

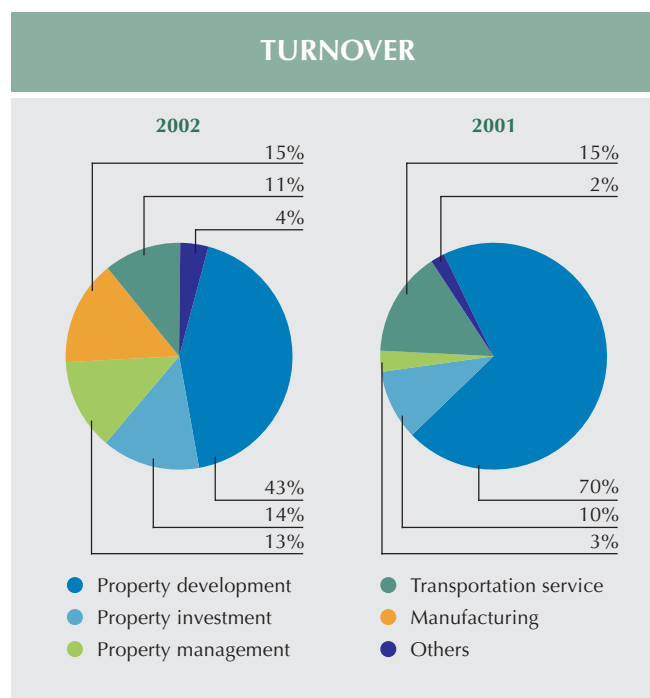
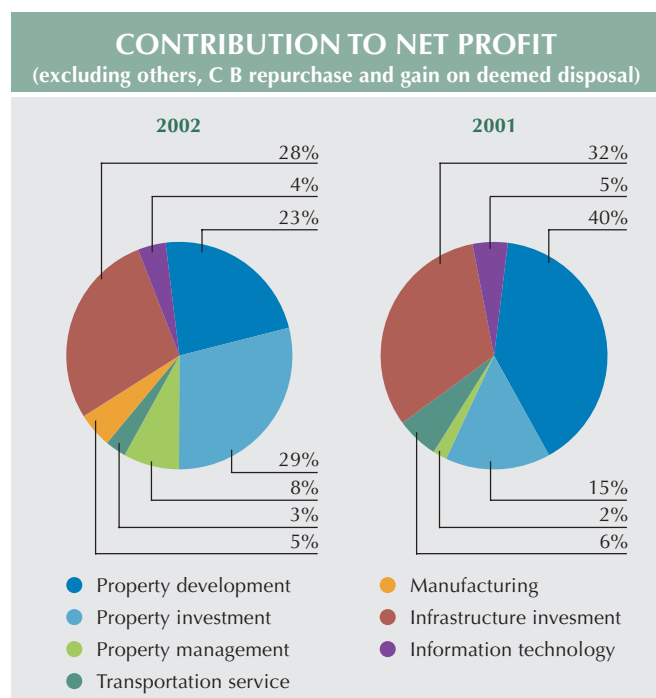
Management Discussion and Analysis

BUSINESS REVIEW

The Group recorded a turnover of HK\$1,333.6 million for the year 2002, a slight decrease of 1.8% over that of the previous year. Consolidated net profit attributable to shareholders was HK\$280.7 million, 20.5% down from the previous year. Having deducted the factor of the non-recurring income of HK\$92 million generated from the listing of Goldfield Industries Inc. on the A-Share market of the PRC in 2001, the core businesses of the Group maintained stable development.



Mr. LIU Zixian, CEO



PROPERTY OPERATIONS

During the year, the Group had completed acquisition from its parent company the remaining 60% equity interests in Shenzhen Pengji (Holdings) Company Limited and increased its stake to 100%. In the meantime, the Group injected quality property assets of Shun Hing Square (Kingsland Building) and assets and businesses of Shum Yip Centre and Shum Yip Estate Management Co., Limited into its subsidiary, Shum Yip Holdings (Shenzhen) Co., Ltd, boosting its overall strength and project operation capability. During the year, the Group, through its property arm, acquired residential and commercial land bank in the central area of Baoan District and North Lotus District in Shenzhen, as well as in Changsha, Hunan Province. The newly acquired pieces of land bank, which had a total land area of 991,800 square meters, effectively enhanced the profitability potential of the property operations of the Group.



Pengxing Garden Phase III

In the second half of the year, under the effect of overheated property sector in certain parts of the PRC, property market development in major cities was slowed down. New offer for sale launched towards the end of the year was also affected. Total floor area sold including associates leveled out at 390,000 square meters and brought sales growth for the year to a halt. Nevertheless, the aggregate floor area sold for the overall Shenzhen property market during the year still managed to break through 7 million square meters for the first time. Furthermore, selling prices for the middle-tier residential property segment, which accounted for a substantial share in the property sale market, sustained at a stable level. This illustrated the expanding trend of the Shenzhen property market and the overall healthy and rational development of the industry.

