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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Ho Tsam Hung (*Chairman*)

Ho Pak Hung (*Deputy Chairman*)

Ho Kam Hung (*Managing Director*)

Lam Ling Tak

Independent Non-Executive Directors

Tsao Kwang Yung, Peter

Kwok Lam Kwong, Larry

Chan Chiu Kwok, Charles

COMPANY SECRETARY

Ho, Carrie Bernadette

REGISTERED OFFICE

Clarendon House

2 Church Street

Hamilton HM11

Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Suites 3302-04, 33rd Floor

One International Finance Centre

1 Harbour View Street

Central

Hong Kong

PRINCIPAL OFFICES IN CHINA

Guangzhou

The Administrative Office

Baseball Stadium

Tianhe Athletic Centre

North Section, Tiyuxi Road

Tianhe District

Guangzhou

Guangzhou

Level 3, Phase I

Commercial Podium

Haizhu Peninsula Garden

Bin Jiang Dong Road

Haizhu District

Guangzhou

Chongqing

Level 14, Gang Yu Square

Chiaodong Road

Chiaotianmen

Chongqing

AUDITORS

Ernst & Young

Certified Public Accountants

15th Floor, Hutchison House

10 Harcourt Road

Central

Hong Kong

LEGAL ADVISERS

As to Hong Kong law

Kwok & Yih

in association with Andersen Legal

37th Floor, Gloucester Tower

The Landmark

Central

Hong Kong

As to Bermuda law

Conyers Dill & Pearman

3408 Two Exchange Square

8 Connaught Place

Central

Hong Kong

Corporate Information

PROPERTY VALUER

Chesterton Petty Ltd
16th Floor, CITIC Tower
1 Tim Mei Avenue
Hong Kong

PRINCIPAL BANKERS

Bank of China, Guangzhou Haizhu Sub-branch
The Agricultural Bank of China,
Guangzhou West Sub-branch
The Bank of East Asia, Limited,
Guangzhou Branch
The Hong Kong and
Shanghai Banking Corporation Limited
Nanyang Commercial Bank Ltd

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Corporate Services Limited
Rosebank Centre
11 Bermudiana Road
Pembroke
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tengis Limited
4th Floor, Hutchison House
10 Harcourt Road
Central
Hong Kong

Chairman's Statement

On behalf of the board of directors (the "Directors") of Zhong Hua International Holdings Limited (the "Company"), I am pleased to present the Annual Report of the Company and its subsidiaries (together the "Group") for the year ended 31 December 2001.

REVIEW OF RESULTS

The Directors are pleased to report that the Group recorded a turnover of HK\$215,764,000, net profit from ordinary activities attributable to shareholders of HK\$32,065,000, and basic earnings per share of HK1.08 cents and diluted earnings per share of HK1.06 cents, for the year ended 31 December 2001. These figures represented increases of approximating 21%, 217% and 218% respectively when compared to a turnover of HK\$177,795,000, net profit from ordinary activities attributable to shareholders of HK\$10,128,000 and basic earnings per share of HK0.34 cents (adjusted upon subdivision of shares on 9 August 2001) for the year ended 31 December 2000.

FINAL DIVIDEND

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

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be temporarily closed from Monday, 10 June 2002 to Tuesday, 11 June 2002, both dates inclusive, during which period no transfer of shares will be effected. In order to qualify for the attendance at the Company's annual general meeting to be held on Tuesday, 11 June 2002, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tengis Limited at 4th Floor Hutchison House, 10 Harcourt Road, Central, Hong Kong for registration not later than 4:00 p.m. on Friday, 7 June 2002.

BUSINESS REVIEW

The Group's turnover mainly comprised pre-sale of Phase III of the residential units currently under construction from Haizhu Peninsula Garden in Guangzhou, the People's Republic of China (the "PRC") and sale of completed units from Gang Yu Square in Chongqing, the PRC, together with rental income generated from the commercial podiums located in Guangzhou and Chongqing.

Property development and investment business

The improved results of the Group for the year were mainly attributable to the satisfactory pre-sale of Phase III of Haizhu Peninsula Garden. Over 50% of the residential units had been sold up to the end of 2001. The construction of the superstructure of Phase III of Haizhu Peninsula Garden was completed in September, 2001 and it is expected the residential units in Phase III will be available in move-in condition in mid 2002.

Chairman's Statement

Provision of online English learning services

The Group is engaged in the provision of online English learning courses, developed by GlobalEnglish Corporation in the United States of America, to individual and corporate customers in the region of the PRC including Hong Kong and Macau.

We had conducted extensive researches on the demand of English learning services, marketing strategy and distribution channels during the past year. We had commenced the selling of the "GlobalEnglish" learning courses in early 2002 and the results were satisfactory.

Upon entering the World Trade Organisation and the successful bid for the 2008 Olympic Games in Beijing, it is anticipated that the demand for English learning courses will increase dramatically and it is expected that the sale of online English learning courses will generate additional revenue for the Group in near future.

Provision of exclusive technology consultancy services

Upon completion of the acquisition of I-Action Agents Limited on 28 June 2001, the Group is also engaged in the provision of exclusive technology consultancy services to 廣州市飛躍信息技術開發有限公司 ("Fei Yue") for the setting up and development of call centers and the operation of the phone banking payment gateway in Guangdong Province excluding Shenzhen.

Since the acquisition, the Group had conducted large scale marketing campaigns with GNET (廣東省銀行卡網絡服務中心) to promote the use of phone banking services in Guangzhou and we were at the final stage of system testing for our call centers. With Fei Yue successfully obtained service contracts with major telecommunication, media and other companies to serve as their phone banking payment service provider in Guangdong Province excluding Shenzhen and with Fei Yue's exclusive cooperation agreement with GNET for the operation and management of a phone payment system for a term of fifteen years commencing from 28 September 2000, technology consultancy fee income arising from services rendered to Fei Yue is expected to increase in near future.

FINANCIAL REVIEW

Liquidity and Financial Resources

The Group generally financed its businesses with internally generated cash flows and banking facilities. Cash and bank balances for the Group as at 31 December 2001 amounted to HK\$55,174,000 (31 December 2000: HK\$8,491,000) and pledged deposits of HK\$4,071,000 (2000: Nil). Interest-bearing bank loans for the Group amounted to HK\$193,451,000 (31 December 2000: HK\$187,334,000) of which 76%, 22% and 2% respectively were repayable within one year or on demand, in the second year and in the third to fifth years, inclusive. An amount of HK\$181,751,000 bank loans were charged at fixed interest rates. The cash position of the Group had improved as a result of the satisfactory sale and pre-sale of the Group's properties during the year.

Chairman's Statement

Liquidity and Financial Resources (Continued)

The Group's gearing ratio as at 31 December 2001 was 0.33 (31 December 2000: 0.41), calculated based on the Group's total debts of HK\$574,620,000 (31 December 2000: HK\$561,627,000) over total assets of HK\$1,719,354,000 (31 December 2000: HK\$1,393,558,000).

Currency Structure

The Group had limited exposure to foreign exchange rate fluctuations as most of its transactions, including borrowings, were mainly conducted in Hong Kong dollars or Renminbi and the exchange rates of these currencies were relatively stable throughout the year.

Pledge of Assets

The Group had utilized bank loan facilities amounting to approximately HK\$193,451,000 (31 December 2000: HK\$187,334,000) as at 31 December 2001. The bank loans were secured by certain of the Group's investment properties, properties under development and completed properties for sales and a corporate guarantee executed by the Company.

Contingent Liabilities

As at 31 December 2001, guarantees given for mortgage loans granted by banks to certain purchasers of the Group's properties amounted to HK\$353,791,000 (31 December 2000: HK\$242,383,000).

Material Acquisitions and Disposals of Subsidiaries

On 6 April 2001, the Group entered into a conditional agreement for the acquisition of 100% equity interest in I-Action Agents Limited for a consideration of HK\$320,000,000. The principal activities of I-Action Agents Limited and its subsidiaries are engaged in the provision of technology consultancy services for the operation of the phone banking payment gateway. The consideration was to be satisfied by the disposal of the Group's 49% interest in Ample Dragon Limited. The principal activities of Ample Dragon Limited and its subsidiaries are mainly engaged in property development and investment in the PRC.

Details of the acquisition and the disposal of subsidiaries have been set out in a circular of the Company dated 31 May 2001. The transaction was completed on 28 June 2001 and the profit arising from the disposal had been reflected in the Group's profit and loss account for the year.

Employee And Remuneration Policy

The Group employed approximately 114 full-time staff in Hong Kong and the PRC as at 31 December 2001. Employees are remunerated according to the nature of their job and market trend, with built-in merit components incorporated in the annual increment to reward and motivate individual performance. In the PRC, the Group provides staff welfare and bonuses to its employees in accordance with the prevailing labour law. In Hong Kong, other staff benefits include medical schemes, mandatory provident fund schemes and employees' share option scheme.

Chairman's Statement

Share Subdivision

On 8 August 2001, the Company passed an ordinary resolution to approve that every share of HK\$0.10 in the issued and unissued share of the Company was to be subdivided into five shares of HK\$0.02 each. The authorised share capital of the Company remained unchanged at HK\$120,000,000 divided into 6,000,000,000 shares of HK\$0.02 each after the subdivision.

Details of the subdivision of shares have been set out in a circular of the Company dated 17 July 2001.

PROSPECTS

It is believed that significant economic growth will be generated upon entering the World Trade Organisation and the 2008 Beijing Olympic Games in the PRC and therefore creating numerous investment opportunities. The Group will continue to evaluate attractive investment opportunities with aims to maximize shareholders' return.

APPRECIATION

On behalf of the Directors, I would like to express my sincere appreciation to all management executives and staff for their conscientious efforts and support in maintaining the Group's profile during the year.

On behalf of the Board

Ho Tsam Hung

Chairman

Hong Kong, 25 April 2002

Report of the Directors

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

CHANGE OF NAME OF THE COMPANY

Pursuant to a special resolution passed on 22 June 2001 and approved by the Registrar of Companies of Bermuda and Hong Kong, on 22 June 2001 and 4 July 2001, respectively, the name of the Company was changed from Zhong Hua Land Holdings Limited to Zhong Hua International Holdings Limited.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its principal subsidiaries are primarily property development and investment in the Mainland of the People's Republic of China ("Mainland China"). There were no changes in the nature of the Group's principal activities during the year.

SEGMENT INFORMATION

An analysis of the Group's turnover and contribution to results by principal activity and geographical area of operations for the year ended 31 December 2001 is set out in note 4 to the financial statements.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2001 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 24 to 71.

An interim dividend of HK0.2 cent per ordinary share (adjusted for the subdivision of shares on 9 August 2001) was paid on 21 November 2001. The directors do not recommend the payment of a final dividend for the year.

Report of the Directors

SUMMARY OF FINANCIAL INFORMATION

Results

A summary of the results and of the assets and liabilities of the Group for the last five financial years, as extracted from the respective published audited financial statements and reclassified as appropriate, is set out as below. Certain amounts in the five year financial summary have been adjusted for the effects of the retrospective changes in accounting policy affecting dividends, as detailed in note 2 to the financial statements. The effect of this change in accounting policy is that prior year adjustments have been made to reclassify the proposed final dividend of HK\$60,000,000, HK\$17,859,000, HK\$9,536,000 and HK\$7,152,000 for each of the years ended 31 December 1997, 1998, 1999 and 2000, respectively, which was recognised as a current liability at the respective year end, to the proposed final dividend reserve account within the capital and reserves section of the balance sheet. The result of this has been to reduce both the Company's and the Group's current liabilities and increase the reserves previously reported as at 31 December 1997, 1998, 1999 and 2000, by HK\$60,000,000, HK\$17,859,000, HK\$9,536,000 and HK\$7,152,000, respectively.

