

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

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of its principal subsidiaries and associates are set out in note 20 and 21 to the financial statements respectively.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate sales attributable to the Group's five largest customers were less than 30% of the total sales. The aggregate purchases attributable to the Group's five largest suppliers were less than 30% of the total purchases.

RESULTS AND APPROPRIATIONS

Details of the Group's results and appropriations for the year ended 31st December, 2001 are set out in the consolidated income statement on page 32.

The directors do not recommend the payment of a dividend.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out on pages 98 and 99.

SHARE CAPITAL AND SHARE OPTIONS

During the year, the Company carried out a capital reorganisation ("Capital Reorganisation") whereby every ten ordinary shares of HK\$0.10 each in the issued and unissued share capital were consolidated into one ordinary shares of HK\$1.00 each, the nominal value of the issued and unissued shares after the consolidation of shares were reduced from HK\$1.00 to HK\$0.10 each and the authorised share capital was increased from HK\$80 million to HK\$800 million by the creation of an additional 7,200 million ordinary shares at HK\$0.10 each.

Details of these and other movements in the share capital and share options of the Company during the year are set out in notes 30 and 31 to the financial statements.

RESERVES

Details of changes in the reserves of the Group and the Company during the year are set out in note 32 to the financial statements.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

INVESTMENT PROPERTIES

During the year, investment properties of approximately HK\$97 million were acquired as a result of the acquisition of subsidiaries and approximately HK\$85 million were disposed of as a result of the disposal of subsidiaries.

The Group also revalued all of its remaining investment properties at the balance sheet date and deficit arising on revaluation of HK\$20 million has been charged to the income statement.

Details of these and other changes in investment properties of the Group during the year are set out in note 14 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

During the year, property, plant and equipment with an aggregate net book value of approximately HK\$77 million were acquired as a result of the acquisition of subsidiaries and approximately HK\$189 million were disposed of as a result of the disposal of subsidiaries.

The Group also incurred expenditure of approximately HK\$274 million in the construction project of a toll highway in the People's Republic of China ("PRC").

The Group had impairment loss of approximately HK\$504 million in the property, plant and equipment.

Details of these and other changes in the property, plant and equipment of the Group and the Company during the year are set out in note 15 to the financial statements.

PROPERTIES UNDER/HELD FOR DEVELOPMENT

During the year, the Group incurred expenditure of approximately HK\$8 million on properties under/held for development.

The Group had impairment loss of approximately HK\$29 million in properties under/held for development.

Details of changes in the properties under/held for development of the Group during the year are set out in note 16 in the financial statements.

SUBSIDIARIES AND ASSOCIATES

During the year, the Group's interest in China Land Group Limited ("China Land") was diluted from approximately 74.98% to approximately 65.56% following the allotment and issue of new shares by China Land.

SUBSIDIARIES AND ASSOCIATES – *continued*

The Company through its 65% owned subsidiary, Gold Brilliant Limited (“Gold Brilliant”), entered into agreements to acquire approximately 38.65% interest in Premium Land Limited (“Premium Land” formerly known as Sing Pao Media Group Limited and Huey Tai International Limited) and dispose of its entire interests in Optima Media Holding Limited, Komatic International Limited and China Youth Net.com Limited to Actiwater Resources Limited (“Actiwater”), a wholly-owned subsidiary of Premium Land.

Upon completion of the acquisition and disposal, Gold Brilliant was required to make a cash offer to acquire all the shares in Premium Land. Following the close of the cash offer, Gold Brilliant held a 76.20% interest in Premium Land and further reduced its interest to 74.99%.

The Company further entered into agreements to dispose of its entire interest in Gold Brilliant to Capital Strategic Investment Limited and acquire approximately 9.74% interest in Premium Land back from Gold Brilliant as a repayment of the remaining shareholders’ loan to Gold Brilliant. The Company also through another 65% owned subsidiary, Expert Solution Limited to acquire the entire interest in Actiwater back from Premium Land.

