

The Directors are pleased to present their annual report and the audited financial statements of the Group and the Company for the year ended 31st December, 2000.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The principal activities of its principal subsidiaries, associates and a jointly controlled entity as at 31st December, 2000 are set out in notes 45, 46 and 17 to the financial statements respectively.

RESULTS AND APPROPRIATIONS

The results of the Group and appropriations of the Company are set out in the consolidated income statement on page 15 and in the accompanying notes to the financial statements.

The Directors do not recommend the payment of a final dividend.

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in notes 28, 29 and 30 to the financial statements.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out on page 61.

FIXED ASSETS

During the year, the Group spent HK\$130,405,000 on fixed assets, including HK\$121,733,000 on the acquisition of an investment property in Hong Kong. In addition, two of the Group's property projects under development were completed and transferred to investment properties and hotel property, with a value of HK\$1,450,993,000 and HK\$449,093,000 respectively at the time of transfer. On the other hand, the Group disposed of certain of its investment properties and other fixed assets with an aggregate carrying value of HK\$22,353,000.

The Group's remaining investment properties and hotel property were revalued on 31st December, 2000 at HK\$2,522,015,000 and the resulting net revaluation deficit of HK\$336,261,000 has been charged to the property revaluation reserve as set out in note 28 to the financial statements.

Details of these and other movements in fixed assets of the Group during the year are set out in note 13 to the financial statements.

PROPERTIES UNDER DEVELOPMENT

The Group has invested in certain property development projects in Hong Kong, Mainland China and the United States of America. Additional expenditure incurred during the year, net of provision, amounted to HK\$278,172,000.

During the year, two of the property projects under development were completed and transferred to investment properties and hotel property and one was transferred to properties under development for sale, all of which are situated in Hong Kong. In addition, the Group acquired a property project in Hong Kong with a value of HK\$12,998,000 and disposed of certain property projects in Mainland China and the United States of America, the carrying value of which amounted to HK\$12,640,000.

Details of these and other movements in the properties under development of the Group during the year are set out in note 14 to the financial statements.

PROPERTIES

Particulars of major properties of the Group as at 31st December, 2000 are set out on pages 62 to 64.

SHARE CAPITAL AND WARRANTS

Details of movements in the share capital and warrants of the Company during the year are set out in notes 25 and 26 to the financial statements respectively.

BORROWINGS AND INTEREST CAPITALISED

Bank loans and overdrafts repayable within one year or on demand are classified as current liabilities. A repayment analysis of bank loans and overdrafts is set out in note 33 to the financial statements.

During the year, the Group capitalised interest of HK\$73,662,000 in respect of properties under development, details of which are set out in note 8 to the financial statements.

DIRECTORS

The Directors during the year and up to the date of this report were:

Executive Directors:

Patrick S. W. Lee

Li Chi Kong

Independent Non-Executive Directors:

Gordon Macwhinnie

Henry Lai Hin Wing

(appointed on 1st February, 2001)

Alan Stephen Jones

(resigned on 1st February, 2001)

In accordance with Article 105(A) of the Company's Articles of Association, Sir Gordon Macwhinnie will retire by rotation and, being eligible, offer himself for re-election.

In accordance with Article 96 of the Company's Articles of Association, Mr. Henry Lai Hin Wing, who has been appointed since the last Annual General Meeting and before the date of this report, will retire at the forthcoming Annual General Meeting and, being eligible, offer himself for re-appointment as Director.

DIRECTORS' SERVICE CONTRACTS

The Director proposed for re-election at the forthcoming Annual General Meeting does not have an unexpired service contract with the Group which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

TERMS OF OFFICE FOR THE INDEPENDENT NON-EXECUTIVE DIRECTORS

The terms of office of the Independent Non-Executive Directors are subject to re-appointment or retirement by rotation in accordance with Articles 96 and 105(A) of the Company's Articles of Association.

The consultancy agreement with Mr. Henry Lai Hin Wing is in the process of finalisation.

DIRECTORS' INTERESTS IN SHARES

As at 31st December, 2000, Mr. Patrick S. W. Lee, a Director of the Company, had the following beneficial interests in the shares of the Company and its associated corporations, within the meaning of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance"), as recorded in the register kept by the Company pursuant to Section 29 of the SDI Ordinance:

Name of Director	Number of shares	Nature of interest
Patrick S. W. Lee	(i) 1,800,000 shares in the Company	Personal interest
	(ii) 5,500,000 shares in Allied Group (Note)	Personal interest

Note: Allied Group is the ultimate holding company of the Company.