Following the closer economic link between Hong Kong and the Zhujiang Delta, implementation of the “Hong Kong Tour” policy applicable to residents holding Guangdong identity cards, and the 24-hour boundary crossing policy, it is expected that the economy of Shenzhen will maintain its stable growth basing on these favourable factors and it will benefit the development of the property operations of the Group.

In addition, the majority of the newly-acquired land bank of the Group were situated at prime locations of Shenzhen where the economy was developing at a fast pace and carried exceptional potential for capital appreciation. This has laid a solid foundation for the long-term development for the property operations of the Group.



Goldenfield Seaview Garden

Azure Mangrove Garden

PROPERTIES COMPLETED FOR OCCUPANCY DURING THE YEAR

Projects	Location	Expected usage	Interest attributable to the Group
Tai Hong Apartment	Shenzhen	Apartment	51.00%
Green Coastline Garden (Seaview Zones D and E)	Shenzhen	Residential	26.08%
Pengxing Garden Phase III	Shenzhen	Residential	100.00%
Pengxing Court (Phase V)	Shenzhen	Residential	100.00%
Cyber Times	Shenzhen	Office	25.50%
Light Steel Warehouse	Shenzhen	Warehouse	45.00%

PROPERTIES UNDER DEVELOPMENT DURING 2002

Projects	Location	Usage	Interest attributable to the Group
Green Legend	Shenzhen	Residential	100.00%
Wonder Peak Court	Shenzhen	Residential	100.00%
Service Complex	Shenzhen	Commercial	51.00%
Azure Mangrove Garden Phase I	Shenzhen	Residential	51.00%
Goldfield Gelin Town Zone A	Beijing	Residential	26.08%
Goldfield Gelin Town Zone B	Beijing	Residential	26.08%
Goldfield Gelin Town Zones C and D	Beijing	Residential	26.08%
Pengxing Garden Phase VI	Shenzhen	Residential	100.00%
Fairy Spring Mountain Villa	Shenzhen	Residential	100.00%
Pengsheng Garden	Shenzhen	Apartment	50.00%
Pengji Sun Garden Phase II	Shenzhen	Commercial/Residential	100.00%
Garbotax Garden Phase I	Shenzhen	Residential	51.00%
Innovation and Technology Service Center	Shenzhen	Complex	25.50%

PROPERTIES UNDER DEVELOPMENT SCHEDULED TO COMMENCE 2003

Projects	Location	Usage	Interest attributable to the Group
Baoan Residential Project Phase I (A001-0120)	Shenzhen	Commercial/Residential	100.00%
Azure Mangrove Garden Phase II	Shenzhen	Residential	51.00%
Cloud Pine Building	Shenzhen	Industrial	51.00%
Sea Pine Building	Shenzhen	Industrial	51.00%
Longhua Project	Shenzhen	Commercial/Residential	26.08%
International Tennis Center Project	Shenzhen	Commercial/Residential	26.08%
Gelin Chunxiao	Shanghai	Residential	26.08%
Gelin Chunan	Shanghai	Residential	26.08%
Gelin Fengfan	Shanghai	Residential	26.08%
Goldfield Gelin Town EFG Segregation	Beijing	Residential	26.08%
Goldfield International Garden	Beijing	Apartment/Office	26.08%
Bagualing Lot 06	Shenzhen	Apartment	100.00%
Prosperous City	Shenzhen	Apartment	50.00%
Baoan Residential Project (A001-0119)	Shenzhen	Residential	50.00%
Shum Yip Logistics Tower	Shenzhen	Logistics	51.00%
818# Multi-storey Carparks	Shenzhen	Carpark	51.00%
IT Square Phase II	Shenzhen	Office	25.50%

Gross floor area (sq.m.)	Area attributable to the Group (sq.m.)
25,601.00	13,056.51
146,000.00	38,076.80
62,911.00	62,911.00
77,624.00	77,624.00
106,000.00	27,030.00
5,596.00	2,518.20
<u>423,732.00</u>	<u>221,216.51</u>

Gross floor area (sq.m.)	Area attributable to the Group (sq.m.)	Expected year of completion
54,102.00	54,102.00	2003
27,043.00	27,043.00	2004
14,350.00	7,318.50	2003
90,528.50	46,169.54	2003
81,100.00	17,785.23	2003
57,500.00	12,609.75	2003
63,300.00	13,881.69	2003
89,231.00	89,231.00	2003
19,676.00	19,676.00	2003
35,000.00	17,500.00	2003
94,000.00	94,000.00	2003
133,746.92	68,210.93	2003
35,507.00	9,054.29	2003
<u>795,084.42</u>	<u>476,581.93</u>	

