

DIRECTORS' REPORT

The Directors submit their report together with the audited financial statements for the year ended 31 December 2001, which were approved by the Board of Directors on 12 March 2002.

PRINCIPAL ACTIVITIES

The principal activities of the Group continued throughout 2001 to be property development and investment and investment holding. Details of the Group's associates and subsidiaries at 31 December 2001 are set out in notes 16 and 38 respectively to the financial statements.

An analysis of Group's turnover is set out in note 4 to the financial statements. As the Group's turnover is derived principally from rental income and wholly in Hong Kong, no segment financial analysis is provided. A detailed review of the development of the business of the Group during the year, and likely future developments, is set out in the Chairman's Statement and the Operating and Financial Review of the Annual Report.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2001 are set out in the consolidated income statement on page 45.

An interim dividend of HK\$0.10 per share amounting to HK\$102,833,355 was paid to shareholders during the year.

The Board of Directors recommends the payment of a final dividend of HK\$0.28 per share with a scrip alternative to the shareholders on the register of members on 14 May 2002, absorbing HK\$288,764,945. The ordinary dividends paid and proposed in respect of the full year 2001 will absorb HK\$391,598,300, the balance of the profit will be retained.

RESERVES

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

INVESTMENT PROPERTIES

All of the Group's investment properties were revalued by an independent professional valuer at 31 December 2001. The revaluation resulted in a deficit as compared to carrying amount amounting to HK\$1,972 million, which has been charged directly to the investment property revaluation reserve.

Details of movements during the year in the investment properties of the Group and the Company are set out in note 14 to the financial statements.

MAJOR PROPERTIES

Details of the major properties of the Group at 31 December 2001 are set in section under "Schedule of Principal Properties" of the annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of movements during the year in the property, plant and equipment of the Group and the Company are set out in note 13 to the financial statements.

SHARE CAPITAL

The Company was authorised at the Annual General Meeting held in 2001 to purchase its own ordinary shares not exceeding 10% of the aggregate nominal amount of its issued share capital at that time. The Company periodically repurchases its ordinary shares when they are significantly undervalued, in order to enhance shareholder value. During the financial year, the Company repurchased an aggregate of 6,964,000 ordinary shares for a total consideration of HK\$64,319,631 on The Stock Exchange of Hong Kong Limited.

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

The Company also issued a total of 8,016,072 ordinary shares under the scrip dividend scheme accompanying year 2000 final dividends and year 2001 interim dividends. Details of movements during the year in the share capital of the Company are set out in note 27 to the financial statements.

Except as disclosed in note 28 to the financial statements, there were no other warrants, options or convertible securities issued by the Company or its subsidiaries during the year.

CORPORATE GOVERNANCE

The Company is committed to a high standard of corporate governance and has complied throughout the review period with the Code of Best Practice (the "Code of Best Practice") as set out in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

Further information on the Company's corporate governance practices is set out in the section "Corporate Governance". Such section sets out detailed information on (a) Board effectiveness (including workings of Audit Committee and other Board committees); (b) Directors' remuneration and interests (including information on Directors' emoluments, service contracts, interests in shares, executive share options, interests in contracts of significance and interests in competing businesses under the Listing Rules); (c) Connected and Related Party Transactions and (d) Human Resources Practices.

THE BOARD

The Board currently comprises Peter T. C. Lee, Chairman and Managing Director, Pauline W. L. Yu Wong, Director, Property and Michael C. K. Moy, Chief Financial Officer and Director, and ten other non-executive Directors. Sir David Akers-Jones acts as the Independent non-executive Deputy Chairman, also chairing the two corporate governance committees, namely the Audit Committee and Emoluments Review Committee. The biographies of the Directors appear on pages 28 and 29.

Hon Chiu Lee, the former Chairman of the Board, retired after twenty years with the Company, as from the last Annual General Meeting held on 8 May 2001. The Honourable Lee Quo-Wei, former Deputy Chairman, also stepped down after the last Annual General Meeting on 8 May 2001.

Under the Company's articles of association, all Directors are subject to retirement by rotation. The three Directors who have been longest in office as at each Annual General Meeting will retire from office and be subject to re-election. In accordance therewith, Per Jorgensen, Deanna R. T. Y. Rudgard and Anthony H. P. Lee will retire from office at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election. During the year, Claus Michael Valentin Hemmingsen, Raymond Liang-ming Hu, Markus Friedrich Jebsen and V-nee Yeh served as alternate Directors.

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Companies Ordinance requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the Group as at the end of the financial year and of their respective profit or loss for the year then ended. In preparing the financial statements, the Directors are required to:

- (a) select suitable accounting policies and apply them on a consistent basis, making judgements and estimates that are prudent, fair and reasonable;
- (b) state the reasons for any significant departure from accounting standards; and
- (c) prepare the financial statements on the going concern basis, unless it is not appropriate to presume that the Company and the Group will continue in business for the foreseeable future.

The Directors are responsible for keeping proper accounting records, for safeguarding the assets of the Company and of the Group and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

SUBSTANTIAL SHAREHOLDERS

The register of substantial shareholders maintained under Section 16(1) of the Securities (Disclosure of Interests) Ordinance shows that as at 31 December 2001, the Company has been notified of the following interests, being ten per cent (10%) or more of the Company's issued share capital:

	No. of shares
Lee Hysan Estate Company, Limited and certain of its subsidiaries	429,046,912

These interests are in addition to those disclosed above in respect of the Directors.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate turnover attributable to the Group's five largest customers was less than 30% of total turnover.

The aggregate purchases attributable to the Group's five largest suppliers was less than 30% of total purchases.

POST BALANCE SHEET EVENT

Details of the post balance sheet event are set out in note 37 to the financial statements.

DONATIONS

During the year, the Group made donations totalling HK\$1,282,650 for charitable and other purposes.

AUDITORS

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

By order of the Board

Peter T. C. Lee

Chairman and Managing Director

Hong Kong, 12 March 2002