	Year ended 31 December				
	2001 HK\$'000	2000 HK\$'000	1999 HK\$'000	1998 HK\$'000	1997 HK\$'000
Turnover	215,764	177,795	147,970	171,534	471,293
Profit before tax	52,609	21,641	12,789	72,619	230,374
Tax	(18,651)	(11,513)	(10,571)	(23,680)	(53,350)
Profit before minority interests	33,958	10,128	2,218	48,939	177,024
Minority interests	(1,893)	-	(38)	(41)	(689)
Net profit from ordinary activities attributable to shareholders	32,065	10,128	2,180	48,898	176,335

Report of the Directors

SUMMARY OF FINANCIAL INFORMATION (Continued)

Assets, Liabilities and Minority Interests

	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i> (Restated)	1999 <i>HK\$'000</i> (Restated)	1998 <i>HK\$'000</i> (Restated)	1997 <i>HK\$'000</i> (Restated)
TOTAL ASSETS	1,719,354	1,393,558	1,305,148	1,293,216	1,298,285
TOTAL LIABILITIES	(574,620)	(561,627)	(472,982)	(410,592)	(339,440)
MINORITY INTERESTS	(305,891)	-	-	(1,230)	(1,189)
	838,843	831,931	832,166	881,394	957,656

FIXED ASSETS AND INVESTMENT PROPERTIES

Details of movements in the fixed assets of the Company and of the Group, and of the investment properties of the Group during the year are set out in notes 13 and 14, respectively, to the financial statements.

PROPERTIES UNDER DEVELOPMENT

Details of the properties under development of the Group are set out in note 15 to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's share capital and share options during the year, together with the reasons therefor, are set out in note 26 to the financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws or the laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

Report of the Directors

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

RESERVES

Details of movements in the reserves of the Company and of the Group during the year are set out in note 27 to the financial statements.

DISTRIBUTABLE RESERVES

At the balance sheet date, the Company's reserves available for cash distribution and distribution in specie were HK\$429,717,000. In addition, in accordance with the Companies Act 1981 of Bermuda (as amended), the Company's share premium account, in the amount of HK\$220,002,000, may be distributed in the form of fully paid bonus shares.

FINANCIAL RESOURCES AND LIQUIDITY

The Group generally finances its operations with internally generated cash flow and with facilities mainly provided by banks in Mainland China. At the balance sheet date, the Group had cash and bank balances and deposits totalling HK\$59,245,000.

At the balance sheet date, the Group had aggregate bank loans of approximately HK\$193,451,000, of which approximately HK\$147,410,000 is repayable within one year from the balance sheet date. The bank loans may be renewable for a further year.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for less than 30% of the total sales for the year. The largest and the five largest suppliers accounted for 28% and 74% respectively, of the Group's total purchases for the year.

As far as the directors of the Company are aware, neither the directors, their respective associates nor any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest suppliers.

Report of the Directors

DIRECTORS

The directors of the Company during the year were:

Executive directors:

Ho Tsam Hung, Chairman

Ho Pak Hung, Deputy Chairman

Ho Kam Hung, Managing Director

Lam Ling Tak

Independent non-executive directors:

Tsao Kwang Yung, Peter

Kwok Lam Kwong, Larry

Chan Chiu Kwok, Charles

In accordance with the Company's bye-laws, Messrs. Lam Ling Tak and Chan Chiu Kwok, Charles will retire and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

The terms of appointment of the independent non-executive directors will expire when they are required to retire by rotation, in accordance with the Company's bye-laws.

DIRECTORS' SERVICE CONTRACTS

No director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in note 32 to the financial statements, no contracts of significance in relation to the business of the Group to which the Company or any of its subsidiaries was a party and in which a director had a material interest, whether directly or indirectly, subsisted as at the balance sheet date or at any time during the year and subsequent thereto.

Report of the Directors

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed during the year.

CONNECTED TRANSACTIONS

During the year, pursuant to a tenancy agreement dated 30 May 2000, the Group received rentals from a company beneficially owned by certain directors, details of which are set out in note 32(a) to the financial statements. The independent non-executive directors have reviewed the terms of the tenancy agreements and the rentals paid and confirmed to the board of directors that, in their opinion:

- (i) the terms of the tenancy agreements are:
 - (a) in the ordinary course of business of the Group; and
 - (b) on normal commercial terms and on terms that are fair and reasonable so far as the shareholders of the Company are concerned; and
- (ii) the rentals have been settled in accordance with the terms of the tenancy agreements.

Details of other connected transactions are set out in note 32 to the financial statements.

Report of the Directors

DIRECTORS' INTERESTS IN THE SHARES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

At the balance sheet date, the interests of the directors in the equity or debt securities of the Company or any of its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance")) as recorded in the register maintained by the Company pursuant to Section 29 of the SDI Ordinance, or which are required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code"), were as follows:

The Company

Name of director	Corporate interests
Ho Tsam Hung	270,000,000 (Note 1)
Ho Pak Hung	270,000,000 (Note 2)
Ho Kam Hung	270,000,000 (Note 3)
Lam Ling Tak	95,738,380 (Note 4)

Notes:

- (1) 270,000,000 shares were beneficially held by Ho Tsam Hung through Morgan Estate Assets Limited.
- (2) 270,000,000 shares were beneficially held by Ho Pak Hung through On Tai Profits Limited.
- (3) 270,000,000 shares were beneficially held by Ho Kam Hung through Morcambe Corporation.
- (4) 95,738,380 shares were beneficially held by Lam Ling Tak through Tasman Treasure Profits Limited.

Report of the Directors

DIRECTORS' INTERESTS IN THE SHARES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS (Continued)

ASSOCIATED CORPORATIONS

At the balance sheet date, the following directors of the Company had interests in the non-voting deferred shares in certain of the Company's subsidiaries:

(a) Interests in the non-voting deferred shares of Powerex Investment Limited

Name of director	Personal interests	Corporate interests	Total number of shares
Ho Tsam Hung	91	9,997*	10,088
Ho Pak Hung	91	9,997*	10,088
Ho Kam Hung	91	9,997*	10,088
Lam Ling Tak	27	9,997*	10,024

* These non-voting deferred shares were held by Smart Hero Investment Limited, of which the entire issued share capital of 10,000,000 shares was held by Shun Fat (Holdings) Limited ("Shun Fat") as to 9,986,667 shares, Ho Tsam Hung as to 3,334 shares and Ho Pak Hung, Ho Kam Hung and Lam Ling Tak as to 3,333 shares each. Shun Fat was held equally by Ho Tsam Hung, Ho Pak Hung, Ho Kam Hung and Lam Ling Tak.

(b) Interests in the non-voting deferred shares of Dongxum Real Estate Development Company Limited

Name of director	Personal interests	Total number of shares
Ho Tsam Hung	91	91
Ho Pak Hung	91	91
Ho Kam Hung	91	91
Lam Ling Tak	27	27

(c) Interests in the non-voting deferred shares of Smart Hero (Holdings) Limited

Name of director	Personal interests	Total number of shares
Ho Tsam Hung	91	91
Ho Pak Hung	91	91
Ho Kam Hung	91	91
Lam Ling Tak	27	27

Report of the Directors

DIRECTORS' INTERESTS IN THE SHARES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS (Continued)

ASSOCIATED CORPORATIONS (Continued)

(d) Interests in the non-voting deferred shares of China Land Realty Investment Limited

Name of director	Personal interests	Total number of shares
Ho Tsam Hung	91	91
Ho Pak Hung	91	91
Ho Kam Hung	91	91
Lam Ling Tak	27	27

The rights and restrictions attached to the aforementioned non-voting deferred shares are set out in note 16 to the financial statements.

Save as disclosed above, as at the balance sheet date, none of the directors or their respective associates had, or were deemed to have, any interest in the securities of the Company or any of its associated corporations (within the meaning of the SDI Ordinance) which required notification, pursuant to Section 28 of the SDI Ordinance (including interests which any such director is deemed or taken to have under Section 31 of or Part I of the Schedule to the SDI Ordinance) or which are required, pursuant to Section 29 of the SDI Ordinance, to be recorded in the register maintained by the Company, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Apart from as disclosed under the headings "Directors' interests in the shares of the Company and its associated corporations" above and "Share option scheme" below, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate granted to any director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors, their respective spouse or children under 18 years of age to acquire such rights in any other body corporate.

Report of the Directors

SHARE OPTION SCHEME

The principal purpose of the share option scheme (the "Scheme") is to recognise the significant contributions of the directors and employees of the Group to the growth of the Group, by rewarding them with opportunities to obtain an ownership interest in the Company and to further motivate and give an incentive to these persons to continue to contribute to the Group's long term success and prosperity.

Eligible participants of the share option scheme are the executive directors and full-time employees of the Group. The share option scheme became effective on 19 September 1997 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date. These share options are exercisable at any time for a period from the commencement date and expiring on the last day of the period to be determined by the board of directors, or the tenth anniversary of the adoption date on 19 September 1997, whichever is the earlier.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. At 31 December 2001, the number of shares issuable under share options granted under the Scheme was 129,500,000, after adjustment for the subdivision of shares (the "Subdivision") as detailed in note 26 to the financial statements, which represented approximately 4.3% of the Company's shares in issue as at that date. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period, is limited to 2.5% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

The offer of a grant of share options may be accepted in writing within 28 days from the date of the offer, upon payment of a nominal consideration of HK\$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences after a certain vesting period and ends on a date which is not later than 3 years from the date of the commencement of the exercise period of the share options or the expiry date of the Scheme, if earlier.

The exercise price of the share options is determinable by the directors, but may not be less than 80% of the average closing prices of the Company's shares on the Stock Exchange for the five trading days immediately preceding the date of the offer or the nominal value of the Company's shares, whichever is higher.

Pursuant to the amendments (the "New Rules") to Chapter 17 of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange, any options granted after 1 September 2001 must comply with the provisions of the New Rules. If the Company wishes to grant options to its directors or other eligible participants in future, a new share option scheme in compliance with the New Rules is to be approved and adopted by the shareholders of the Company in general meeting. A new share option scheme in compliance with the New Rules is proposed to be adopted in a forthcoming special general meeting.

Report of the Directors

SHARE OPTION SCHEME (Continued)

The following share options were outstanding under the Scheme during the year:

Name or category of participant	Number of share options					On the Subdivision	At 31 December 2001	Date of grant of share options *	Exercise period of share options	Exercise price of share options** after adjustment	Price of Company's share at grant date of options*** before adjustment
	At 1 January 2001	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year					Subdivision	Subdivision
									HK\$	HK\$	
Directors											
Ho Tsam Hung	-	5,500,000	-	-	-	22,000,000	27,500,000	1 June 2001	1 December 2001 to 1 December 2004	0.1395	0.88
Ho Pak Hung	-	5,500,000	-	-	-	22,000,000	27,500,000	1 June 2001	1 December 2001 to 1 December 2004	0.1395	0.88
Ho Kam Hung	-	5,500,000	-	-	-	22,000,000	27,500,000	1 June 2001	1 December 2001 to 1 December 2004	0.1395	0.88
Lam Ling Tak	-	5,500,000	-	-	-	22,000,000	27,500,000	1 June 2001	1 December 2001 to 1 December 2004	0.1395	0.88
	-	22,000,000	-	-	-	88,000,000	110,000,000				
Other employees											
In aggregate	-	3,900,000	-	-	-	15,600,000	19,500,000	1 June 2001	1 December 2001 to 1 December 2004	0.1395	0.88
	-	25,900,000	-	-	-	103,600,000	129,500,000				

* The vesting period of the share options is from the date of the grant until the commencement of the exercise period.