Gross floor area (sq.m.)	Area attributable to the Group (sq.m.)	Expected year of completion
1,500,000.00	1,500,000.00	2005
61,554.50	31,392.80	2004
66,011.94	33,666.09	2004
129,521.70	66,056.07	2005
330,000.00	72,369.00	2006
170,000.00	37,281.00	2005
94,800.00	20,789.64	2004
150,000.00	32,895.00	2004
840,000.00	184,212.00	2008
131,200.00	28,772.16	2003
300,000.00	65,790.00	2005
23,800.00	23,800.00	2005
124,780.00	62,390.00	2005
77,298.00	38,649.00	2005
14,650.00	7,471.50	2004
11,676.00	5,954.76	2004
83,600.00	21,318.00	2004
<u>4,108,892.14</u>	<u>2,232,807.02</u>	

PROPERTY SALES

The following property located in Shenzhen were launched for sale: Pengxing Garden Phase V, Pengxing Garden Phase VI, Pengsheng Garden, Tai Hong Apartment, Azure Mangrove Garden Phase I, Garbotax Garden, Goldfield Seaview Green Coastline Garden, Green Legend, Shum Yip Garden Phase II, Bai He Shan Zhuang, Caitian Garden, Pengxing Garden Phase III, Pengyi Garden, Golf Garden Phase II and Pengji Sun Garden Phase II, all being residential buildings, and Cyber Times Building and Dongfang Technology Huake Building, being for commercial/industrial use.

Property located outside of Shenzhen which were launched for sale during the year comprised Green Town in Beijing and Xian Shum Yip Commercial City.

PROPERTY MANAGEMENT

The Group's property management companies namely, Wondershine Residence, Shum Yip, Pengji, Goldfield and Tianan were among the first batch of companies accredited as the Top 38 Nationwide Property Management Class 1 Enterprises. These companies managed a total floor area of more than 18 million square meters and continued to be the front-runner among property management brands in the PRC market in terms of scale of management operations and service quality. The steady expansion of the property management operations will also enhance the operating profit of the Group. The prestigious property management brand name also provided strong backing for the property sales operations of the Group.

LOGISTICS

During the year, Shum Yip Logistics Group Holdings Co., Ltd. ("Shum Yip Logistics"), the logistics arm of the Group, formally submitted its application together with relevant documents to the China Securities Regulatory Commission (the "CSRC") for approval of A-Share listing in the PRC. The schedule for the new listing was deferred and Shum Yip Logistics was still awaiting green light from the CSRC. Upon successful spin-off, Shum Yip Logistics will become the first PRC-listed enterprise that operates with the concept of third-party logistics and will bring forth considerable gain to the Group.



Shum Yip Logistics



Shum Yip Logistics



Shenzhen Mawan Power

INFRASTRUCTURE INVESTMENT

During the year, the demand for electricity in Guangdong Province continued to grow. With its upgraded power-generating units, Shenzhen Mawan Power, an invested entity of the Group, achieved a 29% increase in its overall on-grid electricity output. Notwithstanding the 20% downward price adjustment (from RMB 0.444 to RMB 0.34 per unit of electricity) imposed on certain generating units for policy reasons, Mawan Power still managed to achieve a 1.7% growth in profit, contributing HK\$111.2 million to the net profit of the Group. It is anticipated that the electricity market of Guangdong Province will undergo a period of excess demand and the Group's investment in electricity generation will therefore contribute stable profit. In addition, the Panzhihua Hydro-Electric power project was successfully sold during the year.



Shenzhen Mawan Power

TRANSPORTATION OPERATIONS

Profit from cross-border transportation and taxi operations, being the transportation business segment of the Group, remained stable for the year under review. However, the inter-city shuttle bus service within Guangdong Province generated a lower profit contribution than the previous year. During the year, the Group's transportation arm adhered to its professional management and positioned itself as a quality and safe service provider. Amidst the unfavorable environment of intense



Taxi fleet

competition in the transportation industry, the Group managed to leverage on its brand name and won a successful bid for the operation franchise in respect of three province-wide public transport routes which ran between Guangzhou and Foshan.

INFORMATION TECHNOLOGY

Shenzhen Topway Video Communication Co., Ltd., in which the Group held a stake, recorded stable growth in its cable television business. New businesses such as digital TV and Internet broadband connection were put to trial run during the year. Moreover, the Group's e-commerce project Multimedia Station for Urban Life of Shenzhen forged ahead during the year. Sales and passageway cooperation agreements were entered into between the Group and prestigious customers including China Telecom, China Mobile and China Agricultural Bank for the commencement of online operations such as virtual office applications.



