



DIRECTORS' REPORT

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

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of the Company's principal subsidiaries are set out in note 30 to the financial statements.

RESULTS

The results of the Group for the year ended 31st December, 2001 are set out in the consolidated income statement on page 15. The Directors do not recommend any dividend for the year (2000: nil).

RESERVES

Movements during the year in the reserves of the Group and of the Company are set out in note 24 to the financial statements.

INVESTMENT PROPERTIES

The Group revalued all of its investment properties at the year end date. The revaluation resulted in a deficit of HK\$7,000,000, which has been charged directly to the consolidated income statement. Details of such revaluation are set out in note 12 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT AND PROPERTIES HELD FOR DEVELOPMENT

Movements during the year in the Group's property, plant and equipment and the details of the Group's properties held for development are set out in notes 13 and 14 to the financial statements, respectively.

Particulars regarding the Group's major properties are set out on pages 55 and 56.

SHARE CAPITAL

During the year, the Company issued shares according to a rights issue made to existing shareholders on the basis of one rights share for every seven shares then held.

Details of this and other movements during the year in the share capital of the Company are set out in note 22 to the financial statements.

FIVE YEAR 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 54.



DIRECTORS' REPORT (CONTINUED)

DIRECTORS

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

Executive Directors

Mr. Leung Siu Fai

Mr. Sun Pak Fun

Mr. Kam Hung Chung

(appointed on 1st October, 2001)

Independent Non-Executive Directors

Mr. Eddie Mui Ho Chow

Mr. Peter Lee Yip Wah

In accordance with the provisions of the Company's Bye-laws, Mr. Peter Lee Yip Wah retires by rotation at the forthcoming annual general meeting and, being eligible, offers himself for re-election.

In accordance with the provisions of the Company's Bye-laws, Mr. Sun Pak Fun retires at the forthcoming annual general meeting and, being eligible, offers himself for re-election.

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

The term of office of each Independent Non-Executive Director is the period up to his retirement by rotation in accordance with the Company's Bye-laws.

BRIEF BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Leung Siu Fai, aged 51, is the Chairman and Managing Director of the Company. Mr. Leung was appointed as a Director of the Company in July 1995. He graduated from Guangzhou Jinan University and has over 15 years of working experience in finance and business management.

Sun Pak Fun, aged 60, is the Joint Chairman of the Company. Mr. Sun was appointed as a director of the Company in October 2001. He has over 20 years of working experience in project development and management as well as finance and business management.

Kam Hung Chung, aged 54, joined the Company as an Assistant Managing Director in April 1998. He has over 15 years experience in the marketing and administration of real estate, and property development both in Hong Kong and the People's Republic of China, other than Hong Kong.



DIRECTORS' REPORT (CONTINUED)

BRIEF BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

(continued)

Independent Non-Executive Directors

Eddie Mui Ho Chow, aged 45, is an Independent Non-Executive Director of the Company. Mr. Mui graduated from the University of Hong Kong in 1980. He was appointed as a Director of the Company on 1st February, 1995. He is a practising lawyer and a partner of F. Zimmern & Co. He has 20 years of working experience, and specialises in civil and commercial litigation.

Peter Lee Yip Wah, aged 60, has been an Independent Non-Executive Director of the Company since 10th April, 1995. Mr. Lee has been a practising solicitor since 1971 and a partner of Woo, Kwan, Lee & Lo since 1981. He is also a Non-Executive Director of Tern Properties Company Limited, Elec & Eltek International (Holdings) Limited, Yu Ming Investments Limited and Shenzhen Investment Limited, Cosco Pacific Limited and China Merchants Holdings (International) Company Limited.

Note: The Group's businesses are under the direct responsibility of the above executive directors who are regarded as members of the senior management of the Group.

DIRECTORS' INTERESTS IN CONTRACTS

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' INTERESTS IN SHARES

As at 31st December, 2001, the interests of the Directors in the share capital of the Company as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") were as follows:

Name of Director	Number of shares held Corporate interests
Leung Siu Fai	126,342,316 <i>(note)</i>

Note: These shares are held in the name of Mighty Management Limited which is controlled by Mr. Leung Siu Fai.

Save as disclosed above, none of the Directors, or their associates, had any interests in any securities of the Company or any of its associated corporations as defined in the SDI Ordinance.