** The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

*** The price of the Company's shares disclosed as at the date of the grant of the share options is the Stock Exchange closing price on the trading day immediately prior to the date of the grant of the options.

Report of the Directors

SHARE OPTION SCHEME (Continued)

Summary details of the Company's share option scheme are also set out in note 26 to the financial statements.

The financial impact of share options granted is not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no charge is recorded in the profit and loss account or balance sheet for their cost. Upon the exercise of the share options, the resulting shares issued will be recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares will be recorded by the Company in the share premium account. Options which are cancelled or which lapse prior to their exercise date are deleted from the register of outstanding options.

The directors do not consider it appropriate to disclose a theoretical value of the share options because in the absence of a readily available market value of the share options on the ordinary shares of the Company, the directors were unable to arrive at an assessment of the value of these share options.

COMPETING BUSINESS

Pursuant to Rule 8.10(2) of the Listing Rules, details of the interests held by certain directors in a business, which competes or is likely to compete with the Group, are disclosed as follows:

Certain directors, through a private company, hold interests in a development site located at Jie Fang Nan Road, Yuexiu District, Guangzhou with an intention to develop the site into residential and commercial properties. The site is currently erected with a temporary distribution centre for shoes and related products. The distribution centre is currently managed by a separate management team which is independent from the management of the Group. Given the different location and market segment of the distribution centre, which is situated at Yuexiu District, and of the Group's shopping arcade, which is situated at Haizhu District, the directors consider that competition between the two properties is remote and unlikely.

Report of the Directors

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

Directors

Name	Age	Position	Number of years of service with the Group	Business experience
Ho Tsam Hung	49	Chairman	11	Over 11 years' experience in property development and investment in Mainland China
Ho Pak Hung	51	Deputy Chairman	11	Over 11 years' experience in property development and investment in Mainland China
Ho Kam Hung	47	Managing Director	11	Over 11 years' experience in property development and investment in Mainland China
Lam Ling Tak	51	Executive Director	11	Over 10 years' experience in property development and investment in Mainland China
Tsao Kwang Yung, Peter	66	Independent Non-Executive Director	4 1/2	Over 31 years' experience in the civil service of the Hong Kong Government
Kwok Lam Kwong, Larry	46	Independent Non-Executive Director	4 1/2	Practising lawyer for over 20 years
Chan Chiu Kwok, Charles	41	Independent Non-Executive Director	4 1/2	Over 17 years' experience in the property field and is a registered professional surveyor

Report of the Directors

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT (Continued)

Senior management

Name	Age	Position	Number of years of service with the Group	Business experience
Ho Carrie Bernadette	42	Chief Financial Officer and Company Secretary	2	Over 19 years' experience in accounting and corporate finance
Yu Chau Ling, Tracy	33	Group Financial Controller	4 1/2	Over 11 years' experience in accounting and company secretarial affairs
Yam Ka Yin, Rebecca	26	Assistant Financial Controller	1	Over 5 years' experience in accounting affairs
Chun Wai Yin, Alex	36	Accounting Manager	10	Over 14 years' experience in accounting and treasury management

EMPLOYEES AND REMUNERATION POLICY

The Group employed approximately 114 full-time staff in Hong Kong and Mainland China as at 31 December 2001. Employees are remunerated according to the nature of their job and market trends, with built-in merit components incorporated in the annual increment to reward and motivate individual performance. In Mainland China, the Group provides staff welfare and bonuses to its employees in accordance with the prevailing labour law. In Hong Kong, other staff benefits include medical schemes, mandatory provident fund schemes and employees' share option scheme.

Report of the Directors

SUBSTANTIAL SHAREHOLDERS

At the balance sheet date, as far as the directors were aware, the register of substantial shareholders maintained by the Company, pursuant to Section 16(1) of the SDI Ordinance, showed that the following shareholder, other than the directors whose interests are disclosed above, had an interest of more than 10% of the nominal value of the Company's issued share capital.

Name	Number of shares held	Percentage of the shares of the Company
High Rank Enterprises Limited	1,140,000,000	38.25%

Save as disclosed above, the Company had not been notified of any other interest representing 10% or more in the issued share capital of the Company at the balance sheet date.

CODE OF BEST PRACTICE

In the opinion of the directors, the Company complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules during the year.

AUDIT COMMITTEE

The Company has an audit committee which was established in accordance with the requirements of the Code of Best Practice, for the purpose of reviewing and supervising the Company's financial reporting process and internal controls. The audit committee comprises the three independent non-executive directors of the Company.

AUDITORS

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board

Ho Kam Hung
Managing Director

Hong Kong
25 April 2002

Report of the Auditors



To the members

Zhong Hua International Holdings Limited

(Formerly Zhong Hua Land Holdings Limited)

(Incorporated in Bermuda with limited liability)

We have audited the financial statements on pages 24 to 71 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

Respective responsibilities of directors and auditors

The Company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes an examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's and the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2001 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young

Certified Public Accountants

Hong Kong
25 April 2002

Consolidated Profit and Loss Account

Year ended 31 December 2001

	Notes	2001 HK\$'000	2000 HK\$'000 (Restated)
TURNOVER	5	215,764	177,795
Cost of sales		(127,686)	(75,048)
Gross profit		88,078	102,747
Other revenue		56	2,947
Gain on partial disposal of interests in subsidiaries		15,752	-
Selling and distribution costs		(9,169)	(22,041)
Administrative expenses		(27,783)	(25,530)
Other operating expenses		(10,966)	(33,445)
PROFIT FROM OPERATING ACTIVITIES	6	55,968	24,678
Finance costs	7	(3,251)	(3,037)
Share of losses of jointly-controlled entities		(108)	-
PROFIT BEFORE TAX		52,609	21,641
Tax	9	(18,651)	(11,513)
PROFIT BEFORE MINORITY INTERESTS		33,958	10,128
Minority interests		(1,893)	-
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	10 & 27	32,065	10,128
DIVIDENDS	11		
Interim		5,960	4,768
Proposed final		-	7,152
		5,960	11,920
EARNINGS PER SHARE	12		
Basic		HK1.08 cents	HK0.34 cent
Diluted		HK1.06 cents	N/A

Consolidated Statement of Recognised Gains and Losses

Year ended 31 December 2001

	<i>Note</i>	2001 HK\$'000	2000 <i>HK\$'000</i>
Surplus on revaluation of investment properties	27	291	37,452
Exchange differences on translation of the financial statements of overseas subsidiaries	27	(218)	1,489
Net gains not recognised in the profit and loss account		73	38,941
Net profit for the year attributable to shareholders	27	32,065	10,128
Total recognised gains and losses		32,138	49,069
Goodwill eliminated directly against consolidated reserves	27	-	(35,000)
		32,138	14,069

Consolidated Balance Sheet

31 December 2001

	<i>Notes</i>	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i> (Restated)
NON-CURRENT ASSETS			
Fixed assets	13	10,439	11,197
Investment properties	14	408,200	445,600
Properties under development	15	60,588	60,588
Interests in jointly-controlled entities	17	321,362	-
Trade receivables	19	52,998	35,501
Prepayments, deposits and other receivables	20	116,033	158,775
Pledged deposits	21	4,071	-
		973,691	711,661
CURRENT ASSETS			
Properties under development	15	366,221	258,965
Completed properties for sale	18	103,940	103,940
Trade receivables	19	63,785	134,769
Prepayments, deposits and other receivables	20	156,543	175,732
Cash and cash equivalents	22	55,174	8,491
		745,663	681,897
CURRENT LIABILITIES			
Trade payables	23	(133,123)	(104,884)
Tax payable		(154,583)	(136,175)
Other payables and accruals	24	(93,463)	(133,234)
Interest-bearing bank loans	25	(147,410)	(151,508)
		(528,579)	(525,801)
NET CURRENT ASSETS		217,084	156,096
TOTAL ASSETS LESS CURRENT LIABILITIES		1,190,775	867,757
NON-CURRENT LIABILITIES			
Interest-bearing bank loans	25	(46,041)	(35,826)
MINORITY INTERESTS		(305,891)	-
		838,843	831,931
CAPITAL AND RESERVES			
Issued capital	26	59,600	59,600
Reserves	27	779,243	765,179
Proposed final dividend	11	-	7,152
		838,843	831,931

Ho Tsam Hung
Director

Ho Pak Hung
Director

Consolidated Cash Flow Statement

Year ended 31 December 2001

	<i>Notes</i>	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	28(a)	46,375	(10,365)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		56	1,911
Interest paid		(12,765)	(13,469)
Dividends paid		(13,112)	(14,304)
Net cash outflow from returns on investments and servicing of finance		(25,821)	(25,862)
TAX			
Hong Kong profits tax paid		-	(200)
Overseas taxes paid		(243)	(969)
Taxes paid		(243)	(1,169)
INVESTING ACTIVITIES			
Decrease/(increase) in fixed term deposits		2,829	(2,829)
Purchases of fixed assets		(656)	(9,378)
Proceeds from disposals of fixed assets		5	-
Proceeds from disposals of investment properties		37,569	-
Increase in amounts due from jointly-controlled entities		(11,822)	-
Investments in jointly-controlled entities		(518)	-
Acquisition of a subsidiary	28(c)	-	(35,000)
Expenditure incurred for partial disposal of interests in subsidiaries		(250)	-
Increase in deposits pledged to a bank		(4,071)	-
Net cash inflow/(outflow) from investing activities		23,086	(47,207)
NET CASH INFLOW/(OUTFLOW) BEFORE FINANCING ACTIVITIES		43,397	(84,603)

Consolidated Cash Flow Statement

Year ended 31 December 2001

	<i>Notes</i>	2001 HK\$'000	2000 HK\$'000
<hr/>			
FINANCING ACTIVITIES	28(b)		
New bank loans		77,654	161,205
Repayments of bank loans		(71,537)	(93,337)
<hr/>			
Net cash inflow from financing activities		6,117	67,868
<hr/>			
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		49,514	(16,735)
Cash and cash equivalents at beginning of year		5,662	22,346
Effect of foreign exchange rate changes, net		(2)	51
<hr/>			
CASH AND CASH EQUIVALENTS AT END OF YEAR		55,174	5,662
<hr/>			
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		55,174	5,662
<hr/>			

Balance Sheet

31 December 2001

	<i>Notes</i>	2001 HK\$'000	2000 HK\$'000 (Restated)
NON-CURRENT ASSETS			
Fixed assets	13	711	854
Investments in subsidiaries	16	419,358	419,358
Deposit and other receivable	20	7,000	9,000
		427,069	429,212
CURRENT ASSETS			
Due from subsidiaries	16	294,250	242,087
Prepayments, deposits and other receivables	20	983	65,856
Cash and bank balances	22	341	438
		295,574	308,381
CURRENT LIABILITIES			
Tax payable		(2,462)	(1,212)
Other payables and accruals	24	(10,862)	(11,684)
		(13,324)	(12,896)
NET CURRENT ASSETS		282,250	295,485
		709,319	724,697
CAPITAL AND RESERVES			
Issued capital	26	59,600	59,600
Reserves	27	649,719	657,945
Proposed final dividend	11	-	7,152
		709,319	724,697

