

The directors of the Company present their report together with the audited financial statements of the Group for the year ended 31st December, 2001.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the Group are property investment and development, building construction and civil engineering, infrastructure investment and high technology businesses.

An analysis of the Group's turnover and operating loss for the year by principal activities is set out in note 2 to the financial statements.

RESULTS

The results of the Group for the year ended 31st December, 2001 and the state of affairs of the Company and the Group as at that date are set out on pages 43 to 45.

DIVIDEND

The Board does not recommend the payment of a dividend for the year ended 31st December, 2001 (2000: nil).

SHARE CAPITAL

Details of the movements in share capital during the year are set out in note 23 to the financial statements.

FIXED ASSETS

Details of the movements in fixed assets during the year are set out in note 9 to the financial statements.

BORROWINGS AND INTEREST CAPITALISED

Borrowings repayable on demand or within one year are classified under current liabilities. Details of the long-term borrowings are set out in note 25 to the financial statements. Interest and other borrowing costs capitalised by the Group during the year are set out in note 4 to the financial statements.

RESERVES

Details of the movements in reserves during the year are set out in note 24 to the financial statements.

DONATIONS

The donations made by the Group during the year amounted to HK\$72,000 (2000: HK\$58,000).

FIVE-YEAR FINANCIAL SUMMARY

A five-year financial summary of the Group is set out on pages 83 and 84.

DIRECTORS

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

Executive Directors

Mr. Wei Jiafu (<i>Chairman</i>)	
Mr. Liu Guoyuan (<i>Vice-Chairman</i>)	
Mr. Liu Hanbo (<i>Managing Director</i>)	(appointed on 1st January, 2002)
Mr. Li Jianhong	(appointed on 12th March, 2002)
Mr. Zhou Liancheng	
Mr. Liang Yanfeng	(appointed on 12th March, 2002)
Mr. Kwong Che Keung, Gordon	
Mr. Lu Zhiming	(appointed on 12th March, 2002)
Mr. Zhang Yongjian	
Mr. Dong Shu Sen	
Mr. Meng Qinghui	(appointed on 12th March, 2002)

Independent Non-Executive Directors

Mr. Chan Cheong Foon, Andrew
Mr. Alexander Reid Hamilton

In accordance with Bye-laws 99 and 102B of the Company's Bye-laws, all the directors of the Company retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance in relation to the Company's business to which the Company, its subsidiaries, its fellow subsidiaries or its holding companies 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 COMPETING BUSINESS

During the year and up to the date of this report, the following directors of the Company are considered to have interests in the businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group pursuant to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") as set out below:

Name of director	Name of entity engaging in businesses which are considered to compete or likely to compete with the businesses of the Group	Description of the businesses of the entities which are considered to compete or likely to compete with the businesses of the Group	Nature of interest of director in the entity
Mr. Wei Jiafu	Companies controlled by COSCO	Property investment and development	Director
Mr. Liu Guoyuan	COSCO Hong Kong and its associated companies	Property investment and development	Director
	Soundwill Holdings Limited	Property investment and development	Director
Mr. Liu Hanbo	Soundwill Holdings Limited	Property investment and development	Director
Mr. Li Jianhong	Companies controlled by COSCO	Property investment and development	Director
Mr. Zhou Liancheng	COSCO Hong Kong and its associated companies	Property investment and development	Director
Mr. Liang Yanfeng	Companies controlled by COSCO	Property investment and development	Director
Mr. Kwong Che Keung, Gordon	Companies controlled by COSCO Hong Kong	Property investment and development	Director
	Vision Century Corporation Limited	Property investment and development	Independent Non-Executive Director
Mr. Lu Zhiming	COSCO Hong Kong and its associated companies	Property investment and development	Director
Mr. Meng Qinghui	Companies controlled by COSCO Hong Kong	Property investment and development	Director

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

CONNECTED TRANSACTIONS

Pursuant to Chapter 14 of the Listing Rules, the following connected transactions of the Company require disclosure in the annual report of the Company. The connected transactions which also constitute significant related party transactions are set out in note 30 to the financial statements.

