

The directors present their annual report and the audited financial statements for the year ended 31st December, 2001.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 20 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31st December, 2001 are set out in the consolidated income statement on page 20.

An interim dividend of HK 6 cents per share amounting to HK\$30,675,000 was paid to the shareholders during the year. The directors now recommend the payment of a final dividend of HK 10 cents per share to the shareholders on the register of members on 23rd May, 2002, amounting to HK\$51,125,000.

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in note 38 to the financial statements.

SHARE CAPITAL, WARRANTS AND SHARE OPTIONS

Details of movements during the year in the share capital, outstanding warrants and options of the Company are set out in note 37 to the financial statements.

Particulars of option rights held by option holders of the Company during the year are set out below.

Employee Share Option Scheme

The Company operates an Employee Share Option Scheme (the "Scheme") for the primary purpose of providing incentive to executive directors and eligible employees. The original scheme was approved and adopted on 30th June, 1990. A new scheme was approved and adopted on 23rd June, 2000, which will be effective until 29th June, 2010. At 31st December, 2001, the number of shares in respect of which options had been granted under the original and new Scheme was 36,700,000 and 28,000,000, representing approximately 7% and 5% respectively of the shares of the Company in issue at that date.

Under the Scheme, the board of directors of the Company may offer to any director or full time employee/chief executive of the Company, or any of its subsidiaries, options to subscribe for shares in the Company at a price equal to the higher of the nominal value of the shares, the closing price of shares on the date of grant, and the average closing price of shares on The Stock Exchange of Hong Kong Limited ("Stock Exchange") for the last five business days immediately preceding the date of the grant of the options, subject to a maximum of 10% or such other percentage limit as the Stock Exchange may from time to time prescribe, of the issued share capital of the Company. The number of shares in respect of which options may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders.

Options granted must be taken up within 28 days from the date of grant or such period as the directors determine, upon payment of HK\$10 per each grant of options.

Options may be exercised at any time after the date of grant to the tenth anniversary of the date of grant.

Pursuant to the Company's Employee Share Option Scheme, options to purchase ordinary shares in the Company are granted to directors and employees. Particulars of options outstanding during the year are as follows:

Date of grant	Exercisable period	Price per share to be paid on exercise of option (HK\$)	Number of options outstanding at beginning and end of year
Category 1: Directors			
11.8.1992	11.8.1992 – 10.8.2002	1.85	21,000,000
18.11.1993	18.11.1993 – 17.11.2003	2.78	3,500,000
21.2.1994	21.2.1994 – 20.2.2004	4.40	2,200,000
4.12.2000	4.12.2000 – 3.12.2010	1.44	28,000,000
Total Directors			54,700,000
Category 2: Employees			
18.11.1993	18.11.1993 – 17.11.2003	2.78	10,000,000
Total Employees			10,000,000
Total all categories			
11.8.1992	11.8.1992 – 10.8.2002	1.85	21,000,000
18.11.1993	18.11.1993 – 17.11.2003	2.78	13,500,000
21.2.1994	21.2.1994 – 20.2.2004	4.40	2,200,000
4.12.2000	4.12.2000 – 3.12.2010	1.44	28,000,000
Gross total			64,700,000

No options were granted or exercised during the year.

INVESTMENT PROPERTIES

All the investment properties of the Group were revalued at 31st December, 2001, as set out in note 16 to the financial statements. The resulting net deficit arising on revaluation (net of minority interests), which has been debited directly to the investment property revaluation reserve, amounted to HK\$214,511,000.

PROPERTY, PLANT AND EQUIPMENT

During the year, properties under development with a total carrying value amounting to approximately HK\$197 million and HK\$22 million were transferred to properties for sale and transferred from investment properties respectively.

Details of the above and other movements during the year in the property, plant and equipment of the Group are set out in note 17 to the financial statements.

MAJOR PROPERTIES

Details of the major properties of the Group at 31st December, 2001 are set out in Major Properties on page 3.

DONATIONS

During the year, the Group made charitable and other donations amounting to HK\$23,000 (2000: HK\$555,000).

