Chairman's Statement

RESULTS

The Group's audited consolidated loss after taxation and minority interests for the year ended 31st December, 2000 amounted to HK$405,144,000, compared with an attributable profit of HK$8,600,000 in 1999. The results were mainly due to the substantial provision for diminution in value of certain properties amounting to HK$441,839,000 of which HK$78,896,000 was attributable to the provision made by the associated companies of the Group, and lower income from development projects and investment properties. Loss per share amounted to HK35.97 cents compared with a profit of HK0.76 cent per share in 1999. The Directors do not recommend the payment of any final dividend for 2000.

REVIEW

In the year 2000, the Hong Kong property market remained in a consolidation phase. Prices for residential units continued to decline due to overabundant supply of newly completed residential properties including units built under the Home Ownership Scheme. Potential buyers adopted a cautious approach even though prices of residential properties had already dropped by approximately 50 per cent. since mid-1997. However, the occupancy rate of office buildings benefited from demand from technology and financial companies.

In China, demand for residential units improved under the Government's policy in promoting private home ownership. With higher demand derived from a booming economy and China's imminent entry to World Trade Organization, the oversupply situation of commercial properties in major cities has also eased.

During the year under review, in Hong Kong, the Group continued the construction of various development projects including Hilary Court, Ma Tau Wai project and Merit Place. Due to the unfavourable market sentiments, the Group deferred the presale marketing campaign for Hilary Court. In Shanghai, the Group continued its marketing efforts for leasing and selling the units in Shanghai Square and Gateway Plaza. Details of the progress of the individual projects are set out below with the percentage of direct interest held by the Group indicated in parenthesis.

Hong Kong

Hilary Court, 63G Bonham Road, Mid-levels, Western District (70%)

Hilary Court is a 36-storey development with a total gross floor area of 52,400 square feet comprising 56 residential apartments, 18 car-parking spaces and a gymnasium. Superstructure work will be completed in the third quarter and marketing campaign will be launched in the fourth quarter of 2001.

Chairman's Statement

Merit Place, 5 Mei Sun Lane, Kau Hui Chik Street, Tai Po (100%)

The Group intends to re-develop this site in Tai Po town centre into a 27-storey residential and commercial building comprising 75 residential apartments with a total gross floor area of approximately 47,938 square feet. Foundation work is now in progress.

Nerine Cove, 23 Hang Fu Street, Tuen Mun (10%)

The development of the residential complex with a gross floor area of about 1,004,459 square feet comprising five residential towers with a total of 1,264 units and 254 car-parking spaces was completed in April last year. Approximately half of the residential units have been sold.

412-418 Ma Tau Wai Road, To Kwa Wan (80%)

The 4,320 square feet site will be developed into a residential and commercial building with a total gross floor area of approximately 32,324 square feet. Foundation work has just been completed and superstructure work is expected to commence soon.

Mainland China

Shanghai Square, 138 Huai Hai Zhong Road, Shanghai (60%)

The Group continued its marketing efforts to improve the occupancy level of the shopping center and to sell the remaining office units.

Gateway Plaza, 2601 Xietu Road, Shanghai (35.3%)

About 96 per cent. of the 688 units developed under Phase I of this project have been sold. Development plans for the remaining phases are currently under review.

Other development projects in mainland China

The Group has come to a preliminary agreement with its joint venture partner to reduce its interest in a project in Shenzhen which is subject to the approval by Shenzhen's Government bodies. In March 2001, a joint venture in which the Group has a minority interest has reached an agreement with Guangzhou Metro Corporation to terminate the development above the Huang Sha Metro Station.

Chairman's Statement

PROPERTY INVESTMENT

The downward trend of office rentals stabilized during 2000 but rental income from the Group's investment properties continued to be affected by low rental revisions during last year. Currently, the Group's rental income from investment properties is slightly higher than that of last year due to improved occupancy rate.

Manulife Tower, 169 Electric Road, North Point (84%)

The Group's 41-storey flagship investment property enjoys full occupancy, generating an annual rental income of approximately HK$69 million for the Group.

Office Portion of New Kowloon Plaza, 38 Tai Kok Tsui Road, Tai Kok Tsui (100%)

The six storeys of office space enjoys approximately 91 per cent. occupancy and generates an annual rental income of approximately HK$16 million.

