

The Directors have pleasure in submitting their Report together with the Audited Accounts of the Company and the Group for the financial year ended 31st December, 2001.

PRINCIPAL ACTIVITIES

The Company is an investment company. The principal activities of the Company's subsidiaries include investment holding, property investment and development, property agency and management, project management and property finance and are more particularly set out in Note 12 to the Accounts.

An analysis of Group's turnover and contribution to the Group's operating loss of each principal activity is set out in Note 2 to the Accounts.

RESULTS AND APPROPRIATIONS

The results of the Group for the financial year ended 31st December, 2001 are set out in the Consolidated Profit and Loss Account on page 27.

No interim dividend (2000: Nil) was paid and the Directors do not recommend the payment of any final dividend for the year ended 31st December, 2001 (2000: Nil).

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 8.

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in Note 21 to the Accounts.

Under the Company Act of Bermuda, the capital redemption reserve and the contributed surplus are distributable to shareholders. Accordingly, total distributable reserves of the Company at 31st December, 2001 amounted to HK\$214,772,000 (2000: HK\$588,991,000).

FIXED ASSETS

Details of the movements in fixed assets are shown in Note 11 to the Accounts.

PROPERTIES

Details of the Group's interest in properties are set out on pages 14 to 15.

BORROWINGS AND INTEREST CAPITALISED

Bank loans, overdrafts and other borrowings repayable within one year or on demand are classified in the Accounts as current liabilities. Particulars of long term borrowings outstanding at the end of the year and details regarding the maturity profile of bank loans and other borrowings are set out in Note 23 to the Accounts. Interest capitalised by the Group during the year amounted to HK\$442,000.

SHARE CAPITAL

Details of the movements in share capital of the Company are shown in Note 20 to the Accounts. No pre-emptive rights exist in Bermuda where the Company was incorporated.

DIRECTORS

The Directors of the Company during the year were:

Mr. Fa-kuang Hu, CBE, JP (*Chairman*)
Mr. Raymond Liang-ming Hu (*Deputy Chairman and Managing Director*)
Mr. Herman Shao-ming Hu, JP (*Executive Director*)
Mr. David Hsu (*Executive Director*)
Mr. Tony Ka-tung Leung (*Executive Director*)
Mr. Cham-son Chau, OBE, JP
Dr. Wai-yung Wu, GBS, OBE, JP
Ms. Maria Wai-chu Tam, GBS, JP
Mr. Hon-chiu Lee, GBS, JP (*resigned on 15th January, 2002*)
Mr. Pei-fu Yao (*resigned on 25th May, 2001*)

In accordance with the provisions in the Company's Bye-Laws, all the Directors for the time being shall retire from office and being eligible, offer themselves for re-election.

Mr. Fa-kuang Hu was appointed to the office of Executive Chairman of the Company under an appointment letter for a term of three years from 1st September, 1992 renewable automatically for successive terms of one year each unless terminated by not less than six months' notice in writing expiring at the end of the initial term or any renewed term of appointment given by Mr. Hu or by the Company. The said appointment letter was renewed in 2001.

Mr. Raymond Liang-ming Hu was appointed Managing Director of the Company under a service agreement for a term of three years from 1st September, 1992 renewable automatically for successive terms of one year each unless terminated by not less than six months' notice in writing expiring at the end of the initial term or any renewed term of appointment given by Mr. Hu or by the Company. The said service agreement was renewed in 2001.

Save as aforesaid, none of the directors has a service contract with the Company which is not determinable by the Company within one year without payment of compensation.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Mr. Fa-kuang HU, CBE, JP, BSc, FHKIE, aged 78, appointed on 20th August, 1992, is the founder and Chairman of the Group and the director of various subsidiaries of the Group. Mr. Hu is also the director of Designcase Limited and Summit Holdings Limited, being substantial shareholders of the Company. Mr. Hu also holds directorships in a number of listed companies in Hong Kong including i-CABLE Communications Limited and Hysan Development Company Limited. Mr. Hu is a member of the Chinese People's Political Consultative Conference. He is the father of Messrs. Raymond Liang-ming Hu and Herman Shao-ming Hu.