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws, or the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

DIRECTORS

The directors of the Company during the year and up to the date of this report were:

Executive directors

Mr. Lu Wing Chi (*Managing Director*)

Mr. Lu Wing Yuk, Andrew

Mr. Lu Wing Lin

Non-executive directors

Mr. Lu Ho (*Chairman*)

Mr. Lu Yong Lee

Independent non-executive directors

Mr. Walujo Santoso, Wally

Mr. Leung Hok Lim

In accordance with Clause 88 of the Company's Bye-laws, Mr. Lu Wing Yuk, Andrew retires by rotation and, being eligible, offers himself for re-election.

The term of office of each non-executive director is the period up to his retirement by rotation in accordance with the Company's Bye-laws.

DIRECTORS' SERVICE CONTRACTS

No director of the Company proposed for re-election at the forthcoming Annual General Meeting has a service contract which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contracts of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' RIGHTS TO ACQUIRE SHARES AND DEBENTURES

Other than the interests of the directors in the Company's shares and employee share option scheme as more fully described below, at no time during the year was the Company or any of its 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.

MANAGEMENT CONTRACTS

No contract of significance concerning the management and administration of the whole or any substantial part of the business of the Company or any of its subsidiaries was entered into or subsisted during the year.

DIRECTORS' INTERESTS IN SHARES, OPTIONS AND WARRANTS

At 31st December, 2001, the interests of the directors and their associates, within the meaning of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance"), in the shares and options of the Company as recorded in the register maintained by the Company pursuant to Section 29 of the SDI 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 were as follows:

Shares

Name of director	Number of ordinary shares	Category of Interest
Mr. Lu Wing Lin	94,000	Personal

Options

Name of directors	Date of grant	Option price (HK\$)	Exercisable period	Number of shares to be issued upon exercise of remaining options at beginning and end of the year
Lu Wing Chi	11.8.1992	1.85	11.8.1992 - 10.8.2002	10,000,000
	21.2.1994	4.40	21.2.1994 - 20.2.2004	2,200,000
	4.12.2000	1.44	4.12.2000 - 3.12.2010	12,500,000
Lu Wing Yuk, Andrew	11.8.1992	1.85	11.8.1992 - 10.8.2002	3,000,000
	4.12.2000	1.44	4.12.2000 - 3.12.2010	3,000,000
Lu Wing Lin	11.8.1992	1.85	11.8.1992 - 10.8.2002	8,000,000
	18.11.1993	2.78	18.11.1993 - 17.11.2003	3,500,000
	4.12.2000	1.44	4.12.2000 - 3.12.2010	12,500,000

No options were granted to or exercised by the directors of the Company during the year.

Other than as disclosed above, none of the directors or chief executives, nor their associates, had any interests in any securities of the Company or any of its associated corporations as defined in the SDI Ordinance, and none of the directors or chief executives, nor their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the year.

SUBSTANTIAL SHAREHOLDERS

As at 31st December, 2001, the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance showed that the following shareholders had an interest of 10% or more in the share capital of the Company:

Substantial shareholders	Number of ordinary shares held	
	Direct interest	Indirect interest
Nan Luen International Limited ("Nan Luen")	240,503,812	—
JCS Limited ("JCS") (Note)	—	240,503,812

Note: JCS is deemed to have an interest in 240,503,812 shares under Section 8 of the SDI Ordinance by virtue of its direct controlling interest in Nan Luen.

Other than as disclosed above, the Company has not been notified of any other interests representing 10% or more of the Company's issued share capital as at 31st December, 2001.

DEALINGS IN THE COMPANY'S SHARES AND WARRANTS

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

MAJOR SUPPLIERS AND MAJOR CUSTOMERS

The aggregate amount of purchases and sales attributable to the five largest suppliers and customers of the Group accounted for less than 30% in aggregate of the Group's total purchases and sales respectively.

CORPORATE GOVERNANCE

The Company has complied throughout the year ended 31st December, 2001 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 except that the non-executive directors are not appointed for a specific term.

An Audit Committee has been established by the Company since 1999 to act in an advisory capacity and make recommendations to the Board of Directors. The Committee currently comprises Messrs. Walujo Santoso, Wally and Leung Hok Lim, both of whom are independent non-executive directors of the Company. The Audit Committee met twice during the year. During these meetings, the committee members met with representatives from the management and/or external auditors of the Company to review the interim and annual reports of the Group as well as various auditing, financial reporting and internal control matters.

FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the past five years is set out in Financial Highlights on page 1.

AUDITORS

A resolution will be submitted to the annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

On behalf of the Board

Lu Ho

Chairman

Hong Kong, 4th April, 2002