

The Directors present their report together with the audited financial statements for the year ended 31st December, 2000.

PRINCIPAL ACTIVITIES

The Company and its subsidiaries are principally engaged in investment holding, the provision of mortgage finance and other related services and treasury investments. The activities and other particulars of the principal subsidiaries are set out in Note 20 to the financial statements.

TURNOVER AND CONTRIBUTION

An analysis of Group turnover and contribution to loss from operating activities (after finance costs) by each principal activity is as set out below.

Principal activities	Turnover <i>HK\$'000</i>	Contribution <i>HK\$'000</i>
Mortgage finance	83,144	(17,341)
Treasury investments	7,926	(7,358)
	91,070	(24,699)

The operations outside Hong Kong contributed less than 10 per cent. of the turnover and less than 10 per cent. of contribution to operating results and, accordingly, no geographical analysis is provided.

RESULTS AND DIVIDENDS

The results and details of cash flows of the Group for the year ended 31st December, 2000 and the state of affairs of the Group and the Company as at 31st December, 2000 are set out in the financial statements on pages 16 to 35.

No interim dividend was declared (1999 – 3.5 cents per share) and the Directors have resolved to recommend a final dividend of 2 cents per share (1999 – 8 cents per share) and a special dividend of 18 cents per share (1999 – Nil) for the year ended 31st December, 2000. The total dividends for the year will be 20 cents per share (1999 – 11.5 cents per share) amounting to HK\$45,000,000 (1999 – HK\$25,875,000).

SUMMARY OF FINANCIAL INFORMATION

A summary of the results and of the assets and liabilities of the Group for the last five financial years ended 31st December, 2000 is set out on page 36.

FIXED ASSETS

Details of movements in fixed assets during the year are set out in Note 12 to the financial statements.

BANK LOAN

Details of the bank loan are set out in Note 21 to the financial statements.

SHARE CAPITAL

Details of the share capital of the Company are set out in Note 18 to the financial statements.

RESERVES

Details of movements in reserves during the year and details of the distributable reserves are set out in Note 19 to the financial statements.

SUBSIDIARIES

Particulars of the Company's principal subsidiaries are set out in Note 20 to the financial statements.

DIRECTORS

The Directors of the Company during the year were:

Mr. Ning Gaoning (*Chairman*)

Mr. Hugh Moss Gerald Forsgate, C.B.E., J.P. *

Mr. Leon Chan Nim Leung *

Mr. David T. Yeh (appointed on 21st August, 2000)

Mr. Lee Jark Pui, O.B.E., J.P. (appointed on 21st August, 2000)

Mr. Jonathan Miles Foxall (appointed on 21st August, 2000)

Mr. Ng Tai Chiu (appointed on 21st August, 2000)

Mr. Chan Wai Lam

Mr. Fan Jia Yan (resigned on 12th September, 2000)

Mr. Ralph Keung Chi Wang (resigned on 12th September, 2000)

Mr. Kor Kee Yee (resigned on 12th September, 2000)

Mr. Raymond Lee Wing Hung (resigned on 12th September, 2000)

Mr. Gerard Joseph McMahon (resigned on 12th September, 2000)

Mr. Manus Tam Ping Chung (resigned on 12th September, 2000)

* *independent non-executive Directors*

DIRECTORS (*continued*)

In accordance with Article 80 of the Company's Articles of Association, Mr. Chan Wai Lam will retire from office by rotation at the forthcoming annual general meeting and, being eligible, will offer himself for re-election.

In accordance with Article 85 of the Company's Articles of Association, Messrs. David T. Yeh, Lee Jark Pui, Jonathan Miles Foxall and Ng Tai Chiu will retire from office at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election.

