

The directors present their report and the audited financial statements of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31st December, 2001.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The principal activities of its subsidiaries, associates and jointly controlled entity are set out in notes 19 to 21 respectively to the financial statements.

ANALYSIS OF THE GROUP'S LIQUIDITY

The Group's bank borrowings repayable within one year less bank balances as at 31st December, 2001 were HK\$184 million (2000: HK\$200 million).

The directors consider that with the continuing support of the Group's bankers in respect of the existing secured banking facilities, the Group will be able to meet in full its financial obligations as they fall due for the foreseeable future.

RESULTS

The results of the Group for the year ended 31st December, 2001 are set out in the consolidated income statement on page 16.

RESERVES

Movements during the year in the reserves of the Group and the Company are set out in note 32 to the financial statements.

POST BALANCE SHEET EVENT

Details of a significant post balance sheet event are set out in note 44 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 66.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements during the year in the property, plant and equipment of the Group and the Company are set out in note 16 to the financial statements.

INVESTMENT PROPERTIES

The Group's investment properties were revalued at the year end date. The net decrease on revaluation net of minority interest, which has been debited directly to the investment properties revaluation reserve, amounted to HK\$14,899,730.

MAJOR PROPERTIES

Details of the major properties held by the Group at 31st December, 2001 are set out on pages 67 to 70.

DIRECTORS' REPORT

SHARE CAPITAL

Details of the share capital of the Company are set out in note 31 to the financial statements.

PURCHASE, SALES OR REDEMPTION OF LISTED SECURITIES IN THE COMPANY

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

DIRECTORS

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

Executive directors

Mr. Deacon Te Ken Chiu, Chairman
Mr. Dennis Chiu, Managing Director
Mr. Duncan Chiu, Joint Managing Director
Dato' David Chiu

Non-executive directors

Mr. Daniel Tat Jung Chiu
Mr. Derek Chiu
Mr. Desmond Chiu
Ms. Margaret Chiu
Mr. Chi Man Ma *
Mr. Siu Hong Chow *

* Independent non-executive directors

In accordance with the provisions of the Company's Articles of Association, all directors except Managing Director, Mr. Dennis Chiu and Joint Managing Director, Mr. Duncan Chiu shall retire from office at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election. Mr. Dennis Chiu and Mr. Duncan Chiu remain in office.

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

DIRECTORS' REPORT

DIRECTORS' INTERESTS IN SHARES

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

| Name of director | Number of ordinary shares held | | |
|----------------------------------|--------------------------------|------------------|---------------------|
| | Personal interests | Family interests | Corporate interests |
| Deacon Te Ken Chiu | | | |
| – The Company | 5,048,000 | 6,110,000 | 99,768,800* |
| Dennis Chiu | | | |
| – The Company | 16,610,200 | – | 30,400,000# |
| – Tang Dynasty City Pte. Ltd. | 1,250,000 | – | – |
| – Tang City Properties Pte. Ltd. | 10,000 | – | – |
| Daniel Tat Jung Chiu | | | |
| – The Company | 11,000,000 | – | 30,400,000# |
| Derek Chiu | | | |
| – The Company | 201,000 | – | – |
| Margaret Chiu | | | |
| – The Company | 5,000,000 | – | – |
| Duncan Chiu | | | |
| – The Company | 18,836,211 | – | – |

* Of the 99,768,800 shares, 93,540,200 shares were beneficially held by Far East Consortium International Limited.

The 30,400,000 shares were held by Cape York Investments Limited, a company owned by Mr. Dennis Chiu and Mr. Daniel Tat Jung Chiu.

Save as disclosed above and other than certain shares in subsidiaries held solely in a non-beneficial capacity by certain directors for the Company or its subsidiaries, none of the directors or chief executives, or their associates, had any interest in any securities of the Company or any of its associated corporations as defined in the SDI Ordinance, and none of the directors or chief executives, 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.

ARRANGEMENT 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 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' REPORT

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in connected transaction below, 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' SERVICE CONTRACTS

None of the directors of the Company has a contract of service with the Company or any of its subsidiaries not terminable by the employing Company within one year without payment of compensation (other than statutory compensation).

CONNECTED TRANSACTION

As disclosed in the Company's 1996 Annual Report, Tang City Properties Pte. Ltd. ("TCP") (a company incorporated in Singapore in which the Company has a 90% interest and Mr. Dennis Chiu has a 10% interest) on 25th March, 1996 obtained a loan facility of a principal amount of up to S\$31 million (the "Existing Facilities") from The Development Bank of Singapore Limited ("DBS") for the purpose of acquiring 60 units of offices at No.1, Marine Parade Central, Parkway Builders' Centre, Singapore and carrying out of renovation work on the property.

By two letters dated 29th November, 2001 and 6th February 2002, the Existing Facilities were revised to Multi-currency Revolving Line of Credit of up to S\$29 million (approximately HK\$122 million) or equivalent and Foreign Exchange Line of up to S\$0.5 million (approximately HK\$2 million) or equivalent (the "Revised Facilities").

As security for the Revised Facilities, the Company and Mr. Dennis Chiu continued to stand as guarantors and to give several guarantees to DBS guaranteeing 90% and 10% of the liability of TCP under the facility agreement respectively. Such guarantees are given in proportion to the Company's equity interest in TCP.

SUBSTANTIAL SHAREHOLDERS

As at 31st December, 2001, the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance showed that, other than the interests disclosed above in respect of certain directors and chief executives, the following shareholders had an interest of 10% or more in the share capital of the Company:

| Name | Number of shares | % |
|--|------------------|------|
| Far East Consortium International Limited ("FECIL") (Note 1) | 93,540,200 | 28.2 |
| Far East Consortium (B.V.I.) Limited ("FECBVL") (Note 2) | 93,540,200 | 28.2 |
| Far East Consortium Limited ("FECL") (Note 3) | 65,208,200 | 19.7 |

Notes.

1. FECIL was deemed to be interested in those shares by virtue of its 100% shareholding in FECBVL. The shareholding beneficially held by FECIL is entirely duplicated or included in the shareholding stated in the corporate interest of Mr. Deacon Te Ken Chiu, the Chairman of the Company, as mentioned in the section headed "DIRECTORS' INTERESTS IN SHARES" above.

2. FECBVIL was deemed to be interested in those shares by virtue of its controlling shareholding in FECL, and its 100% shareholding in a company which directly held 28,332,000 shares in the Company.
3. FECL was deemed to be interested in those shares by virtue of its direct shareholding of 29,327,000 shares in the Company and its 100% shareholding in three companies which directly held 35,881,200 shares in the Company in aggregate.

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

MAJOR CUSTOMERS AND SUPPLIERS

Of the sales of the Group for the year, 32% were attributable to the Group's five largest customers.

Of the purchases of the Group for the year, less than 30% were attributable to the Group's five largest suppliers.

EMPLOYEES

The total number of employees of the Group as at 31st December, 2001 was approximately 600.

Employees are remunerated according to nature of the job and market condition.

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.

AUDIT COMMITTEE

The Company's audit committee comprising the independent non-executive director, Mr. Ma Chi Man and non-executive director, Mr. Daniel Tat Jung Chiu. The terms of reference for this committee have been established with regard to "A Guide for the Formation of Audit Committee" issued by the Hong Kong Society of Accountants in December 1997.

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

AUDITORS

A resolution will be submitted to the annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

On behalf of the Board

Duncan Chiu

Joint Managing Director

23rd April, 2002