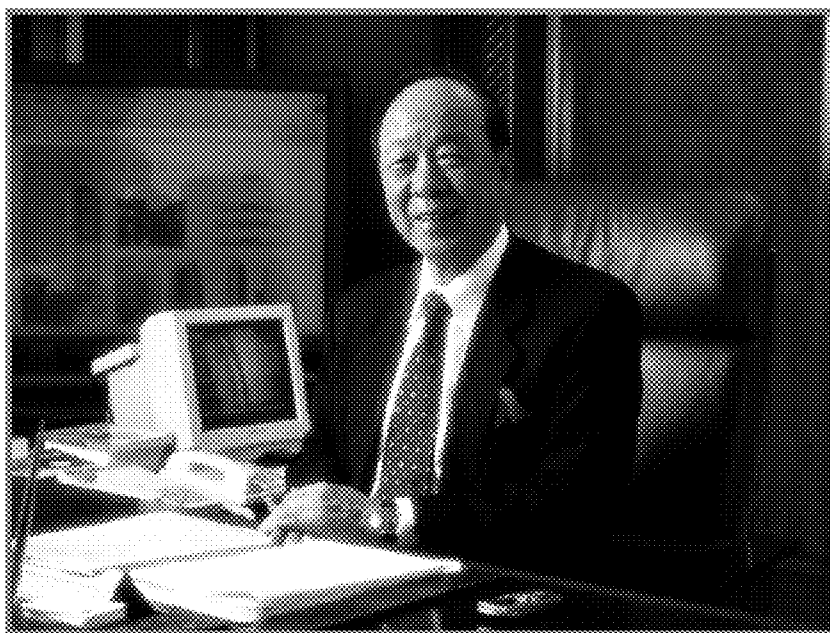


Chairman's Statement



Chairman - Mr. Lui Che Woo, MBE, JP

RESULTS

The Group's turnover for the year ended 31st December 2000 was HK\$1,778,450,000. It represented an increase of 23% when compared with the unaudited proforma figure of last year. The audited profit attributable to shareholders for the year was HK\$82,075,000 showing an increase of 25% over the preceding year's proforma results.

The Board will recommend at the forthcoming annual general meeting a final dividend of 2 cents per share payable to the shareholders whose names appear on the registers of members of the Company on 31st May 2001 by way of scrip dividend with shareholders given the option of electing cash. Together with the interim dividend of 1 cent per share, the total dividend for the year will be 3 cents per share. Subject to the approval of shareholders at the forthcoming annual general meeting, it is expected that the final dividend will be paid on 11th July 2001.

REVIEW

The Hong Kong economy registered a double-digit growth rate in the first three quarters of 2000 but the pace of growth lost steam in the fourth quarter. Nevertheless, unemployment rate has been falling steadily throughout the year and deflationary pressure appears to be easing. Retail sales volume for the year 2000 as a whole increased by 8.1% after two consecutive years of decline.

The Hong Kong property market in general performed satisfactorily in the first three quarters of 2000. However, market sentiment deteriorated again in the last quarter of 2000 due to the uncertainty on the government stance in the land supply and housing policy. Nevertheless, the Group remains cautiously optimistic towards the future of the Hong Kong property market.

In October 2000 the Group formed joint ventures with Sino and Cheung Kong and via these joint ventures, acquired two more residential sites at Tsuen Wan and Sham Tseng with total gross floor area of approximately 77,000 square metres and 17,000 square metres respectively. It is expected that these two projects will be completed in 2004/2005.

Chairman's Statement

In Mainland China, it is observed that GDP grew at a better than expected rate of 8% in real terms in 2000 as against the 7.1% recorded in 1999. Export grew by 29% and retail sales increased by 10%. At the same time, government expenditures also rose rapidly as the government resorted both fiscal and monetary policies to stimulate domestic economic activities.

Though domestic consumption remained moderate, overall market sentiment in general was improving. The selling price and sales volume in the residential properties in some major cities increased moderately.

OUTLOOK

The rapid stride of economic growth experienced in Hong Kong in 2000 is anticipated to become moderate by an expected slowdown in the global economy, the United States in particular. The US Federal Reserve, alarmed by the rapid slow down of economic activities in the States and to stimulate the economy, had cut interest rates three times since January 2001. Further interest rate cuts are foreseen to be in the pipeline. This may add momentum to the recovery of the property market in Hong Kong.

In the Mainland, the pace of growth is expected to be less buoyant than last year. However, growth momentum is still expected to maintain. In the recent 10th 5-year State Plan, the growth target for China's economy has been set at 7% p.a. for the next five years. Hence, the economic outlook for China remains promising.

PROPERTIES

Recently, the residential prices and transaction volume rose moderately in Hong Kong following the interest rate cuts, the recent moves by the government to cut the new supply of land for private homes and the relaxation of anti-speculation measures. Some owners of second-hand flats had raised asking prices. With the unemployment rate stabilized and the prospect of further interest rate cuts and wages increase in the years ahead, there are renewed interests in the property market. It is believed that property prices have reached their trough and are on a sustainable recovery trend. In addition, it is also noted that the housing affordability is at its highest level since the Mid 1980's. Hence, the Group expects satisfactory performance will be forthcoming from the projects it has invested.

In February 2001, the Group had further acquired through Government public auction a residential site at Ma On Shan, Shatin with a total gross floor area of approximately 37,000 square metres.

CONSTRUCTION MATERIALS

In the near term, with keener competition and lack of major new projects in private and public sectors, the Group envisages that profit from Hong Kong operations would in the meantime be reduced. To strengthen the Group's position, proactive measures have been taken to further streamline the management structure, reinforce cost control and realign resources to cover new strategic locations.

In Guangzhou, subject to the outcome of the legal proceedings to revoke the closure notice served on Huangpi Quarry, the Group remains cautiously optimistic of the overall performance of our Guangzhou operations.

In Shanghai, with the easing of the liquidity problem in the market and the Group's continuous efforts in streamlining the management structure, we expect contribution from our Shanghai operations to increase in the coming year.

CHANGE IN THE BOARD

Mr. Michael Leung Man Kin, CBE, JP, resigned as an executive director of the Company on 2nd March 2001 and remains on the Board as a non-executive director. The Board would like to take this opportunity to express appreciation towards Mr. Leung for his valuable contribution to the Company.

On behalf of the Board, I sincerely thank the Company's management and staff for their dedication and hard work during the year.

Lui Che Woo

Chairman

Hong Kong, 17th April 2001

Best Quality