The Company further disposed of its interest in Actiwater to Sing Pao Media Group Limited (“Sing Pao Media”, formerly STAREASTnet.com Corporation which changed its name to Sing Pao Media Group Limited), a company listed on the Growth Enterprises Market of The Stock Exchange of Hong Kong Limited, at a consideration satisfied both by cash and shares issued in Sing Pao Media. Upon the completion of the disposal, the Company held approximately 27.97% interest in Sing Pao Media.

The Company also through its wholly-owned subsidiary acquired approximately 49% interest in Tung Fong Hung Investment Limited from Hansom Eastern (Holdings) Limited (formerly known as Tung Fong Hung Holdings Limited) and further increased its interest to 100% during the year.

Details of other principal subsidiaries and associates at 31st December, 2001 are set out in notes 20 and 21 to the financial statements respectively.

DIRECTORS' REPORT

DIRECTORS

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

Executive directors:

Dr. Chan Kwok Keung, Charles

Chairman and Chief Executive officer

Mr. Yap, Allan

Vice-Chairman

Ms. Chau Mei Wah, Rosanna

Mr. Lien Kait Long

Mr. Li Wa Kin

(appointed on 10th July, 2001)

Mr. Chan Kwok Hung

(resigned on 10th July, 2001)

Mr. Lau Ko Yuen, Tom

(resigned on 10th July, 2001)

Mr. Lui Siu Tsuen, Richard

(appointed on 19th February, 2001
and resigned on 10th July, 2001)

Mr. Oei Hong Leong (alias Peter Oei)

(resigned on 23rd April, 2001)

Alternate director to Dr. Chan Kwok Keung, Charles:

Mr. Chan Kwok Hung

(appointed on 10th July, 2001)

Alternate director to Mr. Yap, Allan:

Mr. Lui Siu Tsuen, Richard

(appointed on 10th July, 2001)

Alternate director to Ms. Chau Mei Wah, Rosanna:

Mr. Lau Ko Yuen, Tom

(appointed on 10th July, 2001)

Non-executive director:

Ms. Ma Wai Man, Catherine

(redesignated on 28th February, 2001
and retired on 31st May, 2001)

Independent non-executive directors:

Mr. David Edwin Bussmann

Ms. Choy Hok Man, Constance

(appointed on 23rd April, 2001)

Mr. Tang Wei, Donald

(resigned on 25th January, 2002)

In accordance with Article 116 of the Company's Articles of Association, Mr. Lien Kait Long and Mr. David Edwin Bussmann retire at the forthcoming annual general meeting by rotation. In addition, in accordance with Article 99 of the Company's Articles of Associations, Mr. Li Wa Kin who was appointed during the period from the last annual general meeting to the date of this report, retire at the forthcoming Annual General Meeting. All retiring directors, being eligible, offer themselves for re-election.

DIRECTORS – *continued*

The directors proposed for re-election at the forthcoming annual general meeting do not have any service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

The term of office of each non-executive director is the period up to the retirement by rotation in accordance with the Company's Articles of Association.

BRIEF DETAILS IN RESPECT OF DIRECTORS AND SENIOR MANAGEMENT STAFF

Directors

Dr. Chan Kwok Keung, Charles aged 47, is the chairman and chief executive officer of the Company and a chairman of China Enterprises Limited ("China Enterprises"), a company whose shares are listed on the New York Stock Exchange. Dr. Chan holds an honorary degree of Doctor of Laws and a bachelor's degree in civil engineering and has over 22 years' international corporate management experience in the construction and property sectors as well as in strategic investments. Dr Chan is also the chairman of ITC Corporation Limited ("ITC"), Paul Y.-ITC Construction Holdings Limited ("Paul Y.") and Hanny Holdings Limited ("Hanny"). He is also a non-executive director of Downer EDI Limited ("Downer"), a company whose shares are listed on the Australian Stock Exchange.

