

# Report of the Directors

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The Directors hereby present their report together with the audited accounts for the year ended 31st March 2001.

## PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The Group and the Company are principally engaged in property investment and development, hotel operation and investment holding.

An analysis of the Group's turnover and loss before taxation for the year by principal activities and geographic locations is set out in note 4 to the accounts.

## RESULTS AND APPROPRIATIONS

The results for the year are set out in the consolidated income statement on page 25.

The Directors do not recommend the payment of a dividend.

## FIVE YEAR FINANCIAL SUMMARY

The results, assets and liabilities of the Group for the last five financial years are as follows:-

### Results

	Year ended 31st March				
	2001 HK\$'000	2000 HK\$'000	1999 HK\$'000	1998 HK\$'000	1997 HK\$'000
Turnover	<u>60,346</u>	<u>58,850</u>	<u>86,662</u>	<u>239,853</u>	<u>380,349</u>
Operating profit/(loss)	<b>26,043</b>	(262,170)	(446,541)	35,491	149,449
Finance cost	<b>(81,813)</b>	(64,081)	(57,700)	(47,956)	(15,315)
Share of results of					
Jointly controlled entities	<b>(52,512)</b>	(20,582)	(64,963)	(4,241)	241
Associates	<b>199</b>	468	298	389	563
(Loss)/profit before taxation	<b>(108,083)</b>	(346,365)	(568,906)	(16,317)	134,938
Taxation	<b>(44)</b>	(137)	31	(1,191)	(6,191)
(Loss)/profit after taxation	<b>(108,127)</b>	(346,502)	(568,875)	(17,508)	128,747
Minority interests	-	1,384	28,845	1,893	(734)
(Loss)/profit attributable to shareholders	<u><b>(108,127)</b></u>	<u>(345,118)</u>	<u>(540,030)</u>	<u>(15,615)</u>	<u>128,013</u>

# Report of the Directors

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## FIVE YEAR FINANCIAL SUMMARY (continued)

### Assets and liabilities

	Year ended 31st March				
	2001 HK\$'000	2000 HK\$'000	1999 HK\$'000	1998 HK\$'000	1997 HK\$'000
Total assets	525,354	974,411	1,028,299	1,366,643	770,587
Total liabilities	(747,049)	(1,104,917)	(825,725)	(628,899)	(314,294)
Minority interests	-	(2,613)	11,925	1,155	(734)
	<u>(221,695)</u>	<u>(133,119)</u>	<u>214,499</u>	<u>738,899</u>	<u>455,559</u>

### MAJOR CUSTOMERS AND SUPPLIERS

The percentage of turnover attributable to the Group's major customers are as follows:-

#### Turnover

The largest customer	29%
Five largest customers in aggregate	45%

No directors, their associates or members (which to the knowledge of the directors own more than 5% of the Company's issued share capital) were interested at any time in the year in the above customers.

During the year, the aggregate amount of purchases attributable to the Group's five largest suppliers represented less than 30% of the Group's total purchases.

### RESERVES

Movements in the reserves of the Group and the Company during the year are set out in note 30 to the accounts.

### FIXED ASSETS

Details of the movements in fixed assets of the Group and the Company during the year are set out in note 16 to the accounts.

### PROPERTY INTERESTS

Details of the property interests held by the Group are set out on pages 69 to 72.

# ***Report of the Directors***

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## **SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATES**

Particulars of the Company's subsidiaries, jointly controlled entities and associates as at 31st March 2001 are set out in notes 18, 19 and 20 respectively.

## **BANK LOANS AND OTHER BORROWINGS**

Details of the bank loans and other borrowings of the Group and the Company as at 31st March 2001 are set out in note 23 to the accounts.

## **CAPITALISED BORROWING COSTS**

No borrowing costs were being capitalised during the year (2000: HK\$8,102,707).

## **SHARE CAPITAL**

The share capital of the Company during the year are set out in note 28 to the accounts.

## **EMPLOYEES SHARE OPTION SCHEME**

Details of the Company's employees share option scheme are shown in note 29 to the accounts.

## **RELATED PARTY TRANSACTIONS**

Details of related party transactions are set out in note 38 to the accounts.

## **POST BALANCE SHEET EVENTS**

Details of significant post balance sheet events are set out in note 39 to the accounts.

