



In April 2001, Mr. Kong Qingping has been promoted as the Vice Chairman and Chief Executive of China Overseas Land & Investment Limited.

The directors present their annual report and the audited financial statements of the Company and its subsidiaries (together the "Group") for the year ended 31st December, 2001.

PRINCIPAL ACTIVITIES

The Company is principally engaged in investment holding, property investment and provision of management services to its subsidiaries. The activities of the Company's principal subsidiaries and associates are set out in notes 44 and 18 to the financial statements respectively.

An analysis of the Group's turnover and contribution is set out in notes 4 and 5 to the financial statements respectively.

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 43.

An interim dividend of HK2 cents per share was paid on 9th November, 2001. The board of directors recommends the payment of a final dividend of HK2 cents per share to the shareholders on the register of members on 22nd May, 2002 in respect of the year. Together with the interim dividend, dividends declared for the whole year is HK4 cents per share.

RESERVES

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

FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the past five financial years is set out on pages 100 and 101.

MAJOR PROPERTIES

Details of the major properties and property interests of the Group at 31st December, 2001 are set out on pages 102 to 107.

TANGIBLE FIXED ASSETS

During the year, the Group acquired an investment property, through acquisition of subsidiaries, amounted to approximately HK\$583 million. The Group's investment properties were revalued at the year end date. The revaluation resulted in a net revaluation decrease of approximately HK\$106 million which has been debited directly to the investment property revaluation reserve.

TANGIBLE FIXED ASSETS *(Cont'd)*

Details of these and other movements during the year in the tangible fixed assets of the Group and the Company are set out in notes 15 and 16 to the financial statements.

SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in note 29 to the financial statements.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year, the directors of the Company have exercised powers of the Company to make repurchase of its own shares pursuant to the general mandate granted to the directors of the Company passed at the annual general meeting of the Company held on 22nd May, 2001, details of which are shown in note 29 to the financial statements.

BORROWINGS AND INTEREST CAPITALISED

Bank loans, overdrafts and other borrowings repayable within one year or on demand are classified as current liabilities in the balance sheet. An analysis of the repayment schedule of non-current borrowings is set out in note 31 and 32 to the financial statements.

Interest capitalised by the Group during the year in respect of development properties amounted to approximately HK\$37,890,000.

DIRECTORS

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

Executive Directors

Mr. Sun Wen Jie	(Chairman)
Mr. Kong Qingping	(Vice Chairman and Chief Executive)
Mr. Yao Peifu	(Vice Chairman)
Mr. Yao Xiancheng	(Vice Chairman)
Mr. Li Fuyou	
Mr. Cui Duosheng	
Mr. Cheung Shiu Kit	
Mr. Yip Chung Nam	
Mr. Luo Weikang	
Mr. Wu Jianbin	(appointed on 18th April, 2002)
Mr. Zeng Zhaohe	(resigned on 11th April, 2001)
Mr. Kwok Ying Lok, Sam	(resigned on 28th February, 2002)

DIRECTORS (Cont'd)

Independent Non-Executive Directors

Dr. Li Kwok Po, David O.B.E., J.P.

Dr. Chau Cham Son O.B.E., J.P.

Mr. Hu Zhao Guang

In accordance with Article 105A and Article 96 of the Company's Articles of Association, Messrs. Kong Qingping, Yao Peifu, Yao Xiancheng, Luo Weikang and Wu Jianbin shall retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

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

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

Information regarding directors' emoluments is set out in note 10 to the financial statements.

DIRECTORS' INTERESTS IN SHARES AND RIGHTS TO SUBSCRIBE FOR SHARES

At 31st December, 2001, the interests of the directors and their associates in the share capital of the Company and its associated corporations, within the meaning of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance"), 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 (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

(a) Personal Interests in the Shares

Name of director	Number of Shares
Mr. Kong Qingping	460,000
Mr. Li Fuyou	500,000
Mr. Yao Peifu	500,000
Mr. Yao Xiancheng	500,000
Mr. Cui Duosheng	5,360,000
Mr. Yip Chung Nam	1,200,000
Mr. Luo Weikang	220,000
Dr. Li Kwok Po, David	200,000

DIRECTORS' INTERESTS IN SHARES AND RIGHTS TO SUBSCRIBE FOR SHARES

(Cont'd)

