

SIGNIFICANT EVENTS DURING THE YEAR

In August 2000, the Group completed disposal of a significant portion of its mortgage loan portfolio to a wholly-owned subsidiary of The Hongkong Chinese Bank, Limited (“HKCB”), a holding company of the Company prior to the disposal, and applied the proceeds to repay all outstanding bank loan which matured during the year.

At the same time, HKCB completed disposal of its controlling stake in the Company to Lippo China Resources Limited (“LCR”), an intermediate holding company of each of the Company and HKCB, for a total consideration of approximately HK\$176 million, equivalent to HK\$1.337 per share. Subsequently, an unconditional cash offer (the “Offer”) was made by HKCB Corporation Limited (“HKCB Corporation”), a wholly-owned subsidiary of LCR, to acquire all the issued shares in the Company not already owned by it or parties acting in concert with it at HK\$1.337 per share. The Offer was completed in September 2000. Following the Offer and the subsequent disposals of shares in the Company, HKCB Corporation was interested in approximately 70 per cent. of the issued share capital of the Company.

RESULTS FOR THE YEAR

Interest income on mortgage loans remained as the principal source of income to the Group and average return on mortgage loan assets for the year remained more or less the same as last year despite the keen competition in residential mortgage loan market. Turnover for the year dropped 41 per cent. to HK\$91 million (1999 – HK\$154 million) due to significant decrease in size of mortgage loan portfolio after the aforesaid disposal. Finance cost for the year also dropped 49 per cent. to HK\$40 million (1999 – HK\$77 million) because the bank loan was fully repaid during the year. After taking into account the loss on disposal of the mortgage loan assets of HK\$42 million, the Group recorded a loss attributable to shareholders of HK\$24 million (1999 – profit of HK\$48 million).

The Directors of the Company have proposed the final and special dividends of 2 cents per share and 18 cents per share, respectively, for the year ended 31st December, 2000. Total amount of dividends for the year would then be HK\$45 million (1999 – HK\$26 million).

TOTAL ASSETS

During the year, the Group disposed of a total of mortgage loans of HK\$945 million (net of provisions), resulting in a significant drop in total assets of 77 per cent. to HK\$304 million (1999 – HK\$1,333 million). The Group has been seeking opportunities to utilize the funds, which are not required to support the mortgage business, in making treasury investments to enhance the Group's return on assets and other investments in high-technology applications, related principally to financial services. During the year, the Group participated in a small part of the fund raising exercise of a US company engaged in development in the next generation of internet protocol. There was no capital commitment outstanding at the end of the year. Save as aforesaid, almost all assets held by the Group are denominated in Hong Kong dollars and the exposure to foreign exchange movement is minimal.

LIQUIDITY POSITION AND CAPITAL STRUCTURE

Currently, the Group has a very strong liquidity position. At the end of 1999, the Group recorded net current liabilities of HK\$705 million after taking into account the syndicated bank loan of HK\$983 million due in June 2000. During the year, a new bridging loan was arranged to refinance the repayment of the syndicated bank loan and subsequently fully repaid using the sale proceeds of the mortgage loans. After full repayment of the bridging loan, the Group is now totally debt-free and financed entirely by shareholders' equity.

As at 31st December, 2000, the net asset value of the Group amounted to HK\$255 million (1999 – HK\$324 million) after accounting for the proposed final and special dividends totalling HK\$45 million (1999 – final dividend totalling HK\$18 million) and consolidated net asset value per share stood at HK\$1.13 (1999 – HK\$1.44).

OUTLOOK

Although the increased competition in residential mortgage market has affected the mortgage business, the Directors have been seeking opportunities to make other investments which would benefit the Group in the long term. The Group is in a very strong financial position, totally debt-free, and is well positioned to take advantage of good investment opportunities.