Ho Tsam Hung
Director

Ho Pak Hung
Director

Notes to Financial Statements

31 December 2001

1. CORPORATE INFORMATION

During the year, the Group was engaged in the following principal activities:

- investment holding
- property investment
- property development

2. IMPACT OF NEW AND REVISED HONG KONG STATEMENTS OF STANDARD ACCOUNTING PRACTICE

The following new and revised Hong Kong Statements of Standard Accounting Practice ("SSAPs") and related Interpretations are effective for the first time for the current year's financial statements:

- SSAP 9 (Revised): "Events after the balance sheet date"
- SSAP 14 (Revised): "Leases"
- SSAP 18 (Revised): "Revenue"
- SSAP 26: "Segment reporting"
- SSAP 28: "Provisions, contingent liabilities and contingent assets"
- SSAP 29: "Intangible assets"
- SSAP 30: "Business combinations"
- SSAP 31: "Impairment of assets"
- SSAP 32: "Consolidated financial statements and accounting for investments in subsidiaries"
- Interpretation 12: "Business combinations – subsequent adjustment of fair values and goodwill initially reported"
- Interpretation 13: "Goodwill – continuing requirements for goodwill and negative goodwill previously eliminated against/credited to reserves"

These SSAPs prescribe new accounting measurement and disclosure practices. The major effects on the Group's accounting policies and on the amounts disclosed in these financial statements of those SSAPs and Interpretations, which have had a significant effect on the financial statements, are summarised as follows:

Notes to Financial Statements

31 December 2001

2. IMPACT OF NEW AND REVISED HONG KONG STATEMENTS OF STANDARD ACCOUNTING PRACTICE (Continued)

SSAP 9 (Revised) prescribes which type of events occurring after the balance sheet date require adjustment to the financial statements, and which require disclosure, but no adjustment. Its principal impact on these financial statements is that the proposed final dividend, which is not declared and approved until after the balance sheet date, is no longer recognised as a liability at the balance sheet date, but is disclosed as an allocation of retained profits on a separate line within the capital and reserves section of the balance sheet. The prior year adjustments arising from the adoption of this revised SSAP is detailed in note 11 to the financial statements.

SSAP 14 (Revised) prescribes the basis for lessor and lessee accounting for finance and operating leases, and the required disclosures in respect thereof. Certain amendments have been made to the previous accounting measurement treatments, which may be accounted for retrospectively or prospectively, in accordance with the requirements of this SSAP. The revised SSAP requirements have not had a material effect on the amounts previously recorded in the financial statements, and therefore no prior year adjustment has been required. The disclosure changes under this SSAP have resulted in changes to the detailed information disclosed for operating leases, which are further detailed in note 31 to the financial statements.

SSAP 26 prescribes the principles to be applied for reporting financial information by segment. It requires that management assesses whether the Group's predominant risks or returns are based on business segments or geographical segments and determines one of these bases to be the primary segment information reporting format, with the other as the secondary segment information reporting format. The impact of this SSAP is the inclusion of significant additional segment reporting disclosures which are set out in note 4 to the financial statements.

SSAP 30 prescribes the accounting treatment for business combinations, including the determination of the date of acquisition, the method for determining the fair values of the assets and liabilities acquired, and the treatment of goodwill or negative goodwill arising on acquisition. This SSAP requires the disclosure of goodwill in the non-current assets section of the consolidated balance sheet. It requires that goodwill is amortised to the consolidated profit and loss account over its estimated useful life. Interpretation 13 prescribes the application of SSAP 30 to goodwill arising from acquisitions in previous years which remains eliminated against consolidated reserves. The adoption of SSAP 30 and Interpretation 13 has not resulted in a prior year adjustment, for the reasons detailed in note 27 to the financial statements. The required new additional disclosures are included in note 27 to the financial statements.

Notes to Financial Statements

31 December 2001

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with SSAPs, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for the periodic remeasurement of investment properties, as further explained in the accounting policies note below.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2001. The results of the subsidiaries acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal, respectively. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Subsidiaries

A subsidiary is a company whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The Company's interests in subsidiaries are stated at cost less any impairment losses.

Joint venture companies

A joint venture company is a company set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture company operates as a separate entity in which the Group and the other parties have an interest.

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture and the basis on which the assets are to be realised upon its dissolution. The profits and losses from the joint venture company's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

Notes to Financial Statements

31 December 2001

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Joint venture companies (Continued)

A joint venture company is treated as:

- (a) a subsidiary, if the Group has unilateral control over the joint venture company;
- (b) a jointly-controlled entity, if the Group does not have unilateral control, but has joint control over the joint venture company;
- (c) an associate, if the Group does not have unilateral or joint control, but holds generally not less than 20% of the joint venture company's registered capital and is in a position to exercise significant influence over the joint venture company; or
- (d) a long term investment, if the Group holds less than 20% of the joint venture company's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture company.

The Group's share of the post-acquisition results and reserves of jointly-controlled entities is included in the consolidated profit and loss account and consolidated reserves, respectively. Where the profit sharing ratio is different to the Group's equity interest, the share of post-acquisition results of the jointly-controlled entities is determined based on the agreed profit sharing ratio. The Group's interests in jointly-controlled entities are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses.

Goodwill

Goodwill arising on the acquisition of subsidiaries and jointly-controlled entities represents the excess of the cost of the acquisition over the Group's share of the fair values of the identifiable assets and liabilities acquired as at the date of acquisition.

Goodwill arising on acquisition is recognised in the consolidated balance sheet as an asset and amortised on the straight-line basis over its estimated useful life of 15 years. In the case of jointly-controlled entities, any unamortised goodwill is included in the carrying amount thereof, rather than as a separately identified asset on the consolidated balance sheet.

In prior years, goodwill arising on acquisitions was eliminated against consolidated reserves in the year of acquisition. The Group has adopted the transitional provision of SSAP 30 that permits goodwill on acquisitions which occurred prior to 1 January 2001, to remain eliminated against consolidated reserves. Goodwill on subsequent acquisitions is treated according to the new accounting policy above.

Notes to Financial Statements

31 December 2001

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Goodwill (Continued)

On disposal of subsidiaries or jointly-controlled entities, the gain or loss on disposal is calculated by reference to the net assets at the date of disposal, including the attributable amount of goodwill which remains unamortised and any relevant reserves, as appropriate. Any attributable goodwill previously eliminated against consolidated reserves at the time of acquisition is written back and included in the calculation of the gain or loss on disposal.

The carrying amount of goodwill, including goodwill remaining eliminated against consolidated reserves, is reviewed annually and written down for impairment when it is considered necessary. A previously recognised impairment loss for goodwill is not reversed unless the impairment loss was caused by a specific external event of an exceptional nature that was not expected to recur, and subsequent external events have occurred which have reversed the effect of that event.

Impairment of assets

An assessment is made at each balance sheet date of whether there is any indication of impairment of any asset, or whether there is any indication that an impairment loss previously recognised for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's value in use or its net selling price.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation), had no impairment loss been recognised for the asset in prior years.

A reversal of an impairment loss is credited to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Notes to Financial Statements

31 December 2001

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fixed assets and depreciation

Fixed assets, other than investment properties, are stated at cost less accumulated depreciation and any impairment losses.

The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after fixed assets have been put into operation, such as repairs and maintenance, is normally charged to the profit and loss account in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the fixed asset, the expenditure is capitalised as an additional cost of that asset.

Depreciation is calculated on the straight-line basis to write off the cost of each asset over its estimated useful life. The principal annual rates used for this purpose are as follows:

Land and buildings	Over the lease terms
Leasehold improvements	20%
Office equipment	20%
Furniture and fixtures	20%
Motor vehicles	20%

The gain or loss on disposal or retirement of a fixed asset recognised in the profit and loss account is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Investment properties

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and which are intended to be held on a long term basis for their investment potential. Such properties are not depreciated and are stated at their open market values on the basis of annual professional valuations performed at the end of each financial year. Changes in the values of investment properties are dealt with as movements in the investment properties revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on a portfolio basis, the excess of the deficit is charged to the profit and loss account. Any subsequent revaluation surplus is credited to the profit and loss account to the extent of the deficit previously charged.

On disposal of an investment property, the relevant portion of the investment property revaluation reserve realised in respect of previous valuations is released to the profit and loss account.

Notes to Financial Statements

31 December 2001

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Properties under development

Properties under development are stated at cost which includes all development expenditure, interest charges and other costs directly attributable to such properties.

Properties under development which have been pre-sold are stated at cost plus attributable profits less any foreseeable losses, and deposits received and instalments received.

When properties under development have been pre-sold, the total estimated profit is apportioned over the entire period of construction to reflect the progress of the development. On this basis, profit recognised on the pre-sold portion of the properties is calculated by reference to the proportion of construction costs incurred up to the accounting date, to the estimated total construction costs to completion, limited to the amount of sales deposits and instalments received and with due allowance for contingencies.

Properties under development which have either been pre-sold or which are intended for sale and are expected to be completed within one year from the balance sheet date are classified as current assets.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets and rentals receivable under the operating leases are credited to the profit and loss account on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases are charged to the profit and loss account on the straight-line basis over the lease terms.

Completed properties for sale

Completed properties for sale are stated in the balance sheet at the lower of cost and net realisable value. Net realisable value is estimated by the directors based on prevailing market conditions. Cost is determined by an apportionment of the total land and buildings cost attributable to unsold properties.

Notes to Financial Statements

31 December 2001

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred tax

Deferred tax is provided, using the liability method, on all significant timing differences to the extent it is probable that the liability will crystallise in the foreseeable future. A deferred tax asset is not recognised until its realisation is assured beyond reasonable doubt.

Foreign currencies

Foreign currency transactions are recorded at the applicable rates of exchange ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable rates of exchange ruling at that date. Exchange differences are dealt with in the profit and loss account.

On consolidation, the financial statements of overseas subsidiaries and jointly-controlled entities expressed in foreign currencies are translated into Hong Kong dollars at the applicable rates of exchange ruling at the balance sheet date. The resulting translation differences are included in the exchange fluctuation reserve.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, that is, assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised.

Notes to Financial Statements

31 December 2001

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Retirement benefits scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. The MPF Scheme has operated since 1 December 2000. Contributions are made based on a percentage of the employees' basic salaries and are charged to the profit and loss account as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

Recognition of revenue

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

- (i) income from the sale of completed properties for sale, when all of the conditions of sale have been met and the risks and rewards of ownership have been transferred to the buyer;
- (ii) income from the pre-sale of properties under development, on the exchange of legally binding unconditional sales contracts, provided that the construction work has progressed to a stage where the ultimate realisation of profit can be reasonably determined, and on the basis set out in "Properties under development" above;
- (iii) rental income, on a time proportion basis over the lease terms; and
- (iv) interest income, on a time proportion basis, taking into account the principal outstanding and the effective interest rate applicable.