1. On 7th March, 2001, a tenancy agreement was entered into between Wing Thye Holdings Limited, a wholly-owned subsidiary of the Company, as landlord and COSCO Pacific Management Company Limited, a wholly-owned subsidiary of COSCO Pacific, as tenant, for the leasing of a portion of 49th Floor of the COSCO Tower as the head office of COSCO Pacific for a term of three years commencing with retrospective effect from 4th December, 2000 at a monthly rental of HK\$465,023.20 (exclusive of air conditioning and management charges, government rates and all other outgoings). COSCO Hong Kong is the controlling shareholder of both the Company and COSCO Pacific.
2. On 29th June, 2001, a master co-operative agreement was entered into between Market Smart Limited ("Market Smart"), a wholly-owned subsidiary of the Company, and CRED, a wholly-owned subsidiary of COSCO, to form a sino-foreign equity joint venture company, Tian Lin. The total investment amount for Tian Lin is approximately Rmb640 million to develop two real estate development projects (the "Development") in Beijing - Ocean Prospect and Shenghuayuan Phase II. Completion took place on 13th September, 2001 and Market Smart then owned a 49% equity interest in Tian Lin. As part of the master co-operative agreement, shareholder's loans approximately HK\$154,929,000 was granted by Market Smart to Tian Lin during the year of 2001 on a pro-rata basis so as to finance the Development. The shareholder's loans are interest-free and have no fixed repayment terms.

SPECIFIC PERFORMANCE OBLIGATIONS ON CONTROLLING SHAREHOLDER

Under paragraph 3.7.1 of Practice Note 19 of the Listing Rules, the Company discloses the following loan agreements which contain covenants requiring specific performance obligations of the controlling shareholder:-

1. A HK\$1,129 million secured medium term loan facility was granted by a syndicate of financial institutions with HSBC China Services Limited as agent to Century Metro Development Limited ("Century Metro"), a wholly owned subsidiary of the Company, on 30th March, 1998 to finance the PSPS project at Shum Wan Road, Aberdeen Inland Lot No. 435. The loan is guaranteed unconditionally and irrevocably by COSCO Hong Kong which undertakes, amongst other conditions, that it will remain the ultimate beneficial owner of at least 51% of the entire issued share capital of Century Metro and SSCE, unless consented by the agent acting on the instruction of majority of the syndicate. The term loan was fully repaid on 4th January, 2002.
2. A HK\$780 million secured term loan facility was granted by Bank of China (Hong Kong) Limited to the Company in August 1998 and amended on 9th June, 2001 to finance the acquisition of the eight floors of the COSCO Tower. The secured term loan facility is repayable on or before 18th June, 2006. The loan is guaranteed unconditionally and irrevocably by COSCO Hong Kong which undertakes, amongst other conditions, that:
 - (i) it will procure that the ultimate holding company will maintain a 51% equity interest, either directly or indirectly, in it and such equity interest remains free from any security interest (save for any of such existing thereon prior to the date of the guarantee);
 - (ii) it will procure that the ultimate holding company will maintain an equity interest, either directly or indirectly, of not less than 35% in the Company and such equity interest remains free from any security interest (save for any of such existing thereon prior to the date of the guarantee);
 - (iii) it will maintain an equity interest, either directly or indirectly, of not less than 35% in COSCO Pacific, a fellow subsidiary of the Company, and such equity interest remains free from any security interest (save for any of such existing thereon prior to the date of the guarantee); and
 - (iv) it will maintain an equity interest, either directly or indirectly, of not less than 35% in the Company and such equity interest being the single largest shareholding in the Company.

SHARE OPTIONS

Pursuant to the Company's share option scheme (the "Scheme") approved by the shareholders on 17th January, 1992, the Board may, at their discretion, grant options to the executive directors and employees of the Group to subscribe for shares in the Company. The purpose of the Scheme was to provide the executive directors and employees of the Group with an opportunity to obtain equity interest in the Company, thus linking their interest with the interest of the Group and thereby providing them with an incentive to work better for the interest of the Group.

The total number of shares in respect of which options granted under the Scheme might not exceed 10% of the issued shares of the Company from time to time. No employee should be granted an option which, if exercised in full, would result in such employee becoming entitled to subscribe for more than 25% of the aggregate number of shares for the time being issued and issuable under the Scheme.

The Scheme was valid and effective for a period of 10 years which commenced on 17th January, 1992 and expired on 16th January, 2002. Accordingly, there had no security available for issue under the Scheme as at the date of this report. A price of HK\$1.00 was payable by the grantee in respect of option granted and accepted under the Scheme. The exercise price was determined by the Board and would not be less than the higher of the nominal value of the shares of the Company or 80% of the average closing price of the shares of the Company for the five business days immediately preceding the date of grant.

Information of the share options is also set out in note 23 to the financial statements.

