

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

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of its principal subsidiaries and associates are set out in note 46 to the financial statements.

RESULTS

The results of the Group are set out in the consolidated income statement on page 18.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five financial periods is set out on page 71.

FIXED ASSETS

The Group's investment properties were revalued at December 31, 2001. The net deficit arising on the revaluation amounted to HK\$6,110,000 and has been charged to the income statement.

Details of the above and other movements in the fixed assets of the Group and the Company during the year are set out in notes 17 and 18 to the financial statements.

PROPERTIES HELD FOR INVESTMENT PURPOSES

Details of properties held by the Group for investment purposes at December 31, 2001 are set out on page 72.

SUBSIDIARIES AND ASSOCIATES

Details of the Company's principal subsidiaries and associates at December 31, 2001 are set out in note 46 to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements during the year in the Company's share capital and share options of the Company and a subsidiary are set out in notes 31 and 32 to the financial statements respectively.

RESERVES

Movements during the year in the reserves of the Group and the Company are set out in note 33 to the financial statements.

Directors' Report

BORROWINGS

Details of the Group's borrowings are set out in note 29 to the financial statements.

No interest was capitalised by the Group during the year.

DIRECTORS

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

Executive directors:

Sun Qiang Chang, *Chairman*
Gao Jian Min, *Vice Chairman*
Koo Fook Sun, Louis, *Chief Executive Officer*
Zhao Jian Gong
Wang Tianye

Independent non-executive directors:

Lau Yuen Sun, Adrian	(appointed on February 16, 2001)
Xin Luo Lin	(appointed on April 24, 2001)
Huang Zheng	(resigned on April 24, 2001)

In accordance with clause 86(2) of the Company's bye-laws, Messrs. Gao Jian Min and Wang Tianye shall retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

The term of office of each director is the period up to his retirement by rotation in accordance with the Company's bye-laws.

Mr. Koo Fook Sun, Louis, Mr. Zhao Jian Gong and Mr. Wang Tianye have entered into service contracts with the Company for a term of three years from September 4, 2000, two years from March 8, 2002 and two years from September 1, 2001 respectively.

Other than as disclosed above, no director being proposed for re-election at the forthcoming annual general meeting has a service contract, which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN SHARES

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

Name of Director	Name of Company	Number of shares	
		Personal interests	Corporate interests
KOO Fook Sun, Louis	Silvernet Group Limited	–	35,000,000 (Note)
ZHAO Jian Gong	Egochina Holdings Limited	1,466,667	–

Note: The 35,000,000 shares are held by Win Profits Investments Limited ("Win Profits") which is beneficially owned by Mr. Koo Fook Sun, Louis.

Other than as disclosed above, as at December 31, 2001, none of the directors or chief executives of the Company had any interest (whether beneficial or non-beneficial) in the shares or debt securities of the Company or any of its associated corporation.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

The follow table discloses the Company's share options outstanding at the beginning and the end of the year.

Name of directors	Subscription price per share HK\$	Exercise period	Share options outstanding at 1.1.2001	Granted during the year	Cancelled during the year	Share options outstanding at 12.31.2001
Sun Qiang Chang	0.290	5.24.2000 – 5.23.2010	50,000,000	–	–	50,000,000
Gao Jian Min	0.520	3.10.2000 – 3.9.2010	50,000,000	–	–	50,000,000
Koo Fook Sun Louis	0.378	9.4.2000 – 9.3.2010	50,000,000	–	–	50,000,000
Zhao Jian Gong	0.520	3.10.2000 – 3.9.2010	30,000,000	–	–	30,000,000
Wang Tianye	0.520	3.10.2000 – 3.9.2010	20,000,000	–	–	20,000,000
			200,000,000	–	–	200,000,000

Directors' Report

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES (Continued)

Name of directors	Subscription price per share HK\$	Exercise period	Share options outstanding at 1.1.2001	Granted during the year	Cancelled during the year	Share options outstanding at 12.31.2001
Employees	0.385	6.20.2000 – 6.19.2010	1,000,000	–	(1,000,000)	–
	0.390	6.26.2000 – 6.25.2010	1,000,000	–	–	1,000,000
	0.360	8.15.2000 – 8.14.2010	8,000,000	–	(8,000,000)	–
	0.200	2.5.2001 – 2.4.2011	–	5,000,000	–	5,000,000
	0.210	3.26.2001 – 3.25.2011	–	2,000,000	–	2,000,000
			10,000,000	7,000,000	(9,000,000)	8,000,000
			210,000,000	7,000,000	(9,000,000)	208,000,000

The closing prices of the Company's shares immediately before February 5, 2001 and March 26, 2001, the dates of grant were HK\$0.198 and HK\$0.265 respectively.

The Company's share option scheme ("Scheme") was adopted pursuant to a resolution passed on July 26, 1993 for the primary purpose of providing incentives to directors and eligible employees and will expire on July 25, 2003. Under the Scheme, the Board of Directors of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company.

At December 31, 2001, the number of shares in respect of which options had been granted under the Scheme was 208,000,000, representing 5.73% of the shares of the Company in issue at that date. The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point of time, without prior approval from the Company's shareholders. The number of share in respect of which options may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders.

A nominal consideration of HK\$1 is payable on the grant of an option. Option may be exercised at any time from the date of grant of share option to the tenth anniversary of the date of grant. The exercise price is determined by the directors of the Company, and will not be less than the higher of the closing price of the Company's shares on the date of grant, and the average closing price of the shares for the five business days immediately preceding the date of grant.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES (Continued)

The fair value of the options granted in the current year totalled approximately HK\$897,000. The following significant assumptions were used to derive the fair value, using the Black Scholes option pricing model:

1. an expected volatility of 19.6% to 20.3%;
2. the estimated expected life of the options granted during 2001 is ten years. The corresponding ten-year Hong Kong Exchange Fund Notes interest rate at the date the options were granted was 6.26%.