Notes to Financial Statements

31 December 2001

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Dividends

Final dividend proposed by the directors is classified as a separate allocation of retained profits within the capital and reserves section in the balance sheet, until it has been approved by the shareholders in a general meeting. When this dividend has been approved by the shareholders and declared, it is recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

In previous years, the Company recognised its proposed final dividend to shareholders, which was declared and approved after the balance sheet date, as a liability in its balance sheet. The revised accounting treatments for dividends resulting from the adoption of SSAP 9 (Revised) have given rise to prior year adjustments in both the Company's and the Group's financial statements, further details of which are included in notes 11 and 27 to the financial statements.

Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

Cash equivalents

For the purpose of the consolidated cash flow statement, cash equivalents represent short term highly liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired, less advances from banks repayable within three months from the date of the advance. For the purpose of balance sheet classification, cash and bank balances represent assets which are not restricted to use.

Notes to Financial Statements

31 December 2001

4. SEGMENT INFORMATION

SSAP 26 was adopted during the year, as detailed in note 2 to the financial statements. Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of other business segments. Summary details of the business segments are as follows:

- (a) the property development segment engages in the construction of Haizhu Peninsula Garden in Guangzhou, the Mainland of the People's Republic of China ("Mainland China");
- (b) the property investment segment invests in shopping centres located in Guangzhou and Chongqing, Mainland China, for their rental income potential; and
- (c) the corporate and other segments mainly engaged in investment holding.

In determining the Group's geographical segments, revenues and results are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets. No geographical segment information is presented as over 90% of the Group's revenue and results are derived from customers based in Mainland China, and over 90% of the Group's assets are located in Mainland China.

Notes to Financial Statements

31 December 2001

4. SEGMENT INFORMATION (Continued)

The following table presents revenue, profit and expenditure information for the Group's business segments.

	Sale and pre-sale of properties		Property investment		Corporate and others		Consolidated	
	2001	2000	2001	2000	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:								
Sales to external customers	210,487	170,327	5,277	7,468	-	-	215,764	177,795
Unallocated revenue	-	-	-	-	15,752	-	15,752	-
Total	210,487	170,327	5,277	7,468	15,752	-	231,516	177,795
Segment results	63,096	27,698	1,719	2,122	(8,903)	(7,053)	55,912	22,767
Interest income							56	1,911
Profit from operating activities							55,968	24,678
Finance costs							(3,251)	(3,037)
Share of losses of jointly-controlled entities							(108)	-
Profit before tax							52,609	21,641
Tax							(18,651)	(11,513)
Profit before minority interests							33,958	10,128
Minority interests							(1,893)	-
Net profit from ordinary activities attributable to shareholders							32,065	10,128

Notes to Financial Statements

31 December 2001

4. SEGMENT INFORMATION (Continued)

The following table presents assets, liabilities and expenditure information for the Group's business segments.

	Sale and pre-sale of properties		Property investment		Corporate and others		Consolidated	
	2001	2000	2001	2000	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	928,863	891,865	432,932	463,641	-	-	1,361,795	1,355,506
Interests in jointly-controlled entities	-	-	-	-	321,362	-	321,362	-
Unallocated assets	-	-	-	-	36,197	38,052	36,197	38,052
Total assets	928,863	891,865	432,932	463,641	357,559	38,052	1,719,354	1,393,558
Segment liabilities	302,854	286,453	63,433	73,908	-	-	366,287	360,361
Unallocated liabilities	-	-	-	-	208,333	201,266	208,333	201,266
Total liabilities	302,854	286,453	63,433	73,908	208,333	201,266	574,620	561,627
Other segment information:								
Depreciation and amortisation	608	1,581	290	191	11,278	396	12,176	2,168
Other non-cash expenses	49	-	4	21	43	28	96	49
Capital expenditure	431	1,542	16	7,695	209	141	656	9,378
Surplus/(deficit) on revaluation of investment properties recognised directly in equity	(300)	(344)	591	37,796	-	-	291	37,452
Revaluation reserve released on disposal of investment properties	12,114	-	-	-	-	-	12,114	-

5. TURNOVER

Turnover represents the aggregate of the gross amounts of proceeds from the sale and pre-sale of properties, adjusted to reflect the stage of construction, to the extent that they were not previously recognised, and gross rental income, after elimination of all significant intra-group transactions, less any applicable turnover taxes.

Notes to Financial Statements

31 December 2001

6. PROFIT FROM OPERATING ACTIVITIES

The Group's profit from operating activities is arrived at after charging/(crediting):

	2001 HK\$'000	2000 HK\$'000
Cost of inventories sold	127,686	75,048
Depreciation	1,306	2,168
Amortisation of goodwill*	10,870	-
Minimum lease payments under operating leases on land and buildings	2,236	3,425
Staff costs (including directors' remuneration - note 8):		
Pension contributions	127	122
Less: Forfeited contributions	-	(40)
Net pension contribution	127	82
Wages and salaries	10,769	18,700
	10,896	18,782
Auditors' remuneration	930	850
Loss on write-off of fixed assets	-	49
Loss on disposal of fixed assets*	96	-
Provision for an amount due from a jointly-controlled entity*	-	5,402
Provision for doubtful debts*	-	28,043
Gross rental income from investment properties	(5,277)	(7,468)
Less: Outgoings	-	-
Net rental income	(5,277)	(7,468)
Exchange losses/(gains), net	276	(1,863)
Gain on partial disposal of interests in subsidiaries	(15,752)	-
Interest income	(56)	(1,911)

* Included in "Other operating expenses" on the face of the consolidated profit and loss account.

Notes to Financial Statements

31 December 2001

7. FINANCE COSTS

	Group	
	2001 HK\$'000	2000 HK\$'000
Interest expense on bank loans and overdrafts wholly repayable within five years	12,765	13,469
Less: Interest capitalised on properties under development	(9,514)	(10,432)
	3,251	3,037

8. DIRECTORS' REMUNERATION AND THE FIVE HIGHEST PAID EMPLOYEES

Directors' remuneration disclosed pursuant to the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and Section 161 of the Hong Kong Companies Ordinance is as follows:

	Group	
	2001 HK\$'000	2000 HK\$'000
Fees:		
Executive directors	1,080	1,250
Independent non-executive directors	490	490
	1,570	1,740
Other executive directors' emoluments:		
Salaries, allowances and benefits in kind	3,189	11,272
Pension contributions	48	-
	4,807	13,012

Notes to Financial Statements

31 December 2001

8. DIRECTORS' REMUNERATION AND THE FIVE HIGHEST PAID EMPLOYEES (Continued)

The remuneration of the directors fell within the following bands:

	Number of directors	
	2001	2000
Nil – HK\$1,000,000	5	3
HK\$1,000,001 – HK\$1,500,000	–	1
HK\$1,500,001 – HK\$2,000,000	2	1
HK\$3,000,001 – HK\$3,500,000	–	3

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

During the year, 22,000,000 share options, before adjustment for the subdivision of shares (the "Subdivision") as detailed in note 26 to the financial statements, were granted to the directors in respect of their services to the Group, further details of which are set out under the heading "Share option scheme" in the Report of the Directors. No value in respect of the share options granted during the year has been charged to the profit and loss account.

Five highest paid employees

The five highest paid employees during the year include three (2000: five) directors, details of whose remuneration are set out above. Details of the remuneration of the remaining two (2000: Nil) non-director, highest paid employees are as follows:

	Group	
	2001 HK\$'000	2000 HK\$'000
Salaries, allowances and benefits in kind	2,082	–
Pension contributions	24	–
	2,106	–

Notes to Financial Statements

31 December 2001

8. DIRECTORS' REMUNERATION AND THE FIVE HIGHEST PAID EMPLOYEES (Continued)

The remuneration of the remaining two (2000: Nil) non-director, highest paid employees fell within the following bands:

	Number of employees	
	2001	2000
Nil – HK\$1,000,000	1	–
HK\$1,000,001 – HK\$1,500,000	1	–

During the year, 2,300,000 share options, before adjustment for the Subdivision, were granted to the remaining two non-director, highest paid employees in respect of their services to the Group, further details of which are set out under the heading "Share option scheme" in the Report of the Directors. No value in respect of the share options granted during the year has been charged to the profit and loss account.

9. TAX

	Group	
	2001 HK\$'000	2000 HK\$'000
Provision for the year:		
Hong Kong	–	–
Elsewhere	18,651	11,513
	18,651	11,513

No provision for Hong Kong profits tax has been made as the Group did not generate any taxable profits in Hong Kong during the year (2000: Nil).

Mainland China tax has been calculated on the taxable income of the subsidiaries operating in Mainland China at the applicable rates.

No provision for deferred tax has been made in respect of accelerated capital allowances as the directors consider that a liability is not expected to crystallise in the foreseeable future.

The revaluation of the Group's investment properties does not constitute a timing difference and, consequently, the amount of potential deferred tax thereon has not been quantified.

Notes to Financial Statements

31 December 2001

10. NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net loss from ordinary activities attributable to shareholders for the year ended 31 December 2001 dealt with in the financial statements of the Company was HK\$2,266,000 (2000: HK\$26,534,000).

11. DIVIDENDS

	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Interim – HK0.2 cent (2000: HK0.16 cent) per share, adjusted for the Subdivision	5,960	4,768
Proposed final – NIL (2000: HK0.24 cent) per share, adjusted for the Subdivision	-	7,152
	5,960	11,920

The distributions of dividends for the current and prior years were made out of the Company's contributed surplus.

During the year, the Group adopted SSAP 9 (Revised) "Events after the balance sheet date", as detailed in note 2 to the financial statements. To comply with this revised SSAP, a prior year adjustment has been made to reclassify the proposed final dividend for the year ended 31 December 2000 of HK\$7,152,000, which was recognised as a current liability at the prior year end, to the proposed final dividend reserve account within the capital and reserves section of the balance sheet. The result of this has been to reduce both the Company's and the Group's current liabilities and increase the reserves previously reported as at 31 December 2000 by HK\$7,152,000.

Notes to Financial Statements

31 December 2001

12. EARNINGS PER SHARE

The calculations of basic and diluted earnings per share are based on the following data:

	2001	2000
<i>Earnings:</i>		
Net profit attributable to shareholders, used in the basic and diluted earnings per share calculations	HK\$32,065,000	HK\$10,128,000
<i>Shares:</i>		
Weighted average number of ordinary shares in issue during the year used in basic earnings per share calculation	2,980,016,725	2,980,016,725
Weighted average number of shares assumed issued at no consideration on deemed exercise of all share options outstanding during the year	38,112,465	-
Weighted average number of ordinary shares in issue during the year used in diluted earnings per share calculation	3,018,129,190	2,980,016,725

The weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculations for both 2001 and 2000 have been adjusted to reflect the Subdivision.

A diluted earnings per share amount for the year ended 31 December 2000 has not been presented as no diluting events existed during that year.

