

Management Discussions and Analysis

The Group remains vibrant notwithstanding the downturn of the United State and Asia Pacific economies and the still bearish sentiment.

Property – We had a very successful year in Shanghai. As we are busy building the apartment blocks in our Shanghai Cannes Phase I, the middle to high income group of the Shanghai citizens are busy choosing their homes in our pre-sales office. Thus Shanghai Cannes contributed HK\$108.5 million towards the turnover for the year 2000.

Under the Group's accounting policies, when properties under development have been pre-sold, the total estimated profit is apportioned over the entire period of construction to reflect the progress of the development. On this basis, profit recognized on the pre-sold portion of the properties is calculated by reference to the proportion of construction costs incurred as compared to the estimated total construction costs, limited to non-refundable cash deposits received. Thus our property development profit on Shanghai Cannes, and indeed, all other development projects are booked in the Group's profit and loss accounts in proportion to the percentage of completion and of the pre-sales value. Shanghai Cannes, with a total gross floor area of close to 20 million square feet, has become one of the most successful and sought after development projects in Shanghai. We have already presold over 800,000 square feet of resident apartments as of end of April 2001. The Phase I apartments are scheduled for completion in the second half of 2001. Presales are expected to accelerate as homebuyers are able to see the actual apartments and the Mediterrean scenic environment in the second half of this year. Due to the sheer size of the project, Shanghai Cannes will provide the Group with many years of significant recurring development profit.

On Concord World Plaza Phase I, leasing of the 100,000 square feet service apartments was launched last summer. Thus rental income of the Group continues to rise in the second year running from HK\$5.2 million in 1998, to HK\$7.8 million in 1999 to HK\$10.2 million during the year. Shanghai Concord World Plaza Phase II is currently planned to have a site area of 900,000 sq.ft. and when fully developed comprises a 4,000,000 sq.ft. of theme shopping mall, hotel and office tower.

Vista Paradiso, the Group's joint venture project at Ma On Shan, Hong Kong, has come to a successful close, fully sold and highly profitable. The Group booked the remaining development profit of that project at HK\$257.0 million.

Provision for impairment in value of investments – We have taken a prudent approach in our valuation appraisal of investments. As a result, we have made provision for diminution in value of our interest in an associate to the extent of HK\$108.5 million and HK\$27.6 million in respect of our long-term investments compared to the HK\$132.2 million made in 1999.

By now, our property development projects in the PRC are beginning to bear fruits, our telecommunications operation refocused to Internet related services and our consumer products operation reorganized.

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Presale at our joint venture residential project in Tien He District, Guangzhou will commence in the second half of this year. The project comprises five high rise apartment blocks with total gross floor area of 1,000,000 square feet.

Back to Hong Kong, our sales team is preparing for the presale of residential and shopping mall complex development at Tai Uk Wai, Tsuen Wan, in the second half of the year.

We are gradually turning our land bank in the New Territories, Hong Kong, into development projects. We have commenced preparatory work for a large theme amusement/shopping and residential project at Yuen Long, a 300,000 square feet residential project near town centre of Yuen Long and a Shatin development project.

Over the past years, we have been promoting the idea of combining traditional and Internet businesses together, and we have helped to develop a group of “next generation” Internet businesses in the PRC. Although one-way or pure browsing Internet business is currently facing tremendous difficulties, Internet can certainly help traditional enterprises create added value if it is used as a tool in conjunction with purpose designed software packages to solve various operational bottlenecks and improve the overall profitability.

We have helped to build an on-line custom-clearing system and the related software package to reduce the processing time from several days to only a few minutes. This has helped our corporate clients to significantly save their time and cut down the costs.

We are also actively supporting a nation-wide Internet service provider, by providing technical and consulting services, to build and operate Internet services such as access connectivity, content and web hosting, in 17 major cities in the PRC.

LIQUIDITY AND FINANCIAL RESOURCES

Net cash inflow from operating activities of the Group has increased from HK\$385.7 million in 1999 to HK\$390.7 million in 2000. The jointly controlled entities contributed another HK\$436.3 million (1999: HK\$1,309.5 million). The Group is therefore able to make further investments totalling HK\$699.6 million (1999: HK\$640.3 million) in properties under development and land bank during the year. It will continue to benefit from cash flow contributed by its operating activities of property, telecommunications and strategic investments. The Group enjoys a good relationship with its bankers.

Privatisation of Concord Land – Concord Land requires funding from time to time to continue the developments of its property projects. In view of the prevailing local and international market sentiments, we are of the view that it is difficult for Concord Land as a property development play to take advantage of being a listed company on the Stock Exchange to raise the required funding in equity capital market and debt capital market in the short to medium term.

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Taking further into consideration the operating expenses associated with maintaining the listed status of Concord Land, the listing of shares of Concord Land on the Stock Exchange does not provide any significant benefit to the shareholders.

Thus pursuant to a special resolution approved by the minority shareholders of the Concord Land, shares of Concord Land were delisted from the Stock Exchange of Hong Kong on 2 May 2001. Under a voluntary conditional share exchange offer made by DBS Asia Capital Limited on behalf of Camstar Capital Limited, a wholly owned subsidiary of the Company, DBS Asia has made an offer to acquire all issued shares of Concord Land currently held by the Concord Land Independent Shareholders (as defined in the circular to the shareholders of the Company dated 27 February 2001) by a voluntary conditional share exchange offer of one share of Concord Land in exchange for 2.1538 new shares of the Company. Pacific Concord was interested in 75% of the shares of Concord Land prior to share exchange offer.

Assuming a full acceptance of the share exchange offer and the disposal undertakings given by the four Concord Land Directors the Company will allot and issue approximately 678.20 million new shares, representing approximately 26.70 per cent. of the issued share capital of the Company as at 31 December 2000 and approximately 21.07 per cent. of its enlarged share capital of Pacific Concord. In such event, Concord Land will become a wholly-owned subsidiary of the Company.

Conclusions – The Hong Kong property market has yet to recover from the free dive in late nineties. Thus for the time being, one would not be seeing the level of phenomenal profit from Hong Kong property developments as in the past. Instead, our property development projects in the PRC are starting to earn significant development profit and rental. Our Hong Kong development projects are progressing satisfactorily. Our Software related services will be centered on provision of services as a business tool to solve operational bottlenecks and to improve the overall profitability of millions of business enterprises in the PRC. We have weathered through a depression in Hong Kong and, like many of the fellow enterprises in Hong Kong suffered a fall in profit. But now we would be looking forward to a promising future.