

The directors present their annual report and the audited financial statements of the Company and of the Group for the year ended 31 December 2000.

PRINCIPAL ACTIVITIES

The Company is principally engaged in investment holding, property investment and provision of management services to its subsidiaries. The activities of the Company's principal subsidiaries and associates are set out in notes 37 and 16 to the financial statements respectively.

An analysis of the Group's turnover and contribution to profit from ordinary activities by activities and markets is set out in note 3 to the financial statements.

SUBSIDIARIES AND ASSOCIATES

Details of the Company's principal subsidiaries and associates at 31 December 2000 are set out in notes 37 and 16 to the financial statements respectively.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2000 are set out in the consolidated income statement on page 33.

An interim dividend of HK2 cents per share was paid on 28 September 2000. The board of directors now recommends the payment of a final dividend of HK2 cents per share to the shareholders on the register of members on 22 May 2001 in respect of the year. Together with the interim dividend, dividends declared for the whole year is HK4 cents per share.

RESERVES

Movements during the year in the reserves of the Group and of the Company are set out in note 26 to the financial statements.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out on pages 85 and 86.

MAJOR PROPERTIES

Details of the major properties and property interests of the Group at 31 December 2000 are set out on pages 87 to 90.

TANGIBLE FIXED ASSETS

The Group's investment properties were revalued at the year end date. The revaluation resulted in a net revaluation increase less amount attributable to minority shareholders of approximately HK\$7,799,000 which has been credited directly to the investment property revaluation reserve.

TANGIBLE FIXED ASSETS (Cont'd)

Details of these and other movements during the year in the tangible fixed assets of the Group and the Company are set out in notes 13 and 14 to the financial statements.

SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in note 25 to the financial statements.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

BORROWINGS AND INTEREST CAPITALISED

Bank loans, overdrafts and other borrowings repayable within one year or on demand are classified as current liabilities in the balance sheet. An analysis of the repayment schedule of non-current borrowings is set out in notes 27 and 28 to the financial statements.

Interest capitalised by the Group during the year in respect of development properties amounted to approximately HK\$94,066,000.

DIRECTORS

The directors of the Company during the year and up to the date of this report were:

Mr. Sun Wen Jie	(Chairman)
Mr. Kong Qingping	(Vice Chairman)
Mr. Li Fuyou	
Mr. Yao Peifu	(Vice Chairman)
Mr. Yao Xiancheng	(Vice Chairman)
Mr. Cui Duosheng	
Mr. Cheung Shiu Kit	
Mr. Zeng Zhaohe	(Resigned on 11 April 2001)
Mr. Kwok Ying Lok, Sam	
Mr. Yip Chung Nam	
Mr. Luo Weikang	
Dr. Li Kwok Po, David O.B.E., J.P.*	
Dr. Chau Cham Son O.B.E., J.P.*	
Mr. Hu Zhao Guang*	(Appointed on 29 April 2000)

* *Independent non-executive directors*

DIRECTORS (Cont'd)

Mr. Zeng Zhaohe has been appointed by the Central Government as the Vice President of China States Construction Engineering Corporation ("CSCEC") and resigned as the executive director and financial controller of the Company effective from 11 April 2001.

In accordance with the provisions of the Company's Articles of Association, Messrs. Cui Duosheng, Yip Chung Nam, Li Kwok Po, David and Chau Cham Son shall retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

The term of office for each independent non-executive director is the period up to his retirement by rotation in accordance with the Company's Articles of Association.

No director proposed for re-election at the forthcoming Annual General Meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the employing company within one year without payment of compensation (other than statutory compensation).

Information regarding directors' emoluments is set out in note 7 to the financial statements.