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

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

# Report of the Directors

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## DIRECTORS AND SENIOR MANAGEMENT

### Directors

The directors who held office during the year and up to the date of this report were:-

Mr HUANG Jian Guan ( <i>Chairman</i> )	(appointed on 13th November 2000)
Mr CHEN Jian Fu ( <i>Managing Director</i> )	(appointed on 13th November 2000)
Madam MA Xiao Hua	(appointed on 13th November 2000)
Mr WANG Hai Min	(appointed on 10th July 2000)
Mr SO Sik	
Mr KWOK Chuen Hung Dominic	(appointed on 5th July 2001)
* Mr LAU Kin Hon	
* Mr LAU Yiu Kit	(appointed on 22nd June 2001)
Mr SO Kwok Hoo	(resigned on 27th July 2001)
Mr NG Cheuk Fan	(resigned on 27th July 2001)
* Mr Raymond LEE	(resigned on 22nd June 2001)
Mr ZHUANG Yousong	(resigned on 13th November 2000)
Mr LIN Rong	(resigned on 13th November 2000)
Mr NAN Xiao	(resigned on 13th November 2000)
– alternate director of Mr LIN Rong	
Madam WONG Wai Ling	(resigned on 26th September 2000)
Mr WANG Xue Qiang	(resigned on 29th June 2000)

\* *Independent non-executive director*

In accordance with article 92 of the Company's Articles of Association, Mr HUANG Jian Guan, Mr CHEN Jian Fu, Madam MA Xiao Hua, Mr LAU Yiu Kit and Mr KWOK Chuen Hung Dominic shall hold office until the forthcoming annual general meeting and, being eligible, offers themselves for re-election.

In accordance with article 101 of the Company's Articles of Association, Mr SO Sik shall retire from office and, being eligible, offer himself for re-election.

Mr LAU Kin Hon and Mr LAU Yiu Kit are independent non-executive directors of the Company with tenures of two years expiring on 10th June 2002 and 21st June 2003 respectively.

# Report of the Directors

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## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

<b>Name</b>	<b>Age</b>	<b>Position held</b>	<b>Year of services</b>	<b>Business experience</b>
Mr HUANG Jian Guan	46	Chairman	Newly appointed	Mr HUANG was graduated from the University of Xiamen in Mainland China. From 1976 to 1996, he worked in the Financial Bureau of Fujian Province. Since 1996 he has been a director of Sino Earn Holdings Limited ("Sino Earn"), the Company's substantial shareholder. He is now also the general manager of Fujian Huaxing Industrial Company ("FHIC"), the holding company of Sino Earn in Mainland China.
Mr CHEN Jian Fu	43	Managing director	2	Mr CHEN holds a bachelor degree in Economics from the People's University of China. In 1995, he worked in the Financial Bureau of Fujian Province. He was appointed to the Company in October 1998 as a deputy general manager taking charge of the Group's investing business. He is now also a deputy general manager of FHIC.
Madam MA Xiao Hua	42	Executive director	Newly appointed	Madam MA was graduated in Mainland China. Since 1980, she has worked in the Foreign Economics Division of Fujian Provincial Financial Bureau. Since 1994 has been in charge of the investing businesses in the district of Hong Kong and Macau for the Foreign Economics Division. She also has directorship with different companies in Hong Kong that closely related to Fujian Provincial Financial Bureau.

# Report of the Directors

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## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (continued)

Name	Age	Position held	Year of services	Business experience
Mr WANG Hai Min	35	Executive director and Financial controller	1	Mr WANG holds a bachelor degree in Business Administration from the Dalian University of Technology in Mainland China. He has over 12 years' experience in financial management, project investment and operations in Mainland China. From 1988 to 1997, Mr WANG has involved in different important positions of state-owned enterprises in Mainland China, including FHIC and Fujian Huaxing Trust and Investment Company. He has been appointed by a listed company in China as its leading expatriate representative in Europe. Since 1997 to now, he is the director, deputy general manager and financial controller of Sino Earn.
Mr SO Sik	45	Executive director	5	Mr SO holds a bachelor degree in Economics from Mainland China. He has substantial experience in corporate finance, property development, project investment and other trading business both in Mainland China and Hong Kong. Mr SO is also a director of Fu Hui Holdings Limited ("Fu Hui"), the shares of which are listed on The Stock Exchange of Hong Kong Limited.
Mr KWOK Chuen Hung Dominic	42	Executive director	Newly appointed	Mr KWOK has over 20 years' experience in legal services. Prior to his appointment as the Company's executive director, he was director-in-charge of the project development department of another listed company in Hong Kong.
Mr LAU Kin Hon	33	Independent non-executive director	5	Mr LAU is an experienced solicitor practising in Hong Kong and is now a partner of Tang, Tso & Lau, Solicitors in Hong Kong.
Mr LAU Yiu Kit	41	Independent non-executive director	Newly appointed	Mr LAU is an experienced certified public accountant practising in Hong Kong and is now the chief auditor of Albert Y. K. Lau & Co.