Save as disclosed above, no interests were held or deemed or taken (under the SDI Ordinance) to be held by any Directors and their associates in any equity or debt securities of the Company or any of its associated corporations (within the meaning of the SDI Ordinance) as at 31st December, 2000.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

As at 31st December, 2000, none of the Directors of the Company had any personal interests in share options to subscribe for shares in the Company and the Company's ultimate holding company, Allied Group, granted under the share option schemes of the Company and Allied Group respectively.

On 17th January, 2000, Mr. Patrick S. W. Lee, a Director of the Company, exercised his remaining share option granted since 6th December, 1994 under the share option scheme of Allied Group to subscribe for 1,000,000 shares in Allied Group at an exercise price of HK\$0.90 per share.

Save as disclosed above, there were no rights held at 31st December, 2000, nor had there been any exercise of rights during the year under review, by any Directors or any of their spouses or children under eighteen years of age to subscribe for equity or debt securities of the Company, its holding company, or any of its fellow subsidiaries or subsidiaries.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

During the year and up to the date of this report, Messrs. Patrick S. W. Lee and Li Chi Kong, Directors of the Company, are considered to have interests in the following businesses which compete or are likely to compete with the businesses of the Group pursuant to the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules"):

- (i) Mr. Patrick S. W. Lee was during the year a director of Allied Group which, through its subsidiaries (of which Mr. Li Chi Kong is a director), are partly engaged in the businesses of property rental and money lending. Mr. Patrick S. W. Lee resigned from Allied Group on 17th May, 2000;
- (ii) Mr. Patrick S. W. Lee is a director of Sun Hung Kai which, through a subsidiary, is partly engaged in the businesses of money lending and provision of financial services; and
- (iii) Messrs. Patrick S. W. Lee and Li Chi Kong are directors of Allied Kajima Limited which, through its subsidiaries, are partly engaged in the businesses of property rental and management services and hospitality related activities.

As the Board of Directors of the Company is independent from the boards of the abovementioned companies and none of the above Directors can control the Board of the Company, the Group is capable of carrying on its businesses independently of, and at arm's length from, the businesses of such companies.

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance to which the Company, its holding company, or any of its fellow subsidiaries or subsidiaries was a party and in which the Directors had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the year was the Company, its holding company, or any of its fellow subsidiaries or subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate with the exception of granting of share options to subscribe for shares in the Company and its ultimate holding company, Allied Group, under their respective share option schemes.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 31st December, 2000, according to the register required to be kept by the Company under Section 16(1) of the SDI Ordinance, the shareholders interested in 10% or more of the issued share capital of the Company were as follows:

Name of Shareholder	Number of shares held	%
Sunhill Investments Limited (Note 1)	429,730,800	14.82
Capscore Limited (Note 2)	843,745,560	29.09
Allied Group	1,781,782,059 (Note 3)	61.43

Notes:

1. Sunhill Investments Limited is a wholly-owned subsidiary of Allied Group.
2. Capscore Limited is a wholly-owned subsidiary of Allied Group.
3. The shareholding comprised the shareholdings of Allied Group and its subsidiaries, including but not limited to Sunhill Investments Limited and Capscore Limited.

Save as disclosed above, the Company has not been notified of any other interests representing 10% or more of the issued share capital of the Company as at 31st December, 2000.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's securities during the year.

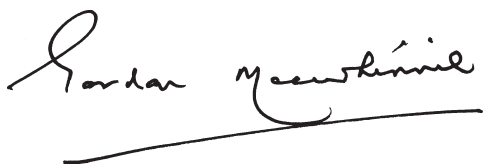
COMPLIANCE WITH THE CODE OF BEST PRACTICE

In the opinion of the Directors, the Company has complied throughout the year with the Code of Best Practice as set out in Appendix 14 of the Listing Rules.

AUDITORS

A resolution will be submitted to the Annual General Meeting of the Company to re-appoint Messrs. Deloitte Touche Tohmatsu as the auditors of the Company.

On behalf of the Board



Sir Gordon Macwhinnie

Chairman

Hong Kong, 11th April, 2001