Mr. Yap, Allan aged 46, has over 20 years' experience in finance, investment and banking. He is the vice chairman of the Company and China Enterprises. He is the managing director of Hanny. He is an executive director of ITC. Mr. Yap is also the chairman and chief executive officer of Burcon NutraScience Corporation ("Burcon"). Burcon is a public listed company in Canada.

Ms. Chau Mei Wah, Rosanna aged 47, is an executive director. She has over 21 years' experience in accounting and finance. Ms. Chau holds a bachelor's degree and a master's degree in commerce and is a member of the Hong Kong Society of Accountants, the CPA Australia and the Certified General Accountants' Association of Canada. She joined the Company in 2000. She is the managing director of ITC, an executive director of Paul Y., Star East Holdings Limited ("Star East") and China Land and a director of Burcon.

Mr. Lien Kait Long aged 53, is an executive director. Mr. Lien holds a bachelors' degree in commerce and is a member of Institute of Certified Public Accounts of Singapore and the CPA Australia. Mr. Lien joined the Company in 1998. He has over 31 years' experience in finance, accounting, investment and banking. He is a director of Australia Net.Com Limited, a company whose shares listed on the Australian Stock Exchange and a non-executive director of China Development Corporation Limited.

Mr. Li Wa Kin aged 46, is an executive director. Mr. Li joined the Company in July 1998. He is President of Greater China Division of the Company. Mr. Li has more than 21 years experience in international trade, investment and management. He is very familiar with PRC investment environment and legal system.

BRIEF DETAILS IN RESPECT OF DIRECTORS AND SENIOR MANAGEMENT STAFF – *continued*

Directors – *continued*

Mr. David Edwin Bussmann aged 48, was appointed as an independent non-executive director in February 2000. Mr. Bussmann has more than 20 years experience in the investment and finance field, and is very familiar with investment issues related to China, as well as sectors such as technology, real estates, and direct investment. He previously worked at Salomon Brothers, Citibank, Bank of America and Prudential Asia.

Ms. Choy Hok Man, Constance aged 41, was appointed as an independent non-executive director in April 2001. She holds directorship in a number of listed companies in Hong Kong. She is a practicing solicitor in Hong Kong and England and is a partner of Sidley Austin Brown & Wood, an international law firm.

Mr. Chan Kwok Hung aged 43, is an alternate director to Dr. Chan Kwok Keung, Charles. He holds a diploma in arts and has over 19 years' experience in trading businesses in China. Mr. Chan joined the Company in 2000. He is the chairman of China Land, an executive director of ITC and Hanny. Mr. Chan is the younger brother of Dr. Chan Kwok Keung, Charles, the chairman and chief executive officer of the Company.

Mr. Lau Ko Yuen, Tom aged 50, is an alternate director to Ms. Chau Mei Wah, Rosanna. He has over 29 years' international corporate management experience in the construction industry. Mr. Lau joined the Company in 2000. He is the deputy chairman of ITC and Paul Y. and a director of New World CyberBase Limited. Mr. Lau is also the chairman of Downer.

Mr. Lui Siu Tusen, Richard aged 45, is an alternate director to Mr. Yap, Allan. He is a qualified accountant and worked for an international accounting firm for over 11 years and has previously held senior financial positions in both private and public listed companies. Mr. Lui joined the Company in 2001. He is also the Chief Financial Officer of Hanny.

Senior Management

Mr. Chu Chin Lin, Simon, aged 36, is a Vice President – Greater China. He studied China Europe International Business School MBA M. Engineer of S.J.S.M.I.T. at Taiwan and Marketing at Kingston College in Vancouver, Canada. He has over 10 years China experience and ISO system management, Logistic management. He is responsible for the management, business development and special project in China.

Ms. Chan Ling, Eva, aged 36, is the Financial Controller of the Company. She worked for international accounting firms in Hong Kong and Australia before she joined the Company in 1996. Ms. Chan is a member of the Institute of Chartered Accountants in Australia, a fellow member of the Association of Chartered Certified Accountants and also a certified public accountant in Hong Kong.