# Report of the Directors

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT *(continued)*

Name	Age	Position held	Year of services	Business experience
Mr ZHUANG Yousong	58	Chairman (resigned)	2	Mr ZHUANG has previously assumed the positions of division chief and vice principal of the Party School under Fujian Provincial Party Committee of the China Communist Party (1981–1985) head of personnel division and head of administration and finance department in the previous Hong Kong Xinhua News Agency (1985–1993). Mr ZHUANG then served as the section head of Fujian Provincial Economic System Reformation Committee, and the department head of Fujian Provincial Financial Bureau in Mainland China. He is an ex-chairman of Sino Earn.
Mr LIN Rong	48	Executive director (resigned)	2	From 1980 to 1997, Mr LIN served in the Foreign Economics Division of Fujian Provincial Financial Bureau in Mainland China where he was last promoted to deputy division chief. Between 1997 and 1998, Mr LIN was the division chief of Foreign Debts Management Division of the Fujian Provincial Financial Bureau. He is an ex-director of Sino Earn.
Mr NAN Xiao	47	Alternate director of Mr LIN Rong (resigned)	1	Mr NAN graduated from the Xiamen University in Mainland China. From 1986 to 1989, Mr NAN served in Fujian International Trust and Investment Corporation. Before he was appointed to the senior management of the Company, Mr NAN served in Fujian Investment and Enterprise (HK) Company Limited (1990-1998).
Mr WANG Xue Qiang	43	Executive director and Financial controller (resigned)	1	Mr WANG holds two Bachelor Degrees respectively from the People's University of China and the China Central University of Finance and Economics. He is now a senior accountant in Mainland China and is a Chinese certified public accountant. From 1985 to 1997, Mr WANG served in the China Ministry of Finance where he was promoted to the division chief.

# Report of the Directors

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## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT *(continued)*

Name	Age	Position held	Year of services	Business experience
Mr SO Kwok Hoo	47	Executive director (resigned)	5	Mr SO holds a bachelor degree in Applied Science and Commerce from Canada and has substantial experience in marketing management and property investment in Hong Kong. Mr SO is also a director of Fu Hui.
Mr NG Cheuk Fan	40	Executive director (resigned)	5	Mr NG holds a bachelor degree in Commerce from Canada and a master degree in Commerce from Australia. He is a member of CPA Australia and has over 15 years' accounting experience through working in foreign government, local commercial and accounting firms. Mr NG is also a director of Fu Hui.
Madam WONG Wai Ling	37	Director (resigned)	5	Madam WONG is active in shares investment in Hong Kong.
Mr Raymond LEE	42	Independent non-executive director (resigned)	1	Mr LEE is an experienced solicitor practising in Hong Kong and is now a senior partner of Michael Cheuk, Wong & Kee, Solicitors and Notaries in Hong Kong.

## DIRECTORS' INTERESTS IN CONTRACTS

During the year, the Company and its subsidiaries have entered into various contracts (as listed out in notes 21, 23, 27 and 38 to the accounts) with Fu Hui in which Mr SO Sik has direct or indirect shareholding interests.

Apart from the aforesaid, no contracts of significance in relation to the Company's business to which the Company, its subsidiaries, its holding company or its fellow subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.



# Report of the Directors

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## DIRECTORS' BENEFITS FROM RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Certain directors of the Company had been granted options under the Employees Share Option Scheme (the "Scheme") adopted by the Company to acquire shares in the capital of the Company as follows:-

Name of director	Number of shares conferred by options granted on	
	<sup>(a)</sup> 23rd April 1997	<sup>(b)</sup> 23rd March 1998
Mr SO Sik	12,000,000	12,000,000
Mr SO Kwok Hoo <sup>(c)</sup>	6,000,000	6,000,000
Mr NG Cheuk Fan <sup>(c)</sup>	2,000,000	3,000,000

Note:

- (a) The options were initially granted at a consideration of HK\$3.00 under the Scheme. Pursuant to the Company's bonus issue of new shares in the ratio of one for one in September 1997, additional options were granted to the directors. In accordance with the rules of the Scheme, these options conferring rights to subscribe for shares of the Company could have been exercised on or before 23rd April 2000 at an exercise price of HK\$1.50 per share. No such options have been exercised by any director during the year until they lapsed on 23rd April 2000.
- (b) The options granted to subscribe for shares of the Company could have been exercised from 24th March 1999 to 23rd March 2001 at an exercise price of HK\$1.05 per share. No such options have been exercised by any director during the year until they lapsed on 23rd March 2001.
- (c) The director has resigned subsequent to 31st March 2001.