Mr. Raymond Liang-ming HU, BA, MBA, aged 45, appointed on 20th August, 1992, is the Deputy Chairman and Managing Director of the Group and the director of various subsidiaries of the Group. Mr. Hu is also the director of Designcase Limited and Summit Holdings Limited, being substantial shareholders of the Company. He is alternate director to Mr. Fa-kuang Hu of Hysan Development Company Limited. Mr. Hu has extensive experience in property investment and development. He is the son of Mr. Fa-kuang Hu and the brother of Mr. Herman Shao-ming Hu.

Mr. Herman Shao-ming HU, JP, BSc, FCIBSE, FHKIE, MIEEE, C. Eng., aged 48, appointed on 20th August, 1992, is also the director of various subsidiaries of the Group. Mr. Hu is also the director of Designcase Limited and Summit Holdings Limited, being substantial shareholders of the Company. He is a member of the Chinese People's Political Consultative Conference, Shanghai. Mr. Hu has extensive experience in property and its related business. He is the son of Mr. Fa-kuang Hu and the brother of Mr. Raymond Liang-ming Hu.

Mr. David HSU, BSc, MBA, aged 49, appointed on 27th September, 1993, is also the director of various subsidiaries of the Group. Prior to joining the Group, Mr. Hsu had over 16 years of experience in merchant banking's corporate finance activities.

Mr. Tony Ka-tung LEUNG, BSSc (Hons), FHIREA, aged 52, appointed on 12th June, 1997, is also the director of various subsidiaries of the Group. Prior to joining the Group, Mr. Leung had over 21 years of experience in the property industry through his prior employment with Buildings and Lands Department of the Hong Kong Government, various prominent listed property developers and a leading surveyor company. He is the Founder Chairman and Past President (1992-4) of the Hong Kong Institute of Real Estate Administration.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT *(Continued)***Non-Executive Directors**

Mr. Cham-son CHAU, OBE, JP, B.Arch., LLD, aged 69, appointed as Independent Non-Executive Director on 20th August, 1992. Mr. Chau is a Fellow of the Royal Town Planning Institute (UK) and Fellow of the Hong Kong Institute of Planners. Mr. Chau has over 35 years of experience in the field of town planning, building and land development in Hong Kong and is a former director of the Buildings and Lands Department of the Hong Kong Government.

Dr. Wai-yung WU, GBS, OBE, JP, MBBS, FRCP, aged 64, appointed as Independent Non-Executive Director on 19th December, 1994. Dr. Wu was a member of the Basic Law Drafting Committee as well as a Hong Kong Affairs Advisor and a member of the Selection Committee and the Preparatory Committee for the Hong Kong Special Administrative Region. He is now a member of the Basic Law Committee and a Deputy to the 9th National People's Congress.

Ms. Maria Wai-chu TAM, GBS, JP, LLD (Hon), LLB (Hon), aged 57, appointed as Independent Non-Executive Director on 2nd August, 1999. Ms. Tam is a non-executive director of six other listed companies, namely Wing On Company International Limited, Guangnan (Holdings) Limited, Onfem Holdings Limited, Sinopec Kantons Holdings Limited, Tong Ren Tong Technologies Company Limited and eSun Holdings Limited. She is a member of the Board of the Airport Authority Hong Kong and the Urban Renewal Authority. Her public duties include being a member of the Basic Law Committee and a Deputy to the 9th National People's Congress.

Senior Management

Mr. Ka-hing WONG, BBA, MBA, FCIH, FHKIH, MHIREA, RPHM, aged 42, joined the Group in 1993, is the Director and General Manager of Parkland Property Management Limited, a subsidiary of the Company. Mr. Wong has extensive experience in real estate management. He is responsible for the management and development of property management business in Hong Kong and mainland China. Mr. Wong is an appointed member of the Housing Managers Registration Board, the Chairman of the Education & Training Committee of the Hong Kong Association of Property Management Companies and the former Chairman of the Chartered Institute of Housing, Hong Kong Branch.

Mr. Kam-kwan WONG, BBA, aged 54, appointed as Senior Manager of Marketing Division of the Group on 15th June, 1994. Mr. Wong has over 30 years of working experience and extensive exposure in property marketing.

