

I hereby present to the shareholders the annual report of the Company for the year ended 31st December, 2000.

REVIEW OF OPERATIONS

Though the Hong Kong economy had shown signs of improvement in 2000, weak investment sentiment and sluggish loan demand had further intensified competition in the mortgage loan sector. Year 2000 was still a challenging year to the Group. Turnover for the year decreased 41 per cent. to HK\$91 million as a result of the significant decrease in size of mortgage loan portfolio due to the disposal of certain mortgages to a wholly-owned subsidiary of The Hongkong Chinese Bank, Limited ("HKCB"). The Group achieved a net profit for the year of HK\$18 million before accounting for the loss arising from the aforesaid disposal of mortgage loan assets of HK\$42 million and recorded a net loss of HK\$24 million when such loss was included. The consolidated net asset value per share as at 31st December, 2000 before the proposed final and special dividends stood at HK\$1.33. It has been proposed that a final dividend of 2 cents per share and a special dividend of 18 cents per share should be made.

In May 2000, the Company entered into agreements, pursuant to which the Company disposed to a wholly-owned subsidiary of HKCB of certain mortgages with an aggregate principal amount of HK\$945 million (net of provisions) and Lippo China Resources Limited ("LCR"), through its wholly-owned subsidiary, acquired the entire issued share capital of HKCB Corporation Limited ("HKCB Corporation") from HKCB. HKCB Corporation was interested in shares representing approximately 58.6 per cent. of the issued share capital of the Company immediately following the completion of the above agreements in August 2000. Subsequent to the completion of the above acquisition, HKCB Corporation made an unconditional cash offer for the issued shares of the Company (the "Offer") in accordance with The Hong Kong Code on Takeovers and Mergers. After the Offer and the subsequent disposals of shares in the Company, HKCB Corporation, a wholly-owned subsidiary of LCR, is now interested in shares representing approximately 70 per cent. of the issued share capital of the Company.

The proceeds from the sale of the above mortgages were substantially used by the Company to repay its bank loan. The Group has been seeking opportunities to utilize the funds, which are not required to support the mortgage business, to enhance the Group's return on assets and make investments in high-technology applications, related principally to financial services.

PROSPECTS

Sluggish loan demand and tough competition in mortgage loan sector will continue. The reduction in interest rates may improve the sentiment in property market and boost confidence of potential home purchasers. However, the perceived slowdown in the US economy and the recent fluctuation of the global stock markets may have negative impact on the Hong Kong economy. With a strong financial position, it is believed that the Group is able to meet the challenges ahead and it will seek suitable investments when opportunities arise.

APPRECIATION

On behalf of the Board of Directors, I would like to extend my sincere appreciation to the management and all of our staff for their dedicated service during the year.

Ning Gaoning

Chairman

Hong Kong, 21st March, 2001