Notes to Financial Statements

31 December 2001

13. FIXED ASSETS

Group

	Land and buildings <i>HK\$'000</i>	Leasehold improve- ments <i>HK\$'000</i>	Office equipment <i>HK\$'000</i>	Furniture and fixtures <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
At cost:						
At 1 January 2001	7,649	5,853	2,821	1,000	2,814	20,137
Additions	-	139	369	38	110	656
Disposals	-	-	(229)	(16)	-	(245)
Exchange realignment	(5)	(3)	(2)	-	(1)	(11)
At 31 December 2001	7,644	5,989	2,959	1,022	2,923	20,537
Accumulated depreciation:						
At 1 January 2001	86	4,326	1,699	638	2,191	8,940
Provided during the year	212	329	346	147	272	1,306
Disposals	-	-	(133)	(11)	-	(144)
Exchange realignment	-	(2)	(1)	-	(1)	(4)
At 31 December 2001	298	4,653	1,911	774	2,462	10,098
Net book value:						
At 31 December 2001	7,346	1,336	1,048	248	461	10,439
At 31 December 2000	7,563	1,527	1,122	362	623	11,197

Notes to Financial Statements

31 December 2001

13. FIXED ASSETS (Continued)

Company

	Leasehold improvements <i>HK\$'000</i>	Office equipment <i>HK\$'000</i>	Furniture and fixtures <i>HK\$'000</i>	Total <i>HK\$'000</i>
At cost:				
At 1 January 2001	536	390	572	1,498
Additions	37	153	20	210
Disposals	-	(120)	(16)	(136)
At 31 December 2001	573	423	576	1,572
Accumulated depreciation:				
At 1 January 2001	144	171	329	644
Provided during the year	108	82	114	304
Disposals	-	(76)	(11)	(87)
At 31 December 2001	252	177	432	861
Net book value:				
At 31 December 2001	321	246	144	711
At 31 December 2000	392	219	243	854

The Group's land and buildings included above are held under medium term leases in Mainland China.

Notes to Financial Statements

31 December 2001

14. INVESTMENT PROPERTIES

	Group	
	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
At 1 January	445,600	254,400
Reclassified from properties under development	-	153,748
Revaluation surplus – note 27	291	37,452
Disposals	(37,691)	-
At 31 December, at valuation	408,200	445,600

The investment properties are held under medium term leases in Mainland China.

The investment properties were revalued by Chesterton Petty Limited, an independent firm of professionally qualified valuers, on an open market value, existing use basis as at 31 December 2001.

At the balance sheet date, certain of the Group's investment properties were pledged to secure general banking facilities granted to the Group as set out in note 25 to the financial statements.

15. PROPERTIES UNDER DEVELOPMENT

	Group	
	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Cost as at 31 December	511,709	368,631
Add: Attributable profits on pre-sale of properties	167,881	79,914
Less: Progress instalments received	(252,781)	(128,992)
	426,809	319,553
Portion classified as current assets	(366,221)	(258,965)
Non-current assets	60,588	60,588

The properties under development are held under long term leases in Mainland China.

Certain properties under development were pledged to certain of the Group's bankers to secure banking facilities granted to the Group as set out in note 25 to the financial statements.

Notes to Financial Statements

31 December 2001

16. INVESTMENTS IN SUBSIDIARIES

	Company	
	2001 HK\$'000	2000 HK\$'000
Unlisted shares, at cost	467,158	467,158
Provision for impairment	(47,800)	(47,800)
	419,358	419,358
Due from subsidiaries	294,250	267,096
Provision against an amount due from a subsidiary	-	(25,009)
	294,250	242,087
Total	713,608	661,445

The amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of paid-up registered/ issued share capital	Percentage of equity attributable to the Company		Principal activities
			2001	2000	
Ample Dragon Limited *#	British Virgin Islands/ Hong Kong	US\$300 Ordinary	51	-	Investment holding
China Land Realty Investment (BVI) Limited	British Virgin Islands/ Hong Kong	US\$11,204 Ordinary	100	100	Investment holding
Chongqing Smart Hero Real Estate Development Company Limited	Mainland China	US\$2,000,000	100	100	Property development, holding and management

Notes to Financial Statements

31 December 2001

16. INVESTMENTS IN SUBSIDIARIES (Continued)

Name	Place of incorporation/ registration and operations	Nominal value of paid-up registered/ issued share capital	Percentage of equity attributable to the Company		Principal activities
			2001	2000	
Dongxum Real Estate Development Company Limited #	Hong Kong	HK\$2 Ordinary, HK\$300 Non-voting deferred (Note a)	51	100	Investment holding
Ever Brian Inc.	British Virgin Islands/ Mainland China	US\$1 Ordinary	100	100	Provision of agency services
Guangzhou Dongxun Real Estate Development Company Limited #	Mainland China	HK\$184,130,000		(Note b)	Property development, holding and management
I-Action Agents Limited ##	British Virgin Islands/ Hong Kong	US\$1 Ordinary	100	-	Investment holding
Smart Hero (Holdings) Limited	Hong Kong	HK\$2 Ordinary, HK\$300 Non-voting deferred (Note a)	100	100	Investment holding

* Subsidiary incorporated during the year.

49% equity interest in these subsidiaries was disposed of during the year, as detailed in note 28(d).

Subsidiary acquired during the year, as detailed in note 28(d).

Notes to Financial Statements

31 December 2001

16. INVESTMENTS IN SUBSIDIARIES (Continued)

Notes:

- a. The non-voting deferred shares carry no rights to dividends, to receive notice of or to attend or vote at any general meeting of the company, or to participate in any distribution on winding-up.
- b. Guangzhou Dongxun Real Estate Development Company Limited ("Guangzhou Dongxun") is a co-operative joint venture established in Mainland China. In accordance with the terms of the joint venture agreement, the Group is responsible for contributing the entire registered capital of Guangzhou Dongxun, is entitled to the entire profits of Guangzhou Dongxun and is responsible for all of its losses.

Except for China Land Realty Investment (BVI) Limited, all of the above subsidiaries are indirectly held by the Company.

The above table lists the subsidiaries of the Company as at 31 December 2001 which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the assets and liabilities of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

17. INTERESTS IN JOINTLY-CONTROLLED ENTITIES

	Group	
	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Share of net assets	160	-
Goodwill on acquisition	309,380	-
Due from jointly-controlled entities	11,822	10,858
Less: Provision	-	(10,858)
	321,362	-

The amounts due from jointly-controlled entities are unsecured, interest-free and have no fixed terms of repayment.

Notes to Financial Statements

31 December 2001

17. INTERESTS IN JOINTLY-CONTROLLED ENTITIES (Continued)

The amount of the goodwill capitalised as an asset arising from the acquisition of jointly-controlled entities during the year, is as follows:

Group

	<i>HK\$'000</i>
Cost:	
At 1 January 2001	–
Acquisition of jointly-controlled entities	320,250
At 31 December 2001	320,250
Accumulated amortisation:	
At 1 January 2001	–
Provided during the year	10,870
At 31 December 2001	10,870
Net book value:	
At 31 December 2001	309,380
At 31 December 2000	–

Particulars of the jointly-controlled entities are as follows:

Name	Business structure	Place of incorporation/ registration and operations	Percentage of			Principal activities
			Ownership interest	Voting power	Profit sharing	
I-Mall Investments Limited	Corporate	British Virgin Islands	68.6	33.3	68.6	Investment holding
B2B Market Investments Limited	Corporate	British Virgin Islands	35.0	33.3	35.0	Investment holding
Cyber Union Enterprise Limited	Corporate	Hong Kong	35.0	50.0	35.0	Investment holding
世聯匯通信息科技有限公司	Corporate	Mainland China	35.0	33.3	35.0	Provision of technology consultancy services

Notes to Financial Statements

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17. INTERESTS IN JOINTLY-CONTROLLED ENTITIES (Continued)

All of the above investments in jointly-controlled entities are indirectly held by the Company.

The above jointly-controlled entities were acquired during the year and were held through I-Action Agents Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly owned subsidiary of the Company. The acquisition of the above jointly-controlled entities constituted a disclosable transaction. The details of the aforementioned acquisition were set out in a circular of the Company dated 31 May 2001. At 31 December 2001, the aggregate amounts of the assets and liabilities of these jointly-controlled entities were as follows:

	Group 2001 HK\$'000
Non-current assets	12,694
Current liabilities	(12,461)

18. COMPLETED PROPERTIES FOR SALE

	Group	
	2001 HK\$'000	2000 HK\$'000
At 31 December	103,940	103,940

The Group's completed properties for sale are all held under long term leases in Mainland China.

At the balance sheet date, certain of the Group's completed properties for sale were pledged to secure general banking facilities granted to the Group as set out in note 25 to the financial statements.

Notes to Financial Statements

31 December 2001

19. TRADE RECEIVABLES

An aged analysis of the trade receivables at the balance sheet date is as follows:

	Group			
	2001		2000	
	<i>HK\$'000</i>	<i>Percentage</i>	<i>HK\$'000</i>	<i>Percentage</i>
Within 6 months	11,002	8	23,432	13
More than 6 months but within 1 year	-	-	8,709	5
More than 1 year but within 2 years	15,170	12	29,183	16
More than 2 years but within 3 years	22,707	17	20,138	10
Over 3 years	42,607	32	29,317	16
Not due as at 31 December	40,033	31	74,227	40
	131,519	100	185,006	100
Provisions for doubtful debts	(14,736)		(14,736)	
	116,783		170,270	
Portion classified as current assets	(63,785)		(134,769)	
Non-current assets	52,998		35,501	

The Group generally grants a credit term of four to six months to its customers.

The Group's trade receivables are aged based on the due date of instalments as stipulated in the sales contracts.

The Building Ownership Certificates of the properties sold are held by the Group until the contracted amounts and related expenses of the property have been fully settled.

Notes to Financial Statements

31 December 2001

20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Non-current assets:				
Prepayments	21,608	84,722	-	-
Deposits (<i>note</i>)	87,425	45,769	-	9,000
Other receivable	7,000	-	7,000	-
Due from a Mainland China joint venture partner	-	28,284	-	-
	116,033	158,775	7,000	9,000
Current assets:				
Prepayments	117,073	133,039	114	20
Deposits and other receivables	39,470	42,693	869	836
Dividend receivable	-	-	-	65,000
	156,543	175,732	983	65,856

Note:

These represent deposits for potential investment ventures. Deposit of HK\$87,425,000 at 31 December 2001 represented payment to a PRC enterprise to secure the right to participate in an agricultural project in Mongolia, Mainland China. The agricultural project is for the manufacture and sales of feed products. The directors consider that the agricultural project can enhance, diversify and strengthen the earning base of the Group in the medium to long term. The directors have undertaken to indemnify the Group against loss that may arise from making such deposit. Further details of the undertaking is set out in note 32, Connected and Related Party Transactions, to the financial statements.

Notes to Financial Statements

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21. PLEDGED DEPOSITS

At 31 December 2001, bank deposits of approximately HK\$4,071,000 (2000: Nil) were pledged to a bank to secure mortgage loans granted by the bank to certain purchasers of the Group's properties.

22. CASH AND CASH EQUIVALENTS

	Group		Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Cash and bank balances	55,174	5,662	341	438
Fixed term deposits with maturity over three months	-	2,829	-	-
	55,174	8,491	341	438

23. TRADE PAYABLES

An aged analysis of the trade payables at the balance sheet date is as follows:

	Group			
	2001		2000	
	HK\$'000	Percentage	HK\$'000	Percentage
Within 6 months	23,565	18	7,893	8
More than 6 months but within 1 year	34,219	26	2,095	2
More than 1 year but within 2 years	2,197	2	23,258	22
More than 2 years but within 3 years	21,762	16	16,204	16
Over 3 years	51,380	38	55,434	52
	133,123	100	104,884	100

The Group's trade payables are aged based on the date of the goods or services received.

Notes to Financial Statements

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24. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Accruals	23,059	23,353	10,862	11,684
Other liabilities	65,815	105,290	-	-
Due to a Mainland China joint venture partner (note)	4,589	4,591	-	-
	93,463	133,234	10,862	11,684

Note: The amount due is unsecured, interest-free and has no fixed terms of repayment.

