

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 and provides corporate management services. The principal activities of its principal subsidiaries, associates and a jointly controlled entity at 31st December, 2001 are set out in notes 48, 49 and 50 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 23 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 30, 31 and 32 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 90.

FIXED ASSETS

During the year, the Group acquired fixed assets of HK\$203,760,000 through the acquisition of subsidiaries. Also, the Group spent HK\$116,949,000 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\$80,716,000.

The Group's remaining investment properties and hotel property were revalued on 31st December, 2001 at HK\$2,283,403,000 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 fixed assets of the Group during the year are set out in note 15 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 19 to the financial statements.

PROPERTIES

Particulars of major properties of the Group at 31st December, 2001 are set out on pages 91 to 92.

SHARE CAPITAL

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

SHARE OPTIONS

A summary for each of the share option schemes of the Company and its subsidiary, Allied Properties, is as follows:

- (a) The Company's share option scheme ("Scheme") was adopted pursuant to a resolution passed by the Company's shareholders on 29th June, 1992 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 28th June, 2002. 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 29th June, 1992, 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 31st December 2001.

SHARE OPTIONS – (CONT'D)

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

The maximum number of shares issued or which may be issuable under the APL Scheme cannot exceed 10% of the issued share capital of Allied Properties excluding any shares issued pursuant to the APL Scheme from time to time. The number of shares in respect of which options granted or may be granted to any APL Eligible Employee is not permitted to exceed 25% of the aggregate number of shares for the time being issued and issuable under the APL 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 Allied Properties, and will not be less than the higher of: (i) 80% of the average closing prices of the Allied Properties' shares on the five trading days immediately preceding the offer of the options; and (ii) the nominal value per share of Allied Properties.

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

BORROWINGS AND INTEREST CAPITALISED

Bank loans, overdrafts and other borrowings repayable within one year or on demand are classified as current liabilities. A repayment analysis of bank loans, overdrafts and other borrowings is set out in note 33 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 10 to the financial statements.

DIRECTORS

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

Executive Directors:

Lee Seng Hui

Edwin Lo King Yau

Non-Executive Director:

Lee Su Hwei

Independent Non-Executive Directors:

Gordon Macwhinnie

Wong Po Yan

Arthur George Dew

David Craig Bartlett

Wu Bang Jie

(retired by rotation at the Annual General Meeting
of the Company held on 1st June, 2001)

In accordance with Article 105(A) of the Company's Articles of Association, Mr. David Craig Bartlett and Ms. Lee Su Hwei will retire by rotation and, being eligible, offer themselves for re-election.

DIRECTORS' SERVICE CONTRACTS

None of the Directors proposed for re-election at the forthcoming Annual General Meeting has 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 NON-EXECUTIVE DIRECTORS

The terms of office of the Non-Executive Directors (including 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. Wong Po Yan, an Independent Non-Executive Director of the Company, for a term of two years commencing from 30th March, 2001.

The consultancy agreements between the Company and Sir Gordon Macwhinnie, Messrs. Arthur George Dew and David Craig Bartlett, Independent Non-Executive Directors of the Company, expired on 1st, 8th and 17th December, 2001 respectively and are in the process of renewal.

DIRECTORS' INTERESTS IN SHARES

At 31st December, 2001, the following beneficial interests in the shares of the Company and its associated corporations, within the meaning of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance"), were held by Directors and their associates as recorded in the register required to be kept by the Company under Section 29 of the SDI Ordinance:

Name of Director	Number of shares	Nature of interest
Lee Seng Hui	1,019,066,142 shares in the Company	Personal interest in 229,216 shares and other interest in 1,018,836,926 shares (Note)
Lee Su Hwei	1,018,836,926 shares in the Company	Other interest (Note)

Note: Mr. Lee Seng Hui and Ms. Lee Su Hwei are trustees of Lee and Lee Trust, being a discretionary trust which indirectly held 1,018,836,926 shares 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 subsidiary, Allied Properties, granted under their respective share option schemes.

