THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular, you should consult a stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Winfoong International Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser.

WINFOONG INTERNATIONAL LIMITED
（榮豐國際有限公司）*

(Incorporated in Bermuda with limited liability)

CONNECTED TRANSACTIONS INVOLVING PROPOSED ACQUISITION OF PROPERTY INTEREST, PROPOSED OPEN OFFER ON THE BASIS OF ONE OFFER SHARE FOR EVERY EXISTING SHARE HELD, APPLICATION FOR WHITEWASH WAIVER, ADOPTION OF NEW SHARE OPTION SCHEME, AND GENERAL MANDATES TO ISSUE AND REPURCHASE SHARES

Financial adviser to the Company

SOMERLEY LIMITED

Joint independent financial advisers to the Independent Board Committee

CHATERON CORPORATE FINANCE LIMITED
華夏融資有限公司

WorldVest Capital Limited
寶盛融資有限公司

Shareholders should note that the Underwriting Agreement contains provisions granting the Underwriter the rights, which may be exercised at any time prior to the latest time for acceptance of assured allotments, to terminate its obligations thereunder on the occurrence of certain events, including force majeure, or where there is any material breach of any of the warranties or undertakings by the Company contained in the Underwriting Agreement or any event occurring or matter arising prior to the latest time for acceptance under the Open Offer which would have rendered any of the warranties by the Company untrue or incorrect in any material respect. For this purpose, force majeure refers to: (i) the introduction of any new regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the reasonable opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole; or (ii) the occurrence of any local, national or international event or change, whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date hereof, of a political, military, financial, economic or other nature (whether or not ejusdem generis with any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the reasonable opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole; or (iii) any material adverse change in the business or in the financial or trading position of the Group as a whole; or (iv) any material adverse change in market conditions (including, without limitation, a change in fiscal or monetary policy or foreign exchange or currency markets, suspension or restriction of trading in securities) occurs which in the reasonable opinion of the Underwriter makes it inexpedient or inadvisable to proceed with the Open Offer. If the Underwriter exercises such right to terminate its obligation under the Underwriting Agreement, the Open Offer will not proceed.

It should be noted that the Shares will be dealt in on an ex-entitlements basis as from Monday, 8th April, 2002, and that dealings in such Shares will take place whilst the conditions to which the Open Offer is subject remain unfulfilled. Any Shareholder or other person dealings in the Shares up to the date on which all conditions to which the Open Offer is subject are fulfilled (which is expected to be on Monday, 29th April, 2002), will accordingly bear the risk that the Open Offer may not become unconditional or may not proceed. Any Shareholder or other person contemplating selling or purchasing Shares during such period who is in any doubt about his or her position is advised to consult his or her professional adviser.

A notice convening a special general meeting of Winfoong International Limited to be held at Room 801, 9 Queen's Road Central, Hong Kong, on Monday, 15th April, 2002 at 10:00 a.m. is set out on pages 187 to 191 of this circular. Whether or not you are able to attend the meeting, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to Central Registration Hong Kong Limited, at 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time for holding the meeting. Completion and return of the form of proxy shall not preclude you from attending and voting at the special general meeting if you so desire.

* *For identification purpose only*

25th March, 2002

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In this circular, the following expressions have the following meanings, unless the context requires otherwise:

"Acquisition"	the proposed acquisition by WF Investment of the entire issued share capital of, and shareholder's loan to, Super Homes pursuant to the Acquisition Agreement
"Acquisition Agreement"	the conditional sale and purchase agreement dated 18th January, 2002 made between WF Investment and HF Investment in relation to the Acquisition
"Affiliate"	a company in which the Group holds an interest and includes a subsidiary of such company
"Announcement"	the announcement dated 21st January, 2002 released by the Company in relation to the Acquisition and the Open Offer
"associate(s)"	has the meaning given to it in the Listing Rules
"Barragan"	Barragan Trading Corp., a substantial Shareholder of the Company not connected with the chief executive, director or HF Investment or HFL or any of their respective associates
"Board"	the board of Directors
"CCASS"	the Central Clearing and Settlement System established and operated by Hongkong Clearing
"Chateron"	Chateron Corporate Finance Limited (formerly known as Pacific Challenge Capital Limited), an investment adviser registered under the Securities Ordinance
"Code"	the Hong Kong Code on Takeovers and Mergers
"Company"	Winfoong International Limited, an exempted company incorporated in Bermuda with limited liability, the Shares of which are listed on the Stock Exchange
"Companies Act"	the Companies Act 1981 of Bermuda (as amended)
"Directors"	directors of the Company

"Eligible Person(s)"	any employee of the Group or an Affiliate, including any directors of the Group or an Affiliate or any discretionary trust whose discretionary objects include an employee of the Group or an Affiliate
"Enlarged Group"	the Group immediately after Acquisition
"Excluded Shareholders"	Shareholders other than the Qualifying Shareholders
"Executive"	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director
"Existing Share Option Scheme"	the share option scheme adopted by the Company in October 1996
"FPDSavills"	FPDSavills (Hong Kong) Limited, an independent professional property valuer
"General Mandates"	the New Issue Mandate and the Repurchase Mandate
"Group"	the Company and its subsidiaries
"HF Investment" or "Underwriter"	Hong Fok Investment Holding Company, Limited, a company incorporated in Hong Kong with limited liability and is wholly-owned by Hong Fok
"HFL"	HFL International Consortium Limited, a company incorporated in the Cayman Islands with limited liability and is wholly-owned by HF Investment
"Hong Fok"	Hong Fok Corporation Limited, a company incorporated in Singapore with its shares listed on the Singapore Exchange Securities Trading Limited
"Hong Fok Group"	Hong Fok and its subsidiaries
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Hongkong Clearing"	Hong Kong Securities Clearing Company Limited
"Independent Board Committee"	the independent board committee comprising Mr. Kan Fook Yee appointed to advise the Independent Shareholders on the Acquisition, the Open Offer and the Waiver

"Independent Shareholders"	Shareholders other than HFL, HF Investment, their respective associates and parties acting in concert with any of them
"Joint Independent Financial Advisers"	Chateron and WorldVest, being joint independent financial advisers to the Independent Board Committee
"Latest Practicable Date"	20th March, 2002, the latest practicable date for ascertaining certain information for inclusion in this circular
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"New Issue Mandate"	the general and unconditional mandate proposed to be granted to the Directors to exercise all the powers of the Company to allot, issue and otherwise deal with new Shares
"New Share Option Scheme"	the new share option scheme proposed to be adopted by the Company, the principal terms of which are set out in Appendix IV to this circular
"Offer Share(s)"	the new Share(s) proposed to be offered to Qualifying Shareholders for subscription pursuant to the Open Offer
"Open Offer"	the proposed issue by way of open offer of the Offer Shares to Qualifying Shareholders on the terms set out herein and the Open Offer prospectus to be issued
"Option(s)"	option(s) for the subscription of Shares granted pursuant to the Existing Share Option Scheme
"Participants"	persons granted with Share Options under the New Share Option Scheme
"Property"	the Memo Building situated at No. 38 Conduit Road, Mid-levels, Hong Kong
"Qualifying Shareholders"	Shareholders who, at the close of business on the Record Date, have addresses in Hong Kong on the register of members of the Company
"Record Date"	15th April, 2002, the date by reference to which entitlement under the Open Offer will be determined

"Registrars"	Central Registrations Hong Kong Limited, the Company's branch share registrar in Hong Kong
"Repurchase Mandate"	a general and unconditional mandate proposed to be granted to the Directors to exercise all the powers of the Company to repurchase Shares
"SDI Ordinance"	the Securities (Disclosure of Interests) Ordinance (Chapter 396 of the Laws of Hong Kong)
"Securities Ordinance"	Securities Ordinance (Chapter 333 of the Laws of Hong Kong)
"SFC"	the Securities and Futures Commission of Hong Kong
"Shareholder(s)"	holder(s) of Shares
"Share(s)"	ordinary share(s) of HK$0.05 each in the capital of the Company
"Share Options"	options that may be granted pursuant the New Share Option Scheme
"SGM"	a special general meeting of the Company to be held on Monday, 15th April, 2002, notice of which is set out on pages 187 to 191 of this circular
"Singapore Companies Act"	Companies Act, Chapter 50 of Singapore
"Somerley"	Somerley Limited, an investment adviser and exempt dealer registered under the Securities Ordinance
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subscription Price"	the subscription price of HK$0.195 per Offer Share pursuant to the Open Offer
"Super Homes"	Super Homes Limited, a company incorporated in Hong Kong with limited liability and currently wholly-owned by HF Investment

"Underwriting Agreement"	the underwriting agreement entered into between the Underwriter, HFL and the Company dated 18th January, 2002 in relation to the subscription of Offer Shares under, and the underwriting of, the Open Offer
"Underwritten Shares"	all the 465,963,601 Offer Shares (being all the Offer Shares less those Offer Shares allotted to HFL and the Underwriter which have been severally undertaken to be subscribed by them)
"Waiver"	a waiver from the obligation to make a mandatory offer under Rule 26 of the Code pursuant to Note 1 to the Notes on Dispensations from Rule 26 of the Code
"WF Investment"	Winfoong Investment Limited, a company incorporated in Hong Kong with limited liability and is wholly-owned by the Company
"WorldVest"	WorldVest Capital Limited, an investment adviser registered under the Securities Ordinance
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"S$"	Singapore dollars, the lawful currency of Singapore

For illustration purposes, amounts in S$ have been translated into HK$ at an exchange rate of S$1.0 = HK$4.2799.

EXPECTED TIMETABLE

	2002
Last day of dealings in Shares cum-entitlement to the Open Offer	Thursday, 4th April
Commencement of dealings in Shares ex-entitlement to the Open Offer	Monday, 8th April
Latest time for lodging transfers of Shares in order to be entitled to the Open Offer	4:00 p.m. on Tuesday, 9th April
Book closure period (both days inclusive)	Wednesday, 10th April to Monday, 15th April
Latest time for return of proxy for the SGM	10:00 a.m. on Saturday, 13th April
Record Date	Monday, 15th April
SGM	10:00 a.m. on Monday, 15th April
Prospectus and assured allotment letters to be posted	Monday, 15th April
Latest time for acceptance of Offer Shares and payment	4:00 p.m. on Monday, 29th April
Underwriting Agreement and Open Offer become unconditional	4:00 p.m. on Monday, 29th April
Completion of the Acquisition Agreement	Tuesday, 30th April
Announcement of the results of the Open Offer appears in newspaper	Friday, 3rd May
Share certificates for Offer Shares to be posted	Friday, 3rd May
Dealings in the Offer Shares commence	Monday, 6th May

The expected timetable for events referred to above are indicative only and may be extended or varied by agreement between the Company and the Underwriter. Any changes to the anticipated timetable for the Open Offer will be announced as appropriate.

WINFOONG INTERNATIONAL LIMITED
（榮豐國際有限公司）*

(Incorporated in Bermuda with limited liability)

Executive Directors:
Cheong Pin Chuan, Patrick *(Chairman)*
Cheong Kim Pong
Cheong Pin Seng
Cheong Sim Eng

Independent non-executive Directors:
Kan Fook Yee
Lai Hing Chiu, Dominic

Non-executive Director:
Lim Ghee

Principal place of business:
Room 801
9 Queen's Road Central
Hong Kong

25th March, 2002

To the Shareholders

Dear Sir and Madam,

CONNECTED TRANSACTIONS INVOLVING
PROPOSED ACQUISITION OF PROPERTY INTEREST,
PROPOSED OPEN OFFER ON THE BASIS OF
ONE OFFER SHARE FOR EVERY EXISTING SHARE HELD,
APPLICATION FOR WHITEWASH WAIVER,
ADOPTION OF NEW SHARE OPTION SCHEME,
AND
GENERAL MANDATES TO ISSUE AND REPURCHASE SHARES

INTRODUCTION

The Directors announced on 21st January, 2002 that WF Investment has entered into the Acquisition Agreement to acquire from HF Investment the entire issued share capital of, and shareholder's loan to, Super Homes. To fund the Acquisition, the Directors also announced on the same date the Open Offer to raise approximately HK$145.7 million before expenses by

* *For identification purpose only*

issuing 747,416,993 Offer Shares at a price of HK$0.195 per Offer Share, payable in full on acceptance. The Company will provisionally allot one Offer Share for every existing Share held by the Qualifying Shareholders whose names appear on the register of members of the Company on the Record Date. HF Investment has agreed to underwrite the Open Offer.

HF Investment and its wholly-owned subsidiary, HFL, are together interested in approximately 37.7% of the Company's existing issued share capital. The Acquisition Agreement therefore constitutes a connected transaction of the Company under the Listing Rules and is subject to the approval of the Independent Shareholders at a general meeting. As the Open Offer would increase the Company's issued share capital by more than 50%, in accordance with Rule 7.24(5)(a) of the Listing Rules, the Open Offer will also be conditional on approval by the Independent Shareholders at a general meeting. Messrs. Cheong Pin Chuan, Patrick, Cheong Kim Pong, Cheong Pin Seng, Cheong Sim Eng and Madam Lim Ghee are regarded as parties acting in concert with HF Investment as they have beneficial controlling interest in Hong Fok, the holding company of HF Investment. Mr. Lai Hing Chiu, Dominic, is a senior partner of the law firm which provides legal advice and services to the Company in respect of the Acquisition, the Open Offer and the Waiver and provided legal advice and services to the Company in other transactions entered into by the Group during the two years prior to the Latest Practicable Date. The aforesaid Directors are therefore considered not to be independent for the purpose of advising Independent Shareholders on the Acquisition, the Open Offer and the Waiver. The Independent Board Committee comprising Mr. Kan Fook Yee has been established to advise the Independent Shareholders on the Acquisition, the Open Offer and the Waiver. Chateron and WorldVest have been appointed as the Joint Independent Financial Advisers to advise the Independent Board Committee in this regard.

In view of the recent amendments to the Listing Rules in respect of share option schemes, the Directors also propose to adopt the New Share Option Scheme in place of the Existing Share Option Scheme. The Directors also take the opportunity to propose that the Company renews the General Mandates.

The purpose of this circular is to provide you with further information regarding, among other things, the Acquisition, the Open Offer, the Waiver, the New Share Option Scheme and the General Mandates and to set out the recommendation of the Independent Board Committee to the Independent Shareholders as regards the Acquisition, the Open Offer and the Waiver based on the advice of Chateron and WorldVest, and to give you notice of the SGM convened for the purpose of considering, and if thought fit, approving the aforesaid proposals.

THE ACQUISITION AGREEMENT

(i) Parties

Purchaser : WF Investment, a wholly-owned subsidiary of the Company

Vendor	:	HF Investment, a Shareholder which together with its wholly owned subsidiary, HFL, are interested in an aggregate of approximately 37.7% of the existing issued share capital of the Company. HF Investment is in turn wholly-owned by Hong Fok

(ii) Asset to be acquired

WF Investment has agreed to acquire from HF Investment the entire issued share capital of, and shareholder's loan to, Super Homes. Super Homes is a property holding company whose principal asset is the Property situated at No. 38 Conduit Road, Mid-levels, Hong Kong, valued at HK$243 million as at 31st December, 2001 by FPDSavills, an independent property valuer. A copy of the valuation report on the Property is set out in part 1 of Appendix I to this circular. The Property is a 12-storey residential block, erected over a 4-storey carpark/lobby/recreational podium. There are a total of 36 apartments, each of gross floor area of approximately 1,050 sq.ft. and 39 vehicle parking spaces. All of the apartments and vehicle parking spaces are for short term rental purposes, with rental ranging from HK$26,000 to HK$38,000 per month. As at the Latest Practicable Date, 26 (72%) of the apartments and 29 (74%) of the vehicle parking spaces were under lease. The monthly rental income generated under the aforesaid leases as at the Latest Practicable Date of the Property amounted to approximately HK$976,000 (inclusive of rates and management fees). Based on total rental income of HK$976,000 and value of the Property of HK$243 million, the rental yield (before deduction of rates and management fees) amounted to approximately 4.8% per annum. Amongst HK$976,000, there were rental income of HK$22,000 for leasing the roof to an outside party for installing a telecommunication antenna and rental income of HK$75,000 for leasing the commercial unit at the ground floor of the Property. The commercial unit is now leased by Super Homes to a wholly-owned subsidiary of Hong Fok which in turn sublet it to an outside party. As agreed by the parties to the Acquisition Agreement, the commercial unit on the ground floor of the Property will be vacated on or before completion of the Acquisition. The Company has no intention to lease the unit to connected parties upon completion of the Acquisition. Super Homes is actively seeking tenants for the remaining unleased apartments and vehicle parking spaces through estate agents.

(iii) Financial information on Super Homes

A copy of the accountants' report on Super Homes for the three years ended 31st December, 2001 is set out in Appendix II to this circular. For the year ended 31st December, 2001, Super Homes recorded a turnover of approximately HK$13.3 million and a loss of approximately HK$4.6 million. For the year ended 31st December, 2000, Super Homes recorded a turnover of approximately HK$2.8 million and a loss of approximately HK$12.0 million. For the year ended 31st December, 1999, Super Homes recorded a turnover of approximately HK$8.5 million and a loss of approximately HK$12.8 million. The losses were principally due to the significant interest expenses of approximately HK$14.4 million, HK$14.0 million and HK$10.0 million for the bank loans for the years ended 31st December, 1999, 2000 and 2001 respectively and the fact that the Property was under renovation for more than half of the year 2000 and no rental was collected during the said period. Interest on the shareholder's loan was calculated at Hong Kong dollar prime rate per annum for the year ended 31st December 1999 and Hong Kong dollar prime rate minus 1% per annum for each of the two years ended 31st December, 2000 and 2001. There was no tax payable for each of the three years ended 31st December, 2001. As at 31st December, 2001, Super Homes had audited net deficits of approximately HK$86.5 million. As at 31st December, 2001, Super Homes had outstanding bank loans of approximately HK$169 million, of which approximately HK$13 million is classified as current liabilities. Nevertheless, as explained in the paragraph below, Super Homes intends to repay HK$80 million upon completion of the Acquisition and draw down another term loan of HK$33 million from another bank. As at 31st December, 2001, Super Homes had an outstanding shareholder's loan of approximately HK$157.8 million, of which HK$49.2 million was interest-free, while the remaining balance of approximately HK$108.6 million bore interest at Hong Kong dollar prime rate minus 1% per annum. Upon completion of Acquisition, the entire shareholder's loan will be assigned to WF Investment and it is the intention of the Directors that no interest will be charged to Super Homes by WF Investment for the year ending 31st December, 2002.

The Property has been used to secure a bank loan of Super Homes in the amount of approximately HK$89 million as at 31st December, 2001. As at the same date, other loans of Super Homes not secured by the Property are amounted to approximately HK$80 million.

(iv) Consideration

The consideration for the Acquisition was arrived at after arm's length negotiation between the parties. The consideration will be calculated based on the audited net asset value of Super Homes as at 31st December, 2001 (taking into account the market value of the Property of HK$243 million as at 31st December, 2001 as assessed by FPDSavills) and the face value of the outstanding shareholder's loan as at completion of the Acquisition Agreement. Based on the audited accounts of Super Homes as at 31st December, 2001, Super Homes had a net deficit of approximately HK$86.5 million (taking into account the aforesaid valuation of the Property) and outstanding shareholder's loan of approximately HK$157.8 million. On the above basis, a total consideration of approximately HK$71.3 million will be payable by WF Investment to HF Investment upon completion of the Acquisition Agreement. The consideration will be payable in cash but may be settled by way of the set-off arrangement described below. The Directors consider that the consideration has been determined on a fair and reasonable basis.

(v) Conditions

Completion of the Acquisition Agreement is subject to, inter alia:

(i) approval by the Independent Shareholders by way of a poll of the Acquisition Agreement and the Open Offer and the Underwriting Agreement having becoming unconditional in all respects (except in respect of any condition requiring the Acquisition Agreement to become unconditional);

(ii) all necessary approvals and consents having been obtained from the relevant banks;

(iii) WF Investment having received all title documents of the Property and being reasonably satisfied with the due diligence of the title of Super Homes to the Property;

(iv) if so required, the approval by the shareholders of Hong Fok in respect of the transactions contemplated in the Acquisition Agreement having been obtained; and

(v) all necessary approvals and consents from all relevant governmental, regulatory or other authorities and third parties in respect of the transactions contemplated in the Acquisition Agreement having been obtained and not having been revoked.

As at the Latest Practicable Date, all of the above conditions are yet to be fulfilled. WF Investment may waive (in whole or in part) conditions (ii) and (iii) above. Completion of the Acquisition Agreement shall take place on the next business day following (but excluding) the latest time for acceptance under the Open Offer (which is currently expected to be on Monday, 29th April, 2002) or such other date as may be agreed between HF Investment and WF Investment. The parties to the Acquisition Agreement have agreed that if the conditions in the Acquisition Agreement are not fulfilled or waived on or before 2nd July, 2002 (as extended from 2nd April, 2002 to 2nd July, 2002 pursuant to a letter agreement entered into between WF Investment and HF Investment) or such other date as agreed by both parties. Either party may terminate the Acquisition Agreement by giving 14 calendar days' notice in writing to the other party and upon expiration of such notice, the Acquisition Agreement shall be terminated whereupon both parties' respective rights and obligations shall be released and discharged without liability, save for any liability in respect of antecedent breach.

(vi) Source of funds for the Acquisition

WF Investment will fund the total consideration of approximately HK$71.3 million for the Acquisition from the proceeds of the Open Offer. As at 31st December, 2001, Super Homes had outstanding bank loans of approximately HK$169 million, which is partly secured against the Property. It is intended that up to approximately HK$80 million of such bank loan which is not secured against the Property will be repaid, of which approximately HK$70.7 million will be paid out of the proceeds from the Open Offer, which is further discussed below.

(vii) Reasons for the Acquisition

The Group is principally engaged in property investment and management, property construction and development and the provision of horticultural services. The acquisition of Super Homes will enable the Group to enlarge its property portfolio. As mentioned under the paragraph headed "Assets to be acquired", the recorded losses of Super Homes for the past three financial years ended 31st December, 2001 was principally attributable to the substantial interest expenses incurred for the bank loans and the fact that the Property was under renovation for more than half of the year 2000 and no rental was collected during the said period. With the intended partial repayment of the bank loans of HK$80 million as mentioned above and the indicated offer of a lower interest rate to Super Homes by a lending bank, the financial position of Super Homes is expected to be improved. WF Investment intended not to charge any interest on the shareholder's loan to Super Homes upon completion of the Acquisition for the year ending 31st December, 2002. Based on the audited loss of Super Homes of approximately HK$4.6 million for the year ended 31st December, 2001 and assuming the reduction of bank loans and the lowering of interest rate take place on 1st January, 2001, the pro forma adjusted profits of Super Homes would be approximately HK$6.3 million. Currently Super Homes intends to draw down HK$33 million loan from another bank upon repayment of the aforementioned HK$80 million loan. Taking into account the interest on the HK$33 million loan, the pro forma adjusted profits of Super Homes for the year ended 31st December, 2001 would be approximately HK$4.6 million.

(viii)Connected transaction

HF Investment and its wholly-owned subsidiary, HFL, are together interested in approximately 37.7% of the Company's existing issued share capital. The Acquisition therefore constitutes a connected transaction of the Company under the Listing Rules and is subject to the approval of Independent Shareholders at a general meeting. The Group on the other hand is interested in approximately 20.2% of Hong Fok. Hong Fok is listed on the Singapore Stock Exchange and is principally engaged in property investment, development and management in Singapore. As at 31st December, 2000, the audited consolidated net assets of Hong Fok were approximately S$781 million (HK$3,343 million).

OPEN OFFER

(i) Issue statistics

Basis of Open Offer	–	One Offer Share for every existing Share held on the Record Date
Existing issued share capital	–	747,416,993 Shares
Number of Offer Shares	–	747,416,993 Offer Shares
Outstanding Options	–	There are an aggregate of 60,000,000 Options outstanding, which are exercisable into an aggregate of 60,000,000 Shares at a subscription price of HK$0.268 per Share (subject to adjustment) during the period up to 10th July, 2004. All of the Option holders have undertaken not to exercise the Options on or before the Open Offer becomes unconditional.

Adjustments to the exercise price and/or number of conversion Shares of the Options as a result of the Open Offer will be calculated pursuant to the Existing Share Option Scheme and confirmed by the auditors of the Company and will be notified to the relevant holders thereof. A press announcement will be published by the Company relating to the above adjustments.

(ii) Qualifying Shareholders

The Company will send assured allotment letters for the Offer Shares to Qualifying Shareholders only.

To qualify for the Open Offer, Shareholders must at the close of business on the Record Date:

(a) be registered members of the Company; and

(b) have addresses in Hong Kong on the register of members of the Company.

The register of members of the Company will be closed from Wednesday, 10th April, 2002 to Monday, 15th April, 2002, both days inclusive. No transfer of Shares will be registered during this period.

In order to be registered as members on the Record Date, Shareholders must lodge any transfers of Shares (with the relevant share certificates) with the Registrars, Central Registration Hong Kong Limited, at 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by 4:00 p.m. on Tuesday, 9th April, 2002.

The offer to apply for the Offer Shares is not transferable or capable of renunciation and there will be no trading in nil-paid entitlement on the Stock Exchange.

(iii) Subscription Price

HK$0.195 per Offer Share, payable in full when a Qualifying Shareholder accepts any Offer Shares offered to him/her. The Subscription Price represents:

(a) a premium of approximately 17.5% over the closing price of HK0.166 per Share as quoted on the Stock Exchange on 18th January, 2002, (being the date of the Underwriting Agreement);

(b) a premium of approximately 8.0% over the theoretical ex-entitlement price of HK$0.1805 per Share based on the aforesaid closing price per Share;

(c) a premium of approximately 14.2% over the average closing price of the Shares for the 10 trading days ended on 18th January, 2002 of approximately HK$0.1708;

(d) a premium of approximately 12.1% over the closing price of HK$0.174 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and

(e) a discount of approximately 90.7% to the unaudited net asset value of approximately HK$2.0861 per Share as reported in the interim report of the Company for the six months ended 30th June, 2001.

The Subscription Price for the Offer Shares has been determined based on arm's length negotiations between the Company and the Underwriter with reference to prevailing market prices of the Shares and the underlying net asset value of the Company. The Subscription Price has been set at HK$0.195, which is approximately mid-way between the high/low trading range of the Shares of HK$0.232 to HK$0.166 over the last six months immediately before the date of the Underwriting Agreement. The average of the closing prices of the Shares during this period is HK$0.187. Although the Subscription Price is at a premium to the recent market price of the Shares, it is at a substantial discount of over 90% to the underlying net asset value per Share, being approximately HK$2.086 per Share as at 30th June, 2001. As the Shares have been thinly traded on the Stock Exchange, with monthly turnover recorded for the six months ended 31st December 2001 being less than 0.12% of the existing issued share capital of the Company, the market price may not adequately reflect the fair value of the Shares. As the Group is principally engaged in property investment and development business, the Directors consider reference to the underlying asset value of the Shares as well as to the market price is appropriate. Accordingly, the Directors consider that the terms of the Underwriting Agreement (including the Subscription Price) are fair and reasonable, taking into consideration that a lower subscription price will lead to a larger dilution to the underlying net asset value on a per Share basis.

(iv) Status of the Offer Shares

When fully paid and allotted, the Offer Shares will rank pari passu in all respects with the existing Shares. Holders of the Offer Shares will be entitled to receive all future dividends and distributions which are declared, made or paid on or after the date of allotment of the Offer Shares.

Subject to the granting of the listing of, and permission to deal in, the Offer Shares on the Stock Exchange, the Offer Shares will be accepted as eligible securities by Hongkong Clearing for deposit, clearance and settlement in CCASS with effect from the commencement of dealing in the Offer Shares on the Stock Exchange or such other date as determined by Hongkong Clearing. Settlement of transaction between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

(v) Share certificates

Subject to fulfillment of the conditions of the Open Offer, share certificates for all fully-paid Offer Shares are expected to be posted on or before Friday, 3rd May, 2002.

(vi) Rights of Excluded Shareholders

If at the close of business on the Record Date, a Shareholder's address on the Company's register of members is in a place outside Hong Kong, that Shareholder cannot take part in the Open Offer as documents to be issued in connection with the Open Offer will not be registered under the applicable securities legislation of any jurisdiction other than Hong Kong and Bermuda. The issue of Offer Shares to an Excluded Shareholder may contravene the applicable securities legislation of the place of residence of such Excluded Shareholder. Accordingly, the Excluded Shareholders will not be qualified for the Open Offer. The Company will send the Open Offer prospectus to the Excluded Shareholders for their information only. The Company will not send the assured allotment letters for Offer Shares to Excluded Shareholders.

(vii) Application for listing

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Offer Shares in their fully-paid form. Dealings in the Offer Shares will be subject to the payment of stamp duty in Hong Kong. No listing will be sought for the Offer Shares in their nil-paid form.

THE UNDERWRITING AGREEMENT

Underwriter :	HF Investment
Number of Offer Shares underwritten :	465,963,601 Offer Shares
Commission :	HK$1,817,258, being 2% on the aggregate Subscription Price of the number of Offer Shares underwritten by the Underwriter. The Directors believe that the underwriting commission accords with the market rate.

As at the date of the Underwriting Agreement, HFL and HF Investment, both beneficially wholly-owned by Hong Fok, were respectively interested in 277,601,392 Shares and 3,852,000 Shares, representing approximately 37.14% and 0.52% of the issued share capital of the Company. HFL and HF Investment have undertaken that they will subscribe for the respective 277,601,392 Offer Shares and 3,852,000 Offer Shares that will be allotted to them under the Open Offer. HF Investment agreed to underwrite the balance of 465,963,601 Offer Shares.

Under the prevailing weak market condition, the Company had not been able to secure any commercial underwriter without offering the Open Offer at unfavourable terms to the Company. As the Directors believe that setting the terms of the Open Offer at unfavourable rates would not be of benefit to the Company and the Shareholders and as Hong Fok is agreeable to act as the underwriter to support the Company, HF Investment has been appointed to underwrite the Open Offer.

(i) Application for the Waiver

The following table sets out the existing shareholding structure of the Company and the shareholding structure of the Company immediately upon completion of the Open Offer assuming different levels of subscription by the Independent Shareholders:

	Existing shareholding		**Shareholding upon completion of the Open Offer assuming subscription by Independent Shareholders of**					
			0%		**50%**		**100%**	
	Shares	*(%)*	*Shares*	*(%)*	*Shares*	*(%)*	*Shares*	*(%)*
Hong Fok and associates and concert parties	281,453,392	(37.7)	1,028,870,385	(68.8)	795,888,585	(53.2)	562,906,784	(37.7)
Barragan	142,656,283	(19.1)	142,656,283	(9.6)	213,984,424	(14.3)	285,312,566	(19.1)
Public	323,307,318	(43.2)	323,307,318	(21.6)	484,960,977	(32.5)	646,614,636	(43.2)
Total	747,416,993	(100.0)	1,494,833,986	(100.0)	1,494,833,986	(100.0)	1,494,833,986	(100.0)

If HF Investment is required to take up the Underwritten Shares in full, it and its associates and parties acting in concert with it will, prior to the placement arrangements referred to below, hold a maximum of approximately 68.8% of the issued share capital of the Company as enlarged by the Open Offer. Consequently, HF Investment and its associates and parties acting in concert with it (including Hong Fok and HFL) may exceed the 2% creeper limit allowed under the Code and trigger a general offer obligation for the Shares not owned by it or parties acting in concert with it under Rule 26 of the Code. Accordingly, an application has been made by HF Investment to the Executive for the Waiver pursuant to Note 1 to the Notes on Dispensations from Rule 26 of the Code. The Waiver, if granted by the Executive, will be subject to, among other things, the approval of the Independent Shareholders by way of a poll at the SGM. The Underwriting Agreement is conditional, among others, upon the Waiver being granted by the Executive and also approved by the Independent Shareholders. The Executive has indicated that, subject to the Independent Shareholders' approval by way of a poll of the Acquisition, the Open Offer and the Waiver at the SGM, it will waive any obligation of HF Investment and its associates and parties acting in concert with it to make a general offer which might arise as a result of HF Investment performing its obligation pursuant to the

Underwriting Agreement. The Executive has indicated that as the Acquisition Agreement and the Open Offer were entered into before the amendments of the Code became effective in February 2002, the old rule in respect of the creeper authorisation will apply, which states that the person or group of person who has obtained a whitewash waiver shall be precluded from acquiring additional shares for the 12 month period immediately following the acquisition of the voting rights, unless such further acquisition is authorised by way of a separate vote of independent shareholders. HF Investment has indicated that it has no intention to seek for the creeper authorisation from the Independent Shareholders. Pursuant to the Code, if the interest of HF Investment and its associates and parties acting in concert with it in the Company exceed 52% of the voting rights of the Company as a result of the Open Offer, they will be allowed to increase their holding in the Company without incurring any further obligation under Rule 26 of the Code to make a general offer. However, it is the intention of HF Investment to maintain its and its associates' interest in the Company to below 50% as detailed in the following paragraphs.

HF Investment and its associates and parties acting in concert with it (including Hong Fok and HFL) have confirmed that they have not dealt in any Shares during the six months prior to the date of the Underwriting Agreement and up to the Latest Practicable Date.

The Company is at present interested in approximately 20.2% of the issued share capital of Hong Fok. If HF Investment is required to subscribe for more than 184,510,209 Underwritten Shares and taken into account subscription in full of its and HFL's entitlement, HF Investment and its associates and parties acting in concert with it will hold more than 50% of the enlarged issued share capital of the Company after the completion of the Open Offer, and consequently the Company will become a subsidiary of Hong Fok. Under the Singapore Companies Act, a corporation cannot be a member of a company that is its holding company. HF Investment and HFL have therefore undertaken to the Company in the Underwriting Agreement that they will place out such number of Shares within 12 months (if the Company becomes a subsidiary of Hong Fok following completion of the Open Offer), so as to bring down the resultant aggregate shareholding of HF Investment, HFL and its subsidiaries to 50% or less of the enlarged issued share capital of the Company and then the Company will cease to be a subsidiary of Hong Fok. Under the Singapore Companies Act, if the Company becomes a subsidiary of Hong Fok, it shall have no right to vote at meetings of Hong Fok. HF Investment and HFL have further undertaken in the Underwriting Agreement that should HF Investment be required to subscribe for any Underwritten Shares pursuant to the Underwriting Agreement and, as a result, the public shareholding of the Company falls to below 25% after the closing of the Open Offer, they will place out such number of Shares to independent third parties so as to enable the Company to comply with the Listing Rules. The Stock Exchange has stated that if less than 25% of the issued Shares are in public hands following the closing of the Open Offer, or if the Stock Exchange believes that a false market exists or may exist in the trading of the Shares or that there are insufficient Shares in public hands to maintain an orderly market, it will consider exercising its discretion to suspend dealings in the Shares.

(ii) Termination of the Underwriting Agreement

Shareholders should note that the Underwriting Agreement contains provisions granting the Underwriter the rights, which may be exercised at any time prior to the latest time for acceptance of assured allotments (which is currently expected to be on Monday, 29th April, 2002), to terminate its obligations thereunder on the occurrence of certain events, including force majeure, or where there is any material breach of any of the warranties or undertakings by the Company contained in the Underwriting Agreement or any event occurring or matter arising prior to the latest time for acceptance under the Open Offer which would have rendered any of the warranties by the Company untrue or incorrect in any material respect. For this purpose, force majeure refers to:

(a) the introduction of any new regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the reasonable opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole; or

(b) the occurrence of any local, national or international event or change, whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date hereof, of a political, military, financial, economic or other nature (whether or not ejusdem generis with any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the reasonable opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole; or

(c) any material adverse change in the business or in the financial or trading position of the Group as a whole; or

(d) any material adverse change in market conditions (including, without limitation, a change in fiscal or monetary policy or foreign exchange or currency markets, suspension or restriction of trading in securities) occurs which in the reasonable opinion of the Underwriter makes it inexpedient or inadvisable to proceed with the Open Offer.

If the Underwriter exercises such right to terminate its obligation under the Underwriting Agreement, the Open Offer will not proceed.

It should be noted that the Shares will be dealt in on an ex-entitlements basis as from Monday, 8th April, 2002, and that dealings in such Shares will take place whilst the conditions to which the Open Offer is subject remain unfulfilled. Any Shareholder or

other person dealings in the Shares up to the date on which all conditions to which the Open Offer is subject are fulfilled (which is expected to be on Monday, 29th April, 2002), will accordingly bear the risk that the Open Offer may not become unconditional or may not proceed. Any Shareholder or other person contemplating selling or purchasing Shares during such period who is in any doubt about his or her position is advised to consult his or her professional adviser.

(iii) Reasons for the Open Offer and use of proceeds

The net proceeds of the Open Offer of approximately HK$142 million is intended to be applied as to approximately HK$71.3 million for the settlement of the consideration payable under the Acquisition Agreement, and the remaining balance of approximately HK$70.7 million for the repayment of part of the bank loans owed by Super Homes. The Directors believe that the Open Offer is in the interests of the Group and the Shareholders given that the Open Offer will increase the capital base of the Group which will be used to expand the Group's property investment operations.

Hong Fok and its associates and concert parties have been holding controlling interest in the Company. Hong Fok has indicated that it has no intention to change the existing business or management of the Company or the continued employment of the employees of the Group or to redeploy any of the Group's fixed assets, in the event that its and its concert parties' interests in the Company increase as a result of taking up additional Shares pursuant to HF Investment's underwriting obligation.

(iv) Conditions of the Underwriting Agreement

The Underwriting Agreement is conditional, among other things, on the following conditions being fulfilled:

(a) the Independent Shareholders approving by way of a poll the Open Offer, the Waiver and the Acquisition Agreement at the SGM;

(b) the Listing Committee of the Stock Exchange granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked listing of, and permission to deal in, the Offer Shares in their fully paid form by no later than the latest time for acceptance;

(c) if required, the Bermuda Monetary Authority granting consent to the issue of the Offer Shares on or prior to the prospectus posting date;

(d) compliance with and performance of all the undertakings and obligations of the Company as specified in the Underwriting Agreement;

(e) the obligations of the Underwriter under the Underwriting Agreement not being terminated by the Underwriter in accordance with its terms;

(f) the Acquisition Agreement having become unconditional in all respects (except in respect of any condition requiring the Underwriting Agreement to become unconditional);

(g) the filing of the prospectus documents with the Registrar of Companies in Hong Kong and Bermuda;

(h) if required, the approval of the shareholders of Hong Fok of the Acquisition Agreement and the Underwriting Agreement at a general meeting;

(i) the Waiver having been obtained from the SFC and not having been revoked;

(j) the Open Offer having become unconditional in all respects;

(k) the Open Offer not being prohibited or restricted by any statute, order, directive, rule, regulation, guideline or request promulgated or issued by any legislative, executive or regulatory body or authority of Hong Kong or Singapore; and

(l) all relevant regulatory approvals and third party consents required to be obtained by the Underwriter and the Company in respect of the transactions contemplated in the Underwriting Agreement having been obtained.

As at the Latest Practicable Date, all of the above conditions are yet to be fulfilled. If the above conditions are not satisfied and/or waived in whole or in part by the Underwriter by 4:00 p.m. on 2nd July, 2002 (as extended from 2nd April, 2002 to 2nd July, 2002 pursuant to a letter agreement entered into between the Company and HF Investment) or such later date or dates as the Underwriter may agree with the Company in writing, the Open Offer will terminate and no party will have any claim against the other (save for any rights or obligations which may accrue under the Underwriting Agreement prior to such termination). The Underwriter has indicated that it will not waive condition (i) as stated above.

