

The Directors are pleased to present their annual report and the audited financial statements of the Group and the Company for the year ended 31st December, 2001.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The principal activities of its principal subsidiaries, associates and jointly controlled entities at 31st December, 2001 are set out in notes 46, 47 and 48 to the financial statements respectively.

RESULTS AND APPROPRIATIONS

The results of the Group and appropriations of the Company are set out in the consolidated income statement on page 19 and in the accompanying notes to the financial statements.

The Directors do not recommend the payment of a final dividend.

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in notes 28, 29 and 30 to the financial statements.

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 77.

FIXED ASSETS

During the year, the Group acquired fixed assets of HK\$198,137,000 through the acquisition of subsidiaries. Also, the Group spent HK\$100,043,000 on fixed assets, including HK\$66,966,000 on additions to investment properties in Hong Kong. The Group disposed of certain of its investment properties and other fixed assets with an aggregate carrying value of HK\$80,615,000.

The Group's remaining investment properties and hotel property were revalued on 31st December, 2001 at HK\$2,351,403,000 and the resulting net revaluation deficit of HK\$251,036,000 has been charged to the income statement.

Details of these and other movements in the fixed assets of the Group during the year are set out in note 14 to the financial statements.

PROPERTIES UNDER DEVELOPMENT

The Group has invested in certain property development projects in Hong Kong and the United States of America. Additional expenditure incurred during the year amounted to HK\$2,508,000.

Details of these and other movements in the properties under development of the Group during the year are set out in note 17 to the financial statements.

PROPERTIES

Particulars of major properties of the Group at 31st December, 2001 are set out on pages 78 to 80.

SHARE CAPITAL AND WARRANTS

Details of movements in the share capital and warrants of the Company during the year are set out in notes 26 and 27 to the financial statements respectively.

SHARE OPTIONS

The Company's share option scheme ("Scheme") was adopted pursuant to a resolution passed on 30th June, 1993 for the primary purpose of providing incentives to any directors or full time employees of the Company or any of its subsidiaries ("Eligible Employees") and will expire on 29th June, 2003. Under the Scheme, the Board of Directors of the Company is authorised to grant options at a consideration of HK\$1.00 per option to the Eligible Employees to subscribe for shares in the Company.

The maximum number of shares issued or which may be issuable under the Scheme cannot exceed 10% of the issued share capital of the Company excluding any shares issued pursuant to the Scheme from time to time. The number of shares in respect of which options granted or may be granted to any Eligible Employee is not permitted to exceed 25% of the aggregate number of shares for the time being issued and issuable under the Scheme.

An option may be exercised at any time during a period not exceeding five years commencing one month after the date the option is accepted and expiring on the last day of such period or ten years from 30th June, 1993, whichever is the earlier. The exercise price is determined by the Directors of the Company, and will not be less than the higher of: (i) 80% of the average closing prices of the Company's shares on the five trading days immediately preceding the offer of the options; and (ii) the nominal value per share of the Company.

No option was granted under the Scheme during the year, nor was there any option outstanding at 31st December, 2000 and 2001.

BORROWINGS AND INTEREST CAPITALISED

Bank loans and overdrafts repayable within one year or on demand are classified as current liabilities. A repayment analysis of bank loans and overdrafts is set out in note 32 to the financial statements.

During the year, the Group capitalised interest of HK\$28,182,000 in respect of properties under development and properties under development for sale, details of which are set out in note 9 to the financial statements.

DIRECTORS

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

Executive Directors:

Patrick S. W. Lee

Li Chi Kong

Independent Non-Executive Directors:

Gordon Macwhinnie

Henry Lai Hin Wing

(appointed on 1st February, 2001)

Alan Stephen Jones

(resigned on 1st February, 2001)

In accordance with Article 105(A) of the Company's Articles of Association, Mr. Li Chi Kong will retire by rotation and, being eligible, offer himself for re-election.

DIRECTORS' SERVICE CONTRACTS

The Director proposed for re-election at the forthcoming Annual General Meeting does not have an unexpired service contract with the Group which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

TERMS OF OFFICE FOR THE INDEPENDENT NON-EXECUTIVE DIRECTORS

The terms of office of the Independent Non-Executive Directors are subject to re-appointment or retirement by rotation in accordance with Articles 96 and 105(A) of the Company's Articles of Association.

A consultancy agreement has been entered into between the Company and Mr. Henry Lai Hin Wing, an Independent Non-Executive Director of the Company, for a term of two years commencing from 1st February, 2001.