Mr. Chok-man YIK, FCCA, FHKSA, aged 42, joined the Group in 1994, is the Senior Manager of Accounting & Administration Division of the Group. Mr. Yik has over 19 years of experience in accounting and auditing.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT *(Continued)*

Senior Management *(Continued)*

Mr. Francis Kai-wah LEE, B.Arch., AIA, HKIREA, Reg. Arch. (Texas), Dip. B.M., aged 43, joined the Group in 1997, is the General Manager of Shanghai Hua Zhong Property Development Company Limited, an associated company of the Company. Mr. Lee has over 19 years of experience in project management, architectural practice and business management.

Corporate secretarial, treasury, management accounting, office and personnel administration, staff training, internal audit and centralised computer services are being provided to the Group by Ryoden (Holdings) Limited under a management contract entered into between Ryoden (Holdings) Limited and the Company on 1st September, 1992.

Key management staff of Ryoden (Holdings) Limited whose services are made available to the Group include Mr. Kam-kong WU, Ms. Margaret Tien-che NG, Mr. Ying-yu TAM, Mr. Eric Lam-ying CHIANG, Mr. Frank Chun-hung KWOK, Mr. Edmund Kwok-leung YEUNG and Ms. Shirley Suk-mun CHIU.

DIRECTORS' INTERESTS IN SECURITIES

As at 31st December, 2001, the interests of the directors, chief executive and their respective associates in the securities of the Company as recorded in the register maintained by the Company under Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") were as follows:

(1) The Company

	Shares		
	Personal Interests	Corporate Interests	Other Interests
Mr. Fa-kuang Hu ⁽²⁾	–	42,434,000 ⁽²⁾	737,832,000 ⁽¹⁾
Mr. Raymond Liang-ming Hu	40,000,000	–	737,832,000 ⁽¹⁾
Mr. Herman Shao-ming Hu	7,500,000	–	737,832,000 ⁽¹⁾
Mr. David Hsu ⁽³⁾	650,000	–	–
Mr. Tony Ka-tung Leung ⁽⁴⁾	–	–	–
Mr. Cham-son Chau	–	–	–
Mr. Hon-chiu Lee	–	–	–
Dr. Wai-yung Wu	600,000	–	–
Ms. Maria Wai-chu Tam	–	–	–

Notes:

- Messrs. Fa-kuang Hu, Raymond Liang-ming Hu and Herman Shao-ming Hu are objects of a discretionary trust holding 99% interest in Designcase Limited which is deemed to be interested in 737,832,000 shares of the Company. Mr. and Mrs. Fa-kuang Hu own the remaining 1% interest in Designcase Limited.
- Mr. Fa-kuang Hu is deemed to be interested in 42,434,000 shares held by Zues Holdings Limited, a company wholly owned by Mr. Hu.
- Pursuant to the Company's Share Option Scheme, Mr. David Hsu was granted options by the Company to subscribe for 2,000,000 shares at HK\$2.00 per share during the period from 16th April, 1997 to 15th April, 2002, both dates inclusive. Mr. David Hsu exercised options to subscribe for 650,000 shares at HK\$2.00 per share on 19th August, 1997.
- Pursuant to the Company's Share Option Scheme, Mr. Tony Ka-tung Leung was granted options by the Company to subscribe for 4,000,000 shares at HK\$2.10 per share during the period from 12th June, 1998 to 31st August, 2002, both dates inclusive.
- Save as disclosed in (3) and (4) above, no director of the Company was granted any options pursuant to the Company's Share Option Scheme and no director of the Company has exercised any option to subscribe for shares of the Company during the year.

DIRECTORS' INTERESTS IN SECURITIES (Continued)

(2) **The subsidiary**

Designcase Limited, in which Messrs. Fa-kuang Hu, Raymond Liang-ming Hu and Herman Shao-ming Hu have the interest as aforesaid disclosed, beneficially owns certain shares in the following subsidiary of the Company:

Name of Subsidiary	No. of ordinary shares beneficially held
Kinbo Development Limited	340*

* represents 34% of the issued share capital of Kinbo Development Limited.