(v) Underwriting obligation and set-off arrangement

The Underwriter's obligations shall terminate if there is full subscription of the Offer Shares in accordance with the terms of the prospectus documents by the latest time for acceptance of the Offer Shares. If there is any short fall in the subscription, the Underwriter will have to subscribe or procure subscription of the unsubscribed Offer Shares and pay the relevant subscription monies, less the relevant underwriting commission, (the "Underwriting Payment") to the Company by no later than 4:00 p.m. on the next business day following the latest time for acceptance and which will be on the same day as the date of completion under the Acquisition Agreement. The Company and the Underwriter have agreed to a set-off arrangement whereby the Underwriter shall set-off against the Underwriting Payment of the consideration receivable by it under the Acquisition Agreement. Any amount of the Underwriting Payment in excess of the said acquisition consideration shall be payable by the Underwriter by the time mentioned above.

BUSINESS OVERVIEW AND FUTURE PROSPECTS OF THE GROUP

Business review

During the year 2001, the Group continued to engage in property related businesses and provision of horticultural services. The Group's income was derived principally from (i) selling of residential units in North Point, (ii) rental income and (iii) provision of horticultural services. In the first six months of 2001, the Group disposed of certain of the residential units in North Point to independent third parties for approximately HK$24.4 million. In the second half of 2001, the Group continued to actively market the sale of the remaining residential units. The occupancy level of the Group's rental properties remained satisfactory and rental rates remained stable. The Group does not have any property project under development at present. On the other hand, the Group's horticultural business and property management business, though running on a small scale, remains profitable and stable.

Due to the cutting of the interest rates during the year 2001, the Company enjoyed lower finance costs for the year ended 31st December 2001. The Company has been carefully monitoring the loan portfolio of the Group with the aim of minimizing finance cost of the Group.

Liquidity and financial resources

All the Group's funding and treasury activities are centrally managed and controlled at the corporate level. There is no significant change in respect of treasury and financing policies from the information disclosed in the Group's annual report for the year ended 31st December, 2000. Majority of the Group's borrowings are denominated in Hong Kong dollars and the Group has no significant exposure to foreign exchange rate fluctuations.

The Group has substantial committed undrawn credit facilities from its bankers, providing the Group with strong financing flexibility and liquidity to meet its funding needs and working capital requirements.

The majority of the Group's borrowings will mature in 2006. As at 31st December, 2001, the Group had outstanding secured bank loans of approximately HK$480.5 million.

Future prospects

With 100% of the Group's borrowings in the form of floating-rate debt, the Directors expect that decline in global interest rate will lead to savings in the Group's interest expense.

The Group will continue to look for any potential investment opportunities to broaden its earning base.

ADOPTION OF THE NEW SHARE OPTION SCHEME

The Directors note the amendments made by the Stock Exchange to Chapter 17 (share option schemes) of the Listing Rules which came into effect on 1st September, 2001. The Directors propose that the Existing Share Option Scheme be replaced by the New Share Option Scheme which will comply with the requirements of the new Chapter 17 of the Listing Rules. The adoption of the New Share Option Scheme is conditional upon:

(i) the passing by the Shareholders at the SGM of an ordinary resolution approving the termination of the Existing Share Option Scheme and the adoption of the New Share Option Scheme; and

(ii) the Listing Committee of the Stock Exchange granting approval for the New Share Option Scheme and the granting of any options thereunder, and the listing of, and permission to deal in, the new shares or any part thereof to be issued and allotted upon exercise of the options.

A summary of the principal terms of the New Share Option Scheme is set out in Appendix IV to this circular.

Under the Existing Share Option Scheme and on the basis of the issued share capital of the Company as at the Latest Practicable Date, the Company may grant Options to subscribe for up to 72,591,699 Shares to eligible persons prescribed under the Existing Share Option Scheme, representing 10% of the issued share capital of the Company without taking into account any Shares issued and allotted pursuant to the exercise of options granted under the Existing Share Option Scheme. As at the Latest Practicable Date, the Company had granted Options to subscribe for a total of 127,500,000 Shares under the Existing Share Option Scheme. Of the Options granted, Options to subscribe for 21,500,000 Shares had been exercised and Options to subscribe for 60,000,000 Shares remained outstanding. 2,000,000 Options have been cancelled and, 44,000,000 Options have lapsed. The Directors have confirmed that prior to the SGM, they will not grant any further Option under the Existing Share Option Scheme. There is no other share option scheme of the Company besides the Existing Share Option Scheme.

The purpose of the New Share Option Scheme is to provide incentives or rewards to the Eligible Persons for their contribution to, and continuing efforts to promote the interests of, the Group and to enable the Group to recruit and/or to retain high-calibre employees and attract human resources that are valuable to the Group. The Directors consider that it is in line with modern commercial practice that appropriate Eligible Persons who have contributed to the development and growth of the Group should be given incentives in the form of options to subscribe for shares of the Company. Subject to the New Share Option Scheme becoming effective, the Directors will grant options under the New Share Option Scheme in accordance with such objectives.

The New Share Option Scheme permits option holders to exercise the options at any time after the grant of the options, thus providing them with an opportunity to participate in the growth of the Group and an incentive to contribute further to the success of the Group both in the near future and in the long run. Apart from the discretion to determine the exercise price, the Directors will have an absolute discretion to impose performance targets on the option holders before any option can be exercised taking into account the objectives of the New Share Option Scheme.

The Directors consider that it is not appropriate to state the value of all options that can be granted pursuant to the New Share Option Scheme as if they had been granted on the Latest Practicable Date as a number of variables which are crucial for the calculation of the option value have not been determined. Such variables include but are not limited to the exercise price, exercise period and lock up period (if any). The Directors believe that any calculation of the value of the options as at Latest Practicable Date based on a number of speculative assumptions would not be meaningful and would be misleading to Shareholders.

Application will be made to the Stock Exchange for approval of the New Share Option Scheme and the subsequent granting of options thereunder and for listing of, and permission to deal in, the new Shares that may be issued pursuant to the exercise of the options granted under the New Share Option Scheme.

A copy of the New Share Option Scheme in its draft form will be available for inspection at Iu, Lai & Li at 20th Floor, Gloucester Tower, the Landmark, Central, Hong Kong during normal business hours from 25th March, 2002 up to and including 15th April, 2002.

Upon adoption of the New Share Option Scheme, no further Options can be granted under the Existing Share Option Scheme. Save for this, in all other respects the provisions of the Existing Share Option Scheme shall remain in full force and effect and the outstanding Options previously granted under the Existing Share Option Scheme shall remain valid and exercisable in accordance with the provisions of the Existing Share Option Scheme.

In accordance with the requirements of the Listing Rules, the Company will publish in the newspaper an announcement on the outcome of the SGM relating to the adoption of the New Share Option Scheme on the business day following the date of the SGM.

GENERAL MANDATES

The Directors have also decided to take the opportunity afforded by the necessity of convening a meeting of Shareholders to propose resolutions to renew the General Mandates to issue Shares not exceeding 20% of the enlarged issued share capital of the Company (upon completion of the Open Offer) and to repurchase Shares not exceeding 10% of the enlarged issued share capital of the Company (upon completion of the Open Offer). A further ordinary resolution will be proposed to extend the New Issue Mandate by adding to it the number of Shares repurchased under the Repurchase Mandate after the granting of the above General Mandates. Such resolutions are conditional on the passing of the resolution approving the Open Offer.

The reason for seeking renewal of the General Mandates is to ensure that the Shares issued pursuant to the Open Offer are used in calculating the number of Shares which are permitted to be issued or repurchased by the Company under such mandates. The Directors believe that it will be in the interests of the Company and the Shareholders if the General Mandates were renewed at the SGM. Currently, the Directors have no immediate plans to repurchase or issue any new Shares other than the proposed issue of the Offer Shares. An explanatory statement to provide Shareholders with all the information reasonably necessary to enable them to make an informed decision on whether to vote for or against the resolution concerning the Repurchase Mandate is set out in Appendix V to this circular.

SGM

Set out on pages 187 to 191 of this circular is a notice convening the SGM which will be held at 10:00 a.m. on 15th, April, 2002 at Room 801, 9 Queen's Road Central, Hong Kong, at which resolutions will be proposed to approve the Acquisition, the Open Offer, the Waiver, the adoption of the New Share Option Scheme in place of the Existing Share Option Scheme and the General Mandates.

There is a form of proxy for use at the SGM accompanying this circular. Whether or not Shareholders intend to attend the meeting, they are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it as soon as possible to the Company's Hong Kong branch share registrars, Central Registration Hong Kong Limited at 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, and in any event not later than 48 hours before the time appointed for the holding of the SGM. Delivery of a form of proxy will not preclude Shareholders from attending and voting in person at the meeting or any adjourned meeting should they so desire.

RECOMMENDATIONS

Your attention is drawn to the letter from the Independent Board Committee set out on page 26 of this circular and the text of a letter from Chateron and WorldVest set out on pages 27 to 63 of this circular containing their opinion and the principal factors and reasons they have taken into account in arriving at their opinion as regards the Acquisition, the Open Offer and the Waiver.

The Independent Board Committee, after taking into account the opinion of Chateron and WorldVest, considers that the Acquisition, the Open Offer and the Waiver are fair and reasonable so far as the Independent Shareholders are concerned and accordingly recommends the Independent Shareholders to vote in favour of ordinary resolutions numbered 1 to 3 to be proposed at the SGM to approve the Acquisition, the Open Offer and the Waiver.

The Directors are of the opinion that the adoption of the New Share Option Scheme and the grant of the General Mandates are in the interests of the Company. Accordingly, the Directors recommend the Shareholders to vote in favour of the ordinary resolutions numbered 4 to 7 to approve the adoption of the New Share Option Scheme in place of the Existing Share Option Scheme and the General Mandate.

FURTHER INFORMATION

Your attention is drawn to the information contained in the Appendices to this circular.

Yours faithfully,
For and on behalf of the Board
Cheong Pin Chuan, Patrick
Chairman

WINFOONG INTERNATIONAL LIMITED
（榮 豐 國 際 有 限 公 司）*
(Incorporated in Bermuda with limited liability)

25th March, 2002

To the Independent Shareholders

Dear Sir or Madam,

As a member of the Independent Board Committee, I have been appointed to advise you in connection with the Acquisition, the Open Offer and the Waiver, details of which are set out in the letter from the Board contained in the circular to the Shareholders dated 25th March, 2002 (the "Circular"), of which this letter forms part. Terms defined in the Circular shall have the same meanings when used herein unless the context otherwise requires.

Having considered the terms of the Acquisition, the Open Offer and the Waiver and the advice of Chateron and WorldVest in relation thereto as set out on pages 27 to 63 of the Circular, I am of the opinion that the terms of the Acquisition, the Open Offer and the grant of the Waiver are fair and reasonable so far as the Independent Shareholders are concerned. I therefore recommend that you vote in favour of ordinary resolutions numbered 1 to 3 to be proposed at the SGM to approve the Acquisition, the Open Offer and the Waiver.

Yours faithfully,
The Independent Board Committee
Kan Fook Yee
Director

* *For identification purpose only*

The following is the text of a letter from Chateron and WorldVest in connection with the Acquisition, the Open Offer and the Waiver, which has been prepared for the purpose of inclusion in this circular.

CHATERON
CORPORATE FINANCE LIMITED
2201-3, 22ND FLOOR, WORLDWIDE HOUSE,
19 DES VOEUX ROAD CENTRAL, HONG KONG
TEL: (852) 2868 2828 FAX: (852) 2868 0390

WorldVest Capital Limited
Suite 3506, Gloucester Tower
The Landmark
11 Pedder Street, Central
Hong Kong
Telephone : (852) 2869 0777
Facsimile : (852) 2869 1777

25th March, 2002

The Independent Board Committee
Winfoong International Limited
Room 801
9 Queen's Road Central
Hong Kong

Dear Sirs,

**PROPOSED ACQUISITION OF PROPERTY INTEREST,
OPEN OFFER AND
APPLICATION FOR WHITEWASH WAIVER**

INTRODUCTION

We refer to the announcement (the "Announcement") of the Company dated 21st January, 2002 with respect to, inter alia, the proposed connected transactions involving the Acquisition, the Open Offer and the Waiver. Capitalised terms used in this letter shall have the same meanings ascribed to them in the circular dated 25th March, 2002 (the "Circular") of which this letter forms part unless the context otherwise requires.

We, Chateron and WorldVest, have been appointed by the Company as Joint Independent Financial Advisers to advise the Independent Board Committee in relation to the Acquisition, the Open Offer and the Waiver. This letter contains our advice to the Independent Board Committee as to whether or not the terms and conditions of the Acquisition and the Open Offer are fair and reasonable so far as the Independent Shareholders are concerned, and whether or not it would be fair and reasonable for and in the interests of the Independent Shareholders to approve the Waiver.

Details of the Acquisition, the Open Offer and the Waiver are referred to in the letter from the Board as set out on pages 7 to 25 of the Circular. HF Investment and its wholly-owned subsidiary, HFL, are together interested in approximately 37.7% of the Company's existing issued share capital. The Acquisition therefore constitutes a connected transaction of the Company under the Listing Rules and is subject to the approval of the Independent

Shareholders at the SGM. As the Open Offer would increase the Company's issued share capital by more than 50%, under Rule 7.24(5) of the Listing Rules, the Open Offer will also be conditional on the approval by the Independent Shareholders at the SGM. The Independent Board Committee, comprising Mr. Kan Fook Yee, being an independent non-executive Director, has been established to advise the Independent Shareholders on the Acquisition, the Open Offer and the Waiver. In evaluating the eligibility of Mr. Kan Fook Yee in constituting the Independent Board Committee in advising the Independent Shareholders in relation to the Acquisition, the Open Offer and the Waiver, we have considered the followings:–

(i) as at the Latest Practicable Date, each of Mr. Cheong Pin Chuan, Patrick, Mr. Cheong Kim Pong, Mr. Cheong Pin Seng and Mr. Cheong Sim Eng, all being the executive Directors, is also a director of Hong Fok, HFL and HF Investment and, as at the Latest Practicable Date, each of them held share options to subscribe for up to 15,000,000 Shares at HK$0.268 per Share during the period from 3rd January, 2000 to 10th July, 2004. As each of Mr. Cheong Pin Chuan, Patrick, Mr. Cheong Kim Pong, Mr. Cheong Pin Seng and Mr. Cheong Sim Eng has an equity-related interest in the Company and is also a director of Hong Fok, HFL and HF Investment, being parties to the Open Offer and the Waiver and with HF Investment being a party to the Acquisition, we consider that none of them is eligible for appointment as a member of the Independent Board Committee;

(ii) as at the Latest Practicable Date, Madam Lim Ghee ("Madam Lim"), an non-executive Director, is also a director of Hong Fok and WF Investment and is the mother of each of Mr. Cheong Pin Chuan, Patrick, Mr. Cheong Kim Pong, Mr. Cheong Pin Seng and Mr. Cheong Sim Eng, all being the executive Directors. In view of Madam Lim's capacity as a director of WF Investment (being a party to the Acquisition) and Hong Fok (being a party to the Open Offer and the Waiver through its wholly-owned subsidiaries, HFL and HF Investment) and her parental relationship with each of the executive Directors, we consider Madam Lim is not eligible for appointment as a member of the Independent Board Committee; and

(iii) Mr. Kan Fook Yee ("Mr. Kan"), an independent non-executive Director, had declared that he did not have any conflict of interest in the transactions contemplated under any of the Acquisition, the Open Offer and the Waiver up to and including the Latest Practicable Date. Mr. Kan also declared that during the two years prior to the Latest Practicable Date, he had not been an employee or agent of or a consultant or adviser to, and did not have any financial or other connections with, any of Hong Fok, HFL, HF Investment or any of their respective controlling or substantial shareholders or with the Company or any of its controlling or substantial shareholders, or with any of their respective concert parties. Furthermore, Mr. Kan did not directly or indirectly hold any shares, options, warrants or other equity-related interests in any of Hong Fok, HFL, HF Investment or in any company controlled by any of them or in any substantial shareholder of the Company. Therefore, we consider Mr. Kan to be eligible as a member of the Independent Board Committee.

Mr. Lai Hing Chiu, Dominic, the other independent non-executive Director, is a senior partner of Messrs. Iu, Lai & Li, which firm provides legal advice and services to the Company in respect of the Acquisition, the Open Offer and the Waiver and provided legal advice and services to the Company in other transactions entered into by the Group during the two years prior to the Latest Practicable Date. Despite the fact that during the two years prior to the Latest Practicable Date, Mr. Lai had not been an employee of or an agent, consultant or adviser to, and did not have any financial or other connections with any of Hong Fok, HFL, HF Investment or any of its controlling or substantial shareholders, or with any of their respective concert parties, and that Mr. Lai did not directly or indirectly hold any shares, options, warrants or other equity-related interests in any of Hong Fok, HFL or HF Investment or in any company controlled by any of them or in any substantial shareholder of the Company, it is considered that there might exist a potential conflict of interest issue if Mr. Lai were to be appointed as a member of the Independent Board Committee and as such Mr. Lai had declined the Company's appointment in taking up this role.

Application has been made by the Company to the Executive for the Waiver pursuant to Note 1 on dispensations from Rule 26 of the Code. The Executive will consider granting the Waiver if there is a vote by way of a poll by the Independent Shareholders at the SGM.

In formulating our opinion and recommendation, we have relied on the accuracy of the information and representations contained in the Circular (other than those relating to HF Investment and its associates and concert parties) for which the Directors are solely responsible and which the Directors consider to be complete and relevant. We have assumed that all statements, information and representations made or referred to in the Circular were true and correct in all respects at the time they were made and continued to be true and correct in all respects as at the date of despatch of the Circular. We have also assumed that all statements of belief, opinion and intention made by the Directors in the Circular are reasonably made after due and careful enquiry and are based on honestly held opinions. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and we have been advised by the Directors that no material facts have been omitted from the information and representations provided in and referred to in the Circular. We consider that we have received sufficient information to enable us to reach an informed view and to justify our reliance on the accuracy of the information and representations contained in the Circular and to provide a reasonable basis for our recommendation. We have no reason to doubt that any material information has been withheld by the Company. We have not, however, conducted any independent verification of the information provided to us by the Directors, nor have we conducted any independent in-depth investigation into the business and affairs of the Group.

In formulating our opinion and recommendation, we have not considered the taxation implication on any Shareholder in relation to the approval of any of the Acquisition, the Open Offer or the Waiver by the Independent Shareholders, since these are particular to their individual circumstances. We emphasize that we will not accept responsibility for any tax effects on, or liabilities of, any persons resulting from their participation or non-participation in the Open Offer, holding or disposal of Shares in relation to the Open Offer or otherwise. Any Shareholder who is in any doubt about his/her own tax position should consult his/her own tax or professional adviser(s).

GENERAL

The proposed transactions, which comprise the Acquisition, the Open Offer and the Waiver, are inter-conditional and inter-related. The Acquisition will be financed entirely by part of the proceeds from the Open Offer which is fully underwritten by HF Investment. If the grant of the Waiver is not obtained from the Executive (in relation to which HF Investment has indicated that it will not waive the condition with respect to the obtaining of the Waiver from the Executive), then the Open Offer shall not be proceeded with and therefore the Acquisition will not take place. The substance and effects of the proposed transactions should therefore be evaluated in their totality, whilst we have also evaluated and analysed the merits of each of the Acquisition, the Open Offer and the Waiver on an individual basis as referred to below.

THE ACQUISITION

Principal factors and reasons considered

In arriving at our recommendation to the Independent Board Committee in relation to the Acquisition, we have considered the following principal factors and reasons:

1. Reasons for the Acquisition

(a) Principal business activities of the Group

The Group is principally engaged in property investment and management, property construction and development and the provision of horticultural services. Based on the audited financial statements of the Group as at 31st December, 2000 (being the latest accounting reference date to which the Group's audited accounts were published), the net book value of the investment properties held by the Group amounted to approximately HK$1,103 million, representing about 80% of the net book value of the Group's entire residential property portfolio as at 31st December, 2000. As indicated in the Company's annual report and accounts for the year ended 31st December, 2000 and the Company's interim report for the six months ended 30th June, 2001, the Group has indicated that it would look for suitable potential investment opportunities to broaden its earnings base. We consider that the Acquisition will enable the Group to enlarge its property portfolio and to immediately broaden its revenue generating capability and, in our view, the Acquisition accords with the core business and strategies of the Group.

(b) The Property

Based on the property valuation report from FPDSavills as set out in Appendix I to the Circular, an independent professional property valuer, the Property is the entire 12-storey apartment building block erected over a 4-storey carpark/lobby/recreational podium located at Conduit Road, Mid-levels, on the Hong Kong Island. The Property comprises 36 apartments with a total gross floor area of approximately 37,804.08 sq.ft., 34 car-parking spaces and 5 motor cycle parking spaces. The Lot is held under a Government Lease for a term of 999 years commencing on 25th June, 1861. The Government rent for the Lot is HK$28 per annum.

The Property was completed in about 1972. We were informed by the Directors that the whole building (exterior and interior) of the Property was fully refurbished and the lobby, lift services and recreational facilities were also modernised in September 2000. We have further discussed with FPDSavills and we were informed that the purchase of an en-block building such as the Property at the highly developed mid-level area on the Hong Kong Island (which offers limited new property development sites due to its landscape) is considered a scarcity, and that no en-block investment properties of similar age, building structure, usage and location can be offered for market comparison purposes as at the date of valuation by FPDSavills. We were also given to understand from the Directors that, based on management's past experience, the location of the Property, the market demand for modernised apartments and facilities, and the en-block control by a single owner would add value to and would appeal to the more affluent leasing clientele which would generally result in higher rental rates. As informed by the Directors, the occupancy rate of the Property was approximately 78% as at 31st December, 2001 and approximately 72% as at the Latest Practicable Date, respectively. We consider that the vacant flats are attributable to the short term lease nature of the tenancy of the Property in respect of which the previous tenancies have expired and the new tenancies are yet to commence, as well as the normal turnover for rental properties. Please also refer to our discussion in relation to the rental income per sq.ft. set out below and in the sub-paragraph headed "Rental yield of the Property" below.

We have enquired with FPDSavills and we were informed that, based on their analysis over a period from July 2001 to February 2002 of comparable residential rental apartment units located at Conduit Road, Mid-Levels, area for the purpose of market comparison of the rentals of the Property, the monthly rentals (before deduction of rates and management fees) of seven residential rental apartment units located at the Conduit Road, Mid-Levels area ranges from HK$17.45 per sq.ft. to HK$27.49 per sq.ft., with a weighted average monthly rental of HK$23.62 per sq.ft. (being calculated on the basis of the underlying market values of these apartment units). As referred to in Appendix II to the Circular, the total gross rental revenue (also before deduction of rates and management fees) recorded by Super Homes for the year ended 31st December, 2001 amounted to approximately HK$13.3 million and based on an aggregate gross floor area of the Property of approximately 37,804 sq.ft., we estimate that the average monthly rental generated by the Property was approximately HK$29.3 per sq.ft. during the year ended 31st December, 2001 which compares favourably with the market statistics as referred to above, taking into account the scarcity of en-block properties in Mid-levels in Hong Kong which are of a similar building structure, age and condition as the Property, full refurbishment of the Property in September 2000 and more affluent leasing clientele of the Property as discussed above. Given the completion of the full refurbishment of the Property in September 2000 and the Group's management expertise in the rental property market sector in Hong Kong, we are of the view that the Property is an income-generating property that can immediately contribute investment income to the Group, as referred to in the sub-paragraph headed "Financial results" of the paragraph headed "Financial effects of the Acquisition" below.

(c) Rental yield of the Property

We noted that following the weakening of the Hong Kong economy since the Asian financial turmoil in 1997 and the outbreak of the "September 11" incident in 2001, there has been a continuing lack of consumer confidence in Hong Kong (as demonstrated by the Government's announced Consumer Confidence Index which recorded the lowest level since 1997) which dampens general interests in home ownerships. This suggests that rental properties, which does not involve capital investment requirement by users, may become an attractive alternative as they often offer a higher degree of flexibility than home ownership.

We were informed by the Directors that, in view of their evaluation of the future outlook of the rental property market in Hong Kong, the Group intends to own the Property as a long-term investment. Based on the audited financial statements of Super Homes (the principal asset of which is the Property) for the year ended 31st December, 2001 as referred to in Appendix II to the Circular, Super Homes recorded turnover (represented by the Property's rental income before management fees, rates and other expenses and interest charges) of approximately HK$13.3 million for the year then ended. Based on FPDSavills' valuation of the Property of HK$243 million as at 31st December, 2001, the gross rental yield generated by the Property for the year ended 31st December, 2001 is approximately 5.47%.

Based on the tenancy leases existing as at 31st December, 2001 and the Latest Practicable Date, the total gross monthly rental income derived from the Property was approximately HK$1,051,584 and approximately HK$976,000, respectively. Taking into account the market value of the Property of HK$243 million as at 31st December, 2001, the gross rental yield of the Property would be approximately 5.2% and approximately 4.8%, respectively. However, we consider that such rental yields reflect a seasonal factor of the tenancy of the Property at a particular point in time.

As the gross rental yield of approximately 5.47% as referred to above is calculated based on the total gross rental income of Super Homes for the whole year of 2001 as divided by the valuation of the Property of approximately HK$243 million, we would consider such gross rental yield of approximately 5.47% to be a better and more reflective indication of the yield performance of the Property for the whole year of 2001.

Based on a similar yield analysis provided by FPDSavills on the seven residential rental apartment units as referred to in the sub-paragraph headed "The Property" above located at Conduit Road on which the Property is situated, the gross rental yield (i.e. annual gross rental income (before deduction of rates and management fees) expressed as a percentage of the market value of the property concerned) generated by such investment properties in the Conduit Road area ranges from approximately 4.7% to 5.7% per annum. Therefore, we consider that the gross rental yield generated by the Property in 2001 to be on the high end of the abovementioned range. In this regard, we are of the view that the full refurbishment of the Property in September 2000 is a key contributing factor which accounts for a higher than market average rental yield. As we were informed by the Directors that the occupancy rate of the Property was approximately 78% as at 31st December, 2001 and approximately 72% as at the Latest Practicable Date, if the occupancy rate for the Property should increase and based on our understanding from the Directors that Super Homes is able to maintain the competitive advantages of relatively low maintenance and operating costs resulting from the full refurbishment of the Property, we consider there would be further potential for a possible uplift in the rental yield, after deduction of rates, management fees and operating expenses, to be generated by the Property. Based on the market value of the Property of HK$243 million as at 31st December, 2001 and the total gross floor area of the Property of approximately 37,804 sq.ft., the average valuation per square foot of the Property would be approximately HK$6,500. Independent Shareholders should note that, despite the scarcity of en-block properties in the Mid-levels area which are of similar building structure, age and condition as the Property as referred to in the paragraph headed "The Property" above, there may or may not be a potential capital appreciation in the value of the Property. However, in considering the yield factor, we have not taken into account any possible capital appreciation in the value of the Property, as we consider that it is not the primary intention of the Group to acquire the Property with an expectation of capital gain through the Acquisition.

2. Principal terms of the Acquisition Agreement

(a) Basis for the determination of the consideration payable for the Acquisition

As mentioned in the letter from the Board set out on pages 7 to 25 of the Circular, the consideration payable by the Company for the Acquisition is determined based on the audited net asset value of Super Homes as at 31st December, 2001, taking into account the market value of the Property of HK$243 million as at 31st December, 2001 as independently valued by FPDSavills and the face value of Super Homes' outstanding shareholder's loan as at completion of the Acquisition Agreement which will be re-assigned to WF Investment, a wholly-owned subsidiary of the Company, as the purchaser. Based on the audited accounts of Super Homes as at 31st December, 2001, Super Homes recorded a net deficit of approximately HK$86.5 million (taking into account the aforesaid valuation of the Property) and outstanding shareholder's loan of approximately HK$157.8 million. On the above basis, the consideration payable by WF Investment to HF Investment upon the completion of the Acquisition Agreement will be at approximately HK$71.3 million.

Based on the foregoing, we are of the view that the consideration payable for the Acquisition is determined based on arm's length negotiation between HF Investment as the vendor and WF Investment as the purchaser, taking into account (i) the audited net deficit of Super Homes as at 31st December, 2001; (ii) the market value of the Property as at 31st December, 2001 as independently valued by FPDSavills; and (iii) the face value of the outstanding shareholder's loan as at the completion of the Acquisition Agreement. We noted that there is no goodwill or any intangible assets as reflected in the audited accounts of Super Homes as at 31st December, 2001. We therefore consider that the consideration payable for the Acquisition reflects, on a dollar-for-dollar basis, the fair market value of the net tangible assets of Super Homes and the face value of Super Homes' outstanding shareholder's loan being re-assigned to the Group under the Acquisition. Therefore, we concur with the Directors' view that the consideration payable for the Acquisition has been determined on a fair and reasonable basis.

(b) Payment terms

Pursuant to the Acquisition Agreement, the consideration of approximately HK$71.3 million payable by WF Investment to HF Investment will be satisfied in cash. The payment will be financed entirely by part of the proceeds from the Open Offer. As referred to in the letter from the Board as set out on pages 7 to 25 of the Circular, arrangement has been made in the Acquisition Agreement for the settlement of such consideration by way of a set-off arrangement. As the Acquisition and the Open Offer are inter-conditional, the Acquisition will not proceed without the Open Offer becoming unconditional. As the consideration of the Acquisition of approximately HK$71.3 million represents approximately 8.4 times the Group's cash balances of approximately HK$8.5 million as at 30th June, 2001 and approximately 0.8 times the Company's unaudited consolidated net tangible current assets of approximately HK$94.0 million as at 30th June, 2001, we are of the view that financing of the Acquisition by the Open Offer has the benefit of preserving the existing cash resources of the Group. Therefore, we consider that the payment of the consideration for the Acquisition, which will be financed by the proceeds of the Open Offer, will not have any material adverse impact on the Group's working capital.

(c) Connected transaction

HF Investment is wholly-owned by Hong Fok. HF Investment and its wholly-owned subsidiary, HFL, are together interested in approximately 37.7% of the Company's existing issued share capital. The Acquisition therefore constitutes a connected transaction of the Company under the Listing Rules and is subject to the approval of Independent Shareholders at the SGM. The Company, on the other hand, is beneficially interested in approximately 20.2% of Hong Fok.

3. Financial effects of the Acquisition

(a) Net asset value

As refer to the Appendix III to this Circular, the pro forma adjusted unaudited consolidated net tangible asset value and the pro forma adjusted unaudited consolidated net tangible asset per Share of the Company (i) immediately after the completion of the Open Offer but before the completion of the Acquisition are approximately HK$1,515.6 million and approximately HK$1.014 per Share, respectively ; and (ii) immediately after the completion of the Open Offer and the Acquisition also remain to be approximately HK$1,515.6 million and approximately HK$1.014 per Share, respectively. Therefore, the total net asset value of the Group as well as the net asset value per Share of the Company will not be affected as a result solely of the Acquisition.

(b) Financial results

For reference purpose only, the Company's audited consolidated net loss attributable to the Shareholders for the year ended 31st December, 2000 was approximately HK$151.6 million, representing a loss per Share of approximately HK$0.221 based on a weighted average number of 687,224,026 Shares in issue as at 31st December, 2000.

On the assumption that **the consideration payable for the Acquisition would be satisfied entirely by part of the proceeds from the Open Offer, and without taking into account the interest expenses in relation to the HK$33 million bank loan which is intended to be drawn down by Super Homes as referred to in the letter from the Board as set out on pages 7 to 25 of the Circular**, the pro forma net loss for the Group would be as follows:

Pro forma adjusted net profit of Super Homes

		HK$'000
Audited net loss of Super Homes for the year ended 31st December, 2001		(4,633)
Add: Interest savings to Super Homes arising from the repayment of bank loans *(note 1)*	4,860	
Actual interest expenses incurred by Super Homes in relation to the remaining outstanding bank loans of HK$89 million (after repayment of HK$80 million) *(note 2)*	5,188	10,048
Interest savings on shareholder's loan of Super Homes of approximately HK$157.8 million for the first year *(note 3)*		5,641
Pro forma adjusted net profit of Super Homes before notional interest expenses on bank loans		11,056
Less: Notional interest expenses to be incurred by Super Homes in relation to the remaining outstanding bank loans of HK$89 million, based on lower interest rate offered by the lending bank *(note 4)*		(4,772)
Pro forma adjusted net profit of Super Homes		6,284

Pro forma net loss of the Group

Audited consolidated net loss attributable to the Shareholders for the year ended 31st December, 2000	(151,607)
Add: Pro forma adjusted net profit of Super Homes attributable to the Group (as referred to above)	6,284
Pro forma unaudited adjusted consolidated net loss after the completion of the Acquisition	(145,323)
	HK$
Audited net loss per Share of the Company before the completion of the Open Offer and the Acquisition *(note 5)*	(0.2206)
Pro forma unaudited adjusted consolidated net loss per Share of the Company after the completion of the Open Offer but before the completion of the Acquisition *(note 6)*	(0.1057)
Pro forma unaudited adjusted consolidated net loss per Share of the Company after the completion of the Open Offer and the Acquisition *(note 6)*	(0.1013)

Notes:

1. Based on the accountants' report of Super Homes set out in Appendix II to the Circular, the outstanding bank loans of Super Homes as at 31st December, 2001 and the corresponding interest expenses of Super Homes for the year ended 31st December, 2001 were approximately HK$169,000,000 and HK$10,048,000, respectively. As referred to in the letter from the Board as set out of pages 7 to 25 of the Circular, an aggregate amount of HK$80 million of Super Homes' bank loans is intended to be repaid (of which approximately HK$70.7 million will be funded by part of the proceeds from the Open Offer and the remaining approximately HK$9.3 million will be funded by the internal resources of the Company). As advised by the Company, the savings in interest expenses to Super Homes attributable to the repayment of HK$80 million of Super Homes' bank loans is approximately HK$4,860,000.

2. Based on the accountants' report of Super Homes set out in Appendix II to the Circular, the outstanding bank loans of Super Homes as at 31st December, 2001 was approximately HK$169,000,000. After the repayment of HK$80 million of Super Homes' bank loans, the remaining outstanding bank loans of Super Homes would become approximately HK$89 million. As advised by the Company, the actual interest expenses incurred by Super Homes in relation to the remaining outstanding bank loans of HK$89 million for the year ended 31st December, 2001 was approximately HK$5,188,000.

3. As referred to Appendix II to the Circular, the actual interest expenses incurred by Super Homes in relation to its outstanding shareholder's loan of approximately HK$157.8 million, out of which approximately HK$49 million was interest-free, during the year ended 31st December, 2001 was approximately HK$5,641,000. As advised by the Company, it has indicated its intention not to charge any interest on the shareholder's loan which would be taken up by the Group under the terms of the Acquisition for the first year.

4. As advised by the Company, Super Homes had entered into a re-financing arrangement with its lending bank pursuant to which a lower interest rate would be offered to Super Homes by the lending bank in respect of Super Homes' remaining outstanding bank loans of approximately HK$89 million as referred to in Note 2 above, upon completion of the Acquisition. Assuming the lower interest rate had been effective throughout the whole year of 2001, the notional interest expenses to be incurred by Super Homes in relation to the remaining outstanding HK$89 million bank loans would have been approximately HK$4,772,000.

5. Based on the weighted average number of 687,224,026 Shares as published in the annual report of the Company for the year ended 31st December, 2000.

6. Based on the weighted average number of 1,434,641,019 Shares (comprising the weighted average number of 687,224,026 Shares for the year ended 31st December, 2000 as referred to in Note 5 above and 747,416,993 Shares to be issued pursuant to the Open Offer).

As indicated above and based on the audited net loss of the Group for the year ended 31st December, 2000 and the audited net loss of Super Homes for the year ended 31st December, 2001 as a reference, the pro forma net loss per Share of the Company after the completion of the Open Offer but before the completion of the Acquisition would decrease by approximately 52% from approximately HK$0.2206 per Share to approximately HK$0.1057 per Share which is essentially attributable to the enlargement in the Company's capital base following the Open Offer, as discussed in the section headed "The Open Offer" below. Assuming that both the Open Offer and the Acquisition are completed, the pro forma unaudited adjusted consolidated net loss of the Company would decrease by approximately 4% from approximately HK$151.6 million to approximately HK$145.3 million and the pro forma net loss per Share of the Company would also decrease by approximately 4% from approximately HK$0.1057 per Share to approximately HK$0.1013 per Share.

For the purpose of analysis and illustration only, Independent Shareholders should note that in the event the interest rate in relation to Super Homes' remaining outstanding bank loans of approximately HK$89 million, as referred to in note 4 to the table above, would hypothetically be increased by approximately 132%, the yearly notional interest expenses to be incurred by Super Homes would accordingly be increased by approximately 132% from approximately HK$4.8 million to approximately HK$11.1 million. In such circumstances, the financial results of Super Homes as discussed above would become break-even and that Super Homes would not generate any contribution to the financial results of the Group.

Taking into consideration that (i) there would not be any changes in the pro forma net asset value of the Group; (ii) there would be an improvement to the pro forma net loss per Share of the Company; and (iii) the Group would be able to generate positive cashflows after the completion of the Acquisition as referred to in the sub-paragraph headed "Operating cashflow" below, we are of the view that there would not be any impact or dilution on the interests of the Shareholders (including the Independent Shareholders) in the net asset backing, the net asset value per Share or the financial results of the Group by virtue of the completion of the Acquisition alone. However, we noted that there will be a dilution effect of approximately 44.8% on the pro forma unaudited adjusted consolidated net tangible asset value per Share after the completion of the Acquisition and the Open Offer. As such, we would like to refer the Independent Shareholders to the paragraph headed "On pro forma consolidated net tangible asset value of the Company" under the paragraph headed "Financial effects of the Open Offer and the Acquisition" in the section headed "The Open Offer" below for further discussion.

(c) Operating cashflow

For reference purpose only, based on the audited accounts of Super Homes as at 31st December, 2001, cash inflows and cash outflows generated from Super Homes' operations were approximately HK$13.3 million and approximately HK$2.2 million (including administrative expenses of approximately HK$0.4 million), respectively, resulting in a yearly operating net cash inflow before interest expenses of approximately HK$11.1 million to the Group. After taking into account Super Homes' cash outflow of approximately HK$4.8 million attributable to the notional interest expenses to be incurred in relation to Super Homes' remaining outstanding bank loans of approximately HK$89 million after the completion of the Acquisition and the Open Offer as referred to in the sub-paragraph headed "Financial results" above, Super Homes would be able to generate a yearly operating net positive cash inflow of approximately HK$6.3 million to the Group. Independent Shareholders should note that in the event the interest rate in relation to Super Homes' remaining outstanding bank loans of approximately HK$89 million, as referred to in note 4 to the table above, would hypothetically be increased by approximately 132%, the yearly notional interest expenses would be increased by approximately 132% from approximately HK$4.8 million to approximately HK$11.1 million. In such event, the effect of the increase in market interest rate would entirely offset Super Homes' yearly operating net cash inflow leaving no cashflow contribution to the Group.

(d) The Company's investment in Hong Fok

We were informed by the Directors that the Company's investment in Hong Fok is intended, and has been consistently accounted for, under the equity accounting method as a long-term investment under "interest in an associate" in the consolidated financial accounts of the Company. Such investment is stated at the Company's attributable share of Hong Fok's net asset value rather than on the basis of the market value of the shares of Hong Fok. In the absence of any change in the intention of the Directors for the Company to hold its interest in Hong Fok on a long term basis, we consider that it would not be appropriate to state the Company's investment in Hong Fok based on the prevailing market value of the shares of Hong Fok.

