

CHAIRMAN'S STATEMENT (Cont'd)

CONSTRUCTION PROJECTS UNDER PROGRESS IN 2000



Mei Foo to Yen Chow Street



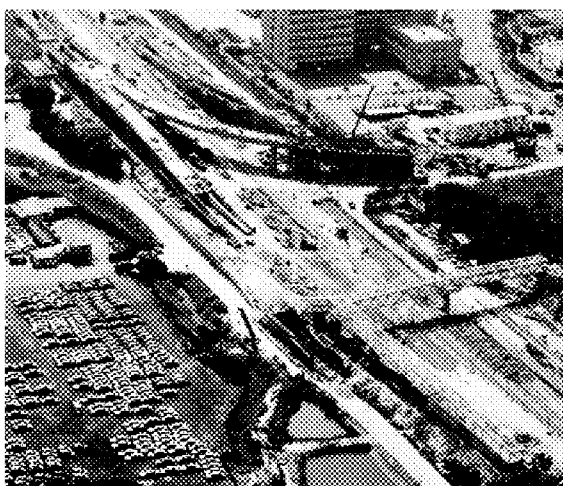
Headquarters, Phase 3



Headquarters, Phase 3



Headquarters, Phase 3



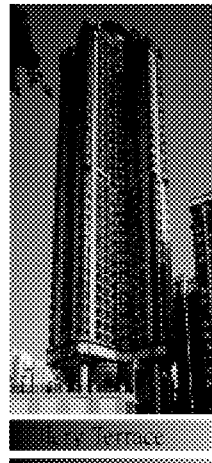
Tin Ying/Hung Tin Further Development-Tin Ying/Hung Tin
Tin Ying/Hung Tin External Links



Tin Ying/Hung Tin Further Development-Road D3
Reconstructed Wetland

CHAIRMAN'S STATEMENT (Cont'd)

PROPERTIES OCCUPIED IN 2000



FINANCIAL HIGHLIGHTS

Compared to 1999, the Group's turnover increased by 73% to HK\$6,224 million, of which 64% was derived from Hong Kong and 36% was derived from the PRC. The increase was mainly due to the increase of property sales during the year. The results from ordinary activities before taxation turned from loss to profit.

Turnover from property development business increased by HK\$1,953 million over 1999 to HK\$2,923 million, representing an increase of 201%, of which 44% was derived from Hong Kong and 56% was derived from the PRC. Since the real estate market in Hong Kong did not improve, the property development business in Hong Kong continued to report losses during the year. As the real estate market in the PRC continues to be prosperous, the property projects in the PRC derived satisfactory return, representing an increase of 306% compared to 1999.

Although the economy of Hong Kong gradually recovers, the real estate market remains depressed. The Group conducted valuation on its properties for sale and made impairment loss provision of HK\$270 million for the said properties for sale during the year.

Construction business, the Group's another core business, performed satisfactory during the year. Turnover reached HK\$2,767 million, representing an increase of 31% over 1999. The increase in contribution to profit was due to the Group's emphasis on cost control.

Income on infrastructure project investments is a stable income of the Group. During the year, the Group's investments in infrastructure projects provided satisfactory returns as contracted, with total cash inflow amounted to HK\$160 million.

During the year, the Group's rental income reached HK\$167 million, representing an increase of 13% over 1999. The main reasons were due to increase in letting area and rental rate.

During the year, the Group's property management arm focused its effort on developing the operating rights for the properties under the custody of Hong Kong Housing Authority and achieved good results. This led to an increase in contribution to profit by 11% compared to 1999.

In order to broaden its business base, the Group invested in technology business at the beginning of 2000, including investment in China Digital satNet Limited ("China Digital") and Chinabidding.com. During the year, a strategic investor has been introduced to China Digital, as a result the Group's shareholding therein was then reduced from 25% to 22.29% which gave rise to a profit of HK\$32 million.

Consolidated debts of the Group at 31 December 2000 was HK\$4,431 million and shareholders' funds amounted to HK\$7,935 million. The overall gearing ratio was 56% at 31 December 2000.

