

Managing Director's Statement

RESULTS

The turnover of the Group for the year ended 31st December, 2000 was HK\$79.9 million, approximate to HK\$81.0 million of last year. However, net profits after taxation of HK\$32.7 million and earnings per share of HK\$0.026 has improved a lot comparing to the net loss after taxation of HK\$120.6 million and loss per share of HK\$0.135 of last year. Since the main business of the Group for the years under review were investment holdings, the Group's two years' results in comparison fluctuate. In light of this, the Group will seek to increase investment in projects that will generate stable and recurring income to the Group so as to improve the Group's quality and magnitude of profits.

REVIEW AND PROSPECTS

Property Investment

The Group's property investment in the People's Republic of China ("PRC") has contributed HK\$68.7 million rental income to the Group. The south residential block of East Gate Plaza ("East Gate Plaza") in Beijing, PRC has a profit guarantee which was expired by the end of year. Having taking into consideration the current situation of the rental market and the expectation on the PRC property market, the Group has decided to utilize East Gate Plaza as a vehicle to enter the PRC property development market. The Group has injected East Gate Plaza into Beijing East Gate Plaza Property Development Limited ("East Gate Property"), formerly known as Beijing Huajian Real Estate Co., Ltd. ("Huajian"). The Group is now holding 58.5% in East Gate Property. East Gate Property a large property developer with land development right the projects of which are mainly low risk with secured returns. Following the expected admission of PRC to the World Trade Organization and the sustained fast economic growth in the PRC, the Directors are of the opinion that the PRC property market will sustain a rising trend. East Gate Property while developing properties will also arrange for a public listing on the PRC the A share or B share market. The Directors believe property investment will bring in huge return.

For the purpose of increasing the stable and recurring income to the Group and to enjoy the benefit of the possible capital gain on the A share or B share listing of East Gate Property, the Directors are considering the possibility of increasing the Group's interest in East Gate Property, if feasible, the Group will take appropriate actions accordingly.

Infrastructure Investment

The Group has increased its investment in an associate, CII Limited (formerly known as China Infra-structure Investment Limited) ("CIIL") by 10% to 50%. Except the completion of the ZhaoQing Bridge in mid-2001 (the completion of the bridge was delay due to certain geological problems) all the remaining projects has been completed. CIIL has built up systematic management procedures, operating efficiency and economic effectiveness are continuously rising, and net cash inflow after principal repayment and interest payment is also increasing steadily. The Directors believe that infra-structure investment is foundation of economic growth. The sustained fast growth of the PRC economy will bring in long-term and stable returns to the infra-structure projects.

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CIIL will utilize the capital market to finance its next step development. The Directors has been discussing with certain intermediaries the possibility a separate listing of CIIL. Preliminary judgement is favorable. Once the market sentiment is suitable, the listing of CIIL will speed up so as to widen the development of CIIL and at the same time bring in more benefit to the Group.

High-technology Investment

During the year, the Group acquired 44% interest in Righteous (Holdings) Limited subsequently renamed to SilverNet Group Limited ("SilverNet"), a company listed on The Stock Exchange of Hong Kong Limited ("SEHK") at a cost of HK\$110.0 million. Subsequently, SilverNet placed out new shares to Warburg Pincus and Merrill Lynch to raise HK\$220.0 million. SilverNet has also made several new investments satisfied by placing new shares and cash payment. Upto the end of the year, the Group's interest in SilverNet was diluted to approximately 30%. For the past year, SilverNet concentrated its effort in clearing up loss making businesses and invest in new high technology projects so as to build up an portfolio of projects with high growth potential. As SilverNet was in its investment stage for the past year, it is unlikely to generate returns to the Group in the short-term.

Other Investments

The Group will seriously consider the operations of retailing business, property development business in Hong Kong and industrial investments. Appropriate adjustment policies will be taken accordingly when the Directors reach a judgement regarding the prospects of the foregoing. Such adjustment policies may include but not limited to disposal of the relevant investments.

RAISING OF FUND

During the year, the Company has issued 178,468,000 shares and 213,800,000 shares new ordinary share of the Company of HK\$0.85 per share and HK\$0.88 per share respectively (see note 26 for details). Total funds raised (before expenditure) amount to approximate HK\$339,842,000. The funds received was all applied to the Group's working capital.

DIVIDEND

The Directors has resolved to recommend a final dividend of HK\$0.01 per share for the year ended 31st December, 2000 (1999: Nil) in the coming Annual General Meeting to be held on 23rd May, 2001. If approved, the final dividend will be payable on 13th June, 2001 to shareholders listed on the register of member of the Company on 23rd May, 2001.

By order of the Board

Gao Jian Min

Managing Director

26th April, 2001