

The directors have pleasure in submitting their annual report together with the audited financial statements for the year ended 31 December 2001.

PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding and property investment. The principal activities and other particulars of the subsidiaries are set out in note 13 to the financial statements.

An analysis of the principal activities and geographical locations of the operations of the Company and its subsidiaries during the financial year are set out in note 10 on the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

The Group's five largest customers and suppliers in the aggregate did not exceed 30% of the Group's total operating revenue and total purchases (not including purchases of items of which are of capital nature) for the year ended 31 December 2001.

At no time during the year have the directors, their associates or any shareholder of the Company (which to the knowledge of the directors owns more than 5% of the Company's share capital) had any interest in these major customers and suppliers.

FINANCIAL STATEMENTS

The profits of the Group for the year ended 31 December 2001 and the state of the Company's and the Group's affairs at that date are set out in the financial statements on pages 16 to 54.

The directors do not recommend the payment of a dividend in respect of the year ended 31 December 2001 (2000: HK\$ Nil).

RESERVES

Movements in reserves of the Company and the Group during the year are set out in note 29 to the financial statements.

FIXED ASSETS

Movements in fixed assets during the year are set out in note 11 to the financial statements.

The investment properties of the Group are as follows:

Location	Use	Lease term
The first floor and roof of the commercial block, Wing Fok Centre, 1 Luen Chit Street, Fanling, New Territories	Commercial premises for rental	Medium term
The commercial units of Wing Fai Centre, 2-10 Luen Chit Street, Fanling, New Territories	Commercial premises for rental	Medium term
Block car parks numbers 21, 22, 31, 34, 35, 44, 50, 51, 52, 54, 55, 57, 69, 73, 93, 124, 126 and 127 on ground floor, garage covered car parks numbers 225 and 231 on the first floor and garage uncovered car parks numbers 271 and 274 on the second floor, Carado Garden, 20-30 Tin Sam Street, Shatin, New Territories	Car parking spaces for rental	Medium term
Blocks No. 52, 61, 62, 63, 65, 73 and 74 Mandarin City, 788 Hong Xu Road, Shanghai, The People's Republic of China (the "PRC")	Residential apartment for rental	Long term

SHARE CAPITAL

Details of the movements in share capital of the Company during the year are set out in note 28 to the financial statements. Shares were issued during the year to broaden the capital base and to provide additional working capital for the Company.

BANK LOANS AND OVERDRAFTS

Particulars of bank loans and overdrafts of the Company and the Group as at 31 December 2001 are set out in note 23 to the financial statements.

No borrowing costs were capitalised by the Group during the year.

DIRECTORS

The directors during the financial year and up to the date of the report are:

Executive Directors

Qian Yong Wei	(Chairman)
Xu Zhe Cheng	
He Hui Min	(appointed on 1 March 2001)
Ren Jun Tao	(appointed on 21 November 2001)
Wei Wu	(appointed on 25 February 2002)
Chiu Yeung	(appointed on 25 February 2002)
Hong Chi Wai	(resigned on 26 April 2001)
Li Kin Ping	(resigned on 21 November 2001)

Independent non-executive Directors

Cheng Chak Ho	(appointed on 12 April 2001)
Mu Xiangming	(appointed on 20 April 2001)
Lam Ming Yung	(resigned on 20 April 2001)
Chan Wai Dune	(resigned on 12 April 2001)

In accordance with the Company's Bye-Laws, Messrs Ren Jun Tao, Wei Wu and Chiu Yeung should hold office until and Ms Xu Zhe Cheng will retire from the board by rotation at the forthcoming annual general meeting. All of them, being eligible, offer themselves for re-election.

DIRECTORS' INTERESTS IN SHARE CAPITAL OF THE COMPANY

The directors of the Company who held office at 31 December 2001 had the following interests in the issued share capital of the Company, its holding companies, subsidiaries and other associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance) at that date as recorded in the register of directors' share interests:

Name	Number of shares				Total
	Personal interests	Family interests	Corporate interests	Other interests	
Qian Yong Wei <i>(note 1)</i>	-	-	1,057,348,235	-	1,057,348,235
Xu Zhe Cheng <i>(note 2)</i>	-	-	1,057,348,235	-	1,057,348,235

Notes:

- (1) Mr Qian Yong Wei ("Mr Qian") held 95,000 shares (95%) in China Wan Tai Group Limited ("China Wan Tai"). China Wan Tai, holding company of the Company, held 100 shares (100%) in Universal Union Limited ("Universal"). In addition, Universal held 1,057,348,235 shares in the Company.
- (2) Ms Xu Zhe Cheng ("Ms Xu"), Mr Qian's wife, held 5,000 (5%) shares in China Wan Tai. China Wan Tai held 100 shares (100%) in Universal. In addition, Universal held 1,057,348,235 shares in the Company.