(b) Interests in options to acquire Shares

Name of director	Date of Grant	Outstanding at 1.1.2001	Number of shares under options granted			Outstanding at 31.12.2001
			Granted during the year	Exercised during the year	Cancelled during the year	
Mr. Sun Wen Jie	17th July, 1997(i)	6,880,000	—	—	—	6,880,000
	14th February, 1998(ii)	20,000,000	—	—	—	20,000,000
	30th September, 1998(iii)	3,800,000	—	—	—	3,800,000
	4th January, 2000(iv)	2,500,000	—	—	—	2,500,000
Mr. Kong Qingping	17th July, 1997(i)	1,000,000	—	—	—	1,000,000
	14th February, 1998(ii)	11,000,000	—	—	—	11,000,000
	30th September, 1998(iii)	2,300,000	—	460,000(v)	—	1,840,000
	4th January, 2000(iv)	2,000,000	—	—	—	2,000,000
Mr. Yao Peifu	17th July, 1997(i)	3,800,000	—	—	—	3,800,000
	14th February, 1998(ii)	15,000,000	—	—	—	15,000,000
	30th September, 1998(iii)	2,500,000	—	500,000(vi)	—	2,000,000
	4th January, 2000(iv)	2,000,000	—	—	—	2,000,000
Mr. Yao Xiancheng	17th July, 1997(i)	3,800,000	—	—	—	3,800,000
	14th February, 1998(ii)	1,500,000	—	—	—	15,000,000
	30th September, 1998(iii)	2,500,000	—	500,000(vii)	—	2,000,000
	4th January, 2000(iv)	2,000,000	—	—	—	2,000,000
Mr. Li Fuyou	17th July, 1997(i)	3,800,000	—	—	—	3,800,000
	14th February, 1998(ii)	15,000,000	—	—	—	15,000,000
	30th September, 1998(iii)	2,500,000	—	500,000(viii)	—	2,000,000
	4th January, 2000(iv)	2,000,000	—	—	—	2,000,000
Mr. Cui Duosheng	17th July, 1997(i)	1,000,000	—	—	—	1,000,000
	14th February, 1998(ii)	9,000,000	—	—	—	9,000,000
	30th September, 1998(iii)	6,800,000	—	5,360,000(ix)	—	1,440,000
	4th January, 2000(iv)	1,700,000	—	—	—	1,700,000

DIRECTORS' INTERESTS IN SHARES AND RIGHTS TO SUBSCRIBE FOR SHARES

(Cont'd)

(b) Interests in options to acquire Shares (Cont'd)

Name of director	Date of Grant	Number of shares under options granted				Outstanding at 31.12.2001
		Outstanding at 1.1.2001	Granted during the year	Exercised during the year	Cancelled during the year	
Mr. Cheung Shiu Kit	17th July, 1997(i)	1,000,000	—	—	—	1,000,000
	14th February, 1998(iii)	1,200,000	—	1,200,000(x)	—	—
	30th September, 1998(iii)	1,000,000	—	1,000,000(xi)	—	—
Mr. Yip Chung Nam	17th July, 1997(i)	800,000	—	—	—	800,000
	14th February, 1998(iii)	1,000,000	—	—	—	1,000,000
	4th January, 2000(iv)	1,000,000	—	1,000,000(xii)	—	—
Mr. Luo Weikang	17th July, 1997(i)	900,000	—	—	—	900,000
	14th February, 1998(iii)	5,000,000	—	—	—	5,000,000
	30th September, 1998(iii)	1,100,000	—	220,000(xiii)	—	880,000
	4th January, 2000(iv)	1,500,000	—	—	—	1,500,000
Mr. Wu Jianbin (xiv)	17th July, 1997(i)	550,000	—	—	—	550,000
	14th February, 1998(iii)	800,000	—	—	—	800,000
	30th September, 1998(iii)	720,000	—	—	—	720,000
	4th January, 2000(iv)	1,300,000	—	—	—	1,300,000

Notes:

