I am pleased to present my report to shareholders on the performance and activities of the Group during 2001.

RESULTS

For the year ended 31st December, 2001, Group profit from operations was HK$363 million, a 24% decline from the previous year. Rental income from Australian and New Zealand investment properties was at a level similar to 2000. However, rental income from investment properties in Hong Kong fell 34%, the result of many current leases having been contracted in a weak office market environment in 2000. The lower operating profit also reflected reduced interest income which fell 54% following the trend of declining interest rates throughout 2001.

After taking account of lower finance costs arising mainly from lower interest rates and an increase in the share of losses of principally non-property associates, the Group profit before taxation was HK$74 million representing a 31% decline from 2000 as restated. A restatement of profit before taxation for 2000 was the result of the Group adopting a new Hong Kong accounting standard relating to the treatment of goodwill. The effect has been a net charge of HK$52 million against the previously reported 2000 profit before taxation.

The Group net profit after tax and minority interests, attributable to shareholders for 2001 amounted to HK$36 million compared with HK$51 million as restated, for the previous year. The profit for the year represents earnings per share of 7.0 cents compared with 10.1 cents as restated for 2000.

DIVIDENDS

The board recommends a final dividend of HK$0.10 per share for the year 2001 payable on 28th May, 2002 to shareholders whose names appear on the Register of Members on 23rd May, 2002. Together with the interim dividend of HK$0.06 per share paid on 9th October, 2001, the total dividend for the year is HK$0.16 per share. An interim dividend and a final dividend of HK$0.06 and HK$0.10 per share respectively were paid for the preceding year.

BUSINESS REVIEW

The growth rate for Hong Kong's economy slowed throughout 2001. However the Group's investment properties in Hong Kong were able to maintain satisfactory occupancy levels at year end in excess of 90%. Declines during 2001 in effective rent rates for office accommodation in Hong Kong had only a minor impact as most leases were renewed in 2000.

In Guangzhou, China pre-sales of phase 1 of Westmin Plaza commenced in August 2001 and to-date over 85% of the saleable residential apartments have been contracted.

In Australia and New Zealand, previous strategies involving the disposal of non-core properties and refurbishment of existing major properties continued. The Group's tenant base in these countries remains strong, providing reliable levels of cash flow.

Phase 1, Westmin Plaza in Guangzhou, a commerical/residential development totalling around 40,000 sq.m.

The Group's operations and activities in the areas of logistics, software development, procurement and e-commerce all expanded and developed during 2001. However, the sharp decline last year on a global basis in technology related spending and investment had an adverse impact on the results and carrying values for this segment of the Group.

The performance and activities of the Group's principal business segments is commented upon further in the Management Discussion and Analysis section of this Annual Report.

OUTLOOK

Although it appears the U.S. economy is showing signs of a recovery, it is far from certain that the recovery is either sustainable or will in turn lead to similar recoveries in the regions in which the Group's principal businesses are located — namely Hong Kong and New Zealand. Therefore, the Group expects 2002 to be a difficult year for its principal businesses. In particular, downward pressure on the value of the Group's investment and property assets is likely to continue.

The Group however has a sufficiently solid balance sheet to enable it to explore opportunities to expand its property activities throughout the Asia/Pacific region. In 2002 it will also seek to invest in areas such as asset management and logistics as part of its long term diversification strategy.

Hong Kong

Hong Kong's economy is showing little evidence of recovery from the current recession. The present deflationary trend, in both prices for financial assets and wage levels, continues as Hong Kong adjusts itself to remain competitive in the Asia Region. China's accession to the World Trade Organisation at the end of 2001 does however offer the prospect of expanding export markets for China and an increase in foreign direct investment into China — factors that could have longer term benefits for Hong Kong in its role as a leading Asian region financial and commercial centre.

Recent selective strength in residential primary market sales activity, notably for smaller size units, stems mainly from improved buyer affordability as a result of historic low mortgage lending rates. Interest rates are now moving upwards in response to U.S. interest rate movement. Should this trend continue for the remainder of 2002 there will be diminishing end-user affordability and pressure on developers' margins. Consequently, profitability (after previous provisions) from the eventual launch of the Group's Sheung Shui mass residential project would be reduced.

China

The targeted promotion of the Western Region as a high priority by the Chinese Government could stimulate a renewed interest for our Chengdu (Sichuan Province) commercial developments. The Group is confident that upon completion of phase 1 of the Westmin Plaza, Guangzhou, further phases of commercial area and residential units will find a ready market when released for sale.

New Zealand

Central Business District ("CBD") office rents in the major cities appear to have stabilized during 2001 at what was perceived to be the bottom of the leasing cycle. This in turn impacted positively on buying interest from local investors. Trans Tasman Properties Limited ("TTP") our listed New Zealand subsidiary took advantage of this improved liquidity last year by disposing of non-core properties to bring debt within acceptable limits. These disposals have caused the Group to incur losses on sale of properties as yield expectations remain at a historically high level. With interest rates in New Zealand rising recently as part of the New Zealand Government's anti-inflation measures, the property sector will continue to be under pressure to further devalue carrying values and this will have an adverse impact on TTP. As TTP moves, in the medium term, to rebalance its portfolio in favour of higher yielding development and investment assets, the transition will not be without downward adjustment to net asset values.

Maritime Square located at the centre of the Viaduct Harbour, Auckland

Australia

The local economy was once again resilient for most of 2001. However, office leasing activity generally has noticeably slowed in recent months. Our listed subsidiary, Australian Growth Properties Limited ("AGP") is positioned to earn a higher yield on its assets once its Sydney CBD properties at 345 George Street and 65 York Street have been refurbished and re-let. Last year's re-banking of credit lines in conjunction with property sales will now permit AGP to execute a re-investment strategy with greater flexibility.

E-Businesses

The initiatives undertaken in New Zealand by 50 per cent owned Professional Service Brokers Limited ("PSB") during 2001 has positioned the Group to expand into Australia and the Asia/Pacific region as a leading, fully integrated procurement service provider under the PSB Group brand. The Group has also signed an exclusive Asian licence with PSB to exploit the PSB Group concept. This provides the Group a base platform to move strongly into the public (government and quasi-government) and private procurement sectors complemented by its existing investments in e-logistics.

e-commerce Logistics Limited ("ECL") in which the Group owns a 35% interest, will continue to build its networked services which will extend to 9 logistics centers in Hong Kong, China and Taiwan by the end of 2002. Whilst trading conditions have been difficult over the past two years, ECL's I.T. logistics platform is finally nearing completion thus improving prospects for new customer acquisition and expansion of existing revenues.

STAFF

The Group had 230 employees at the end of 2001. Salaries are reviewed annually in conjunction with market conditions and employee performance appraisals. Fringe benefits including tuition/training subsidies, employer voluntary contributions to employee retirement funds and medical insurance benefits are offered to most employees.

Share options at the Group and subsidiary level are granted to executives employed by the Group on a selective discretionary basis by the respective boards.

Lu Ho
Chairman
Hong Kong, 4th April, 2002