Apart from the above, at no time during the year was the Company, its subsidiaries or its fellow subsidiaries a party to any arrangements to enable the directors or the chief executives of the Company or the spouse and children under 18 years of age of any directors or chief executives to acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.

## SERVICE CONTRACTS

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

## PARTICULARS OF SHARES HELD BY DIRECTORS, CHIEF EXECUTIVES AND ASSOCIATES

As at 31st March 2001, the interests of the directors of the Company in the equity or debt securities of the Company and its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance")) as recorded in the register required to be kept by the Company under Section 29 of the SDI Ordinance or as otherwise 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 set out below.

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## PARTICULARS OF SHARES HELD BY DIRECTORS, CHIEF EXECUTIVES AND ASSOCIATES (continued)

Name of director	Number of shares of HK\$0.125 each in the share capital of the Company (the "Shares")			% of total Issued shares
	Personal Interests	Corporate Interests	Total	
Mr SO Sik	–	248,897,760 <sup>(a)</sup>	248,897,760 <sup>(a)</sup>	23.17
Mr WANG Hai Min	200,000	–	200,000	0.02
Mr NG Cheuk Fan	1,000,000	–	1,000,000	0.09

Note:

- (a) Mr SO Sik is interested in 248,897,760 Shares by virtue of his ownership of 100% of the issued share capital of Pelota Worldwide Limited ("Pelota (in liquidation)") which beneficially holds these 248,897,760 shares. Pelota was put into liquidation on 8th November 2000 by a bank in Hong Kong.

Save as disclosed herein, as at 31st March 2001, none of the directors or the chief executive of the Company were beneficially interested in any equity or debt securities of the Company or any of its associated corporations (within the meaning of the SDI Ordinance) which are required to be recorded in the register kept under Section 29 of the SDI Ordinance or which are required to be notified to the Company and the Stock Exchange pursuant to the Model Codes.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE SHARE CAPITAL OF THE COMPANY

The register of substantial shareholders maintained under Section 16(1) of the Securities (Disclosure of Interests) Ordinance showed that as at 31st March 2001, the Company had been notified of the following parties with interests representing 10% or more of the issued share capital of the Company:–

Name	Number of shares held	% of total issued shares
Sino Earn	344,568,000 <sup>(a)</sup>	32.07
Fujian Huaxing Trust & Investment Company ("FHTI")	344,568,000 <sup>(a)</sup>	32.07
Fujian Huaxing Industrial Company ("FHIC")	344,568,000 <sup>(a)</sup>	32.07
Pelota (in liquidation)	248,897,760 <sup>(b)</sup>	23.17

Note:

- (a) Sino Earn beneficially holds 344,568,000 Shares. Each of FHTI and FHIC is deemed to be interested in the 344,568,000 Shares by virtue of their being beneficially interested in 30% and 70% of the issued share capital of Sino Earn respectively. Both FHTI and FHIC are state-owned enterprises in China.
- (b) Pelota (in liquidation) beneficially holds 248,897,760 Shares. The whole interests of Pelota are the direct and indirect interests held by Mr SO Sik respectively as disclosed above in the paragraph under the heading "Particular of shares held by directors, chief executives and associates".

Save as disclosed above, there is no other interest or right recorded in the register that is required to be kept under Section 16(1) of the Securities (Disclosure of Interests) Ordinance as at 31st March 2001.

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## **MANAGEMENT CONTRACTS**

The Company entered into management agreement with Sino Earn, the substantial shareholder of the Company, pursuant to which Sino Earn would provide management function and advice to the Company through the nomination of officers to the Company. The terms of the management agreement are subject to change from time to time as considered necessary and in the interest of the Company. The management fee charged by Sino Earn for the year amounted to HK\$2,052,450 (2000: HK\$2,300,000).