Laford Centre, 838 Lai Chi Kok Road, Cheung Sha Wan (40%)

Laford Centre, a 22-storey industrial building with 22 car-parking spaces, reports an occupancy rate of approximately 96 per cent. and generates an annual rental income of approximately HK$30 million.

PROJECT MANAGEMENT

The Group's in-house project management division is responsible for a variety of property-related services including liaising with consultants, tendering negotiations, contract administration, construction material sourcing and selection and project supervision. The division acts as project manager for most of the Group's projects on hand in Hong Kong and mainland China.

PROPERTY MANAGEMENT

The Group's property management arm, Parkland Property Management Limited ("Parkland"), has successfully expanded its portfolio by securing various contracts from both public and private sectors in Hong Kong. These contracts include a 3-year HK$120 million management contract for two public housing estates under the Hong Kong Housing Authority's privatization scheme. At present, Parkland has a portfolio of approximately 12,000,000 sq. ft. under management.

In anticipation for an increase in the demand for quality management and related services, Parkland has invested into a joint venture to promote a diversified range of professional services including tenancy administration, leasing agency, new property inspection and property repair and maintenance.

Chairman's Statement

OTHER BUSINESS

Saggio Holdings Limited, the Group's associated company specializing in office supplies and computer accessories distribution, continued its expansion program in the Asia Pacific Region through the establishment of its e-commerce platform and the introduction of Saggiodirect.com for all its corporate clients. In the coming years, Saggio will continue to promote its "One-Stop-Shop" concept and plans to establish sales offices in Malaysia, Thailand and Philippines. The business is still at its development stage. The Group's share of net operating loss and write-off of goodwill of Saggio in 2000 amounted to HK$25.9 million.

SUBSEQUENT EVENT

On 2nd April, 2001, the Group entered into a conditional agreement (the "Agreement") with a wholly owned subsidiary of China Overseas Land & Investment Limited ("COLI") pursuant to which the Group would dispose its entire sixty per cent. interest in Shanghai Square for a total cash consideration of approximately HK$341.5 million. The Agreement is subject to the approval of the independent shareholders of the Company at the Special General Meeting expected to be held on 18th May, 2001. The Agreement is, among others, conditional upon the completion of a share sale agreement of even date between Supreme Class Limited, Chung Hoi Finance Limited (both wholly owned subsidiaries of COLI) as vendors and Designcase Limited, the controlling shareholder of the Company, as purchaser relating to the sale and purchase of 243,706,000 shares of the Company. Details of the Agreement and the share sale agreement are set out in a circular to be despatched by the Company on or about 23rd April, 2001.

PROSPECTS

The Hong Kong SAR Government has announced adjustments in housing policies that help to ensure the long-term prosperity and stability of Hong Kong. With substantial investments in infrastructure, education, technological development and environmental protection, Hong Kong's economic prospects should be promising following the completion of the current adjustment period. In addition, Hong Kong is well positioned to take advantage of the opportunities to be created by the future prosperity of the Chinese economy and the development of the Western China.

With improving economic situation, falling interest rate and unemployment rate, the local property market should stabilize in the coming years. After gradual absorption of the current excess supply, demand for residential units should benefit from improved home affordability as well as the reduced supply of 16,000 Home Ownership Scheme units for the next four years. Office rentals should continue to improve.

Chairman's Statement

In mainland China, the economic outlook remains promising. China's accession to the World Trade Organization and the development of the Western China will create enormous investment opportunities for both local and overseas investors. This development will add new impetus to the Chinese economy. As a result, demand for quality residential, commercial and industrial properties in prime locations is expected to increase. In particular, demand for residential units from local buyers is also expected to grow as the economic situation improves and household income increases.

The proposed sale of the Group's interest in Shanghai Square will improve the Group's cash flow and financial strengths as the proceeds from the disposal of HK$341.5 million will be used to reduce the Group's borrowings and to finance the Group's future expansion. In addition, the Group will no longer be required to finance the operating losses of Shanghai Square as a result of depressed occupancy of the retail podium. In the coming years, the Group will complete and sell its existing development projects, improve its financial strengths and capitalize opportunities from the economic recovery so as to build a balanced investment portfolio for future growth.

APPRECIATION

On behalf of the Board of Directors, I would like to thank all our shareholders and business partners for their continuing support and the Group's management and staff for their dedication and hard work during the past year.

FA-KUANG HU
Chairman

Hong Kong, 2nd April, 2001