BRIEF DETAILS IN RESPECT OF DIRECTORS AND SENIOR MANAGEMENT STAFF – *continued*

Senior Management – *continued*

Ms. Law, Dorothy, aged 32, is a director of China Enterprises. She received her Bachelor of Commerce and Bachelor of Laws degrees from the University of British Columbia in Canada. Ms. Law is a Barrister and Solicitor licensed to practice law in British Columbia and has also been admitted as a Solicitor of the High Court of Hong Kong. Ms. Law is also a director of Burcon and corporate counsel of Hanny.

DIRECTORS' INTERESTS IN SHARES

As at 31st December, 2001, the interests of the directors in the share capital of the Company and its associated corporations within the meaning of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") which have been notified to the Company and the Stock Exchange of Hong Kong Limited ("Hong Kong Stock Exchange") pursuant to section 28 of the SDI Ordinance (including interests which they are deemed or taken to have under section 31 or Part I of the Schedule to the SDI Ordinance), or which are required pursuant to section 29 of the SDI Ordinance to be entered in the register, or pursuant to the Model Code ("Model Code") for Securities Transactions by Directors of Listed Companies in the Rules Governing the Listing of Securities of the Hong Kong Stock Exchange ("Listing Rules") referred to therein are as follows:

The Company

Name of director	Number of shares (Note 1)			
	Personal interests	Family interests	Corporate interests	Other interests
Lien Kait Long	633	–	–	–
Chan Kwok Keung, Charles (Note 2)	–	–	80,440,000	–

Notes:

1. Share(s) of HK\$0.10 each in the capital of the Company.
2. Dr. Chan Kwok Keung, Charles is deemed to be interested in the 80,440,000 shares in the Company held by Calisan Developments Limited ("Calisan") by virtue of his interest in Chinaview International Limited ("Chinaview") which owns more than one-third of the issued share capital of Calisan, details of which are disclosed under the heading "Substantial Shareholders".

Dr. Chan Kwok Keung, Charles, by virtue of his interest in the above capital of the Company, is deemed to be interested in the shares of the subsidiaries and associates of the Company under the SDI Ordinance.

DIRECTORS' REPORT

DIRECTORS' INTERESTS IN SHARES – *continued*

Save as disclosed above as at 31st December, 2001, none of the Company's directors or their associates had any personal, family, corporate or other interests in any shares of the Company or any of its associated corporations, within the meaning of the SDI Ordinance or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Interests of directors of the Company in competing businesses as at 31st December, 2001 required to be disclosed pursuant to Rule 8.10 of the Listing Rules were as follows:

Name of director	Name of company	Nature of competing business	Nature of interest
Chan Kwok Keung, Charles	Paul Y. and its subsidiaries	Property business in Hong Kong and the PRC	As the Chairman and substantial shareholder of Paul Y.
	Star East and its subsidiaries	Property business in Hong Kong and the PRC	As a substantial shareholder of Star East
Chau Mei Wah, Rosanna	Star East and its subsidiaries	Property business in Hong Kong and the PRC	As an executive director of Star East
	Paul Y. and its subsidiaries	Property business in Hong Kong and the PRC	As an executive director of Paul Y.
Lau Ko Yuen, Tom	Paul Y. and its subsidiaries	Property business in Hong Kong and the PRC	As the Deputy Chairman of Paul Y.

DIRECTORS' INTERESTS IN COMPETING BUSINESS – *continued*

Having considered the nature, size and scope of the above businesses, the directors of the Company believe that there is unlikely to be any significant competition with the businesses of the Group.

Save as disclosed above, none of the directors is interested in any business apart from the Group's business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

The Company

In accordance with the terms of the Company's Executive Share Option Scheme adopted on 20th July, 1992, and effective for a period of ten years after the date of adoption of the scheme, the Company granted to directors and employees of the Company and its subsidiaries share options to subscribe for its ordinary shares for a consideration of HK\$1 for the primary purpose of providing incentives to directors and eligible employees. The subscription price, subject to adjustment, is based on 80% of the average of the closing prices of the shares of the Company on the five trading days immediately before the options were offered. Options granted are exercisable not later than ten years after the date the options are accepted.