The directors of the Company, Mr HUANG Jian Guan, Mr CHEN Jian Fu, Madam MA Xiao Hua and Mr WANG Hai Min; and the ex-directors, Mr ZHUANG Yousong, Mr LIN Rong, Mr NAN Xiao and Mr WANG Xue Qiang were the officers nominated by Sino Earn under the management agreement. Mr HUANG Jian Guan and Mr WANG Hai Min are now directors of Sino Earn.

Save as disclosed above, no other contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or subsisted during the year.

## **RETIREMENT SCHEME ARRANGEMENT**

The defined contribution scheme ("Retirement Scheme") operated by the Group was terminated on 11th October 2000. The Retirement Scheme had been available for all employees and one director in the employment of the Group in Hong Kong. The assets of the Retirement Scheme were managed by the trustees of the Retirement Scheme. Contributions were made to the Retirement Scheme by the Group at a rate of 5% to 10% of the members' monthly basic salaries. Members were entitled to 100% of the employers' contributions plus investment earnings after completing ten years of service or more, or attaining the retirement age after any number of years of service, or at a reduced vesting scale of between 30% and 90% after completing a period of service of at least three but less than ten years. The Group's contributions to this Retirement Scheme were expended as incurred and the total amount charged for the year totalled HK\$43,604 (2000: HK\$125,216). Contributions might be reduced by contributions forfeited by those employees who left the Retirement Scheme prior to vesting fully in the contributions. Forfeited contributions utilised to reduce the existing level of the Group's contributions under the Retirement Scheme during the year amounted to HK\$2,207 (2000: HK\$32,901). Upon termination of the Retirement Scheme during the year, the unvested portion of the Group's contributions was liquidated for the working capital of the Group or special payment to staff subject to the discretion of the Company's Directors.

With effect from 1st December 2000, a mandatory provident fund scheme ("MPF Scheme") was registered and operated by the Company under the Mandatory Provident Fund Schemes Ordinance for all employees in Hong Kong. The Company's contributions to the MPF Scheme were expended as incurred which amounted HK\$20,992 during the year.

## **STAFF**

The Group has approximately 400 employees as at 31st March 2001. Staff remuneration is reviewed by the Group from time to time and adjustments will normally be made annually or by special adjustment depending on length of service and performance. In addition to salaries, the Group provides staff benefits including hospitalisation and accidental insurances, contributions to mandatory pension fund and discretionary vocational tuition/training subsidies. Bonuses are also available to employees of the Group subject to the discretion of the directors and the financial performance of the Group.

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## CONNECTED TRANSACTIONS

Details of connected transactions (as defined under the Rules Governing the Listing Securities on The Stock Exchange of Hong Kong Limited) entered into by the Company and of other transactions between the Company and its related parties during the year that considered by the directors of the Company as carried out in the ordinary and usual course of the Company's business on normal commercial terms or on terms that are fair and reasonable to the Company are set out in note 38 to the accounts.

## COMPLIANCE WITH THE PRACTICE NOTE 19 OF THE LISTING RULES

Details of the advances, financial assistance and guarantees provided by the Group to its jointly controlled entities disclosed pursuant to the Practice Note 19 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited as at the latest practicable date on 31st March 2001 are set out as follows:-

### (i) Loans to and amounts due from jointly controlled entities

	<i>Note</i>	<i>HK\$</i>
Westly Limited	(a)	<u>113,192,864</u>
Hungexpress Investment Limited	(b)	<u>17,243,638</u>

*Notes:*

- (a) The principal asset of Westly Limited is its 70% interest in Asian Eagle Limited, which is the developer of 12 three-storey detached garden townhouses at No. 23 Pik Sha Road, Pik Sha Wan, Sai Kung, New Territories, Hong Kong. The loans provided by the Company to Westly Limited are mainly for financing the construction of the properties. The properties were granted the occupation permit on 26th November 1999 and four houses were sold during the year ended 31st March 2001. The loan is unsecured, bearing interest of 12% per annum and repayable on demand.
- (b) The principal asset of Hungexpress Investment Limited is its 50% interest in Silver Star Hotel Limited, which is a co-operative joint venture for the operation of the Holiday Inn Crowne Plaza Shanghai, a four-star hotel in Shanghai, China. On 17th October 1997, the Company acquired 50% equity interest in Hungexpress Investment Limited, and the Company's wholly owned subsidiary, Panew International Limited, also acquired interest in the loan due by Hungexpress Investment Limited. The loan due by Hungexpress Investment Limited is unsecured, interest free and will be repaid out of any dividend receivable or other income from the co-operative joint venture.