BRIEF BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Ning Gaoning, aged 42, was appointed Chairman of the Company in August 1998. He has a bachelor of arts degree in economics from the Shandong University in China and a master of business administration degree in finance from the University of Pittsburgh in the United States of America. Mr. Ning is the Vice Chairman and President of China Resources (Holdings) Company Limited and China Resources National Corp. as well as the Chairman of China Resources Enterprise, Limited, a Hang Seng Index Constituent Stock, whose future operations shall focus on the distribution of consumer and industrial products in Hong Kong and the Chinese Mainland. He is also the Deputy Chairman of The HKCB Bank Holding Company Limited ("HKCB Holding") and The Hongkong Chinese Bank, Limited and a Director of Lippo China Resources Limited ("LCR").

Mr. Hugh Moss Gerald Forsgate, C.B.E., J.P., aged 82, was appointed an independent non-executive Director of the Company in December 1993. He was the Chief Executive of a major listed company in Hong Kong for 20 years before retiring in 1979. From 1983 to 1991, Mr. Forsgate was the Chairman of the Kowloon-Canton Railway Corporation and currently sits on the boards of several public companies. He was a former Chairman of the Urban Council and is a member of the Hong Kong Port and Maritime Board and a Council Member of the Hong Kong Management Association and the Hong Kong General Chamber of Commerce. He is also an independent non-executive Director of Lippo Limited ("Lippo") and LCR.

Mr. Leon Chan Nim Leung, aged 45, was appointed an independent non-executive Director of the Company in December 1994. He is a practising lawyer and presently the principal partner of Messrs. Y.T. Chan & Co. He was admitted as a solicitor of the Supreme Court of Hong Kong in 1980 and is a member of the Solicitors Disciplinary Tribunal. Mr. Chan was also admitted as a solicitor in England in 1984 and in Victoria, Australia in 1985. He is also an independent non-executive Director of Lippo, LCR and HKCB Holding.

BRIEF BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

(continued)

Mr. David T. Yeh, aged 49, was appointed a Director of the Company in August 2000. He holds a bachelor of arts degree from St. John's University in Minnesota, the United States of America. He has over 20 years' experience in retail, commercial and merchant banking in Hong Kong and the United States of America. Mr. Yeh is also a Director of Lippo, First Tower Corporation, Skyscraper Realty Limited, LCR, No. 1 Dragon Ltd. ("No. 1 Dragon") and HKCB Corporation Limited ("HKCB Corporation").

Mr. Lee Jark Pui, O.B.E., J.P., aged 61, was appointed a Director of the Company in August 2000. Mr. Lee holds a bachelor of arts degree (Hons) from The University of Hong Kong. Mr. Lee has worked for the Hong Kong Government and was the Secretary-General of The Chinese Manufacturers' Association of Hong Kong. He has served and contributed to the local community for over 30 years. Mr. Lee is currently the Chairman of The Legal Aid Services Council, The Agency for Volunteer Service and the International Chamber of Commerce – Hong Kong, China Business Council. Mr. Lee is also a Director of Lippo.

Mr. Jonathan Miles Foxall, aged 47, was appointed a Director of the Company in August 2000. He is also a Director of No. 1 Dragon and HKCB Corporation. Mr. Foxall holds a bachelor of arts degree in geography from Liverpool University in the United Kingdom. He is a Fellow of the Royal Institute of Chartered Surveyors and a Fellow of the Hong Kong Institute of Surveyors. Mr. Foxall has 25 years' experience in the property industry, of which 15 years have been spent in Hong Kong.

Mr. Ng Tai Chiu, aged 47, was appointed a Director of the Company in August 2000. He is a qualified accountant. Mr. Ng holds a master's degree in International Banking and Financial Studies from the Heriot-Watt University in the United Kingdom. Mr. Ng is a fellow member of the Hong Kong Society of Accountants, the Chartered Association of Certified Accountants and the Institute of Chartered Secretaries and Administrators. Mr. Ng has over 20 years' experience in the accounting and corporate finance field in Hong Kong.

Mr. Chan Wai Lam, aged 56, holds a bachelor of arts degree from The University of Hong Kong. He joined the Company in 1968 and was appointed a Director of the Company in March 1991. Mr. Chan has over 20 years' experience in mortgage loan lending.