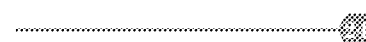
DIRECTORS' INTERESTS IN SHARES AND RIGHTS TO SUBSCRIBE FOR SHARES

At 31 December 2000, the interests of the directors and their associates in the share capital of the Company and its associated corporations, within the meaning of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance"), as recorded in the register maintained by the Company pursuant to Section 29 of the SDI Ordinance or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

(a) Shares

The following directors had personal interests in the ordinary shares of HK\$0.1 each in the Company:

Name of director	Number of shares
Mr. Yip Chung Nam	1,000,000
Dr. Li Kwok Po, David	200,000



DIRECTORS' INTERESTS IN SHARES AND RIGHTS TO SUBSCRIBE FOR SHARES (Cont'd)

(b) Share options

The following directors had personal interests in share options to subscribe for ordinary shares of HK\$0.1 each in the Company:

Name of director	Number of shares under options granted on			
	17 July 1997 (Note 1)	14 February 1998 (Note 2)	30 September 1998 (Note 3)	4 January 2000 (Note 4)
Mr. Sun Wen Jie	6,880,000	20,000,000	3,800,000	2,500,000
Mr. Kong Qingping	1,000,000	11,000,000	2,300,000	2,000,000
Mr. Li Fuyou	3,800,000	15,000,000	2,500,000	2,000,000
Mr. Yao Peifu	3,800,000	15,000,000	2,500,000	2,000,000
Mr. Yao Xiancheng	3,800,000	15,000,000	2,500,000	2,000,000
Mr. Cui Duosheng	1,000,000	9,000,000	6,800,000	1,700,000
Mr. Cheung Shiu Kit	1,000,000	1,200,000	1,000,000	–
Mr. Zeng Zhaohe	1,000,000	11,000,000	2,100,000	2,000,000
Mr. Kwok Ying Lok, Sam	700,000	800,000	1,000,000	1,000,000
Mr. Yip Chung Nam	800,000	1,000,000	–	1,000,000
Mr. Luo Weikang	900,000	5,000,000	1,100,000	1,500,000

Notes:

- (1) The share options were granted at an exercise price of HK\$4.06 per share, exercisable for the period from 17 July 1998 to 16 July 2007.
- (2) The share options were granted at an exercise price of HK\$1.08 per share, exercisable for the period from 14 February 1999 to 13 February 2008.
- (3) The share options were granted at an exercise price of HK\$0.52 per share, exercisable for the period from 30 September 1999 to 29 September 2008.
- (4) The share options were granted at an exercise price of HK\$0.58 per share, exercisable for the period from 4 January 2001 to 3 January 2010.

No options granted to the directors were exercised during the year, except that Mr. Yip Chung Nam exercised all the options granted to him on 30 September 1998 to subscribe for 1,000,000 ordinary shares of HK\$0.1 each in the Company at an exercise price of HK\$0.52 per share. Details of the Company's share option scheme are set out in note 25 to the financial statements.

Other than as disclosed above, none of the directors or their associates had any interests in any securities of the Company or any of its associated corporations as defined in the SDI Ordinance, and none of the directors, or their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the year.

ARRANGEMENTS TO ACQUIRE SHARES OR DEBENTURES

Other than as disclosed above, at no time during the year was the Company or any of its subsidiaries, holding companies or fellow subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTEREST IN COMPETING BUSINESS

Pursuant to paragraph 8.10 of the Rules Governing the Listing of Securities of the Stock Exchange, the Company discloses that during the year and up to the date of this report, Messrs. Sun Wen Jie, Kong Qingping, Yao Peifu, Yao Xiancheng, Yip Chung Nam and Luo Weikang held directorships in the Company's ultimate holding company, CSCEC, and/or its subsidiaries, which are engaged in construction, property development and related business.

As the Board of Directors of the Group operates independently of the boards of these companies, the Group operates its business independently of, and at arm's length from, the businesses of these companies.

MAJOR CUSTOMERS AND SUPPLIERS

For the financial year ended 31 December 2000, the five largest customers of the Group accounted for approximately 33 per cent. of the Group's turnover and turnover from the largest customer included therein accounted for approximately 19 per cent. The five largest suppliers of the Group accounted for less than 30 per cent. of the Group's total purchases for the year.

