

# Chairman's Statement

On behalf of the Board of Directors, I am pleased to report to the shareholders that the consolidated profit of the Group for the year ended 31st December, 2000 was HK\$289 million, representing an increase of 25% as compared with the previous year. Excluding the factor of the repurchase of convertible bonds, the actual growth of consolidated profit was 57%. The basic earnings per share was HK26.79 cents, representing an increase of 20%.

The Board of Directors intends to propose a final dividend of HK5.00 cents per share at the forthcoming annual general meeting. Together with the interim dividend of HK3.00 cents per share which was paid on 10th November, 2000, the total dividend payable for the year will be HK8.00 cents, representing an increase of 33%.



Mr. SONG Zhiwang, Chairman

## Business Review

Year 2000 at the transition of the millennium was a year that the economy of Hong Kong started to recover and that the economy of Shenzhen sustained rapid development. It was also the year when the core businesses of the Group attained phenomenal achievement. During the year, the turnover of the Group recorded HK\$1,192 million, representing an increase of 24%. The profit attributable to shareholders amounted to HK\$289 million, representing an increase of 25%. The profit attributable to shareholders from core businesses recorded a substantial growth of 57%. The proportion of net profit which contributed by the property, infrastructure and transportation activities to the Group's consolidated results was 53%, 36% and 6% respectively. During the year, the profit of the Group attributable by the newly acquired information technology business accounted for 5% of the consolidated results.

**Encouraging Results from Property Business** 92% of the Group's property development and investment are located at the prime area of Shenzhen, the PRC. With the continuous rapid economic development of Shenzhen and the increasing affiliation of the social and economic connection between

Shenzhen and Hong Kong, the property market of Shenzhen demonstrated enormous potential for growth. During the year, the results of the property business of the Group were encouraging. It recorded a turnover of HK\$865 million and net profits of HK\$190 million, representing an increase of 32% and 19% respectively as compared with the previous year. The area of properties sold totalled 400,000 sq.m., of which 190,000 sq.m. was attributable to the Group. The lease of properties maintained steady growth and the occupancy rate was approximately 85%. The gross floor area of the land bank increased to 2.42 million sq.m. of which 1.03 million sq.m. was attributable to the Group, representing an increase of 15%. In addition, Goldfield Industries, a property arm of the Group, succeeded in listing its shares on the Mainland A shares market in early 2001 and raised net proceeds of RMB 850 million. It is anticipated that considerable additional profit would be generated to the Group.

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***Increasing Contribution from Power Infrastructure*** Benefited from the increasing demand of electricity in the Guangdong Province, the net profit contribution from investment in Mawan Power project amounted to HK\$129 million, representing a one fold increase over that of the previous year. Considerable cash return will be anticipated.

***Results of Transportation Services by Management efforts*** In the circumstances of the tremendous increase in global oil price, the transportation business of the Group managed to maintain its competitive edge and satisfactory results due to better professional management and quality of safety of services. The turnover for the year amounted to HK\$261 million and the net profit contribution recorded HK\$21 million.

***Participation in Building and Operating Urban Information Infrastructure*** In the beginning of the year, the Group actively participated in the process of building urban information of Shenzhen by acquiring a 21.1% equity interest in Shenzhen Topway Video Communication Co., Ltd. ("Topway") (cable television broadband network). By the end of 2000, the number of registered subscribers of Shenzhen Topway increased by 25% and the net profit boosted by more than 30%. Taking the advantage of the opportunity, the Group co-operated with IBM Corporation to invest in the project of multimedia station in Shenzhen of which it had an equity interest of 70%. The project received strong support from the Shenzhen Municipal Government and the operation will commence on 24 April, 2001 as one of the building of major IT infrastructure projects in Shenzhen.

***Financial position remained healthy*** The Group continued to adopt prudent financial policies. During the year ended 31st December, 2000, the Group had cash on hand of HK\$1,532 million and total borrowings, which included bonds, of HK\$2,309 million and comprised 70.22% long-term borrowings and 29.78% short-term borrowings. Shareholders' equity was HK\$2,295 million. The ratio of net debt to shareholders' equity was 33.85%.

During the year, the Group repurchased and cancelled the 1.2% convertible bonds due in 2002 with a nominal value of approximately US\$19.05 million for a total consideration of US\$21.50 million and incurred a loss of HK\$18.58 million due to the difference between the repurchased and nominal prices.

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## Prospects

Entering the new millennium, the Group will capitalize on the enormous business opportunities arising from the recovery of the Hong Kong economy, implementation of the PRC Tenth "Five Year Plan" and the PRC imminent entry to the WTO. With its presence in the Hong Kong and Shenzhen markets, experienced management and geographical advantages, coupled with the rapid development of the economy of Shenzhen, the Group will capture the new business opportunities and speed up its development so as to increase the value to the shareholders.

During the Tenth "Five Year Plan", the Shenzhen Municipal Government will encourage the development of pillar industries, such as new high technology industry, modern logistics industry and modern financial industry, as well as speed up the building of urban IT infrastructure. As one of Hong Kong listed companies and the window company of the Shenzhen Municipal Government in Hong Kong, the Group will adhere to the Tenth "Five Year Plan" and rationalize its businesses, which will have a significant impact on the future development of the Group.

Looking ahead for the coming year, the Group will build up a new business portfolio focusing on information technology and modern logistics businesses, and strengthen its existing property, power and transportation businesses. Firstly, focusing on its existing core businesses, the Group will take full advantages of its strengths, tighten management control and enhance cost effectiveness to increase competitiveness in order to secure a stable profit base. In line with the development in the new high technology industry and the modern logistics industry of Shenzhen, the Group's property business will be developed with the construction of technology parks and large specialty market projects. At the same time the Group will magnify the development of residential property and the acquisition of more land bank with development potential. The Group will further increase its investment in power infrastructure in order to enlarge the scale of operation and increase recurrent income. Secondly, the Group will actively participate in the building of IT infrastructure in Shenzhen, increase the shareholding in Topway, embark on information value-added services and apply information technology in all businesses of the Group to improve its service quality. Thirdly, the Group will restructure its traditional warehouse operation in the year and actively construct a regional (Southern China) and international logistic centres, large-scale specialty markets and logistic information network platform for developing modern logistics businesses. The Group is also preparing these projects for the possibilities of listing on the PRC capital market.

In view of the new opportunities and challenges ahead, the Group will seek to maximize the shareholders' return by actively pursuing progress, capitalizing on new opportunities, improving asset quality, enhancing the systems and mechanism, strengthening the management control and rationalizing its business. The Directors are optimistic about the prospects of the Group.

I hereby, on behalf of the Board of Directors, deeply extend my gratitude to all the shareholders, the public and the staff of the Group, who have offer their strong support, sincere effort and loyalty to the Group.

**Song Zhiwang**

*Chairman*

Hong Kong, 24th April, 2001