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## COMPLIANCE WITH THE PRACTICE NOTE 19 OF THE LISTING RULES (continued)

### (ii) Corporate guarantees given for banking facilities and subordinated loans granted to jointly controlled entities

HK\$

#### Asian Eagle Limited

(a)	Extent of guarantee provided by the Company	<u>43,582,765</u>
(b)	Banking facilities utilised that are guaranteed by the Company	<u>43,582,765</u>
(c)	The banking facilities are secured by the properties held for sale owned by Asian Eagle Limited, bearing interest at prime rate plus 2.5% per annum and repayable on 31st December 2001.	

#### MT Finance Limited

(a)	Extent of guarantee provided by the Company	<u>15,000,000</u>
(b)	Banking facilities utilised that are guaranteed by the Company	<u>14,045,353</u>
(c)	The banking facilities are unsecured, bearing interest at 1% per annum over prime rate or HIBOR, whichever is the higher, and repayable on demand. On 11th July 2001, MT Finance Limited was adjudged by the High Court (HCA10431 of 2000) to repay a bank for the outstanding amount of HK\$13,698,713.97 together with interest at the judgement rate of 17.5% per annum from 5th September 2000 until full payment.	

#### Westly Limited

(a)	Extent of guarantee provided by the Company	<u>12,280,000</u>
(b)	Loan facilities utilised that are guaranteed by the Company	<u>11,103,000</u>
(c)	The loan facilities are secured by first legal charge on the Company's 50% interest in Westly Limited, bearing interest at 12% per annum and 3.5% per annum over prime rate, and repayable on 31st December 2001.	

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## COMPLIANCE WITH THE PRACTICE NOTE 19 OF THE LISTING RULES (continued)

- (iii) The proforma combined balance sheets of the jointly controlled entities and the Group's attributable interest thereof disclosed in accordance with paragraph 3.10 of the Practice Note 19 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited as at 31st March 2001 are set out as follows:–

	<b>Proforma combined balance sheet HK\$</b>	<b>Group's attributable interest HK\$</b>
<b>NON-CURRENT ASSETS</b>		
Fixed assets	6,837	3,419
Jointly controlled entity	51,494,900	25,747,450
	51,501,737	25,750,869
<b>CURRENT ASSETS</b>		
Properties held for sale	112,780,000	56,390,000
Receivable from shareholders	3,898,500	3,898,500
Other current assets	2,993,345	1,496,672
Cash and bank balances	6,398,662	3,199,331
	126,070,507	64,984,503
<b>CURRENT LIABILITIES</b>		
Bank loans and overdrafts	57,628,118	35,836,736
Other loans	2,500,000	1,250,000
Other current liabilities	30,302,105	15,151,053
Loans from joint venture partner	13,644,750	5,847,750
	104,074,973	58,085,539
<b>NET CURRENT ASSETS</b>	21,995,534	6,898,964
<b>LOANS AND AMOUNTS DUE TO SHAREHOLDERS</b>	(373,417,411)	(182,882,580)
<b>NET LIABILITIES</b>	(299,920,140)	(150,232,747)
<b>SHARE CAPITAL AND RESERVES</b>	(299,920,140)	(150,232,747)

Note:

The above proforma financial information is prepared based on the unaudited management accounts each of the jointly controlled entities at the balance sheet date.

## **COMPLIANCE WITH THE CODE OF BEST PRACTICE OF THE LISTING RULES**

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

The Company has established its Audit Committee with written terms of reference, comprising two existing independent non-executive directors of the Company, Mr LAU Kin Hon and Mr LAU Yiu Kit, as members. The principal activities of the Audit Committee include the review and supervision of the Group's financial reporting process and internal controls.

## **AUDITORS**

On 15th June 2001, PricewaterhouseCoopers resigned as auditors of the Company. Moores Rowland has been appointed with effect from 16th July 2001 and remained as the Company's auditors since then. Apart from this, there was no change in auditors of the Company in any of the preceding three years.

Moores Rowland retire and, being eligible, offer themselves for re-appointment. A resolution to reappoint the retiring auditors, Moores Rowland, will be put at the forthcoming annual general meeting of the Company.

On behalf of the board

**CHEN Jian Fu**

*Managing Director*

Hong Kong, 22nd August 2001