CSCEC, the Company's ultimate holding company, is one of the five largest customers of the Group referred to above.

Save as aforementioned, at no time during the year did a director, an associate of a director or a shareholder of the Company (which to the knowledge of the directors owns more than 5 per cent. of the Company's issued share capital) have an interest in any of the Group's five largest customers or suppliers.

CONNECTED TRANSACTIONS

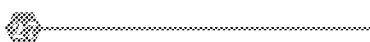
During the year and up to the date of this report, the Group had the following transactions which constituted "Connected Transactions" pursuant to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"):

- (a) On 29 August 1995, the Group entered into an agreement with certain parties relating to the establishment of a company in the name of Macwan Limited ("Macwan") to undertake a property development project. Macwan is owned as to 70% by China Overseas Property Limited ("COPL"), a wholly owned subsidiary of the Company, 20% by Rich Tower Properties Limited ("Rich Tower"), a wholly owned subsidiary of Kiu Kwong Investment Corporation Limited ("Kiu Kwong"), and 10% by Golden Queen International Limited ("Golden Queen"). Pursuant to the agreement, the shareholders of Macwan have agreed to provide loans to Macwan in accordance with their respective equity proportions. At 31 December 2000, the amounts due by Macwan to the Group, Rich Tower and a fellow subsidiary of Golden Queen, East Asia Properties Holding Company Limited ("East Asia"), were approximately HK\$86 million, HK\$25 million and HK\$13 million respectively. The shareholders of Macwan and the lenders agreed that such loans are interest free. Golden Queen and East Asia are wholly owned subsidiaries of The Bank of East Asia, Limited ("BEA") in which Dr. Li Kwok Po, David is a director, chief executive and beneficial shareholder.

CONNECTED TRANSACTIONS (Cont'd)

- (b) On 25 March 1997, a consortium led by the Company had successfully acquired a site situated in Homantin North at a public auction. A company in the name of Maxjet Company Limited ("Maxjet") was established to undertake the property development project. Maxjet is owned as to 70% by COPL, 20% by Rich Charter Properties Limited ("Rich Charter") and 10% by Goldmond Company Limited ("Goldmond"). The shareholders of Maxjet have agreed to provide loans to Maxjet in accordance with their respective equity proportions. In addition, each parent company of the shareholders of Maxjet has executed a several guarantee to a bank in accordance with its equity proportion in order to secure the general banking facilities granted to Maxjet to the total extent of HK\$996 million. At 31 December 2000, the amounts due by Maxjet to the Group, Rich Charter and Goldmond were approximately HK\$686 million, HK\$196 million and HK\$98 million respectively. Such loans are interest free and have been subordinated to the bank borrowings of Maxjet. Rich Charter and Goldmond are wholly owned subsidiaries of Kiu Kwong and BEA respectively.
- (c) On 14 October 1997, a consortium led by the Company had successfully acquired a site situated in Tuen Mun at a public auction. On 17 November 1997, members of the consortium entered into an agreement relating to the establishment of a company in the name of Macfull Limited ("Macfull") to undertake the development of the property. Macfull is owned as to 60% by COPL, 10% by Smart Winner Development Limited ("Smart Winner"), 10% by Top Brain Development Limited ("Top Brain") and 20% by an independent third party. Pursuant to the agreement, the shareholders of Macfull have agreed to provide loans to Macfull in accordance with their respective equity proportions. In addition, each parent company of the shareholders of Macfull has executed a several guarantee to a bank in accordance with its equity proportion in order to secure the general banking facilities granted to Macfull to the total extent of approximately HK\$1,300 million. Each parent company of the shareholders of Macfull has also executed a joint and several completion guarantee to procure the completion of the development of the property project. At 31 December 2000, the amounts due by Macfull to the Group, Smart Winner and Top Brain were approximately HK\$1,276 million, HK\$213 million and HK\$213 million respectively. Such loans are interest free and have been subordinated to the bank borrowings of Macfull. Smart Winner and Top Brain are wholly owned subsidiaries of Ryoden, in which the Group holds a 21.56% equity interest, and Kiu Kwong respectively.