At 31st December, 2001, the number of shares in respect of which options had been granted under the above schemes was 376,750, representing 0.082% of the shares of the Company in issue at that date. The total number of shares in respect of which options may be granted under the schemes is not permitted to exceed 10% of the shares of the Company in issue excluding any shares issued pursuant to the share option scheme at any point in time, without prior approval from the Company's shareholders. The number of shares in respect of which options may be granted to any individual is not permitted to exceed 25% of the aggregate number of shares of the Company in issue and issuable under the share option scheme any point in time, without prior approval from the Company's shareholders.

DIRECTORS' REPORT

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES – *continued*

The Company – *continued*

A summary of movements of share options under the scheme during the year is as follows:

Exercisable period	Exercise price *	Number of shares under option					Outstanding at 31.12.2001
		Outstanding at 1.1.2001	Granted during the year	Exercised during the year	Adjustment due to share consolidation	Surrendered/lapsed during the year	
	HK\$						
21.7.1998 to 20.7.2002	0.606	21,647,500	-	-	(427,500)	(21,220,000)	-
	6.060	-	-	-	42,750	(6,000)	36,750
27.5.1999 to 26.5.2004	0.300	25,000,000	-	-	-	(25,000,000)	-
22.11.1999 to 21.11.2004	0.320	2,000,000	-	-	(2,000,000)	-	-
	3.200	-	-	-	200,000	(200,000)	-
12.01.2000 to 11.01.2005	0.344	1,000,000	-	-	(1,000,000)	-	-
	3.440	-	-	-	100,000	(50,000)	50,000
14.02.2000 to 13.02.2005	0.405	7,900,000	-	-	(2,900,000)	(5,000,000)	-
	4.050	-	-	-	290,000	-	290,000
		57,547,500	-	-	(5,694,750)	(51,476,000)	376,750

- * Following the Capital Reorganisation, the exercise prices of the share options were adjusted to HK\$6.06, HK\$3.2, HK\$3.44 and HK\$4.05 from their initial exercise prices of HK\$0.606, HK\$0.32, HK\$0.344 and HK\$0.405 respectively.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES – *continued*

The Company – *continued*

Details of the outstanding options granted to the ex-directors under the Company's share option scheme are summarised as follows:

Name of ex-directors	Exercisable period	Exercise price HK\$	Number of	Granted	Exercised	Surrendered/ lapsed	Number of
			shares under options at 1.1.2001				during the year
Oei Hong Leong	21.7.1998 to 20.7.2002	0.606	18,500,000	-	-	(18,500,000)	-
	27.5.1999 to 26.5.2004	0.30	25,000,000	-	-	(25,000,000)	-
Ma Wai Man, Catherine	14.2.2000 to 13.2.2005	0.405	5,000,000	-	-	(5,000,000)	-

As all the options were lapsed before the Capital Reorganisation become effective, no adjustments were required to be made on the exercise price and number of options granted.

Details of the Company's Executive Share Option Scheme are set out in note 31 to the financial statements.

China Enterprises

Pursuant to the Executive Share Option Scheme adopted on 7th June, 1994 and effective for a period of ten years after the date of the adoption of the scheme, China Enterprises granted options to officers and employees, and directors who are also employees, of China Enterprises and its subsidiaries to subscribe for common stock in China Enterprises for a consideration of HK\$1 for the primary purpose of providing incentives to officers, directors and eligible employees, subject to a maximum of 910,000 shares. Shares of common stock to be issued upon the exercise of options will be authorised and unissued shares. An independent committee (the "Committee") of China Enterprises's board of directors was formed to monitor and consider the granting of options under the scheme. The subscription price will be determined by the Committee, and will not be less than 80% of the average closing price of shares of common stock on the New York Stock Exchange over the five trading days immediately preceding the date of offer of the option.

