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 2001 Annual Report to shareholders.

REVIEW OF OPERATIONS

The Group continues its focus on the property development and property investment in Beijing, The People's Republic of China (the "PRC"). The construction of China Securities Building ("CSB") is in full force. In order to strengthen the group's land bank, a piece of land located in the Central Business District ("CBD") area in Beijing was acquired on 18 October 2001 through the loan restructuring and share restructuring in which the Group owns 49% interest. Details of the acquisition have been set out in the circular dated 31 December 2001.

In light of the demands of office premises in Beijing is expected to grow due to the PRC's entry to the WTO and Beijing's success to host the 2008 Olympics, the directors believed that the development of the CSB as a prestige office building will be more profitable to the Group. The management, therefore, decided to change its construction plan from an office and luxury apartment complex building to office buildings which is anticipated to be completed in 2004. The private sale of CSB's office units has commenced in March 2002 and the provisional contracts for sale of CSB's office units already entered into with the buyers amounted to US$8,000,000 equivalent to approximately HK$62,400,000 as at the date of this report.

During the year under review, the Group's turnover and net loss for the year amounted to approximately HK$37.2 million and HK$74.6 million respectively, compared with the figures of approximately HK$17.4 million and HK$73.6 million respectively for the year of 2000. Basic loss per share for the period was HK Cents 28.1 as compared with HK Cents 29.4 for the corresponding year in 2000. The Group also recorded a gross loss of approximately HK$12.3 million due to the sale of certain stock units in the Investment Plaza in Beijing at a very competitive price.

Other than the above, the loss sustained by the Group during the year under review was the increase in the overhead of the Group due to (a) the removal of a sizeable office in Hong Kong and (b) the increase in expenditure to strengthen the management team of the Group. However, the directors expected that the overhead of the Group will significantly be reduced as the Group has undertaken a series of measures to reduce the Group's operating costs in 2002.

In addition, the Group terminated the sale and purchase agreement entered into in October 2000 for acquisition of 17.6% in Beijing Huaxia Information Technology Limited ("Beijing Huaxia") due to the fact that Beijing Huaxia did not comply with the terms under the agreement. The Group recorded a loss on investment amounting to HK$1.8 million during the year under review.

The Group improved its financial position from the net liabilities of approximately HK$28.6 million as at 31 December 2000 to approximately HK$2.4 million as at 31 December 2001 due to (a) the funding of approximately HK$18.4 million in respect of placing of shares and issue of shares on exercise of share options and (b) increase in revaluation surplus of approximately HK$80.5 million as at 31 December 2001 in respect of land and buildings and investment properties of the Investment Plaza, Beijing, which were revalued at open market value at 31 December 2001 by Messrs. Vigers Hong Kong Limited, an independent firm of professional property valuers.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2001, the Group's borrowings amounted to HK$443,224,000 are interest-bearing, of which HK$200,311,000 are repayable within one year, HK$242,913,000 are repayable within two to three years. The Group continued in high gearing position. The gearing ratio (total debts/total assets of the Group) was 1.00 at 31 December 2001, compared with the figure of 1.03 for the year of 2000.

The Group had pledged its properties with an aggregate net book value of HK$989,088,000 to secure bank loans granted to its subsidiaries.

The majority of the Group's operations is in the PRC, there is no significant exchange rate fluctuations during the year under review. Therefore, it is not necessary for the Group to make any foreign currency hedging arrangements to minimize the foreign exchange risk and exposure.

CONTINGENT LIABILITIES

The Group had provided guarantees for mortgage facilities provided by a bank to the buyers of properties developed by the Group. In addition, bank balances of approximately HK$518,000 as at 31 December 2001 were restricted as guarantee for these mortgages. As at 31 December 2001, the outstanding amount of the above mentioned mortgage facilities for which the Group had provided guarantees amounted to approximately HK$8,509,000.

PROSPECTS

The Directors are of the view that the PRC's entry into the WTO and Beijing's right to host the 2008 Olympics will continue to facilitate the development of the property market in Beijing particularly the premier commercial property market. This should benefit the Group as it continues to focus on office property development and investment in down town Beijing.

The private sale of CSB, the Group's flagship building, has commenced in March 2002. This will generate steady cash inflow and income for the Group in order to establish a sound foundation for the future development of the Group.

The Group's business objective is to become a premier developer and investor in the property market of Beijing and the Group has been actively looking for opportunities to acquire any favorable land bank or property development projects in Beijing to enhance the earning base and investment value of the Group. The Group had acquired a 49% interest in a site in the CBD of Beijing in October 2001 from Mr. Leung Kwo ("Mr. Leung") at an aggregate consideration of HK$68 million which will be satisfied by the issuance of the convertible note to Mr. Leung. The transaction is conditional subject to the fulfillment of the following conditions by Beijing Shiyuan Guanghua Real Estate Development Limited ("Beijing Shiyuan Guanghua") whichever is the later:

(i) obtaining the provisional land use right certificate or the land use right certificate in respect of the site on or before 30 September 2002; and

(ii) obtaining the approval from the Ministry of Foreign Trade and Economic Co-operation of the PRC and other approvals from the relevant government authorities within six months' time from the issuance of the convertible note.

If Beijing Shiyuan Guanghua fails to obtain either of the above approval, the Group will reverse the transaction with Mr. Leung. The convertible note held by Mr. Leung will also be cancelled.

The transaction had been approved by the shareholders of the Company at an extraordinary general meeting held on 16 January 2002 and the convertible note had been issued to Mr. Leung accordingly.

The Group is dedicated to develop premier office properties in Beijing. 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 is able to further expand its business 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 staffs 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, 23 April 2002