Apart from the foregoing, at no time during the year was the Company, any of its holding companies or subsidiaries a party to any arrangement to enable the Company's directors or chief executive or any of their spouses or children under eighteen years of age to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE SHARE CAPITAL OF THE COMPANY

As at 31 December 2001, the register of substantial shareholders maintained under Section 16(1) of the Securities (Disclosure of Interests) Ordinance shows that the Company has been notified that the following shareholders had direct or indirect interest in 10% or more of the shares of the Company:

Name	Number of shares
Universal	1,057,348,235
China Wan Tai	1,057,348,235

The register of substantial shareholders indicates that the interests disclosed by China Wan Tai include the 1,057,348,235 shares disclosed by Universal.

DIRECTORS' SERVICE CONTRACTS

The independent non-executive directors were appointed by the board of directors on 12 April 2001 and 20 April 2001 respectively for a term of one year. Their remuneration was determined by the board of directors on the dates of their appointments.

No director proposed for re-election at the forthcoming annual general meeting has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than normal statutory obligations.

The Directors' remuneration for the year is set out in note 6 to the financial statements.

DIRECTORS' INTERESTS IN CONTRACTS

On 23 November 1998, Mr Qian Yong Wei ("Mr Qian") issued a personal guarantee to a bank in respect of a banking facility of HK\$19,810,000 granted to the Group. As at 31 December 2001, the relevant bank loan had been repaid (31 December 2000: HK\$18,876,000) and the facility was terminated. During the year, the Company repaid an amount of HK\$1,800,000 due to Mr Qian which was deposited with the Company in 2000. The amount was unsecured and interest-free.

On 20 February 2001, the Company's wholly-owned subsidiary, Coastal Broadband Network Development Limited, entered into a sale and purchase agreement with China Wan Tai and Shanghai Wan Tai Property Development Property Limited, both of which are controlled by Mr Qian, to acquire 98% interests in Shanghai Taigu Apartment Service & Management Company Limited, a company established in the PRC, for a consideration of HK\$156,028,531. Details of the transaction were included in the circular to shareholders dated 14 March 2001. The transaction was terminated on 28 September 2001 and such termination was announced by way of press announcement by the Company on the same day.

During the year, the Group entered into an agreement with an independent third party to acquire its investment deposit in a property under development at a consideration of HK\$59,100,000. The property under development is being developed by a company controlled by Mr Qian. The construction is scheduled to be completed in 2003.

On 31 December 2001, China Wan Tai provided an irrevocable guarantee to the Company and certain subsidiaries in respect of certain investment deposits and the amount due from a fellow subsidiary of the Company totalling HK\$107,739,000 whereby China Wan Tai agreed to reimburse any loss suffered by the Company and the Group's subsidiaries in the event that they are unable to recover the amounts from relevant parties on or before the agreed dates.

Apart from the foregoing, no contract of significance to which the Company, any of its holding companies or fellow subsidiaries was a party, in which a director of the Company had a material interest, subsisted at the end of the year or at any time during the year.

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

During the year, the Company had not redeemed and neither the Company nor any of its subsidiaries had purchased or sold any of the Company's listed securities.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's bye-laws or the law of Bermuda.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on pages 55 and 56 of the annual report.

USE OF PROCEEDS

The proceeds from the share issues during the year were fully utilised for investment projects and working capital of the Company and its subsidiaries.

RETIREMENT SCHEMES

Hong Kong

As from 1 December 2000, the Group operates a Mandatory Provident Fund Scheme ("the MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement scheme administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK\$20,000.

The PRC, other than Hong Kong

The PRC subsidiaries of the Group participate in a mandatory central retirement scheme organised by the PRC authorities for their employees. The Group is required to make contributions to the retirement scheme based on a certain percentage of the employees' salaries.

Under the above schemes, retirement benefits of employees are payable by the relevant scheme administrators and the Group has no further obligations beyond the annual contributions.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

The Company has complied throughout the year with the Code of Best Practice as set out by the Stock Exchange of Hong Kong Limited in Appendix 14 to the Listing Rules.

AUDIT COMMITTEE

The audit committee comprises two independent non-executive directors of the Company, namely Messrs Cheng Chak Ho and Mu Xiangming. The purpose of the establishment of the audit committee is for reviewing and supervising the financial reporting process and internal control of the Group.

AUDITORS

KPMG retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of KPMG as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

By order of the board
Qian Yong Wei
Chairman

Hong Kong, 24 April 2002