- (i) The share options were granted at an exercise price of HK\$4.06 per Share, exercisable for the period from 17th July, 1998 to 16th July, 2007 (both days inclusive).
- (ii) The share options were granted at an exercise price of HK\$1.08 per Share, exercisable for the period from 14th February, 1999 to 13th February, 2008 (both days inclusive).
- (iii) The share options were granted at an exercise price of HK\$0.52 per Share, exercisable for the period from 30th September, 1999 to 29th September, 2008 (both days inclusive).
- (iv) The share options were granted at an exercise price of HK\$0.58 per Share, exercisable for the period from 4th January, 2001 to 3rd January, 2010 (both days inclusive).
- (v) Mr. Kong Qingping exercised an option to subscribe for 460,000 shares on 19th June, 2001 and the weighted average market price immediately before the exercise of such option was HK\$1.11.
- (vi) Mr. Yao Peifu exercised an option to subscribe for 500,000 shares on 13th June, 2001 and the weighted average market price immediately before the exercise of such option was HK\$1.10.

DIRECTORS' INTERESTS IN SHARES AND RIGHTS TO SUBSCRIBE FOR SHARES*(Cont'd)***(b) Interests in options to acquire Shares *(Cont'd)***

- (vii) Mr. Yao Xiancheng exercised an option to subscribe for 500,000 shares on 7th June, 2001 and the weighted average market price immediately before the exercise of such option was HK\$1.10.
- (viii) Mr. Li Fuyou exercised an option to subscribe for 500,000 shares on 6th June, 2001 and the weighted average market price immediately before the exercise of such option was HK\$1.10.
- (ix) Mr. Cui Duosheng exercised options to subscribe for a total of 5,360,000 shares on 6th June, 2001 and the weighted average market price immediately before the exercise of such options was HK\$1.10.
- (x) Mr. Cheung Shiu Kit exercised an option to subscribe for 1,200,000 shares on 13th June, 2001 and the weighted average market price immediately before the exercise of such option was HK\$1.11.
- (xi) Mr. Cheung Shiu Kit exercised an option to subscribe for 1,000,000 shares on 13th June, 2001 and the weighted average market price immediately before the exercise of such option was HK\$1.11.
- (xii) Mr. Yip Chung Nam exercised an option to subscribe for 1,000,000 shares on 23rd May, 2001 and the weighted average market price immediately before the exercise of such option was HK\$1.07.
- (xiii) Mr. Luo Weikang exercised an option to subscribe for 220,000 shares on 8th June, 2001 and the weighted average market price immediately before the exercise of such option was HK\$1.11.
- (xiv) Mr. Wu Jianbin appointed as a director of the Company on 18th April, 2002.

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, and none of the directors, or 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.

ARRANGEMENTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above, at no time during the year was the Company or any of its subsidiaries, holding companies or fellow 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.

DIRECTORS' INTEREST IN COMPETING BUSINESS

Pursuant to paragraph 8.10 of the Rules Governing the Listing of Securities of the Stock Exchange (the "Listing Rules"), the Company discloses that during the year and up to the date of this report, Messrs. Sun Wen Jie, Kong Qingping, Yao Peifu, Yao Xiancheng, Yip Chung Nam, Luo Weikang and Wu Jianbin held directorships in the Company's ultimate holding company, CSCEC, and/or its subsidiaries, which are engaged in construction, property development and related business.

As the Board of Directors of the Group operates independently of the boards of these companies, the Group operates its business independently of, and at arm's length from, the businesses of these companies.

SUBSTANTIAL SHAREHOLDERS

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 per cent. or more in the share capital of the Company:

Name of shareholder	Number of ordinary shares of HK\$0.1 each	Percentage of interest
China Overseas Holdings Limited ("COHL")	3,122,890,800	57.15%
CSCEC	3,122,890,800	57.15%

CSCEC owns 100% of China Overseas Holdings Limited and is accordingly deemed by the SDI Ordinance to be interested in 3,122,890,800 Shares directly owned by China Overseas Holdings Limited.

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

MAJOR CUSTOMERS AND SUPPLIERS

For the financial year ended 31st December, 2001, the five largest customers of the Group accounted for approximately 21% of the Group's turnover and turnover from the largest customer included therein accounted for approximately 9%. The five largest suppliers of the Group accounted for less than 30% of the Group's total purchases for the year.

CSCEC, the Company's ultimate holding company, is one of the five largest customers of the Group referred to above.

