



REPORT OF THE DIRECTORS

The directors submit their report together with the audited accounts for the year ended 31st December 2000.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. The activities of its principal subsidiaries, associated companies and jointly controlled entities are set out in notes 12, 13 and 14 to the accounts.

An analysis of the Group's turnover and contribution to operating profit for the year by principal activities and geographical locations is set out in note 2 to the accounts.

RESULTS

The results for the year are set out in the consolidated profit and loss account on page 20.

DIVIDEND

The Board of Directors recommends the payment of a final dividend of HK\$0.015 per ordinary share, totalling HK\$16,708,495 (1999: Nil).

RESERVES

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

FIXED ASSETS

Details of the movements in fixed assets of the Group are set out in note 11 to the accounts.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

During the year, the Company repurchased a total of 11,816,000 ordinary shares of HK\$0.2 each on The Stock Exchange of Hong Kong Limited at an aggregate price of approximately HK\$5 million. The details of the repurchase of shares are set out in note 20 to the accounts.



SHARE CAPITAL

Details of the movements in share capital of the Company are set out in note 20 to the accounts.

USE OF PROCEEDS

In February 2000, the Company placed 220,000,000 units of warrants at HK\$0.12 each, the holders of which are entitled to subscribe for new shares at an initial subscription price of HK\$0.62 per share at any time from the date of issue up to and including 1st August 2001. The net proceeds from the placing of approximately HK\$25 million have been used for general working capital of the Company.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company at 31st December 2000, calculated pursuant to section 79B of the Hong Kong Companies Ordinance, amounted to HK\$77,217,207 (1999: HK\$81,378,264).

DIRECTORS

The directors who held office during the year and up to the date of this report were:—

Mr LAO Yuan Yi

Mr XIN Shulin, Steve

Mr YEUNG Wai Kin

Mr HU Yi Ming

Mr XU Wei Ming

Mr JIANG Guo Fang

Mr LU Wen Qing

* Prof. WOO Chia Wei

* Mr KWOK Lam Kwong, Larry

Mr CHOW Fu Kee, Felix (resigned on 12th January 2000)

(alternate director to Mr Lao Yuan Yi)

** Independent non-executive directors*

Messrs YEUNG Wai Kin, XIN Shulin, Steve and HU Yi Ming retire in accordance with the Company's articles of association, and being eligible, offer themselves for re-election.



REPORT OF THE DIRECTORS

DIRECTORS' SERVICE CONTRACTS

Messers YEUNG Wai Kin and XIN Shulin, Steve have service contracts with the Company with no fixed expiry period and Messer HU Yi Ming has a service contract with the Company with a remaining unexpired period of 1 year, all of which are not determinable within one year without payment of compensation.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Brief biographical details of the directors of the Company and senior management of the Group are set out as follows (with age in brackets):—

Mr LAO Yuan Yi (55) President & Managing Director. Joined the Company in 1993. Currently board member of Shenyin & Wanguo Securities Co., Ltd. and Chairman of China Assets (Holdings) Limited. Previously senior policy researcher at China's National Research Centre for Science & Technology and Social Development, senior staff officer with the PRC State Science & Technology Commission & the PRC Railway Ministry. Mr Lao graduated from Shanghai Fudan University and obtained his master degree from Harvard University.

Mr XIN Shulin, Steve (47) Appointed as Director of the Company in 1998. He joined the Company in 1994 as Executive Vice President in charge of direct investment. Previously Mr Xin worked as registered Financial Planner for Merrill Lynch and Senior Financial Analyst and Partner for Vail Securities Inc in Vail Colorado. He graduated from Lanzhou University in 1982 and obtained his MBA degree from University of Denver in 1992. Mr Xin is also director of China Assets (Holdings) Limited and RBI Holdings Limited, the Company's associated companies which are listed on The Stock Exchange of Hong Kong Limited.

Mr YEUNG Wai Kin (39) Appointed as Director of the Company in 1998. He is also Chief Financial Officer and Company Secretary of the Company. Mr Yeung joined the Company in 1993 and has over 17 years experience in auditing, finance and management positions. He is also a director of China Assets (Holdings) Limited and RBI Holdings Limited, the Company's associated companies which are listed on The Stock Exchange of Hong Kong Limited. Mr Yeung possesses professional membership of the Association of Chartered Certified Accountants, the Hong Kong Society of Accountants and the Taxation Institute of Hong Kong.