As the accounting treatment for Company's investment in Hong Fok is not linked to market price of the shares of Hong Fok, we consider that our advice on the Acquisition, the Open Offer and the Waiver does not bear any relationship with the changes in the share prices of Hong Fok in any way. In this regard, we would like to draw the attention of the Independent Shareholders to the paragraph headed "Material Change" of Appendix III to the Circular, where the Directors have considered that save as (i) the decrease in property prices in Singapore; (ii) the fact that the Company's 20.2% shareholding in Hong Fok had a market value of S$22.4 million (equivalent to approximately HK$96.1 million) based on the closing share price of Hong Fok as at the Latest Practicable Date, which is of an amount lower than the Company's "interest in an associate" of approximately HK$584 million as at 31st December, 2000; and (iii) any possible reduction in value of the Company's interest in Hong Fok which cannot be presently quantified pending the release by Hong Fok of its results for the year ended 31st December, 2001, the Directors were not aware of any material change in the financial or trading position or prospects of the Group since 31st December, 2000, being the date to which the latest published audited consolidated financial statements of the Company were made up.

Recommendation

Having taken into account the principal factors and reasons considered by us as referred to above, we are of the view that the terms and conditions of the Acquisition Agreement are fair and reasonable so far as the Independent Shareholders are concerned, and that the Acquisition is consistent with the overall principal business operations and strategy of the Group and is therefore in the interests of the Company and the Shareholders as a whole. Accordingly, we would advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve, inter alia, the Acquisition.

THE OPEN OFFER

Principal factors and reasons considered

In arriving at our recommendation to the Independent Board Committee in relation to the Open Offer, we have considered the following principal factors and reasons:

1. Pricing considerations of the Open Offer

Introduction

As referred to in the letter from the Board as set out on pages 7 to 25 of the Circular, under the terms of the Open Offer, one Offer Share will be offered for every one existing Share held on the Record Date at the Subscription Price of HK$0.195 per Offer Share. All of the existing holders of the 60,000,000 outstanding Share Options have undertaken not to exercise their rights attaching to the Share Options on or before the Open Offer becoming unconditional. Therefore, based on an aggregate of 747,416,993 Shares in issue as at the Latest Practicable Date, an aggregate of 747,416,993 Offer Shares shall fall to be issued under the Open Offer. The Offer Shares will, when fully paid and allotted, rank pari passu in all respects with the existing Shares and that holders of the Offer Shares will be entitled to receive all future dividends and distributions which will be declared, made or paid on or after the date of allotment of the Offer Shares.

The Subscription Price of HK$0.195 per Offer Share represents:

(i) a premium of approximately 17.5% over and above the closing price of the Shares of HK$0.166 as quoted on the Stock Exchange on 18th January, 2002, being the date of the Underwriting Agreement and the last trading day of the Shares on the Stock Exchange immediately prior to the release of the Announcement;

(ii) a premium of approximately 8.0% over and above the theoretical ex-entitlement price of approximately HK$0.1805 per Share based on the closing price of the Shares of HK$0.166 as quoted on the Stock Exchange on 18th January, 2002;

(iii) a premium of approximately 14.2% over and above the average closing price of the Shares of approximately HK$0.1708 for the ten trading days of the Shares on the Stock Exchange ended on 18th January, 2002;

(iv) a premium of approximately 12.1% over and above the closing price of the Shares of HK$0.174 as quoted on the Stock Exchange on the Latest Practicable Date;

(v) a premium of approximately 5.7% over and above the theoretical ex-entitlement price of approximately HK$0.1845 per Share based on the closing price of the Share of HK$0.174 as quoted on the Stock Exchange on the Latest Practicable Date; and

(vi) a discount of approximately 90.7% to the Company's unaudited consolidated net tangible asset value of approximately HK$2.0861 per Share as at 30th June, 2001, being the latest accounting reference date to which the Company's unaudited consolidated financial statements were prepared.

Comparison against statistics of right issues and open offers during the Reference Period (as defined hereunder)

We have reviewed the list of rights issues and open offers which were announced during the period from 1st January, 2001 up to and including the Latest Practicable Date (the "**Reference Period**"), from which we noted that the average discounts of the rights issue price and the open offer price (as the case may be) to (i) the underlying market price; and (ii) the theoretical ex-rights price and theoretical ex-entitlement price (as the case may be) (calculated on the basis of the underlying market price) were approximately 20% and 8%, respectively. Among these rights issues and open offers during the Reference Period, there were seven rights issues and one open offer which were launched on the basis of a one-for-one subscription ratio which we noted is a similar subscription ratio to that under the Open Offer.

These seven rights issues and the one open offer are set out as follows:

Date	Company	Type	Amount raised *(HK$ million)*
2001			
April	Century Legend (Holdings) Limited	Rights issue (*)	48
	Everbest Century Holdings Limited	Open offer	78
August	Quality HealthCare Asia Limited	Rights issue	228
	Kin Don Holdings Limited	Rights issue	60
December	Wing Lee Holdings Limited	Rights issue	28
2002			
January	Easyknit International Holdings Limited	Rights issue	88
	Kwong Hing International Holdings (Bermuda) Limited	Rights issue	77
February	Wo Kee Hong (Holdings) Limited	Rights issue (*)	47

(*) With bonus shares to be issued for every rights share taken up

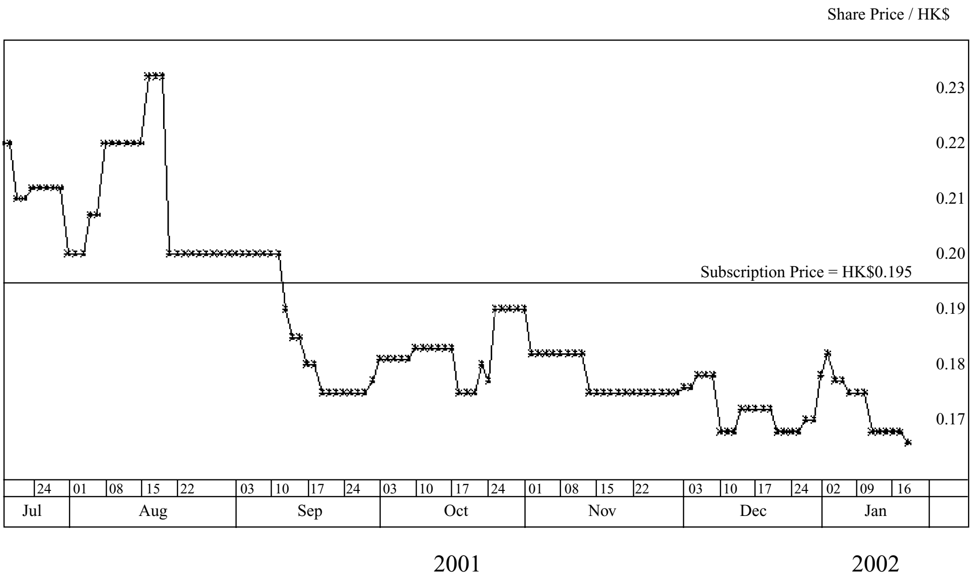
We noted that with regard to these seven rights issues and the one open offer, (i) the rights issue prices of all seven cases demonstrated a discount ranging between 23% and 67% to the underlying market prices; (ii) the open offer price of the one open offer demonstrated a discount of approximately 11% to the underlying market price; (iii) the rights issue prices of five cases demonstrated a discount ranging between 16% and 50% to the theoretical ex-rights prices (calculated on the basis of underlying market prices), and the rights issue prices of two other cases demonstrated a premium ranging between 30% and 94% to the theoretical ex-rights prices (calculated on the basis of underlying market prices) due to the fact that bonus shares were issued on the basis of every rights share taken up (which had the effect of averaging down the theoretical ex-rights price of the shares as a result of the issue of such bonus shares, and hence resulting in a premium of the rights issue price to the theoretical ex-rights price); and (iv) the open offer price of the one open offer demonstrated a discount of approximately 6% to the theoretical ex-entitlement price (calculated on the basis of the underlying market price). In this regard, we noted that the only difference between a rights issue and an open offer is that there is no nil-paid rights trading period for an open offer as in the case of a rights issue, which therefore renders a shorter time period for the completion of an open offer and hence a reduced underwriting risk. Furthermore, we noted that in respect of the seven rights issues and the one open offer as referred to above, two rights issues (being the rights issues of Century Legend (Holdings) Limited and Kin Don Holdings Limited announced in April and August 2001, respectively) were underwritten by the controlling or major shareholder of the issuer concerned, which we understand to be largely attributable to the prevailing poor market conditions and the difficulty in procuring commercial underwriters by the issuer at the time of announcement of the rights issue concerned.

Therefore, we consider that the premium represented by the Subscription Price of HK$0.195 per Offer Share over and above the market prices and ex-entitlement prices of the Shares is contrary to our observation noted from the seven rights issues and the one open offer during the Reference Period above. In this regard, we wish to emphasize to the Independent Shareholders that despite the premium of the Subscription Price over and above the traded market prices and ex-entitlement prices of the Shares as referred to above, the Independent Shareholders should consider the commercial and economic benefits which may be generated by the Acquisition to the Group, which we have considered to be in the interests of the Group and the Shareholders as a whole as discussed in the section headed “The Acquisition” above.

Comparison against traded Share price performances during the Six Month Period

As referred to in the letter from the Board as set out on pages 7 to 25 of the Circular, we noted that the Subscription Price of HK$0.195 per Offer Share was determined based on arm’s length negotiations between the Company and the Underwriter with reference to (i) the prevailing market prices of the Shares at the time of negotiation of the Open Offer in early January 2002; and (ii) the underlying unaudited consolidated net asset value of the Company of approximately HK$2.0861 per Share as at 30th June, 2001 (as referred to in the Company’s interim report for the six months ended 30th June, 2001 which was published on 20th September, 2001). We further noted that the determination of the Subscription Price has made reference to the traded price performance of the Shares during the period of six months from 18th July, 2001 up to and including 18th January, 2002, being the date of the Underwriting Agreement (the “**Six Month Period**”), and that during the Six Month Period the Shares traded at a highest closing price of HK$0.232 on

16th August, 2001 and a lowest price of HK$0.166 on 18th January, 2002, with an average closing price of approximately HK$0.187. We have set out below a chart showing the traded price performance of the Shares during the Six Month Period:



Based on the chart above, we noted that with the exception of the period between 18th July, 2001 and early September 2001 which recorded a highest closing Share price of HK$0.232 and a lowest closing Share price of HK$0.200, during the rest of the Six Month Period, the Shares had traded at a price level between HK$0.166 and HK$0.19 which was lower than the Subscription Price of HK$0.195 per Share. Therefore, we consider that an evaluation of the Open Offer only by comparing the Subscription Price against historical Share price performances during the Six Month Period, during the majority of which period between mid-September 2001 and 18th January, 2002 (representing a total of about four months out of the Six Month Period) the Share price had traded at a level below the Subscription Price of HK$0.195 per Offer Share, would otherwise suggest that the Subscription Price has not been determined on a basis which is favourable to the Shareholders. However, in this regard, we also wish to draw the attention of the Independent Shareholders to our evaluation of the Open Offer by comparing the Subscription Price against the net asset value per Share of the Company as referred to below.

Comparison against the Company's pro forma unaudited adjusted consolidated net asset value before and after the completion of the Open Offer and the Acquisition

As referred to in the sub-paragraph headed "Introduction" above, the Subscription Price of HK$0.195 per Offer Share represents a significant discount of over 90% to the Company's unaudited consolidated net tangible asset value per Share of approximately HK$2.0861 as at 30th June, 2001. Furthermore, as set out in the Company's pro forma statement of unaudited adjusted consolidated net tangible asset value as referred to in Appendix III to the Circular, the Company's pro forma unaudited adjusted consolidated net tangible assets per Share would be decreased by approximately 44.8%, from approximately HK$1.838 per Share before the completion of the Open Offer and the Acquisition (being arrived at based on the Company's pro forma unaudited adjusted consolidated net tangible assets of approximately HK$1,373.6 million (see below) as divided by approximately 747.4 million Shares existing in issue) to approximately HK$1.014 per Share after the completion of the Open Offer and the Acquisition. We are of the view that such a dilution in the Company's pro forma unaudited adjusted consolidated net tangible asset value per Share is solely attributable to the enlargement in the capital base of the Company after the Open Offer and the Acquisition by a magnitude which significantly exceeds that of the enlargement in the Company's pro forma unaudited adjusted consolidated net tangible assets after the Open Offer and the Acquisition. In this regard, we noted that after the Open Offer and the Acquisition, the issued share capital of the Company would increase by 100%, from 747,416,993 Shares before the Open Offer and the Acquisition to 1,494,833,986 Shares after the Open Offer and the Acquisition. On the other hand, the Company's pro forma unaudited adjusted consolidated net tangible assets would increase by approximately 10.3%, from approximately HK$1,373.6 million before the Open Offer and the Acquisition (being arrived at on the basis of the Company's unaudited consolidated net tangible assets of approximately HK$1,427.8 million as at 30th June, 2001, as adjusted for (i) the revaluation deficit on the Group's properties of approximately HK$65 million as at 31st December, 2001; and (ii) the estimated net proceeds from the Company's placing in January 2002 of approximately HK$10.8 million) to approximately HK$1,515.6 million after the Open Offer and the Acquisition.

We noted that, as discussed above, the decrease in the Company's pro forma unaudited consolidated net tangible asset value per Share by approximately 44.8% as a result of the Open Offer and the Acquisition is essentially solely attributable to the dilution effect caused by the issue of the 747,416,993 Offer Shares under the Open Offer, which would generate the relevant funding on which the Acquisition is reliant. We consider that, in principle, it would not be in the interest of any Shareholder to have his/her net asset value per Share diluted by approximately 44.8% after the Open Offer and the Acquisition. However, we would advise the Shareholders (including the Independent Shareholders) to take into account the fact that the Acquisition is conditional upon, inter alia, the Open Offer becoming unconditional and that completion of the Acquisition is reliant on the relevant funding being obtained. In this regard, we wish to refer to our discussions (i) in the section headed "The Acquisition" above where we have analysed the merits of the Acquisition to the Group as a whole, and that the funding requirement for the consideration of the Acquisition represents approximately 8.4 times the Group's available cash balances as at 30th June, 2001; and (ii) in the paragraph headed "Business review and future prospects of the Group" below that it has generally been difficult for property companies to procure debt financing from lending banks regarding property acquisitions since the outbreak of the Asian financial crisis in late 1997. Therefore, Shareholders (including the Independent Shareholders) should consider the Open Offer to be the best option available to the Group available for the purpose of the Acquisition notwithstanding the dilution in Shareholder's net asset value per Share.

On the other hand, we noted that the Subscription Price of HK$0.195 per Offer Share represents a discount of approximately 89.4% and 80.8% to the Company's pro forma unaudited adjusted consolidated net asset value per Share of approximately HK$1.838 and HK$1.014 before and after the completion of the Open Offer and the Acquisition, respectively. In this regard, we consider that the Open Offer, if proceeded with, offers a good opportunity for the Shareholders (including the Independent Shareholders) to be able to participate in the business operations and development of the Group at an attractive price level when compared with the Group's unaudited consolidated net tangible asset value per Share of approximately HK$2.0861 as at 30th June, 2001.

We are of the view that, if the Subscription Price were to be determined at a level below HK$0.195 per Offer Share and assuming the same number of Offer Shares will be issued by the Company pursuant to the Open Offer, then the Company's pro forma consolidated net asset value after the completion of the Open Offer and the Acquisition would be increased by a magnitude of less than 10% whilst the Company's total number of issued Shares will similarly be increased by 100%. Therefore, we consider that a Subscription Price of below HK$0.195 per Offer Share would result in a dilution to the Company's pro forma unaudited adjusted consolidated net asset value per Share by a magnitude in excess of 44.8% as referred to above. As an illustration, assuming that the Subscription Price were to be determined at a level equal to the closing price of the Shares as at the Latest Practicable Date of HK$0.174 (which is lower than the Subscription Price of HK$0.195 per Offer Share), then as referred to in the sub-paragraph headed "On pro forma consolidated net tangible asset value of the Company" of the paragraph headed "Financial effects of the Open Offer and the Acquisition" below, the Company's resultant pro forma adjusted unaudited consolidated net tangible asset value after the Open Offer and the Acquisition would be approximately HK$1.006 per Share, which represents a dilution effect of approximately 45.3% when compared with the Company's pro forma adjusted unaudited consolidated net tangible asset value of approximately HK$1.838 per Share before the Open Offer and the Acquisition. Such dilution effect is of a magnitude which exceeds the 44.8% based on the Subscription Price of HK$0.195 per Offer Share. Therefore, we consider such further dilution attributable to a lowering of the Subscription Price to a level below HK$0.195 per Offer Share not to be in the interests of the Shareholders as a whole. Furthermore, as referred to in the paragraph headed "Reasons for and use of proceeds of the Open Offer" below, we consider that a lower level of the Subscription Price than HK$0.195 per Offer Share would not otherwise enable the Company to raise the requisite funding for the purpose of meeting its consideration for the Acquisition and repayment obligations for part of the outstanding bank loans of Super Homes under the Acquisition in the aggregate amount of HK$142 million.

Summary view

Based on our evaluation and analysis of the Subscription Price as referred to in the aforementioned sub-paragraphs above, we are of the view that the Subscription Price was determined on a basis having regard to the historical Share price performance and the underlying net asset value of the Group (which, however, do not bear any direct correlation between one another), although the Subscription Price demonstrated a premium over and above the underlying market prices and ex-entitlement prices of the Shares which is not a feature observed by us from the seven rights issues and the one open offer having a similar subscription ratio with the Open Offer during the Reference Period. As discussed above, we noted that any Shareholder will suffer an imminent dilution in his/her net asset value per Share by approximately 44.8% as a result of the Open Offer and the Acquisition, but we consider that the Open Offer makes available the necessary funding requirement for the Group on which the Acquisition is reliant and that the Open Offer is the best option available to the Group in view of the Group's limited existing cash resources as well as the prevailing general difficulty for property companies to procure debt financing from lending banks regarding property acquisitions. Furthermore, we consider that if the Subscription Price were to be determined at a level lower than HK$0.195 per Offer Share (having considered the traded Share price level which generally prevailed during the majority of the Six Month Period (except for the period between 18th July, 2001 and early September 2001) and as at the Latest Practicable Date), then this would not be in the interests of the Shareholders as a whole because (i) there would be a further dilution in the Shareholder's net asset value per Share in excess of the 44.8% as referred to above as a result of the Open Offer and the Acquisition; and (ii) the Group may not be able to derive the requisite amount of funding for the purpose of satisfying its consideration for the Acquisition and for repaying part of Super Homes' outstanding bank loans under the Acquisition in the aggregate amount of approximately HK$142 million. Furthermore, we consider that the Open Offer, if proceeded with, offers a good opportunity for the Shareholders (including the Independent Shareholders) to be able to participate in the business operations and development of the Group at an attractive price level when compared with the Group's unaudited consolidated net tangible asset value per Share of approximately HK$2.0861 as at 30th June, 2001.

We noted that, based on the closing price of the Shares of HK$0.174 as at the Latest Practicable Date, the Subscription Price of HK$0.195 per Offer Share represents a premium of approximately 12.1% over and above such closing Share price. In this regard, we noted that trading of the Shares on the Stock Exchange had demonstrated a relatively low traded volume (i) during the Six Month Period, with an average daily traded volume ranging between approximately 0.0033% and 0.0177% of the Company's issued share capital or ranging between approximately 0.0077% and 0.0408% of the issued Shares held in public hands (based on 323,307,318 Shares held in public hands as at the Latest Practicable Date as referred to in the letter from the Board set out on pages 7 to 25 of the

Circular); and (ii) during the period from 22nd January, 2002 (being the day on which Shares commenced trading on the Stock Exchange after the issue of the Announcement) up to and including the Latest Practicable Date, with an average daily traded volume ranging between approximately 0.0082% and 0.0560% of the Company's issued share capital or ranging between approximately 0.0190% and 0.1294% of the issued Shares held in public hands. Therefore, in view of the low level of liquidity in the trading of the Shares in the market, we are of the view that it would be unlikely for an Independent Shareholder to be able to acquire such number of Shares in the market that is equal to his/her existing holding in the Shares at the Subscription Price, because we consider that such low level of trading liquidity is likely to drive up the Share price in the event of a significant buying demand for Shares as represented by the size of the Open Offer (which, as discussed above, would enlarge the Company's issued share capital by 100%). Therefore, we consider that notwithstanding the fact that the Subscription Price of HK$0.195 per Offer Share represents a premium to the closing price of the Shares of HK$0.174 as at the Latest Practicable Date and taking into account the merits of the Acquisition (which is subject to, inter alia, the Open Offer becoming unconditional) as referred to in the section headed "The Acquisition" above, it would be in the interests of the Independent Shareholders to participate in the Open Offer at the Subscription Price.

2. Dilution effect to those Qualifying Shareholders who elect not to participate in the Open Offer

Unlike some other equity fund raising means such as share placements, the Open Offer offers all the Qualifying Shareholders an opportunity to participate in the enlargement of the capital base of the Company and enables the Qualifying Shareholders to maintain their proportionate interests in the Company should they wish to do so. Those Qualifying Shareholders who do not subscribe for all or part of their entitlements under the Open Offer will suffer a dilution of 50% in their shareholdings in the Company.

However, unlike rights issues, the Open Offer does not provide for a mechanism for the trading of any nil-paid rights entitlements of any Qualifying Shareholder as in the case of a rights issue. Therefore, Qualifying Shareholders would either have the choice of participating or not participating in the Open Offer. Those Qualifying Shareholders who participate in the Open Offer shall have his/her attributable share of the Company's pro forma net tangible asset value preserved, and those Qualifying Shareholders who do not participate in the Open Offer shall have his/her resultant net worth per Share diluted by approximately 45%, as discussed in the sub-paragraph headed "On pro forma consolidated net tangible asset value of the Company" of the paragraph headed "Financial effects of the Open Offer and the Acquisition" below.

3. Business review and future prospects of the Group

Business review of the Group

The Group is principally engaged in property investment and management, property construction and development and the provision of horticultural services.

Set out below are the summary audited consolidated results of the Company for each of the three years ended 31st December, 2000 and the unaudited consolidated results of the Company for the six months ended 30th June, 2001 (with the Company's unaudited consolidated results for the six months ended 30th June, 2000 for the purpose of comparison):

	Six months ended 30th June, 2001	Six months ended 30th June, 2000	Year ended 31st December, 2000	1999	1998
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	43,571	18,603	143,765	40,333	119,346
Operating profit/(loss)	(3,988)	(107,390)	(108,975)	12,614	(172,798)
Finance costs	(16,393)	(23,518)	(41,339)	(45,213)	(61,241)
Share of profit/(loss) from associates	270	(1,213)	(4,110)	987	(11,751)
Loss before taxation	(20,111)	(132,121)	(154,424)	(31,612)	(245,790)
Net loss attributable to Shareholders	(20,235)	(132,070)	(151,607)	(31,443)	(241,920)

The Company recorded consolidated net loss attributable to Shareholders of approximately HK$241.9 million during the year ended 31st December, 1998. We have enquired with and were informed by the Directors that the Group's significant operating loss of approximately HK$172.8 million during the year then ended was mainly attributable to, inter alia, (i) the Group's provisions for diminution in values of properties of approximately HK$84 million as a result of the depression in the Hong Kong property market in 1998; and (ii) the Group's loss on disposal of its former subsidiary, Sui Chong Holdings Limited, of approximately HK$52 million.

For the year ended 31st December, 1999, the Company recorded consolidated turnover, operating profit and net loss attributable to Shareholders of approximately HK$40.3 million, HK$12.6 million and HK$31.4 million, respectively. We have enquired with and were informed by the Directors that the significant reduction in the Company's consolidated turnover during the year ended 31st December, 1999 (when compared with the Company's consolidated turnover of approximately HK$119.3 million for the year ended 31st December, 1998) was mainly attributable to, inter alia, the fact that no disposal of property by the Group was made in 1999 due to the sluggish property market conditions which then prevailed. We were also informed by the Directors that the operating profit for the year ended 31st December, 1999, which demonstrated a significant improvement when compared to the operating loss of approximately HK$172.8 million for the year ended 31st December, 1998, was mainly attributable to, inter alia, the Group's substantially reduced provisions for diminution in values of properties, from approximately HK$84 million in 1998 to approximately HK$10 million in 1999 given that the Group had made adequate provisions for diminution in value of its property portfolio at the beginning of the property market downturn in 1998.

We have enquired with and were informed by the Directors that the Group's financial performance during the year ended 31st December, 2000 had been mainly adversely affected by the Group's disposal of its property under development in Shek O to an independent third party, in which the Group recorded a loss on disposal of approximately HK$108.5 million. As a result, the Company recorded consolidated net loss attributable to Shareholders of approximately HK$151.6 million for the year ended 31st December, 2000. We were informed by the Directors that the worsened financial results of the Group during the year ended 31st December, 2000, when compared with the Company's consolidated net loss attributable to Shareholders of approximately HK$31.4 million for the year ended 31st December, 1999, was mainly attributable to the aforementioned loss on the Group's disposal of the development property in Shek O.

The Company recorded unaudited consolidated net loss attributable to Shareholders of approximately HK$20.2 million during the six months ended 30th June, 2001. We were informed by the Directors that the improved operating results of the Group during the six months ended 30th June, 2001, when compared with the Company's unaudited consolidated net loss attributable to Shareholders of approximately HK$132.1 million during the six months ended 30th June, 2000, was mainly attributable to, inter alia, (i) the non-recurrence of any provision required to be made by the Group in respect of the net realizable value of development properties during the six months ended 30th June, 2001 (when compared to the Group's provision of approximately HK$108.5 million in respect of the disposal of its Shek O development property in 2000 as referred to above); and (ii) the reduction in the Group's finance costs to approximately HK$16.4 million (when compared with the Group's finance costs of approximately HK$23.5 million for the six months ended 30th June, 2000), as a result of the Group's disposal of its Shek O development property in 2000 and the repayment of the associated bank loans as well as the decrease in market interest rates. As we were further informed by the Directors, the Group also disposed of certain property interests in Fortress Heights in North Point to independent third parties during the six months ended 30th June, 2001 which contributed turnover and operating loss to the Group of approximately HK$24.4 million and HK$2.2 million, respectively, for the period then ended. We were further informed by the Directors that the Group attained occupancy level of approximately 90% within its residential investment property portfolio and rental levels remained stable (at the approximately HK$26 per sq.ft. level) as at 31st December, 2001.

As referred to in the Company's annual report and accounts for each of the three years ended 31st December, 2000 and the Company's interim report for the six months ended 30th June, 2001, we noted that the Group incurred significant finance costs during each of the aforementioned years/period, which ranged between approximately 29% to over 100% of the Company's consolidated turnover. We have enquired with the Directors and were informed that given the Group's principal business activities in property investment and development, the Group had incurred significant bank borrowings during the aforementioned years/period in order to meet its capital funding for property development projects and working capital requirements. As referred to in the Company's interim report and accounts for the six months ended 30th June, 2001, the Group had aggregate outstanding interest-bearing bank borrowings of approximately HK$472.4 million and, based on the Company's unaudited consolidated net tangible asset value of approximately HK$1,427.8 million as at 30th June, 2001, the Group had a gearing ratio (being arrived at by expressing the Group's total bank borrowings as a percentage of the Group's pro forma net tangible assets) of approximately 33%. As referred to in the sub-paragraph headed "On the Group's gearing level" of the paragraph headed "Financial effects of the Open Offer and the Acquisition" below, there would be an uplift in the Group's overall gearing level by approximately 4% to approximately 37% following the completion of the Open Offer and the Acquisition. We noted that this is attributable to the taking up by the Group of Super Homes' remaining outstanding bank borrowings of approximately HK$89 million under the Acquisition, and we consider that the low interest rate attaching to Super Homes' remaining outstanding bank borrowings of approximately HK$89 million is unlikely to generate a significant and adverse impact on the Group's financial position as a whole.

Based on our evaluation of the Group's historical financial performance for the past three years ended 31st December, 2000 and for the six months ended 30th June, 2001 as referred to above, we consider that it would be in the interests of the Group and the Shareholders as a whole for the Group to acquire property interests which may enhance the Group's property portfolio (especially following the Group's disposal of its Shek O development property in 2000 at a significant loss) and generate stable cashflow contributions to the Group, without causing a significant increase in the Group's overall gearing level. In this regard, we have evaluated that after the Open Offer and the Acquisition, Super Homes would be able to generate a yearly operating net positive cash inflow of approximately HK$6.7 million to the Group and that there would only be an uplift in the Group's overall gearing level by approximately 4%. We further consider that, upon the full repayment of Super Homes' remaining outstanding bank loans of approximately HK$89 million, the Group would be able to enjoy the full benefits of the rental generated by the Property which would have a positive contribution towards the Group's cashflow position and operating results.

Future prospects of the Group

We noted that as referred to in the Company's interim report for the six months ended 30th June, 2001, the Group will continue to look for suitable potential investment opportunities to broaden its earnings base. We consider that, based on the Group's unsatisfactory historical financial results performance during each of the three financial years ended 31st December, 2000 and the six months ended 30th June, 2001 and taking into account the Group's business strategy as referred to above, it would be reasonable for the Group to raise funds through the Open Offer given that it would make available to the Group additional financial resources to enlarge its property portfolio by acquiring the Property through the Acquisition. In arriving at our aforementioned view, we have considered the importance for the Group to be able to enhance its property portfolio (especially following the Group's disposal of its Shek O development property in 2000 at a significant loss) which may generate stable cashflow contributions to the Group, without causing a significant increase in the Group's overall gearing level. Furthermore, we consider that following the weakened property market in Hong Kong since the outbreak of the Asian financial crisis in late 1997, it has generally been difficult for property companies to procure debt financing for property acquisitions given that lending banks have generally adopted a much more conservative approach than before the Asian financial crisis. In this regard, we consider that the Open Offer provides the best available option for the Group to be able to derive the requisite funding for the Acquisition. Based on our evaluation as referred to in the paragraph headed "The Acquisition" above, we consider that the improved financial position of Super Homes as a result of bank loan repayment, higher rental income level after full refurbishment of the Property in September 2000 and the low interest rate (as discussed and referred to in the sub-paragraph headed "On the Group's gearing level" of the paragraph headed "Financial effects of the Open Offer and the Acquisition" below), are able to generate positive cashflow contributions to the Group which, in our view, would be in the interests of the Group and the Shareholders as a whole.

4. Reasons for and use of proceeds of the Open Offer

As referred to in the letter from the Board as set out on pages 7 to 25 of the Circular, the net proceeds of the Open Offer is approximately HK$142 million which will be used as to (i) approximately HK$71.3 million for the settlement of the consideration payable by the Company for the Acquisition, the basis on which such figure was determined has been discussed in our evaluation in the section headed "The Acquisition" above; and (ii) approximately HK$70.7 million for the repayment of part of the bank loans owing by Super Homes as discussed in our evaluation in the section headed "The Acquisition" above.

We consider that the Open Offer enables the Company to raise the requisite funding for the purpose of meeting its consideration for the Acquisition and repayment obligations for part of the outstanding bank loans of Super Homes under the Acquisition in respect of which, as we have evaluated in our discussions referred to in the section headed "The Acquisition" above, would be in the interests of the Group and the Shareholders as a whole.

5. Financial effects of the Open Offer and the Acquisition

(a) On pro forma consolidated net tangible asset value of the Company

As referred to in our discussions in the sub-paragraph headed "Comparison against the Company's pro forma unaudited adjusted consolidated net asset value before and after the completion of the Open Offer and the Acquisition" of the paragraph headed "Pricing considerations of the Open Offer" above, we noted that as a result of the completion of the Open Offer and the Acquisition, (i) the Company's pro forma unaudited adjusted consolidated net tangible asset value would be increased by approximately 10.3% from approximately HK$1,373.6 million before the completion of the Open Offer and the Acquisition (being arrived at on the basis of the Company's unaudited consolidated net tangible asset value of approximately HK$1,427.8 million as at 30th June, 2001, as adjusted for (i) the revaluation deficit on the Group's properties of approximately HK$65 million as at 31st December, 2001; and (ii) the estimated net proceeds from the Company's placing in January 2002 of approximately HK$10.8 million) to approximately HK$1,515.6 million after the completion of the Open Offer and the Acquisition; and (ii) the Company's pro forma unaudited adjusted consolidated net tangible asset value per Share would be reduced by approximately 44.8%, from approximately HK$1.838 per Share before the Open Offer and the Acquisition (being arrived at based on the Company's pro forma consolidated net tangible assets of approximately HK$1,373.6 million (see above) as divided by approximately 747.4 million Shares existing in issue) to approximately HK$1.014 per Share after the completion of the Open Offer and the Acquisition. We consider that such a dilution in the Company's resultant pro forma consolidated net asset value per Share is solely attributable to the issue of the Offer Shares which will have the effect of increasing the number of issued Shares by 100%, whilst the Company's pro forma consolidated net assets would only increase by approximately 10.3%, as a result of the completion of the Open Offer and the Acquisition.

Under the terms of the Open Offer, any Qualifying Shareholder holding one existing Share who participates in the Open Offer would have a resultant holding of two Shares after the completion of the Open Offer. Set out below is our evaluation of the changes in the pro forma net tangible asset value of one existing Share held by a Qualifying Shareholder who participates in the Open Offer:

	HK$	**Number of Shares**	**Total** *HK$*
Pro forma net tangible asset value per Share before the Open Offer and the Acquisition	1.838	1	1.838
Add : Cost of one Offer Share	0.195	1	0.195
Resultant pro forma net tangible asset value of two Shares after the Open Offer and the Acquisition		2 (b)	2.033 (a)
Resultant pro forma net tangible asset value per Share after the Open Offer and the Acquisition (a)/(b)			**1.0165**

In the light of the above figures, we are of the view that the Open Offer would not cause any dilution to the resultant net worth per Share of any Qualifying Shareholder who elects to participate in the Open Offer, given that the resultant pro forma net tangible asset value per Share attributable to such participating Qualifying Shareholder of approximately HK$1.0165 is closely comparable to the Company's resultant pro forma unaudited adjusted consolidated net tangible asset value of approximately HK$1.014 per Share after the completion of the Open Offer and the Acquisition as referred to above. On the other hand, for any Qualifying Shareholder holding one existing Share who does not elect to participate in the Open Offer, he/she would continue to end up with holding one Share and that the resultant net worth per Share to such Qualifying Shareholder would be approximately HK$1.0165 after the completion of the Open Offer and the Acquisition, but not approximately HK$1.838 before the completion of the Open Offer and the Acquisition and which means that there would be a dilution effect of approximately 44.7% to the resultant net worth per Share of any Qualifying Shareholder who elects not to participate in the Open Offer. Furthermore, if any Qualifying Shareholder elects not to participate in the Open Offer but would elect to buy one Share from the market instead of subscribing for one Offer Share under the Open Offer, then based on the closing price of the Shares of

HK$0.174 as at the Latest Practicable Date, the resultant net worth per Share to such Qualifying Shareholder would be approximately HK$1.006 which would mean that such non-participating Qualifying Shareholder would be better off than a Qualifying Shareholder who participates in the Open Offer, because the resultant net worth per Share to such non-participating Qualifying Shareholder would be approximately HK$1.006 which is approximately 1.03% lower than the resultant net worth per Share of a participating Qualifying Shareholder of approximately HK$1.0165. However, in this regard, we wish to draw the attention to the Independent Shareholders that as discussed and referred to in the sub-paragraph headed "Summary view" of the paragraph headed "Pricing considerations of the Open Offer" above, the low level of trading liquidity of the Shares in the market is likely to drive up the Share price in the event of a significant buying demand for Shares as represented by the size of the Open Offer. Therefore, we consider that it is not a realistic assumption for every non-participating Qualifying Shareholder to be able to buy his/her entitlement of Shares in the market at a price level below the Subscription Price of HK$0.195, and that Qualifying Shareholders should not assume that they would be better off by being able to buy Shares in the market at a price which always represents a discount to the Subscription Price.

Therefore, based on the above analyses, we consider that there would be a dilution effect of approximately 45% to the resultant net worth per Share of any Qualifying Shareholder who elects not to participate in the Open Offer and would not buy one Share from the market to make up for his/her entitlement under the Open Offer. In other words, we consider that Shareholder's attributable interest in the net asset value of the Company would only be preserved by participating in the Open Offer and subscribing for his/her prorata entitlement of the Offer Shares thereunder.

(b) On the Group's gearing level

As referred to in the sub-paragraph headed "Business review of the Group" of the paragraph headed "Business review and future prospects of the Group" above, the Group had a gearing ratio of approximately 33% as at 30th June, 2001 before the Open Offer and the Acquisition. As a result of the Open Offer and the Acquisition, we have estimated the aggregate outstanding bank borrowings of the Group to be approximately HK$561.4 million (being the aggregate of the Group's total bank borrowings of approximately HK$472.4 million as at 30th June, 2001 as referred to above plus Super Homes' remaining bank loans of approximately HK$89 million which would be taken up by the Group after the Acquisition) and based on the Company's resultant pro forma unaudited adjusted consolidated net tangible asset value of approximately HK$1,515.6 million after the Open Offer and the Acquisition, the gearing ratio of the Enlarged Group would be increased to approximately 37.0%.

We noted the increase in the Group's resultant gearing level after the completion of the Open Offer and the Acquisition, and we consider that this is solely attributable to the remaining outstanding bank loans of Super Homes of approximately HK$89 million which would be taken up by the Group after the Acquisition. In this regard, we have made comparison to six other listed property development and investment companies in Hong Kong having market capitalizations of between HK$30 million and HK$350 million, with an average market capitalization of approximately HK$149 million which we consider is a valid comparison with that of the Company whose market capitalization was approximately HK$130 million as at the Latest Practicable Date. In selecting these six property companies for comparison, we have given regard to the fact that each of these six companies is mainly engaged in property development and investment in Hong Kong which is similar to that of the Group, in respect of which we noted that the Group has a property portfolio in Hong Kong that generated over 90% of its turnover and operating results for the year ended 31st December, 2000. Therefore, we consider that these six companies (as set out below) to have business operations which are comparable with those of the Group.

