

It is my pleasure to report to the shareholders that the audited consolidated profit after taxation and minority interests of the Group for the year ended 31 December 2000 amounted to approximately HK\$268 million. Earnings per share was HK4.9 cents. The board of directors recommends the payment of a final dividend of HK2 cents per share.



REVIEW OF OPERATIONS

The economy of Hong Kong demonstrated strong rebound at the beginning of the twenty-first century. The construction business of the Group continued to develop on the basis of economies of scale and collective management. However, property price decline persisted as the property market of Hong Kong is still dominated by excessive supply and the confidence issues, and the performance of the property market was disappointing. As a result, the Group made a further provision of approximately HK\$270 million for the relevant properties. Subsequent to the Asian financial turmoil, the Group made timely adjustments to its operation strategy, and successfully shifted its focus of the real estates businesses to the major cities in the PRC. Through its efforts in the recent years, the real estate business in the PRC began to achieve economies of scale and succeeded in brand building, which also contributed to the turnaround of the Group.

I. PROPERTY DEVELOPMENT

During the year ended 31 December 2000, properties sold by the Group amounted to 2,620,000 sq. ft. of attributable floor area, with sales amounting to approximately HK\$2.7 billion. The sales performance of properties in the PRC continued to be satisfactory. Zhong Hai Ya Yuan (Central District) in Beijing, Dynasty Court in Shenzhen and Zhong Hai Glorious Garden in Guangzhou which were ready for occupation during the year were 100% sold. Zhong Hai Ya Yuan (Southern District) in Beijing were 60% sold. Phases I and II of Zhong Hai Xin Yuan in Shanghai, which will be completed and occupied in 2001, as well as Zhong Hai Zijin Yuan in Beijing, which just commenced construction, were offered for pre-sale during the year. These projects were popular because of their premium quality and the sales performance was satisfactory.

The Group acquired four parcels of land in the PRC during the year, which increased the floor area available for development by 12,210,000 sq.ft.. Among these sites, Guangzhou Dong Pu Project in Guangzhou, which is located opposite to the main stadium of the Ninth National Tournament, has 4,600,000 sq.ft. available for development. The Group has also acquired a development site called Zhonghai Mingcheng with gross floor area of approximately 3,600,000 sq.ft., located at the Hi-Tech Development Zone of Chengdu, the hub for the development in Western PRC. These acquisitions served to expand the operation of the Group in terms of geographic regions.

The Group currently has a land bank of approximately 25,000,000 sq.ft.. These land parcels are located in prime locations of the major cities in the PRC, such as Beijing, Shanghai, Guangzhou, Shenzhen and Chengdu, which have excellent development prospects. They provided a solid foundation for the further development of the Group's real estate operations in the PRC.

At the beginning of 2001, the Group further acquired a parcel of land at Xu Hui District in Shanghai with an area of 3,350,000 sq.ft. available for development. Currently, the Group is still conducting negotiations on several other projects in the PRC.

The Group has a total of nine real estate development projects occupied during the year and has four development projects expected to be ready for occupation in 2001.

CHAIRMAN'S STATEMENT (Cont'd)

I. PROPERTY DEVELOPMENT (Cont'd)

1. Land acquired during the year

Unit: sq. ft.

District	Name & location of the project	Intended use	Percentage of interest attributable to the Group	Gross Floor Area attributable to the Group
Guangzhou	(a) Dong Pu Garden, Dong Pu Town, North of Guangshen Railway	Residential	100%	4,594,075
Chengdu	(b) Zhonghai Mingcheng, Zijing West Road Hi-Tech Development Zone	Residential	100%	3,599,582
Shenzhen	(c) Qian Hai Garden, Qian Hai Road, Nan Shan District	Residential	80%	2,574,749
	(d) Zhonghai Shenzhen Bay Garden, Overseas Chinese Town, Nan Shan District	Residential	100%	1,440,292
Total				12,208,698

2. Land acquired since the beginning of 2001

Unit: sq. ft.