No charge is recognised in the income statement in respect of the value of options granted in the year.

One of the Company's former subsidiary Egochina Holdings Limited ("Egochina Holdings") had adopted a share option scheme at the special general meeting on July 22, 2000. Egochina Holdings ceased to be a subsidiary and becomes an associate of the Group on May 1, 2001. No share option was granted under the scheme of Egochina Holdings up to May 1, 2001.

Other than as disclosed above, at no time during the year was the Company or 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' INTERESTS IN CONTRACTS

Other than as disclosed in the section below headed "connected transactions", no contracts of significance 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.

CONNECTED TRANSACTIONS

1. On December 11, 2000, Egochina Holdings entered into a subscription agreement with Rado International Limited ("Rado"), a wholly-owned subsidiary of the Company, and Atlantic Cay International Limited ("Atlantic Cay"), a substantial shareholder of the Company, whereby Rado and Atlantic Cay agreed to subscribe for 1,000,000 and 2,000,000 Preferred Shares respectively at an aggregate consideration of US\$3,000,000. The consideration was satisfied in cash. The transaction was completed in January 2001 after approval at the Special General Meeting of the Company held on January 15, 2001.

CONNECTED TRANSACTIONS (Continued)

2. On March 8, 2002, the Company entered into an acquisition agreement ("Acquisition Agreement") with Sinolink Worldwide Holdings Limited ("Sinolink"). Pursuant to the terms of Acquisition Agreement, Sinolink has agreed to sell and the Company has agreed to purchase the entire issued share capital of Sinolink Industrial Limited ("Sinolink Industrial") (the "Acquisition").

Sinolink Industrial is interested in 70% of the registered capital of Shenzhen Fuhuade Electricity Co., Ltd. ("Fuhuade"), a sino-foreign equity joint venture company established in the People's Republic of China, through a wholly owned subsidiary, Sinolink Electric Power Company Limited ("Sinolink Electric Power"). Sinolink has also agreed to assign a shareholders' loan in an amount equivalent to approximately HK\$137.90 million which is interest free owing to Sinolink by Sinolink Industrial to the Company. The consideration of the Acquisition and the assignment of the shareholders' loan is approximately HK\$360.40 million, of which approximately HK\$163.40 million shall be satisfied by cash at completion and the balance of HK\$197 million shall remain payable on demand and shall carry interest until actual payment at the rate of 3% per annum payable semi-annually. However, Sinolink undertakes that as long as Sinolink is a substantial shareholder of the Company, Sinolink will not demand the balance of HK\$197 million from the Company, which actions will detrimentally affect the financial resources and daily operations of the Company. Payment of approximately HK\$197 million and the interest accrued thereon shall be secured by share charges given by the Company and Sinolink Industrial respectively over the shares in Sinolink Industrial and Sinolink Electric Power respectively and an undertaking to be given by Sinolink Electric Power not to create any security interest over its interest in 70% of the registered capital of Fuhuade, in each case in favour of Sinolink.

In addition, a profit guarantee is provided by Sinolink under the Acquisition Agreement that the profits after taxation of Fuhuade arising from its ordinary activities and excluding any exceptional or extraordinary item (i) for the two financial years ending December 31, 2003 in aggregate is less than RMB135,000,000; or (ii) for the year ending December 31, 2003 is less than RMB110,000,000 (each being the "Relevant Guaranteed Profit"), Sinolink shall pay to the Company an amount equivalent to the shortfall between the Relevant Guaranteed Profits and the corresponding profit.

SUBSTANTIAL SHAREHOLDERS

As at December 31, 2001, the register of substantial shareholders maintained by the Company pursuant to Section 16(1) of the SDI Ordinance showed that the following shareholders had interests of 10% or more in the share capital of the Company:

Name of shareholder	Number of ordinary shares
Fantasy Resources Limited ("Fantasy")	1,100,000,000
Silver Grant International Industries Limited (Note)	1,103,490,000
Atlantic Cay International Limited	770,569,106

Note: Silver Grant International Industries Limited beneficially owns the entire share capital of Fantasy and is accordingly deemed by the SDI Ordinance to be interested in the shares of the Company held by Fantasy.

Other than as disclosed above, the register of substantial shareholders maintained by the Company pursuant to Section 16(1) of the SDI Ordinance showed that the Company had not been notified of any interests representing 10% or more of the issued share capital of the Company as at December 31, 2001.

MAJOR CUSTOMERS AND SUPPLIERS

The Group did not have any trade debtors and creditors as at December 31, 2001 to present as required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules")

POST BALANCE SHEET EVENTS

Details of significant post balance sheet events are set out in note 45 to the financial statements.

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

During the year, the Company repurchased certain of its own shares on The Stock Exchange of Hong Kong Limited, details of which are set out in note 31 to the financial statements. The directors considered that the repurchases would improve the shareholders' value.

Other than as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's bye-laws although there is no restriction against such rights under the laws in Bermuda.

Directors' Report

COMPLIANCE WITH CODE OF BEST PRACTICE

The Company has complied throughout the year ended December 31, 2001 with the Code of Best Practice as set out in Appendix 14 of the Listing Rules except that the Company had only one independent non-executive director following the resignation of Mr. Li Weibin on August 3, 2000. The office remained vacant until Mr. Lau Yuen Sun, Adrian was appointed as an independent non-executive director on February 16, 2001.

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

Sun Qiang Chang
CHAIRMAN

Hong Kong, April 24, 2002