

REPORT OF DIRECTORS

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 are shown on pages 86 to 88.

CHANGE OF NAME

Pursuant to a special resolution passed at a special general meeting held on 22nd January, 2001, the name of the Company was changed from Logic International Holdings Limited to China Resources Logic Limited.

CHANGE OF FINANCIAL YEAR END DATE

As announced on 30th August, 2000, the Board of Directors of the Company resolved to change the financial year end date of the Company from 31st March to 31st December. The financial statements presented for the current year cover the twelve-month period from 1st January, 2001 to 31st December, 2001, while those for the prior period cover the nine-month period from 1st April, 2000 to 31st December, 2000.

RESULTS

The results of the Group for the year ended 31st December, 2001 are set out in the consolidated income statement on page 42.

APPROPRIATIONS

The directors do not recommend the payment of dividend for the year ended 31st December, 2001. The profit for the year is retained and carried forward to reserves.

BANK LOANS AND OTHER BORROWINGS

The particulars of bank loans and other borrowings of the Company and its subsidiaries at 31st December, 2001 are set out on pages 71 to 72.

FINANCIAL SUMMARY

A financial summary of the Group for the last five financial periods is set out on page 90.

SHARE CAPITAL

Details of the changes in share capital during the year are set out in Note 20 to the financial statements.

Pursuant to an ordinary resolution passed at a special general meeting of the Company held on 22nd January, 2001, the authorized share capital of the Company was increased from HK\$250,000,000 to HK\$600,000,000 by the creation of an additional 3,500,000,000 shares of HK\$0.10 each. Such new shares rank pari passu in all respects with the then existing shares in the Company.

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in Note 22 to the financial statements.

INVESTMENT PROPERTIES

The investment properties of the Group were revalued as at 31st December, 2001 as set out in Note 11 to the financial statements.

No revaluation surplus or deficit arose on revaluation of investment properties as at 31st December, 2001.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group acquired property, plant and equipment at a cost of approximately HK\$544,906,000 on acquisition of subsidiaries. The cost of other additions of property, plant and equipment amounted to approximately HK\$279,556,000.

Details of the movements in the property, plant and equipment of the Group during the year are set out in Note 12 to the financial statements.

INTANGIBLE ASSETS

During the year, the Group acquired goodwill of approximately HK\$176,795,000 on acquisition of subsidiaries.

During the year, the Group acquired technical know-how assets at a cost of approximately HK\$6,988,000 on acquisition of subsidiaries and other additions of approximately HK\$18,423,000.

Details of the movements in the intangible assets of the Group during the year are set out in Notes 14 and 15 to the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

The Group's largest customer accounted for 23% of the Group's turnover and the Group's five largest customers in aggregate accounted for 60% of the Group's turnover for the year ended 31st December, 2001.

The aggregate purchases attributable to the Group's five largest suppliers were less than 30% of the Group's total purchases for the year ended 31st December, 2001.

None of the directors, their associates, or any shareholder (which to the knowledge of the directors owns more than 5% of the Company's share capital) has any interest in the Group's five largest customers or supplies.

DIRECTORS AND SERVICE CONTRACTS

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

Executive Directors:

Mr. Song Lin	
Mr. Chen Lang	(appointed on 1st October, 2001)
Mr. Zhu Jinkun	(appointed on 28th May, 2001)
Mr. Dai Zhenhua	(appointed on 28th May, 2001)
Mr. Ong Thiam Kin	(appointed on 28th May, 2001)
Mr. Yu Min	
Mr. Yan Biao	(resigned effective from 12th March, 2001)
Dr. Xu Zhiming	(resigned effective from 1st November, 2001)
Mr. Zhang Wei	(appointed on 28th May, 2001 and resigned effective from 31st December, 2001)

Non-executive Director:

Mr. Ning Gaoning
Professor Ko Ping Keung (appointed on 20th March, 2002)
Mr. Keung Chi Wang, Ralph (resigned effective from 22nd January, 2001)

Independent Non-executive Directors:

Mr. Wong Tak Shing
Mr. Luk Chi Cheong (appointed on 31st January, 2002)
Mr. Ong Kim Toh, Patrick (resigned effective from 31st January, 2002)

In accordance with Clause 110(A) of the Company's Bye-laws, Messrs Ning Gaoning, Yu Min and Wong Tak Shing retire by rotation; and in accordance with clause 101 of the Company's Bye-laws, Messrs Chen Lang, Zhu Jinkun, Dai Zhenhua, Ong Thiam Kin, Luk Chi Cheong and Ko Ping Keung retire at the forthcoming annual general meeting. All the above retiring Directors, being eligible, offer themselves for re-election. The remaining Director shall remain in office.