These six property development and investment companies are set out as follows:

Company	**Market capitalization as at the Latest Practicable Date**	**Consolidated net tangible assets per latest published accounts**	**Total bank borrowings per latest published accounts**	**Gearing ratio**
	(HK$ million)	*(HK$ million)*	*(HK$ million)*	*(%)*
Berjava Holdings (HK) Limited	63	92.2	17.5	19.0%
Buildmore International Limited	33	51.8	9.0	17.4%
Chi Cheung Investment Company, Limited	223	174.8	0	0%
Paliburg Holdings Limited	306	4,400.7	6,804.0	154.6%
Soundwill Holdings Limited	156	637.9	2,219.0	347.9%
Winfair Investment Company Limited	114	207.8	0	0%
Average market capitalization	149			
Market capitalization of the Company as at the Latest Practicable Date	**130**			

Company	Market capitalization as at the Latest Practicable Date *(HK$ million)*	Consolidated net tangible assets per latest published accounts *(HK$ million)*	Total bank borrowings per latest published accounts *(HK$ million)*	Gearing ratio *(%)*
Weighted average gearing ratio *(with reference to relative weightings of market capitalizations of the six companies under comparison)*				115%
Gearing ratio of the Group as at 30th June, 2001 (before the Open Offer and the Acquisition)				**33%**
Gearing ratio of the Group after the Open Offer and the Acquisition				**37%**

We noted from our comparison that, based on their latest published accounts, the gearing ratios of these six property development and investment companies ranged between nil and approximately 348%, with a weighted average gearing ratio (calculated with reference to the relative weightings of their market capitalizations as at the Latest Practicable Date) of approximately 115%. We consider that the Group's resultant gearing ratio of approximately 37% after the Open Offer and the Acquisition compares favourably against the weighted average gearing ratio of the six property companies as referred to above. Furthermore, we also wish to draw the attention of the Independent Shareholders to the fact that notwithstanding the increase in the Group's resultant gearing level, the Group would enjoy a year-on-year incremental benefit which is attributable to the differential between (i) the Property's historical rental yield, which we have identified to be approximately 5.47% for the year ended 31st December, 2001 as referred to in the section headed "The Acquisition" above; and (ii) the prevailing low interest rate of Super Homes' remaining outstanding bank borrowings of approximately HK$89 million, which we were informed by the Directors to be at a level lower than the Property's historical rental yield as referred to in (i) above. We would advise the Independent Shareholders to take into account the abovementioned differential which we consider to be beneficial to the Group and the Shareholders as a whole. Furthermore, as referred to our discussion in the paragraph headed "Business review and future prospects of the Group" above, we consider that following the weakened property market in Hong Kong since the outbreak of the Asian financial crisis in late 1997, it has generally been difficult for property companies to procure debt financing for property acquisitions given that lending banks have generally adopted a much more conservative approach than before the Asian financial crisis. In this regard, we consider that it would not be appropriate for the Company to finance the Acquisition by way of procuring further bank borrowings.

(c) On the Group's working capital position

Based on our evaluation as referred to in the paragraph headed "The Acquisition" above, Super Homes would become a subsidiary of the Company after the Acquisition. We consider that the improved financial positions of Super Homes as a result of its repayment of outstanding bank loans (part of which shall be repaid from part of the proceeds of the Open Offer), higher rental income level after full refurbishment of the Property in September 2000 and the low interest rate (as discussed and referred to in the sub-paragraph headed "On the Group's gearing level" above), are able to generate positive cashflow contributions to the Group. As we have discussed above, the Acquisition is subject to the Open Offer in becoming unconditional and we therefore consider that the Open Offer would have the effect of improving the Group's working capital position as a whole.

6. Underwriting arrangements for the Open Offer

As referred to in the letter from the Board as set out on pages 7 to 25 of the Circular, HFL (a wholly-owned subsidiary of HF Investment) and HF Investment have undertaken that they will subscribe for the 277,601,392 and 3,852,000 Offer Shares, respectively, representing their aggregate beneficial interest of approximately 37.7% in the Company. Furthermore, pursuant to the Underwriting Agreement, HF Investment agreed to underwrite the Underwritten Shares comprising 465,963,601 Offer Shares representing approximately 62.3% of the Offer Shares to be issued under the Open Offer. Such Underwritten Shares represent the remaining balance of the Offer Shares, other than an aggregate of 281,453,392 Offer Shares which will be allotted to and which were undertaken to be subscribed for by HFL and HF Investment.

As referred to in the letter from the Board as set out on pages 7 to 25 of the Circular, the Directors consider that the Company has not been able to secure any commercial underwriter(s) for the Open Offer under the existing weak stock market conditions without offering the Open Offer at unfavourable terms to the Company. Furthermore, HF Investment was then agreeable to act as the underwriter for the Open Offer to support the Company, having regard to the Directors' view that the determination of the terms of the Open Offer at unfavourable rates would not be in the interests of the Company and the Shareholders as a whole. We concur with the Directors' view in this regard and we consider that the support demonstrated by HF Investment in underwriting the Open Offer would enable the Open Offer to be proceeded with, and thereby in making available additional financial resources to the Group in enlarging its property portfolio through the Acquisition and in enabling the Group to benefit from the resultant positive financial contributions in form of (i) an enhancement in the Group's overall net assets position; (ii) a year-on-year incremental benefit to the Group attributable to the differential between the Property's rental yield and the prevailing low interest rate of Super Homes' remaining bank borrowings; and (iii) an improvement in the Group's working capital position, as discussed and referred to in the paragraph headed "Financial effects of the Open Offer and the Acquisition" above.

Therefore, subject to the fulfillment of the conditions of the Underwriting Agreement, we consider that the underwriting arrangements for the Open Offer to be in the interests of the Independent Shareholders.

Recommendation

Having considered the principal factors and reasons referred to above, in particular regarding the facts that:

– the Subscription Price for the Open Offer of HK$0.195 per Offer Share was determined on a basis having regard to the historical Share price performances during the Six Month Period from 18th July, 2001 up to and including 18th January, 2002 (being the date of the Underwriting Agreement), and that the Subscription Price at its current level would (i) minimize further dilution in the Company's pro forma consolidated net asset value per Share in excess of the 44.8% as a result of the Open Offer and the Acquisition; and (ii) enable the Company to raise the requisite amount of funding for the purpose of satisfying its consideration for the Acquisition and repayment obligations for part of the outstanding bank loans of Super Homes under the Acquisition in the aggregate amount of approximately HK$142 million, which would otherwise not be achievable if the Subscription Price were to be determined at a level lower than HK$0.195 per Offer Share;

– the Subscription Price for the Open Offer of HK$0.195 per Offer Share represents a discount of (i) over 90% to the Company's unaudited consolidated net tangible asset value per Share as at 30th June, 2001; and (ii) approximately 89.4% and 80.8% to the Company's pro forma unaudited adjusted consolidated net asset value per Share before and after the completion of the Open Offer and the Acquisition, respectively, in respect of which we consider that the Open Offer, if proceeded with, offers a good opportunity for the Shareholders (including the Independent Shareholders) to be able to participate in the business operations and development of the Group at an attractive price level when compared with the Company's unaudited consolidated net tangible asset value per Share as at 30th June, 2001 and the Company's pro forma unaudited adjusted consolidated net tangible asset value per Share;

– the Open Offer would enable the Acquisition to be proceeded with, which would have the effect of enlarging the Group's property portfolio and thereby in meeting the Group's business strategy of looking for suitable potential investment opportunities to broaden the Group's earnings base;

– the Open Offer would increase the Company's overall pro forma unaudited adjusted consolidated net tangible assets by approximately 10.3%, notwithstanding that the Company's pro forma unaudited adjusted consolidated net tangible asset value per

Share would be reduced by approximately 44.8% which is solely due to the enlargement in the capital base of the Company by 100% after the completion of the Open Offer;

– the Open Offer would not cause any dilution to the resultant net worth per Share of any Qualifying Shareholder who elects to participate in the Open Offer, whilst it would not be a realistic assumption for every non-participating Qualifying Shareholder to be able to buy his/her entitlement of Shares in the market at a price level below the Subscription Price of HK$0.195 due to the low level of trading liquidity of the Shares in the market and hence the Share price may be driven up to such levels above the Subscription Price in the event of a significant buying demand for Shares as represented by the size of the Open Offer (although this is the current scenario based on the closing Share price as at the Latest Practicable Date and which may therefore appear to be better off for such Qualifying Shareholder to do so);

– despite an increase in the Group's resultant gearing level after the Open Offer and the Acquisition from approximately 33% to 37%, the Group would enjoy an incremental benefit, on a year-on-year basis, which is attributable to the differential between (i) the Property's historical rental yield; and (ii) the prevailing low interest rate of Super Homes' remaining outstanding bank borrowings of approximately HK$89 million, which we were informed by the Directors to be at a level lower than the Property's historical rental yield as referred to in item (i) above;

– the Open Offer would result in Super Homes in becoming a wholly-owned subsidiary of the Company, whose improved financial positions as a result of the repayment of part of Super Homes' outstanding bank loans (which shall be funded from the proceeds of the Open Offer), higher rental income level after full refurbishment of the Property in September 2000 and the low interest rate (as discussed and referred to in the sub-paragraph headed "On the Group's gearing level" of the paragraph headed "Financial effects of the Open Offer and the Acquisition" above), are able to generate positive cashflow contributions to the Group; and

– the Open Offer is fully underwritten by HF Investment (who, together with its wholly-owned subsidiary HFL, are in aggregate beneficially interested in approximately 37.7% of the Company's issued share capital as at the Latest Practicable Date), in respect of which we consider demonstrates the support of HF Investment to the Open Offer,

we are of the opinion that the Open Offer is in the overall interests of the Company and the Shareholders and that the terms and conditions of the Open Offer are fair and reasonable so far as the Independent Shareholders are concerned. Therefore, we would advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve, inter alia, the Open Offer.

THE WAIVER

Principal factors and reasons considered

In arriving at our recommendation to the Independent Board Committee in relation to the Waiver, we have considered the following principal factors and reasons:

1. Reasons for obtaining the Waiver by HF Investment and its associates and concert parties

As referred to in the letter from the Board as set out on pages 7 to 25 of the Circular, HF Investment and its concert parties were in aggregate beneficially interested in 281,453,392 Shares representing approximately 37.7% of the issued share capital of the Company as at the Latest Practicable Date. In the event that HF Investment is required to take up the 465,963,601 Underwritten Shares in full, then HF Investment and its associates and concert parties would be beneficially interested in an aggregate of 1,028,870,385 Shares after the completion of the Open Offer, representing approximately 68.8% of the resultant issued share capital of the Company as enlarged by the Open Offer. Therefore, HF Investment and its associates and concert parties may exceed the 2% creeper limit allowed under the Code and would trigger a general offer obligation for the remaining Shares not already owned or agreed to be acquired by them under Rule 26 of the Code. Accordingly, HF Investment has made an application to the Executive for the grant of the Waiver pursuant to Note 1 to the Notes on dispensation from Rule 26 of the Code which, if granted by the Executive, will be subject to (inter alia) the approval of the Independent Shareholders by way of a poll at the SGM. Furthermore, it is referred to in the letter from the Board as set out on pages 7 to 25 of the Circular that the Underwriting Agreement for the Open Offer is also conditional upon, inter alia, the Waiver being granted by the Executive.

In this regard, we consider that if the Waiver is not approved by the Independent Shareholders at the SGM and therefore is not granted by the Executive to HF Investment and its associates and concert parties, then the completion of the Open Offer would not be proceeded with as a result of which the Acquisition will also not be proceeded with, given that the Acquisition and the Open Offer are inter-conditional on one another. In this regard, we wish to draw the attention of the Independent Shareholders to the merits of the Acquisition as discussed in the paragraph headed “Financial effects of the Open Offer and the Acquisition” of the section headed “The Open Offer” above, particularly in terms of (i) an enhancement in the Group’s overall net assets position; (ii) a year-on-year incremental benefit to the Group attributable to the differential between the Property’s rental yield and the prevailing low interest rate of Super Homes’ remaining bank borrowings; and (iii) an improvement in the Group’s working capital position.

We also consider that, in order for the Open Offer and the Acquisition to be proceeded with, it would be important for (i) HF Investment (being a wholly-owned subsidiary of Hong Fok) and its wholly-owned subsidiary HFL (who are collectively the single largest shareholder of the Company having an aggregate beneficial interest of approximately 37.7% in the Company's issued share capital as at the Latest Practicable Date) to be able to demonstrate their continued support and commitment towards the business operations and development of the Group by way of giving their irrevocable undertakings to subscribe for their prorata entitlements under the Open Offer; and (ii) HF Investment to enter into the Underwriting Agreement which enables the Open Offer to be proceeded with, under the prevailing weak stock market conditions and sentiment where it is often difficult to procure sub-underwriting interests for an equity issue of a size as significant as the Open Offer.

2. Effect of the Waiver

We noted that the actual resultant beneficial interests of HF Investment and its associates and concert parties would depend on, inter alia, the ultimate level of subscription for the Offer Shares by the Qualifying Shareholders upon the close of the Open Offer. This means that, upon the close of the Open Offer, in the event that (a) the level of subscription by the Independent Shareholders is 100%, then HF Investment and its associates and concert parties would retain their aggregate beneficial shareholding of approximately 37.7% in the Company; (b) the level of subscription by the Independent Shareholders is 50%, then HF Investment and its associates and concert parties would have a resultant aggregate beneficial shareholding of approximately 53.2% in the Company; and (c) the level of subscription by the Independent Shareholders is 0%, then HF Investment and its associates and concert parties would have a resultant aggregate beneficial shareholding of approximately 68.8% in the Company. In this regard, we wish to emphasize that under scenarios (b) and (c) above (where HF Investment and its associates and concert parties would have a resultant aggregate beneficial shareholding of exceeding 52% in the Company after the completion of the Open Offer) and upon the obtaining by HF Investment and its associates and concert parties of the Waiver from the Executive, HF Investment and its associates and concert parties would be exempted under the Waiver from their obligation to make a general offer under Rule 26 of the Code.

In such circumstances, the Independent Shareholders would forego the benefit of a possible general offer which might otherwise be extended to them had the Waiver not been obtained by HF Investment and its associates and concert parties from the Executive. In this regard, we have taken into account (i) the fact that the general offer obligation by HF Investment and its associates and concert parties actually arises as a result of the performance of their obligations pursuant to the Underwriting Agreement (whose terms and conditions were agreed on an arm's length basis); (ii) our recommendation on the merits of the Open Offer and the Acquisition as referred to in the sections headed "The Open Offer" and "The Acquisition" above; and (iii) the fact that the Open Offer is conditional upon, inter alia, the grant of the Waiver by the Executive to HF Investment and its associates and concert parties. We are of the view that, based on the merits of the Open Offer (and the Acquisition which may follow, subject to the approval thereof by the Independent Shareholders) and the benefits of the positive financial contributions which would accrue to the Group as referred to in the paragraph headed "Financial effects of the Open Offer and the Acquisition" of the section headed "The Open Offer" above, the Open Offer is in the interests of the Company and the Shareholders (including the Independent Shareholders) as a whole notwithstanding the fact that the Independent Shareholders would forgo the opportunity of a general offer which might otherwise be extended to them.

Recommendation

Having taken into account the principal factors and reasons considered by us as referred to above, we consider that it would be fair and reasonable for, and would be in the interests of, the Independent Shareholders to approve the Waiver by way of a poll so that, as a result, the Waiver may be granted by the Executive to HF Investment and its associates and concert parties in order to enable the Open Offer to be proceeded with and be completed. Therefore, we would advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve, inter alia, the Waiver.

OVERALL RECOMMENDATION

Having taken into account our recommendations as referred to in the sections headed "The Acquisition", "The Open Offer" and "The Waiver" above, we would advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the SGM to approve, inter alia, the Acquisition, the Open Offer and the Waiver.

Yours faithfully,
For and on behalf of
Chateron Corporate Finance Limited
Christopher Wong
Director

Yours faithfully,
For and on behalf of
WorldVest Capital Limited
Fred Wu
Director

1. VALUATION REPORT ON THE PROPERTY

The following is the text of a letter prepared for the purpose of incorporation in this circular received from FPDSavills in connection with their opinion of the value of the Property as at 31st December, 2001:

FPDsavills
第一太平戴維斯 INTERNATIONAL PROPERTY CONSULTANTS

FPDSavills (Hong Kong) Limited
23/F Two Exchange Square
Central
Hong Kong

Telephone: 2801 6100
Direct Line: 2801 6100
Direct Fax: 2530 0756

www.fpdsavills.com

FPDsavills International

25th March, 2002

The Directors
Winfoong International Limited
Room 801
9 Queen's Road Central
Hong Kong

Dear Sirs,

Re : The Whole Building of No. 38 Conduit Road, Mid-Levels, Hong Kong (the "Property")

We refer to your instruction to provide a report on the open market value of the above property. We confirm that we have caused land searches at the Land Registry, made relevant enquiries and investigations as we consider necessary for the purpose of providing you with our opinion of the open market value of the property as at 31st December, 2001 (the "Valuation Date").

Our valuation is our opinion of the open market value of the concerned property which we would define as intended to mean "the best price at which the sale of an interests in property would have been completed unconditionally for cash consideration on the Valuation Date, assuming:

(a) a willing seller;

(b) that, prior to the Valuation Date, there had been a reasonable period (having regard to the nature of the property and the state of the market) for the proper marketing of the interests, for the agreement of the price and terms and for the completion of the sale;

(c) that the state of the market, level of values and other circumstances were, on any earlier assumed date of exchange of contracts, the same as on the Valuation Date;

(d) that no account is taken of any additional bid by a prospective purchaser with a special interest; and

(e) that both parties to the transaction had acted knowledgeably, prudently and without compulsion.

Our valuation is made in accordance with the Guidance Notes on the Valuation of Property Assets published by the Hong Kong Institute of Surveyors.

In valuing the property which is held for investment purposes, we have capitalized the current rent passing at appropriate yields with their potential interests taken into account.

Our valuation has been made on the assumption that the property is sold on the open market in its existing state without the effect of deferred term contract, leaseback, joint venture, management agreement or any similar arrangement which might serve to affect the value of the property.

We have assumed that the owner of the property has enforceable title to the property interests, and has free and uninterrupted rights to use the property for the whole of the respective unexpired terms granted subject to payment of annual Government rent. Furthermore, we have valued it on the assumption that it is freely disposable and transferable to third parties on the open market without paying any additional premium or other onerous payment.

Other special assumptions of the property has been stated in the footnotes of the valuation certificate for the property.

We have caused searches to be made at the Urban Land Registry against the property. We have not, however, searched the original documents to verify ownership or to ascertain the existence of any amendments which do not appear on the copies handed to us.

We have inspected the exterior and, where possible the interior of all parts of the property. However, no structural survey has been made and we are therefore unable to report as to whether the property is free from rot, infestation or any other structural defects. No tests were carried out on any of the services.

Having examined all relevant documentation, we have relied to a considerable extent on the information given by you, particularly in respect of easements, tenures, lettings, rentals, site and floor areas. All documents have been used for reference only. Except otherwise stated, all dimensions, measurements and areas included in the valuation certificate are based on information contained in the documents provided to us by you and are therefore approximate. We have no reason to doubt the truth and accuracy of the information provided to us by you. We have also been advised by you that no material facts have been omitted from the information provided and have no reason to suspect that any material information has been withheld.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the property valued nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property is free from encumbrances, restrictions and outgoings of an onerous nature which could affect its value.

We have not verified and make no representation that the property, including any plant and equipment therein, is millennium compliant, or that the value of the property is not adversely affected in any way by any part of them not being millennium compliant within the meaning of BSI definition of Year 2000 compliance.

We enclose herewith the valuation certificate.

Yours faithfully,
For and on behalf of
FPDSavills (Hong Kong) Limited

William W L Wong
BLE, MRICS, AHKIS, RPS(GP)
Senior Director
Valuation and Consultancy

Gilbert C H Chan
BSc (Hons) AHKIS, MRICS
Associate Director
Valuation and Consultancy

Note: Mr. William Wong and Mr. Gilbert Chan are Chartered Surveyors with over 9 years' valuation experience on properties in Hong Kong and over 5 years' valuation experience on properties in the PRC.

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of Occupancy	Capital Value in existing state as at 31st December, 2001 *HK$*
The Whole Building of No. 38 Conduit Road, Mid-Levels, Hong Kong The Remaining Portion of Inland Lot No. 12503	The subject building is a 12-storey (1/F to 12/F) apartment block erected over a 4-storey carpark (34 carparking spaces and 5 motor cycle parking spaces)/lobby/recreational/ retail podium (i.e. the G/F, LB/F, B/F and UB/F) which was completed in about 1972 and fully refurbished in 2000. The site area of the property is approximately 7,313 sq.ft. (679.40 sq.m.) and the total gross floor area is approximately 37,804.08 sq.ft. (3,512.12 sq.m.). The lot is held under a Government Lease for a term of 999 years commencing on 25th June, 1861. The Government rent for the Lot is HK$28 per annum.	As at 31st December, 2001, 28 of the 36 apartments, 19 of the 34 car-parking spaces and 4 of the 5 motor cycle parking spaces were subject to various tenancies and licences with the latest one expiring on 30th November, 2002 at a total gross monthly rent of HK$954,584 (most of which inclusive of rates and management fee), the remainders were vacant. In addition, there was a total rental income of HK$97,000 per month generating from the non-residential sources.	HK$243,000,000

Notes:

1. The registered owner of the property is Super Homes Limited vide Memorial No. 6935567 dated 30th January, 1997.
2. The property is subject to a Debenture in favour of Hang Seng Bank Limited to an extent of HK$115,000,000 vide Memorial No. 6935568 dated 30th January, 1997.
3. The property is subject to a Deed of Variations vide Memorial No. 6935568 and Further Charge in favour of Hang Seng Bank Limited vide Memorial No. 8053388 dated 31st March, 2000.
4. The subject building lies within an area zoned “Residential (Group B)” on the Mid-Levels West Outline Zoning Plan No. S/H11/12 dated 24th August, 2001.
5. Upon our inspection, we noted that there is a commercial unit situated on the Ground Floor of the building.

2. VALUATION REPORT ON THE GROUP'S PROPERTY INTERESTS

The following is the text of a letter prepared for the purpose of incorporation in this circular received from FPDSavills in connection with their opinion of the value of the property interests of the Group as at 31st December, 2001:

FPDsavills
第一太平戴維斯 INTERNATIONAL PROPERTY CONSULTANTS

FPDSavills (Hong Kong) Limited
23/F Two Exchange Square
Central
Hong Kong

Telephone: 2801 6100
Direct Line: 2801 6100
Direct Fax: 2530 0756

www.fpdsavills.com

FPDsavills International

25th March, 2002

The Directors
Winfoong International Limited
Room 801
9 Queen's Road Central
Hong Kong

Dear Sirs,

We refer to your instructions for us to value various property interests of Winfoong International Limited (the "Company") and its subsidiaries (herewith together referred to as the "Group") in Hong Kong and the People's Republic of China (the "PRC"). We confirm that we have carried out inspection, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the open market values of these property interests as at 31st December, 2001 (the "Valuation Date").

This letter which forms part of our valuation certificate explains the basis and methodology of valuation, and sets out our assumptions made, title investigation and limiting conditions.

Our valuations of the properties are our opinion of the open market value of each of the concerned properties which we would define as intended to mean "the best price at which the sale of an interests in property would have been completed unconditionally for cash consideration on the Valuation Date, assuming:

(a) a willing seller;

(b) that, prior to the Valuation Date, there had been a reasonable period (having regard to the nature of the property and the state of the market) for the proper marketing of the interests, for the agreement of the price and terms and for the completion of the sale;

(c) that the state of the market, level of values and other circumstances were, on any earlier assumed date of exchange of contracts, the same as on the Valuation Date;

(d) that no account is taken of any additional bid by a prospective purchaser with a special interest; and

(e) that both parties to the transaction had acted knowledgeably, prudently and without compulsion."

Our valuations are made in accordance with the Guidance Notes on the Valuation of Property Assets published by the Hong Kong Institute of Surveyors.

Our valuations have been made on the assumption that the property interests are sold on the open market in their existing state without the effect of deferred term contract, leaseback, joint venture, management agreement or any similar arrangement which might serve to affect the values of the property interests.

Except otherwise stated, in valuing the properties in Group I which are occupied by the Group in Hong Kong, we have valued each of these property interests on an open market basis by the Comparison Method assuming such property interests are capable of being sold in existing state with the benefit of vacant possession and by making reference to comparable sales evidence as available in the relevant market.

Properties in Group II are held for sale by the Group in Hong Kong. For units thereof that are vacant, the Comparison Method as mentioned above has been adopted. For units thereof that are leased, we have valued them subject to existing tenancies, and have capitalized the current rent passing at appropriate yields with their potential interests taken into account.

In valuing the properties in Groups III and IV which are held for investment by the Group in Hong Kong and the PRC, we have capitalized the current rent passing at appropriate yields with their potential interests taken into account.

In valuing the properties in Group V which are held for future development by the Group in the PRC, we have valued the property interests by the Comparison Method assuming sale in existing state with the benefit of vacant possession and by making reference to market data.

Unless otherwise stated, we have assumed that the owners of the property interests have enforceable title to the property interests, and have free and uninterrupted rights to use the properties for the whole of the respective unexpired terms granted subject to payment of annual Government rent/land use fees and that all requisite land premium/purchase consideration payable have been fully settled. Furthermore, we have valued them on the assumption that they are freely disposable and transferable to third parties on the open market without paying any additional premium or other onerous payment.

Other special assumptions of each of the properties, if any, have been stated in the footnotes of the valuation certificate for the respective properties.

We have caused searches to be made at the Urban Land Registry against the properties in Hong Kong. We have not, however, searched the original documents to verify ownership or to ascertain the existence of any amendments which do not appear on the copies handed to us. For properties in the PRC, we have not checked the title of the properties and have not scrutinized the original documents. We have relied on the advice given by the Group and its legal advisers on PRC laws, 信達律師事務所 (the "PRC Legal Advisers") regarding the title to the property interests in the PRC. For the purpose of our valuation, we have assumed that the Group has enforceable title to the property interests. In our valuation, we have taken into account the legal opinion of the PRC Legal Advisers, and while we have exercised our professional judgement in arriving at the valuation, you are urged to consider our valuation assumptions with caution.

We have inspected the exterior and, where possible the interior of all the properties included in the attached valuation certificate. However, no structural survey has been made and we are therefore unable to report as to whether the properties are free from rot, infestation or any other structural defects. No tests were carried out on any of the services.

No site investigation on the properties concerned has been carried out to determine the suitability of the ground conditions or the services for any future property development thereon. Our valuations are carried out on the assumption that these aspects are satisfactory and that no extraordinary expenses or delays will be incurred during the construction period.

Having examined all relevant documentation, we have relied to a considerable extent on the information given by the Group, particularly in respect of planning approvals or statutory notices, easements, tenures, lettings, rentals, site and floor areas and in the identification of those properties in which the Group has valid interests. All documents have been used for reference only. Except otherwise stated, all dimensions, measurements and areas included in the valuation certificates are based on information contained in the documents provided to us by the group and are therefore approximate. We have no reason to doubt the truth and accuracy of the information provided to us by the Group. We have also been advised by the Group that no material facts have been omitted from the information provided and have no reason to suspect that any material information has been withheld.

Unless otherwise stated, no allowance has been made in our valuations for any charges, mortgages or amounts owing on any of the properties valued nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that all the interests are free from encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

We have not verified and make no representation that the properties, including any plant and equipment therein, is millennium compliant, or that the value of the properties are not adversely affected in any way by any part of them not being millennium compliant within the meaning of BSI definition of Year 2000 compliance.

Unless otherwise stated, all property values are denominated in Hong Kong Dollars. The exchange rate used in our valuation is HK$1 to Rmb1.0617 which was prevailing as at the Valuation Date.

We enclose herewith our summary of values and the valuation certificate.

Yours faithfully,
For and on behalf of
FPDSavills (Hong Kong) Limited

William W L Wong
BLE, MRICS, AHKIS, RPS(GP)
Senior Director
Valuation and Consultancy

Gilbert C H Chan
BSc (Hons) AHKIS, MRICS
Associate Director
Valuation and Consultancy

Note: Mr. William Wong and Mr. Gilbert Chan are Chartered Surveyors with over 9 years' valuation experience on properties in Hong Kong and over 5 years' valuation experience on properties in the PRC.

SUMMARY OF VALUES

No.	Property	Interest attributable to the Group *(%)*	Capital Value in existing state as at 31st December, 2001 *HK$*
Group I – Properties held for occupation by the Group in Hong Kong			
1.	4th Floor, Lico Industrial Building, No. 324 Kwun Tong Road, Ngau Tau Kok, Kowloon, Hong Kong	100%	HK$750,000
2.	Portion of 8th Floor (also known as Room 801 on 8th Floor) No. 9 Queen's Road Central, Hong Kong	100%	HK$38,200,000
		Sub-Total	HK$38,950,000
Group II – Properties held for sale by the Group in Hong Kong			
3.	The Remaining Portion of 8th Floor (also known as Rooms 802 to 805 on 8th Floor) No. 9 Queen's Road Central, Hong Kong	100%	HK$51,800,000
4.	Car Parking Space No. 120 on Ground Floor, Wing Fok Centre, No. 1 Luen Chit Street, Fanling, New Territories, Hong Kong	100%	HK$200,000
5.	Car Parking Space Nos. 140 and 141 On the Ground Floor, Wing Fai Centre, Nos. 2-10 Luen Chit Street, Fanling, New Territories, Hong Kong	100%	HK$400,000
6.	Unsold Units of Fortress Heights, No. 38A Fort Street, North Point, Hong Kong	100%	HK$55,700,000
		Sub-Total	HK$108,100,000

No.	Property	Interest attributable to the Group (%)	Capital Value in existing state as at 31st December, 2001 HK$
	Group III – Properties held for investment by the Group in Hong Kong		
7.	Magazine Gap Towers, No. 15 Magazine Gap Road, Mid-Levels, Hong Kong	100%	HK$500,000,000
8.	Magazine Heights, No. 17 Magazine Gap Road, Mid-Levels, Hong Kong	100%	HK$545,000,000
9.	Goods Vehicle Spaces Nos. L1 to L7 On the Ground Floor, Wing Fok Centre, No. 1 Luen Chit Street, Fanling, New Territories, Hong Kong	100%	HK$2,450,000
10.	Goods Vehicles Parking Space No. L3 On the Ground Floor, Fok On Garden, No. 11 On Chun Street, Ma On Shan, New Territories, Hong Kong	100%	HK$350,000
		Sub-Total	HK$1,047,800,000

No.	Property	Interest attributable to the Group (%)	Capital Value in existing state as at 31st December, 2001 HK$
Group IV – Properties held for investment by the Group in the People's Republic of China			
11.	Units A and B on Levels 2 and 3 of Block Nos. 1, 2, 3, 5, 6, 7, 8, 9 and 10, Chuang's Metropolis, Panyu, Guangdong Province, The PRC	100%	HK$5,000,000
12.	Unsold portion of Phase 1A, Riverside Villa, Tangxia Town, Xinhui, Guangdong Province The PRC	92%	HK$12,500,000
		Sub-Total	HK$17,500,000
Group V – Properties held for future development by the Group in the People's Republic of China			
13.	The remaining portion of land, Riverside Villa, Tangxia Town, Xinhui, Guangdong Province The PRC	92%	HK$67,500,000
		Sub-Total	HK$67,500,000
		Grand total	**HK$1,279,850,000**

VALUATION CERTIFICATE

Group I – Properties held for occupation by the Group in Hong Kong

No.	Property	Description and tenure	Particulars of Occupancy	Capital Value in existing state as at 31st December, 2001
1.	4th Floor, Lico Industrial Building, No. 324 Kwun Tong Road, Ngau Tau Kok, Kowloon, Hong Kong 2/23rd parts or shares of and in Kwun Tong Inland Lot No. 549	The property comprises the whole of the 4th floor of a 10-storey industrial building. It was completed in about 1970. It has a saleable area of approximately 2,261 sq.ft. (210.05 sq.m.). The property is held under a Government lease for a term of 99 years less the last three days thereof from 1st July, 1898 which has been extended to 30th June, 2047. The Government rent payable is equal to an amount equal to 3% of the then rateable value of the lot.	The property is occupied by the Group as a godown.	HK$750,000 *(100% interest attributable to the Group)*

Notes:

1. The registered owner of the property is Donwin Property Limited which is an indirect wholly-owned subsidiary of the Company.

2. As at the valuation date, the property is subject to the following encumbrances:

   Deed of Covenant vide Memorial No. 789369 dated 28th December, 1970.

No.	Property	Description and tenure	Particulars of Occupancy	Capital Value in existing state as at 31st December, 2001
2.	Portion of 8th Floor (also known as Room 801) on 8th Floor) No. 9 Queen's Road Central, Hong Kong Portion of 500/ 23,086th parts or shares of and in the Remaining Portion of Section A of Marine Lot No. 102, Section C of Marine Lot No. 103, the Remaining Portion of Marine Lot No. 101, the Remaining Portion of Inland Lot No. 514, Sections A and B of Marine Lot No. 101 and the Remaining Portion of Section C of Marine Lot No. 101	The property comprises a office unit on 8th floor of a 36-storey (including basement) commercial/office development. The building was completed in about 1991. The gross floor area of the property is approximately 5,831 sq.ft. (541.72 sq.m.). The property is held under four respective Government leases each for a term of 999 years from 21st January, 1857 (Lot No. 514) and 16th November, 1855 (remaining lots) respectively.	The property is occupied by the Group as office.	HK$38,200,000 *(100% interest attributable to the Group)*

Notes:

1. The registered owner of the property is Vision Asset Management Limited (formerly known as Sun Harvest Investments Limited) which is an indirect wholly-owned subsidiary of the Company.

2. As at the valuation date, we were aware of the following encumbrances registered the property:

   (i) Deed of Mutual Covenant and Management Agreement vide Memorial No. 5711938 dated 30th June, 1993.

   (ii) Debenture in favour of Overseas Union Bank Limited vide Memorial No. 7298020 dated 30th September, 1997.

Group II – Properties held for sale by the Group in Hong Kong

No.	Property	Description and tenure	Particulars of Occupancy	Capital Value in existing state as at 31st December, 2001
3.	The Remaining Portion of 8th Floor (also known as Rooms 802 to 805 on 8th Floor) No. 9 Queen's Road Central, Hong Kong Portion of 500/ 23,086th parts or shares of and in the Remaining Portion of Section A of Marine Lot No. 102, Section C of Marine Lot No. 103, the Remaining Portion of Marine Lot No. 101, the Remaining Portion of Inland Lot No. 514, Sections A and B of Marine Lot No. 101 and the Remaining Portion of Section C of Marine Lot No. 101	The property comprises four office units on 8th floor of a 36-storey (including basement) commercial/office development. The building was completed in about 1991. The gross floor area of the property is approximately 7,890 sq.ft. (733.01 sq.m.). The property is held under four respective Government leases each for a term of 999 years from 21st January, 1857 (Lot No. 514) and 16th November, 1855 (remaining lots) respectively.	As at 31st December, 2001, the property was subject to various tenancies for terms mostly of 2 years with the latest expiring in December 2003 at a total monthly rent of HK$167,892.	HK$51,800,000 *(100% interest attributable to the Group)*

Notes:

1. The registered owner of the property is Vision Asset Management Limited (formerly known as Sun Harvest Investments Limited) which is an indirect wholly-owned subsidiary of the Company.

2. As at the valuation date, the property is subject to various tenancies agreements. Besides, we were aware of the following encumbrances registered the property:

   (i) Deed of Mutual Covenant and Management Agreement vide Memorial No. 5711938 dated 30th June, 1993.

   (ii) Debenture in favour of Overseas Union Bank Limited vide Memorial No. 7298020 dated 30th September, 1997.

No.	Property	Description and tenure	Particulars of Occupancy	Capital Value in existing state as at 31st December, 2001
4.	Car Parking Space No. 120 on Ground Floor, Wing Fok Centre, No. 1 Luen Chit Street, Fanling, New Territories, Hong Kong 1/17,432th parts or shares of and in Fanling Sheung Shui Town Lot No. 69	The property is one of the various private parking spaces on the ground floor of a Private Sector Participation Scheme housing development which was completed in about 1993. The property is held under New Grant No. 12528 from 28th November, 1991 to 30th June, 2047.	As at 31st December, 2001, the property was vacant.	HK$200,000 *(100% interest attributable to the Group)*

Notes:

1. The registered owner of the property is Clever Resources Development Limited which is an indirect wholly-owned subsidiary of the Company.

2. As at the valuation date, the property is subject to the following encumbrances:

   (i) Occupation Permit No. NT 125/93 vide Memorial No. 293771 dated 21st September, 1993.

   (ii) Deed of Mutual Covenant and Management Agreement vide Memorial No. 304510 dated 24th February, 1994.

No.	Property	Description and tenure	Particulars of Occupancy	Capital Value in existing state as at 31st December, 2001
5.	Car Parking Space Nos. 140 and 141 On the Ground Floor, Wing Fai Centre, Nos. 2-10 Luen Chit Street, Fanling, New Territories, Hong Kong 4/13,474th parts or shares of and in Fanling Sheung Shui Town Lot No. 125	The property is two of the various private parking spaces on the ground floor of a Private Sector Participation Scheme housing development which was completed in about 1996. The property is held under New Grant No. 12697 from 10th March, 1994 to 30th June, 2047.	As at 31st December, 2001, one parking space was subject to monthly licences at a total monthly rent of HK$1,200. The remaining one parking space was vacant.	HK$400,000 *(100% interest attributable to the Group)*

Notes:

1. The registered owner of the property is Sui Chong International Resources Limited which is an indirect wholly-owned subsidiary of the Company.

2. As at the valuation date, the property is subject to the following encumbrances:

   (i) Occupation Permit No. HD 2/96 vide Memorial No. 361632 dated 7th May, 1996.

   (ii) Deed of Mutual Covenant vide Memorial No. 365493 dated 8th July, 1996.

   (iii) Occupation Permit (a covered footbridge connecting FSSTL 127 and FSSTL 125 for non-domestic use) vide Memorial No. 496566 dated 3rd November, 2000.

No.	Property	Description and tenure	Particulars of Occupancy	Capital Value in existing state as at 31st December, 2001
6.	Unsold units of Fortress Heights No. 38A Fort Street, North Point, Hong Kong 1,591/2,800th parts or shares of and in Sub-section 18 of Section D of Inland Lot No. 2366 and the extension thereto	The property comprises a total of 24 residential units and a ground floor shop unit in a 24-storey composite building completed in 2000. The property has a total gross floor area of approximately 15,832 sq.ft. (1,470.84 sq.m.). The property is held under Conditions of Sale No. 1143 for a term of 75 years from 13th February, 1922 renewable for a further term of 75 years.	As at 31st December, 2001, the property was vacant.	HK$55,700,000 *(100% interest attributable to the Group)*

Notes:

1. The property comprises Shop on G/F, Unit A on 1/F, 11/F to 13/F, 15/F to 20/F, 23/F, 25/F and 26/F and Unit B on 8/F, 13/F, 15/F, 16/F, 18/F to 23/F and 26/F and Roofs A and B of the subject development.

2. The registered owner of the property is Allied Crown Limited which is an indirect wholly-owned subsidiary of the Company.

3. As at the valuation date, the property is subject to the following encumbrances:

   (i) Occupation Permit No. HK60/2000 (OP) vide Memorial No. 8330977 dated 22nd November, 2000.

   (ii) Deed of Mutual Covenant vide Memorial No. 8377913 dated 18th April, 2001.

   (iii) Debenture in favour of Nanyang Commercial Bank Limited vide Memorial No. 8426145 dated 29th June, 2001.

Group III – Properties held for investment by the Group in Hong Kong

No.	Property	Description and tenure	Particulars of Occupancy	Capital Value in existing state as at 31st December, 2001
7.	Magazine Gap Towers, No. 15 Magazine Gap Road, Mid-Levels, Hong Kong Inland Lot No. 2570 and the Extension thereto	The property comprises a 12-storey residential building over ground floor and lower ground floor carport/recreation podium. It was completed in about 1967 and has been refurbished in 1989. The subject lot has a registered site area of approximately 19,000 sq.ft. (1,765.14 sq.m.). There are a total of 24 apartments and 36 parking spaces, a communal swimming pool and a gymnasium provided within the building. The total gross floor area of the apartments is approximately 55,200 sq.ft. (5,128.21 sq.m.) (excluding car parking spaces). The property is held under a Government lease and Conditions of Extension for common term of 75 years from 4th June, 1925 renewable for a further term of 75 years.	As at 31st December, 2001, except one apartment unit and 13 car parks were vacant, the property was subject to various tenancies for terms of mostly one year with the latest expiry date on 1st December, 2002. The total monthly rent receivable is HK$1.4 million.	HK$500,000,000 *(100% interest attributable to the Group)*

Notes:

1. The registered owner of the property is Hugoton Limited which is an indirect wholly-owned subsidiary of the Company.

2. As at the valuation date, the property is subject to the following encumbrances:

   (i) Legal Charge and debenture in favour of Overseas Union Bank Limited vide Memorial No. 6570363 dated 15th March, 1996.

