

Management Discussion and Analysis

REVIEW OF PERFORMANCE

Turnover and profit attributable to shareholders for the year ended 31st December 2001 were HK\$275,482,000 and HK\$120,656,000 respectively.

Turnover for the year increased by 55 percent as compared with last year. Profit attributable to shareholders increased by 12 percent as compared with last year before restatement of a prior year adjustments.

Owing to the compulsory adoption of new Statements of Standard Accounting Practices, the comparative figures for year 2000 has been restated by prior year adjustments of provision for impairment of goodwill resulting in a net adjustment of HK\$1,950 million to the Company's net profit for last year.

Mainland China

During the year under review, the Group had successfully disposed the interest in the Suzhou Concord Plaza, resulting a profit of HK\$95 million to the Group.

China continues to offer good business and investment opportunities especially after its entry to the WTO. As a result of increasing demand for properties in Shanghai, Shanghai Cannes Phase 1 enjoyed fruitful track record in the year under review.

For Concord World Plaza Phase 1, the Group held 168,000 square feet Tower 2 serviced apartments and 267,000 square feet shopping mall for long-term investment purpose. The properties were fully let and the serviced apartments had an occupancy rate of over 90 per cent during the year, and they contributed steady rental income to the Group.

Hong Kong & Thailand

Subsequent to the year under review, the Group launched for sale the residential units of the Blue Yard project located at the centre of Tsuen Wan in January 2002. On the date of this report, over 80 per cent of the residential units were sold. Upon completion of construction in the middle of 2002, the Group will hold 160,000 square feet of shopping arcade space for rental purpose.

The Group's Thailand project achieved an encouraging performance in year 2001.

SEGMENT INFORMATION

Details of segment information are set out in note 4 to the financial statement.

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REVIEW OF FINANCE

Employment of Gross Assets

| | 2001 HK\$'000 | 2000 HK\$'000 |
|------------------------------|-------------------|------------------|
| Investment properties | 1,646,500 | 1,075,271 |
| Properties under development | 6,300,916 | 5,391,866 |
| Properties held for sales | 553,264 | 468,538 |
| Others | 1,777,887 | 1,781,504 |
| Cash and bank balances | 551,582 | 158,387 |
| | <u>10,830,149</u> | <u>8,875,566</u> |

Sources of Funding

| | 2001 HK\$'000 | 2000 HK\$'000 |
|-----------------------|-------------------|------------------|
| Issued capital | 321,858 | 254,038 |
| Reserves | 5,099,651 | 4,085,541 |
| Minority interests | 678,668 | 2,257,322 |
| Negative goodwill | 1,500,570 | — |
| Short term borrowings | 1,233,119 | 748,904 |
| Long term borrowings | 1,996,283 | 1,529,761 |
| | <u>10,830,149</u> | <u>8,875,566</u> |

(1) Financial Position

Total funds employed for the year ended 31 December 2001 was HK\$10,830 million, 22 percent higher than HK\$8,876 million for the year ended 31 December 2000.

Investment properties and properties under development before negative goodwill increased by HK\$1,480 million as compared with last year. It represented mainly the costs incurred for construction and development. These costs were financed by funds generated from operating activities and bank borrowings.

The gross asset value per share as at 31 December 2001 was HK\$3.36, compared with HK\$3.49 as at 31 December 2000. The dilution was mainly due to the issuance of shares to minority shareholders of Concord Land Development Company Limited, which was privatised in June 2001.

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(2) Liquidity, Finance Resources and Gearing Ratio

The liquidity position of the Group was maintained at a satisfactory level during the year. Cash and bank balances at 31 December 2001 were HK\$552 million as compared with HK\$158 million at 31 December 2000.

The total bank and other borrowings less cash and bank balances at 31 December 2001 amounted to HK\$2,678 million, this compared with HK\$2,120 million at 31 December 2000.

The gearing ratio, defined as the ratio of total loans outstanding less cash balances to total assets, was maintained at a steady level of 26% during the year ended 31 December 2001 as compared with 22% for last year.

The Group's gearing ratio is healthy, and has sufficient funds to meet its commitment and operational requirements. The sale of residential units of the Group's property projects will further improve the liquidity.

(3) Treasury Policies

The Group continues to adopt a conservative approach in financial risk management. The majority of the Group's borrowings were denominated in Hong Kong Dollars, United States Dollars and Renminbi to fund its property projects. The Group borrowings were mostly arranged on a floating rate basis. Should market conditions require, the Group will consider appropriate foreign exchange and interest rate hedging products to protect the Group's exposure.

The Group has not engaged in any highly leveraged or speculative derivatives products, which are not in line with the Group's treasury management philosophy.

(4) Charges on Group Assets

Details of charges on group assets are set out in notes 14, 15, 16, 20 and 25 to the financial statements.

(5) Contingent Liabilities

Details of contingent liabilities are set out in note 40 to the financial statements.

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EMPLOYEES

Employees and Remuneration Policy

The Group employs 1,598 staff of which 92 are based in Hong Kong. The Group recruits and promotes individuals based on merit and their development potentials for the positions offered. Staff performance is reviewed at least annually while compensation is performance driven.

Commitment of Staff Development

The Group fully recognises that human capital is a key asset to the growth and profitability. The Group therefore gives due emphasis to staff training and implements a policy of sponsoring staff to attend in job-related training and self-improvement programs.