None of the Directors, including Directors proposed for re-election at the forthcoming annual general meeting, has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

The term of office for each of the Non-executive Director is the period up to his retirement by rotation in accordance with the Company's Bye-laws.

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance to which the Company or any of its subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

CONNECTED TRANSACTIONS

1. Lease Agreement

The following are lease agreements between the Company and/or its subsidiary and the connected person of the Company. The aggregate annual amount payable under the lease agreements does not exceed the higher of HK\$10,000,000 or 3% of the net tangible asset value of the Group, details of the lease agreements are set out herein below:

- a. Pursuant to an agreement dated 17th October, 2000, Resources Link Network Limited (“Resolink”), a wholly owned subsidiary of the Company, entered into a lease agreement dated 16th May, 2001 with China Resources Property Management Limited (“CRPML”), an associate of the substantial shareholder of the Company, to lease an office premises with a lettable area of about 3,688 sq. ft. located at Rooms 1606–1607, 16th Floor, China Resources Building, 26 Harbour Road, Hong Kong for a term of 2 years commencing on 1st February, 2001 at a monthly rental of HK\$73,760 per month (exclusive of government rates, air-conditioning charges and management fee). The air-conditioning charges is HK\$11,248.40 per month plus not more than HK\$153 per hour outside normal business hours. The management fee is HK\$7,744.80 per month. The terms of the lease agreement is determined by reference to market price on arm’s length basis.
- b. On 20th December, 2000, the Company entered into a lease agreement with CRPML (an associate of the substantial shareholder of the Company) to lease Rooms 4001–4006 and a storeroom at 40th Floor, China Resources Building, 26 Harbour Road, Hong Kong with a lettable area of about 11,493 sq. ft. and 638 sq. ft. respectively for a term of 2 years commencing on 16th November, 2000 at a monthly rental of HK\$250,547.40 (Rooms 4001–4006) and HK\$7,656.00 (storeroom) excluding air-conditioning charges, management fee but with a rent-free period of 2 months. The air-conditioning charges is HK\$33,329.70 per month plus HK\$290 per hour if outside normal business hours. The management fee is HK\$22,986 per month. The terms of the lease agreement is determined by reference to market price on arm’s length basis.

2. During the year, members of the Group has entered into on-going connected transactions with connected persons, details of which are summarised in the table herein below. The independent non-executive directors have reviewed the on-going connected transactions and confirmed that the on-going connected transactions have been entered into:

- (i) in the ordinary and usual course of business of the Group;
- (ii) on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Group than terms available to or from (as appropriate) independent third parties and on arm's length basis;
- (iii) in accordance with the relevant agreement governing them;
- (iv) on terms that are fair and reasonable and in the interest of the shareholders as a whole; and
- (v) do not exceed the respective maximum amounts as specified in the waivers granted by the Stock Exchange.

Details of the above-mentioned on-going connected transactions are summarised as follow:

- (i) Goods and services provided by connected persons to members of the Group.
 - (a) In relation to China Resources (Shenyang) Sanyo Compressor Co., Ltd. ("CR Shenyang Sanyo") and Shenyang Shengrun Sanyo Compressor Co., Ltd. ("CR Shengrun Sanyo") (Note 1)

Nature	HK\$'000
(1) Purchase of materials from Sanyo Electric Co., Ltd. ("Sanyo Electric") required in their production.	28,979
(2) Royalties and technical assistance fees payable to Sanyo Electric pursuant to the Technology Transfer Contracts entered into among CR Shenyang Sanyo and/or CR Shengrun Sanyo and Sanyo Electric for obtaining from Sanyo Electric the right to use certain technologies in manufacturing rotary compressors.	26,736

(b) In relation to Semiconductor Group (Note 2)

Nature	HK\$'000
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Purchase of materials by China Resources Semiconductor Company Limited ("CR Semiconductor") for production of certain Integrated Circuits ("IC") from JSC Korona Semiconductor ("JSC Korona").	5,451
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(ii) Goods and services provided by member of the Group to connected person.