Save as aforesaid, at no time during the year was the Company or its subsidiaries a party to any arrangements which enable the directors of the Company to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 31st December, 2001, the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance shows that the Company has been notified of the following interests, being 10% or more of the Company's issued share capital. These interests are in addition to those disclosed above in respect of the directors and chief executive of the Company:

Name of Shareholders	No. of ordinary shares beneficially held
Designcase Limited ⁽¹⁾⁽²⁾	737,832,000
Summit Holdings Limited ⁽¹⁾	737,832,000
Cititrust (Cayman) Limited ⁽¹⁾	737,832,000

Notes:

- The figure of 737,832,000 shares includes 17,110,000 shares held by Topmile Investment Limited, a wholly owned subsidiary of Designcase Limited in which Designcase Limited is deemed to be interested by virtue of the SDI Ordinance. Designcase Limited is 99% owned by Summit Holdings Limited which is a wholly owned subsidiary of Cititrust (Cayman) Limited. Messrs. Fa-kuang Hu, Raymond Liang-ming Hu and Herman Shao-ming Hu are also directors of Designcase Limited, Topmile Investment Limited and Summit Holdings Limited.
- The figure of 737,832,000 shares includes 243,706,000 shares held by the subsidiaries of China Overseas Land & Investment Limited which were sold to Designcase Limited in April 2001.

DIRECTORS' INTERESTS IN CONTRACTS

Under a service agreement dated 1st September, 1992 entered into between the Company and Mr. Raymond Liang-ming Hu, Deputy Chairman and Managing Director of the Company, Mr. Hu was granted a licence to occupy the duplex on the 3rd and 4th Floors of Block B, The Beachside as his family residence together with 2 carparking spaces (the "Duplex") free of charge. He was further granted an option to purchase at any time on or before 31st August, 2005 the Duplex at a purchase price equal to the lower of the book cost of the Duplex to the Company and the market value of the Duplex subject to his having served the Company as Deputy Chairman and Managing Director throughout the initial term of three years from 1st September, 1992.

The Group's transactions with Ryoden (Holdings) Limited or its subsidiaries, Designcase Limited or companies controlled by Mr. Fa-kuang Hu and his family during the year are included as transactions with related companies in Note 30 to the Accounts. These transactions are not subject to any disclosure or shareholders' approval requirements as connected transactions pursuant to Rule 14.24 of the Listing Rules of the Stock Exchange.

CONNECTED TRANSACTIONS

On 2nd April, 2001, the Group entered into a conditional agreement (the "Agreement") with a wholly owned subsidiary of China Overseas Land & Investment Limited ("COLI"), the then substantial shareholder of the Company, pursuant to which the Group would dispose its entire sixty per cent. interest in Shanghai Square for a total cash consideration of approximately HK\$341 million. The Agreement is, among others, conditional upon the completion of a share sale agreement of even date between COLI and its subsidiaries as the vendors and Designcase Limited, the controlling shareholder of the Company as the purchaser relating to the sale and purchase of approximately 21% of the Company's shares. Upon completion on 25th May, 2001, Fortune Best Investment Limited, an indirect wholly owned subsidiary of the Company with its sole investment in Shanghai Square, ceased to be a member of the Group. Details of the Agreement is set out in a circular despatched by the Company on 23rd April, 2001 and the relevant announcement published in the newspapers by the Company on 3rd April, 2001. The subject transaction and the Agreement were duly approved by the Independent Shareholders present in a Special General Meeting on 18th May, 2001.

Save as aforesaid, no other contracts of significance in relation to the Company's business to which the Company or its subsidiaries was a party or were parties 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.

MANAGEMENT CONTRACTS

The Company had entered into a management contract with Ryoden (Holdings) Limited for the provision of management services to the Group for a term of three years from 1st September, 1992. Such management contract shall be renewable automatically for successive periods of one year unless terminated by not less than six months' notice in writing given by the Company or Ryoden (Holdings) Limited expiring at the end of the initial or any renewed term. The said management contract was renewed in 2001.

SHARE OPTION SCHEME

On 1st September 1992, a Share Option Scheme ("Scheme") was approved by the shareholders at a Special General Meeting under which the Board of Directors may, at their discretion, grant share options to the executive directors of the Company or any employee of the Group in accordance with the terms and conditions of the Scheme. The Scheme acts as an incentive plan to eligible employees and serves to award the entitled employees for their continuous support and contribution to the Group.