DIRECTORS' INTERESTS IN THE SECURITIES OF THE COMPANY AND ASSOCIATED CORPORATIONS

As at 31st December, 2000, the interests of the Directors of the Company in the equity or debt securities of the Company's associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance")) as recorded in the register required to be kept by the Company under Section 29 of the SDI Ordinance or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") were as set out below.

Lippo Limited ("Lippo")

Name	Type of interest	Number of shares of HK\$0.10 each in Lippo
Jonathan Miles Foxall	Personal	18,000
Lee Jark Pui	Family	48

The HKCB Bank Holding Company Limited ("HKCB Holding")

Name	Type of interest	Number of shares of HK\$1.00 each in HKCB Holding
Jonathan Miles Foxall	Personal	4,000
Lee Jark Pui	Personal	350
	Family	350

Save as disclosed herein, as at 31st December, 2000, none of the Directors or the chief executive of the Company were beneficially interested in any equity or debt securities of the Company or any of its associated corporations (within the meaning of the SDI Ordinance) which are required to be recorded in the register kept under Section 29 of the SDI Ordinance or which are required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' INTERESTS IN THE SECURITIES OF THE COMPANY AND ASSOCIATED CORPORATIONS *(continued)*

As at 31st December, 2000, the following Directors of the Company held options as stated below:

Name	Number of shares of HK\$0.10 each in Lippo China Resources Limited in respect of which options have been granted*
Jonathan Miles Foxall	6,000,000
David T. Yeh	9,000,000

* The options were granted on 23rd June, 1997 at a consideration of HK\$1.00 per grantee under the Share Option Scheme for Employees (the "LCR Scheme") adopted by Lippo China Resources Limited ("LCR"). Such options can be exercised on or before 23rd June, 2007 in accordance with the rules of the LCR Scheme to subscribe for shares in LCR at an initial exercise price of HK\$5.30 per share (subject to adjustment). Pursuant to the bonus issue of new shares in the ratio of one for one in October 1997 and the rights issues of new shares in July 1999 on the basis of one rights share for every one share held and in November 2000 on the basis of one rights share for every two shares held, the holder of each option is entitled to subscribe for six shares of HK\$0.10 each in LCR at an exercise price of HK\$0.883 per share (subject to adjustment). No options had been exercised by any of the above Directors during the year.

Save as disclosed herein, as at 31st December, 2000, none of the Directors or the chief executive of the Company nor their spouses or children under 18 years of age was granted or had exercised any right to subscribe for any equity or debt securities of the Company or any of its associated corporations (within the meaning of the SDI Ordinance).

ARRANGEMENTS TO ACQUIRE SHARES AND DEBENTURES

Save as disclosed herein, at no time during the year was the Company or any of its subsidiaries, holding companies or fellow subsidiaries a party to any arrangements to enable a Director of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

As at 31st December, 2000, according to the register of interests kept by the Company under Section 16(1) of the Securities (Disclosure of Interests) Ordinance (the “SDI Ordinance”), the persons who were, directly or indirectly, beneficially interested in 10 per cent. or more in the issued share capital of the Company were as set out below.

Name	Number of shares of HK\$1.00 each	Approximate percentage
Lanius Limited (“Lanius”)	168,746,038	75
Lippo Cayman Limited (“Lippo Cayman”)	168,746,038	75
Lippo Capital Limited (“Lippo Capital”)	168,746,038	75
Lippo Limited (“Lippo”)	168,746,038	75
First Tower Corporation (“First Tower”)	168,746,038	75
Skyscraper Realty Limited (“Skyscraper”)	168,746,038	75
Lippo China Resources Limited (“LCR”)	168,746,038	75
No. 1 Dragon Ltd. (“No. 1 Dragon”)	157,496,038	70
HKCB Corporation Limited (“HKCB Corporation”)	157,496,038	70

Note:

- (i) By virtue of Section 8 of the SDI Ordinance:
 - (a) Lanius, Lippo Cayman, Lippo Capital, Lippo, First Tower and Skyscraper were deemed to have the same beneficial interests in the shares of the Company as LCR and LCR’s interest included the interest of No. 1 Dragon; and
 - (b) No. 1 Dragon was deemed to have the same beneficial interest in the shares of the Company as HKCB Corporation.
- (ii) As at 31st December, 2000, Lippo Cayman had, under a share mortgage, charged 49 per cent. of its interest in Lippo Capital to Ranbridge Finance Limited, a wholly-owned subsidiary of Sun Hung Kai & Co. Limited.

