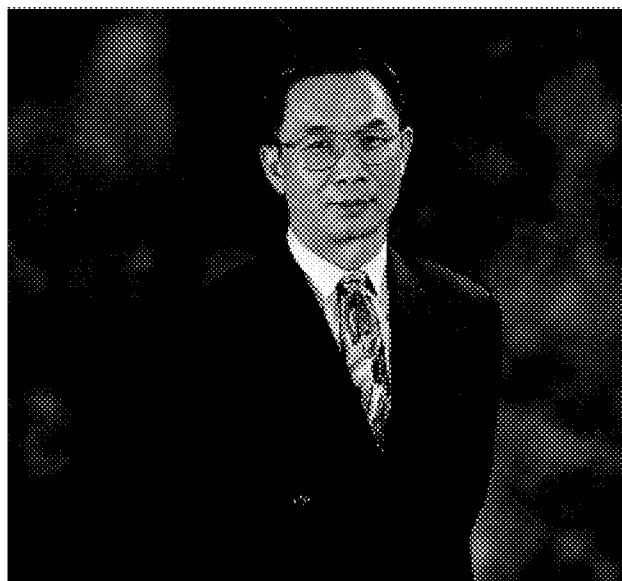


CHAIRMAN'S STATEMENT



Dai Xiaoming
Chairman & Chief Executive

RESULTS

The Group recorded a turnover of HK\$520,831,000 for the year ended 31st December, 2000, which represents an increase of approximately HK\$401,748,000 or 337% as compared with that of the previous year. Such increase was mainly attributable to the sale of office at Lot No. 5 of the Xidan Project in Beijing, the PRC of approximately HK\$450,824,000 for the year while there was no such sale of property of Xidan Project in the year 1999. However, part of the turnover was reduced because of the decrease in rental income from the temporary shopping mall, Liu UK Department Store.

The Group recorded a loss attributable to shareholders of HK\$28,272,000 for the year which represents a decrease of HK\$37,264,000 or 57% as compared with that of last year. The decrease in loss was mainly due to the decrease in provision for diminution in value of the properties this year.

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF OPERATIONS

PRC BUSINESS

The Xidan Project

In order to secure long term financing for the Xidan Project, on 30th March, 2000, an announcement for the reorganisation was made which was approved by the extraordinary general meeting on 3rd May, 2000. Upon the completion of the reorganisation, the Group's interest in Xidan Project will be reduced from 60% to 29.4%. As a result of the sale of the office at Lot No. 5 in the year 2000, and the probable sale of the building at Lot No. 1 in the first half of the year 2001, the unaudited estimation of funding requirement being estimated by Beijing Jing Yuan Property Development Co., Ltd. ("Jingyuan") for the Xidan Project was RMB2.22 billion (approximately HK\$2.09

CHAIRMAN'S STATEMENT

billion), which is lower than the original estimate of RMB3.68 billion (approximately HK\$3.46 billion) by RMB1.46 billion (approximately HK\$1.37 billion). Amongst the funds required, RMB0.72 billion (approximately HK\$0.68 billion) was obtained from the China Development Bank on 12th September, 2000. In addition, on 9th April, 2001 another bank has also agreed, in principle, to lend to the Group a loan of RMB1.5 billion (approximately HK\$1.41 billion), and the loan required is in the course of documentation. Because the funding requirement was reduced from RMB3.68 billion (approximately 3.46 billion) to RMB2.22 billion (approximately HK\$2.09 billion) the Group's intended effective interest in Xidan Project may be changed. The Group will discuss with the other two joint venture partners regarding the percentage of interests holding in Jingyuan.

All the demolition and resettlement works at Lot No. 4 and Xi Dan North Avenue were completed in the middle of the year 2000, and it is expected that all the demolition and resettlement works for the Xidan Project will be completed in the year 2001. Except for the road construction, the municipal public utility work was completed in the middle of the year 2000, and it is expected that all the works will be completed in June, 2001. The work for the widening of the Xi Dan North Avenue, the three foot bridges across streets and covered corridors were also completed in the year 2000, and the municipal public utility work and the road construction work for Pi Cai Road have begun. It is expected the Pi Cai Road can be used in the year 2001. The power switch station located at Lot No. 7 was completed in the year 2000 and has begun to supply electricity.

On the individual lots, the construction works on Lot No. 1 and Lot No. 9 are still in progress. They are expected to be completed by December, 2001. At Lot No. 5, the eight storeys for office use were sold to China United Telecommunication Corporation, and the interior decoration has begun. It is expected all the works will be completed in the year 2001. In respect of Lot No. 2 and Lot No. 8, the superstructure and facilities installation have been carried out and are expected to be completed in the fourth quarter of the year 2001. Design work for Lot No. 10 was also carried out and it is expected that the construction work will begin in the year 2001. After the completion of the resettlement for Lot No. 4, a temporary shopping mall was constructed in the year 2000 and it started to carry out business in the first quarter of the year 2001.

The Wangfujing Project

Lot F1

As a result of the approval given by the Beijing Government to build a permanent building known as "Jixiang Building", the reorganisation to form a new company namely Beijing Lucky Building Company Limited has taken place whereby a joint venture contract has been signed between the parties concerned, which was approved by Beijing Planning and Development Committee. After the reorganisation, the original investment in Beijing Form Long Property Company, Ltd. will be transferred to the new joint venture company. Hence, the Group's interest in the new company with enlarged capital will be 61.1%.

