



Mr. Liu Guoyuan
Vice-Chairman

Maximising corporate profits
Market-oriented strategy
Qualified service
Well-trimmed management
Strong team work among staff

Operations Review

Properties

During the year, with an occupancy rate of 97% or above, rent of the eight floors of COSCO Tower was one of the major and stable stream of revenues to the Group. However, the values of Grade A offices continued to drop these years. Therefore, a provision for diminution was made after the revaluation of the eight floors of COSCO Tower.



COSCO Tower



Phase I Zone I, Fragrant Garden, Shanghai

In 2001, the Shanghai government repealed the policy on the classification of flats for local buyers and overseas buyers, thereby, the Fragrant Garden in Hongkou District, Shanghai, once a property development project for the Mainland Chinese only, could also be sold to overseas buyers after the enforcement of the new policy. All the residential units of Phase I Zone I of the Fragrant Garden were sold, and completed for occupancy in June 2001. Phase I Zone II was subsequently put on pre-sale and the construction work has been well in progress, and is expected to be completed in the first half of 2002. The planning of the construction of Phase II is underway, with construction works commence at the end of March 2002.

On 29th June, 2001, Beijing Tian Lin Property Development Co., Ltd. ("Tian Lin"), a sino-foreign equity joint venture company, was formed by the Group and COSCO Real Estate Development Company ("CRED") to develop two real estate development projects in Beijing, namely, the Ocean Prospect and the Shenghuayuan Phase II. The sale of the Ocean Prospect, which had been put on pre-sale in 2001, achieved favourable result and is expected to be completed in April 2002. The construction work of the Shenghuayuan Phase II is expected to commence in 2002.

VICE-CHAIRMAN'S STATEMENT

In Hong Kong, one of the two detached houses in Lot No. 217, Mei Wo Circuit, Shatin was sold in 2001. The other one has been offered for sale in 2002.

Building Construction

SSCE's ongoing effort in maintaining construction quality control, safety management measures and construction work progress monitoring had achieved satisfactory results during the year. The Broadview Court, a project of SSCE, was launched for sale within the year, and all the flats were sold and delivered to owners at the end of 2001.

Besides construction projects of the Hong Kong Housing Authority ("HKHA"), SSCE had also diversified its business operations to include school projects of the Architectural Services Department ("ArchSD"), comprising a "design and construction" project at Po Kong Village Road and a project for a primary school in Sau Mau Ping.

In addition, SSCE won a tender for a private residential project in To



Ceremony for the completion of Zone I and pre-sale opening of Zone II of the Fragrant Garden Phase I.

Kwa Wan developed by joint developers in Hong Kong at the end of 2001. The contract sum of the project amounts to HK\$867 million. The gross floor area of the project is 173,075 sq.m. and the site area is approximately 14,180 sq.m..

For the year ended 31st December, 2001, the total value of construction contracts completed and the total value of construction work in progress of SSCE amounted to HK\$2.2 billion and HK\$1.68 billion, respectively.

Infrastructure

Henan Xinzhongyi Electric Power Company, Limited ("Henan Power Plant") is the major infrastructure investment of the Group. During the year under review, despite keen competition in the provincial power supply market, electricity output volume has increased. The management has implemented various measures to control the cost and enhance the efficiency of the plant after the expiry of the guaranteed-return period of the Henan Power Plant.



Henan Power Plant

High Technology

深圳艾科創新微電子有限公司 (Ark Pioneer Microelectronics (Shenzhen) Limited) ("Ark Pioneer") which focuses on the design of integrated circuits is in the product development stage. It is expected that with the successful launch of the company's products in the Mainland China market, the current situation of reliance on foreign import will bound to change.

Future Outlook and Strategies

Properties

It is expected that Hong Kong economy will turn around in mid 2002, and the office rental rates will go up steadily. The Group will

continue to maintain good relations and communications with tenants in order to meet customer's requirement and to keep a high occupancy rate.

The prospect of the Mainland China property market looks good, especially in Beijing and Shanghai, with the Central Government passed a number of bills to further regulate and monitor the market. Further, the Shanghai government has repealed the policy of separating the sale of residential units to local buyers and overseas buyers. All of these are good news to the forthcoming sales of Fragrant Garden project.

With the economy grows steadily in Mainland China, household income and living standard is

increasing. People are generally striking for a better living environment, and therefore property development will have a brighter future. Moreover, under the condition of low interest rate and high return on investment, investment in property is a good choice.

Also, Beijing's successful bid for the hosting of the Olympic Games and China's accession to the WTO are the unambiguous booster to the real estate market in Mainland China. The Group will further explore and develop promising high quality residential projects so as to strengthen its overall asset structure.



Phase I Zone II, Fragrant Garden, Shanghai

Building Construction

Due to the Hong Kong Government's implementation of a moratorium on the sale of Home Ownership Scheme flats, and its plan to reduce the provision of public housing flats, the public building construction volume in Hong Kong is bound to descend. Moreover, the Hong Kong Government's various policies put upon the contractors and measures to control construction quality have created a more and more difficult operating environment for building construction industry. However, SSCE responded promptly and diversified its business operations to government projects other than those of the HKHA. It had secured school construction projects from the ArchSD and a residential construction project from private land developers during the year. SSCE will continue to improve its control in safety measures, construction quality and work progress. It will also strive to expand the tender sources and volume.

Infrastructure

In view of the sweeping changes for the power supply industry in Mainland China, uncontrollable external factors may rise. The Group will continue to reduce the cost and enhance the management efficiency by keeping the performance of the Henan Power Plant.

High Technology and Environmental Protection

Although the economy is inconclusive at the moment, high technology and environmental protection businesses still have their potentials. We will continue to manage all investment projects in a cautious manner, with an aim to improve the Group's asset quality and bring the best return to our shareholders.

Conclusion

Under the corporate motto of "Maximising corporate profits, Market-oriented strategy,

Qualified service, Well-trimmed management and Strong team work among staff", the Group worked very hard to overcome all the challenges and remained steady growth in the first year of the new millennium.

Looking forward to 2002, all our staff will team up and work even harder to maximise the corporate value. Our staff will commit themselves to achieve "prudence, pragmatism, efficiency, and progressiveness". Following the development strategies and marketing positioning outlined by the Group, a better development prospect is secured. Loyalty, Commitment, Pragmatism, Efficiency - these are qualities amongst our staff which make the Group's goals attainable and have a brighter future.

LIU Guoyuan
Vice-Chairman

Hong Kong, 28th March, 2002