   (ii) Supplement deed relating to legal charge (vide Memorial No. 6570363) in favour of Overseas Union Bank Limited vide Memorial No. 7024410 dated 11th April, 1997.

No.	Property	Description and tenure	Particulars of Occupancy	Capital Value in existing state as at 31st December, 2001
8.	Magazine Heights, No. 17 Magazine Gap Road, Mid-Levels, Hong Kong Inland Lot No. 8021 and the Extension thereto	The property comprises a 12-storey residential building over ground floor and lower ground floor carport/recreation podium. It was completed in about 1968 and has been refurbished. The subject lot has a registered site area of approximately 23,030 sq.ft. (2,139.54 sq.m.). There are a total of 23 apartments and 40 parking spaces and a gymnasium provided within the building The total gross floor area of the apartments is approximately 60,000 sq.ft. (5,574.14 sq.m.) (excluding car parking spaces). The property is held under a Government lease and Conditions of Extension for common term of 75 years from 28th August, 1920 renewable for a further term of 75 years.	As at 31st December, 2001, except four apartment units and twenty car parks were vacant, the property was subject to various tenancies for terms of mostly one year with the latest expiry date on 15th October, 2002. The total monthly rent receivable is HK$1.3 million.	HK$545,000,000 *(100% interest attributable to the Group)*

Notes:

1. The registered owners of the property are Giant Yield Limited (3/24th) and Bossiney Limited (21/24th) (Tenants in Common) both of which are indirect wholly-owned subsidiary of the Company.

2. As at the valuation date, the property is subject to the following encumbrances:

   (i) Deed of Covenant vide Memorial No. 825618 dated 10th August, 1971.

   (ii) Modification Letter vide Memorial No. 6570640 dated 13th March, 1996.

   (iii) Mortgage by Bossiney Limited in favour of Nanyang Commercial Bank Limited vide Memorial No. 8312581 dated 22nd January, 2001.

   (iv) Assignments of Rentals in favour of Nanyang Commercial Bank Limited vide Memorial Nos. 8312582 and 8312583 both dated 22nd January, 2001.

No.	Property	Description and tenure	Particulars of Occupancy	Capital Value in existing state as at 31st December, 2001
9.	Goods Vehicle Spaces Nos. L1 to L7 On the Ground Floor, Wing Fok Centre, No. 1 Luen Chit Street, Fanling, New Territories, Hong Kong 7/17,432th parts or shares of and in Fanling Sheung Shui Town Lot No. 69	The property is seven of the various goods vehicle spaces on the ground floor of a Private Sector Participation Scheme housing development which was completed in about 1993. The property is held under New Grant No. 12528 from 28th November, 1991 to 30th June, 2047.	As at 31st December, 2001, three parking spaces were subject to monthly licences at a total monthly rent of HK$5,600 per month. The remaining four parking spaces were vacant.	HK$2,450,000 *(100% interest attributable to the Group)*

Notes:

1. The registered owner of the property is Sui Chong International (H.K.) Limited which is an indirect wholly-owned subsidiary of the Company.

2. As at the valuation date, the property is subject to the following encumbrances:

   (i) Occupation Permit No. NT 125/93 vide Memorial No. 293771 dated 21st September, 1993.

   (ii) Deed of Mutual Covenant and Management Agreement vide Memorial No. 304510 dated 24th February, 1994.

No.	Property	Description and tenure	Particulars of Occupancy	Capital Value in existing state as at 31st December, 2001
10.	Goods Vehicles Parking Space No. L3 On the Ground Floor, Fok On Garden, No. 11 On Chun Street, Ma On Shan, New Territories, Hong Kong 1/3,934th parts or shares of and in Sha Tin Town Lot No. 334	The property is one of the various goods vehicle parking spaces on the ground floor of the 2-level commercial/carport podium within the subject development which was completed in about 1992. The main entrance is provided at On Chun Street. The property is held under New Grant No. 12298 from 28th May, 1990 to 30th June, 2047.	As at 31st December, 2001, the property was let at a monthly licence fee of HK$2,800 exclusive of rates and management fee.	HK$350,000 *(100% interest attributable to the Group)*

Notes:

1. The registered owner of the property is Sea Rider Development Limited which is an indirect wholly-owned subsidiary of the Company.

2. As at the valuation date, the property is subject to the following encumbrances:

   (i) Occupation Permit No. NT 60/92 vide Memorial No. 647082 dated 13th May, 1992.

   (ii) Deed of Mutual Covenant and Management Agreement vide Memorial No. 662253 dated 18th August, 1992.

Group IV – Property held for investment by the Group in the People's Republic of China

No.	Property	Description and tenure	Particulars of Occupancy	Capital Value in existing state as at 31st December, 2001
11.	Units A and B on Levels 2 and 3 of Block Nos. 1, 2, 3, 5, 6, 7, 8, 9 and 10, Chuang's Metropolis, Panyu, Guangdong Province, The PRC	The property comprises a total of 36 apartment units on the 2nd and 3rd levels of nine blocks of 4-storey composite building completed in about 1997. The property has a total gross floor area of approximately 2,866.22 sq.m. (30,852 sq.ft.) Pursuant to the Supplemental Sale and Purchase Agreements all dated 6th November, 1995, the land use right granted is for a term of 70 years from 22nd December, 1992 to 22nd December, 2062.	As at 31st December, 2001, the property was vacant.	HK$5,000,000 *(100% interest attributable to the Group)*

Notes:

1. The PRC Legal Advisers have stated in their legal opinion, inter alia, that:

    i. According to Pre-sale Permit Nos. 0101 and 0182 (番禺預許字第0101及0182號) issued by Panyu Construction Committee, Shilou Xindu Real Estate Development Co. Ltd. is entitled to sell Chuang's Metropolis situated on the northern side of Liangang Road, Shilou Town, Panyu, Guangdong Province.

    ii. Clause 9 of the Sale and Purchase Agreement of the subject property stipulates that the agreement would become valid and effective provided that it has been signed by both parties and has been examined and approved by relevant authority governing the sale and purchase of real estate. No such application for approval for the Sale and Purchase Agreements of the subject property has been submitted.

    iii. Provided that China Charm Company Limited had obtained the approval for the Sale and Purchase Agreements issued by the relevant authority governing the sale and purchase of real estate, the consideration for the purchase of the subject property was fully paid and the Certificate for Real Estate Title of the subject property was obtained, China Charm Company Limited may legally possess, occupy and assign the subject property. Such legal interests are protected and enforceable by the PRC Law.

    iv. Since application for the approval of the Sale and Purchase Agreements of the subject property to the relevant authority governing the sale and purchase of real estate was not submitted, no mortgage of the property is noted.

2. Pursuant to thirty-six Sale and Purchase Agreements all entered into between Panyu Shilou Xindu Real Estate Development Co. Ltd. (Party A) and China Charm Company Limited which is an indirect wholly-owned subsidiary of the Company (Party B) on 6th November, 1995, Party A agreed to sell the property to Party B at a total consideration of HK$7,281,156 for residential use.

3. The status of the material certificates and approvals is as follows:

(i)	Certificate of Real Estate Title/ Building Ownership	No
(ii)	Certificate of Completion	No
(iii)	Sale and Purchase Agreement	Yes

4. In our valuation we have taken into account the PRC Legal Opinion. Our valuation represents the capital value of the property assuming it is freely disposable on the Valuation Date and the property has been completed and finished in compliance with all relevant regulations.

No.	Property	Description and tenure	Particulars of Occupancy	Capital Value in existing state as at 31st December, 2001
12.	16 row houses, 13 semi-detached houses and 28 apartment units of Phase 1A, Riverside Villa, Tangxia Town, Xinhui, Guangdong Province The PRC	The property comprises 16 row houses, 13 semi-detached houses and 28 apartment units of Phase 1A of Riverside Villa. Riverside Villa is planned to be developed in four phases as a comprehensive private housing development, comprising detached houses, row houses and low and high-rise apartment buildings. The total gross floor area of the property is approximately 6,110.18 sq.m. (65,770 sq.ft.). The property is held for a term of 70 years from 8th October, 1992 to 8th October, 2062.	As at 31st December, 2001, the property was vacant.	HK$12,500,000 *(92% interest attributable to the Group: HK$11,500,000)*

Notes:

1. The property comprises Unit Nos. 4A, 4B, 3B, 2B and 1B in Block L1, Unit Nos. 4A, 3A, 2A, 1A, 3B, 2B and 1B in Block L2, Unit Nos. 2A, 1A and 2B in Block L3, Unit Nos. 2A, 1A and 1B in Block L4, Unit No. 2A in Block L6, Unit Nos. 4A, 3A, 2A, 1A, 4B, 3B, 2B and 1B in Block L8, Unit No 3A in Block L5; Block Nos. R-01, R-02, R-06, R-07,R-11, R-12, R-13, R-14, R-17, R-18, R-19, R-26, R-27, R-30, R-31, R-32 and S-01, S-04, S-07, S-09, S-10, S-11, S-15, S-19, S-20, S-21, S-22, S-23 and S-24 of Phase 1A of Riverside Villa.

2. Xinhui Tangquan Real Estate Company Limited is an indirect 92%-owned subsidiary of the Company.

3. Xinhui Tangquan Real Estate Company Limited ("the Tangquan Company") is an equity joint venture company between 新會縣棠下鎮村鎮建設開發公司 ("Party A") and Wellpool International Limited ("Party B"), legally established on 23rd September, 1992. Its joint venture period is 30 years commencing on 23rd September, 1992.

4. According to the Joint Venture Contract, the equity contribution of the Tangquan Company between Party A and Party B is 8% and 92% respectively, amounting a registered capital of US$10,000,000. Party B may obtain 92% profits of the Tangquan Company.

5. Pursuant to the Certificate for the Use of State-owned Land No. (1992) 1900693 dated 16th October, 1992 and issued by the People's of Government of Xinhui County, the land use right of a parcel of land situated at Zhulinyuan of Tangxia Town is vested in Xinhui Tangquan Real Estate Company Limited for a term of 70 years from 8th October, 1992 to 8th October, 2062. The land is for real estate use comprising a site area of approximately 312,770.30 sq.m..

6. Pursuant to the Grant of Contract of Land Use Rights entered into between Xinhui County Land Administration Bureau (Party A) and Xinhui Tangquan Real Estate Company Limited (Party B) on 8th October, 1992, Party A has agreed to grant the land use right of a parcel of land situated at Zhulinyuan of Tangxia Town to Party B. The salient conditions are summarized as follows:

(i)	Site area	:	312,770.30 sq.m.
(ii)	Uses	:	the development of commercial/residential buildings, shopping arcade, club house and community facilities
(iii)	Plot ratio	:	3.6
(iv)	Site coverage	:	40%
(v)	Total gross floor area	:	not exceeding 1,122,000 sq.m.
(vi)	No. of storeys	:	maximum of 40 storeys (average of 20 storeys)
(vii)	Green area ratio	:	5%
(viii)	Land premium	:	RMB2,189,400
(ix)	Building covenant	:	Party B shall complete the gross floor area of the proposed development of not less than 41,000 sq.m. by 30th October, 1995 and shall complete the whole development by 22nd September, 2007.

7. Pursuant to the Business Licence No. 003202 dated 21st May, 2001, Xinhui Tangquan Real Estate Company Limited was incorporated with a registered capital of US$10,000,000 and has an operation period from 23rd September, 1992 to 22nd September, 2022.

8. We have noted that the said Grant Contract requires a building covenant regarding the completion of the gross floor area of the proposed development of not less than 41,000 sq.m. by 30th October, 1995. It appears that such building covenant has not been fulfilled. However, as instructed by the Group, we have valued on the assumption that the breach of the said building covenant would not affect the title of the property.

9. The completed houses of phase 1A of Riverside Villa are of 2 to 3-storeys high with individual garden and garage area. The sizes of the houses range from approximately 119.60 sq.m. (1,287 sq.ft.) to 139.43 sq.m. (1,501 sq.ft.). The completed apartment buildings are of 4-storeys with unit sizes ranging from approximately 71.67 sq.m. (771 sq.ft.) to 89.46 sq.m. (963 sq.ft.).

10. As advised by the Group, the approximate gross floor area of each type of subject property is as follows:

Uses	**Approximate Gross Floor Area**	
	sq.m.	*sq.ft.*
Row houses	1,913.64	20,598
Semi-detached houses	1,812.58	19,511
Apartment units	2,383.96	25,661
Total	6,110.18	65,770

11. The PRC Legal Advisers have stated in their legal opinion, inter alia, that:

    i. The Xinhui Tangquan Real Estate Company Limited ("the Tangquan Company") is a joint-venture company incorporated under the PRC law. In accordance with the Business License issued on 21st May, 2001, the Tanguan Company has a registered capital of US$10,000,000 (already paid-up capital: US$7,365,000). The shareholders to the Tangquan Company have already paid-up 80.6% of the total registered capital of which the Hong Kong shareholder (i.e. Wellpool International Limited) has already paid-up 80.6% of its equity contribution and the PRC shareholder (i.e. 新會棠下鎮村鎮建設開發公司) has not paid-up its equity contribution according to the time schedule of the Joint Venture Contract.

ii. Pursuant to the Guangdong Province Real Estate Business Certificate No. 2121014 (粵外房企証字第2121014號) provided by the Tangquan Company, the Tangquan Company is qualified to engage commodity housing development at Zhulinyuan of Tangxia Town, Xinhui Shi.

iii. Pursuant to the Certificate for the Use of State-owned Land No. (1992) 1900693 (新府國用(1992)字第1900693號) provided by the Tangquan Company, the land use rights of a parcel of land of 312,770 square metres, situated at Zhulinyuan of Tangxia Town are legally vested in Tangquan Company for real estate use. Until 28th February, 2002, there is no mortgage recorded in the Remarks of the said Certificate for the Use of Stated-owned Land.

Clause 3 of the Grant of Contract of Land Use Right stipulates that the Tangquan Company may assign, rent, mortgage or otherwise use for other economic operations the property interests within the land use rights period but the Tangquan Company is required to obtain the Certificate for the Use of State-owned Land, to pay all land premium and to put in development and construction fund in the amount at least 25% of the total investment amount.

Clauses 4.2 and 4.4 of Land Use Conditions annexed to the Grant of Contract of Land Use Right stipulate that the Tangquan Company had to complete gross floor area of not less 41,000 square metres before 30th October, 1995. According to the Certificates of Construction Completion and Handover provided by the Group, up to 28th February, 2002, the completed total gross floor area of the phase 1A of Riverside Villas is 12,532.92 square metres which composes of 805.56 square metres for detached houses, 3,601.56 square metres for semi-detached houses, 3,007.20 square metres for row houses and 5,118.60 square metres for apartment buildings.

iv. The proposed development scale as stated in Permission Certificate for Construction Works Planning Nos. 9335, 9336, 9337 and 9338 issued by Xinhui Shi Construction Committee is basically equal to the gross floor area as permitted in the Xinhui Commodity Housing Pre-sale Permit Nos. 0001, 0002, 0003 and 0004 issued by the Xinhui Shi Construction Committee. The Tangquan Company has the right to sell the completed units within the said scale limit.

v. Pursuant to 29 copies of Construction Permit and Certificate for Construction Completion and Handover, a total of 111 housing units have been constructed in compliance with the laws and regulations and legitimately checked and accepted for completion.

vi. Except for 54 housing units of those 111 completed units have been sold and their property ownership have been transferred, the remaining 57 units is still held by the Tangquan Company who has the right in accordance with the relevant PRC regulations to assign, rent or mortgage the unsold completed units within the land use right period.

12. The status of the material certificates and approvals is as follows:

(i)	Certificate for the Use of State-owned Land	Yes
(ii)	Grant of Contract of Land Use Rights	Yes
(iii)	Joint Venture Contract	Yes
(iv)	Business Licence	Yes
(v)	Certificate of Construction Completion and Handover	Yes

13. In our valuation, we have taken into account the PRC Legal Opinion. Our valuation represents the capital value of the property assuming it is freely disposable on the Valuation Date. Further, the breach of the building covenant as described in Note 8 above would not affect the title of the property.

Group V – Property held for future development by the Group in the People's Republic of China

No.	Property	Description and tenure	Particulars of Occupancy	Capital Value in existing state as at 31st December, 2001
13.	The remaining portion of land, Riverside Villa, Tangxia Town, Xinhui, Guangdong Province The PRC	The subject site is an irregular shaped site having a total site area of approximately 312,770 sq.m. (3,366,656 sq.ft.). Riverside Villa is planned to be developed in four phases as a comprehensive private housing development, comprising detached house, row houses and low and high-rise apartment buildings at a total gross floor area of approximately 1,122,000 sq.m. (12,077,208 sq.ft.). As advised by the Group, the gross floor area of the respective types of use is as follows:	As at 31st December, 2001, the property was vacant.	HK$67,500,000 *(92% interest attributable to the Group: HK$62,100,000)*

Uses	Approximate Gross Floor Area	
	sq.m.	*sq.ft.*
Villa/townhouse	198,000	2,131,272
Medium-rise apartment	216,000	2,325,024
High-rise apartment	703,000	7,567,092
Ancillary commercial and recreational facilities	5,000	53,820
Total	1,122,000	12,077,208

As advised by the Group, Phase 1A of Riverside Villa, comprising a total gross floor area of approximately 12,532.92 sq.m. (134,903 sq.ft.) has been completed.

The property comprises the vacant and undeveloped land of the Riverside Villa.

The property is held for a term of 70 years from 8th October, 1992 to 8th October, 2062.

Notes:

1. Xinhui Tangquan Real Estate Company Limited is an indirect 92%-owned subsidiary of the Company.

2. Xinhui Tangquan Real Estate Company Limited ("the Tangquan Company") is an equity joint venture company between 新會縣棠下鎮村鎮建設開發公司 ("Party A") and Wellpool International Limited ("Party B"), legally established on 23rd September, 1992, Its joint venture period is 30 years commencing on 23rd September, 1992.

3. According to the Joint Venture Contract, the equity contribution of the Tangquan Company between Party A and Party B is 8% and 92% respectively, amounting a registered capital of US$10,000,000. Party B may obtain 92% profits of the Tangquan Company.

4. Pursuant to the Certificate for the Use of State-owned Land No. (1992) 1900693 dated 16th October, 1992 and issued by the People's of Government of Xinhui County, the land use rights of a parcel of land situated at Zhulinyuan of Tangxia Town is vested in Xinhui Tangquan Real Estate Company Limited for a term of 70 years from 8th October, 1992 to 8th October, 2062. The land is for real estate use comprising a site area of approximately 312,770.30 sq.m..

5. Pursuant to the Grant of Contract of Land Use Right entered into between Xinhui County Land Administration Bureau (Party A) and Xinhui Tangquan Real Estate Company Limited (Party B) on 8th October, 1992, Party A has agreed to grant the land use right of a parcel of land situated at Zhulinyuan of Tangxia Town to Party B. The salient conditions are summarized as follows:

(i)	Site area	:	312,770.30 sq.m.
(ii)	Uses	:	the development of commercial/residential buildings, shopping arcade, club house and community facilities
(iii)	Plot ratio	:	3.6
(iv)	Site coverage	:	40%
(v)	Total gross floor area	:	not exceeding 1,122,000 sq.m.
(vi)	No. of storeys	:	maximum of 40 storeys (average of 20 storeys)
(vii)	Green area ratio	:	5%
(viii)	Land premium	:	RMB2,189,400
(ix)	Building covenant	:	Party B shall complete the gross floor area of the proposed development of not less than 41,000 sq.m. by 30th October, 1995 and shall complete the whole development by 22nd September, 2007.

6. Pursuant to the Business Licence No. 003202 dated 21st May, 2001, Xinhui Tangquan Real Estate Company Limited was incorporated with a registered capital of US$10,000,000 and has an operation period from 23rd September, 1992 to 22nd September, 2022.

7. We have noted that the said Grant Contract requires a building covenant regarding the completion of the gross floor area of the proposed development of not less than 41,000 sq.m. by 30th October, 1995. It appears that such building covenant has not been fulfilled. However, as instructed by the Group, we have valued on the assumption that the breach of the said building covenant would not affect the title of the property.

8. We have valued the property in its existing state as vacant land.

9. The PRC Legal Advisers have stated in their legal opinion, inter alia, that:

   i. The Xinhui Tangquan Real Estate Company Limited ("the Tangquan Company") is a joint-venture company incorporated under the PRC law. In accordance with the Business License issued on 21st May, 2001, the Tanguan Company has a registered capital of US$10,000,000 (already paid-up capital: US$7,365,000). The shareholders to the Tangquan Company have already paid-up 80.6% of the total registered capital of which the Hong Kong shareholder (i.e. Wellpool International Limited) has already paid-up 80.6% of its equity contribution and the PRC shareholder (i.e. 新會棠下鎮村鎮建設開發公司) has not paid-up its equity contribution according to the time schedule of the Joint Venture Contract.

   ii. Pursuant to the Guangdong Province Real Estate Business Certificate No. 2121014 (粵外房企証字第2121014號) provided by the Tangquan Company, the Tangquan Company is qualified to engage commodity housing development at Zhulinyuan of Tangxia Town, Xinhui Shi.

   iii. Pursuant to the Certificate for the Use of State-owned Land No. (1992) 1900693 (新府國用(1992)字第1900693號) provided by the Tangquan Company, the land use rights of a parcel of land of 312,770 square metres, situated at Zhulinyuan of Tangxia Town are legally vested in Tangquan Company for real estate use. Until 28th February, 2002, there is no mortgage recorded in the Remarks of the said Certificate for the Use of Stated-owned Land.

   Clause 3 of the Grant of Contract of Land Use Rights stipulates that the Tangquan Company may assign, rent, mortgage or otherwise use for other economic operations the property interests within the land use rights period but the Tangquan Company is required to obtain the Certificate for the Use of State-owned Land, to pay all land premium and to put in development and construction fund in the amount at least 25% of the total investment amount.

   Clauses 4.2 and 4.4 of Land Use Conditions annexed to the Grant of Contract of Land Use Right stipulate that the Tangquan Company had to complete gross floor area of not less 41,000 square metres before 30th October, 1995. According to the Certificates of Construction Completion and Handover provided by the Group, up to 28th February, 2002, the completed total gross floor area of the phase 1A of Riverside Villas is 12,532.92 square metres which composes of 805.56 square metres for detached houses, 3,601.56 square metres for semi-detached houses, 3,007.20 square metres for row houses and 5,118.60 square metres for apartment buildings.

   iv. The proposed development scale as stated in Permission Certificate for Construction Works Planning Nos. 9335, 9336, 9337 and 9338 issued by Xinhui Shi Construction Committee is basically equal to the gross floor area as permitted in the Xinhui Commodity Housing Pre-sale Permit Nos. 0001, 0002, 0003 and 0004 issued by the Xinhui Shi Construction Committee. The Tangquan Company has the right to sell the completed units within the above scale limit.

   v. Pursuant to 29 copies of Construction Permit and Certificate for Construction Completion and Handover, a total of 111 housing units have been constructed in compliance with the laws and regulations and legitimately checked and accepted for completion.

10. The status of the material certificates and approvals is as follows:

(i)	Certificate for the Use of State-owned Land	Yes
(ii)	Grant of Contract of Land Use Right	Yes
(iii)	Joint Venture Contract	Yes
(iv)	Business Licence	Yes
(v)	Certificate for Construction Completion and Handover	Yes

11. In our valuation we have taken into account the PRC Legal Opinion. Our valuation represents the capital value of the property assuming it is freely disposable and that the required land premium had been paid on the Valuation Date. Further, the breach of the building covenant as described in Note 7 above would not affect the title of the property.

The following is the text of a report, prepared for the purpose of incorporation in this circular, received from the auditors and reporting accountants of Super Homes, Ernst & Young, Certified Public Accountants, Hong Kong:

ERNST & YOUNG
安永會計師事務所

15th Floor
Hutchison House
10 Harcourt Road
Central
Hong Kong

25th March, 2002

The Directors
Winfoong International Limited
Super Homes Limited

Dear Sirs,

We set out below our report on the financial information regarding Super Homes Limited ("Super Homes") for the three years ended 31st December, 2001 (the "Relevant Periods") prepared on the basis set out in Section 1 below, for inclusion in the circular of Winfoong International Limited dated 25th March, 2002 (the "Circular").

Super Homes was incorporated in Hong Kong on 22nd August, 1978 with limited liability under the Companies Ordinance (Chapter 32 of the Laws of Hong Kong). Super Homes is principally engaged in the business of property investment.

We have examined the audited financial statements of Super Homes for the Relevant Periods in accordance with the Auditing Guideline "Prospectuses and the Reporting Accountant" issued by the Hong Kong Society of Accountant.

We have acted as auditors of Super Homes for the Relevant Periods. We have not audited any financial statements of Super Homes in respect of any period subsequent to 31st December, 2001.

The summaries of the results, statements of movements in equity and cash flows of Super Homes for the Relevant Periods and the balance sheets of Super Homes as at the end of each of the Relevant Periods (the "Summaries") set out in this report have been prepared by the directors of Super Homes based on the audited financial statements of Super Homes. The directors of Super Homes are responsible for the preparation of the Summaries which give a true and fair view. In preparing the Summaries which give a true and fair view, it is fundamental that appropriate accounting policies are selected and applied consistently. It is our responsibility to form an independent opinion on the Summaries.

In our opinion, the Summaries together with the notes thereon give, for the purpose of this report, a true and fair view of the results and cash flows of Super Homes for the Relevant Periods and of the state of affairs of Super Homes as at the end of each of the Relevant Periods.

1. BASIS OF PRESENTATION

The Summaries, which are based on the audited financial statements of Super Homes, include the results, statements of movements in equity, cash flows and balance sheets of Super Homes.

The Summaries have been prepared under the going concern concept, notwithstanding Super Homes' net current liabilities and deficiency in assets as at 31st December, 2001, because Hong Fok Corporation Limited ("Hong Fok"), the ultimate holding company, has agreed to provide adequate funds for Super Homes to meet its liabilities as and when they fall due. The continuing financial support from Hong Fok will be terminated upon the completion of the conditional sale and purchase agreement dated 18th January, 2002 entered into between Winfoong Investment Limited, a wholly-owned subsidiary of Winfoong International Limited ("Winfoong") and Hong Fok Investment Holding Company, Limited, a wholly-owned subsidiary of Hong Fok (the "Agreement"). Winfoong has agreed to provide adequate funds for Super Homes to meet its liabilities as and when they fall due after the completion of the Agreement.

2. PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted by Super Homes in arriving at the Summaries set out in this report, which conform with accounting principles generally accepted in Hong Kong, are set out below:

Fixed assets and depreciation

Fixed assets, other than the investment properties, are stated at cost less accumulated depreciation.

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

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

Depreciation of equipment, furniture and fixtures is calculated on the straight-line basis to write off the cost of each asset over its estimated useful life of five years.

Investment properties

Investment properties are interests in land and buildings in respect of which construction works and development have been completed and which are intended to be held on a long term basis for their investment potential, any rental income being negotiated at arm's length. Such properties with unexpired lease terms of more than twenty years are not depreciated and are stated at their open market values on the basis of annual professional valuations performed at the end of each financial year. Changes in the values of the investment properties are dealt with as movements in the investment property revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on a portfolio basis, the excess of the deficit is charged to the profit and loss account. Any subsequent revaluation surplus is credited to the profit and loss account to the extent of the deficit previously charged.

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

Deferred tax

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

Revenue recognition

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

(a) rental income, on a straight-line basis over the lease terms; and

(b) interest income, on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable.

Operating leases

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

Related parties

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

3. RESULTS

The following is a summary of the results of Super Homes for the Relevant Periods, prepared on the basis set out in Section 1 above:

		Year ended 31st December,		
		1999	2000	2001
	Notes	*HK$'000*	*HK$'000*	*HK$'000*
TURNOVER	(a)	8,512	2,785	13,256
Cost of sales		(1,556)	(1,655)	(1,797)
Gross profit		6,956	1,130	11,459
Other revenue		47	26	41
Reversal of provision for diminution in value of investment properties		–	8,824	–
Administrative expenses		(728)	(1,398)	(444)
PROFIT FROM OPERATING ACTIVITIES	(b)	6,275	8,582	11,056
Finance costs	(c)	(19,116)	(20,549)	(15,689)
NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		(12,841)	(11,967)	(4,633)

(a) Turnover and other revenue

Turnover represents gross rental income received and receivable during each of the Relevant Periods. Other revenue arising from interest income is disclosed in Section 3(b) below.

(b) Profit from operating activities

Profit from operating activities is arrived at after charging/(crediting):

	Year ended 31st December,		
	1999	**2000**	**2001**
	HK$'000	*HK$'000*	*HK$'000*
Staff costs	–	–	–
Auditors' remuneration	10	25	25
Depreciation	56	58	67
Operating lease rental on furniture and fixtures	–	23	187
Loss/(gain) on disposal of fixed assets	21	(2)	–
Interest income	(47)	(26)	(41)
Gross rental income	(8,512)	(2,785)	(13,256)
Less: Outgoings	1,556	1,655	1,797
Rental income	(6,956)	(1,130)	(11,459)

The principal activity of Super Homes is that of property investment which is carried out in Hong Kong, accordingly no further analysis of turnover or profit from operating activities by business and geographical segment is presented.

(c) Finance costs

	Year ended 31st December,		
	1999	**2000**	**2001**
	HK$'000	*HK$'000*	*HK$'000*
Interest on bank loans	14,442	14,020	10,048
Interest on amount due to the immediate holding company	4,674	6,529	5,641
	19,116	20,549	15,689

(d) Directors' and five highest paid employees' remuneration

None of the directors received any fees or emoluments in respect of their services to Super Homes during the Relevant Periods.

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

During the Relevant Periods, Super Homes did not have any employee, except for the four directors.

(e) Tax

No profits tax has been provided as Super Homes had no assessable profits for the Relevant Periods.

The principal components of the deferred tax assets not recognised are as follows:

	Year ended 31st December,		
	1999	**2000**	**2001**
	HK$'000	*HK$'000*	*HK$'000*
Tax losses	15,713	19,617	21,004

The tax losses have not been included as an asset in the balance sheet as they are subject to agreement with the relevant tax authority.

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

(f) Dividends

No dividends have been paid or declared by Super Homes during the Relevant Periods.

(g) Loss per share

No basic or diluted loss per share is presented as its inclusion is not considered meaningful for the purpose of this report.

(h) Related party transactions

Save as the transactions disclosed in Sections 4(d) and (e) below, Super Homes had the following material related party transactions during the Relevant Periods.

		Year ended 31st December,		
		1999	**2000**	**2001**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*
Interest expenses paid to the immediate holding company	(i)	4,674	6,529	5,641
Rental income received from a fellow subsidiary	(ii)	120	48	120

Notes:

(i) Interest expenses paid to Hong Fok Investment Holding Company, Limited, an immediate holding company, was charged at Hong Kong dollar prime rate for the year ended 31st December, 1999 and at Hong Kong dollar prime rate minus 1% per annum for the two years ended 31st December, 2001.

(ii) Rental income received from Supreme Homes Company Limited, a fellow subsidiary, was determined at rates mutually agreed between both parties.

(iii) Super Homes was managed by the directors during the Relevant Periods. No fees or remuneration was paid by Super Homes in respect of their services. Their remuneration was received directly from Yat Yuen Hong Company Limited, a fellow subsidiary and included remuneration in respect of their services as directors to those companies. It is not practicable to quantify the amount of remuneration included therein which related to the services provided to Super Homes.

The directors are of the opinion that the above transactions were conducted in the ordinary course of business of Super Homes. Upon completion of the Agreement, the aforesaid mentioned transactions will be terminated.

4. BALANCE SHEETS

The following is a summary of the balance sheets of Super Homes as at the end of each of the Relevant Periods, prepared on the basis set out in Section 1 above:

		As at 31st December,		
		1999	**2000**	**2001**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*
NON-CURRENT ASSETS				
Fixed assets	(a)	190,207	264,178	243,135
CURRENT ASSETS				
Trade receivables		87	59	3
Other receivables	(b)	66	37	33
Cash and bank balances	(e)	638	472	1,044
		791	568	1,080
CURRENT LIABILITIES				
Other payables and accruals	(c)	2,429	3,583	3,935
Due to the immediate holding company	(d)	118,694	143,936	157,754
Interest-bearing bank loans	(e)	17,000	9,000	13,000
		138,123	156,519	174,689
NET CURRENT LIABILITIES		(137,332)	(155,951)	(173,609)
TOTAL ASSETS LESS CURRENT LIABILITIES		52,875	108,227	69,526
NON-CURRENT LIABILITIES				
Interest-bearing bank loans	(e)	(151,500)	(169,000)	(156,000)
		(98,625)	(60,773)	(86,474)
DEFICIENCY IN ASSETS				
Issued capital	(f)	–	–	–
Reserves	(g)	(98,625)	(60,773)	(86,474)
		(98,625)	(60,773)	(86,474)

(a) Fixed assets

	As at 31st December,		
	1999	**2000**	**2001**
	HK$'000	*HK$'000*	*HK$'000*
Cost or valuation:			
Investment properties	190,000	264,000	243,000
Equipment, furniture and fixtures	288	314	338
	190,288	264,314	243,338
Analysis of cost or valuation:			
Equipment, furniture and fixtures			
At cost	288	314	338
Investment properties			
At 31st December, 1999 valuation	190,000	–	–
At 31st December, 2000 valuation	–	264,000	–
At 31st December, 2001 valuation	–	–	243,000
	190,288	264,314	243,338
Accumulated depreciation:			
Investment properties	–	–	–
Equipment, furniture and fixtures	81	136	203
	81	136	203
Net book value:			
Investment properties	190,000	264,000	243,000
Equipment, furniture and fixtures	207	178	135
	190,207	264,178	243,135

The investment properties are situated in Hong Kong and are held under long term leases.

The investment properties are pledged to a bank to secure Super Homes' bank loans to the extent of approximately HK$89 million included in secured bank loans as disclosed in Section 4(e) below.

The investment properties were revalued on 31st December, 2001 by FPDSavills (Hong Kong) Limited, independent professional valuers, at HK$243,000,000 on an open market value basis.

(b) Other receivables

	As at 31st December,		
	1999	**2000**	**2001**
	HK$'000	*HK$'000*	*HK$'000*
Prepayments	2	2	2
Deposits	62	35	31
Other receivables	2	–	–
	66	37	33

(c) Other payables and accruals

	As at 31st December,		
	1999	**2000**	**2001**
	HK$'000	*HK$'000*	*HK$'000*
Accruals	1,300	138	588
Deposits received	1,123	1,651	1,943
Retention money payables	–	823	783
Other payables	6	971	621
	2,429	3,583	3,935

(d) Due to the immediate holding company

The balance is unsecured, has no fixed terms of repayment and is interest-bearing at Hong Kong dollar prime rate minus 1% per annum, except for an amount of HK$49,249,000 which is interest-free. As at 31st December, 1999, the interest-bearing portion bore interest at Hong Kong dollar prime rate.

(e) Interest-bearing bank loans

	As at 31st December,		
	1999	**2000**	**2001**
	HK$'000	*HK$'000*	*HK$'000*
Bank loans – secured	168,500	178,000	169,000
Less: Portion classified as current liabilities	(17,000)	(9,000)	(13,000)
Long term portion	151,500	169,000	156,000
Bank loans are repayable:			
Within one year	17,000	9,000	13,000
In the second year	21,000	13,000	17,000
In the third to fifth years, inclusive	130,500	156,000	139,000
	168,500	178,000	169,000

The above bank loans are secured by:

(i) a debenture incorporating a first legal mortgage over the investment properties of Super Homes situated in Hong Kong as disclosed in Section 4(a) above and a floating charge over all the assets, properties and undertakings of Super Homes;

(ii) the assignment of insurance, sales and rental proceeds of the investment properties;

(iii) subordination and assignment of all shareholders' loans to Super Homes in favour of the bank;

(iv) a charge over the issued shares and bank balance of Super Homes of approximately HK$1 million for the purpose of assignment of sales and rental proceeds;

(v) a property situated in Singapore owned by a fellow subsidiary of Super Homes; and

(vi) corporate guarantees given by a fellow subsidiary and the ultimate holding company of Super Homes.

Pursuant to the Agreement, the security on the property situated in Singapore owned by a fellow subsidiary of Super Homes and the corporate guarantee given by a fellow subsidiary will be released upon the repayment of the bank loan, and the corporate guarantee given by the ultimate holding company, Hong Fok, will be replaced by Winfoong after the completion of the Agreement.

(f) Share capital

	As at 31st December,		
	1999	**2000**	**2001**
	HK$'000	*HK$'000*	*HK$'000*
Authorised:			
1,000 Class "A" ordinary shares of HK$1 each	1	1	1
1,000 Class "B" non-voting shares of HK$0.3 each	–	–	–
	1	1	1
Issued and fully paid:			
100 Class "A" ordinary shares of HK$1 each	–	–	–
100 Class "B" non-voting shares of HK$0.3 each	–	–	–
	–	–	–

Notes:

(i) On winding up, both Class "A" and Class "B" shares rank pari passu in sharing any surplus assets up to their respective amount of paid-up capital. However, Class "B" shares shall not be entitled to participate with Class "A" shares for any surplus assets remaining after paying off the paid-up capital to the two classes of shares.

(ii) Class "B" shares shall entitle the holders thereof to receive notice of general meetings but no right to vote at any general meetings of Super Homes unless a resolution is proposed affecting the rights or privileges of the holders of such Class "B" shares.

(g) Reserves

	Investment property revaluation reserve	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*
At 1st January, 1999	–	(85,784)	(85,784)
Net loss for the year	–	(12,841)	(12,841)
At 31st December, 1999 and beginning of year	–	(98,625)	(98,625)
Surplus on revaluation	49,819	–	49,819
Net loss for the year	–	(11,967)	(11,967)
At 31st December, 2000 and beginning of year	49,819	(110,592)	(60,773)
Deficit on revaluation	(21,068)	–	(21,068)
Net loss for the year	–	(4,633)	(4,633)
At 31st December, 2001	28,751	(115,225)	(86,474)

(h) Operating lease arrangements

(i) As lessor

Super Homes leases its investment properties under operating lease arrangements, with leases negotiated for terms ranging from one to two years. The terms of the leases generally also require the tenants to pay security deposits.

At 31st December, 2001, Super Homes had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due within one year of approximately HK$6,135,000.

(ii) As leasee

As at 31st December, 2001, Super Homes had total future minimum lease payments under non-cancellable operating leases in respect of furniture and fixtures falling due within one year of HK$12,000.

(i) Contingent liabilities

As at 31st December, 2001, Super Homes did not have any material contingent liabilities.

(j) Distributable reserves

As at 31st December, 2001, Super Homes had no reserves available for distribution to its shareholders.

(k) Ultimate holding company

Hong Fok Corporation Limited, a company incorporated with limited liability and listed in the Republic of Singapore, is considered by the directors to be Super Homes' ultimate holding company as at the date of this report.

