

RESULTS

The Group's audited consolidated loss after taxation and minority interests for the year ended 31st December 2001 amounted to HK\$372,540,000, compared with an attributable loss of HK\$434,840,000 (as restated) in 2000. The disappointing results were mainly due to the substantial provision for diminution in value of certain properties amounting to HK\$391,059,000 of which HK\$61,272,000 was attributable to the provisions made by the associated companies of the Group. The provisions are required to reflect the declining trend of the Hong Kong property market during 2001. Excluding this provision for diminution in value of the properties, the result for the current year would show a profit attributable to shareholders of HK\$17,399,000. The Directors do not recommend the payment of any final dividend for the year ended 31st December, 2001 (2000: Nil).

REVIEW

In 2001, the Hong Kong property market continued in a consolidation phase due to an unfavourable economic environment and an imbalance of supply and demand. The residential market was dominated by sales of newly completed units due to their competitive price, attractive payment terms and lower mortgage rates. The suspension of sales of Home Ownership Scheme flats by the Hong Kong Housing Authority until June 2002 and the increase in Home Purchase Loan Scheme quota helped to balance the supply and demand for small units. However, the supply of small and medium size flats in newly developed districts is still abundant. Demand in the office sector weakened during 2001 due to the poor economic conditions. As a result, rental income was affected by a lower rental and a higher vacancy rate.

In mainland China, the economy was strong, growing at 7.3% per annum. The Central Government's policy of stimulating private consumption and encouraging private home purchase has led to an increase in demand for residential units in major cities. In August 2001, the Shanghai Municipal Government abolished regulations that restricted foreigners from purchasing residential units developed for domestic market. In addition, the demand for office space in major cities is expected to benefit from the booming economy and China's accession into the World Trade Organization.

PROSPECTS

The Group is not expecting a strong recovery in the local property market in the near future due to the weakness of the Hong Kong economy and ample upcoming supply of property, especially in newly developed districts. In mainland China, strong economic growth and the effects of China's accession into the World Trade Organization should benefit the property markets in China as a whole. The Group has confidence in the long-term economic prospects of Hong Kong and mainland China.

APPRECIATION

On behalf of the Board of Directors, I would like to thank all our shareholders and business partners for their continuing support and the Group's management and staff for their dedication and hard work during the past year.



FA-KUANG HU
Chairman

Hong Kong, 9th April, 2002