DIRECTORS' REPORT

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES – *continued*

China Enterprises – *continued*

At 31st December, 2001, the number of shares in respect of which options had been granted under the above schemes was 20,000, representing 2.2% of the shares of the China Enterprises in issue at that date. The total number of shares in respect of which options may be granted under the schemes is not permitted to exceed 910,000 shares of the China Enterprises in issue at any point in time, without prior approval from the China Enterprises's shareholders. The number of shares in respect of which options may be granted to any individual is not permitted to exceed 25% of the shares of the China Enterprises in issue at any point in time, without prior approval from the China Enterprises's shareholders.

A summary of movements of share options under China Enterprises's scheme during the year is as follows:

Exercisable period	Exercise price US\$	Outstanding	Surrendered/	Outstanding
		at 1.1.2001	lapsed during the year	at 31.12.2001
23.2.1995 to 22.2.2005	10.25	30,000	(30,000)	–
1.6.1999 to 31.5.2009	5.875	189,990	(189,990)	–
3.2.2000 to 2.2.2010	9.9375	20,000	–	20,000
		239,990	(219,990)	20,000

Details of the outstanding options granted to the ex-director of the Company by China Enterprises are summarised as follows:

Name of ex-director	Exercisable period	Exercise price US\$	Number of	Granted	Exercised	Surrendered/	Number of
			shares under options at 1.1.2001			during the year	during the year
Ma Wai Man, Catherine	23.2.1995 to 22.2.2005	10.25	30,000	–	–	(30,000)	–
	1.6.1999 to 31.5.2009	5.875	189,990	–	–	(189,990)	–

Details of China Enterprises's Executive Share Option Scheme are set out in note 31 to the financial statements.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES – *continued*

China Land

China Land's share option scheme was adopted on 27th June, 2000 for a period of ten years from 3rd July, 2000 to 2nd July, 2010, the purpose of which is to give an incentive and appreciation to employees for their contribution to China Land. Under the scheme, the board of directors of China Land may grant options to executive directors and full time employees of China Land or any of its subsidiaries to subscribe for shares in China Land for a consideration of HK\$1 for each lot of share options granted. The exercise price is determined by the board of directors of China Land and shall be the higher of (i) such subscription price as is permissible under the Listing Rules from time to time; and (ii) the nominal value of a share of China Land. An option may be exercised at any time during such period as the board of directors of China Land may determine, save that such period shall not expire later than ten years from the date upon which the option is granted.

Pursuant to the scheme, the maximum number of shares of China Land in respect of which options may be granted when aggregated with any other share option scheme of China Land shall represent 10% of the issued share capital of China Land from time to time, excluding the shares to be issued on the exercise of options granted pursuant to the scheme or any such other scheme, or such higher number of shares as may be permissible under the Listing Rules from time to time.

No option may be granted to any person if the total number of shares of China Land already issued and issuable to him under all the options granted to him exceeding 25% the aggregate number of shares for the time being issued and issuable under the scheme, or such higher number of shares as may be permissible under the Listing Rules.

During the year, no options under the scheme were granted or exercised by any directors of China Land and no options were cancelled or lapsed. In addition, no options were outstanding at the beginning and at the end of the financial year ended 31st December, 2001.

DIRECTORS' REPORT

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES – *continued*

Save as disclosed above, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures, of the Company or any other body corporate, and none of the directors or their spouses or children under the age of 18 had any rights to subscribe for the securities of the Company or had exercised any such rights during the year.

