

Chairman's Statement

I am pleased to report the results and operations of the Group for the year ended 31 December 2000.

RESULTS

The audited consolidated loss after taxation for the year was HK\$120,968,000 and the loss per share amounted to HK\$0.157, as compared to profit of HK\$125,839,000 and earnings per share of HK\$0.189 for the year ended 31 December 1999.

DIVIDENDS

The directors recommend the payment of a final dividend of HK2.0¢ per share in respect of the year ended 31 December 2000 to be paid on 31 May 2001 to members whose names appear on the Register of Members of the Company on 24 May 2001. No interim dividend was paid during the year. A final dividend of HK2.0¢ per share was paid in respect of the preceding year.

NET ASSET VALUE

The consolidated net asset value per share of the Company as at 31 December 2000 was HK\$2.23, based on the 797,157,415 shares in issue, as compared to HK\$2.79 per share and 664,357,415 shares in issue as at 31 December 1999.

BUSINESS REVIEW

Property Investment

The Group's major investment properties include:-

100 Canton Road
Century Square
Prestige Tower
2/F New Mandarin Plaza
Playmates Factory Building

Excluding the effect of revaluation of the Group's portfolio of properties, the operating profit for 2000 is HK\$58.3 million as compared to HK\$57 million in 1999. The revaluation of the Group's portfolio of properties at year end results in a net diminution in property value of HK\$179 million which therefore affects the Group's 2000 overall performance.

Gross rental income for the year amounted to HK\$144.3 million, which represents a 18.70% decrease from last year's income of HK\$177.5 million. As reported in the last Interim Results, this is attributed mainly to vacant retail premises in 100 Canton Road. Nonetheless, after having conducted a series of active marketing campaigns, the vacancy rate was substantially reduced as at 31 December 2000.

On 1 December 2000, the Group successfully entered into a Sale and Purchase Agreement for the disposal of a wholly-owned subsidiary company which holds the entire property interests in 100 Canton Road. Such transaction was

subsequently approved by the majority of shareholders in the Special General Meeting on 15 January 2001 and the transaction was completed on 16 January 2001. The total consideration is HK\$256.9 million. The consideration was determined with reference to the negotiated arm's length value of HK\$498 million for the 100 Canton Road property. The Directors are of the view that the realisation represents a good opportunity for the Group to realise an investment property at market price which will not only reduce the bank indebtedness but will also increase the cash level of the Group.

Property development in Hong Kong SAR

Consent has been obtained from the government for merging two adjacent lots at Anderson Road, Fei Ngor Shan for redevelopment purposes. The Group is now awaiting notification from the government in relation to matters of land premium assessment.

Property projects in the People's Republic of China (the "PRC")

In the Mainland, owing to sluggish investment market, little progress has been made with the sales of both the apartment and office units of Shun Hing Square in Shenzhen under the Group's ownership. Nonetheless, it is encouraging to note that the leasing market has recently become more active. Coupled with the China's imminent entry into the World Trade Organization, it is anticipated that the investment market will benefit from these factors in the coming year.

In Shanghai, we are pleased to report that Phase One development of Peace Garden has now been virtually sold out. Prospective sale of Phase Two development is under negotiation and it is anticipated that terms and conditions for sale of the remaining interests in Peace Garden will be reached in the near future.

FINANCING

Interest expenses for the year ended 31 December 2000 amounted to HK\$77.2 million (1999: HK\$76 million), an increase of HK\$1.2 million. Bank borrowings were reduced from HK\$963.7 million at end of 1999 to HK\$868 million at end of 2000. Despite the reduction in bank borrowings, rising average interest rates which prevailed in 2000 was the major contributor for higher interest costs for the year ended 31 December 2000.

The bank loans are secured by mortgages on certain investment properties and properties held for sale with aggregate carrying value of HK\$2,406 million (1999: HK\$2,479 million) and the assignment of rental income from certain of the properties.

The gearing ratio, which is calculated as the ratio of the net bank borrowings to shareholders' funds, dropped to 43.5% at end of 2000, when compared to 48.3% in 1999. We have been able to achieve this by reducing the level of bank borrowings in 2000.

Term loan instalments repayable in 2001 are HK\$191.66 million which will be serviced by the Group's rental income, proceeds from sales of non-core property assets, cash and available banking facilities.

With the proceeds from the disposal of the subsidiary which held the 100% interest in the 100 Canton Road property, the Group has already repaid a bank loan of HK\$223.9 million in February 2001. The bank loan was classified under non-current liabilities in the accounts.

PROSPECTS

There are without significant signs that economy in Hong Kong is already on the road of recovery. However, it is encouraging to note that the government's housing and land policies seem also to have been flexibly adjusted to facilitate the recovery of the property market. Coupled with the continued reduction in interest rates, it is envisaged that a rebound of the property market, particularly the luxury residential and prime commercial sectors is most probable in the coming years. The Group's property portfolio fits nicely into those categories and hence would benefit most from the rebound of the market. In March 2001, the Group acquired a 27% interest in The Cross-Harbour (Holdings) Limited, a publicly listed company in Hong Kong which owns 37% shareholding in the Western Harbour Tunnel, 70% interest in The Hong Kong School of Motoring Limited, and a 35% beneficial interest in Autotoll Limited. The Directors are of the view that such acquisition will provide the Group with on-going stable income and hence should be a viable long-term investment. The Group however will continue to regard property investment and developments, as well as property services as our long-term core businesses. The strategy to continue to develop these core businesses will not be changed in the foreseeable future.

APPRECIATION

We would like to take this opportunity to thank our shareholders and business partners for their continuing support; and the Group's dedicated management and staff for their valuable contributions during the past year.

Cheung Chung Kiu

Chairman

Hong Kong, 11 April 2001