The directors consider that the Company is connected to Kiu Kwong by virtue of its equity interests in Macwan, Maxjet and Macfull.



CONNECTED TRANSACTIONS (Cont'd)

- (d) Pursuant to a project management agreement (the "Project Management Agreement") entered into in 1993 between CSCEC, the ultimate holding company of the Company, and certain wholly owned subsidiaries of the Company, namely China Overseas Building Construction Limited, China Overseas Civil Engineering Limited and China Overseas Foundation Engineering Limited (together the "Project Managers"), the Project Managers have been appointed by CSCEC as joint managers for each and every public works contract awarded to CSCEC since 1 January 1993. Mr. Sun Wen Jie and Mr. Yao Xiancheng, both being directors of the Company, are also directors of CSCEC. Under the Project Management Agreement, the Project Managers shall provide project management services and act as agent for, and in consultation with, CSCEC, to tender for and obtain projects on behalf of CSCEC on such terms as may be agreed by CSCEC. CSCEC has agreed to pay the Project Managers a management fee equivalent to 7 per cent. of the final contract sum receivable by CSCEC under such public works contracts.

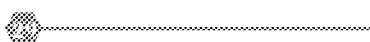
Project management fees payable by CSCEC to the Group pursuant to the Project Management Agreement amounted to approximately HK\$248,631,000 in respect of the year.

In connection with the project management services provided by the Group to CSCEC, the Group had trade receivables owed by CSCEC to the Group outstanding at 31 December 2000 amounted to HK\$253,007,000, which are interest free and have no fixed repayment terms. Such receivables to the extent of HK\$125,166,000 was subsequently settled.

- (e) Pursuant to a medium-term loan facility agreement entered into between CSCEC and a wholly owned subsidiary of the Company, Chung Hoi Finance Limited ("CHFL"), an unsecured loan facility to the extent of HK\$300,000,000 was granted by CSCEC to CHFL to finance its working capital. The loan was fully repaid during the year. Interest payable on the loan, which was calculated at commercial lending rates, amounted to approximately HK\$305,000 in respect of the year.
- (f) In the ordinary course of business, CSCEC and the Company's immediate holding company, China Overseas Holdings Limited ("COHL"), acted as guarantors for certain banking facilities granted to the Group. No fees were chargeable by either CSCEC or COHL to the Group in this connection during the year.
- (g) CSCEC and the Group respectively owns 55% and 45% interests in an associate which is the holder of a Class II licence for conducting real estate development business in Guangzhou (the "Licence"). During the year, the associate provided services to a subsidiary, as required from a holder of the Licence and did not receive any consideration therefrom.
- (h) During the year, the Company announced that it will provide indemnity (the "Indemnity") to third party financial institutions (the "Financial Institutions") from time to time as security for the bid bonds and performance bonds (the "Bonds") which the Financial Institutions will give in respect of the obligations of CSCEC in tendering for public works contract in Hong Kong for the Government of Hong Kong SAR from time to time. CSCEC is the ultimate holding company of the Company. Mr. Sun Wen Jie and Mr. Yao Xiancheng, both being directors of the Company, are also directors of CSCEC. Pursuant to the terms of the Indemnity, the Company will indemnify the Financial Institutions for any actions, demands, liabilities, losses and expenses which may result or otherwise incur by the Financial Institutions in connection with the Bonds given by the Financial Institutions from time to time during the term of the grant. The term during which the Financial Institutions offered to grant the Bonds is expected to be for a period of three years. The aggregate amount of Bonds will not exceed HK\$1 billion. CSCEC will bear the expenses incidental to the issue of the Bonds by the Financial Institutions. The Company will not receive any fee for giving the Indemnity. As at 31 December 2000, none of the Bonds were issued by the Financial Institutions under this arrangement.