SUBSTANTIAL SHAREHOLDERS

As at 31st December, 2001, the following persons were recorded in the register kept by the Company under section 16 of the SDI Ordinance for the purposes of sections 3 to 7 of the SDI Ordinance as being interested in shares representing 10% or more of the issued share capital of the Company:

Name	Note	Number of shares	Approximate shareholding percentage
Calisan	1	80,440,000	17.45%
Great Decision Limited	1	80,440,000	17.45%
Paul Y. – ITC Investment Group Limited	1	80,440,000	17.45%
Paul Y. – ITC Construction Holding (B.V.I.) Limited	1	80,440,000	17.45%
Paul Y.	1	80,440,000	17.45%
Hollyfield Group Limited	1	80,440,000	17.45%
ITC Investment Holdings Limited (“ITC Investment”)	1	80,440,000	17.45%
ITC	1	80,440,000	17.45%
Galaxyway Investments Limited	1	80,440,000	17.45%
Chinaview	1	80,440,000	17.45%
Dr. Chan Kwok Keung, Charles	1	80,440,000	17.45%
Well Orient Limited	2	80,440,000	17.45%
Powervote Technology Limited	2	80,440,000	17.45%
Hanny Magnetics (B.V.I.) Limited	2	80,440,000	17.45%
Hanny	2	80,440,000	17.45%

SUBSTANTIAL SHAREHOLDERS – *continued*

Note:

1. Dr. Chan Kwok Keung, Charles owns the entire interest of Chinaview which in turn owns the entire interest in Galaxyway Investments Limited ("Galaxyway"). Galaxyway owns more than one-third of the entire issued ordinary share capital of ITC. ITC owns the entire interest of ITC Investment which owns the entire interest of Hollyfield Group Limited ("Hollyfield"). Hollyfield owns more than one-third of the entire issued share capital of Paul Y. Paul Y. owns the entire interest of Paul Y. – ITC Construction Holdings (B.V.I.) Limited ("PYBVI") which in turn owns the entire interest in Paul Y. – ITC Investment Group Limited ("PYITCIG"). PYITCIG owns the entire interest of Great Decision Limited ("GDL") which in turn owns the entire interest in Calisan. Accordingly, GDL, PYITCIG, PYBVI, Paul Y., Hollyfield, ITC Investment, ITC, Galaxyway, Chinaview and Dr. Chan Kwok Keung, Charles were deemed to be interested in 80,440,000 shares of the Company which were held by Calisan.
2. Well Orient Limited ("WOL") is wholly-owned by Powervote Technology Limited ("PTL") which is in turn owned by Hanny Magnetics (B.V.I.) Limited ("Hanny Magnetics"). Hanny Magnetics is wholly-owned by Hanny. PTL, Hanny Magnetics, Hanny were deemed to be interested in 80,440,000 shares of the Company which were held by WOL.

Save as disclosed herein and so far as was known to any director of the Company, there was no person who was, directly or indirectly, interested in 10 percent or more of the issued share capital of the Company as at 31st December, 2001.

CONNECTED TRANSACTIONS

1. On 30th January, 2001, the Company through its wholly-owned subsidiary, Happy Access Limited, provided a loan of HK\$120,000,000 to China Land for its working capital. The loan was unsecured, bore interest at prevailing market rate and was repayable within two years from the date of drawdown of the loan. Interest expenses of approximately HK\$7,413,000 were incurred by China Land. As at the date of this report, repayment of principal amount of HK\$14,000,000 was made by China Land.
2. A corporate guarantee was entered into on 15th February, 2001 by the Company in favour of the Wing Hang Bank, Limited (the "Bank") to the extent of HK\$19.5 million in respect of the credit facilities of HK\$30 million granted by the Bank to Gold Brilliant.

The corporate guarantee was released during the year.

CONNECTED TRANSACTIONS – *continued*

3. On 28th February, 2001, the Company entered into the following connected transactions:

- Diao Yu Tai (Holdings) Private Limited, a wholly-owned subsidiary of the Company, disposed of two vehicles at SG\$409,000 (equivalent to approximately HK\$1,826,000), being the fair market value of the two vehicles as valued by the Automobile Association of Singapore on 7th November, 2000.

As the purchaser of the two vehicles is an associate of Mr. Oei Hong Leong, who is an ex-director of the Company, the transaction constitutes a connected transaction under the Listing Rules.