Mr WANG Jun-Yan (31), who joined the Company in October 1997, is the Managing Director of First Shanghai Capital Limited, the Company's subsidiary. Mr Wang has 8 years experience in securities business. He is also director of China Assets (Holdings) Limited, the Company's associated company which is listed on The Stock Exchange of Hong Kong Limited. Mr Wang graduated from Zhongshan University in 1992 specializing in International Trade. He has studied in Ph. D. program of Finance in the City University of New York.

**BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (Cont'd)**

Mr MO Siu-Lun, Henry (38), is the head of Information Technology of the Group. Mr Mo has 18 years experience in the information technology sector. Prior to joining the Group, he had held various management positions with major public listed companies. He obtained his Postgraduate Diploma in Engineering Management from City University of Hong Kong and a Master Degree in Manufacturing Systems Engineering from Warwick University of the United Kingdom.

Mr HU Yi Ming (38) Appointed as Director of the Company in 1998. He joined the First Shanghai Group in 1996 as Managing Director of its Assets Management Division. Prior to joining the First Shanghai Group, Mr Hu was Vice President — Foreign Exchange of Banque Paribas, Hong Kong Branch. Mr Hu graduated with a Bachelor of Economics degree from the Shanghai University of Finance and Economics. After his graduation, he gained extensive experience in money market dealing from several reputable corporations in PRC, USA and Singapore.

Mr XU Wei Ming (54) Appointed as Director of the Company in 1998. Currently Managing Director of Shanghai Jing Long Business Co Ltd. He graduated from English Department of Shanghai Fudan University, got the Master of Arts of California State University, Sacramento in the United States. Before that, he served as a teacher in the Economic Administration Department of China Textile University.

Mr JIANG Guo Fang (44) Director. Acquired MBA Master Degree from the Asia (Macau) International Open University. Joined the Company in 1996. Currently Executive Vice President of Shenyin & Wanguo Securities Co., Ltd. and Chairman of Shenyin Wanguo (Hong Kong) Ltd. He has over 13 years working experience in the People's Bank of China, Shanghai Branch and the Industrial & Commercial Bank of China, Shanghai Branch. He took the position of Executive Vice President of Shanghai Shenyin Securities Co., Ltd. since 1992, and that of Shenyin & Wanguo Securities Co., Ltd. since 1996.

Mr LU Wen Qing (43) Director. Joined the Company in 1996. Currently Managing Director of International Business Division of Shenyin & Wanguo Securities Co., Ltd. and a Non-Executive Director of Shenyin Wanguo (Hong Kong) Ltd. He graduated from the Shanghai University of Finance and Economics. Mr Lu acquired his master degree from the Asia (Macau) International Open University. Prior to joining Shanghai Shenyin Securities Co., Ltd., he served as a senior officer in Shanghai Trust & Investment Corporation of Industrial & Commercial Bank of China and as an attache of the Chinese Embassy in Gabon.

Professor WOO Chia Wei (63) Appointed as Independent Non-Executive Director in 1993. Currently President of Hong Kong University of Science & Technology. Previously President, Provost, Department Chairman and Professor of several reputable universities in the United States of America. He serves on the Commission on Strategic Development of HKSAR, and the Chinese People's Political Consultative Conference.



REPORT OF THE DIRECTORS

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (Cont'd)

Mr KWOK Lam Kwong, Larry (45) Appointed as Independent Non-Executive Director in 1995. Mr Kwok is a practicing solicitor in Hong Kong and also qualified to practise as a solicitor in Australia, England and Singapore. He is also qualified as an accountant in Hong Kong and Australia. He graduated from the University of Sydney, Australia with bachelor's degrees in economics and laws respectively as well as a master's degree in laws. He is currently a member of the Consumer Council, the Hospital Governing Committee of the Princess Margaret Hospital, the Criminal & Law Enforcement Injuries Compensation Boards. He is a member of the Political Consultative Committee of Guangxi of the People's Republic of China. He also serves on the boards of several Hong Kong listed companies.