(a) In relation to CR Shenyang Sanyo and CR Shengrun Sanyo (Note 3)

Nature	HK\$'000
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Sale of air-conditioner compressors to Shenyang Sanyo Air Conditioning Limited and Guangdong Sanyo Air Conditioning Limited.	15,105
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(b) In relation to Semiconductor Group (Note 4)

Nature	HK\$'000
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Sale of IC Chips by CR Semiconductor to Ningbo Koyong Electronics Co., Ltd. ("Ningbo Koyong")	632
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(c) In relation to Resolink

Nature	HK\$'000
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Provision of IT services to members of CRH Group from time to time.	47,623
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(iii) Equipment Purchase Contract entered into between CR Shenyang Sanyo and Sanyo Electric

Nature	HK\$'000
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Purchase of equipment by CR Shenyang Sanyo from Sanyo Electric certain equipment for the manufacturing of new refrigerant inverter rotary compressors for its Phase III Factory (Note 5)	143,001
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Purchase of certain other equipment necessary for the operation of Phase III Factory	2,735
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Notes:

1. Sanyo Electric is a substantial shareholder of both CR Shenyang Sanyo and CR Shengrun Sanyo, in both of which the Company owns a 63.75% equity interest.
 2. Semiconductor Group means China Resources Semiconductor (International) Limited, China Resources Smartech Company Limited, CRC Microelectronics Company Limited, Fortune Property Limited, Well-known Property Limited and their respective subsidiaries prior to completion of the Group's restructuring on 1st February, 2001. JSC Korona is an associate of CRH, in which CRH has 50% equity interest.
 3. Both Shenyang Sanyo Air Conditioning Limited and Guangdong Sanyo Air Conditioning Limited are associates of Sanyo Electric, which is in turn a substantial shareholder of both CR Shenyang Sanyo and CR Shengrun Sanyo.
 4. Ningbo Koyong is an associate of CRH, in which CRH has 40% equity interest.
 5. Phase III Factory is an expansion of the production facilities of CR Shenyang Sanyo, the commercial production of which commenced on or about May 2001.
3. On 22nd October, 2001, CR Shenyang Sanyo entered into an Acquisition Agreement with Sanyo Electric and Toyota Tsusho Corporation ("Toyota Tsusho") pursuant to which CR Shenyang Sanyo has conditionally agreed to acquire the air-conditioner compressor production line for the manufacture of Line 1 products and Line 2 products for a consideration of JPY2,707,778,000. Toyota Tsusho has 2% equity interests in CR Shenyang Sanyo. The consideration was negotiated on arm's length basis and was determined by reference to an independent valuation. The consideration will be satisfied by cash instalments by reference to the delivery schedule of Line 1 and Line 2. The shareholders of the Company has approved the Acquisition Agreement on 26th November, 2001.
 4. On 22nd October, 2001, CR Shenyang Sanyo entered into two Technology Transfer Contracts with Sanyo Electric, pursuant to which Sanyo Electric grants CR Shenyang Sanyo the rights to use certain technologies for the manufacture of Line 1 products and Line 2 products. Each of the Technology Transfer Contracts remains effective for a period of 10 years from the respective effective date.

Pursuant to the Technology Transfer Contracts, CR Shenyang Sanyo will pay Sanyo Electric royalties and related charges in connection with the usage of technology rights from Sanyo Electric. The royalties comprise of two parts:

- (i) upfront payments of JPY190,000,000 in cash for Line 1 and Line 2 products; and
- (ii) ongoing payments in cash calculated at rates ranging from 0.3% to 2.0% of the sales price (excluding value-added tax) of the relevant products of Line 1 and Line 2 for a period of seven years.

The Technology Transfer Contracts are subject to the Acquisition Agreement becoming effective and the latter has been approved by shareholders of the Company on 26th November, 2001.