5. STATEMENTS OF MOVEMENTS IN EQUITY

The movements in the shareholders' equity of Super Homes for the Relevant Periods, prepared on the basis set out in Section 1 above, are as follows:

	Year ended 31st December,		
	1999	**2000**	**2001**
	HK$'000	*HK$'000*	*HK$'000*
At beginning of year	(85,784)	(98,625)	(60,773)
Surplus/(deficit) on revaluation of investment properties	–	49,819	(21,068)
Net loss from ordinary activities attributable to shareholders	(12,841)	(11,967)	(4,633)
At end of year	(98,625)	(60,773)	(86,474)

6. CASH FLOW STATEMENTS

The following is a summary of the cash flow statements of Super Homes for the Relevant Periods, prepared on the basis set out in Section 1 above:

		Year ended 31st December,		
		1999	2000	2001
	Note	*HK$'000*	*HK$'000*	*HK$'000*
NET CASH INFLOW FROM OPERATING ACTIVITIES	(a)	5,666	999	11,494
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE				
Interest received		47	26	41
Interest paid		(19,116)	(20,549)	(15,689)
Net cash outflow from returns on investments and servicing of finance		(19,069)	(20,523)	(15,648)
TAX				
Hong Kong profits tax paid		–	–	–
INVESTING ACTIVITIES				
Proceeds from disposal of fixed assets		6	6	–
Purchases of fixed assets		(49)	(15,390)	(92)
Net cash outflow from investing activities		(43)	(15,384)	(92)
NET CASH OUTFLOW BEFORE FINANCING ACTIVITIES		(13,446)	(34,908)	(4,246)
FINANCING ACTIVITIES				
Advance from the immediate holding company		26,946	43,810	13,853
Repayment of advance from the immediate holding company		(1,655)	(18,568)	(35)
New bank loans		–	15,000	–
Repayment of bank loans		(13,000)	(5,500)	(9,000)
Net cash inflow from financing activities		12,291	34,742	4,818
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(1,155)	(166)	572
Cash and cash equivalents at beginning of year		1,793	638	472
CASH AND CASH EQUIVALENTS AT END OF YEAR		638	472	1,044
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS				
Cash and bank balances		638	472	1,044

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

	Year ended 31st December,		
	1999	**2000**	**2001**
	HK$'000	*HK$'000*	*HK$'000*
Profit from operating activities	6,275	8,582	11,056
Interest income	(47)	(26)	(41)
Depreciation	56	58	67
Reversal of provision for diminution in value of investment properties	–	(8,824)	–
Loss/(gain) on disposal of fixed assets	21	(2)	–
Decrease in trade receivables	94	28	56
Decrease/(increase) in other receivables	(13)	29	4
Increase/(decrease) in other payables and accruals	(720)	1,154	352
Net cash inflow from operating activities	5,666	999	11,494

(b) Analysis of changes in financing

	Interest bearing bank loans, secured	**Due to the immediate holding company**
	HK$'000	*HK$'000*
Balance at 1st January, 1999	181,500	93,403
Cash inflow/(outflow) from financing, net	(13,000)	25,291
Balance at 31st December, 1999 and at 1st January, 2000	168,500	118,694
Cash inflow from financing, net	9,500	25,242
Balance at 31st December, 2000 and at 1st January, 2001	178,000	143,936
Cash inflow/(outflow) from financing, net	(9,000)	13,818
Balance at 31st December, 2001	169,000	157,754

7. ADDITIONAL INFORMATION

As set out in the section 4(d) above, the amount due to the immediate holding company is interest-bearing at Hong Kong dollar prime rate for the year ended 31st December, 1999 and at Hong Kong dollar prime rate minus 1% per annum for the two years ended 31st December, 2001, except for an amount of HK$49,249,000 which is interest-free.

Should the amount of HK$49,249,000 be bearing interest at the same rate for the Relevant Periods, the effect on the net loss from ordinary activities attributable to shareholders for the Relevant Periods would have been as follows:

	Year ended 31st December,		
	1999	**2000**	**2001**
	HK$'000	*HK$'000*	*HK$'000*
Net loss from ordinary activities attributable to shareholders	(12,841)	(11,967)	(4,633)
Add: Notional interest	(4,216)	(4,074)	(2,873)
Proforma adjusted net loss	(17,057)	(16,041)	(7,506)

The above notional interest is calculated for reference purpose only. It was agreed between Super Homes and the immediate holding company that no interest should be charged on the said amount.

8. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by Super Homes in respect of any period subsequent to 31st December, 2001.

Yours faithfully,
Ernst & Young
Certified Public Accountants
Hong Kong

1. SHARE CAPITAL

The existing authorised and issued share capital of the Company is as follows:

		HK$
Authorised:		
2,000,000,000	Shares	100,000,000
Issued and fully paid:		
747,416,993	Shares	37,370,849.65

The issued share capital of the Company upon completion of the Open Offer will be as follows:

Issued and to be issued and fully paid:		HK$
747,416,993	Shares	37,370,849.65
747,416,993	Offer Shares to be issued	37,370,849.65
1,494,833,986		74,741,699.30

All the Shares in issue and to be issued pursuant to the Open Offer rank and will rank pari passu in all respects with each other including as regards to dividends, voting and return of capital.

On 6th December, 2001, the Company announced a placing of 63,000,000 Shares to an independent third party, Praise Time Co. Ltd., to raise a total of approximately HK$11 million. Save for the aforesaid, the Company has not issued any Shares since 31st December, 2000 (being the date to which the latest audited financial statements of the Group were made up) and up to the Latest Practicable Date.

As at the Latest Practicable Date, the Company had 60,000,000 Options outstanding convertible into 60,000,000 Shares at HK$0.268 per Share (subject to adjustment) during the period up to 10th July, 2004.

Save for the outstanding Options mentioned above, the Company has no options, warrants and conversion rights convertible into Shares, and no share or loan capital of the Company has been put under option or agreed conditionally or unconditionally to be put under option and no warrant or conversion right affecting the Shares has been issued or granted or agreed conditionally, or unconditionally to be issued or granted.

No share or loan capital of the Company has been issued or is proposed to be issued for cash or otherwise and no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale or any such capital.

The Shares are listed on the Stock Exchange. No part of the securities of the Company is listed or dealt in, nor is listing or permission to deal in the securities of the Company being or proposed to be sought, on any other stock exchange.

2. FIVE YEAR SUMMARY

The following information has been extracted from the audited consolidated statements of the Group for each of the five years ended 31st December, 2000.

RESULTS

	Year ended 31st December,				
	2000	**1999**	**1998**	**1997**	**1996**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
TURNOVER	143,765	40,333	119,346	385,145	484,337
PROFIT/(LOSS) BEFORE TAX	(154,424)	(31,612)	(245,790)	(111,042)	3,823
Tax	4,621	(667)	943	(4,380)	(2,015)
PROFIT/(LOSS) BEFORE MINORITY INTERESTS	(149,803)	(32,279)	(244,847)	(115,422)	1,808
Minority interests	(1,804)	836	2,927	14,396	235
NET PROFIT/(LOSS) ATTRIBUTABLE TO SHAREHOLDERS	(151,607)	(31,443)	(241,920)	(101,026)	2,043
Dividends	–	–	–	–	–
Earnings/(loss) per Share (cents)	(22.06)	(4.55)	(35.01)	(14.71)	0.35
Dividend per Share (cents)	–	–	–	–	–

ASSETS AND LIABILITIES

	As at 31st December,				
	2000	**1999**	**1998**	**1997**	**1996**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
TOTAL ASSETS	1,997,391	2,165,597	2,067,751	2,766,020	2,843,987
TOTAL LIABILITIES	(522,564)	(590,199)	(628,160)	(688,145)	(508,919)
MINORITY INTERESTS	3,023	5,145	4,347	(110,966)	(114,652)
NET ASSETS	1,477,850	1,580,543	1,443,938	1,966,909	2,220,416

3. AUDITED CONSOLIDATED FINANCIAL STATEMENTS

The following is a summary of the audited consolidated profit and loss account of the Group for each of the three years ended 31st December, 2000, the consolidated statement of recognised gains and loss for each of the three years ended 31st December, 2000, the audited consolidated balance sheet of the Group as at 31st December, 2000 and 1999, and the audited consolidated cash flow statement for each of the two years ended 31st December, 2000 together with accompanying notes extracted from the respective annual reports of the Group. The auditors have issued unqualified opinions on the annual accounts of the Group for each of the three years ended 31st December, 2000 and there have not been any material changes in the accounting policies of the Group during the period.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

		Year ended 31st December,		
		2000	**1999**	**1998**
	Notes	*HK$*	*HK$*	*HK$*
TURNOVER	3	143,764,565	40,333,287	119,345,568
Cost of sales		(217,388,409)	(4,308,625)	(128,940,628)
Gross profit/(loss)		(73,623,844)	36,024,662	(9,595,060)
Other revenue		4,319,206	6,427,790	10,071,391
Reversal of provisions for diminution in value of properties held for sale		–	9,050,495	–
Provision for diminution in value of properties held for sales		–	–	(56,000,000)
Provision for diminution in value of property held for future development		–	(10,462,965)	(28,094,102)
Operating and administrative expenses		(39,670,226)	(30,843,179)	(37,564,819)
PROFIT/(LOSS) FROM OPERATING ACTIVITIES	4	(108,974,864)	10,196,803	(121,182,590)
Finance costs	7	(41,338,944)	(45,212,637)	(61,240,666)
Gain/(loss) on disposal/deemed disposal of subsidiaries		–	2,417,258	(51,616,231)
Share of profit/(loss) of an associate		(4,109,720)	986,878	(11,750,528)
LOSS BEFORE TAX		(154,423,528)	(31,611,698)	(245,790,015)
Tax credit/(charge)	8	4,620,849	(667,533)	942,934
LOSS BEFORE MINORITY INTERESTS		(149,802,679)	(32,279,231)	(244,847,081)
Minority interests		(1,803,916)	836,012	2,927,397
NET LOSS ATTRIBUTABLE TO SHAREHOLDERS	9	(151,606,595)	(31,443,219)	(241,919,684)
BASIC LOSS PER SHARE	10	(22.06 cents)	(4.55 cents)	(35.01 cents)

CONSOLIDATED STATEMENT OF RECOGNISED GAINS AND LOSSES

		Year ended 31st December,		
		2000	**1999**	**1998**
	Note	*HK$*	*HK$*	*HK$*
Surplus/(deficit) on revaluation of investment properties:	27			
– Subsidiaries		24,411,785	82,050,000	(117,990,000)
– Associate		47,375,627	74,232,387	(251,219,318)
Surplus on revaluation of land and buildings	27	574,960	6,799,505	–
Exchange gains/(losses) on translation of the financial statements of foreign entities:	27			
– Subsidiaries		621,381	111,196	8,917,263
– Associate		(22,795,596)	(1,180,151)	(2,835,282)
Disposal of subsidiaries	27	–	6,502,774	2,911,252
Net gains not recognised in the profit and loss account		50,188,157	168,515,711	(360,216,085)
Net loss for the year attributable to shareholders		(151,606,595)	(31,443,219)	(241,919,684)
Total recognised gains and losses		(101,418,438)	137,072,492	(602,135,769)
Goodwill eliminated directly against reserves		–	(11,386)	–
		(101,418,438)	137,061,106	(602,135,769)

CONSOLIDATED BALANCE SHEET

		As at 31st December,	
		2000	**1999**
	Notes	*HK$*	*HK$*
NON-CURRENT ASSETS			
Fixed assets	11	1,152,141,958	1,128,162,041
Properties under development	12	–	211,762,226
Properties held for future development	13	80,000,000	80,000,000
Interest in an associate	15	584,455,309	564,392,166
Other long term assets	16	5,457,650	9,726,184
Long term investments	17	4,900,000	–
		1,826,954,917	1,994,042,617
CURRENT ASSETS			
Short term investments	17	250,800	–
Property under development	12	–	86,977,511
Properties held for sale	18	153,268,734	60,978,252
Inventories		233,403	242,056
Construction contracts	19	1,062,554	1,062,554
Trade receivables	20	671,744	6,967,245
Tax recoverable		144,597	258,551
Other receivables	21	9,448,933	9,503,527
Cash and cash equivalents	22	5,355,125	5,564,771
		170,435,890	171,554,467
CURRENT LIABILITIES			
Trade payables	23	2,560,002	3,183,253
Tax payable		16,352,637	22,078,009
Other payables and accruals	24	25,036,637	36,682,159
Interest-bearing bank borrowings	25	60,714,710	72,422,811
		104,663,986	134,366,232
NET CURRENT ASSETS		65,771,904	37,188,235
TOTAL ASSETS LESS CURRENT LIABILITIES		1,892,726,821	2,031,230,852
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	25	417,900,000	455,833,000
Minority interests		(3,023,552)	(5,144,988)
		1,477,850,373	1,580,542,840
CAPITAL AND RESERVES			
Issued capital	26	34,220,850	34,535,650
Reserves	27	1,443,629,523	1,546,007,190
		1,477,850,373	1,580,542,840

CONSOLIDATED CASH FLOW STATEMENT

		Year ended 31st December,	
		2000	**1999**
	Notes	*HK$*	*HK$*
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	28(a)	97,537,713	(75,673,907)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		792,840	4,014,538
Interest paid		(44,285,621)	(45,212,637)
Dividends from an associate		1,006,774	1,046,489
Net cash outflow from returns on investments and servicing of finance		(42,486,007)	(40,151,610)
TAX			
Hong Kong profits tax paid		(491,903)	(293,858)
INVESTING ACTIVITIES			
Proceeds from disposal of fixed assets		899,793	26,061
Purchases of fixed assets		(1,590,666)	(2,916,806)
Proceeds from disposal of listed investments		5,876,539	6,298,400
Purchases of listed investments		(7,421,506)	(6,051,993)
Purchases of long term investments		(5,845,125)	–
Net cash inflow from disposal of subsidiaries	28(b)	4,500,000	5,014,392
Additions to properties under development		–	(399,470)
Additions to property held for future development		–	(462,965)
Repayment of long term loan receivable		18,534	18,584
Loan advances		(132,517)	–
Net cash inflow/(outflow) from investing activities		(3,694,948)	1,526,203
NET CASH INFLOW/(OUTFLOW) BEFORE FINANCING ACTIVITIES		50,864,855	(114,593,172)

		Year ended 31st December,	
		2000	**1999**
	Note	*HK$*	*HK$*
FINANCING ACTIVITIES	28(d)		
New bank loans		63,167,000	80,630,000
Repayment of bank loans		(113,000,000)	(60,000,000)
Repayment of convertible loan		–	(49,275,000)
Repurchase of own shares		(2,163,436)	–
Net cash outflow from financing activities		(51,996,436)	(28,645,000)
DECREASE IN CASH AND CASH EQUIVALENTS		(1,131,581)	(143,238,172)
Cash and cash equivalents at beginning of year		(6,858,040)	136,397,943
Effect of foreign exchange rate changes, net		730,036	(17,811)
CASH AND CASH EQUIVALENTS AT END OF YEAR		(7,259,585)	(6,858,040)
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		2,336,212	2,356,258
Time deposits		3,018,913	3,208,513
Bank overdrafts		(12,614,710)	(12,422,811)
		(7,259,585)	(6,858,040)

BALANCE SHEET

		As at 31st December,	
		2000	**1999**
	Notes	*HK$*	*HK$*
NON-CURRENT ASSETS			
Interests in subsidiaries	14	1,475,347,816	1,501,272,304
CURRENT ASSETS			
Other receivables	21	74,680	70,912
Cash and cash equivalents	22	2,805,484	33
		2,880,164	70,945
CURRENT LIABILITIES			
Other payables and accruals	24	276,779	279,677
Tax payable		223,093	–
		499,872	279,677
NET CURRENT ASSETS/(LIABILITIES)		2,380,292	(208,732)
		1,477,728,108	1,501,063,572
CAPITAL AND RESERVES			
Issued capital	26	34,220,850	34,535,650
Reserves	27	1,443,507,258	1,466,527,922
		1,477,728,108	1,501,063,572

NOTES TO FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

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

- Property development and investment
- Property management services
- Horticultural services

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Statements of Standard Accounting Practice, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for the remeasurement of land and buildings, investment properties and short term equity investments, as further explained below.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31st December, 2000. The results of subsidiaries acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal, respectively. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Subsidiaries

A subsidiary is a company in which the Company, directly or indirectly, controls more than half of its voting power or issued share capital or controls the composition of its board of directors.

Interests in subsidiaries are stated at cost unless, in the opinion of the directors, there have been permanent diminutions in values, when they are written down to values determined by the directors.

Associate

An associate is a company, not being a subsidiary, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's share of the post-acquisition results and reserves of an associate is included in the consolidated profit and loss account and consolidated reserves, respectively. The Group's interest in an associate is stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting less any provision for diminution in value, other than those considered to be temporary in nature, deemed necessary by the directors.

Goodwill/capital reserve arising on consolidation

Goodwill arising on the consolidation of subsidiaries and on the acquisition of an associate represents the excess purchase consideration paid over the fair values ascribed to the net underlying assets acquired and is eliminated against reserves in the year of acquisition. Where the fair values ascribed to the net underlying assets acquired exceed the purchase consideration given, the excess is credited to capital reserve in the year of acquisition.

On disposal of subsidiaries or an associate, the relevant portion of attributable goodwill previously eliminated against reserves, or capital reserve credited to reserve on consolidation, is realised and accounted for in determining the gain or loss on disposal.

Fixed assets and depreciation

Fixed assets, other than investment properties, are stated at cost or valuation less accumulated depreciation.

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

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

For assets stated at valuation, changes in the values of fixed assets are dealt with as movements in the revaluation reserve. If the reserve is insufficient to cover a deficit, on an individual basis, the excess of the deficit is charged to the profit and loss account. Any subsequent revaluation surplus is credited to the profit and loss account to the extent of the deficit previously charged. On disposal of a revalued asset, the relevant portion of the revaluation reserve realised in respect of previous valuations is transferred to retained earnings as a movement in reserves.

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

Leasehold land	Over the lease terms
Buildings	2.5%
Equipment	20%
Furniture and fixtures	20%
Motor vehicles	20%

Investment properties

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

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

Properties under development

Properties under development for long term investment purposes are stated at cost, which comprises land and development costs including attributable interest and professional charges capitalised during the development period, less any provisions for permanent diminution in value and foreseeable loss deemed necessary by the directors.

Properties under development for sale are stated at the lower of cost and net realisable value. Net realisable value is determined by reference to prevailing market prices on an individual property basis.

Property held for future development

Property held for future development is stated at cost less any provision for diminution in value deemed necessary by the directors.

Properties held for sale

Properties held for sale are classified as current assets and stated at the lower of cost and net realisable value. Net realisable value is determined by reference to prevailing market prices on an individual property basis.

Construction contracts

Contract revenue comprises the agreed contract amount and appropriate amounts from variation orders, claims and incentive payments. Contract costs incurred comprises direct materials, the costs of subcontracting, direct labour and an appropriate proportion of variable and fixed construction overheads.

Revenue from fixed price construction contracts is recognised on the percentage of completion method when the outcome of contracts can be ascertained with reasonable certainty and when the value of work certified by the project architect exceeds 30% of the contract value.

Provision is made for foreseeable losses and contingencies as soon as they are anticipated by management.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers.

Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers.

Operating leases

Leases where substantially all the rewards and risks of ownership of the assets remain with the lessor are accounted for as operating leases. Rentals applicable to such operating leases are charged or credited to the profit and loss account on the straight-line basis over the lease terms.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the standard cost basis which approximates the average actual cost and comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Capitalised borrowing costs

Borrowing costs directly attributable to financing the construction and development of properties under development are capitalised and are included in the carrying value of these assets. Interest is capitalised at the interest rate related to specific development project borrowings. All other borrowing costs are recognised as expenses in the period in which they are incurred.

Deferred tax

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

Foreign currencies

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

On consolidation, the financial statements of subsidiaries and an associate denominated in other currencies are translated into Hong Kong dollars at the applicable rates of exchange ruling at the balance sheet date. The resulting translation differences are included in the exchange fluctuation reserve.

Related parties

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

Cash equivalents

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

Long term investments

Long term investments are non-trading investments in unlisted equity securities intended to be held on a long term basis and are held for an identified long term purpose.

The securities are stated at cost less provisions for any diminutions in values which are expected to be other than those considered to be temporary and deemed necessary by the directors on an individual investment basis. The diminutions in values are charged to the profit and loss account for the period in which they arise.

Short term investments

Short term investments are investments in equity securities held for trading purposes and are stated at their values on the basis of their quoted market prices at the balance sheet date on an individual investment basis. The gains or losses arising from changes in the fair value of a security are credited or charged to the profit and loss account for the period in which they arise.

Revenue recognition

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

(a) rental income, on straight line basis over the leases terms;

(b) management fee income, when services are rendered;

(c) the sales of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(d) construction contracts, on the percentage of completion basis as further explained under accounting policy note for construction contracts;

(e) the disposal of properties, when the legally binding sales contract is signed and exchanged and the transaction becomes unconditional;

(f) trading of listed investments, on the transaction date;

(g) dividends, when the shareholders' right to receive payment is established; and

(h) interest income, on a time proportion basis, taking into account the principal outstanding and the effective interest rate applicable.

3. TURNOVER AND REVENUE

Turnover represents the aggregate income from property investment and management services, property construction and development and horticultural services.

An analysis of the Group's turnover and revenue is as follows:

	2000	**1999**	**1998**
	HK$	*HK$*	*HK$*
Property investment and management	140,329,689	36,090,786	117,359,159
Horticultural services	3,434,876	3,462,501	1,470,138
Property construction and development	–	780,000	516,271
Turnover	143,764,565	40,333,287	119,345,568
Proceeds from disposal of listed investments	5,876,539	6,298,400	4,402,900
Interest income	792,840	4,014,538	7,502,491
Proceeds from disposal of fixed assets	899,793	26,061	9,206
Write-back of cost overprovided on construction projects	949,631	855,608	–
Others	1,959,455	1,311,237	1,068,363
	154,242,823	52,839,131	132,328,528

4. PROFIT/(LOSS) FROM OPERATING ACTIVITIES

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

	2000	**1999**	**1998**
	HK$	*HK$*	*HK$*
Depreciation	2,118,842	1,978,884	1,695,575
Operating lease rentals on land and buildings	181,358	1,144,404	2,978,851
Auditors' remuneration	364,000	366,109	477,000
Loss on disposal of property under development	108,494,734	–	–
Loss on disposal of an investment property	–	–	52,651,211
Deficit on revaluation of land and buildings	–	227,296	270,750
Provision for diminution in value of long term unlisted investments	945,125	–	–
Provision for diminution in value of listed investments	1,490,306	–	–
Staff costs (excluding directors' remuneration (note 5)):			
Salaries and allowances	11,753,334	11,029,313	7,012,184
Pension contributions	10,840	21,091	60,505
	11,764,174	11,050,404	65,146,076
Exchange losses/(gains), net	59,217	(12,253)	(4,157)
Rental income, gross of HK$33,507,110 (1999: HK$34,143,924; 1998: HK$46,750,383) less outgoings of HK$3,439,605 (1999: HK$3,583,565; 1998: HK$5,789,864)	(30,067,505)	(30,560,359)	(40,960,519)
Interest income	(792,840)	(4,014,538)	(7,502,491)
Dividend income from listed investments	(17,964)	–	(110,000)
Loss/(gain) on disposal of fixed assets	(421,141)	146,084	(9,206)
Gain on disposal of listed investments	(196,139)	(246,407)	–

5. DIRECTORS' REMUNERATION

	2000	**1999**	**1998**
	HK$	*HK$*	*HK$*
Fees:			
Executive directors	–	–	–
Independent non-executive directors	200,000	200,000	200,000
	200,000	200,000	200,000
Other emoluments for executive directors:			
Salaries, allowances and benefits in kind	5,156,362	5,232,106	9,029,509
	5,356,362	5,432,106	9,229,509

The emoluments disclosed above do not include the monetary value of rent-free accommodation provided to an executive director of the Company through a property owned by the Group. The monetary value of such residential accommodation provided to the director based on the tenancy agreement entered by two of the Group companies was HK$1,080,000 (1999: HK$1,080,000; 1998: HK$1,080,000) during the year.

The remuneration of the directors for the year fell within the following bands:

	Number of directors	
	2000	**1999**
Nil–HK$1,000,000	4	5
HK$1,000,001–HK$1,500,000	2	2
HK$2,500,001–HK$3,000,000	1	1
	7	8

No value is included in directors' remuneration in respect of share options granted during the year because, in the absence of a readily available market value for the options on the Company's shares, the directors are unable to arrive at an accurate assessment of the value of the options granted. Details of the options granted to the directors during the year are set out in the section "Directors' rights to acquire shares" in the Report of the Directors.

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

6. FIVE HIGHEST PAID EMPLOYEES

The five highest paid individuals during the year included three (1999: two) directors, details of whose remuneration are set out above and in note 5 to the financial statements. The details of the remuneration of the remaining two (1999: three) non-director, highest paid employees are set out below:

	2000	**1999**
	HK$	*HK$*
Salaries and allowances	3,448,584	4,546,584
Bonuses paid and payable	287,382	374,382
	3,735,966	4,920,966

The remuneration of the non-director, highest paid employees fell within the following bands:

	Number of employees	
	2000	**1999**
Nil–HK$1,000,000	–	–
HK$1,000,001–HK$1,500,000	–	1
HK$1,500,001–HK$2,000,000	1	1
HK$2,000,001–HK$2,500,000	1	1
	2	3

7. FINANCE COSTS

	Group		
	2000	**1999**	**1998**
	HK$	*HK$*	*HK$*
Interest on bank loans and overdrafts	44,285,621	43,596,687	56,805,916
Interest on a convertible loan fully repaid during the year	–	1,615,950	4,434,750
Total finance costs	44,285,621	45,212,637	61,240,666
Interest capitalised	(2,946,677)	–	–
	41,338,944	45,212,637	61,240,666

8. TAX

Hong Kong profits tax has been provided at the rate of 16% (1999 and 1998: 16%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the places in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	Group		
	2000	**1999**	**1998**
	HK$	*HK$*	*HK$*
Company and subsidiaries:			
Under/(over)provision in prior years			
Hong Kong, The People's Republic of China (the "PRC")	937,226	(96,145)	(1,570,315)
Elsewhere	(5,838,971)	–	–
	(4,901,745)	(96,145)	(1,570,315)
Share of tax attributable to an associate:			
Hong Kong, the PRC	–	–	20,717
Elsewhere	280,896	763,678	606,664
Tax charge/(credit) for the year	(4,620,849)	667,533	(942,934)

No provision for deferred tax has been made as the effect of all timing differences is immaterial.

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

9. NET LOSS ATTRIBUTABLE TO SHAREHOLDERS

The net loss attributable to shareholders dealt with in the financial statements of the Company is HK$21,172,028 (1999: net profit of HK$56,929,914; 1998: loss of HK$63,948,836).

10. BASIC LOSS PER SHARE

The calculation of basic loss per share is based on the net loss from ordinary activities attributable to shareholders for the year of HK$151,606,595 (1999: HK$31,443,219; 1998: HK$241,919,684) and the weighted average of 687,224,026 (1999: 690,712,993; 1998: 690,942,582) ordinary shares in issue during the year.

The fully diluted loss per share is not shown for both years because the effect of any dilution is anti-dilutive.

11. FIXED ASSETS

Group

	Land and buildings	Investment properties	Equipment	Furniture and fixtures	Motor vehicles	Total
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
Cost or valuation:						
At beginning of year	45,371,748	1,077,800,000	2,600,717	6,857,752	7,803,172	1,140,433,389
Additions	–	588,215	295,803	349,408	357,240	1,590,666
Disposal	–	–	(469,747)	(8,450)	(2,078,691)	(2,556,888)
Revaluation surplus, net	–	24,411,785	–	–	–	24,411,785
Exchange realignment	–	–	(25,442)	–	(2,062)	(27,504)
At 31st December, 2000	45,371,748	1,102,800,000	2,401,331	7,198,710	6,079,659	1,163,851,448
Analysis of cost or valuation:						
At cost	–	–	2,401,331	7,198,710	6,079,659	15,679,700
At 31st December, 2000 valuation	45,371,748	1,102,800,000	–	–	–	1,148,171,748
	45,371,748	1,102,800,000	2,401,331	7,198,710	6,079,659	1,163,851,448
Accumulated depreciation:						
At beginning of year	–	–	1,721,619	3,737,764	6,811,965	12,271,348
Provided during the year	574,960	–	286,785	1,066,478	190,619	2,118,842
Disposal	–	–	(463,574)	(7,323)	(1,607,339)	(2,078,236)
Written back on revaluation	(574,960)	–	–	–	–	(574,960)
Exchange realignment	–	–	(25,442)	–	(2,062)	(27,504)
At 31st December, 2000	–	–	1,519,388	4,796,919	5,393,183	11,709,490
Net book value:						
At 31st December, 2000	45,371,748	1,102,800,000	881,943	2,401,791	686,476	1,152,141,958
At 31st December, 1999	45,371,748	1,077,800,000	879,098	3,119,988	991,207	1,128,162,041

The Group's land and buildings were revalued individually at 31st December, 2000 by DTZ Debenham Tie Leung Limited, an independent professionally qualified valuers, at an aggregate open market value of HK$45,371,748 based on their existing use. A revaluation surplus of HK$574,960 resulting from the above valuations have been credited to the land and building revaluation reserve.

Had the Group's land and buildings been carried at carrying amount on the date of transfer or at cost less accumulated depreciation, they would have been included in the financial statements at HK$38,666,432 (1999: HK$39,248,735).

The Group's land and buildings are held under the following lease terms:

	Hong Kong
	HK$
At valuation:	
Long term leases	44,621,748
Medium term leases	750,000
	45,371,748

The Group's investment properties were revalued on 31st December, 2000 by DTZ Debenham Tie Leung Limited, an independent professionally qualified valuers, at HK$1,102,800,000 on an open market, existing use basis.

The Group's investment properties are held under the following lease terms:

	Hong Kong	**Elsewhere**	**Total**
	HK$	*HK$*	*HK$*
Long term leases	1,095,000,000	5,000,000	1,100,000,000
Medium term leases	2,800,000	–	2,800,000
	1,097,800,000	5,000,000	1,102,800,000

Certain of the Group's land and buildings and investment properties with a carrying value at the balance sheet date of approximately HK$1,139,621,748 were pledged to secure certain bank loans granted to the Group.

Particulars of the Group's principal investment properties as at 31st December, 2000 are as follows:

Location	**Use**
Magazine Gap Towers, 15 Magazine Gap Road, Hong Kong	Residential premises for rental
Magazine Heights, 17 Magazine Gap Road, Hong Kong	Residential premises for rental

12. PROPERTIES UNDER DEVELOPMENT

	Group	
	2000	**1999**
	HK$	*HK$*
Balance at beginning of year	298,739,737	211,362,756
Additions	5,312,971	87,376,981
Disposal	(211,762,226)	–
Transfer to property held for sale – note 18	(92,290,482)	–
	–	298,739,737
Less: Property under development for sale classified as current assets	–	(86,977,511)
Property under development for long term investment purposes	–	211,762,226

13. PROPERTY HELD FOR FUTURE DEVELOPMENT

	Group	
	2000	**1999**
	HK$	*HK$*
Balance at beginning of year	215,651,517	215,188,552
Additions	–	462,965
	215,651,517	215,651,517
Provision for permanent diminution in value	(135,651,517)	(135,651,517)
At 31st December,	80,000,000	80,000,000

The property held for future development is situated in the PRC and is held under a long term lease.

Particulars of the property held for future development at the balance sheet date are as follows:

Location	**Use**	**Site area** *sq.ft.*	**Percentage of interest attributable to the Group**
Riverside Villa, Zhulinyuan, Tangxiazhen, Xinhui, Guangdong Province, the PRC	Commercial and residential	3,366,656	92%

14. INTERESTS IN SUBSIDIARIES

	Company	
	2000	**1999**
	HK$	*HK$*
Unlisted shares, at cost	1,418,163,324	1,418,163,324
Due from a subsidiary	77,684,492	83,108,980
	1,495,847,816	1,501,272,304
Provision for permanent diminution in value	(20,500,000)	–
	1,475,347,816	1,501,272,304

The amount due from a subsidiary is unsecured, interest-free and has no fixed terms of repayment.

Particulars of the Company's principal subsidiaries at the balance sheet date are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share/ paid-up capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Winfoong Investment Limited	Hong Kong	HK$285,931,246	–	100%	Investment holding and property development
Bossiney Limited	Hong Kong	Ordinary HK$980 Non-voting deferred (1) HK$20	–	100%	Property holding
Giant Yield Limited	Hong Kong	Ordinary HK$98 Non-voting deferred (1) HK$2	–	100%	Property holding
Hugoton Limited	Hong Kong	Ordinary HK$980 Non-voting deferred (1) HK$20	–	100%	Property holding

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share/ paid-up capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Vision Asset Management Limited (Formerly known as Sun Harvest Investments Limited)	Hong Kong	HK$2	–	100%	Property holding
Allied Crown Limited	Hong Kong	HK$2	–	100%	Property holding
Winfoong Holding Limited	Hong Kong	HK$105,000,000	–	100%	Investment holding
Xinhui Tangquan Real Estate Company Limited*	The PRC	US$7,365,356 (2)	–	92%	Property development

* *audited by other auditors.*

The above includes the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year, or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

(1) These non-voting deferred shares are entitled to a fixed non-cumulative dividend at the rate of 5% per annum for any financial year of the company in respect of which the audited net profit of the company available for dividends exceeds HK$1,000,000,000.

(2) At the balance sheet date, this PRC subsidiary had outstanding capital contributions of US$2.6 million which included the Group's share of US$1.8 million and the PRC joint venture partner's share of US$0.8 million. Notwithstanding the above, this PRC subsidiary has been able to renew its annual business license every year since its establishment in 1992. The Group is working closely with the PRC joint venture partner with the aim of amending certain terms of the joint venture contract. The directors believe that upon successful amendment of the joint venture contract, the PRC subsidiary will be able to meet its capital contribution requirement.

15. INTEREST IN AN ASSOCIATE

	Group	
	2000	**1999**
	HK$	*HK$*
Share of net assets	584,455,309	564,392,166
Market value of shares listed in the Republic of Singapore	147,239,191	209,297,529

Particulars of the associate are as follows:

Name	Business structure	Place of incorporation and operations	Percentage of ownership interest attributable to the Group		Principal activity
			2000	**1999**	
Hong Fok Corporation Limited* ("HFC")	Corporate	Republic of Singapore	20.2%	20.2%	Investment holding

* *audited by other auditors.*

The financial statements of HFC are coterminous with those of the Group.

The shareholdings in the associate all comprise equity shares held through a wholly-owned subsidiary.

Summary extracts of the consolidated operating results and financial position of the associate, which are based on its audited financial statements and adjusted for accounting standards generally accepted in Hong Kong, are as follows:

Consolidated operating results for the year ended 31st December:

	2000	**1999**
	HK$	*HK$*
Turnover	240,139,326	245,501,166
Loss before tax and minority interests	82,040,449	7,100,233
Loss after tax and minority interests	82,175,281	10,834,499

Consolidated financial position at 31st December,:

	2000	**1999**
	HK$	*HK$*
Current assets	291,896,629	268,354,312
Long term assets	5,703,011,236	5,658,932,401
Total assets	5,994,907,865	5,927,286,713
Current liabilities	(323,721,348)	(151,053,613)
Long term liabilities	(2,162,575,281)	(2,330,149,184)
Total liabilities	(2,486,296,629)	(2,481,202,797)
Shareholders' equity	3,508,611,236	3,446,083,916

16. OTHER LONG TERM ASSETS

	Group	
	2000	**1999**
	HK$	*HK$*
Loan receivable	8,730,167	8,616,184
Unlisted debentures, at cost	1,110,000	1,110,000
	9,840,167	9,726,184
Less: Loan receivable classified as current assets – note 21	(4,382,517)	–
	5,457,650	9,726,184

Included in loan receivable is an amount of HK$8,500,000 (1999: HK$8,500,000) which is secured by a second mortgage over an investment property sold by the Group during the year ended 31st December, 1998. The loan is repayable by two equal instalments due on or before June 2001 and 2002.

17. INVESTMENTS

	Group 2000 HK$	Group 1999 HK$
Long term investments:		
Unlisted equity investments, at cost	5,845,125	–
Provision for diminution in values	(945,125)	–
	4,900,000	–
Short term investments:		
Listed equity investments, at market value:		
Hong Kong	250,800	–

The market value of the Group's short term investments at the date of approval of these financial statements was approximately HK$189,240.

18. PROPERTIES HELD FOR SALE

	Group 2000 HK$	Group 1999 HK$
At beginning of year	60,978,252	89,750,000
Transfer from property under development – note 12	92,290,482	–
Transfer to land and buildings	–	(37,822,243)
Write down to net realisable value	–	(150,000)
Reversal of write-down in prior years	–	9,200,495
At 31st December,	153,268,734	60,978,252

Particulars of the principal properties held for sale at the balance sheet date are as follows:

Location	**Use**	**Site area** *sq.ft.*	**Gross floor area** *sq.ft.*	**Percentage of interest attributable to the Group**
38A Fort Street, North Point, Hong Kong	Residential	3,306	27,741	100%
Rooms 802-805, 9 Queen's Road Central, Hong Kong	Commercial	–	7,890	100%

19. CONSTRUCTION CONTRACTS

	Group	
	2000	**1999**
	HK$	*HK$*
Cost plus attributable profits less foreseeable losses	75,800,809	75,800,809
Progress payments received and receivable	(74,738,255)	(74,738,255)
Gross amount due from contract customers	1,062,554	1,062,554

20. TRADE RECEIVABLES

The ageing analysis of trade receivables is as follows:

	Group			
	2000		1999	
	Balance	**Percentage**	**Balance**	**Percentage**
	HK$		*HK$*	
Current	638,813	95	831,490	12
1-3 months	26,381	4	71,245	1
4-6 months	6,550	1	24,249	–
7-12 months	–	–	–	–
Over 1 year	–	–	6,040,261	87
	671,744	100	6,967,245	100

The Group's trade receivables are normally invoiced with credit terms of 30 to 60 days of issuance. The balance aged over one year mainly related to trade receivables for construction contracts. The settlement period for such contracts tends to be longer than for other receivables because settlement is pending the issuance of the final completion certificate.

21. OTHER RECEIVABLES

	Group		Company	
	2000	**1999**	**2000**	**1999**
	HK$	*HK$*	*HK$*	*HK$*
Prepayments	839,285	862,724	74,680	70,912
Loan receivable – note 16	4,382,517	–	–	–
Deposits and other debtors	3,889,380	8,303,052	–	–
Retention money receivable	337,751	337,751	–	–
	9,448,933	9,503,527	74,680	70,912

22. CASH AND CASH EQUIVALENTS

	Group		Company	
	2000	**1999**	**2000**	**1999**
	HK$	*HK$*	*HK$*	*HK$*
Cash and bank balances	2,336,212	2,356,258	44	33
Time deposits	3,018,913	3,208,513	2,805,440	–
	5,355,125	5,564,771	2,805,484	33

23. TRADE PAYABLES

The ageing analysis of trade payables is as follows:

	Group			
	2000		1999	
	Balance	**Percentage**	**Balance**	**Percentage**
	HK$		*HK$*	
Current	234,462	9	451,303	14
1-3 months	–	–	–	–
4-6 months	–	–	–	–
7-12 months	–	–	–	–
Over 1 year	2,325,540	91	2,731,950	86
	2,560,002	100	3,183,253	100

24. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2000	**1999**	**2000**	**1999**
	HK$	*HK$*	*HK$*	*HK$*
Accruals	7,223,060	18,694,460	276,779	279,677
Deposits received	6,209,344	6,808,907	–	–
Retention money payable	8,423,836	9,013,253	–	–
Other liabilities	3,180,397	2,165,539	–	–
	25,036,637	36,682,159	276,779	279,677

25. INTEREST-BEARING BANK BORROWINGS

	Group	
	2000	**1999**
	HK$	*HK$*
Bank overdrafts, unsecured	12,614,710	12,422,811
Bank loans, secured	466,000,000	515,833,000
Less: Portion classified as current liabilities	(48,100,000)	(60,000,000)
Long term portion	417,900,000	455,833,000
Bank loans and overdrafts are repayable:		
Within one year	60,714,710	72,422,811
In the second year	260,640,000	20,000,000
In the third to fifth years, inclusive	40,680,000	435,833,000
Beyond five years	116,580,000	–
	478,614,710	528,255,811

The Group's bank overdrafts are guaranteed by Hong Fok Corporation Limited, a substantial shareholder of the Company.