CONNECTED TRANSACTIONS (Cont'd)

- (i) On 21 July 2000, Winwise Development Limited ("WDL"), a wholly owned subsidiary of the Company, entered into a sale and purchase agreement (the "Agreement") with Million Options Inc. ("MOI"). Under the Agreement, WDL agreed to acquire from MOI 30% interests in, and an outstanding loan advanced by MOI to, Splendid Return Limited ("SRL"), for a consideration of HK\$52,927,816 (subject to adjustment). Prior to the signing of the Agreement, MOI was a substantial shareholder of SRL, a company owned as to 70% by WDL and as to 30% by MOI. MOI was wholly owned by the guarantor of the Agreement (the "Guarantor"), who was a director of SRL and China Overseas Grand Gain Property Development Limited ("COGGPDL"), a wholly owned subsidiary of SRL. SRL through COGGPDL owned properties in the New Territories of an aggregate area of approximately 800,000 square feet pending delivery of vacant possession for redevelopment (the "Property"). The Agreement enables the Company and its subsidiaries to secure 100% ownership of SRL and COGGPDL as well as vacant possession of the Property (or a majority of them). MOI has agreed to procure delivery of vacant possession of the Property under the terms of the Agreement within eight months from the date of the Agreement (the "Delivery Period"), failing this, a further period of six months shall be extended (the "Extended Period"). A bonus of HK\$5,000,000 will be payable by WDL to MOI if vacant possession of the Property is delivered under the Agreement within the Delivery Period and the aggregate consideration will be increased to HK\$57,927,816. If MOI fails to deliver vacant possession of the Property within the Extended Period, the purchase consideration of HK\$52,927,816 is subject to an abatement to the extent of HK\$30,000,000.
- (j) The Group made advances to a 51% owned subsidiary, namely Shanghai Hai Xing Realty Co., Ltd. ("Shanghai Hai Xing"), to finance its property development project. The outstanding balances of such advances at the beginning and the end of the year were approximately HK\$175,561,000 and HK\$157,348,000 respectively. Such advances carry interest at commercial lending rates and are unsecured without specific repayment terms. The remaining 49% interest in Shanghai Hai Xing is held by an enterprise operating in the PRC who is not connected with the directors or the controlling shareholder of the Company.
- (k) On 20 February 2001, China Overseas (Zhong Guo) Limited ("COZG"), a wholly-owned subsidiary of the Company, has entered into a sale and purchase agreement (the "Agreement") with Shenzhen Zhong Hai Investment Management Co., Ltd. ("SZHI") and Shenzhen Xifengchun Consultancy Service Co., Ltd. ("XFC"). Pursuant to the Agreement, COZG agreed to sell to SZHI and XFC 95% and 5% respectively of its entire holding in the equity of Zhonghai Property Managing (Shenzhen) Co., Ltd. ("ZHPS"), a wholly owned subsidiary of COZG, for a consideration of HK\$8,000,000 (the "Disposal"). Prior to the signing of the Agreement, SZHI was owned as to 95% by CSCEC. XFC is owned by independent third parties. Mr. Sun Wen Jie and Mr. Yao Xiancheng, both being directors of the Company, are also directors of CSCEC. ZHPS is engaged in property (including car park) management and owns investments by way of equity holding in six different PRC companies involved in property management, elevator engineering, electrical and mechanical maintenance and cleaning business. ZHPS currently provides property and carpark management services for properties in Shenzhen, Beijing and Tianjin including those owned and/or developed by the Group and its holding companies. The Disposal is pursuant to the request of the Construction Ministry of the PRC as part of its program of separating the ownership of property development companies from that of the owner or developer of the properties managed in order to prevent monopoly in the industry.



