

REPORT OF THE DIRECTORS

The directors have pleasure in submitting their report together with the audited accounts for the year ended 30 June 2001.

PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding, and through its subsidiaries, hotel owning and management. The Group is also involved in restaurant operations through its jointly controlled entities.

An analysis of the Group's turnover and contribution to trading results in respect of the above activities is set out in Note 2 on the Accounts.

As the majority of the activities of the Group during the year were carried out in Hong Kong, a geographical analysis of turnover is not included.

SUBSIDIARIES AND JOINTLY CONTROLLED ENTITIES

A list of subsidiaries and jointly controlled entities, together with their countries of operations and incorporation and particulars of their issued share capital, is set out in Notes 22 and 23 on the Accounts.

FINANCIAL RESULTS

The profit of the Group for the year ended 30 June 2001, and the state of affairs of the Company and of the Group at that date are set out in the Accounts on pages 43 to 64.

A summary of the results and of the assets and liabilities of the Group for the last ten financial years is set out on pages 24 and 25.

DIVIDENDS

The directors now recommend a final dividend of 1.7 cents per 'A' share and 0.17 cent per 'B' share which,

together with the interim dividend of 1.5 cents per 'A' share and 0.15 cent per 'B' share paid on 20 April 2001, make total dividends of 3.2 cents per 'A' share and 0.32 cent per 'B' share in respect of the year ended 30 June 2001. The proposed final dividend, if approved by the shareholders at the Annual General Meeting on 23 November 2001, will be paid on 30 November 2001 to shareholders whose names appear on the Registers of Members on 16 November 2001.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

RESERVES

Movements in the reserves of the Company and of the Group during the year are set out in Note 16 on the Accounts.

BANK OVERDRAFTS

Particulars of bank overdrafts of the Company and of the Group as at 30 June 2001 are set out in the Balance Sheets of the Accounts.

FIXED ASSETS

Movements of fixed assets during the year are set out in Note 9 on the Accounts.

MAJOR SUPPLIERS AND CUSTOMERS

During the year, both the percentage of purchases attributable to the Group's 5 largest suppliers combined and the percentage of turnover or sales attributable to the Group's 5 largest customers combined were less than 30% of the total purchases and turnover or sales of the Group respectively.

DIRECTORS

The names of the directors of the Company as at the date of this report are listed on page 3.

Mr. Alfred H.K. Li has resigned as a director of the Company to take effect on 31 October 2001. The board of directors wishes to convey its gratitude to Mr. Li for his valuable contributions to the Company during his tenure of office.

Mr. Terry S.Y. Ng will be appointed as a director of the Company with effect from 1 November 2001. As the date of his appointment is subsequent to the last Annual General Meeting, he will retire in accordance with Article 94 of the Company's Articles of Association and, being eligible, will offer himself for re-election.

In accordance with Articles 103, 104 and 118 of the Company's Articles of Association, Messrs. H.K. Cheng, S.S. Yin and Nelson W.L. Yuen retire by rotation and, being eligible, offer themselves for re-election.

The appointments of non-executive directors are for specific terms which coincide with their expected dates of retirement by rotation in accordance with the provisions of the Company's Articles of Association.

Brief biographical details of the directors of the Company are set out on pages 29 to 31.

SERVICE CONTRACT

No director proposed for re-election at the forthcoming Annual General Meeting has a service contract with the Company, its holding company or any of its subsidiaries or fellow subsidiaries which is not determinable within one year without payment of compensation (other than statutory compensation).

DIRECTORS' INTERESTS IN CONTRACTS

No contract of significance to which the Company, its holding company or any of their subsidiaries was a party and in which a director of the Company was materially interested, whether directly or indirectly, subsisting during or at the end of the year.

At no time during the year was the Company, its holding company or any of their subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate, apart from the employee share option scheme of its holding company, Hang Lung Development Company, Limited.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

During the year, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

DIRECTORS' INTERESTS IN SHARES

As at 30 June 2001, the interests of each director and their associates in the issued share capital of the Company and its associated corporations as recorded in the registers required to be kept under Section 29 of the Securities (Disclosure of Interests) Ordinance or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Companies are set out on Table 1.

During the year, none of the directors and their respective spouses and children under 18 years of age had been granted any rights to subscribe for shares or debentures of the Company.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As at 30 June 2001, the interests of every person, other than directors of the Company, in the issued share capital of the Company as recorded in the registers required to be kept under Section 16(1) of the Securities (Disclosure of Interests) Ordinance are set out on Table 2.

