

On behalf of the Board of Directors of New Rank City Development Limited (the "Company") and its subsidiary companies (the "Group"), I am pleased to present the Group's 2000 Annual Report to shareholders.

#### **REVIEW OF OPERATIONS**

As the Group continued its property business in Beijing, the construction of China Securities Building began in full force. It also strove to augment its land bank and strengthen its comprehensive property development capability. The Group has entered into a non-legal binding equity swap letter of intent with Beijing North Star Real Estate Development Company Limited, and has actively engaged in the negotiation for the property development right of a site with a gross floor area of 116,000 square metres in the Central Business District ("CBD"), Beijing.

The Group's audited consolidated loss after taxation and minority interests for the year ended 31 December 2000 amounted to HK\$73,635,000, compared with an attributable profit of HK\$8,683,000 in 1999. The office property market in Beijing recovered only in the second half of 2000. Therefore, the Directors decided to commence the pre-sale of the China Securities Building in 2001 so as to achieve a higher sales target. As a result, the Group recorded a loss in 2000. The Directors are confident that the Group will continue to implement flexible and prudent marketing tactics and strategies for the sale of its properties in 2001, and also to take advantage of potential higher property prices.

#### **LIQUIDITY AND FINANCIAL RESOURCES**

As at 31 December 2000, the Group's borrowings amounted to HK\$231 million which are interest-bearing and repayable within one year.

The Group continued in a high gearing position at 31 December 2000. The Group had pledged its properties with an aggregate net book value of HK\$145,842,000 to secure bank loans.

#### **CONTINGENT LIABILITIES**

The Company had provided guarantees for mortgage facilities by a bank to the buyers of its properties developed by the Group. In addition, bank balances of approximately HK\$599,000 as at 31 December 2000 were restricted as guarantee for these mortgages. As at 31 December 2000, the outstanding amount of the abovementioned mortgage facilities for which the Group had provided guarantees amounted to approximately HK\$26,300,000.

## PROSPECTS

The Group's core business is property development in Beijing, the capital city of the PRC. Following the WTO entry by the PRC, the Directors believe that the current recovery in Beijing's property market will continue in the next five years. The property market in Beijing is expected to become more active and property price will further escalate.

The Group is the only Hong Kong publicly listed company which focuses on property investment and development in down town Beijing. Following the WTO entry by the PRC, the Directors believe that more domestic, as well as foreign, corporations will establish their offices and branch organizations in Beijing, thus a rebound in both demand and price in the Beijing property market can be certain. The Group's strategic objective is to become a premier investor and developer of office, hotel and luxury residential properties in Beijing. Presale approval for China Securities Building by the Beijing Municipal Government was received in January this year. The Group expects to secure contracts with major domestic securities firms and banks this year. China Securities Building, a landmark in the Finance Street area, offers prospects for steady cashflow and income for the Group, and lays a sound foundation for enhancing the corporate profile of the Group in Beijing.

The intention to acquire land in the CBD in the eastern part of Beijing is expected to be advantageous to the Group, and will enhance the profitability of the Group in the coming years. The site to be acquired in the CBD area offers 116,000 square meters of construction space and, if successful, will increase the Group's land bank to 260,000 square meters of gross floor areas. This CBD site occupies an area of approximately 12,750 square metres, locating adjacent to China International Trade Centre and Kerry Centre. The Company's objective is to enhance its property development capability and generate steady long-term benefit for its shareholders.

The Directors further believe that, given the Group's management has built up an expertise and abundant experience in real estate and property development in Beijing, and given the Group's development properties are concentrated in Beijing's prime business area, the Group's strategy will be to continue its focus on property construction and development in Beijing, in particular, the property development interest in Finance Street and the CBS in Beijing. Together with the capability to grasp opportunities as well as sophisticated planning, the Directors believe that the Group is able to maintain a continuous, steady and healthy growth, and provide shareholders with reasonable long term returns in future.

**APPRECIATION**

On behalf of the Board, I would like to thank all our shareholders and business partners for their strong support to the Group. I would also like to express sincere appreciation to the management and staff of their contribution to the Group over the past year and for their continuous dedication and commitment in the future.

**Leung Kwo**

Chairman

Hong Kong, 25 April 2001