CONNECTED TRANSACTIONS (Cont'd)

- (1) On 2 April 2001, Supreme Class Limited and Chung Hoi Finance Limited (the "Vendors"), both being the subsidiaries of the Company, entered into an agreement with Designcase Limited (the "Purchaser"), under which the Vendors agreed to sell to the Purchaser 243,706,000 shares (the "Sale Shares") in Ryoden, representing approximately 21.6% of the issued share capital of Ryoden, at an aggregate consideration of HK\$341,532,901. On that date, Ryoden Property Development Company Limited (the "Old Controller", a wholly owned subsidiary of Ryoden, Quicktime Profits Limited (the "New Controller", a wholly owned subsidiary of the Company), Ryoden and the Company entered into an agreement, pursuant to which the New Controller agreed to acquire the entire interest in Fortune Best Investment Limited ("Fortune Best") and the amount owing by Fortune Best to the Old Controller, at an aggregate consideration of HK\$341,532,901. The principal asset of Fortune Best is its 60% equity interest in Shanghai Winning Property Development Co., Ltd., a sino-foreign equity joint venture enterprise established in the PRC, the principal asset of which is the remaining unsold portions of Shanghai Square situated in Shanghai, the PRC. Completion of the Group's disposal of the Sale Shares and acquisition of the property is subject to the approval of the shareholders of the Company and Ryoden and is expected to take place on or about 25 May 2001.

The transactions disclosed above were, in the opinion of the directors, conducted on fair and reasonable bases.

Other than the relevant transactions disclosed above and in note 36 to the financial statements, no contracts of significance to which the Company or any of its subsidiaries, holding companies or fellow subsidiaries was a party or were parties and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

RETIREMENT BENEFIT SCHEME

Details of the Group's retirement benefit scheme for the Group's employees are set out in note 8 to the financial statements.

SUBSTANTIAL SHAREHOLDERS

At 31 December 2000, the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance showed that the following shareholder had an interest of 10 per cent. or more in the share capital of the Company:

Name of shareholder	Number of ordinary shares of HK\$0.1 each	Percentage of interest
China Overseas Holdings Limited ("COHL")	3,113,618,800	57.26%

COHL is a wholly owned subsidiary of CSCEC. Accordingly, CSCEC is deemed by the SDI Ordinance to be interested in the 3,113,618,800 ordinary shares of HK\$0.1 each in the Company beneficially owned by COHL.

Other than as disclosed above, the Company has not been notified of any other interests representing 10 per cent. or more of the Company's issued share capital at 31 December 2000.

DONATIONS

During the year, the Group made charitable and other donations amounting to approximately HK\$198,000.

AUDIT COMMITTEE

The members of the Audit Committee are shown on page 1. The principal duties of the Audit Committee are reviewing the internal controls and the financial reporting requirements of the Group. The Committee is satisfied with the Company's internal control procedures and the financial reporting disclosures.

PRACTICE NOTE 19 DISCLOSURE

In accordance with the disclosure requirements under Practice Note 19 of the Listing Rules, at 31 December 2000, the Group has loan facilities with an aggregate principal amount of HK\$1,404 million. The last repayment date of these facilities is 2 September 2002. Both CSCEC and COHL are required to maintain specified minimum holdings in the share capital of the Company ranging from 38% to 51%.

POST BALANCE SHEET EVENT

Details of significant post balance sheet event are set out in note 38 to the financial statements.

CORPORATE GOVERNANCE

The Company has complied throughout the year ended 31 December 2000 with those paragraphs of the Code of Best Practice, as set out in Appendix 14 of the Listing Rules, except that the independent non-executive directors of the Company are not appointed for specific terms but are subject to retirement by rotation at annual general meetings of the Company in accordance with the Company's Articles of Association.

AUDITORS

Messrs. Deloitte Touche Tohmatsu have acted as auditors of the Company for the past three years.

A resolution to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company will be proposed at the forthcoming Annual General Meeting.

On behalf of the Board

Sun Wen Jie

Chairman

Hong Kong, 11 April 2001