

REPORT OF THE DIRECTORS

The directors submit their report together with the audited accounts for the year ended 31st December 2001.

Principal activities

The principal activity of the Company is investment holding.

The principal activities and other relevant details of the subsidiaries and associated companies are set out in notes 9 and 10 to the accounts respectively.

The Group's turnover and operating results are attributable to its principal activity of investment holding carried out in Hong Kong. The major contribution to net profit and loss is attributable to its investments in associated companies operating in Hong Kong and the Mainland China.

An analysis of the Group's performance for the year by business and geographical segments is set out in note 3 to the accounts.

The Company, being an investment holding company, has no supplier or customer. All the subsidiaries are either investment holding companies or dormant companies and have no supplier or customer.

Results and appropriations

The results of the Group for the year are set out in the consolidated profit and loss account on page 23.

The directors do not recommend the payment of a dividend for the year ended 31st December 2001.

Reserves

Movements in the reserves of the Group and the Company during the year are set out in note 13 to the accounts.

Distributable reserves

The Company had no distributable reserves at 31st December 2001.

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 page 54.

Purchase, sale or redemption of the Company's shares

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

Directors

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

Lao Yuan Yi	
Tsui Che Yin, Frank	
Shi Yucheng, Charlie	(appointed on 20th April 2001)
Jiang Wei	
Yeung Wai Kin	
Wang Jun Yan	
Zhao Yu Qiao	
* Robertson Peter Duncan Neil	
* Fan Jia Yan	
* Wu Ming Yu	(appointed on 19th April 2002)
Xin Shu Lin	(alternate director to Lao Yuan Yi)

* *independent non-executive directors*

In accordance with Articles 90 and 98 of the Company's Articles of Association, Messrs Wang Jun Yan and Wu Ming Yu retire at the forthcoming annual general meeting but, being eligible, offer themselves for re-election.

All the non-executive directors were appointed for a two-year term expiring on 30th April 2004.

Directors' service contracts

None of the directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

Biographical details of directors

Brief biographical details of directors are set out on pages 15 to 17.

Directors' interests in contracts/management contracts

The Company entered into an agreement on 28th March 1991 with a related company, China Assets Management Limited ("CAML"), for the provision of management and investment advisory services to the Company. This agreement can be terminated upon not less than six months written notice from either party to the other or upon the liquidation of the Company. Mr Tsui Che Yin, Frank is interested in this agreement to the extent that he is a shareholder and a director of CAML. Mr Lao Yuan Yi, Mr Yeung Wai Kin and Mr Shi Yucheng, Charlie are interested in this agreement to the extent that they are the directors of CAML.

The above related party transaction is disclosed in note 16 to the accounts and does not constitute a connected transaction as defined under The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules").

Save as disclosed above, no other 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.

Save as disclosed above, 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.

Directors' interests in equity or debt securities

At 31st December 2001, the beneficial interests of the directors and their associates in the issued share capital 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 director	Number of ordinary shares		
	Personal interests	Family interests	Corporate interests
Yeung Wai Kin	15,000	—	—

Save as disclosed above, at no time during the year, the directors and chief executives or their associates (including their spouse and children under 18 years of age) had any interest in, or had been granted, or exercised, any rights to subscribe for the shares of the Company and its associated corporations required to be disclosed pursuant to the SDI Ordinance.

Save as disclosed above, at no time during the year was the Company or its subsidiaries 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 corporation.

Substantial shareholders

The register of substantial shareholders maintained under section 16(1) of the SDI Ordinance shows that as at 31st December 2001, the Company had been notified of the following substantial shareholders' interests, being 10% or more of the Company's issued share capital.

Name of shareholder	Number of ordinary shares
Golad Resources Limited (<i>Note 1</i>)	25,162,866
Chen Dayou	8,405,000

Note:

- 1) Both First Shanghai Investments Limited ("FSIL") and First Shanghai Direct Investments Limited ("FSDI") have corporate interests in the issued share capital of the Company through their direct or indirect share interests in Golad Resources Limited. Golad Resources Limited is wholly owned by FSDI, which is, in turn, wholly owned by FSIL.

Compliance with the code of best practice of the listing rules

The Code of Best Practice as set out in Appendix 14 of the Listing Rules has been complied with by the Company throughout the year.

Audit Committee

By reference to "A Guide for The Formation of An Audit Committee" published by the Hong Kong Society of Accountants, the written terms of reference which describe the authority and duties of the Audit Committee were prepared and adopted by the Board of the Company on 30th December 1998. The principal activities of the Audit Committee include the review and supervision of the Group's financial reporting process and internal controls. The Committee comprises two independent non-executive directors and a non-executive director.

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

Hong Kong, 19th April 2002