District	Name & location of the project	Intended use	Percentage of interest attributable to the Group	Gross Floor Area attributable to the Group
Shanghai	Parcel of land at Naihuo Material Factory, Long Wu Road Xu Hui District	Residential	100%	3,348,250
Total				3,348,250

I. PROPERTY DEVELOPMENT (Cont'd)

3. Properties occupied during the year

District	Name of property occupied	Address	Percentage of interest attributable to the Group
Hong Kong	(a) Ellery Terrace	Kowloon Inland Lot No.11091, 38 Good Shepherd Street, Ho Man Tin, Kowloon	70%
	(b) Nerine Cove	Lot No. 407, Tuen Mun, New Territories	60%
	(c) Island Harbourview	Kowloon Inland Lot No.11074, Site C of Olympic Station of New Airport Railway	10%
Shenzhen	(d) Dynasty Court	399 Fu Hua Road, Futian District	100%
Beijing	(e) Zhong Hai Ya Yuan (Central and Southern Districts)	22 Bei Wai Road West, Hai Dian District	100%
Guangzhou	(f) Zhong Hai Glorious Garden	Lot 241, Chijang New District	100%
	(g) Glorious City Garden, Phase II, B1-B4	858 Dongfeng Dong Road, Dongshan District	40%
Shanghai	(h) China Overseas Building	398 Huai Hai Zhong Road, Luwan District	100%
	(i) Hai Tian Garden, Phase II, Yi Yuan	Xu Jing Xiang, Qingpu County	100%

4. Properties expected to be ready for occupation in 2001

District	Name of project	Intended use	Percentage of interest attributable to the Group
Hong Kong	(a) Park Avenue	Residential	10%
Guangzhou	(b) Zhong Hai Ming Du, Phase I	Residential	100%
Shanghai	(c) Zhong Hai Xin Yuan, Phase I & II	Residential	99.5%
Beijing	(d) Bauhina Court	Residential	35%

II. CONSTRUCTION AND CONTRACTING BUSINESS

The construction business of the Group continued to actively grasp opportunities in the market on the basis of economies of scale and collective management. During the year, the Group has secured 38 new construction projects with an attributable contract value of HK\$8.8 billion. These projects included the construction contracts of Tung Chung Station Development and Hotel Development at Ma On Shan from Cheung Kong Group with the contract values of which amounted to approximately HK\$1.06 billion and HK\$0.5 billion respectively. The Group has a 45% interest in two projects of East Rail Extensions secured through tender jointly submitted with cooperation partner, with a contract value of HK\$3.3 billion in total. The Group has a 50% interest in Police Headquarters Phase III, with a contract value of HK\$2.09 billion in total. At the end of the year, there were 65 projects under construction and the contract amount attributable to the Group was HK\$20.2 billion. Projects currently under construction were progressing smoothly.

During the year, the Group continued to emphasise diversification of contracting business by acquiring a 50% stake in a construction material company in Hong Kong. Operation of Hong Kong Concrete Company Limited and Shenzhen Hailong Cement Co., Ltd., in which the Group has an interest, were making sound progress and continued to generate satisfactory return to the Group.

III. INFRASTRUCTURE INVESTMENTS

The Group's investments in various infrastructure projects in the PRC continued to achieve good results and generate stable return for the Group. During the year, the Group made an additional investment of HK\$39 million in the "Toll Bridges and Highway" projects in Nanning.

IV. PROPERTY INVESTMENTS AND MANAGEMENT

As at the end of the year, the Group has an aggregate attributable floor area of over 1,400,000 sq.ft. of rental properties. Of which, China Overseas Building and Horae Place Shopping Mall in Hong Kong recorded occupancy rates of over 90% and 80% respectively. The newly completed China Overseas Building in Shanghai was also fully leased and generated satisfactory rental return.

Properties managed by the Group in the PRC and Hong Kong exceeded 90,000,000 sq.ft. of floor area, of which nearly 90% were located in the major cities of the PRC. In addition, the Group has signed contracts for the provision of property management consultancy service for a gross floor area of 55,000,000 sq.ft. in the PRC. The Group has become one of the largest property management companies in the PRC.

