of betting Shenzhen lottery, booking air-ticket and other e-commerce models have been in full operation.

NEW HIGH-TECHNOLOGY

Adhering to the Group's principle of prudent assessment, active implementation and risk control, the Group has invested properly and cautiously. During the period under review, the Group invested HK\$10 million to participate in a new high-tech project of Shenzhen Thunder-sky ionized lithium-drive battery which is for environmental protection. Index of the 13 major functionalities of the battery have already passed the testing and inspection of the relevant state's authorities. On 29th March 2002, Shenzhen Thunder-sky Power Battery Co. Ltd. was incorporated.



Topway

LOGISTICS

The Group's subsidiary, Shum Yip Logistics Group Holdings Co., Ltd. ("Shum Yip Logistics"), has basically completed the one-year nourish period for the listing in the A-share market of the PRC. It has yet to submit for listing. Should the spin-off and listing of Shenzhen Logistics be successful, it will definitely bring tremendous gain to the Group. In addition, Logistics Centre of Shum Yip Logistics is being scheduled as the prime infrastructure construction under the Tenth "Five Year Plan" of Shenzhen. The logistics centre is positioning as a distribution hub of Shenzhen. Taking the development potential, Shum Yip Logistics will actively prepare for listing and it will establish itself to be a modern radiating logistics centre for human resources, commodities, commerce, funds and information.



Shum Yip Logistics

PROPERTY PORTFOLIO

Progress



Usage