Topway

SHAREHOLDERS' EQUITY AND FINANCIAL POSITION

The financial position of the Group remained stable. The Group adopted strict financial control policies. As at 31 December 2002, the shareholders' equity of the Group amounted to HK\$3,257.7 million (2001: HK\$2,750.6 million) and net assets per share of HK\$1.35 (2001: HK\$1.21), representing a growth of 11.6%.

The Group has been adopting the conservative and stable financial principles. As at 31 December 2002, the cash and bank deposit held by the Group amounted to HK\$2,012.3 million (2001: HK\$1,808.6 million). Cash held by the Group is sufficient enough to provide a solid foundation for new business expansion.

Total borrowings amounted to HK\$3,356.4 million (2001: HK\$2,035.1 million) which comprised long-term borrowings of HK\$1,480.3 million (2001: HK\$741.0 million) and short-term borrowings of HK\$1,876.1 million (2001: HK\$1,294.1 million), representing 44.1% and 55.9% respectively. The net borrowings amounted to HK\$1,344.1 million (2001: HK\$226.5 million) and the ratio of net debt to equity was 41.3% (2001: 8.2%).

In 2002, the interest expense of the Group was less than the previous year. It reflects the result of the treasury management of the Group under the low interest rate environment.

CAPITAL STRUCTURE

As at 31 December 2002, Shum Yip Holdings Company Limited, the parent company of the Company, held approximately 57.67% interest in the Company as the single major shareholders. As at balance sheet date, the Company had 2,414,293,966 ordinary shares in issues.

INTERNAL MANAGEMENT

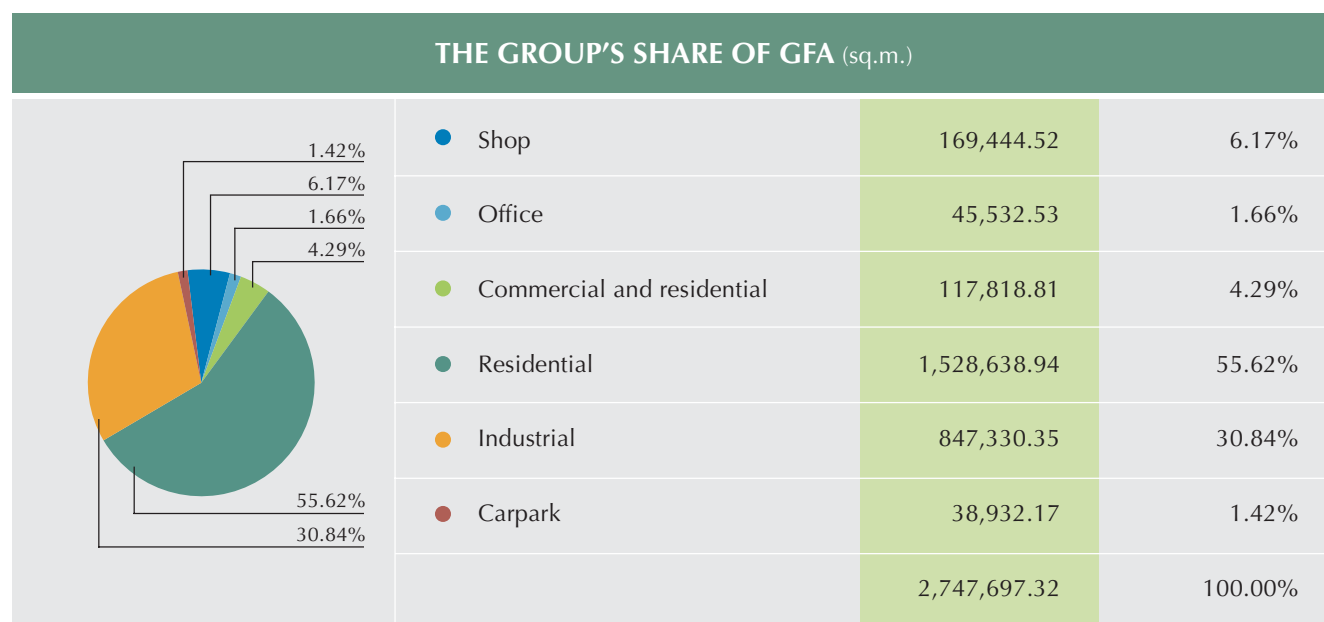
The Group operated in strict compliance with the laws and regulations of the respective places of incorporation of the Company and its subsidiaries. Efforts were devoted to enhance the Group's capability in standardization management, efficiency management, investment management, quality management, human resources management and financial control and to continually improve the transparency of the management of the Group.



Green Legend

PROPERTY PORTFOLIO

Usage



Occupation