25. INTEREST-BEARING BANK LOANS

	Group	
	2001 HK\$'000	2000 HK\$'000
Bank loans repayable:		
Within one year or on demand	147,410	151,508
In the second year	41,654	35,826
In the third to fifth years, inclusive	4,387	-
	193,451	187,334
Current portion	(147,410)	(151,508)
Non-current portion	46,041	35,826

The Group had bank loan facilities amounting to HK\$198,915,000 (2000: HK\$197,639,000), of which approximately HK\$193,451,000 (2000: HK\$187,334,000) had been utilised at the balance sheet date. The bank loans were supported by certain of the Group's investment properties, properties under development and completed properties for sale, and a corporate guarantee executed by the Company.

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31 December 2001

26. SHARE CAPITAL

Shares

	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
<i>Authorised:</i>		
6,000,000,000 ordinary shares of HK\$0.02 each (2000: 1,200,000,000 ordinary shares of HK\$0.10 each)	120,000	120,000
<i>Issued and fully paid:</i>		
2,980,016,725 ordinary shares of HK\$0.02 each (2000: 596,003,345 ordinary shares of HK\$0.10 each)	59,600	59,600

Pursuant to an ordinary resolution passed at a special general meeting on 8 August 2001, the authorised and issued share capital of the Company was split such that each ordinary share of HK\$0.10 each was subdivided into 5 new shares of HK\$0.02 each. This resulted in change in the Company's authorised shares from 1,200,000,000 shares of HK\$0.10 each to 6,000,000,000 shares of HK\$0.02 each, while the Company's issued shares changed from 596,003,345 shares of HK\$0.10 each to 2,980,016,725 shares of HK\$0.02 each. All of the Company's shares, after adjustment for the Subdivision, rank pari passu with each other in all respects.

Notes to Financial Statements

31 December 2001

26. SHARE CAPITAL (Continued)

Shares (Continued)

A summary of the above movement in the Company's ordinary share capital is as follows:

	Number of shares in issue	Share capital <i>HK\$'000</i>
At 1 January 2001	596,003,345	59,600
Subdivision of 1 ordinary share of HK\$0.10 each into 5 ordinary shares of HK\$0.02 each	2,384,013,380	–
	2,980,016,725	59,600

Share options

The Company operates a share option scheme (the "Scheme"), further details of which are set out under the heading "Share option scheme" in the Report of the Directors.

At the beginning of the year, no share options were outstanding under the Scheme.

During the year, the Company granted a total of 25,900,000 share options, before adjustment for the Subdivision, under the Scheme for a nominal consideration of HK\$1 in total per grant. The share options granted entitle the holders to subscribe for shares of the Company at any time during period from 1 December 2001 to 1 December 2004. The subscription price per share payable upon the exercise of these options, before adjustment for the Subdivision, was HK\$0.6976, subject to adjustment.

No share options were exercised during the year.

At the balance sheet date, the Company had 129,500,000 share options outstanding, after adjustment for the Subdivision, under the Scheme with an exercise period from 1 December 2001 to 1 December 2004 and an exercise price of HK\$0.1395. The exercise in full of the remaining share options would, under the present capital structure of the Company, result in the issue of 129,500,000 additional shares of HK\$0.02 each with gross proceeds of approximately HK\$18,065,000.

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27. RESERVES

Group

	Share premium account HK\$'000	Contributed surplus HK\$'000	Investment properties revaluation reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 January 2000	220,002	98,138	180,260	8,103	256,527	763,030
Goodwill on acquisition of a subsidiary	-	-	-	-	(35,000)	(35,000)
Exchange adjustments on translation of the financial statements of overseas subsidiaries	-	-	-	1,489	-	1,489
Surplus on revaluation of investment properties - note 14	-	-	37,452	-	-	37,452
Net profit for the year	-	-	-	-	10,128	10,128
Interim 2000 dividend	-	(4,768)	-	-	-	(4,768)
Proposed final 2000 dividend	-	(7,152)	-	-	-	(7,152)
At 31 December 2000 and 1 January 2001	220,002	86,218	217,712	9,592	231,655	765,179
Exchange adjustments on translation of the financial statements of overseas subsidiaries	-	-	-	(218)	-	(218)
Revaluation reserve released on disposals	-	-	(12,114)	-	-	(12,114)
Surplus on revaluation of investment properties - note 14	-	-	291	-	-	291
Net profit for the year	-	-	-	-	32,065	32,065
Interim 2001 dividend	-	(5,960)	-	-	-	(5,960)
At 31 December 2001	220,002	80,258	205,889	9,374	263,720	779,243
Reserves retained by/ (losses accumulated in):						
Company and subsidiaries	220,002	80,258	205,889	9,374	263,828	779,351
Jointly-controlled entities	-	-	-	-	(108)	(108)
At 31 December 2001	220,002	80,258	205,889	9,374	263,720	779,243
Company and subsidiaries	220,002	86,218	217,712	9,592	231,655	765,179
Jointly-controlled entities	-	-	-	-	-	-
At 31 December 2000	220,002	86,218	217,712	9,592	231,655	765,179

Notes to Financial Statements

31 December 2001

27. RESERVES (Continued)

Notes:

- (a) As detailed in note 3 to the financial statements, the Group has adopted the transitional provision of SSAP 30 which permits goodwill in respect of acquisitions which occurred prior to 1 January 2001 to remain eliminated against consolidated reserves.

The amount of goodwill remaining in consolidated reserves, arising from the acquisition of a subsidiary prior to 1 January 2001, is HK\$35,000,000 as at 1 January and 31 December 2001. This amount of goodwill is stated at cost which arose in the prior year.

- (b) The contributed surplus of the Group represents the difference between the nominal value of the shares of the subsidiaries acquired pursuant to the Group reorganisation in 1997, over the nominal value of the Company's shares issued in exchange therefor.

Company

	Share premium account HK\$'000	Contributed surplus surplus HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 January 2000	220,002	565,206	(88,809)	696,399
Net loss for the year	-	-	(26,534)	(26,534)
Interim 2000 dividend	-	(4,768)	-	(4,768)
Proposed final 2000 dividend	-	(7,152)	-	(7,152)
At 31 December 2000 and 1 January 2001	220,002	553,286	(115,343)	657,945
Net loss for the year	-	-	(2,266)	(2,266)
Interim 2001 dividend	-	(5,960)	-	(5,960)
At 31 December 2001	220,002	547,326	(117,609)	649,719

The contributed surplus of the Company represents the excess of the fair value of the shares of the subsidiaries acquired pursuant to the Group reorganisation in 1997, over the nominal value of the Company's shares issued in exchange therefor. Under the Companies Act 1981 of Bermuda (as amended), the Company may make distributions to its members out of the contributed surplus under certain circumstances.

Notes to Financial Statements

31 December 2001

28. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of profit from operating activities to net cash inflow/(outflow) from operating activities

	Group	
	2001 HK\$'000	2000 HK\$'000
Profit from operating activities	55,968	24,678
Depreciation	1,306	2,168
Amortisation of goodwill	10,870	-
Provision for an amount due from a jointly-controlled entity	-	5,402
Interest income	(56)	(1,911)
Proceeds from pre-sale of properties	123,789	46,339
Attributable profits on pre-sale properties	(87,967)	(49,497)
Development costs on properties under development	(133,564)	(22,615)
Profit from sale of properties	(11,992)	(45,782)
Loss on write-off of fixed assets	-	49
Loss on disposal of fixed assets	96	-
Gain on partial disposal of interests in subsidiaries	(15,752)	-
Decrease in an amount due from a jointly-controlled entity	-	54
Decrease/(increase) in trade receivables	53,487	(29,735)
Decrease in prepayments, deposits and other receivables	33,647	48,732
Decrease/(increase) in an amount due from a Mainland China joint venture partner	28,284	(108)
Increase/(decrease) in trade payables, other payables and accruals	(11,530)	10,416
Increase/(decrease) in an amount due to a Mainland China joint venture partner	(2)	17
Exchange adjustments on translation of the financial statements of overseas subsidiaries	(209)	1,428
Net cash inflow/(outflow) from operating activities	46,375	(10,365)

Notes to Financial Statements

31 December 2001

28. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

(b) Analysis of changes in financing during the years

	Bank loans <i>HK\$'000</i>	Minority interests <i>HK\$'000</i>
At 1 January 2000	119,466	-
Cash inflow from financing, net	67,868	-
At 31 December 2000 and 1 January 2001	187,334	-
Cash inflow from financing, net	6,117	-
Share of profit after tax of subsidiaries	-	1,893
On partial disposal of interests in subsidiaries	-	303,998
At 31 December 2001	193,451	305,891

(c) Acquisition of a subsidiary

	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Net assets acquired	-	-
Goodwill on acquisition	-	35,000
Satisfied by:		
Cash	-	35,000

An analysis of the net outflow of cash and cash equivalents in respect of the acquisition of a subsidiary is as follows:

	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Cash consideration and net outflow of cash and cash equivalents in respect of the acquisition of a subsidiary	-	35,000

The subsidiary acquired during the year ended 31 December 2000 had no significant impact on the cash flow, turnover and net profit attributable to shareholders of the Group for the year then ended.

Notes to Financial Statements

31 December 2001

28. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

(d) Major non-cash transaction

During the year, the Group acquired from Empower Assets Limited ("Empower") its 100% equity interest in I-Action Agents Limited ("I-Action") and its investee companies for an aggregate consideration of HK\$320,000,000. The consideration was satisfied by the transfer of 147 ordinary shares of US\$1 each of Ample Dragon Limited ("Ample Dragon"), which was formerly a wholly owned subsidiary of the Company, representing 49% of the Group's equity interest in Ample Dragon to Empower. The major assets of I-Action are its interests in the jointly-controlled entities as set out in note 17 to the financial statements. The directors considered that the goodwill arising from such acquisition is attributable to I-Action's interests in the jointly-controlled entities. Accordingly, the goodwill is included in interests in jointly-controlled entities as set out in note 17 to the financial statements.

29. CONTINGENT LIABILITIES

At the balance sheet date, contingent liabilities not provided for in the financial statements were as follows:

	Group		Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Guarantees given for mortgage loans granted by banks to certain purchasers of the Group's properties	353,791	242,383	-	-
Guarantees given to a bank in respect of facilities granted to a subsidiary	-	-	11,700	-
	353,791	242,383	11,700	-

30. PLEDGE OF ASSETS

Details of the Group's bank loans secured by assets of the Group are included in note 25 to the financial statements.

Notes to Financial Statements

31 December 2001

31. COMMITMENTS

(a) Capital commitments

	Group		Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Capital commitments in respect of property development projects: Contracted, but not provided for	67,894	197,350	-	-
Capital commitments in respect of capital contributions to a jointly-controlled entity: Contracted, but not provided for	-	132,090	-	-
	67,894	329,440	-	-

(b) Commitments under operating leases

(i) As lessor

The Group leases certain of its investment properties under operating lease arrangements with leases negotiated for terms ranging from one to eight years.

At 31 December 2001, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group	
	2001 HK\$'000	2000 HK\$'000
Within one year	5,852	5,470
In the second to fifth years, inclusive	6,847	6,554
After five years	2,867	-
	15,566	12,024

Notes to Financial Statements

31 December 2001

31. COMMITMENTS (continued)

(b) Commitments under operating leases (continued)

(ii) As lessee

At 31 December 2001, the Company and the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group		Company	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(Restated)		(Restated)
Within one year	4,083	5,682	1,655	2,491
In the second to fifth years, inclusive	1,112	4,185	963	2,618
	5,195	9,867	2,618	5,109

SSAP 14 (Revised), which was adopted during the year, requires lessors under operating leases to disclose the total future minimum operating lease receivables under non-cancellable operating leases as detailed in note (i) above. This disclosure was not previously required.

