

On behalf of the Board of Directors, I am pleased to present to the shareholders the operating results of the Group for the year 2000.

BUSINESS REVIEW

Results

For the year ended 31st December 2000, the Group recorded a turnover of HK\$395,133,000, representing an increase of 16% over that of last year, and a loss attributable to shareholders of HK\$111,145,000, an increase in loss by 60% from 1999. The increase in turnover for the year was due to the improved sales revenue from property development. However, owing to intense competition, which leads to relatively low prices of the property market in the region that we operated during the year, the prolonged development period for most of the Group's projects resulting in increased capital and management costs, as well as the increased investment in technology, the result of the year was below satisfaction in spite of the increase in sales revenue.

Dividend

In view of the operating loss, the Board of Directors does not recommend any dividend for the year (1999: Nil).

Sale of Property

For the financial year, sales revenue of the Group was primarily derived from four residential development projects, namely Suzhou Mei Zhi Guo, Fuzhou Tian Ci Liang Yuan, Shanghai Da Yun Sheng Cheng and Nanjing Sheng Shi Hua Ting.

Property Rental

The Group retained part of the offices spaces, shopping malls and car parking spaces for rental purposes as a stable recurring income source. Rental income was mainly generated from the shopping mall and office spaces at Hong Kong Winsan Tower and shopping malls at Fuzhou Jia Sheng Plaza.

Property Development

During 2000, the PRC government continued its housing policies to stimulate house buying by individuals. Against this backdrop, market demand for ordinary and middle-end residential properties was encouraging. However, owing to fierce competitions, there was pressure on property price in general. Therefore, the operating profit did not reflect the improvement in sales revenue. At the beginning of the year, the Group laid down its strategy with a focus in developing comfortable and functional residential houses for the PRC market. The Group has expedited development and sales of its existing projects, including Fuzhou Tian Ci Liang Yuan, Shanghai Da Yun Sheng Cheng and Suzhou Mei Zhi Guo. Meanwhile, the design and preliminary work of other new residential projects have also been accelerated. Accordingly, the design of Fuzhou Bao Fu Xin Cheng has commenced during the year to prepare for construction in 2001.

Hi-Tech Project

Establishment of TransOnline, our major IT investment project, was successfully completed in the year, and the portal was officially launched in August 2000. Currently, the Group has signed alliance agreements with parties from 49 transport hubs in medium to large cities in the PRC for the establishment of a network covering 36 cities. Meanwhile, the alliance has started to promote its membership and issuance of IC cards to its members. Agency arrangements with a leading insurer and a leading telecommunication company have been in smooth progress and are expected to become stable revenue sources for TransOnline. The market research and design of the integrated logistics application has commenced in preparation for development into this huge market.

Financial Resources and Liquidity

The Group's property development activities have been financed by short term revolving bank borrowings and proceeds from sale/pre-sale of completed properties/properties under development for sale. As at 31st December 2000, the Group had bank and cash balances amounting to HK\$197,860,000 (1999: HK\$255,641,000), of which HK\$92,686,000 (1999: HK\$134,786,000) had been pledged to secure bank borrowings of the Group.

The Group's borrowings amounted to HK\$809,418,000 (1999: HK\$809,910,000), representing a ratio of total borrowings to total assets of 44% (1999: 41%). The current ratio, being current asset over current liabilities, was 158% (1999: 135%) which was healthy.

With the proceeds from existing operations and the continuing support of banks, management believes that the Group has adequate resources for its ongoing operations.



Pledge of Assets

As at 31st December 2000, approximately HK\$543,078,000 (1999: HK\$516,423,000) of the Group's properties in Hong Kong and the PRC and HK\$92,686,000 (1999: HK\$134,786,000) of the Group's bank deposits had been pledged to secure bank borrowings of the Group.

Employees

As at 31st December 2000, the Group had 780 employees a majority of which was based in the PRC. The subsidiaries of the Group in the PRC participate in defined contribution pension schemes operated by the relevant local government authorities in the PRC. Following the adoption of the Mandatory Provident Fund ("MPF") Scheme in December 2000, the Group's employees in Hong Kong joined the MPF Scheme.

Contingent Liabilities

The Company's 50.45% owned subsidiary, Winsan (Fujian) Industrial Co., Ltd. ("Winsan Industrial"), a company with its "A" shares listed on the Shanghai Stock Exchange in the PRC, provided corporate guarantees amounting to HK\$55,257,000 as at 31st December 2000 for bank loans granted to Fujian CFC Industries Co., Ltd. ("FCFC"), a company with its "A" shares listed on the Shenzhen Stock Exchange in the PRC. In return, FCFC also provided guarantees for bank loans of Winsan Industrial amounting to HK\$33,566,000 as at 31st December 2000. The loans of FCFC have been overdue. To date, no claims have been lodged against Winsan Industrial for performance of the guarantee. In the opinion of the directors of the Company, no provision is required to be made in the accounts.

OUTLOOK

The PRC government will continue to encourage house construction and consumption. Therefore, demand for comfortable residential properties by urban dwellers is prone to increase. In view of the fierce competition in the property market, the Group will strive to leverage its own edge and accelerate the development of comfortable and functional residential houses in the PRC, which will be developed into the main growth point of the Group's revenue. In addition, the Group will further strengthen its investment in hi-tech projects and the marketing of TransOnline in the PRC, and thereby diversify the business of the Company for its transformation into the hi-tech industry.



APPRECIATION

I wish to express my gratitude to the shareholders for their trust and support for the Group, and my sincere thanks to all members of staff whose efforts and dedication contributed to the Group's development.

Chan Chak Shing

Chairman

Hong Kong, 23rd April 2001