DIRECTORS’ AND CONTROLLING SHAREHOLDERS’ INTERESTS IN CONTRACTS

Save as disclosed in Note 24 to the financial statements, there were no other contracts of significance in relation to the Company’s business, to which the Company or any of its subsidiaries, holding companies or fellow subsidiaries was a party, subsisting at the end of the year or at any time during the year, and in which a Director or the controlling shareholders or any of their respective subsidiaries, directly or indirectly, had a material interest.

SERVICE CONTRACTS OF DIRECTORS

None of the Directors of the Company has a service contract with the Company or any of its subsidiaries not determinable by the employing company within one year without payment of compensation (other than statutory compensation).

MANAGEMENT CONTRACTS

No contracts concerning the management and/or administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year and up to the date of this report, the following Directors are considered to have interests in the businesses which compete or is likely to compete with the businesses of the Group pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited as set out below:

Mr. Ning Gaoning ("Mr. Ning") is also a Director of The HKCB Bank Holding Company Limited ("HKCB Holding") which, through its subsidiaries including, inter alia, The Hongkong Chinese Bank, Limited, of which Mr. Ning is also a Director, is partly engaged in the business of mortgage finance. Mr. Chan Wai Lam is also a Director of a wholly-owned subsidiary of HKCB Holding which is partly engaged in the business of mortgage finance. HKCB Holding is a fellow subsidiary of the Company.

As the Board of Directors of the Company is independent from the boards of the aforesaid companies and none of the above Directors can control the Board of the Company, the Group is capable of carrying its businesses independently of, and at arms length from the businesses of such companies.

DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS

Details of the Directors' emoluments and of the five highest paid individuals in the Group are set out in Note 5 to the financial statements.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year, there was no purchase, sale or redemption of the Company's listed securities by the Company or any of its subsidiaries.

MAJOR CUSTOMERS

During the year, the percentage of income attributable to the Group's five largest customers combined was less than 30 per cent. of the Group's aggregate income.

RETIREMENT BENEFIT SCHEMES

Details of the retirement benefit schemes of the Group and the employer's retirement benefit costs charged to the consolidated profit and loss account for the year are set out in Note 6 to the financial statements.

AUDITORS

The financial statements for the year ended 31st December, 1998 were audited by Price Waterhouse. The financial statements for the year ended 31st December, 1999 were audited by PricewaterhouseCoopers who replaced Price Waterhouse following their merger with Coopers & Lybrand.

Subsequent to 31st December, 2000, PricewaterhouseCoopers resigned as auditors of the Company and Ernst & Young were appointed by the Directors as auditors of the Company to fill the casual vacancy so arising. The financial statements for the year were audited by Ernst & Young. A resolution for the appointment of Ernst & Young as auditors of the Company will be proposed at the forthcoming annual general meeting.

CODE OF BEST PRACTICE

In the opinion of the Directors, the Company has complied with the Code of Best Practice (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited throughout the year, except that non-executive Directors were not appointed for a specific term but are subject to retirement by rotation and re-election at the Company's annual general meetings in accordance with the Company's Articles of Association.

The Company has established an audit committee (the "Committee") in accordance with paragraph 14 of the Code and the members of the Committee are Messrs. Hugh Moss Gerald Forsgate and Leon Chan Nim Leung who are the independent non-executive Directors of the Company. The Committee met regularly during the year.

On behalf of the Board

Lee Jark Pui

Director

Hong Kong, 21st March, 2001