SSAP 14 (Revised) also requires lessees under operating leases to disclose the total future minimum operating lease payments, rather than only the payments to be made during the next year as was previously required. Accordingly, the prior year comparative amounts for operating leases as lessee in note (ii) above have been restated to accord with the current year's presentation.

Notes to Financial Statements

31 December 2001

32. CONNECTED AND RELATED PARTY TRANSACTIONS

During the year, the Group had the following transactions with certain companies in which the directors have beneficial interests:

- (a) On 30 May 2000, Gold Coast Department Store Company Limited ("Gold Coast") and Powerex Investment Limited ("Powerex") entered into a tenancy agreement (the "Agreement") relating to the lease of a portion of the commercial podium of Phase I of Haizhu Peninsula Garden, Guangzhou, Mainland China (the "Premises") with a total gross floor area of approximately 4,000 square metres at a monthly base rental of approximately HK\$249,000 (approximately RMB265,000) and a maximum monthly turnover-based rental of approximately HK\$421,000 (approximately RMB450,000).

Gold Coast is beneficially owned by Ho Tsam Hung, Ho Pak Hung and Lam Ling Tak who are directors of the Company.

The Agreement commenced on 1 June 2000 for a term for one year. The aggregate rental for the period from 1 January 2001 to 31 May 2001 totalled HK\$1,245,000 (approximately RMB1,325,000) and has been fully settled in accordance with the terms of the Agreement.

- (b) Pursuant to the lease entered into between the Company and Smart Hero Investment Limited ("Smart Hero") dated 1 September 1999, the Company agreed to lease a director's residential unit in Hong Kong from Smart Hero as a director's residence at an aggregate monthly rental of HK\$90,000. The lease was entered into for a term of two years commencing from 1 September 1999, however the lease was terminated in March 2001. Smart Hero is beneficially owned by Ho Tsam Hung, Ho Pak Hung, Ho Kam Hung and Lam Ling Tak who are directors of the Company.

The provision of the director's residence by the Company for the director formed part of his respective remuneration package under his service contract.

In addition to the above transactions, on 24 April 2002, Ho Tsam Hung, a director of the Company, entered into an agreement with the Company to indemnify the Company from any losses arising from certain other receivables and investment deposit totalling approximately HK\$116,956,000. The full amount of the said other receivables and investment deposit has been included in the consolidated balance sheet as at 31 December 2001. The indemnity covers the period from 24 April 2002 to 31 December 2002.

Notes to Financial Statements

31 December 2001

33. COMPARATIVE AMOUNTS

As further explained in note 2 to the financial statements, due to the adoption of certain new and revised SSAPs during the current year, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, prior year adjustments have been made and certain comparative amounts have been reclassified and revised to conform with the current year's presentation.

34. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 25 April 2002.

Schedule of Property Interests

Particulars of the principal properties in Mainland China held by the Group as at 31 December 2001 are as follows:

INVESTMENT PROPERTIES

Description	Use	Lease term	Approximate gross floor area (sq.m.)	Attributable percentage interest
1. Portion of a 3-storey commercial podium of Phase I of Haizhu Peninsula Garden Bin Jiang Dong Road Haizhu District Guangzhou	Commercial	Medium	15,168	51
2. The Clubhouse in Phase II of Haizhu Peninsula Garden Bin Jiang Dong Road Haizhu District Guangzhou	Commercial	Medium	2,076	51
3. The whole of Level 1, Level 2, Level 3, Level 4, Level 8, and Level 11, and portion of the Basement Level and Portion of Level 10 of Gang Yu Square Chiao Dong Road Chiaotianmen Chongqing	Commercial	Medium	24,372	100

Schedule of Property Interests

COMPLETED PROPERTIES FOR SALE

Description	Use	Approximate gross floor area (sq.m.)	Stage of completion	Attributable percentage interest
1. A portion of residential units and underground car parking spaces and portion of shop units of Phase I of Haizhu Peninsula Garden Bin Jiang Dong Road Haizhu District Guangzhou	Residential	9,763	Completed	51
2. A portion of residential units and underground car parking spaces of Phase II of Haizhu Peninsula Garden Bin Jiang Dong Road Haizhu District Guangzhou	Residential	14,919	Completed	51

PROPERTIES UNDER DEVELOPMENT

Description	Use	Approximate gross floor area (sq.m.)	Stage of completion (estimated completion date)	Attributable percentage interest
1. The whole of Phase III of Haizhu Peninsula Garden Bin Jiang Dong Road Haizhu District Guangzhou	Residential	91,181	Available in move-in condition in mid 2002	51

Schedule of Property Interests

PROPERTIES HELD FOR FUTURE DEVELOPMENT

Description	Use	Approximate gross floor area (sq.m.)	Attributable percentage interest
1. The whole of Phase IV of Haizhu Peninsula Garden Bin Jiang Dong Road Haizhu District Guangzhou	Residential	70,372	51

OPTIONS TO ACQUIRE PROPERTY INTERESTS

Description	Use	Approximate gross floor area (sq.m.)	Attributable site area (sq.m.)
1. A development site located at Rong Qi Main Road Rong Qi Town Shunde	Commercial/ Residential	88,200	12,600
2. A development site located at Jie Fang Nan Road Yuexiu District Guangzhou	Commercial/ Residential	260,000	21,860

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the annual general meeting of the Company will be held at The Hong Kong Bankers Club, The Dragon Room 3 and 5, 43/F, Gloucester Tower, The Landmark, Hong Kong, at 9:45 a.m. on Tuesday, 11 June 2002 for the following purposes:

1. to receive and consider the audited financial statements and the reports of the directors of the Company (the "Directors") and auditors of the Company (the "Auditors") for the year ended 31 December 2001.
2. To re-elect Directors and to fix their remuneration.
3. To re-appoint Auditors and to authorize the Directors to fix their remuneration.
4. As a special business, to consider and, if thought fit, pass with or without amendments, the following resolutions as ordinary resolutions:

ORDINARY RESOLUTIONS

A. THAT:

- (a) subject to paragraph (b) below, the exercise by the Directors during the Relevant Period (as hereinafter defined) of all the powers of the Company to repurchase shares of HK\$0.02 each in the capital of the Company on The Stock Exchange of Hong Kong Ltd. (the "Stock Exchange") or on any other stock exchange on which the securities of the Company may be listed and recognized by the Securities and Futures Commission of Hong Kong and the Stock Exchange for this purpose under the Hong Kong Code on Share Repurchases, subject to and in accordance with all applicable laws and the requirements of the Rules Governing the Listing of Securities on the Stock Exchange or of any other stock exchange as amended from time to time, be and is hereby generally and unconditionally approved;
- (b) the aggregate nominal amount of shares of the Company which the Company is authorized to repurchase pursuant to the approval in paragraph (a) above shall not exceed 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue at the date of this Resolution, and the said approval shall be limited accordingly; and

Notice of Annual General Meeting

- (c) for the purposes of this Resolution, "Relevant Period" means the period from the passing of this Resolution until whichever is the earlier of:
 - (i) the conclusion of the next annual general meeting of the Company;
 - (ii) the expiration of the period within which the next annual general meeting of the Company is required by law or the bye-laws of the Company to be held; and
 - (iii) the date on which the authority set out in this Resolution is revoked or varied by an ordinary resolution of the shareholders in general meeting of the Company.

B. THAT:

- (a) subject to paragraph (c) below, the exercise by the Directors during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue or otherwise deal with additional shares of HK\$0.02 each in the capital of the Company or securities convertible into such shares, or options, warrants or similar rights to subscribe for any shares in the Company and to make or grant offers, agreements and options (including bonds, warrants and debentures convertible into shares of the Company) which would or might require the exercise of such powers, be and is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) of this Resolution shall authorize the Directors during the Relevant Period (as hereinafter defined) to make or grant offers, agreements and options (including bonds, warrants and debentures convertible into shares of the Company) which would or might require the exercise of such power after the end of the Relevant Period;
- (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) and issued by the Directors pursuant to the approval in paragraph (a) of this Resolution, otherwise than pursuant to:
 - (i) a Rights Issue (as hereinafter defined) ;
 - (ii) an issue of shares as scrip dividends pursuant to the bye-laws of the Company from time to time;

Notice of Annual General Meeting

- (iii) an issue of shares of the Company upon the exercise of the subscription or conversion rights under the terms or any warrants or other securities issued by the Company carrying a right to subscribe for shares of the Company; and
 - (iv) an issue of shares under any option scheme or similar arrangement for the time being adopted for the grant or issue to employees of the Company and/or any of its subsidiaries of shares or rights to acquire shares of the Company shall not exceed 20 per cent. of the aggregate nominal amount of the issued share capital of the Company at the date of passing this Resolution, and the said approval shall be limited accordingly; and
- (d) for the purpose of this Resolution,

“Relevant Period” means the period from the passing of this Resolution until whichever is the earlier of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by law or the bye-laws of the Company to be held; and
- (iii) the date on which the authority set out in this Resolution is revoked or varied by an ordinary resolution of the shareholders in general meeting of the Company; and

“Rights Issue” means the allotment issue or grant of shares pursuant to an offer of shares open for a period fixed by the Directors to holders of shares of the Company whose names appear on the register of members of the Company on a fixed record date in proportion to their then holdings of such shares as at that date (subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognized regulatory body or any stock exchange in, any territory outside Hong Kong applicable to the Company).

Notice of Annual General Meeting

- C. **THAT** subject to the passing of Resolutions No. 5A and No. 5B set out in the notice convening this meeting, the general mandate granted to the Directors to allot, issue and deal with additional shares pursuant to Resolution No. 5B set out in the notice convening this meeting be and is hereby extended by the addition thereto of an amount representing the aggregate nominal amount of shares in the capital of the Company repurchased by the Company under the authority granted pursuant to Resolution No. 5A set out in the notice convening this meeting, provided that such amount of shares so repurchased shall not exceed 10 per cent. of the aggregate nominal amount of the issued share capital of the Company at the date of passing of the said Resolution.

By Order of the Board
Ho Tsam Hung
Chairman

Hong Kong, 25 April 2002

Notes:

1. Any member of the Company entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him. A proxy need not be a member of the Company.
2. To be valid, the proxy form together with any power of attorney or other authority (if any) under which it is signed, or a notarially certified copy thereof, must be lodged with the Company's branch share registrar in Hong Kong, Tengis Limited at 4th Floor, Hutchison House, 10 Harcourt Road, Central, Hong Kong not less than forty-eight hours before the time appointed for holding the meeting.
3. Concerning Resolution No. 5A above, the Directors wish to state that they will exercise the powers conferred thereby to repurchase shares of the Company in circumstances which they deem appropriate for the benefits of the shareholders. The explanatory statement containing the information necessary to enable the shareholders to make an informed decision on whether to vote for or against the resolution to approve the repurchases by the Company of its own shares, as required by the Rules Governing the Listing of Securities on the Stock Exchange will be set out in a circular from the Company to be enclosed with the 2001 annual report.
4. Concerning Resolution No. 5B above, the Directors wish to state that they have no present intention of issuing any new shares of the Company other than the new shares to be issued upon the exercise of subscription rights under the existing share option scheme of the Company, if any.