DIRECTORS' INTERESTS IN SECURITIES

At 31st December, 2001, Mr. Patrick S. W. Lee, a Director of the Company, had the following beneficial interests in the securities of the Company and its associated corporations, within the meaning of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance"), as recorded in the register required to be kept by the Company under Section 29 of the SDI Ordinance:

Name of Director	Number of securities	Nature of interest
Patrick S. W. Lee	(i) 2,700,000 shares and 540,000 warrants of the Company	Personal interest
	(ii) 5,500,000 shares in Allied Group (Note)	Personal interest

Note: Allied Group is the ultimate holding company of the Company.

Save as disclosed above, no interests were held or deemed or taken (under the SDI Ordinance) to be held by any Directors and their associates in any equity or debt securities of the Company or any of its associated corporations (within the meaning of the SDI Ordinance) at 31st December, 2001.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

At 31st December, 2001, none of the Directors of the Company had any personal interests in share options to subscribe for shares in the Company and the Company's ultimate holding company, Allied Group, granted under their respective share option schemes.

No rights to subscribe for equity or debt securities of the Company, its holding company, or any of its fellow subsidiaries or subsidiaries had been granted to or exercised by any Directors, former Director or any of their spouses or children under eighteen years of age at any time during the year under review.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

During the year and up to the date of this report, Messrs. Patrick S. W. Lee and Li Chi Kong, Directors of the Company, are considered to have interests in the following businesses which compete or are likely to compete with the businesses of the Group pursuant to the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules"):

- (i) Mr. Li Chi Kong is a director of Kalix Investment Limited and AG Capital Limited, subsidiaries of Allied Group, which are partly engaged in the businesses of property rental and money lending respectively;
- (ii) Mr. Patrick S. W. Lee is a director of Sun Hung Kai which, through a subsidiary, is partly engaged in the business of money lending. Sun Hung Kai became a subsidiary of the Company on 25th May, 2001;
- (iii) Mr. Patrick S. W. Lee is a director of Tian An which, through a subsidiary, is partly engaged in the business of money lending; and
- (iv) Messrs. Patrick S. W. Lee and Li Chi Kong are directors of Allied Kajima Limited which, through its subsidiaries, are partly engaged in the businesses of property rental and management services and hospitality related activities.

As the Board of Directors of the Company is independent from the boards of the abovementioned companies and none of the above Directors can control the Board of the Company, the Group is capable of carrying on its businesses independently of, and at arm's length from, the businesses of such companies.

DIRECTORS' INTERESTS IN CONTRACTS

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

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the year was the Company, its holding company, or any of its fellow subsidiaries or subsidiaries a party to any arrangements to enable the Directors or former Director to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate with the exception of granting of share options to subscribe for shares in the Company and its ultimate holding company, Allied Group, under their respective share option schemes.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

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

Name of Shareholder	Number of shares held	%
Sunhill Investments Limited (Note 1)	919,307,715	21.13
Capscore Limited (Note 2)	1,265,618,340	29.09
Allied Group	2,947,385,603 (Note 3)	67.74

Notes:

1. Sunhill Investments Limited is a wholly-owned subsidiary of Allied Group.
2. Capscore Limited is a wholly-owned subsidiary of Allied Group.
3. The number of shares held by Allied Group comprised the shareholdings of Allied Group and its subsidiaries, including but not limited to Sunhill Investments Limited and Capscore Limited.

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

CONNECTED TRANSACTION

On 20th December, 2001, the Company announced that a tenancy agreement had been entered into between Hillcrest Development Limited, a wholly-owned subsidiary of the Company, as the landlord and Allied Group, the controlling shareholder of the Company, as the tenant for the renewal of a lease of 60 Plantation Road, The Peak, Hong Kong for a term of two years commencing from 1st January, 2002 to 31st December, 2003 at a monthly rental of HK\$200,000. The rental was based on the prevailing market rental as reviewed by an independent firm of international property consultants. The Directors (including the Independent Non-Executive Directors) of the Company were of the view that the terms and conditions of the tenancy agreement were fair and reasonable.

As Allied Group is the controlling shareholder of the Company, the renewed rental arrangement constitutes a connected transaction for the Company. Details of the renewed rental arrangement as disclosed above have already been announced in the newspapers by the Company in accordance with the requirements of the Listing Rules.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

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

DONATIONS

The Group made charitable donations of HK\$134,000 during the year.

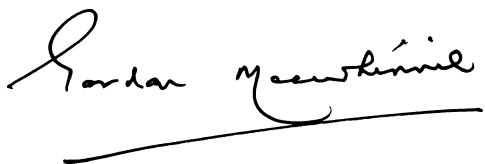
COMPLIANCE WITH THE CODE OF BEST PRACTICE

In the opinion of the Directors, the Company has complied throughout the year with the Code of Best Practice as set out in Appendix 14 of the Listing Rules.

AUDITORS

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

On behalf of the Board

A handwritten signature in black ink, reading "Gordon Macwhinnie", written over a horizontal line.

Sir Gordon Macwhinnie

Chairman

Hong Kong, 11th April, 2002