V. INVESTMENTS IN CHINABIDDING AND CHINA DIGITAL SATNET

During the year, the Group invested HK\$13,000,000 in Chinabidding.com, in which the Group has a 34% interest. The website has now been recognized by the State Planning Commission of the PRC as the only electronic media for the publication of information on bidding of government tenders in the PRC. The operation of the satellite broadband digital communication, China Digital satNet Limited, in which the Group has made investment, was making steady progress. During the year, apart from the success in securing the license of overseas telecommunication facilities and services issued by the Office of the Telecommunications Authority in Hong Kong, a strategic investor has been introduced to the company. The Group's investments in China Digital satNet Limited appreciated significantly in value following the investment by the strategic investor.

VI. FINANCIAL CONDITIONS

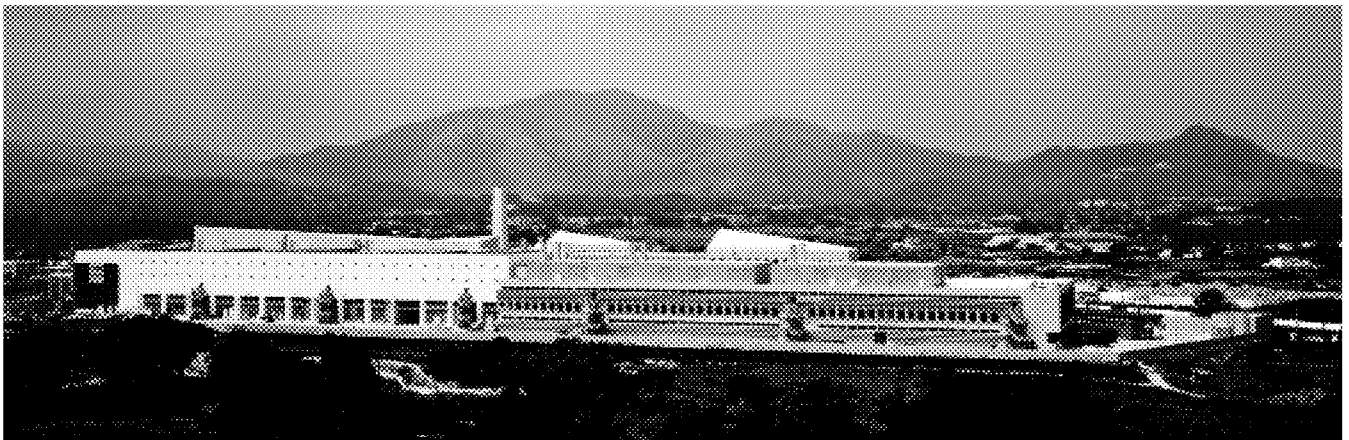
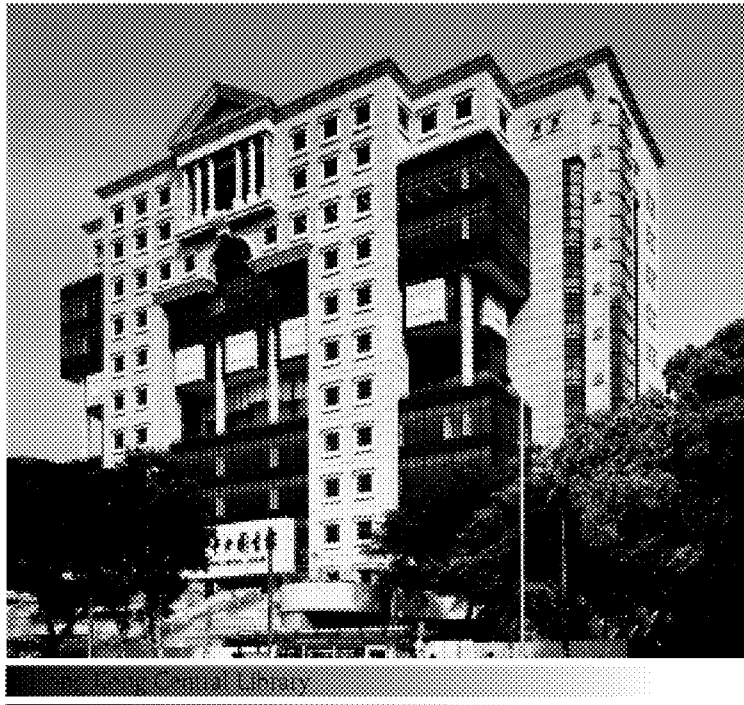
The Group has been adopting prudent approach in financial management. It has recently successfully explored Renminbi financing, which not only reduces exchange rate risk, but also promotes the Group's expansion in the Mainland China. As at the end of the year, the net debt of the Group were approximately HK\$2.3 billion, with average term of more than one year. Of which, loans denominated in Renminbi amounted to approximately RMB0.6 billion, whereas the balance were loans denominated in HK Dollars and US Dollars. Interests on about one-fourth of the loans were calculated on the basis of a fixed rate, and the remaining were floating rates. As at the end of the year, funds available to be utilized by the Group amounted to HK\$3 billion.