DIRECTORS' REPORT (CONTINUED)

SUBSTANTIAL SHAREHOLDERS

As at 31st December, 2001, according to the register of interests kept by the Company under Section 16(1) of the SDI Ordinance, the shareholders who were interested in 10% or more of the issued share capital of the Company are as follows:

Name	Number of shares held	Percentage of total issued shares
Mighty Management Limited	126,342,316 (<i>note 1</i>)	18.96%
Mr. Ng Lap Seng, Ms. Pun Nun Ho and San Kin Yip Holdings Company Limited (<i>note 2</i>)	68,511,118	10.28%
Ms. Lu Biru	109,714,285	16.47%

Save as disclosed above, no other parties were recorded in the register as having an interest in 10% or more of the issued share capital of the Company.

Notes:

1. These shares are disclosed above in the section "Directors' Interests in Shares".
2. San Kin Yip Holdings Company Limited which held 64,928,936 shares as at 31st December, 2001 is beneficially equally held by Mr. Ng Lap Seng and Ms. Pun Nun Ho. In addition, Mr. Ng Lap Seng and Ms. Pun Nun Ho also equally held 3,582,182 shares as at 31st December 2001.

SHARE OPTION SCHEME

In accordance with the Company's share option scheme (the "Scheme"), which was adopted on 28th June, 1994 for a period of 10 years, the primary purpose of which is to provide incentives to directors and eligible employees. Under the Scheme, the Board of Directors of the Company may grant options to eligible employees, including Director(s) of the Company and its subsidiaries, to subscribe for ordinary shares in the Company, in accordance with the terms of the Scheme.

Without prior approval from the Company's shareholders, the total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue from time to time excluding any shares issued pursuant to the Scheme. No option may be granted to any employee which, if exercised in full, would result in such employee becoming entitled to subscribe for such number of shares as when aggregated with the total number of shares already issued and remaining issuable to him under the Scheme, would exceed 25% of the aggregate number of shares of the Company for the time being in issue or issuable under the Scheme. The consideration payable on acceptance of an option is HK\$1.00 within 28 days from the offer date. Full amount of subscription price must be paid upon exercise of an option.



DIRECTORS' REPORT (CONTINUED)

SHARE OPTION SCHEME *(continued)*

Options may be exercised at any time for two years commencing on the expiry of one month after the date the options are granted and shall be expired on the last day of the two years period granted or on 27th June, 2004 whichever is earlier. The subscription price of the option shares shall be a price to be determined by the Directors of the Company, being not less than 80% of the average of the closing prices of the ordinary shares of the Company for the five trading days immediately preceding the date of the offer of the option and the nominal value of the ordinary shares of the Company.

The Stock Exchange of Hong Kong Limited amended the requirements for the share option schemes under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The new requirements have come into effect from 1st September, 2001 and make some of the provisions of the share option scheme of the Company no longer applicable.

No options was granted, exercised, lapsed or cancelled during the year. There were no options outstanding at the beginning or the end of the year.

Except for the Scheme adopted by the Company, at no time during the year was the Company or any of its subsidiaries a party to any arrangement 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, and as at 31st December, 2001, 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 right under the Scheme.

CONNECTED TRANSACTIONS

On 31st August, 2001, the Company entered into a tenancy agreement with World Shine Enterprises Limited ("World Shine"), a company in which Ms. Lu Biru has a beneficial interest, whereby World Shine agreed to lease an office premise to the Company for a term of three years commencing 1st September, 2001. The aggregate rental expenses paid during the year amounting to approximately HK\$369,000.

The terms of the above transaction have been considered by the Board of Directors of the Company (including the Independent Non-Executive Directors) and determined to be on normal commercial terms.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.



DIRECTORS' REPORT (CONTINUED)

MAJOR SUPPLIERS AND CUSTOMERS

During the year, the largest supplier accounted for 45% of the Group's purchases and the five largest suppliers accounted for 84% of the Group's total purchases. The largest customer accounted for 40% of the Group's turnover and the five largest customers accounted for 64% of the Group's total turnover.

None of the Directors, their associates or any shareholders (which to the knowledge of the Directors owns more than 5% of the Company's share capital) has an interest in the Group's five largest suppliers and customers.

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.

EMPLOYEES

The total number of employees of the Group is approximately 397. The remuneration of each employee of the Group is determined on the basis of his or her performance and experience. The Group provides education allowances to all the employees.

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.

POST BALANCE SHEET EVENTS

Details of significant events occurring after the balance sheet date are set out in note 29 to the financial statements.

AUDITORS

Messrs. Deloitte Touche Tohmatsu retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting.

On behalf of the Board

LEUNG SIU FAI
CHAIRMAN

Hong Kong, 19th April, 2002