AUDITORS

A resolution for the re-appointment of KPMG as auditors of the Company until the conclusion of the next Annual General Meeting is to be proposed at the forthcoming Annual General Meeting.

On Behalf of the Board

Ronnie C. Chan

Chairman

Hong Kong, 24 September 2001

TABLE 1: DIRECTORS' INTERESTS IN SHARES**THE COMPANY**

	Class*	Number of Shares			
		Personal Interests	Family Interests	Corporate Interests	Other Interests
Ronnie C. Chan	A	—	—	—	15,765,607 (Note)
	B	—	—	—	20,396,065 (Note)
S.S. Yin		—	—	—	—
Nelson W.L. Yuen		—	—	—	—
Ronald J. Arculli	A	3,021	—	168,858	—
	B	3,515	—	196,470	—
Laura L.Y. Chen		—	—	—	—
H.K. Cheng		—	—	—	—
Robert S. Huthart		—	—	—	—
Alfred H.K. Li		—	—	—	—

HANG LUNG DEVELOPMENT COMPANY, LIMITED

	Shares of \$1.00 each				Share Options #
	Personal Interests	Family Interests	Corporate Interests	Other Interests	Personal Interests
Ronnie C. Chan	—	—	—	339,034,580 (Note)	—
S.S. Yin	—	—	—	—	—
Nelson W.L. Yuen	—	—	—	—	2,500,000
Ronald J. Arculli	581,775	—	508,200	—	—
Laura L.Y. Chen	—	—	—	—	—
H.K. Cheng	—	—	—	—	—
Robert S. Huthart	—	—	—	—	—
Alfred H.K. Li	—	—	—	—	1,250,000

TABLE 1: DIRECTORS' INTERESTS IN SHARES *(continued)***AMOY PROPERTIES LIMITED**

	Ordinary Shares of \$1.00 each			
	Personal Interests	Family Interests	Corporate Interests	Other Interests
Ronnie C. Chan	—	—	—	—
S.S. Yin	—	—	—	—
Nelson W.L. Yuen	—	—	—	—
Ronald J. Arculli	14,737	—	709,609	—
Laura L.Y. Chen	—	—	—	—
H.K. Cheng	—	—	—	—
Robert S. Huthart	—	—	—	—
Alfred H.K. Li	—	—	—	—

* A : 'A' Shares of \$0.10 each
 B : 'B' Shares of \$0.01 each

not yet exercised

Note

These shares were held by a trust of which associate of Mr. Ronnie C. Chan is a member of a wide class of discretionary objects.

TABLE 2: SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

	Number of Shares Held	
	'A' Shares	'B' Shares
Cole Limited	476,341,188 (a)	438,082,800 (a)
Hang Lung Development Company, Limited	460,575,581 (b)	417,686,735 (b)
Prosperland Housing Limited	253,517,709 (c)	353,953,435 (c)
Hang Far Company Limited	121,328,515 (c)	— (c)
Belivecity Limited	63,695,484 (c)	32,558,605 (c)

Notes

- (a) *Cole Limited was deemed to be interested in 460,575,581 'A' shares and 417,686,735 'B' shares held by Hang Lung Development Company, Limited and its subsidiaries, which number of shares were included in the above-mentioned number of 476,341,188 'A' shares and 438,082,800 'B' shares.*
- (b) *Hang Lung Development Company, Limited was deemed to be interested in the shareholdings of its subsidiaries, viz. 253,517,709 'A' shares and 353,953,435 'B' shares held by Prosperland Housing Limited, 121,328,515 'A' shares held by Hang Far Company Limited, 63,695,484 'A' shares and 32,558,605 'B' shares held by Belivecity Limited, and 22,033,873 'A' shares and 31,174,695 'B' shares held by other subsidiaries.*
- (c) *The 253,517,709 'A' shares and 353,953,435 'B' shares held by Prosperland Housing Limited, the 121,328,515 'A' shares held by Hang Far Company Limited, and the 63,695,484 'A' shares and 32,558,605 'B' shares held by Belivecity Limited were included in the above-mentioned number of 460,575,581 'A' shares and 417,686,735 'B' shares held by Hang Lung Development Company, Limited.*