Save as aforementioned, at no time during the year did a director, an associate of a director or a shareholder of the Company (which to the knowledge of the directors owns more than 5 per cent. of the Company's issued share capital) have an interest in any of the Group's five largest customers or suppliers.

CONNECTED TRANSACTIONS

Details of connected transactions are set out on pages 38 to 41. Save as the related party transactions disclosed in note 43 to the financial statements, no contracts of significance to which the Company or any of its subsidiaries, holding companies or fellow 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.

RETIREMENT BENEFIT SCHEME

With effect from 1st December, 2000, the Group has jointed a mandatory provident fund scheme ("MPF Scheme") for all employees in Hong Kong. The MPF scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the MPF Scheme, the employer and its employees are each required to make contributions to the MPF Scheme at rates specified in the rules. The only obligation of the Group with respect to MPF Scheme is to make the required contributions under the scheme. During the year, the Group made contribution to the MPF Scheme amounting to approximately HK\$21,354,000. No forfeited contribution under this scheme is available to reduce the contribution payable in future years.

SHARE OPTION SCHEME

Pursuant to an ordinary resolution passed at the extraordinary general meeting of the Company held on 31st July, 1992, the Company adopted a share option scheme (the "Share Option Scheme") under which the directors of the Company were authorised to grant options to any employees including executive directors of the Company or its subsidiaries to subscribe for shares in the Company. The Share Option Scheme is valid and effective for a period of 10 years until 31st July, 2002.

The purpose of the Share Option Scheme is to provide incentives or rewards to eligible participants thereunder for their contribution to the Group. The entitlement of each participant under the Share option Scheme shall not exceed 1% of the number of shares in issue for the time being. The subscription price per share was determined by the board of directors from time to time, being the average closing price of the shares as stated in the Stock Exchange's daily quotation sheets for the five business dates immediately preceding the offer date.

As at 31st December, 2001, there were insufficient unissued shares available to grant any further options by the directors of the Company under the Share Option Scheme.

The particulars and the movements of the Share Option Scheme for the year ended 31st December, 2001 are shown in note 29 to the financial statements.

The directors of the Company consider that it is not appropriate to state the value of all the options that can be granted pursuant to the Share Option Scheme as if they had been granted for the following reasons:

- (i) the options to be granted shall not be assignable, and no holder of option shall in any way sell, transfer, charge, mortgage or create any interest (legal or beneficial) in favour of any third party over or in relation to any option;
- (ii) the calculation of the value of the options will be based on a number of undetermined but crucial variables such as the subscription price payable for the Shares, the number of options to be granted under the Share Option Scheme, the exercised period, interest rate, expected volatility and other relevant variables. In particular, the scheme period of 10 years will make these volatile variables very difficult to ascertain with accuracy; and
- (iii) the directors believe that the calculation on speculative assumptions would not be meaningful and would be misleading to the shareholders.

DONATIONS

During the year, the Group made charitable and other donations amounting to approximately HK\$192,000.

PRACTICE NOTE 19 DISCLOSURE

In accordance with the disclosure requirements under Practice Note 19 of the Listing Rules, at 31st December, 2001, the Group has loan facilities with an aggregate principal amount of HK\$1,426 million. The repayment date for certain facilities amounting to HK\$1,248 million is 2nd September, 2002 while the last repayment date for the remaining facilities is 8th March, 2004. As per the loan agreements, both CSCEC and COHL are required to maintain specified minimum holdings in the share capital of the Company, directly or indirectly, ranging from 38% to 51%.

POST BALANCE SHEET EVENT

Details of significant post balance sheet event are set out in note 45 to the financial statements.

AUDIT COMMITTEE

The principal duties of the Audit Committee are the review of the internal controls and financial reporting requirements of the Group. The members of the Audit Committee have been satisfied with the Company's internal control procedures and the financial reporting disclosures.

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 Listing Rules, except that the independent non-executive directors of the Company are not appointed for specific terms but are subject to retirement by rotation and re-election at annual general meetings of the Company in accordance with the Company's Articles of Association.

AUDITORS

Messrs. Deloitte Touche Tohmatsu have acted as auditors of the Company for the past three years.

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

On behalf of the Board

Kong Qingping

Vice Chairman & Chief Executive

Hong Kong, 18th April, 2002