

### BUSINESS REVIEW AND PROSPECTS

The Group's turnover for the year amounted to HK\$23,751,000, a slight decrease of approximately 4% from that in 1999. The decrease was mainly due to the drop in interest income.

The Group reported a net profit attributable to shareholders of HK\$4,355,000 for the year, a decrease of approximately 76% from that in 1999. The decrease was mainly attributable to the decrease in the contribution from Shougang Concord Technology Holdings Limited ("Shougang Technology"), its associate, and from Beijing Dongzhimen International Apartment Co., Ltd. ("Dongzhimen"), its jointly-controlled entity.

The Group's investment properties in Hong Kong continued to provide a stable rental income for the Group. It managed to record a slight increase of 5% in rental income for the year.

### DONGZHIMEN

The continuing decline of the property market in Beijing started from 1999 had brought great difficulties on the operation of Dongzhimen, especially the first quarter of the year was the hardest time of 2000. In face of the slump market and the intense competition, its management adjusted the leasing policy to cope with the constant changes of the market for the purpose of raising the occupancy rate. With the implementation of new pricing system, other various leasing strategies and cost control measures, the rental income began to pick up steadily and the target profit for the year had been achieved. Its construction work of the site north to the existing East Lake Villas (the 2nd phase) which has obtained a higher score in the "Great Wall Cup" construction quality appraisal by Beijing municipality is on schedule. It is expected to be ready for formal operation by the end of 2001 and its contribution to the Group will be further enhanced then.

### SHOUGANG TECHNOLOGY

Shougang Technology reported a net loss of approximately HK\$22.8 million for the year as compared to a net profit of approximately HK\$26.1 million in 1999. It was mainly due to the write-off of HK\$51.5 million on the investment in Shou Jia Information Technology Ltd. ("Shou Jia"), its jointly-controlled entity. Two major customers of Shou Jia had been suspended from trading by the Mainland Authority since September 2000. Its investment in Shou Jia was written down to HK\$2 million as at 31 December 2000. Shougang Technology is now taking steps to exercise its put option to sell its shares in Shou Jia back to the vendor at the predetermined price as stated in the sale and purchase agreement entered into in 1998. On the other hand, with its enhanced effort in material and cost control, Shougang Technology was able to cope with the upward trend of raw material and petroleum cost. Therefore it achieved a growth in profit from operating activities for the year. The Board is optimistic about the future contribution of Shougang Technology to the Group.

### OUTLOOK

With the recent cut in interest rates and the Government's strong commitment to restore the confidence in property sector by tightening the supply of subsidised flats and scaling down of the land sales, overall sentiment in Hong Kong property sector has been improving. The management believes that the Group will benefit from an upturn in the property market.

There are signs of continuing recovery in the Hong Kong economy, with GDP growth estimated at 10% for the year of 2000 and reduction in its unemployment rate. The economy has regained its positive economic path. Despite the improvement in the local operating environment, the Board believes that the year 2001 will still be a challenging year. However, together with improved sentiments in the local property market as well as lower interest rates, the Board is still optimistic on the continued improvement in local economic performance. It is believed that China's entry to the World Trade Organisation has a positive impact on the economy of both Hong Kong and the Mainland.

The Group will continue to seek suitable investment opportunities as and when they arise. With the solid foundation of the Group and its strong positioning in the Mainland, its Board is confident of its future prospect.

### DIVIDENDS

The Board does not recommend the payment of any dividend in respect of the year.

### ACKNOWLEDGEMENT

The Board would also like to take this opportunity to express our gratitude to our shareholders for their continued support, and to all our staff for their dedication and hard work.

By Order of the Board

**Su Genqiang**

*Vice-Chairman*

Hong Kong, 19 April 2001