- 5. As part and parcel of the Acquisition Agreement and the Technology Transfer Contracts, there are ongoing connected transactions involving payments on an ongoing basis to be incurred from 2002 onwards. Pursuant to the Acquisition Agreement, CR Shenyang Sanyo will pay Sanyo Electric installation fees and related charges in connection with Line 1 and Line 2. The Directors expect the total installation fees and related charges payable will be no more than JPY271,000,000. Pursuant to the Technology Transfer Contracts, CR Shenyang Sanyo has to pay royalties and related charges calculated at rates ranging from 0.3% to 2.0% of the sales price (excluding value-added tax) of the relevant products of Line 1 and Line 2 for a period of seven years. Details of the on-going transactions described in this paragraph will be disclosed in the next annual report.
- 6. Interest payable to CRH pursuant to the subscription agreements dated 8th November, 2000 and entered into between the Company and CRH amounted to HK\$15,615,000 as more particularly described in Note 19 to the financial statements.

SHARES OPTIONS

The purpose of the Old Share Option Scheme is to encourage its participants to perform their best for the Company. The participants are the employees of the Company or any of its subsidiary including executive directors. As the Old Share Option Scheme has been

terminated, no more option can be issued pursuant to the Old Share Option Scheme but in all other respects the provisions of the Old Share Option Scheme shall remain in force. The outstanding options are 53,550,000 which represents about 3.55% of the issued share capital at the date of annual report. The maximum entitlement of each participant shall not exceed 25% of the maximum number of Shares in respect of which options may be granted under the scheme. The period within which the Shares must be taken up under an option shall not be later than 10 years from the date the option is granted. There is no minimum period for which an option must be held before it can be exercised. HK\$1.00 is payable on acceptance of the option within 28 days from its date of grant. The subscription price is the higher of (i) the nominal value of a Share and (ii) 80% of the average of the closing prices of the Share on the Stock Exchange on the five trading days immediately preceding the date of grant of the options.

The purpose of the New Share Option Scheme is to encourage its participants to perform their best in achieving the goals of the Company and enjoy its results. The participants are any director (or any persons proposed to be appointed as such) and employee of each member of the Group; any discretionary object of a discretionary trust established by any employee or director of each member of the Group; any executive or employee of any business consultant, business partner, professional and other advisers to each member of the Group (or any persons proposed to be appointed as such); any substantial shareholder of the each member of Group; any associates of director or substantial shareholder of the Company; and any employee of the Company's substantial shareholder or any employee of such substantial shareholder's subsidiaries or associated companies, as absolutely determined by the Board.

The total number of Shares available for issue pursuant to the New Share Option Scheme are 150, 883, 226, representing 10% of the issued share capital at the date of annual report. The maximum entitlement for any one participant is that the total number of Shares issued and to be issued upon exercise of the Options granted to each participant (including both exercised, cancelled and outstanding Options) in any 12-month period shall not exceed 1% of the total number of Shares in issue.

The period within which the Shares must be taken up under an option shall not be later than 10 years from the date the option is granted. There is no minimum period for which an option must be held before it can be exercised. HK\$1.00 is payable on acceptance of the option within 28 days from its date of grant. The subscription price is the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily

quotations sheet on the date of grant, (ii) a price being the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotations sheet on the 5 business days immediately preceding the date of grant and (iii) the nominal value of a Share. The New Share Option Scheme is valid for 10 years from 26th November, 2001. No further options may be granted pursuant to the New Share Option Scheme after 25th November, 2011.

A summary of the movements of the share options granted under the Old Share Option Scheme during the period is as follows:

Date of grant	Exercise Price	Number of shares options					Outstanding as at 31st December, 2001
		Outstanding at 1st January, 2001	Granted during the period	Exercised during the period	Cancelled during the period	Lapsed during the period	
	HK\$						
21st September, 2000	0.590	38,000,000	N/A	—	—	21,550,000	16,450,000
25th April, 2001	0.547	—	50,000,000	—	12,900,000	—	37,100,000
		38,000,000	50,000,000	—	12,900,000	21,550,000	53,550,000

Notes:

- (1) The options outstanding as at 31st December, 2000 are exercisable either from 21st September, 2000 to 20th September, 2010 or divided into 3 tranches and exercisable during the periods from 21st September, 2001, 2002 and 2003 to 20th September, 2010. An aggregate of 21,000,000 share options are granted to directors while an aggregate of 17,000,000 share options are granted to employees.
- (2) The options granted during the period are exercisable in 3 tranches from 25th April, 2002, 2003 and 2004 to 24th April, 2011. The closing price immediately before the date of grant of the option is HK\$0.730. An aggregate of 12,000,000 share options are granted to directors while an aggregate of 38,000,000 share options are granted to employees.