FINANCIAL HIGHLIGHTS (Cont'd)

Of HK\$4,431 million consolidated debts, HK\$2,871 million matures in 2001 and HK\$1,560 million are due for repayment in 2002. The majority of the debts, approximately HK\$3,800 million, is denominated in either US dollar or Hong Kong dollar, with the balance of HK\$631 million being in denominated RMB.

As at the end of 2000, 86% of the Group's debts were on a floating-rate basis, and the rest are pegged to fixed interest rate. The Group has no outstanding derivative exposure, either for hedging or speculative purpose.

At the end of 2000, the Group had contingent liabilities in relation to guarantees given and indemnities provided in respect of the credit facilities granted to certain associates and syndicated property project companies amounting to HK\$1,040 million and HK\$800 million respectively. The Group also had outstanding counter indemnities amounting to HK\$169 million for surety bonds issued in respect of construction projects. In addition, the Group had acted as guarantor for the repayment of the mortgage bank loans granted to purchasers of the Group's properties amounting to HK\$994 million.

SHARE ISSUE

During the year, following the exercise of the share options, the Company issued a total of 8,750,000 ordinary shares of HK\$0.1 each.

STAFF

As at 31 December 2000, the Group has a total number of 2,191 staff.

Starting from 1 December 2000, the Group set up a Mandatory Provident Fund plan in accordance with the laws of Hong Kong, and after extensive consultation with the staff, the Group selected the integrated trust plans of the Hong Kong and Shanghai Banking Corporation Limited and the Bank of East Asia, Limited, and commencing from this date, all the staff of the Group are entitled to enjoy retirement protection. Retirement benefits of contracted staff of the Company will be maintained at the level of the existing provident fund plans, and will not be reduced as a result of the lower contributions of the Mandatory Provident Fund as legally required. In order to allow the staff to fully understand the Mandatory Provident Fund of the Group, the Human Resources Department has held over 50 seminars in the office and sites, and the contents of the plan have been extensively accepted and welcomed by the staff.

The Group keeps on thorough planning of staff's training and launched a Training Centre during the year. Effective centralization of corporate resources enables the provision of staff training.

In 2000, the Group still maintained a salary freeze. However, staff members holding key positions with significant contributions and outstanding performance were given special salary adjustment on an individual basis or granted with share options (note 25 to the financial statements), so as to ensure that the Group is able to retain high quality personnel to meet the challenges in 2001.

PROSPECTS

The PRC is now fully implementing its Tenth Five-Year Plan. It aims to achieve an average growth rate of 7% for its GDP in the next five years. Economic growth will be achieved through greater domestic demands and additional investment in infrastructure. Following the admission of the PRC into the World Trade Organisation, the PRC market will further open to the rest of the world. It is expected that this will bring unlimited opportunities and challenges to domestic enterprises. The Group will compete in the market on the basis of its existing solid foundation, excellent management expertise and well-known brand, and strive to capture the unprecedented opportunity by dedicating its efforts to consolidate and develop economies of scale in respect of the real estate operation in the PRC.

With the improvement in the economy of Hong Kong, and downturn of mortgage interests rate, the property market has benefited positively. The Group will grasp this opportunity to realise its investment by actively promoting sales of properties.

The Group is in the progress of enhancing internal management through the application of technology and expertise, with the aim of improving the quality, safety and environmental protection of work, whilst controlling costs and improving profit margin in an effective manner. Apart from maintaining the economies of scale in Hong Kong, the Group will strive to expand the construction and contracting business in the PRC, and to identify other opportunities actively but prudently in other countries and regions.

The Group will fully capitalize on the computer network technology, so as to attain improvement in workflow, and increase in both capacity and management efficiency in this new information era. It will also introduce advanced technology and design concepts to improve the building quality and package facilities, as well as project management, thus strengthening its competitiveness in the real estate and construction and contracting.

At present, the Group has adequate capital and is financially stable.

On behalf of the Board, I would like to take this opportunity to express the most sincere thanks for the full support of all the shareholders, the warm assistance we have received from different sectors of the society, as well as our staff for their loyal services.

Sun Wen Jie

Chairman

Hong Kong, 11 April 2001