- Ming Hung (Holdings) Limited, a wholly-owned subsidiary of China Land, entered into tenancy agreement with Gunnell Properties Limited and Cycle Company Limited (the "Landlords") in respect of the lease of premises located at 27/F, Paul Y. Centre, 51 Hung To Road, Kwun Tong, Kowloon, Hong Kong for a term of two years commencing from 1st March, 2001 to 28th February, 2003 both days inclusive at a monthly payment of HK\$193,558.

As the Landlords are wholly-owned subsidiaries of Paul Y., the transaction constitutes a connected transaction for the Company under the Listing Rules.

- The Landlords granted a licence to China Barter Trade.com Limited ("CBT"), China Industrial Investment Corporation Limited ("CIIC") and Huey Tai Holdings Limited ("HTH") for unrestricted access and use of certain facilities located at 33/F, Paul Y. Centre, 51 Hung To Road, Kwun Tong, Kowloon, for the period from 1st March, 2001 to 28th February, 2002 at a monthly licence fee of HK\$45,084 each.

As CBT is a wholly-owned subsidiary of the Company, CIIC is a wholly-owned subsidiary of China Land and HTH is a subsidiary of Premium Land, the transactions constitute connected transactions of the Company under the Listing Rules.

4. On 8th March, 2001, the Company through its wholly-owned subsidiary, Capital Passion Limited, provided a loan of RMB17,500,000 to China Land for its working capital. The loan was unsecured, bore interest at prevailing market rate per annum and was repayable within two years from the date of the drawdown of the loan. Interest expenses of approximately HK\$437,000 were incurred by China Land. As at the date of this report, the amount was fully settled by China Land.

CONNECTED TRANSACTIONS – *continued*

5. On 17th May, 2001, the Company through its wholly-owned subsidiary, Winning Effort Limited, provided a loan of RMB4,800,000 to China Land for its working capital. The loan was unsecured, bore interest at prevailing market rate per annum and was repayable within two years from the date of the drawdown of the loan. Interest expenses of approximately HK\$181,000 were incurred by China Land.
6. On 18th May, 2001, the Group, together with Star East, the other shareholder of Gold Brilliant, entered into an agreement to dispose of their respective 65% and 35% interest in Gold Brilliant to Capital Strategic Investment Limited at a consideration of approximately HK\$206 million. Gold Brilliant's sole asset is an approximately 74.99% of the entire issued share capital of Premium Land. Pursuant to the agreement, the parties agreed that approximately 9.74% and 5.25% interest in Premium Land held by Gold Brilliant would be transferred to the Group and Star East, respectively, as repayment of the shareholders' loans due by Gold Brilliant to them. After the transfer of shares, Gold Brilliant would hold 60% interest in Premium Land. On the same date, the Group, together with Star East, through Expert Solution Limited ("Expert Solution"), a company in which the Group owns 65% interest, agreed to acquire the entire interest in Actiwater with its principal subsidiaries mainly engaged in media interest business, from Premium Land at a consideration of approximately HK\$110 million. As Premium Land and Expert Solution are both non wholly-owned subsidiaries of the Company, the transaction of the acquisition of Actiwater constituted a connected transaction of the Company under the Listing Rules.
7. On 22nd June, 2001, the Company through its wholly-owned subsidiary, Citybest Limited, provided a loan of HK\$20,000,000 to China Land for its working capital. The loan was unsecured, bore interest at prevailing market rate per annum and was repayable on or before 1st January, 2003. Interest expenses of approximately HK\$97,000 were incurred by China Land. As at the date of this report, the amount was fully settled by China Land.

CODE OF BEST PRACTICE

In the opinion of the Directors, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules throughout the year, except that the Independent Non-executive Directors of the Company are not appointed for specific terms as they are subject to retirement by rotation and re-election at the annual general meeting in accordance with the Company's Articles of Association.

POST BALANCE SHEET EVENT

Details of the significant post balance sheet events are set out in note 47 to the financial statements.

DIRECTORS' REPORT

AUDITORS

A resolution will be submitted to the Annual General Meeting of the Company to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

On behalf of the Board

Lien Kait Long

Executive director

16th April, 2002