A summary of the movements of the share options granted under the New Share Option Scheme during the period is as follow:

Date of grant	Exercise Price	Number of shares options					Outstanding as at 31st December, 2001
		Outstanding at 1st January, 2001	Granted during the period	Exercised during the period	Cancelled during the period	Lapsed during the period	
	HK\$						
4th December, 2001	0.790	—	20,700,000	—	—	—	20,700,000
		—	20,700,000	—	—	—	20,700,000

Notes:

- (a) The aggregate number of options granted to employees are 14,700,000 (including 6,000,000 of share options granted to Deputy Chairman).
- (b) The aggregate number of options granted to business partner of the Company are 6,000,000.
- (c) The options for employees (excluding Deputy Chairman) are vested in 3 tranches and exercisable on 3rd December, 2002, 2003 and 2004 to 3rd December, 2011.
- (d) The options granted to Deputy Chairman and Business Partner of the Company vest immediately and exercisable on or before 3rd December, 2011.
- (e) The closing price of the Shares immediately before the date of grant is HK\$0.790.

DIRECTORS' INTEREST IN SECURITIES

As at 31st December, 2001, the interests of the Directors in the shares of the Company as recorded in the register maintained by the Company pursuant to section 29 of the Securities (Disclosure of Interest) Ordinance ("SDI Ordinance") were as follow:

Name of Director	Number of shares held	
	Personal interest	Family interest
Mr. Zhu Jinkun	300,000	160,000
Mr. Yu Min	300,000	—
Mr. Ong Kim Toh, Patrick (resigned effective from 31st January, 2002)	—	50,000

Save as disclosed above, as at 31st December, 2001, none of the Directors or any of their associates had any interests in the securities of the Company or any of its associated corporations as defined in the SDI Ordinance.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

During the financial year, the Directors who had personal interests in respect of options granted under the existing share option scheme of the Company and its associated corporations within the meaning of SDI Ordinance are as follows:

- (i) Options granted under the Company's share option scheme adopted on 15th October, 1994:

Name of Director	Date of grant	Number of share options				Outstanding at 31st December, 2001	
		Outstanding at 1st January, 2001	Granted during the year	Exercised during the year	Lapsed during the year		
Mr. Song Lin	21st September, 2000	8,000,000	—	—	—	8,000,000	Note (a)
Mr. Zhu Jinkun	25th April, 2001	—	3,000,000	—	—	3,000,000	Note (b)
Mr. Dai Zhenhua	25th April, 2001	—	3,000,000	—	—	3,000,000	Note (b)
Mr. Ong Thiam Kin	25th April, 2001	—	3,000,000	—	—	3,000,000	Note (b)
Mr. Yu Min	21st September, 2000	1,000,000	—	—	—	1,000,000	Note (c)
Mr. Xu Zhiming	21st September, 2000	6,000,000	—	—	3,000,000	3,000,000	Note (a)
Mr. Zhang Wei	25th April, 2001	3,000,000	—	—	3,000,000	—	Note (b)

Notes:

- (a) The exercise price is HK\$0.590 per share and the exercisable period during which the options may be exercised is from 21st September, 2000 to 20th September, 2010.
- (b) The exercise price is HK\$0.547 per share and the exercisable period is divided into 3 tranches exercisable during the periods from 25th April, 2002, 2003 and 2004 to 24th April, 2011.
- (c) The exercise price is HK\$0.590 per share and the exercisable period is divided into 3 tranches exercisable during the periods from 21st September, 2001, 2002 and 2003 to 20th September, 2010.
- (ii) Options granted under the Company's share option scheme adopted on 26th November, 2001 and amended on 21st February, 2002:

Name of Director	Date of grant	Number of share options			Outstanding at 31st December, 2001	
		Outstanding at 1st January, 2001	Granted during the year	Exercised during the year		
Mr. Chen Lang	4th December, 2001	—	6,000,000	—	6,000,000	Note

Note: The exercise price is HK\$0.790 per share and the exercisable period during which the options may be exercised is from 4th December, 2001 to 3rd December, 2011.

