

The general business outlook for the property markets in Hong Kong and other Asian countries remains uncertain in the coming years. Given the uncertainty, the Group decided to make further provisions totalling HK\$445 million in respect of its property-related projects. The Group recorded a net loss from ordinary activities attributable to shareholders of HK\$426 million (1999 - HK\$186 million) after taking account of these provisions.

TURNOVER

Turnover for the year decreased slightly by 6.6 per cent. to HK\$2,091 million (1999 – HK\$2,238 million). The turnover mix was similar to last year and was evenly distributed among property businesses, food businesses and banking businesses, which accounted for 20 per cent., 25 per cent. and 26 per cent. of total turnover, respectively. Despite the sale of Sim Lim Square in Singapore, rental income for the year still increased by 10 per cent. as the Group had completed the development of Lippo Plaza in Shanghai, the People's Republic of China in late 1999 and it achieved full occupancy during the year.

PROFIT/(LOSS) FROM OPERATING ACTIVITIES

Administrative expenses and other operating expenses increased slightly by only 3.2 per cent. and 2.8 per cent., respectively, reflecting the Group's strict cost control.

Provisions for bad and doubtful debts relating to banking operations reduced by 10 per cent. to HK\$262 million (1999 – HK\$291 million). Whilst this was not a significant reduction, it should be considered in light of a substantial drop in non-performing loans of the banking operations from HK\$2,194 million to HK\$1,204 million, representing approximately 9 per cent. of its total loans.

During the year, the Group made further provisions against its assets, especially for property-related projects as mentioned above. Total provisions for diminutions in values of various investments made for the year amounted to HK\$525 million, of which HK\$445 million was related to property investments and HK\$52 million was related to securities investments.

In addition, operating results for the year included a gain of HK\$72 million arisen from the disposal of the listed shares in Hong Kong Exchanges and Clearing Limited and a gain of HK\$189 million on disposal of its interest in a life insurance company. During the year, the Group also realised a loss of HK\$41 million upon disposal of a subsidiary engaged in money lending business.

TOTAL ASSETS

As at 31st December, 2000, total assets of the Group dropped 5.4 per cent. to HK\$10.2 billion (1999 – HK\$10.8 billion) after the aforesaid substantial provisions. There was no material change in the composition of the assets, which mainly consisted of property-related assets and net assets attributable to banking operations. They accounted for 26 per cent. and 43 per cent. of the total assets respectively.

NET ASSET VALUE

In November 2000, Lippo China Resources Limited (“LCR”), a listed subsidiary of the Company, completed a one-for-two rights issue of shares (the “Rights Issue”) at an issue price of HK\$0.16 per rights share, raising HK\$491 million (before expenses) with HK\$114 million received in cash and HK\$377 million set-off against the amounts due under the loan note (the “Loan Note”) issued by LCR and held by the Company. Upon completion of the Rights Issue, the interest of the Group in LCR has been increased from 54.3 per cent. to 66.7 per cent. The acquisition of the additional interest in LCR gave rise to an increase of capital reserve of HK\$490 million. Therefore, the Group’s net asset value increased slightly by 2.4 per cent. to HK\$2,965 million (1999 - HK\$2,896 million) notwithstanding a net loss was incurred for the year. As at 31st December, 2000, the consolidated net asset value per share stood at HK\$6.77 (1999 – HK\$6.61).

LIQUIDITY RATIO AND TOTAL BORROWINGS

Total cash balances at the end of 2000 amounted to HK\$1.2 billion (1999 – HK\$1.4 billion) and liquidity ratio of the Group increased significantly to 3.0 from last year’s 2.3. It was well above the average among the companies in the same industry. The increase was mainly due to the restructuring of its bank loans and other borrowings for longer term financing. Bank loans and other borrowings of the Group, including commercial papers issued, amounted to HK\$1,299 million (1999 – HK\$1,308 million), of which 25 per cent. (1999 – 50 per cent.) was repayable within one year.

The Group’s banking facilities (other than those relating to the banking operations) were secured by certain leasehold land and buildings, investment properties and shares in certain subsidiaries, with interest at floating rates. As at 31st December, 2000, 77 per cent. of the bank loans were denominated in United States Dollars or Hong Kong Dollars. All commercial papers issued were denominated in United States Dollars with 55 per cent. (1999 – 49 per cent.) carried interest at floating rates. When appropriate, hedging instruments including forward contracts, swaps and currency loans are used to manage foreign exchange exposures.

CONCLUSION

In summary, the Group has a sound financial position with strong financial resources. It will continue to focus on enhancing the value of its assets and is well positioned to take advantage of good investment opportunities.