The development of Jixiang Building is divided into two parts, namely the land development and building construction, with a total investment cost of approximately RMB822,000,000 (approximately HK\$774,011,000). It is expected the land development will be completed in the first half of the year 2001, and the investment cost involved amounts to RMB430,000,000 (approximately HK\$404,896,000), of which RMB220,000,000 (approximately HK\$207,156,000) was contributed from shareholders and RMB210,000,000 (approximately HK\$197,740,000) was borrowed from the bank. The construction of the building will begin from the second half of the year 2001, and it is expected that the development will be completed within two years. The funds required for building construction amount to RMB392,000,000 (approximately HK\$369,115,000) and half of the sum will be contributed from shareholders and the another half will be financed by bank.

CHAIRMAN'S STATEMENT

As the Jixiang Building is located at the golden area of Beijing, the functions of the building are for theatre performance, commerce, and commercial club which are attached with municipal infrastructure and public utility.

Lot B3

Another site at Wangfujing was built with a gross floor area of 41,000 square metres known as "Danyao Building". Part of the commercial area has completed its facilities installation and decoration work. In respect of designs for the apartments, other facilities, website, internal garden, and public utility, several amendments were made in order to accommodate the living custom and services required by the people in the PRC and foreigners.

The resettled merchants have entered into the Building and decoration works have been carried out. It is expected the works for the commercial area will be completed in the first half of the year 2001. The works for apartments will also be completed in the year 2001.

In view of the fact that Danyao Building is located at the centre of Wangfujing Avenue, except the areas for resettled merchants, all the remaining commercial areas have been sold. Pre-sales of apartments have also been carried out since March, 2001.

HONG KONG BUSINESS

Property

The Group's residential properties situated at Red Hill Peninsula and South Horizons recorded average occupancy rates of approximately 50% and 94% respectively, while the commercial properties situated at Harbour Crystal Centre recorded an average occupancy rate of approximately 73%. During the year, the Group's net rental income from property leasing was less than that in the last year mainly because of the decrease in rental income from the residential properties at Red Hill Peninsula.

ASSETS POSITION AND CHARGE ON GROUP ASSETS

The total assets of the Group has increased from HK\$3,642,447,000 in the previous year to HK\$4,506,292,000 this year as a result of the property development business in the PRC. The net assets of the Group has decreased from HK\$2,180,197,000 to HK\$2,150,758,000 due to the property revaluation and the operating loss in the current year. The amount of the Group's bank borrowings where the property assets are pledged is HK\$1,011,149,000 (1999: HK\$535,011,000)

FINANCIAL POSITION

As at 31st December, 2000, the total liabilities (including minority interests) of the Group was approximately HK\$2,355,534,000 (1999: HK\$1,462,250,000). As at 31st December, 2000, the Group had cash at banks and in hand of HK\$511,304,000 (1999: HK\$39,788,000). Arrangement has been made with a bank in Hong Kong for overdraft facilities of HK\$100,000,000 which has been available since 18th February, 2000. In addition, in order to meet the present construction capital requirements for the Xidan Project, a loan of RMB350,000,000 (approximately HK\$329,567,000) was obtained from Beijing City Commercial Bank on 27th July, 2000. In addition, loans in the sum of RMB120,000,000 (approximately HK\$112,994,000) and RMB720,000,000 (approximately HK\$677,966,000) were obtained from the Industrial and Commercial Bank of China and the China Development

CHAIRMAN'S STATEMENT

Bank on 6th September, 2000 and 12th September, 2000 respectively. On 5th March, 2001, the Group repaid RMB21,000,000 (approximately HK\$19,774,000) to the Industrial and Commercial Bank of China. The ratio of total liabilities (excluding minority interests) to total assets was approximately 48% (1999: 35%). As at 31st December, 2000, the aggregate amount of bank loans and bank overdrafts was HK\$1,576,482,000 (1999: HK\$799,257,000) and the amount of shareholders' funds was HK\$2,150,758,000 (1999: HK\$2,180,197,000), and therefore the capital gearing ratio was 73% (1999: 37%).

GROUP'S LIQUIDITY AND FINANCIAL RESOURCES

As at 31st December, 2000, the Group had cash at banks and in hand of HK\$511,304,000. The Group's borrowings amounted to HK\$1,581,205,000, representing an increase of HK\$776,316,000 as compared to the amount outstanding at the end of the last financial year. Of the total borrowings, HK\$741,239,000 is repayable within one year and HK\$839,966,000 is repayable within two to eight years.

EMPLOYEES AND SHARE OPTION SCHEME

As at 31st December, 2000, the Group, excluding associated companies, employed 161 people of which 78 were employed in Hong Kong.

In addition to basic salaries, employees in Hong Kong are provided with medical insurance and some of them are included under provident fund schemes. Details of the provident fund schemes of the Group are set out in note 8 to the financial statements.

A share option scheme has also been established for senior executives of the Group pursuant to the terms and conditions stipulated therein, and are exercisable within five years from June, 1997 to June, 2002.

PROSPECTS

The United States of America is starting to enter into a long term economic slump and China economy is now entering into the critical period from expansion in size to structural evolution. Hong Kong economy is also undergoing adjustments. On the other hand, traditional economy combined with the development of new economy, the effects of the interaction of the economic, political, environmental and cultural development will also deeply affect the survival and development of enterprises. Hence, the Group will pay much attention to the political and economic development in Hong Kong and in the world at large and will continue to carry out prudent financial strategies by reducing the operation costs and improving cash flows in order to enhance the Group's business development.

Finally, I would like to take this opportunity to express my sincere thanks to my fellow Directors for their guidance and support and to all members of the staff for their loyalty and dedication during the year.

Dai Xiaoming

Chairman

Hong Kong, 18th April, 2001