The following table discloses movements in the Company's share options during the year and options outstanding at the beginning and end of the year:

Number of share options						
	Outstanding as at 1st January, 2001	Granted during the year	Exercised during the year (Note 4)	Lapsed during the year	Outstanding as at 31st December, 2001	
Director						
Mr. Kwong Che Keung, Gordon	4,500,000	—	—	—	4,500,000	
Mr. Zhang Yongjian	1,000,000	—	—	—	1,000,000	
Mr. Dong Shu Sen	3,500,000	—	—	—	3,500,000	
Ex-Director						
Mr. Dong Jiufeng (Note 2)	1,500,000	—	—	(1,500,000)	—	
Mr. Zuo Wei (Note 3)	2,500,000	—	—	(2,500,000)	—	
Employees	20,050,000	—	(12,430,000)	(2,000,000)	5,620,000	

Note:

- These share options were granted to the directors and employees of the Company on 20th March, 2000 and were exercisable at HK\$0.656 per share at any time between 20th March, 2001 and 16th January, 2002. All of the share options as at 31st December, 2001 remained unexercised and lapsed on 16th January, 2002.
- Mr. Dong Jiufeng resigned as a director of the Company on 1st November, 2000 and pursuant to the Scheme his share options were lapsed on 1st February, 2001.
- Mr. Zuo Wei resigned as a director of the Company on 1st December, 2000 and pursuant to the Scheme his share options were lapsed on 1st March, 2001.
- The weighted average closing price of the shares of the Company immediately before the dates on which the share options were exercised during the year was HK\$1.02.

DIRECTORS' INTERESTS IN SECURITIES

As at 31st December, 2001, the interests of the directors and chief executives and their associates in the shares of the Company and its associated corporations as recorded in the register required to be kept under Section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") were as follows:

1. Directors' interests in shares

Name of director	Number of shares held Personal interests
Mr. Zhang Yongjian	1,478,400
Mr. Dong Shu Sen	1,500,000

2. Directors' interest in shares of associated corporation

Subsequent to the year end date, Mr. Kwong Che Keung, Gordon fully exercised the share options granted by COSCO Pacific to subscribe for 250,000 shares at HK\$3.584 each on 25th February, 2002.

3. Directors' interests in share options granted by associated corporation

Name of associated corporation	Name of director	Number of share options				Outstanding as at 31st December, 2001
		Outstanding as at 1st January, 2001	Granted during the year	Exercised during the year	Lapsed during the year	
COSCO Pacific	Mr. Kwong Che Keung, Gordon (Note 1)	250,000	–	–	–	250,000

Note:

- Subsequent to the year end date, Mr. Kwong Che Keung, Gordon fully exercised the share options granted by COSCO Pacific to subscribe for 250,000 shares. The share options are exercisable at HK\$3.584 per share at any time between 6th April, 2001 and 5th April, 2002.
- Subsequent to the year end date, Mr. Li Jianhong was appointed as a director of the Company on 12th March, 2002. Mr. Li has 250,000 share options granted by COSCO Pacific on 6th April, 2000 and are exercisable at HK\$3.584 per share at any time between 6th April, 2001 and 5th April, 2002.
- Subsequent to the year end date, Mr. Lu Zhiming was appointed as a director of the Company on 12th March, 2002. Mr. Lu has 1,500,000 share options granted by COSCO Pacific on 1st July, 1996 and are exercisable at HK\$5.53 per share at any time between 1st July, 1996 and 30th June, 2006. Besides, he has 250,000 share options granted by COSCO Pacific on 6th April, 2000 and are exercisable at HK\$3.584 per share at any time between 6th April, 2001 and 5th April, 2002.

Save as disclosed above and in the section "Share Options", as at 31st December, 2001, none of the directors and the chief executives of the Company had any interest in the share capital of the Company or any associated corporations (within the meaning of the SDI Ordinance) which were required to be notified to the Company and the Stock Exchange pursuant to section 28 of the SDI Ordinance (including the interests which they were deemed or taken to have under section 31 or part I of the Schedule to the SDI Ordinance) or pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules or which are required, pursuant to section 29 of the SDI Ordinance, to be entered in the register referred to therein.

MANAGEMENT CONTRACTS

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

SUBSTANTIAL SHAREHOLDERS

As at 31st December, 2001, the interests of those persons in the share capital of the Company as recorded in the register kept under Section 16(1) of the SDI Ordinance were as follows:

Name of shareholder	Number of shares held
COSCO	829,360,511
COSCO Hong Kong *	829,360,511
True Smart International Limited *	527,060,904
COSCO Investments Limited *	302,299,607

* These companies are wholly-owned subsidiaries of COSCO and their interests in the shares of the Company were included in the interests held by COSCO.

CORPORATE GOVERNANCE

The Company has complied throughout the year ended 31st December, 2001 with the Code of Best Practice as set out in the Appendix 14 of the Listing Rules.

In addition, the Company has established an Audit Committee for review and supervision of the Group's financial reporting process and internal controls in order to protect the interests of the shareholders of the Company. The Audit Committee held two meetings during the year.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year, there was no purchase, sale or redemption by the Company, or any of its subsidiaries of any listed securities of the Company.

PRE-EMPTIVE RIGHTS

No pre-emptive rights exist in Bermuda being the jurisdiction in which the Company is incorporated.

AUDITORS

The financial statements for the year have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

LIU Hanbo

Managing Director

Hong Kong, 28th March, 2002