

Chairman's Statement

The year 2001 has been a challenging year for the Group. It recorded a net loss of HK\$72,782,000 for the year under review as compared to a net profit of HK\$4,355,000 in 2000. The major factors underlying the loss were substantial loss incurred by an associate (Shougang Concord Technology Holdings Limited), the full provision against a shareholder loan due from an associate which was engaged in property development in Wuhan, the devaluation of investment properties in Hong Kong which exceeds the revaluation reserve and the decrease in the net profit of a jointly-controlled entity (Beijing Dongzhimen International Apartment Co., Ltd.).



INVESTMENT PROPERTIES

The property market in Hong Kong for 2001 has been uneventful. Both prices and rentals have succumbed to the forces of deflation. Despite the unfavourable market environment, the Group has managed to maintain a high occupancy rate in its investment properties during the year.



BEIJING DONGZHIMEN INTERNATIONAL APARTMENT CO., LTD. ("DONGZHIMEN")

By adjusting the leasing policy, the rental level of Dongzhimen for the year was in line with that of the budget, although the market for serviced apartments in Beijing remained competitive. In order to increase the market share at an early stage, Dongzhimen endeavoured to complete its construction of Phase

2 of East Lake Villas five months ahead of schedule with the normal operation of Phase 1. Construction of Phase 2 was awarded "Great Wall Cup" by the authorities of Beijing for its quality. Construction and operation of Phase 2 gave rise to the increase in financial and other costs but did not make significant contribution to the Group in its initial stage of operation.

China's accession into the WTO and Beijing's 2008 Olympics are expected to fuel new momentum for Mainland's economy which in turn is expected to lead to demand for quality serviced apartments in Beijing. With the anticipated increase in demand and the supply provided in Phase 2, management is optimistic about the future prospects of Dongzhimen and its contribution to the Group in the long term.



SHOUGANG CONCORD TECHNOLOGY HOLDINGS LIMITED ("SHOUGANG TECHNOLOGY")

The severity of the global economic downturn, the recession of electronic industry and the attack of September the eleventh have had an adverse impact on Shougang Technology. It experienced difficult operating conditions in 2001 and it recorded a loss of HK\$62,707,000. In order to enhance its competitiveness and improve its future performance, it will continue to place an emphasis on minimizing the stock level, development of new products and exercising tight control over its costs.



Notwithstanding the current difficult operating conditions, Shougang Technology has strong asset backing and healthy cash flow from operations. Management is confident of the future contribution of Shougang Technology to the Group.

OUTLOOK

In the year ahead, the Board expects the Hong Kong economy to improve. The road to recovery, however, will be full of obstacles, as the Hong Kong economy is faced with the dual challenge of structural adjustments and cyclical factors. The economy of the Mainland is one bright spot in the global economic landscape, with its GDP growth for 2002 forecast to come in at 7.2 percent. Moreover, its accession to the WTO, Beijing's success in winning the bid for the 2008 Olympic Games are expected to help boost its economy. The Group will take advantage of its experience and strong positioning in the Mainland to actively pursue potential investment opportunities to achieve future growth and expand its asset base.

ACKNOWLEDGEMENT

The Board would also like to take this opportunity to express our gratitude to our shareholders for their continued support, and to all our staff for their dedication and hard work.

By Order of the Board

Cao Zhong

Vice-Chairman

Hong Kong
22 April 2002