The Group's bank loans are secured by:

(i) fixed charges over certain of the Group's land and buildings, investment properties, and properties held for sale situated in Hong Kong which have carrying values at the balance sheet date of HK$44,621,748, HK$1,095,000,000 and HK$152,668,734, respectively;

(ii) assignment of sale and rental proceeds of the land and buildings, investment properties and a property held for sale situated in Hong Kong;

(iii) obligation of Hong Fok Corporation Limited to obtain prior written consent from a bank for transfer or change in ownership of the Company;

(iv) corporate guarantee given by the Company; and

(v) floating charges over the assets of Hugoton Limited, Vision Asset Management Limited, wholly-owned subsidiaries of the Group.

26. SHARE CAPITAL

Shares

	Company 2000	Company 1999
	HK$	*HK$*
Authorised:		
2,000,000,000 ordinary shares of HK$0.05 each	100,000,000	100,000,000
Issued and fully paid:		
684,416,993 (1999: 690,712,993) ordinary shares of HK$0.05 each	34,220,850	34,535,650

During the year, the Company repurchased on The Stock Exchange of Hong Kong Limited a total of 6,296,000 of its shares at a total consideration of HK$2,163,436, all of which were cancelled accordingly.

The premium of HK$1,848,636 on the shares repurchased, being the difference between the total cost of HK$2,163,436 and the aggregate amount of HK$314,800 being the nominal value of the 6,296,000 shares repurchased, was deducted from the share premium account of the Company.

The above repurchases were made for the purpose of enhancing the consolidated net asset value and earnings per share of the Company.

Share options

On 14th October, 1996, a share option scheme (the "Scheme") was adopted by the shareholders of the Company. Under the Scheme, the directors may, at their discretion, invite employees of the Company and its subsidiaries, including directors, to take up options to subscribe for shares in the Company at a price not less than 80% of the average of the closing prices of the shares on The Stock Exchange of Hong Kong Limited on the five trading days immediately preceding the date of offer of grant, or the nominal value of the Company's shares, whichever is the higher amount. The maximum number of shares in respect of which options may be granted under the Scheme may not exceed 10% of the issued capital of the Company, excluding any shares issued upon the exercise of options, from time to time. An option may be exercised under the Scheme at any time during the period from 14th October, 1996 to 10th July, 2004.

Details of the share options granted pursuant to the Scheme are as follows:

			Number of options				
Date of offer of grant	Exercise price per share	Exercise period	At beginning of year	Granted during the year	Exercised during the year	Lapsed or cancelled during the year	At end of year
14th October, 1997	HK$0.925	14th October, 1997 to 13th October, 2000	2,000,000	–	–	(2,000,000)	–
3rd January, 2000	HK$0.268	3rd January, 2000 to 10th July, 2004	–	60,000,000	–	–	60,000,000
			2,000,000	60,000,000	–	(2,000,000)	60,000,000

The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 60,000,000 additional ordinary shares for gross proceeds of HK$16,080,000.

27. RESERVES

Group

	Share premium	Contributed surplus	Land and buildings revaluation reserve	Investment property revaluation reserve	Capital reserve	Exchange fluctuation reserve	Retained profits/ (accumulated losses)	Total
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
At 1st January, 1998	87,833,058	618,107,853	–	662,857,957	458,117,887	(138,600,782)	243,923,644	1,932,239,617
Premium on purchase of own shares	(850,388)	–	–	–	–	–	–	(850,388)
Arising on disposal and deemed disposal of subsidiaries	–	–	–	18,726,620	2,911,252	2,489,191	–	24,127,063
Revaluation deficit realised on disposal of an investment property	–	–	–	54,591,231	–	–	–	54,591,231
Deficit on revaluation	–	–	–	(117,990,000)	–	–	–	(117,990,000)
Exchange realignment	–	–	–	–	–	8,917,263	–	8,917,263
Net loss for the year	–	–	–	–	–	–	(241,919,684)	(241,919,684)
Share of movement in reserves of associates	–	–	–	(251,219,318)	4,342,168	(2,835,282)	–	(249,712,432)
At 31st December, 1998	86,982,670	618,107,853	–	366,966,490	465,371,307	(130,029,610)	2,003,960	1,409,402,670
Surplus on revaluation	–	–	6,799,505	82,050,000	–	–	–	88,849,505
Arising on disposal of subsidiaries	–	–	–	–	6,502,774	–	–	6,502,774
Goodwill arising on acquisition of a subsidiary	–	–	–	–	(11,386)	–	–	(11,386)
Exchange realignment	–	–	–	–	–	111,196	–	111,196
Net loss for the year	–	–	–	–	–	–	(31,443,219)	(31,443,219)
Share of movements in reserves of an associate	–	–	–	74,232,387	(456,586)	(1,180,151)	–	72,595,650
At 31st December, 1999 and beginning of year	86,982,670	618,107,853	6,799,505	523,248,877	471,406,109	(131,098,565)	(29,439,259)	1,546,007,190
Premium on repurchase of own shares	(1,848,636)	–	–	–	–	–	–	(1,848,636)
Surplus on revaluation	–	–	574,960	24,411,785	–	–	–	24,986,745
Exchange realignment	–	–	–	–	–	621,381	–	621,381
Net loss for the year	–	–	–	–	–	–	(151,606,595)	(151,606,595)
Share of movements in reserves of an associate	–	–	–	47,375,627	889,407	(22,795,596)	–	25,469,438
At 31st December, 2000	85,134,034	618,107,853	7,374,465	595,036,289	472,295,516	(153,272,780)	(181,045,854)	1,443,629,523

Group

	Share premium HK$	Contributed surplus HK$	Land and buildings revaluation reserve HK$	Investment property revaluation reserve HK$	Capital reserve HK$	Exchange fluctuation reserve HK$	Retained profits/ (accumulated losses) HK$	Total HK$
Reserves retained by:								
Company and subsidiaries	85,134,034	618,107,853	7,374,465	788,050,908	468,187,032	(139,947,609)	(160,838,142)	1,666,068,541
Associate	–	–	–	(193,014,619)	4,108,484	(13,325,171)	(20,207,712)	(222,439,018)
At 31st December, 2000	85,134,034	618,107,853	7,374,465	595,036,289	472,295,516	(153,272,780)	(181,045,854)	1,443,629,523
Company and subsidiaries	86,982,670	618,107,853	6,799,505	763,639,123	468,187,032	(140,568,990)	(13,622,163)	1,789,525,030
Associate	–	–	–	(240,390,246)	3,219,077	9,470,425	(15,817,096)	(243,517,840)
At 31st December, 1999	86,982,670	618,107,853	6,799,505	523,248,877	471,406,109	(131,098,565)	(29,439,259)	1,546,007,190
Company and subsidiaries	86,982,670	618,107,853	–	681,589,123	461,695,644	(140,680,186)	18,197,490	1,725,892,594
Associate	–	–	–	(314,622,633)	3,675,663	10,650,576	(16,193,530)	(316,489,924)
At 31st December, 1998	86,982,670	618,107,853	–	366,966,490	465,371,307	(130,029,610)	2,003,960	1,409,402,670

The contributed surplus of the Group represents the difference between the nominal value of the share capital issued by the Company and the aggregate of the share capital and the share premium of the subsidiaries acquired pursuant to the Group reorganisation in 1996.

Company

	Share premium	**Contributed surplus**	**Accumulated losses**	**Total**
	HK$	*HK$*	*HK$*	*HK$*
At 1st January, 1998	87,833,058	1,386,580,996	(16,822)	1,474,397,232
Premium on purchase of own shares	(850,388)	–	–	(850,388)
Net loss for the year	–	–	(63,948,836)	(63,948,836)
At 31st December, 1998 and beginning of year	86,982,670	1,386,580,996	(63,965,658)	1,409,598,008
Net profit for the year	–	–	56,929,914	56,929,914
At 31st December, 1999 and beginning of year	86,982,670	1,386,580,996	(7,035,744)	1,466,527,922
Premium on repurchase of own shares	(1,848,636)	–	–	(1,848,636)
Net loss for the year	–	–	(21,172,028)	(21,172,028)
At 31st December, 2000	85,134,034	1,386,580,996	(28,207,772)	1,443,507,258

The contributed surplus of the Company represents the difference between the nominal value of the share capital issued by the Company and the aggregate net asset value of the subsidiaries acquired at the date of acquisition pursuant to the Group reorganisation in 1996. Under the Companies Act 1981 of Bermuda (as amended), the Company may make distributions to its members out of contributed surplus in certain circumstances.

28. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

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

	2000	**1999**
	HK$	*HK$*
Profit/(loss) from operating activities	(108,974,864)	10,196,803
Reversal of provision for diminution in value of properties held for sale	–	(9,050,495)
Provision for diminution in value of property held for future development	–	10,462,965
Provision for diminution in value of long term unlisted investments	945,125	–
Provision for diminution in value of listed investments	1,490,306	–
Interest income	(792,840)	(4,014,538)
Depreciation	2,118,842	1,978,884
Gain on disposal of listed investments	(196,139)	(246,407)
Loss/(gain) on disposal of fixed assets	(421,141)	146,084
Deficit on revaluation of land and buildings	–	227,296
Decrease/(increase) in properties under development	211,762,226	(86,977,511)
Increase in properties held for sale	(2,366,294)	–
Decrease in inventories	8,653	40,737
Increase in construction contracts	–	(404,298)
Decrease in trade receivables	6,295,501	7,752,728
Decrease in prepayments	23,439	46,792
Decrease/(increase) in deposits and other debtors	(86,328)	1,496,691
Decrease in retention money receivable	–	1,780,914
Increase/(decrease) in trade payables	(623,251)	956,892
Decrease in accruals	(11,471,400)	(7,894,410)
Decrease in deposits received	(599,563)	(1,029,228)
Decrease in retention money payable	(589,417)	(5,048,783)
Increase in other liabilities	1,014,858	3,935,107
Decrease in amounts due to related companies	–	(30,130)
Net cash inflow/(outflow) from operating activities	97,537,713	(75,673,907)

(b) Summary of the effects of disposal of subsidiaries:

	1999
	HK$
Net assets disposed of:	
Cash and bank balances	166
Prepayments	14,392
Deposits and other debtors	580,801
Accounts payable and accrued liabilities	(833)
	594,526
Gain on disposal	2,417,258
Capital reserve realised	6,502,774
	9,514,558
Satisfied by:	
Cash consideration receivable	9,514,558

Analysis of net inflow of cash and cash equivalents in respect of the disposal of subsidiaries:

	1999
	HK$
Cash consideration receivable	9,514,558
Less: Outstanding receivable as at 31st December,	(4,500,000)
	5,014,558
Cash and bank balances	(166)
	5,014,392

The subsidiaries disposed of had no significant impact on the Group's cash flows in respect of net operating cash flows, net returns on investments and servicing of finance, tax, and investing and financing activities in 1999.

(c) Acquisition of a subsidiary

	1999
	HK$
Net assets acquired:	
Minority interests	(11,386)
Goodwill on acquisition	11,386
	–

The subsidiary acquired had no impact on the Group's cash flows in respect of net operating cash flows, net returns on investments and servicing of finance, taxation, and investing and financing activities in 1999.

(d) Analysis of changes in financing during the year.

	Convertible loan *HK$*	Share capital, share premium and contributed surplus *HK$*	Bank loans, secured *HK$*	Minority interests *HK$*
Balance at 1st January, 1999	49,275,000	739,626,173	495,203,000	(4,346,976)
Cash inflow/(outflow) from financing, net	(49,275,000)	–	20,630,000	–
Acquisition of a subsidiary	–	–	–	11,386
Foreign exchange realignment	–	–	–	26,614
Share of loss for the year	–	–	–	(836,012)
Balance at 31st December, 1999 and beginning of year	–	739,626,173	515,833,000	(5,144,988)
Cash outflow from financing, net	–	(2,163,436)	(49,833,000)	–
Foreign exchange realignment	–	–	–	317,520
Share of loss for the year	–	–	–	1,803,916
Balance at 31st December, 2000	–	737,462,737	466,000,000	(3,023,552)

29. COMMITMENTS

At the balance sheet date, the Group had the following outstanding commitments:

	Group 2000 *HK$*	Group 1999 *HK$*
Capital commitments:		
Contracted for	2,734,947	–
Annual commitments payable in the following year under non-cancellable operating leases of land and buildings expiring in the second to fifth years, inclusive	190,540	181,358

30. CONTINGENT LIABILITIES

(a) At the balance sheet date, the Company had given unconditional guarantees to banks to secure loan facilities granted to subsidiaries to the extent of approximately HK$654 million (1999: HK$654 million). The extent of such facilities utilised by the subsidiaries at the balance sheet date amounted to approximately HK$466 million (1999: HK$515.8 million).

(b) At the balance sheet date, the Group had given corporate guarantees to banks for issuing letters of indemnity to a third party in respect of contracts undertaken by certain subsidiaries, and to indemnify the repayment of certain mortgage loans amounting to approximately HK$30 million (1999: HK$30 million).

31. RELATED PARTY TRANSACTION

During the year, Hong Fok Corporation Limited, a substantial shareholder of the Company, provided guarantee to banks to secure bank overdraft facilities of a subsidiary totalling HK$12,614,710 as at the balance sheet date (1999: HK$12,422,811) at nil consideration.

4. UNAUDITED INTERIM REPORT

The following is the interim result of the Group for the six months ended 30th June, 2001 together with the comparative figures as extracted from the interim report of the Company:

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

		Six months ended 30th June,	
		2001	**2000**
		(Unaudited)	**(Unaudited)**
	Notes	*HK$'000*	*HK$'000*
TURNOVER	2	43,571	18,603
Cost of sales		(28,591)	(1,615)
Gross profit	2	14,980	16,988
Other revenue		223	1,469
Provision to reflect the net realizable value of properties under development		–	(108,495)
Operating and administrative expenses		(19,191)	(17,352)
LOSS FROM OPERATING ACTIVITIES	3	(3,988)	(107,390)
Finance costs	4	(16,393)	(23,518)
Share of profit/(loss) of an associate		270	(1,213)
LOSS BEFORE TAX		(20,111)	(132,121)
Tax charge	5	(260)	(131)
LOSS BEFORE MINORITY INTERESTS		(20,371)	(132,252)
Minority interests		136	182
NET LOSS ATTRIBUTABLE TO SHAREHOLDERS		(20,235)	(132,070)
BASIC LOSS PER SHARE	6	(2.96 cents)	(19.17 cents)
DIVIDEND PER SHARE		–	–

CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	As at 30th June, 2001 (Unaudited) HK$'000	As at 31st December, 2000 (Audited) HK$'000
NON-CURRENT ASSETS			
Fixed assets		1,151,993	1,152,142
Properties held for future development		80,000	80,000
Interest in an associate		553,950	584,455
Other long term assets	8	10,343	10,358
		1,796,286	1,826,955
CURRENT ASSETS			
Properties held for sale	9	129,436	153,269
Inventories		227	234
Trade and other receivables	10	10,108	10,120
Other current assets	11	1,412	1,458
Cash and cash equivalents		8,503	5,355
		149,686	170,436
CURRENT LIABILITIES			
Trade and other payables	12	28,549	27,597
Tax payable		16,020	16,352
Interest-bearing bank borrowings	13	11,160	60,715
		55,729	104,664
NET CURRENT ASSETS		93,957	65,772
TOTAL ASSETS LESS CURRENT LIABILITIES		1,890,243	1,892,727
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	13	461,200	417,900
Minority interests		1,254	(3,023)
		1,427,789	1,477,850
CAPITAL AND RESERVES			
Issued capital	14	34,221	34,221
Reserves	15	1,393,568	1,443,629
		1,427,789	1,477,850

CONDENSED CONSOLIDATED STATEMENT OF RECOGNISED GAINS AND LOSSES

		Six months ended 30th June,	
		2001	**2000**
		(Unaudited)	*(Unaudited)*
	Note	*HK$'000*	*HK$'000*
Exchange difference on translation of financial statements of foreign entities	15	683	676
Share of movements in reserves of an associate	15	(30,509)	(21,561)
Net loss not recognised in the profit and loss account		(29,826)	(20,885)
Net loss for the period attributable to shareholders		(20,235)	(132,070)
Total recognised gains and losses		(50,061)	(152,955)

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30th June, 2001

1. BASIS OF PRESENTATION AND ACCOUNTING POLICIES

The condensed consolidated financial statements have not been audited by the Company's auditors but have been reviewed by the Company's audit committee.

The unaudited condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Statement of Standard Accounting Practice ("SSAP") No. 25 "Interim Financial Reporting", except that the comparative amounts for the first condensed consolidated cash flow statement have not been presented as the Company has taken advantage of the transitional provision set out in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules").

The accounting policies used in the preparation of the interim financial statements are the same as those used in the annual audited financial statements for the year ended 31st December, 2000, except that:

(i) land and buildings and investment properties have not been revalued at the balance sheet date; and

(ii) the Group has changed certain of its accounting policies following the adoption of the following new or revised SSAPs issued by the Hong Kong Society of Accountants which are effective for accounting periods commenced on or after 1st January, 2001:

SSAP 9 (revised)	:	Events after the Balance Sheet Date
SSAP 14 (revised)	:	Leases
SSAP 28	:	Provisions, Contingent Liabilities and Contingent Assets
SSAP 29	:	Intangible Assets
SSAP 30	:	Business Combinations
SSAP 31	:	Impairment of Assets
SSAP 32	:	Consolidated Financial Statements and Accounting for Investments in Subsidiaries

The Group has complied with SSAP 14 (revised) "Leases" issued by the Hong Kong Society of Accountants which are effective for accounting periods commenced on or after 1st January, 2001 for the first time in this interim reporting period. As a result, total future minimum operating lease commitments are disclosed instead of annual operating lease commitments under non-cancellable operating leases. Figures for the year ended 31st December, 2000 are extracted from the Group's audited financial statements for that year.

The principal impact of adopting SSAP 30 has been the disclosure of goodwill/negative goodwill as an asset in the balance sheet and the amortisation/release of this goodwill/negative goodwill over its estimated useful life to the profit and loss account. In accordance with the transitional provision of SSAP 30, goodwill/negative goodwill arising from earlier acquisition before 1st January, 2001 will continue to be held in reserves and no reinstatement has been made.

Comparative amounts in respect to the condensed consolidated balance sheet for the year ended 31st December, 2000 are extracted from the Group's annual financial statements for the year.

2. SEGMENTAL INFORMATION

An analysis of the Group's turnover and contribution to loss from operating activities by principal activity is as follows:

	Six months ended 30th June, 2001		Six months ended 30th June, 2000	
	Turnover	**Contribution to loss from operating activities**	**Turnover**	**Contribution to loss from operating activities**
	(Unaudited)	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
By activity:				
Property development	24,370	(2,193)	–	–
Property investment and management	17,671	15,842	16,989	15,569
Horticultural services	1,530	1,331	1,614	1,419
	43,571	14,980	18,603	16,988
Other expenses, net		(18,968)		(124,378)
		(3,988)		(107,390)

The operations outside Hong Kong contributed less than 10% of turnover and less than 10% of consolidated operating loss.

3. LOSS FROM OPERATING ACTIVITIES

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

	Six months ended 30th June,	
	2001	**2000**
	(Unaudited)	*(Unaudited)*
	HK$'000	*HK$'000*
Depreciation	1,046	823
Cost of properties sold	26,563	–
Decrease in fair value of listed investments	44	1,308
Rental income, gross of HK$16,739,000 (2000: HK$16,094,000) less outgoings of HK$1,828,000 (2000: HK$1,420,000)	(14,911)	(14,674)
Interest income	(138)	(417)
Dividend from long term unlisted investment	(19)	–
Loss/(gain) on disposal of fixed assets	91	(290)

4. FINANCE COSTS

	Six months ended 30th June, 2001 (Unaudited) HK$'000	Six months ended 30th June, 2000 (Unaudited) HK$'000
Interest on bank loans and overdrafts	16,393	23,518

5. TAX

No Hong Kong profits tax has been provided as the Group had no assessable profits arising in Hong Kong. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the places in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	Six months ended 30th June, 2001 (Unaudited) HK$'000	Six months ended 30th June, 2000 (Unaudited) HK$'000
Share of tax attributable to an associate:		
Elsewhere	260	131

No provision for deferred tax has been made as the effect of all timing differences is immaterial.

6. BASIC LOSS PER SHARE

The calculation of basic loss per share is based on the net loss from ordinary activities attributable to shareholders for the period of HK$20,235,000 (2000: HK$132,070,000) and the weighted average number of 684,416,993 (2000: 689,005,070) ordinary shares in issue during the period.

The fully diluted loss per share is not shown for both periods because the effect of any dilution is anti-dilutive.

7. INTERIM DIVIDEND

The directors do not recommend the payment of any interim dividend for the six months ended 30th June, 2001 (2000: Nil).

8. OTHER LONG TERM ASSETS

	30th June, 2001 *(Unaudited)* *HK$'000*	31st December, 2000 *(Audited)* *HK$'000*
Unlisted equity investments, at cost	5,845	5,845
Provision for diminution in values	(945)	(945)
	4,900	4,900
Loan receivables	8,666	8,730
Unlisted debentures, at cost	1,110	1,110
	14,676	14,740
Less: Loan receivables classified as current assets – note 10	(4,333)	(4,382)
	10,343	10,358

Included in loan receivables is an amount of HK$8.5 million (2000: HK$8.5 million) which is secured by a second mortgage over an investment property sold by the Group during the year ended 31st December, 1998. The loan is repayable by two equal instalments. A partial repayment of the first instalment payable on or before June 2001 was settled subsequent to the balance sheet date. The directors were informed that the borrower was in the process of arranging banking facilities and the remaining balance of the first instalment will be settled once the banking facilities are available. The second instalment is repayable on or before June 2002.

9. PROPERTIES HELD FOR SALE

	30th June, 2001 *(Unaudited)* *HK$'000*
At beginning of period	153,269
Additions	2,040
Disposal	(25,873)
	129,436

10. TRADE AND OTHER RECEIVABLES

Details of trade and other receivables are as follows:

	30th June, 2001 *(Unaudited)* *HK$'000*	**31st December, 2000** *(Audited)* *HK$'000*
Current	414	639
1-3 months	195	26
4-6 months	26	7
7-12 months	29	–
Over 1 year	1	–
	665	672
Prepayments	679	839
Loan receivables – note 8	4,333	4,382
Deposits and other debtors	4,093	3,889
Retention money receivable	338	338
	10,108	10,120

The Group's trade receivables are normally invoiced with credit terms of 30 to 60 days of issuance.

11. OTHER CURRENT ASSETS

	30th June, 2001 *(Unaudited)* *HK$'000*	**31st December, 2000** *(Audited)* *HK$'000*
Short term investments	207	251
Construction contracts	1,063	1,063
Tax recoverable	142	144
	1,412	1,458

12. TRADE AND OTHER PAYABLES

Details of trade and other payables is as follows:

	30th June, 2001	31st December, 2000
	(Unaudited)	*(Audited)*
	HK$'000	*HK$'000*
Current	526	234
1-3 months	–	–
4-6 months	–	–
7-12 months	–	–
Over 1 year	2,658	2,326
	3,184	2,560
Accruals	7,068	7,223
Deposits received	6,825	6,209
Retention money payables	8,221	8,424
Other liabilities	3,251	3,181
	28,549	27,597

13. INTEREST-BEARING BANK BORROWINGS

	30th June, 2001	31st December, 2000
	(Unaudited)	*(Audited)*
	HK$'000	*HK$'000*
Bank overdrafts, unsecured	–	12,615
Bank loans, secured	472,360	466,000
Less: Portion classified as current liabilities	(11,160)	(48,100)
Long term portion	461,200	417,900
Bank loans and overdrafts are repayable:		
Within one year	11,160	60,715
In the second year	46,620	260,640
In the third to fifth years, inclusive	360,500	40,680
Beyond five years	54,080	116,580
	472,360	478,615

14. SHARE CAPITAL

	30th June, 2001 *(Unaudited)* *HK$'000*	31st December, 2000 *(Audited)* *HK$'000*
Authorised:		
2,000,000,000 ordinary shares of HK$0.05 each	100,000	100,000
Issued and fully paid:		
684,416,993 (2000: 684,416,993) ordinary shares of HK$0.05 each	34,221	34,221

As at 30th June, 2001, the Company had 60 million outstanding share options which were granted to directors of the Company to subscribe in cash for fully paid ordinary shares of the Company at HK$0.268 per share at any time on or before 10th July, 2004. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 60,000,000 additional ordinary shares for gross proceeds of HK$16,080,000.

15. RESERVES

	Share premium *HK$'000* *(Unaudited)*	Contributed surplus *HK$'000* *(Unaudited)*	Land and buildings revaluation reserve *HK$'000* *(Unaudited)*	Investment property revaluation reserve *HK$'000* *(Unaudited)*	Capital reserve *HK$'000* *(Unaudited)*	Exchange fluctuation reserve *HK$'000* *(Unaudited)*	Accumulated losses *HK$'000* *(Unaudited)*	Total *HK$'000* *(Unaudited)*
At 1st January, 2001	85,134	618,108	7,374	595,036	472,296	(153,273)	(181,046)	1,443,629
Exchange realignment	–	–	–	–	–	683	–	683
Net loss for the period	–	–	–	–	–	–	(20,235)	(20,235)
Share of movements in reserves of an associate	–	–	–	–	–	(30,509)	–	(30,509)
At 30th June, 2001	85,134	618,108	7,374	595,036	472,296	(183,099)	(201,281)	1,393,568

16. COMMITMENTS

At the balance sheet date, the Group had the following outstanding commitments:

	30th June, 2001	**31st December, 2000**
	(Unaudited)	*(Audited)*
	HK$'000	*HK$'000*
Capital commitments contracted for but not provided for	2,222	2,735
Commitments under non-cancellable operating leases of land and buildings expiring in the second to fifth years, inclusive:		
Total commitments	206	–
Annual commitments	–	191

17. CONTINGENT LIABILITIES

(a) As at 30th June, 2001, the Company had given unconditional guarantees to banks to secure loan facilities granted to subsidiaries to the extent of approximately HK$649 million (31st December, 2000: HK$654 million). The extent of such facilities utilised by the subsidiaries at the balance sheet date amounted to approximately HK$472 million (31st December, 2000: HK$466 million).

(b) As at 30th June, 2001, the Group had given corporate guarantees to banks for issuing letters of indemnity to a third party in respect of contracts undertaken by certain subsidiaries, and to indemnify the repayment of certain mortgage loans. The total amount of the guarantees was approximately HK$30 million (31st December, 2000: HK$30 million).

18. RELATED PARTY TRANSACTION

During the period, Hong Fok Corporation Limited, a substantial shareholder of the Company, provided guarantee to banks to secure bank overdraft facilities of a subsidiary at nil consideration. As at 30th June, 2001, the balance of the bank overdraft has nil balance (31st December, 2000: HK$12.4 million).

In the opinion of the directors, such transaction was conducted in the normal course of business. It was therefore not subject to any disclosure or shareholders' approval requirements under the Listing Rules.

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF OPERATIONS

During the period, the Group continues to engage in property related businesses and provision of horticultural services. The Group has disposed of certain units of the property in North Point ("Fortress Heights") to independent third parties and these contribute approximately HK$24.4 million to current period's turnover.

The Group's rental portfolio performance was satisfactory. The occupancy level stayed high and rental rates remained stable throughout the period.

The decrease in finance costs was a results of the disposal of a property under development in 2000 and the decrease in interest rates.

LIQUIDITY AND FINANCIAL RESOURCES

All the Group's funding and treasury activities are centrally managed and controlled at the corporate level. There is no significant change in respect of treasury and financing policies from the information disclosed in the Group's latest annual report. The Group has no significant exposure to foreign exchange rate fluctuations. A great majority of the Group's borrowings are denominated in Hong Kong dollars.

The Group has substantial committed undrawn credit facilities from its bankers providing the Group with strong financing flexibility and liquidity to meet its funding needs and working capital requirements.

Majority of the Group's borrowings matures in 2006. As at 30th June, 2001, the outstanding bank loan amounted approximately HK$472 million was secured by the Group's investment properties, land and buildings and properties held for sale.

FUTURE PROSPECTS

With 100% of the Group's borrowings in the form of floating-rate debt, the decline in global interest rate will lead to savings in interest expense in the second half of the year.

The Group will continue to look for any potential investment opportunities to broaden its earning base.

5. PRO FORMA STATEMENT OF UNAUDITED ADJUSTED CONSOLIDATED NET TANGIBLE ASSET VALUE

Set out below is pro forma statement of the unaudited adjusted consolidated net tangible asset value of the Enlarged Group based on the audited consolidated net assets of the Group as at 31st December, 2000 and adjusted as follows:

		HK$'000
Audited consolidated net tangible assets of the Group as at 31st December, 2000		1,477,850
Less: Net loss attributable to Shareholders for the six months ended 30th June, 2001 *(Note)*		(20,235)
Movement of exchange fluctuation reserve for the six months ended 30th June, 2001 *(Note)*		(29,826)
Unaudited consolidated net tangible assets of the Group as at 30th June, 2001		1,427,789
Less: Deficit on revaluation of the Group's properties as at 31st December, 2001		(65,000)
Add: Net proceeds from placing of 63 million new Shares completed in January 2002		10,800
Pro forma unaudited adjusted consolidated net tangible assets before the Open Offer and the Acquisition		1,373,589
Add: Estimated net proceeds from the Open Offer		142,000
Pro forma unaudited adjusted consolidated net tangible assets after the Open Offer		1,515,589
Less: Consideration paid for the Acquisition		(71,280)
Add: Net asset value of Super Homes attributable to the Group		
Audited net deficiencies of Super Homes as at 31st December, 2001	(86,474)	
Assignment of shareholders' loan of Super Homes	157,754	71,280
Pro forma unaudited adjusted consolidated net tangible asset value of the Enlarged Group		1,515,589
Pro forma unaudited adjusted consolidated net tangible assets per Share before the Open Offer and the Acquisition based on 747,416,993 Shares in issue as at the Latest Practicable Date		HK$1.838
Pro forma unaudited adjusted consolidated net tangible assets per Share after the Acquisition and the Open Offer based on 1,494,833,986 Shares then in issue		HK$1.014

Note: These figures have been extracted from the 2001 interim report of the Group for the six months ended 30th June, 2001.

6. PRO FORMA STATEMENT OF UNAUDITED ADJUSTED COMBINED NET ASSETS OF ENLARGED GROUP FOLLOWING THE OPEN OFFER AND THE ACQUISITION OF SUPER HOMES

The following is the pro forma unaudited adjusted statement of the combined net assets of the Enlarged Group based on the audited consolidated balance sheet of the Group as at 31st December, 2000, the unaudited consolidated balance sheet of the Group as at 30th June, 2001 and the audited balance sheet of Super Homes as at 31st December, 2001, and on the basis that the Acquisition, the Open Offer and the repayment of one of the bank loans and further drawdown of another bank loan were completed on 30th June, 2001:

	(Audited) As at 31st December, 2000 Winfoong Group	**(Audited) As at 31st December, 2001 Super Homes**	**Adjustments**	**Pro forma combined**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Fixed assets	1,152,142	243,135	(149) (1) (56,422) (2)	1,338,706
Property held for future development	80,000	–	–	80,000
Investment in an associate	584,455	–	(30,505) (1)	553,950
Other long term assets	10,358	–	(15) (1)	10,343
Current assets	170,436	1,080	(20,750) (1) (8,578) (2) 10,800 (3) 142,000 (4) (71,280) (4) (80,000) (5) 33,000 (5)	176,708
Current liabilities	(104,664)	(16,935)	48,935 (1)	(72,664)
Net current assets/(liabilities)	65,772	(15,855)		104,044
Total assets less current liabilities	1,892,727	227,280		2,087,043
Long term bank loan	(417,900)	(156,000)	(43,300) (1) 80,000 (5) (33,000) (5)	(570,200)
Due to group companies	–	(157,754)	157,754 (6)	–
Minority interests	3,023	–	(4,277) (1)	(1,254)
Net assets/(deficiencies)	1,477,850	(86,474)		1,515,589

(1) These adjustments represent movement in assets and liabilities of the Group for the six months ended 30th June, 2001.

(2) To reflect deficit on revaluation of the Group's properties as at 31st December, 2001.

(3) To reflect the proceeds from placing of 63,000,000 new Shares completed in January 2002.

(4) To reflect the net proceeds from the Open Offer and payment for the Acquisition.

(5) These adjustments represent the repayment of one of the bank loans and further drawdown of another bank loan.

(6) The adjustment represents elimination of intercompany balances on combination.

7. MATERIAL CHANGE

The Group is interested in approximately 20.2% of the issued share capital of Hong Fok, which together with its subsidiaries, is principally engaged in property investment, development and management in Singapore. Based on closing price of the share of Hong Fok of S$0.19 as at the Latest Practicable Date, the market value of the Group's 20.2% interest in Hong Fok is S$23.1 million (approximately HK$98.7 million). However, the Group's investment in Hong Fok is held as a strategic long term investment for the Group. Accordingly, the Group's interest in Hong Fok is stated in its consolidated balance sheet at its share of net assets under the equity method of accounting.

The property prices in Singapore have generally fallen in the year 2001. The properties held by Hong Fok Group are mainly commercial properties and are mostly located in the fringe area of Singapore. Based on the statistics issued by the Urban Redevelopment Authority Singapore, the price index of commercial properties in the fringe area fell from 98.6 in the fourth quarter of 2000 to 88.4 in the fourth quarter of 2001, representing a fall of about 10.3%. On the assumptions that (i) the prices of the property portfolio of Hong Fok Group have fallen in line with the general market trend, and (ii) other than the impact of the fallen property prices in Singapore, there has been no significant change in the financial position of Hong Fok Group since 31st December, 2000, the Directors consider that the carrying value of the Group's investment in Hong Fok, being classified as "interest in an associate" in the consolidated accounts of the Group, would have been adversely affected since 31st December, 2000, the date to which the latest audited consolidated financial statements of the Group were made up. As at 31st December, 2000, the Group's "interest in an associate" amounted to approximately HK$584 million. The possible reduction in value of the Group's interest in Hong Fok (representing the possible reduction in its share of net assets of Hong Fok) cannot be quantified at present, pending the release by Hong Fok of its results for the year ended 31st December, 2001.

Save for the aforesaid and the adjustments as stated under the section headed "Pro forma statement of unaudited adjusted consolidated net tangible asset value" in Appendix III to the circular, as at the Latest Practicable Date, the Directors were not aware of any material change in the financial or trading position or prospects of the Group since 31st December, 2000, the date to which the latest audited consolidated financial statements of the Group were made up.

8. INDEBTEDNESS

Borrowings

As at the close of business on 31st December, 2001, being the latest practicable date for ascertaining information regarding this indebtedness statement, the Group had outstanding secured bank loans of approximately HK$480.5 million.

Guarantee and security

As at 31st December, 2001, the Group had aggregate available banking facilities of approximately HK$629.5 million, of which approximately HK$480.5 million had been utilised.

These banking facilities are secured by:

(i) fixed charges over certain of the Group's land and buildings, investment properties, and properties held for sale situated in Hong Kong which have carrying values as at 31st December, 2001 of approximately HK$38.2 million, HK$1,045 million and HK$105.5 million, respectively;

(ii) assignment of insurance, sale and rental proceeds of the land and buildings, investment properties and a property held for sale situated in Hong Kong;

(iii) charges over certain of the Group's bank balances of approximately HK$5.2 million for the purpose of assignment of sales and rental proceeds and issued shares of certain wholly-owned subsidiaries of the Group.

(iv) obligation of Hong Fok to obtain prior written consent from a bank for transfer or change in ownership of the Company;

(v) subordination and assignment of inter group and shareholders' loans to certain wholly-owned subsidiaries of the Group in favour of the banks;

(vi) floating charges over the assets of certain wholly-owned subsidiaries of the Group; and

(vii) corporate guarantee given by the Company.

Contingent liabilities

As at 31st December, 2001, the Group had given corporate guarantees to banks for issuing letters of indemnity to a third party in respect of contracts undertaken by certain subsidiaries, and to guarantee the repayment of certain mortgage loans amounting to approximately HK$30.4 million.

Disclaimer

Save as aforesaid and apart from intra-group liabilities, the Group did not, at the close of business of 31st December, 2001, have any mortgages, charges, debentures, loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, hire purchase of finance lease commitments, guarantees or other material contingent liabilities.

9. WORKING CAPITAL

The Directors are of the opinion that after taking into account of the Enlarged Group's present available banking facilities and the estimated net proceeds of the Open Offer, the Enlarged Group has sufficient working capital for its present requirements in the absence of unforeseen circumstances.

10. LETTERS FROM ERNST & YOUNG AND SOMERLEY

Set out below are the texts of letters from Ernst & Young and Somerley in connection with the statement of the Directors set out under the paragraph headed "Material Change" in this appendix:

ERNST & YOUNG
安永會計師事務所

15th Floor
Hutchison House
10 Harcourt Road
Central
Hong Kong

25th March, 2002

The Directors
Winfoong International Limited
Somerley Limited

Dear Sirs,

We have performed the procedures detailed below in connection with the statement headed "Material Change" (the "Statement") as set out in section 7 of Appendix III to the Company's Circular dated 25th March, 2002 (the "Circular"). The preparation of the Statement is the sole responsibility of the directors of the Company (the "Directors"). Our responsibility is to report on the results of our procedures.

Our procedures consisted of the following:

(a) enquires of the Directors as to the accounting policies based on which the Statement has been prepared and as to whether they have taken into account the new and revised statements of standard accounting practice issued by the Hong Kong Society of Accountants which are effective for the first time on or after 1st January, 2001 (the "New SSAPs");

(b) a comparison of the accounting policies based on which the Statement has been prepared with those adopted in the preparation of the audited financial statements of the Company and its subsidiaries (the "Group") for the year ended 31st December, 2000 and the unaudited interim report of the Group for the six months ended 30th June 2001 (the "Group Accounting Policies"), extracts of which are reproduced in sections 3 and 4 respectively of Appendix III to the Circular; and

(c) a check of the arithmetical calculation relating to the financial figures based on which the Statement is prepared.

The procedures do not constitute an audit or a review performed in accordance with auditing standards generally accepted in Hong Kong and, accordingly, we do not express an audit or a review opinion on the Statement.

Based on our procedures, so far as the accounting policies and calculations are concerned, the Statement has been properly prepared on the basis of the assumptions made by the Directors as set out in the Statement and is presented on a basis consistent in all material respects, except for the adoption of the New SSAPs, with the Group Accounting Policies.

