



Directors' Report

The directors present their annual report and the audited financial statements for the year ended 31 December, 2001.

CHANGE OF COMPANY NAME

Pursuant to a special resolution passed on 22 November, 2001, the name of the Company was changed from Dong Jian Tech.Com Holdings Limited to Shimao China Holdings Limited.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 15 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December, 2001 are set out in the consolidated income statement on page 22. The directors do not recommend the payment of any dividend for the year.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate sales attributable to the Group's five largest customers were less than 30% of the Group's total turnover for the year.

Purchases from the Group's five largest suppliers accounted for 78% of the total purchases for the year and the purchases from the largest supplier included therein amounted to 55%.

None of the directors of the Company, any of their associates, or any shareholders (which to the best knowledge of the directors own more than 5% of the Company's issued share capital) has any beneficial interest in the Group's five largest suppliers.

SHARE CAPITAL AND WARRANTS

Details of movements during the year in the share capital and warrants of the Company are set out in notes 20 and 21 respectively to the financial statements.

RESERVES

Details of movements during the year in the reserves of the Group and the Company are set out in note 22 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements during the year in property, plant and equipment of the Group are set out in note 12 to the financial statements.



Directors' Report *(Continued)*

MAJOR PROPERTIES

Details of the major properties of the Group as at 31 December, 2001 are set out on pages 55 and 56 of the annual report.

DIRECTORS

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

Executive directors:

Mr. Hui Wing Mau	(appointed on 22 October, 2001)
Ms. Hui Mei Mei, Carol	(appointed on 22 October, 2001)
Mr. Ngai Hor Ying	(resigned on 8 August, 2001)
Mr. Ngai Man Sang	(resigned on 8 August, 2001)
Mr. Ngai Man Hing	(appointed on 8 August, 2001 and resigned on 13 November, 2001)
Mr. Gao Feng Nong	(appointed on 8 August, 2001 and resigned on 13 November, 2001)

Non-executive directors:

Mr. Ngai Man Hing	(ceased on 8 August, 2001)
Mr. Huang Jui Hsing	(resigned on 13 November, 2001)

Independent non-executive directors:

Mr. Liu Hing Hung	(appointed on 22 October, 2001)
Mr. Lu Hong Bing	(appointed on 22 October, 2001)
Mr. Cheung Hing Sau	(resigned on 13 November, 2001)
Mr. Lam Ming Sum	(resigned on 13 November, 2001)
Mr. Chen Jian Wen	(appointed on 23 March, 2001 and resigned on 13 November, 2001)

In accordance with clause 86(2) of the Company's bye-laws, all remaining directors will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

The directors being proposed for re-election at the forthcoming annual general meeting do not have a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).



Directors' Report *(Continued)*

DIRECTORS' INTERESTS IN CONTRACTS

- (i) Each of Messrs. Gao Feng Nong and Ngai Man Hing, who resigned as directors on 13 November 2001, had entered into a service agreement (the "Agreement") with the Company for an initial term of three years (with a fixed term of one year) commencing from 8 August, 2001, which would continue thereafter for successive terms of one year commencing from the day next after the expiry of the then current term unless and until terminated in accordance with the terms of the Agreement.

Pursuant to the Agreement, each of Messrs. Gao Feng Nong and Ngai Man Hing was entitled to a basic annual salary of HK\$600,000 (subject to an annual increment after each completed year of service at a rate to be determined at the sole and absolute discretion of the Board, provided that such increase should not exceed 50 per cent. of the then current annual remuneration of Messrs. Gao Feng Nong and Ngai Man Hing respectively). In addition, Messrs. Gao Feng Nong and Ngai Man Hing were also entitled to a discretionary bonus as the Board may in its absolute discretion determine having regard to the performance of the relevant director and the operating results of the Group which, in respect of any financial year of the Company, shall not be more than 10% of the audited consolidated net profit after taxation and minority interests but before extraordinary and exceptional items of the Group for that financial year, which amount shall be paid within one calendar month after announcement of the audited final results of the Group for that financial year. The discretionary bonus shall only be payable when the audited consolidated net profit after taxation and minority interests but before extraordinary and exceptional items of the Group and before payment of the total discretionary bonuses payable to all the executive directors shall exceed HK\$10,000,000.

- (ii) Pursuant to an underwriting agreement dated 3 December, 2001 (the "Underwriting Agreement") entered into between the Company and Perfect Zone International Limited ("Perfect Zone"), Perfect Zone acted as the underwriter to underwrite not less than 156,658,000 Rights Shares (as defined in the Underwriting Agreement) of HK\$0.10 each by way of a rights issue on the basis of one Rights Share for every two existing shares held on the Record Date (as defined in the Underwriting Agreement) at HK\$0.65 per Rights Share. Mr. Hui Wing Mau and Ms. Hui Mei Mei, Carol, both directors of the Company, are also directors of Perfect Zone.