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance in relation to the Group's business to which the Company or 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' INTERESTS IN SHARE EQUITY OR DEBT SECURITIES

At 31st December 2000, the interests of the directors in the shares, warrants and options of the Company or any of its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance")) as recorded in the register maintained by the Company under Section 29 of the SDI Ordinance or as notified to the Company were as follows:—

Name of Directors	Number of ordinary shares in the Company			Number of units of
	Family	Personal	Corporate	warrants
	interests	interests	interests	Corporate interests
Mr Lao Yuan Yi	—	41,752,000	75,308,000	21,984,000
Mr Xin Shulin, Steve	—	2,000,000	—	—
Prof. Woo Chia Wei	72,000	—	—	—



DIRECTORS' INTERESTS IN SHARE EQUITY OR DEBT SECURITIES *(Cont'd)*

Arrangement on share options granted to the directors are set out in note 9(a) to the accounts. Save as disclosed above, none of the directors had any interests in the shares, warrants and options of the Company or any of its associated corporations as defined in the SDI Ordinance as at 31st December 2000.

Apart from the share option scheme as mentioned in note 9(a) to the accounts, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the directors and chief executive (including their spouse and children under 18 years of age) of the Company and its associated corporations, to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

The register of substantial shareholders maintained under section 16(1) of the SDI Ordinance shows that as at 31st December 2000, the Company had been notified of the following substantial shareholders' 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.

<u>Name of shareholder</u>	<u>Number of ordinary shares in the Company</u>
China Assets (Holdings) Limited	229,848,000

China Assets (Holdings) Limited is a Hong Kong listed company which is also an associated company of the Group. Apart from the above, so far as the directors are aware, there are no parties which were, directly or indirectly, interested in 10% or more of the nominal value of the issued share capital of the Company as at 31st December 2000.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

REPORT OF THE DIRECTORS**MAJOR CUSTOMERS AND SUPPLIERS**

The aggregate percentages of sales and purchases attributable to the Group's five largest customers and suppliers respectively are both less than 30% for 2000 and 1999.

FIVE YEAR FINANCIAL SUMMARY

The summary of assets, liabilities and results of the Group for the last five financial years is as follows:—

	2000	1999	1998	1997	1996
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Total assets	1,112,170,049	1,043,037,015	1,261,502,323	1,400,985,047	566,051,627
Total liabilities (Including minority interests)	133,708,535	107,814,429	422,823,274	451,887,777	185,518,461
Total net assets	978,461,514	935,222,586	838,679,049	949,097,270	380,533,166
Turnover	305,483,881	719,454,505	914,008,502	636,126,098	147,300,465
Profit/(loss) attributable to shareholders	58,378,974	54,321,425	(143,029,322)	16,893,743	(13,876,273)
Earnings/(loss) per share					
— basic	5.20 cents	5.10 cents	(13.92 cents)	2.03 cents	(3.09 cents)
— fully diluted	5.17 cents	5.08 cents	N/A	N/A	N/A



COMPLIANCE WITH THE CODE OF BEST PRACTICE OF THE LISTING RULES

In the opinion of the directors, the Company was in compliance with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (“Listing Rules”) throughout the year, except that the independent non-executive directors of the Company are not appointed for specific terms and are subject to re-election at the annual general meeting of the Company in accordance with the provisions of the Company’s Articles of Association.

AUDIT COMMITTEE

The Audit Committee of the Board of Directors was established on 27th December 1998. To comply with the revised Code of Best Practice as set out in Appendix 14 of the Listing Rules, the Company has appointed the two independent non-executive directors of the Company, Prof. Woo Chia Wei and Mr Kwok Lam Kwong, Larry as members of the Audit Committee. The Audit Committee acts in an advisory capacity and makes recommendations to the Board. Three meetings were held during the current financial year.

SUBSEQUENT EVENTS

Details of significant events which have been taken place subsequent to the balance sheet date are set out in note 28 to the accounts.

AUDITORS

The accounts have been audited by PricewaterhouseCoopers, who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

LAO Yuan Yi

Chairman and Managing Director

Hong Kong, 20th April 2001