No rights to subscribe for equity or debt securities of the Company or any of its 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 BUSINESS

During the year and up to the date of this report, Mr. Edwin Lo King Yau ("Mr. Lo") is a director for both the Company and Tian An which, through a subsidiary, is partly engaged in the business of money lending. Hence, Mr. Lo is considered to have interests in the said business which competes or is likely to compete with the businesses of the Group pursuant to the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules").

As the Board of Directors of the Company is independent from the board of the abovementioned company and Mr. Lo cannot 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 company.

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance to which the Company or any of its 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 or any of its 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 subsidiary, Allied Properties, 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 only shareholder who was interested in 10% or more of the issued share capital of the Company was as follows:

Name of Shareholder	Number of shares held	%
Lee and Lee Trust	1,018,836,926	29.85

Note: Mr. Lee Seng Hui and Ms. Lee Su Hwei, Directors of the Company, are trustees of Lee and Lee Trust, being a discretionary trust.

At 31st December, 2001, the actual percentage shareholding that Lee and Lee Trust held in the Company was 29.88%. The increase of percentage shareholding from 29.85% to 29.88% is due to the reduction in the total issued share capital of the Company subsequent to the cancellation of shares arising from the Company's purchase of its own shares. The Company's register as required to be kept under Section 16(1) of the SDI Ordinance has not recorded this increase in percentage shareholding because this change from 29.85% to 29.88% did not constitute a discloseable interest under the SDI Ordinance.

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(S)

- (a) During the year, AG Capital Limited, a wholly-owned subsidiary of the Company which is engaged in the business of money lending, granted an unsecured standby facility of not exceeding HK\$300 million ("Facility") to UAF. UAF is an indirect subsidiary of the Company and the attributable proportion of its issued share capital held by the Group at 31st December, 2001 was 53.49%.

The purpose of the Facility was to provide general working capital to UAF. The Facility had not been drawn upon by UAF during the year under review. Loans granted under the Facility bear interest at a normal commercial rate of 3.5% over Hong Kong prime interest rate per annum and a commitment fee of 0.25% per annum is charged on the daily undrawn portion of the Facility.

Sir Gordon Macwhinnie and Mr. Lee Seng Hui, being Directors of the Company, are also directors of UAF.

- (b) While the Company is seeking clarification with the Stock Exchange as to whether the Tenancy Agreement (as defined below) constitutes a connected transaction or is exempt from disclosure requirements under the Listing Rules, in the interests of clarity, the Directors provide the details on an inter-group tenancy agreement ("Tenancy Agreement") which has been entered into between the Company (as tenant) and Hillcrest Development Limited (as landlord), an indirect non wholly-owned subsidiary of the Company, on 20th December, 2001 for the renewal of a lease of the premises at 60 Plantation Road, The Peak, Hong Kong for a term of 2 years commencing from 1st January, 2002 at a monthly rental of HK\$200,000. The purpose of entering into the Tenancy Agreement is for provision of accommodation to an Executive Director of the Company.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the year, the Company made the following purchases of its own shares on the Stock Exchange:

Month of purchases in 2001	Number of shares purchased	Purchase consideration per share		Aggregate consideration paid HK\$
		Highest HK\$	Lowest HK\$	
January	2,300,000	0.475	0.440	1,053,510
February	4,040,000	0.510	0.455	2,006,220
March	25,526,000	0.510	0.490	12,761,300
April	2,372,000	0.430	0.370	934,340
May	3,252,000	0.480	0.420	1,440,840
June	600,000	0.485	0.450	278,000
July	2,050,000	0.440	0.420	892,840
August	818,000	0.435	0.430	354,500
September	840,000	0.395	0.365	310,300
October	2,000,000	0.400	0.400	800,000

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares during the year.

DONATIONS

The Group made charitable donations of HK\$415,000 during the year.

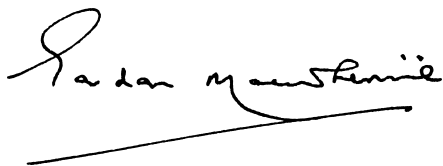
COMPLIANCE WITH THE CODE OF BEST PRACTICE

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, which appears to read "Gordon Macwhinnie". The signature is written in a cursive style and is positioned above a solid horizontal line that serves as a signature bar.

Sir Gordon Macwhinnie

Chairman

Hong Kong, 11th April, 2002