Save as disclosed above, no contracts of significance to which the Company, its ultimate holding company or any subsidiaries of its ultimate holding company 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' Report *(Continued)*

DIRECTORS' INTERESTS IN SHARE CAPITAL AND WARRANTS

At 31 December, 2001, the interests of the directors in the share capital and warrants of the Company or its 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:

Interests in share capital

Directors	Number of shares other interests
Mr. Hui Wing Mau	213,180,000 <i>(Note)</i>
Ms. Hui Mei Mei, Carol	213,180,000 <i>(Note)</i>

Interests in warrants

Directors	Number of warrants other interests
Mr. Hui Wing Mau	20,966,800 <i>(Note)</i>
Ms. Hui Mei Mei, Carol	20,966,800 <i>(Note)</i>

Note: These shares and warrants are owned by Perfect Zone which is directly wholly owned by Overseas Investment Group International Limited as trustee of a unit trust, all the units of which are held by Ansbacher (BVI) Limited as a trustee of The W M Hui Family Trust, a discretionary trust set up by Mr. Hui Wing Mau for the benefit of his wife and children. Ms. Hui Mei Mei, Carol is the daughter of Mr. Hui Wing Mau.

Save as disclosed above, none of the directors, chief executives or their associates had any interests in the share capital of the Company or any of its associated corporations, as defined in the SDI Ordinance.

SHARE OPTIONS

Under the terms of the Company's share option scheme (the "Scheme") approved by The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 14 July, 1998 for the primary purpose of providing incentives to directors and eligible employees, the directors of the Company may, at their discretion, grant options to employees of the Group, including executive directors of the Company to subscribe for shares. The options granted will entitle the holders to subscribe for shares during such periods as may be determined by the directors at a price equal to the higher of the nominal value of the shares and 80% of the average of the closing price of the shares on the Stock Exchange on the five trading days immediately preceding the date of the grant of the options. The maximum number of shares in respect of which options may be granted under the Scheme may not exceed 10% of the share capital of the Company in issue from time to time, and the maximum number of shares in respect of which options may be granted to any employee may not

Directors' Report *(Continued)*

exceed 25% of the maximum number of shares in respect of which options may be granted under the Scheme. Any shares allotted on the exercise of options will rank pari passu in all respects with the other shares in issue at the date of exercise of the relevant options.

All the share options granted are exercisable in the period from 4 January, 2000 to 3 January, 2003 at an exercise price of HK\$0.46 each. During the year, no option was granted and all outstanding share options were cancelled at HK\$0.001 per share option pursuant to the Takeovers Code. Details of the movements in the share options of the Company during the year are set out below.

	Outstanding as at 1 January, 2001	Exercised during the year	Cancelled during the year	Outstanding as at 31 December, 2001
Directors:				
Mr. Ngai Hor Ying	5,500,000	(1,000,000)	(4,500,000)	—
Mr. Ngai Man Sang	5,300,000	—	(5,300,000)	—
Mr. Ngai Man Hing	300,000	—	(300,000)	—
Mr. Lam Ming Sum	1,000,000	—	(1,000,000)	—
Mr. Cheung Hing Sau	1,000,000	—	(1,000,000)	—
	13,100,000	(1,000,000)	(12,100,000)	—
Employees	2,300,000	(1,850,000)	(450,000)	—
	15,400,000	(2,850,000)	(12,550,000)	—

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above, at no time during the year was the Company, its ultimate holding company or any subsidiaries of its ultimate holding company a party to any arrangement 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.

SUBSTANTIAL SHAREHOLDERS

Save as disclosed in the section "Directors' Interests in Share Capital and Warrants", the Company has not been notified of any other interests representing 10% or more in the issued share capital of the Company as at 31 December, 2001 pursuant to section 16(1) of the SDI Ordinance.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

At no time during the year neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.



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POST BALANCE SHEET EVENTS

Details of significant post balance sheet events are set out in note 29 to the financial statements.

CORPORATE GOVERNANCE

The Company has complied throughout the year ended 31 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, except that the independent non-executive directors of the Company were not appointed for any specific terms.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws, although there are no restrictions against such rights under the laws in Bermuda.

AUDITORS

During the year, Messrs. Ernst & Young resigned and Messrs. Deloitte Touche Tohmatsu were appointed as auditors of the Company.

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

On behalf of the Board

Hui Wing Mau
Chairman

Hong Kong
19 April, 2002