

Report of the Directors

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 and provides corporate management services. The principal activities of its principal subsidiaries, associates and a jointly controlled entity as at 31st December, 2000 are set out in notes 46, 47 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 17 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 29, 30 and 31 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 69.

FIXED ASSETS

During the year, the Group spent HK\$140,057,000 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\$22,624,000.

The Group's remaining investment properties and hotel property were revalued on 31st December, 2000 at HK\$2,454,015,000. Of the resulting revaluation deficit of HK\$400,883,000, HK\$86,374,000 has been charged to the property revaluation reserve, HK\$163,713,000 has been charged to the income statement and the balance has been charged to minority interests.

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\$245,972,000.

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 carrying 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.

PROPERTIES UNDER DEVELOPMENT (CONT'D)

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 70 to 72.

SHARE CAPITAL, WARRANTS AND SHARE OPTIONS

Details of movements in the share capital, warrants and share options of the Company during the year are set out in notes 26, 27 and 28 to the financial statements respectively.

BORROWINGS AND INTEREST CAPITALISED

Bank loans, overdrafts and other borrowings repayable within one year or on demand are classified as current liabilities. A repayment analysis of bank loans, overdrafts and other borrowings 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:

Lee Seng Hui	
Edwin Lo King Yau	(appointed on 17th May, 2000)
Patrick S. W. Lee	(resigned on 17th May, 2000)

Non-Executive Director:

Lee Su Hwei	(appointed on 17th May, 2000)
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Independent Non-Executive Directors:

Gordon Macwhinnie	
Wong Po Yan	
Arthur George Dew	
David Craig Bartlett	
Wu Bang Jie	(appointed on 27th March, 2000)
Larry Kwok Lam Kwong	(retired by rotation at the Annual General Meeting of the Company held on 26th June, 2000)

In accordance with Article 105(A) of the Company's Articles of Association, Messrs. Wong Po Yan, Arthur George Dew and Wu Bang Jie will retire by rotation and, being eligible, offer themselves for re-election.

DIRECTORS' SERVICE CONTRACTS

None of the Directors proposed for re-election at the forthcoming Annual General Meeting has 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 NON-EXECUTIVE DIRECTORS

The terms of office of the Non-Executive Directors (including 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.

Consultancy agreements have been entered into between the Company and the following Independent Non-Executive Directors:

Name of Director/Former Director	Commencement date and term of the consultancy agreements
Gordon Macwhinnie	1st December, 1999 for two years
Arthur George Dew	8th December, 1999 for two years
David Craig Bartlett	17th December, 1999 for two years
Larry Kwok Lam Kwong	8th December, 1999 to 26th June, 2000 (Note)

Note: Mr. Larry Kwok Lam Kwong retired by rotation at the Annual General Meeting of the Company held on 26th June, 2000.

The consultancy agreement with Mr. Wong Po Yan expired on 30th March, 2001 and is in the process of renewal.

DIRECTORS' INTERESTS IN SHARES

As at 31st December, 2000, 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"), were held by Directors and their associates 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
Lee Seng Hui	758,676,142 shares in the Company	Personal interest in 229,216 shares and other interest in 758,446,926 shares (Note)
Lee Su Hwei	758,446,926 shares in the Company	Other interest (Note)

Note: Mr. Lee Seng Hui and Ms. Lee Su Hwei are trustees of Lee and Lee Trust, being a discretionary trust which indirectly held 758,446,926 shares 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 nor former Directors of the Company had any personal interests in share options to subscribe for shares in the Company and the Company's subsidiary, Allied Properties, granted under the share option schemes of the Company and Allied Properties respectively.

DIRECTORS' RIGHTS TO ACQUIRE SHARES (CONT'D)

During the year, a Director and a former Director of the Company had the following personal interests in share options to subscribe for shares in the Company granted under the share option scheme of the Company:

	Number of option shares	Date granted	Exercisable period	Exercise price per share HK\$	Consideration paid for the option granted HK\$
Lee Seng Hui	1,000,000	6.12.1994	21.1.1995 to 20.1.2000	0.90	1.00
Patrick S. W. Lee (former Director)	1,000,000	6.12.1994	21.1.1995 to 20.1.2000	0.90	1.00

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

Mr. Lee Seng Hui did not exercise his remaining share option granted since 6th December, 1994 under the share option scheme of the Company to subscribe for shares in the Company on or before 20th January, 2000 and accordingly, such share option has lapsed.

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 and former Directors or any of their spouses or children under eighteen years of age to subscribe for equity or debt securities of the Company or any of its subsidiaries.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

During the year and up to the date of this report, Mr. Lee Seng Hui, Director of the Company, and Mr. Patrick S. W. Lee, former Director of the Company who resigned on 17th May, 2000, 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) Messrs. Lee Seng Hui and Patrick S. W. Lee are former director and director of Sun Hung Kai respectively which, through a subsidiary, is partly engaged in the businesses of money lending and the provision of financial services. Mr. Lee Seng Hui resigned from Sun Hung Kai on 1st June, 2000; and
- (ii) Mr. Patrick S. W. Lee is a director 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 Director/former Director 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 or any of its subsidiaries was a party and in which the Directors or former 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 or any of its subsidiaries a party to any arrangements to enable the Directors or former 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 subsidiary, Allied Properties, 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 only shareholder who was interested in 10% or more of the issued share capital of the Company was as follows:

Name of Shareholder	Number of shares held	%
Lee and Lee Trust	758,446,926	21.60

Note: Mr. Lee Seng Hui and Ms. Lee Su Hwei, Directors of the Company, are trustees of Lee and Lee Trust, being a discretionary trust.

As at the date of this report and according to the register as required to be kept by the Company under Section 16(1) of the SDI Ordinance, the percentage shareholding that Lee and Lee Trust held was 22.00%. The increase of percentage shareholding is solely due to a reduction in the total issued share capital of the Company subsequent to the cancellation of shares arising from the Company's purchases of its own shares.

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.

CONNECTED TRANSACTION

During the year, AG Capital Limited, a wholly-owned subsidiary of the Company which is engaged in the business of money lending, granted an unsecured advance of HK\$80 million to UAF. UAF is an indirect subsidiary of the Company and the attributable proportion of its share capital held by the Group is 50.91%.

The advance, which was repaid in the same year, was used to provide general working capital to UAF for its consumer finance business. The advance bore interest at a normal commercial rate of 3.5% over Hong Kong prime interest rate per annum.

Sir Gordon Macwhinnie and Mr. Lee Seng Hui, being Directors of the Company, are also directors of UAF.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the year, the Company made the following purchases of its own shares on the Stock Exchange:

Month of purchases	Number of shares purchased	Purchase consideration per share		Aggregate consideration paid HK\$
		Highest HK\$	Lowest HK\$	
May	14,462,000	0.67	0.64	9,359,920
June	11,886,000	0.65	0.58	7,718,900
July	15,280,000	0.63	0.62	9,523,600
September	7,068,000	0.65	0.60	4,496,200
October	4,000,000	0.56	0.55	2,220,000
December	4,378,000	0.49	0.45	2,118,560

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's securities during the year.

DONATIONS

The Group made charitable donations of HK\$350,200 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