VII. INVESTMENTS IN RYODEN

As announced on 2 April 2001, the Group intended to dispose 244,000,000 shares of Ryoden Development Limited ("Ryoden"), representing its entire shareholding in Ryoden, to the major shareholder of Ryoden at a consideration of approximately HK\$342 million, or HK\$1.40 per Ryoden share. At the same time, it was announced that the Group would acquire a 60% stake in the Shanghai Square at approximately HK\$342 million. The relevant transactions will become effective upon approval by shareholders of the Company and that of Ryoden.

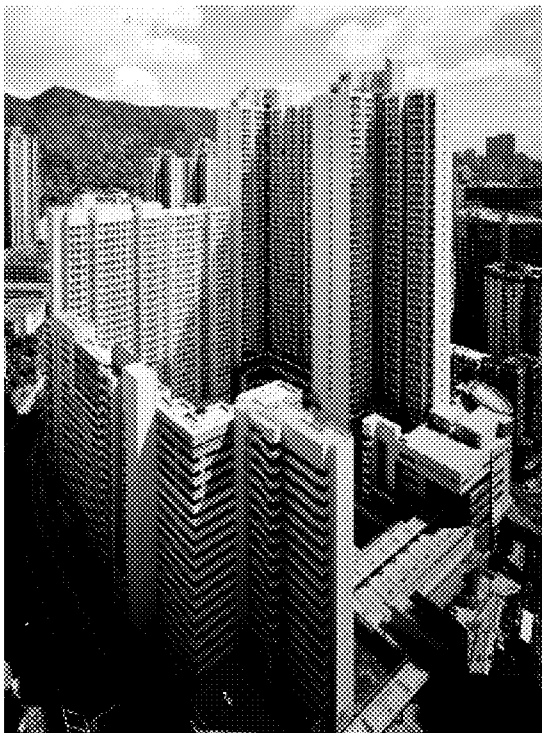
CHAIRMAN'S STATEMENT (Cont'd)

MAJOR CONSTRUCTION PROJECTS COMPLETED IN 2000

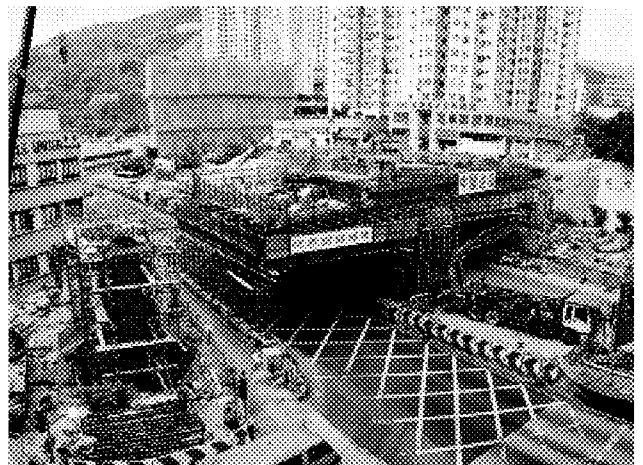


CHAIRMAN'S STATEMENT (Cont'd)

MAJOR CONSTRUCTION PROJECTS COMPLETED IN 2000 (Cont'd)



Shek Yam Estate, Phase 2



Chan Horn Flyover Across Castle Peak Road at