Under the Scheme, in particular, the subscription price for the Company's shares is determined by the Board of Directors and will not be less than 80% of the average of the closing prices of the Company's shares on the Stock Exchange on the five trading days immediately preceding the date of the offer of the option or the nominal value of the Company's shares, whichever is the higher. The Scheme will be terminated on 31st August, 2002.

The maximum entitlement of any one eligible employee shall not exceed 25% of the maximum number of shares that may be issued under the Scheme. As at 9th April, 2002, the total number of options available for issue under the Scheme was 84,636,103 options which represented 7.5% of the issued share capital (excluding for this purpose any shares which have been duly allotted and issued pursuant to any option granted under this Scheme).

At 31st December, 2001, the Company had outstanding options granted to eligible employees to subscribe for shares of the Company as follows:

	Grant date	Number of options granted '000	Options held at 31st December, 2001 '000	Exercise price per share HK\$	Exercisable from	Exercisable until
Directors						
Mr. David Hsu	16th April, 1996	2,000	1,350	2.00	16th April, 1997	15th April, 2002
Mr. Tony Ka-tung Leung	12th June, 1997	4,000	4,000	2.10	12th June, 1998	31st August, 2002
Executives						
	16th April, 1996	3,700	450	2.00	16th April, 1997	15th April, 2002

A nominal consideration at HK\$1.00 was paid by the employees for each lot of share options granted. During the year, no share options expired or were granted, exercised or cancelled.

MAJOR CUSTOMERS AND SUPPLIERS

The percentage of the Group's sales and purchases attributable to major customers and suppliers are as follows:

Percentage of sales attributable to the Group's largest customer	52%
Percentage of sales attributable to the Group's five largest customers	56%
Percentage of purchases attributable to the Group's largest supplier	53%
Percentage of purchases attributable to the Group's five largest suppliers	92%

A wholly owned subsidiary of COLI is one of the largest customers of the Group. COLI was an ex-substantial shareholder of the Company and one of the directors of COLI was also the ex-director of the Company.

Save as aforesaid, at 31st December, 2001, none of the Directors, their associates, or any shareholder (which to the knowledge of the Directors owned more than 5% of the Company's share capital) had any beneficial interests in the Group's five largest customers and suppliers.

AUDIT COMMITTEE

To comply with the Code of Best Practice as set out in Appendix 14 of the Listing Rules of the Stock Exchange, the Company set up an Audit Committee on 15th April, 1999. The Committee comprises three Independent Non-Executive Directors, namely Mr. Cham-son Chau, Dr. Wai-yung Wu and Ms. Maria Wai-chu Tam. Amongst the Committee's principal duties will be to review and supervise the effectiveness of the Company's financial reporting process and internal control. The Members of the Audit Committee have reviewed the financial statements and results of the Company together with the interim and annual reports of the Group for the financial year under review. Audit Committee meetings have been held twice during the financial year.

CORPORATE GOVERNANCE

During the year, the Company was in compliance with the Code of Best Practice as set out in the Listing Rules of the Stock Exchange.

PRACTICE NOTE 19 OF THE LISTING RULES

In accordance with the requirements under paragraph 3.10 of Practice Note 19 of the Listing Rules, the Company is required to include in its annual report a pro-forma combined balance sheet of its affiliated companies which should include significant balance sheet classifications and state the attributable interest of the Company in the affiliated companies. Accordingly, a pro-forma combined balance sheet of the affiliated companies as at 31st December, 2001 is set out on page 69 of this annual report.

As at 31st December, 2001, in aggregate the Company and its subsidiaries had advanced an amount of HK\$638.8 million to affiliated companies, mainly China Nation Enterprises Limited and Longshine Assets Limited (amounts included in Note 14 to the Accounts).

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the year, the Company has not redeemed any of its shares. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's securities.

AUDITORS

The Accounts have been audited by PricewaterhouseCoopers, who retire and, being eligible, offer themselves for re-appointment at the forthcoming Annual General Meeting.

On behalf of the Board
FA-KUANG HU
Chairman

Hong Kong, 9th April, 2002