- (iii) Options granted under the share option scheme of China Resources Enterprise, Limited, a fellow subsidiary of the Company adopted on 17th September, 1992 and amended on 17th June, 1999:

Name of Director	Date of grant	Number of share options			Outstanding at 31st December, 2001	
		Outstanding at 1st January, 2001	Granted during the year	Exercised during the year		
Mr. Ning Gaoning	11th May, 1996	3,300,000	—	—	3,300,000	Note (a)
	17th November, 1997	1,200,000	—	—	1,200,000	Note (b)
	20th June, 2000	3,300,000	—	—	3,300,000	Note (c)

Notes:

- (a) The exercise price is HK\$3.856 per share and the exercisable period during which the options may be exercised is from 11th May, 1996 to 16th September, 2002.
- (b) The exercise price is HK\$14.300 per share and the exercisable period during which the options may be exercised is from 17th November, 1997 to 16th September, 2002.
- (c) The exercise price is HK\$7.190 per share and the exercisable period during which the options may be exercised is from 20th June, 2000 to 19th June, 2010.

- (iv) Options granted under the share option scheme of China Resources Land Ltd. (formerly known as China Resources Beijing Land Limited) adopted on 28th May, 1997, an associated corporation of the Company:

Name of Director	Date of grant	Number of share options			Outstanding at 31st December, 2001	
		Outstanding at 1st January, 2001	Granted during the year	Exercised during the year		
Mr. Ning Gaoning	27th June, 1997	2,500,000	—	—	2,500,000	Note (a)
	20th July, 2000	2,500,000	—	—	2,500,000	Note (b)

Notes:

- (a) The exercise price is HK\$4.592 per share and the exercisable period during which the options may be exercised is from 27th June, 1997 to 27th May, 2007.
- (b) The exercise price is HK\$0.99 per share and the exercisable period during which the options may be exercised is from 20th July, 2000 to 27th May, 2007.

Save as disclosed above, at no time during the year was the Company, its holding companies, its fellow subsidiaries, its subsidiaries or any of its associated corporation 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 spouse or children under the age of 18 had any right to subscribe for the securities of the Company or had exercised any such right during the year.

SUBSTANTIAL SHAREHOLDERS

As at 31st December, 2001 the register of substantial shareholders maintained by the Company pursuant to Section 16(1) of the SDI Ordinance shows that the Company was notified of the following shareholders with an interest representing 10% or more of the issued share capital of the Company:

<u>Name of Substantial Shareholders</u>	<u>Number of shares held</u>
Gold Touch Enterprises Inc. ("Gold Touch")	297,229,604
Waterside Holdings Limited ("Waterside")	825,347,743
China Resources (Holdings) Company Limited ("CRH")	1,122,577,347
China Resources National Corp. ("CRN")	1,122,577,347

Gold Touch and Waterside directly hold 297,229,604 shares and 825,347,743 shares respectively in the Company. Gold Touch and Waterside are wholly owned subsidiaries of CRH, which in turn is a subsidiary of CRN.

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

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

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws although there are no restrictions against such rights under the laws of Bermuda.

AUDIT COMMITTEE

The members of the audit committee comprise Mr. Wong Tak Shing and Mr. Luk Chi Cheong, both being independent non-executive directors of the Company.

The audit committee has reviewed with the management and the Company's auditors the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the financial statements for the year.

AUDITORS

The financial statements for the year have been audited by Deloitte Touche Tohmatsu. A resolution will be submitted to the forthcoming annual general meeting of the Company to re-appoint Deloitte Touche Tohmatsu as auditors of the Company.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

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

POST BALANCE SHEET EVENTS

Details of the significant post balance sheet events are set out in Note 33 to the financial statements

On behalf of the Board

CHEN LANG

DEPUTY CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Hong Kong, 25th March, 2002