Yours faithfully,
Ernst & Young
Certified Public Accountants
Hong Kong

SOMERLEY LIMITED

Somerley Limited
Suite 3108, One Exchange Square
8 Connaught Place
Central
Hong Kong

25th March, 2002

The Directors
Winfoong International Limited
Room 801, 9 Queen's Road Central
Hong Kong

Dear Sirs,

Winfoong International Limited (the "Company)

We have reviewed the statement set out under the paragraph headed "Material Change" (the "Statement on Material Changes") in Appendix III to the Company's circular dated 25th March, 2002 relating to, inter alia, proposed acquisition of property interest, proposed open offer and application for whitewash waiver.

We have discussed with you the assumptions upon which the Statement on Material Changes has been made and the work you have carried out in arriving at the said statement. We have also considered the letter dated 25th March, 2002 addressed to yourselves and ourselves from Ernst & Young reporting on the results of the procedures performed by Ernst & Young in connection with the Statement on Material Changes. On the basis of the work carried out by you in arriving at the Statement on Material Changes and on the basis of the procedures carried out by Ernst & Young and the results thereof, we have formed the opinion that the Statement on Material Changes, for which the directors of the Company are solely responsible, has been made with due care and consideration.

Yours faithfully,
For and on behalf of
Somerley Limited
Mei H. Leung
Managing Director

The following is a summary of the rules of the New Share Option Scheme proposed to be adopted at the SGM:

PURPOSE OF THE SCHEME

The purpose of the New Share Option Scheme is to provide incentives or rewards to Eligible Persons for their contribution to, and continuing efforts to promote the interests of, the Group and to enable the Group to recruit and/or to retain high-calibre employees and attract human resources that are valuable to the Group.

WHO MAY JOIN

The Board may in its absolute discretion grant options to any Eligible Person.

PRICE OF SHARES

Options may be granted at an initial payment of HK$1.00 for each acceptance of grant of option(s) given by the grantee within a period of 21 days from and inclusive the date of the offer and can be exercised at an exercise price determined by the Board (subject to adjustments as provided in the rules of the New Share Option Scheme) which shall be at least the higher of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer, which must be a trading day; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of the offer; and (iii) the nominal value of the Shares.

MAXIMUM NUMBER OF SHARES

The maximum number of Shares in respect of which options may be issued upon exercise of all options to be granted under the New Share Option Scheme and any other share option scheme(s) of the Company shall not in aggregate exceed 10 per cent. of the relevant class of Shares issued as at the date of the Shareholders' approval of the New Share Option Scheme (the "Scheme Mandate Limit"). Option lapsed in accordance with the terms of the Existing Share Option Scheme shall not be counted for the purpose of calculating the 10 per cent. limit. The Company may refresh the Scheme Mandate Limit by ordinary resolution of the Shareholders in general meeting, provided that:

(a) the Scheme Mandate Limit so refreshed shall not exceed 10 per cent. of the relevant class of Shares issued as at the date of the Shareholders' approval of the refreshing of the Scheme Mandate Limit;

(b) options previously granted under any existing schemes (including options outstanding, cancelled, or lapsed in accordance with the relevant scheme rules or exercised options) shall not be taken into account for the purpose of calculating the limit as refreshed; and

(c) a circular regarding the proposed refreshing of the Scheme Mandate Limit has been despatched to the Shareholders in a manner complying with, and containing the matters specified in, the relevant provisions of Chapter 17 of the Listing Rules.

The Company may seek separate Shareholders' approval in general meeting to grant Share Options over and above the Scheme Mandate Limit provided that, subject to the relevant provisions in the Listing Rules to the contrary, the Share Options in excess of the Scheme Mandate Limit are granted only to participants specified by the Company before such Shareholders' approval is sought and for whom specific approval is then obtained. The Company shall issue a circular to the Shareholders in compliance with the relevant provisions of the Listing Rules.

The maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the New Share Option Scheme and any other share option scheme(s) of the Company must not in aggregate exceed 30 per cent. of the relevant class of Shares in issue from time to time. No Share Option may be granted under the New Share Option Scheme if such limit is exceeded.

As at the Latest Practicable Date, there were in issue an aggregate of 747,416,993 Shares and 60,000,000 outstanding Options under the Existing Share Option Scheme. Upon full conversion of the 60,000,000 outstanding Options, a total of 60,000,000 Shares will be issued. Assuming no outstanding Options are exercised and no further Shares are issued prior to the date of the adoption of the New Share Option Scheme other than the issue of 747,416,993 Offer Shares pursuant to the Open Offer, options to subscribe for a total of 149,483,398 Shares may be granted under the New Share Option Scheme pursuant to the Scheme Mandate Limit.

The maximum number of Shares (issued and to be issued) in respect of which options may be granted under the New Share Option Scheme and any other share option scheme(s) of the Company (whether exercised, cancelled or outstanding) to any Eligible Person in any 12-month period shall not exceed 1 per cent. of the total number of Shares in issue from time to time unless such grant has been duly approved by ordinary resolution of the Shareholders in general meeting at which the relevant Eligible Person and his associates abstained from voting and the Company has issued a circular in accordance with the relevant provisions of Chapter 17 of the Listing Rules, the number and terms (including the exercise price) of Share Options to be granted to the Eligible Person must be fixed before being proposed to the Shareholders for approval and the date of the meeting of the Board proposing to offer such Share Option should be taken as the date of offer for the purpose of calculating the exercise price.

In calculating the aforesaid limit of 1 per cent., options that have already been lapsed shall not be taken into account.

GRANT OF OPTIONS TO CONNECTED PERSONS

Any grant of options to a director, chief executive or substantial shareholder of the Company or any of their respective associates must be approved by the independent non-executive Directors (excluding any independent non-executive Director who is a prospective grantee of the options).

Where options are proposed to be granted to a substantial Shareholder or an independent non-executive Director or any of their respective associates, and the proposed grant of options would result in the Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of the grant of such options to represent in aggregate more than 0.1 per cent. of the total number of issued Shares for the time being and have an aggregate value (based on the closing price of the Shares at the date of each grant of these options) exceeding HK$5,000,000, the proposed grant shall be subject to the issue of a circular and the approval of the Shareholders in general meeting (taken on a poll) in accordance with the requirements of the Listing Rules at which all connected persons abstained from voting (but a connected person may vote against the resolution at the general meeting provided that his intention to do so has been stated in the circular).

In calculating the aforesaid limit of 0.1 per cent., options that have already been lapsed shall not be taken into account.

TIME FOR EXERCISE OF OPTIONS

The grantee of an option may subscribe for Shares during such period as may be determined by the Board (the period shall commence on the date on which the offer relating to such option is duly approved by the Board in accordance with the New Share Option Scheme and expire in any event not later than the last day of the ten year period after the date of the adoption of the New Share Option Scheme (subject to early termination)). The New Share Option Scheme does not provide for any minimum period for which an option must be held before it can be exercised.

PERFORMANCE TARGETS

The New Share Option Scheme provides that there are no performance targets that need to be achieved before a grantee is entitled to exercise an option duly granted.

RIGHTS ARE PERSONAL TO GRANTEE

An option shall be personal to the grantee of the option and shall not be assignable nor transferable.

RIGHTS ON CEASING EMPLOYMENT

Subject to the provision in the paragraph below headed "RIGHTS ON DEATH" and the sub-paragraph (d) under the paragraph below headed "LAPSE OF OPTION", if a grantee of an option ceases to be an Eligible Person, the grantee may only exercise the option within a period being the earlier of the expiration of the relevant option period or six months after he ceases to be an Eligible Person.

RIGHTS ON DEATH

If a grantee of an option dies, the personal representative(s) of the grantee may only exercise the option within a period being the earlier of the expiration of the relevant option period or one year after the date of his death.

RIGHTS ON DISMISSAL

If a grantee of an option ceases to be an Eligible Person by reason of summary dismissal, the right to exercise the option shall thereupon terminate immediately.

EFFECT OF ALTERATIONS TO CAPITAL

In the event of a capitalization issue, rights issue, consolidation, reclassification, reconstruction, subdivision or reduction of the share capital of the Company, the Company shall make corresponding alterations (if any) to:

(a) the number or nominal amount of Shares subject to options already granted so far as they remain exercisable;

(b) the subscription price;

(c) the aggregate number of Shares subject to the options already granted so far as they remain exercisable; and/or

(d) the method of exercise of the options already granted, provided that

 (i) each grantee is given the same proportion of the equity capital of the Company as that to which he was previously entitled;

(ii) no alterations shall be made which would result in the subscription price for a Share being less than its nominal value;

(iii) any such alterations, save as those made on a capitalization issue, shall be confirmed by the auditors of the Company or the independent financial adviser in writing to the Directors as satisfying the requirements of the foregoing paragraphs (i) and (ii); and

(iv) any such alterations made pursuant to a subdivision or consolidation of share capital shall be made on the basis that the aggregate subscription price payable by a grantee on full exercise of any options shall remain as nearly as possible the same (but shall not be greater than) as it was before such event.

RIGHTS ON A GENERAL OFFER

If a general offer is made to all the Shareholders, the grantee may by notice in writing within twenty-one days after such offer becoming or being declared unconditional exercise any options to its full extent, and to the extent that they have not been so exercised, the right to exercise the options shall upon the expiry of such period terminate immediately.

RIGHTS ON WINDING UP

If a notice is given of a general meeting at which a resolution will be proposed for the voluntary winding-up of the Company, each grantee shall be entitled to exercise all or any of his options at any time not later than four business days prior to the proposed general meeting of the Company. The right to exercise the options shall, to the extent that they have not been so exercised, terminate immediately on the date of the commencement of the voluntary winding-up of the Company.

RIGHTS ON A SCHEME OF ARRANGEMENT

If a general offer by way of a scheme of arrangement is made to all the Shareholders, the grantee may thereafter (but before such time as shall be notified by the Company) by notice in writing to the Company exercise the options in full or in part.

RANKING OF SHARES

Shares to be allotted on the exercise of options will rank pari passu in all respects with the other Shares in issue at the relevant date of allotment will entitle the holders to have the voting, transfer and other rights including those arising on a liquidation of the Company and the rights to participate in all dividends or other distributions paid or made on or after the date of allotment of the Shares except in respect of any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefore is before the relevant date of allotment.

PERIOD OF THE SCHEME

The New Share Option Scheme shall be valid and effective for a period of ten years commencing after its date of adoption (subject to early termination).

VARIATION AND TERMINATION

The New Share Option Scheme may be altered in any respect by resolution of the Board at any time within the period of the New Share Option Scheme except that certain provisions as to:

(a) the definitions of grantee, Eligible Person(s) and option period; and

(b) the provisions relating to the matters set out in Rule 17.03 of the Listing Rules including those relating to the purpose, duration and administration of the New Share Option Scheme, grant of options (except for the provision that an offer may be accepted in full or in part and the requirements that the offer shall be in writing and shall contain the terms of the offer), subscription price, exercise of option, lapse of option, maximum number of Shares available for subscription, reorganisation of capital structure, alteration of the New Share Option Scheme, cancellation of options granted and termination;

shall not be altered to the advantage of grantees or prospective grantees except with the prior approval of the Shareholders in general meeting (with participants and their respective associates abstained from voting). No such alterations shall operate to affect adversely the terms of issue of any options granted or agreed to be granted prior to such alterations except with the consent or sanction in writing of such majority of the grantees as would be required of the Shareholders under the bye-laws for the time being of the Company for variation of the rights attached to the Shares.

Any alterations to the provisions of the New Share Option Scheme which are of a material nature (except where alteration take effect automatically under the provisions of the New Share Option Scheme) or any change to the terms of options granted must be approved by the Shareholders in general meeting. Any change to the authority of the Board in relation to any alterations to the terms of the New Share Option Scheme must be approved by the Shareholders in general meeting. Any amendment to the terms of the New Share Option Scheme or the terms and conditions of the Share Options must still comply with the relevant requirements of Chapter 17 of the Listing Rules.

The Company, by ordinary resolution in general meeting, or the Board may terminate the operation of the New Share Option Scheme at any time and options granted prior to such termination shall continue to be valid and exercisable in accordance with the New Share Option Scheme.

LAPSE OF OPTION

The right to exercise an option (to the extent not already exercised) shall terminate immediately upon the earliest of:

(a) the expiry of the option period as described in the above paragraph headed "TIME FOR EXERCISE OF OPTIONS";

(b) the expiry of any of the periods referred to in the paragraphs above headed "RIGHTS ON CEASING EMPLOYMENT", "RIGHTS ON DEATH" and "RIGHTS ON A GENERAL OFFER";

(c) subject to the scheme of arrangement becoming effective, the expiry of the period referred to in the paragraph above headed "RIGHTS ON A SCHEME OF ARRANGEMENT";

(d) the date on which the grantee ceases to be an Eligible Person by reason of summary dismissal for misconduct or other breach of the terms of his employment or other contract constituting him an Eligible Person, or appears either to be unable to pay or to have no reasonable prospect of being able to pay his debts or has become insolvent or has committed an act of bankruptcy or has made any arrangements or composition with his creditors generally or has been convicted of any criminal offence involving his integrity or honesty or on any other ground on which an employer would be entitled to terminate his employment/engagement at common law or pursuant to any applicable laws or under the grantee's service/engagement contract with the Group;

(e) subject to the provision in the paragraph above headed "RIGHTS ON WINDING UP", the date of the commencement of the voluntary winding-up of the Company; or

(f) the date on which the grantee commits a breach of the provisions of the New Share Option Scheme that an option shall be personal to the grantee and shall not be assignable nor transferable and that no grantee shall sell, transfer, charge, mortgage or encumber or create any interest in favour of a third party over or in relation to any options.

CANCELLATION OF UNEXERCISED OPTIONS

The Company may cancel an option granted under the New Share Option Scheme but not exercised with the approval of the Board. No options may be granted to an Eligible Person in place of his cancelled options unless there are available unissued options (excluding the cancelled options) within the Scheme Mandate Limit approved by the Shareholders as mentioned in the paragraph headed "MAXIMUM NUMBER OF SHARES" above.

This appendix serves as an explanatory statement as required, pursuant to Rule 10.06(1)(b) of the Listing Rules, to be given to Shareholders in order for them to consider the Repurchase Mandate:

(a) Share capital

Assuming none of the Options are exercised and, on the basis of 1,494,833,986 Shares in issue immediately after the issue of the Offer Shares, exercise in full of the Repurchase Mandate would result in up to 149,483,398 Shares being repurchased by the Company during the period in which the Repurchase Mandate remains in force. According to the Listing Rules, any Shares proposed to be purchased by the Company must be fully paid up.

(b) Reasons for repurchases

Although the Directors have no present intention to repurchase any Shares, the Directors believe that it is in the interest of the Company and the Shareholders for the Directors to have general authority from the Shareholders to enable the Company to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made if the Directors believe that such repurchases will benefit the Company and the Shareholders as a whole.

(c) Funding of repurchases

In repurchasing securities, the Company may only apply funds legally available for such purpose in accordance with its memorandum and articles of association and the laws of the Bermuda.

On the basis of the current financial position of the Group as disclosed in the audited financial statements contained in the annual report of the Company for the year ended 31st December, 2000 and taking into account the current working capital position of the Group, the Directors consider that, if the Repurchase Mandate were to be exercised in full, it might have a material adverse effect on the working capital and/or the gearing position of the Group as compared with the position disclosed in this circular. However, the Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Group or the gearing level which in the opinion of the Directors are from time to time appropriate for the Group.

(d) Share price

The highest and lowest prices at which the Shares have traded on the Stock Exchange in each of the twelve months ended 28th February, 2002, respectively, are as follows:

	Shares	
	Highest	**Lowest**
	HK$	*HK$*
2001		
March	0.260	0.236
April	0.235	0.200
May	0.216	0.195
June	0.235	0.200
July	0.250	0.210
August	0.232	0.200
September	0.190	0.175
October	0.183	0.171
November	0.182	0.175
December	0.178	0.166
2002		
January	0.186	0.166
February	0.189	0.174

(e) General

None of the Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their associates currently intends to sell any Shares to the Company.

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws of Bermuda.

If, as a result of a securities repurchase, a Shareholder's proportionate interest in the voting rights of the Company is increased, such increase will be treated as an acquisition for the purposes of the Code. Accordingly, a Shareholder or a group of Shareholders acting in concert, depending on the level of increase of the Shareholders' interest, could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Code. Based on the shareholding of HF Investment and HFL as at the Latest Practicable Date, depending on the results of the

Open Offer, the shareholding of HF Investment and its associates and parties acting in concert with it in the Company will range from a minimum of 37.7% to a maximum of 68.8% of the issued capital of the Company as enlarged by the Offer Shares. Accordingly, if the Repurchase Mandate is exercised to the extent that the resulting shareholding interest of HF Investment and its associates and parties acting in concert with it in the Company increase by over 2%, an obligation to make a mandatory general offer under Rules 26 and 32 of the Code would be triggered. The Directors have no present intention to exercise the Repurchase Mandate to such an extent as would result in a takeover obligation being triggered for HF Investment. Save as aforesaid, the Directors are not aware of any consequences which would arise under the Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

Any purchase of Shares which results in the number of Shares held by the public being reduced to less than 25% of the Shares then in issue could only be implemented with the agreement of the Stock Exchange to waive the Listing Rules requirements regarding the public shareholding. A waiver of this provision would not normally be given other than in exceptional circumstances.

No connected person (as defined in the Listing Rules) of the Company has notified the Company that he has a present intention to sell Shares to the Company, or has undertaken not to do so if the Repurchase Mandate is exercised.

During the six months preceding the Latest Practicable Date, no Shares had been repurchased by the Company, whether on the Stock Exchange or otherwise.

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules and the Code for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular (other than that relate to HF Investment and its associates and parties acting in concert with it), and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular the omission of which would make any statement herein misleading. The directors of HF Investment collectively and individually accept full responsibility for the accuracy of the information contained in this circular (to the extent in relation to HF Investment and its associates and parties acting in concert with it) and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular in relation to HF Investment and its associates and parties acting in concert with it the omission of which would make any statement herein misleading.

2. DISCLOSURE OF INTERESTS

(a) Interests in the Company

(i) Directors' interests in shares

As at the Latest Practicable Date, the interests of the Directors in the share capital of the Company or its associated corporations (within the meaning of the SDI Ordinance) which require notification to the Company and the Stock Exchange pursuant to Section 28 of the SDI Ordinance (including interests which any such Director is deemed or taken to have under Section 31 of or Part I of the Schedule to the SDI Ordinance) or which are required to be entered into the register maintained by the Company under Section 29 of the SDI Ordinance or which are required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, to be notified to the Company and the Stock Exchange were as follows:

1. Interests in the Company

Name of Director	Number of Shares held and nature of interest Corporate
Cheong Pin Chuan, Patrick	281,453,392
Cheong Kim Pong	281,453,392
Cheong Pin Seng	281,453,392
Cheong Sim Eng	281,453,392
Lim Ghee	281,453,392

Note: The abovenamed Directors are deemed to have corporate interests in the shares in the Company by virtue of their beneficial interests in the shares in Hong Fok, a substantial Shareholder.

2. Interests in an associated corporation – Hong Fok

	Number of shares in Hong Fok held and nature of interest			
Name of Director	**Corporate**	**Personal**	**Family**	**Other**
	Note (aa)			*Note (bb)*
Cheong Pin Chuan, Patrick	88,054,912	5,163,140	1,125,300	121,336,000
Cheong Kim Pong	88,054,912	2,571,980	503,000	121,336,000
Cheong Pin Seng	88,048,312	2,752,376	101,200	121,336,000
Cheong Sim Eng	21,877,512	54,821,000	207,000	121,336,000
Lim Ghee	–	6,619,092	–	121,336,000

Notes:

(aa) These shares are beneficially held by a number of companies in which the Directors have beneficial interests.

(bb) These shares are beneficially held by Winfoong Holding Limited, a wholly-owned subsidiary of the Company. The Directors are deemed to have interests in the shares in Hong Fok by virtue of their direct and indirect interests in the Company.

Save as disclosed under the paragraph headed "Directors' interests in shares", as at the Latest Practicable Date, no Directors had or deemed to have any interests in the share capital of the Company or its associated corporations (within the meaning of the SDI Ordinance) which require notification to the Company and the Stock Exchange pursuant to Section 28 of the SDI Ordinance (including interests which any such Director is deemed or taken to have under Section 31 of or Part I of the Schedule to the SDI Ordinance) or which are required to be entered into the register maintained by the Company under Section 29 of the SDI Ordinance or which are required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, to be notified to the Company and the Stock Exchange.

(ii) Directors' rights to acquire Shares

The Company has adopted a share option scheme under which the Directors may invite any executive Director to take up options to subscribe for Shares. As at the Latest Practicable Date, the following Options are outstanding:

Name of Director	No. of Options	Exercise price	Exercise period
		HK$	*On or before*
Cheong Pin Chuan, Patrick	15,000,000	0.268	10th July, 2004
Cheong Sim Eng	15,000,000	0.268	10th July, 2004
Cheong Kim Pong	15,000,000	0.268	10th July, 2004
Cheong Pin Seng	15,000,000	0.268	10th July, 2004

At no time during the period commencing six months preceding the date of the Announcement and up to the Latest Practicable Date (the "Relevant Period") was the Company, or any of its subsidiaries, a party to any arrangements to enable the Directors and their associates to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

(iii) Substantial Shareholders

As at the Latest Practicable Date, according to the register maintained by the Company pursuant to Section 16(1) of the SDI Ordinance and so far as was known to the Directors, the following Shareholders (other than the Directors) were interested in 10 per cent. or more of the Company's issued share capital:

		Number of Shares held	
Name	*Notes*	*Direct*	*Indirect*
HFL		277,601,392	–
Hong Fok Enterprises Limited ("HFE")	(aa)	–	277,601,392
HF Investment	(bb)	3,852,000	277,601,392
Hong Fok	(cc)	–	281,453,392
Barragan		142,656,283	–

Notes:

(aa) HFE was deemed to have the same beneficial interests as its wholly-owned subsidiary, HFL, did in the issued share capital of the Company by virtue of HFE's interest in HFL.

(bb) HF Investment was deemed to have the same beneficial interests as its wholly-owned subsidiary, HFE, did in the issued share capital of the Company by virtue of HF Investment's interest in HFE. In addition, HF Investment was directly interested in approximately 0.5% of the issued share capital of the Company.

(cc) Hong Fok was deemed to have the same beneficial interests as its wholly-owned subsidiary, HF Investment, did in the issued share capital of the Company by virtue of Hong Fok's interests in HF Investment.

Save as disclosed under the paragraph headed "Substantial Shareholders", it is not known to the Directors and the chief executive of the Company that there is any person who, as at the Latest Practicable Date, was directly or indirectly interested in 10 per cent. or more of the issued share capital of the Company or in any interests which was required to be recorded under Section 16(1) of the SDI Ordinance.

(iv) Others

As at the Latest Practicable Date,

(aa) none of the subsidiaries of the Company, nor any pension funds of the Company or of any of its subsidiaries, and none of Somerley, Chateron, WorldVest, Ernst & Young or FPDSavills had any interest in Shares;

(bb) no person who had any arrangement of the kind referred to in Note 8 to Rule 22 of the Code with the Company or HF Investment or with any party acting in concert with any of them had any interest in Shares;

(cc) no Shares were managed on a discretionary basis by any fund managers connected with the Company or any of its subsidiaries; and

(dd) save as disclosed in sections (a)(i), (ii) and (iii) above, none of HF Investment, its directors or parties acting in concert with HF Investment had any interest in the Shares.

(b) Dealings in Shares

(i) Directors

None of the Directors had dealt for value in any Shares during the Relevant Period.

(ii) HF Investment

During the Relevant Period, none of HF Investment or its directors nor any persons acting in concert with any of them had dealt for value in any Shares.

(iii) Others

During the Relevant Period,

(aa) none of the subsidiaries of the Company, nor any pension funds of the Company or any of its subsidiaries, and none of Somerley, Chateron, WorldVest, Ernst & Young or FPDSavills had dealt for value in any Shares;

(bb) no persons who had any arrangement of the kind referred to in Note 8 to Rule 22 of the Code with the Company or HF Investment or with any persons acting in concert with any of them had dealt for value in any Shares; and

(cc) no fund managers connected with the Company or any of its subsidiaries had dealt for value in any Shares on a discretionary basis.

(c) Interests and dealings in HF Investment and Hong Fok

As at the Latest Practicable Date,

(i) the Group did not have any interest in the shares of HF Investment, but was interested in approximately 20.2% of the issued share capital of Hong Fok, its holding company.

(ii) save as disclosed in section (a)(i)(sub-note 2) above as regards the interests of Directors in Hong Fok, none of the Directors had shareholding interests in HF Investment or its holding company;

(iii) none of the Directors and the Company had dealt for value in the shares of HF Investment or its holding company during the Relevant Period; and

(iv) none of Somerley, Chateron, WorldVest, Ernst & Young or FPDSavills had dealt for value in any shares of HF Investment or its holding company during the Relevant Period.

3. MARKET PRICES

The table below shows the closing prices of the Shares on the Stock Exchange on the last day on which trading in the Shares took place in each of the six calendar months immediately preceding the date of the Announcement, on the last trading day before the Announcement and on the Latest Practicable Date:

	HK$
2001	
31st July	0.212
31st August	0.200
28th September	0.177
31st October	0.190
30th November	0.175
31st December	0.170
2002	
18th January	0.166
28th February	0.188
Latest Practicable Date	0.174

The lowest and highest closing market prices of the Shares recorded on the Stock Exchange during the Relevant Period were HK$0.166 on the 21st January, 2002 and HK$0.232 on 20th August, 2001, respectively.

4. EXPERTS

Each of Somerley, Chateron, WorldVest, Ernst & Young and FPDSavills has given and has not withdrawn its written consent to the issue of this document with the inclusion herein of its letter(s) and/or references to its name in the form and context in which it appears.

The following are the qualifications of the experts who have provided their advices, reports and valuation (as the case may be), which are contained in this document:

Name	Qualification
Somerley	Investment adviser and exempt dealer registered under the Securities Ordinance
Chateron	Investment adviser registered under the Securities Ordinance
WorldVest	Investment adviser registered under the Securities Ordinance
Ernst & Young	Certified Public Accountants
FPDSavills	Professional surveyors

As at the Latest Practicable Date, none of Somerley, Chateron, WorldVest, Ernst & Young or FPDSavills was beneficially interested in the share capital of any member of the Group nor did it have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group nor did it have any interest, either direct or indirect, in any assets which have been, since the date to which the latest published audited financial statements of the Company were made up, acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

5. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of the Group within the two years immediately preceding the Latest Practicable Date and are or may be material:

(a) The Company entered into a placing agreement with Praise Time Co. Ltd., an independent third party, on 6th December, 2001 to place out 63,000,000 new Shares at the issue price of HK$0.175 each. Details of which were contained in the announcement of the Company dated 6th December, 2001;

(b) the Acquisition Agreement; and

(c) the Underwriting Agreement.

6. LITIGATION

Neither the Company nor any of its subsidiaries is engaged in any litigation or claims of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against either the Company or any of its subsidiaries.

7. MISCELLANEOUS

(a) None of the Directors has any existing or proposed service contract with any member of the Group which does not expire or is not terminable by the Group within one year without payment of compensation (other than statutory compensation).

(b) Save for the Underwriting Agreement, there is no agreement or arrangement entered into by any member of the Group subsisting at the date thereof in which any Director is materially interested and which is conditional upon the outcome of the Open Offer.

(c) None of the Directors has, or has had, any direct or indirect interest in any assets which have been acquired, disposed of or leased to, or which are proposed to be acquired, disposed of or leased to, the Company or any of its subsidiaries since 31st December, 2000, the date to which the latest published audited financial statements of the Group were made up.

(d) No benefits will be given to any Director as compensation for loss of office or otherwise in connection with the Open Offer.

(e) The registered office of the Company is at Room 801, 9 Queen's Road Central, Hong Kong.

(f) The address of HF Investment and its concert group is at Room 801, 9 Queen's Road Central, Hong Kong.

(g) Somerley is the financial adviser to the Company, the registered office of which is situated at Suite 3108, One Exchange Square, 8 Connaught Place, Central, Hong Kong.

(h) The directors of each of HF Investment and HFL include Mr. Cheong Kim Pong, Mr. Cheong Pin Chuan, Mr. Cheong Pin Seng and Mr. Cheong Sim Eng. The directors of Hong Fok include Mr. Cheong Kim Pong, Mr. Cheong Pin Chuan, Mr. Cheong Pin Seng, Madam Cheong Hooi Kheng, Mr. Cheong Sim Eng, Madam Lim Ghee, Mr. Jackson Lee, Mr. Tan Tock Han and Mr. Stanley Leong Thoe Sing. HFL is wholly owned by HF Investment, which in turn is wholly owned by Hong Fok. Hong Fok is listed in Singapore and is owned as to approximately 56.3% by certain members of the Cheong family including Mr. Cheong Pin Chuan, Mr. Cheong Kim Pong, Mr. Cheong Pin Seng, Mr. Cheong Sim Eng and their spouses, Mr. Cheong Aik Yen, Madam Lim Ghee, Madam Cheong Hooi Kheng, Madam Cheong Loo Kheng, Madam Cheong Puay Kheng, Madam Cheong Lay Kheng and Madam Cheong Gim Kheng.

(i) The secretary of the Company is Ms. Lam Wai Han, a qualified accountant in Hong Kong and Australia.

8. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours (Saturdays and public holidays excepted) at Iu, Lai & Li at 20th Floor, Gloucester Tower, The Landmark, Central, Hong Kong from the date of this circular up to and including 15th April, 2002 and at the SGM:

(a) the memorandum of association and bye-laws of the Company;

(b) the agreements mentioned under the paragraph headed "Material Contracts" in this appendix;

(c) the annual reports of the Company for the two years ended 31st December, 2000;

(d) the interim report of the Company for the six months ended 30th June, 2001;

(e) the comfort letters from Ernst & Young and Somerley as set out in Appendix III to this circular;

(f) the letter of advice received from Chateron and WorldVest, the text of which is set out on pages 27 to 63 of this circular;

(g) the letters and valuation certificates prepared by FPDSavills in relation to the Property and the Company's property interests which are set out in Appendix I to this circular;

(h) the accountants' report on Super Homes received from Ernst & Young, which is set out in Appendix II to this circular;

(i) the written consents referred to in the paragraph headed "Experts" in this appendix; and

(j) a copy of the rules of the New Share Option Scheme.

WINFOONG INTERNATIONAL LIMITED
（榮豐國際有限公司）*

(Incorporated in Bermuda with limited liability)

NOTICE IS HEREBY GIVEN that a special general meeting of Winfoong International Limited will be held at Room 801, 9 Queen's Road Central, Hong Kong on Monday, 15th April, 2002 at 10:00 a.m. for the purpose of considering and, if thought fit, passing the following resolutions, as ordinary resolutions:

ORDINARY RESOLUTIONS

1. "**THAT** the conditional sale and purchase agreement (the "Sale and Purchase Agreement") relating to the proposed acquisition of the entire issued share capital in and loan to Super Homes Limited dated 18th January, 2002 and entered into between Hong Fok Investment Holding Company, Limited ("HF Investment") as vendor and Winfoong Investment Limited ("WF Investment"), a wholly-owned subsidiary of the Company, as purchaser, a copy of which has been produced at the meeting marked "A" and signed by the Chairman for identification, be and is hereby approved and that the transactions contemplated therein be and are hereby approved and that any one director of WF Investment be and is hereby authorised to do such acts or execute such other documents by hand or, in case of execution of documents under seal, to do so jointly with either the secretary or a second director of WF Investment or a person appointed by the board of directors which in his/her or their opinion may be necessary, desirable or expedient to carry into effect or to give effect to the Sale and Purchase Agreement, including such changes and amendments thereto as any one director of WF Investment may consider necessary, desirable or expedient, and, subject to the satisfaction or waiver (as the case may) of the conditions of the Sale and Purchase Agreement."

2. "**THAT** the underwriting agreement (the "Underwriting Agreement") relating to an open offer ("Open Offer") of 747,416,993 new ordinary shares ("Offer Shares") of HK$0.05 each in the Company at HK$0.195 per share payable in full on application (in the proportion of one Offer Share for every existing share held) dated 18th January, 2002 and entered into between the Company as issuer, HFL International

* *For identification purpose only*

Consortium Limited, a shareholder of the Company, and HF Investment as underwriter, a copy of which has been produced at the meeting marked "B" and signed by the Chairman for identification, be and is hereby approved and that the transactions contemplated therein be and are hereby approved and that Mr. Cheong Pin Chuan, Patrick be and is hereby authorised to do such acts or execute such other documents by hand or, in case of execution of documents under seal, to do so jointly with either the secretary or a second director of the Company or a person appointed by the board of directors which in his/her or their opinion may be necessary, desirable or expedient to carry into effect or to give effect to the Underwriting Agreement, including such changes and amendments thereto as any one director of the Company may consider necessary, desirable or expedient, and, subject to the satisfaction or waiver (as the case may) of the conditions of the Underwriting Agreement."

3. "**THAT** conditional upon the Underwriting Agreement (as defined in ordinary resolution numbered 2 set out in the notice of the special general meeting of the Company dated 25th March, 2002 ("Notice") of which this resolution forms part) becoming unconditional and effective, a waiver from HF Investment and its associates and parties acting in concert with it from their obligations to make a mandatory offer pursuant to Note 1 to the Notes on Dispensations from Rule 26 of the Hong Kong Code on Takeovers and Mergers which would otherwise arise as a result of HF Investment taking up additional new shares of the Company in excess of two per cent. of the voting rights of the Company pursuant to its obligation to underwrite the Open Offer be and is hereby approved."

4. "**THAT** the termination of the existing share option scheme of the Company be accepted with effect from the termination of this meeting and the rules of the new share option scheme of the Company, a copy of which has been produced at the Meeting marked "C" and signed by the Chairman for, be and are hereby approved and that the directors of the Company (the "Directors") be and are hereby authorised to implement the same and to grant options and to issue and allot shares of the Company pursuant thereto."

5. "**THAT** conditional upon the passing of ordinary resolution numbered 2 above and completion of the Open Offer:

   (i) the general mandate granted to the Directors to exercise the powers of the Company to allot, issue and deal with the shares of HK$0.05 each in the capital of the Company (the "Shares") as approved by the shareholders of the Company at the annual general meeting of the Company held on 18th May, 2001 be and is hereby revoked (without prejudice to any valid exercise of such general mandate prior to the passing of this resolution);

(ii) subject to paragraph (iii) of this resolution, the exercise by the Directors during the Relevant Period (as defined below) of all powers of the Company to allot, issue and deal with additional shares in the capital of the Company and to make or grant offers, agreements and options (including warrants, bonds, debentures and securities convertible into shares of the Company) which might require the exercise of such powers, be and is hereby generally and unconditionally approved;

(iii) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) and issued by the Directors pursuant to the approval in paragraph (ii) of this resolution, otherwise than pursuant to:

(a) the exercise of the conversion rights attaching to any convertible securities issued by the Company;

(b) a Rights Issue (as defined below);

(c) the exercise of warrants to subscribe for shares of the Company or the exercise of options granted under any share option scheme adopted by the Company; or

(d) any issue of shares of the Company in lieu of whole or part of a dividend on shares of the Company in accordance with the bye-laws of the Company;

shall not exceed 20% of the aggregate nominal amount of the Shares in issue as at the date of the passing of this resolution as enlarged by the issue of the Offer Shares and this approval shall be limited accordingly; and

(iv) for the purpose of this resolution:

"Relevant Period" means the period from the date of this resolution until whichever is the earlier of:

(a) the conclusion of the next annual general meeting of the Company;

(b) the expiration of the period within which the next annual general meeting of the Company is required by the bye-laws of the Company or any applicable laws to be held; and

(c) the date on which the authority sets out in this resolution is revoked or varied by an ordinary resolution in general meeting.

"Rights Issue" means an offer of shares of the Company open for a period fixed by the directors of the Company to holders of shares on the register of members of the Company on a fixed record date in proportion to their then holdings of such shares as at that date (subject to such exclusions or other arrangements as the directors of the Company may deem necessary or expedient in relation to overseas shareholders or fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of, any recognised regulatory body or any stock exchange in any territory applicable to the Company)."

6. "**THAT** conditional upon the passing of ordinary resolution numbered 2 above and completion of the Open Offer:

   (i) the general mandate granted to the Directors to exercise the powers of the Company to repurchase the Shares as approved by the shareholders of the Company at the annual general meeting of the Company held on 18th May, 2001 be and is hereby revoked (without prejudice to any valid exercise of such general mandate prior to the passing of this resolution);

   (ii) subject to paragraph (iii) below, the exercise by the Directors during the Relevant Period (as defined below) of all powers of the Company to repurchase issued shares in the capital of the Company, subject to and in accordance with all applicable laws and the bye-laws of the Company, be and are hereby generally and unconditionally approved;

   (iii) the aggregate nominal amount of Shares which the Company is authorised to repurchase pursuant to the approval in paragraph (ii) above shall not exceed 10% of the aggregate nominal amount of the Shares in issue as at the date of the passing of this resolution as enlarged by the issue of the Offer Shares and this approval shall be limited accordingly; and

   (iv) for the purposes of this resolution:

   "Relevant Period" means the period from the date of this resolution until whichever is the earlier of:

   (a) the conclusion of the next annual general meeting of the Company;

   (b) the expiration of the period within which the next annual general meeting of the Company is required by the bye-laws of the Company or any applicable laws to be held; and

(c) the date on which the authority sets out in this resolution is revoked or varied by an ordinary resolution in general meeting."

7. "**THAT** conditional upon ordinary resolutions numbered 5 and 6 in the Notice being passed, the aggregate nominal amount of Shares which are repurchased by the Company under the authority granted to the Directors as mentioned in ordinary resolution numbered 6 above shall be added to the aggregate nominal amount of share capital that may be allotted or agreed conditionally or unconditionally to be allotted by the Directors pursuant to ordinary resolution numbered 5 above."

By the order of the Board
Patrick Cheong
Chairman

Hong Kong, dated 25th March, 2002

Principal place of business in Hong Kong:
Room 801, 9 Queen's Road Central
Hong Kong

Notes:

1. The register of members of the Company will be closed from Wednesday, 10th April, 2002 to Monday, 15th April, 2002 (both days inclusive), during which period no share transfers will be registered.

2. Any member of the Company entitled to attend and vote at the meeting convened by the above notice is entitled to appoint one or more proxies to attend and vote instead of him. A proxy need not be a member of the Company.

3. The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of such power or authority shall be deposited at the Company's branch share registrars, Central Registration Hong Kong Limited, at 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the meeting or adjourned meeting.

WINFOONG INTERNATIONAL LIMITED
（榮豐國際有限公司）*

(Incorporated in Bermuda with limited liability)

FORM OF PROXY FOR USE BY SHAREHOLDERS AT THE SPECIAL GENERAL MEETING CONVENED TO BE HELD ON MONDAY, 15TH APRIL, 2002 AT 10:00 A.M..

I/We, *(Note 1)* ______________________________

of ______________________________

being the registered holder(s) of *(Note 2)* ______________________________ shares of HK$0.05 each in the capital of Winfoong International Limited (the "Company"), hereby appoint *(Note 3)* the Chairman of the Meeting or ______________________________

of ______________________________

as my/our proxy to attend and act for me/us at the Special General Meeting of the Company to be held on Monday, 15th April, 2002 at 10:00 a.m. at Room 801, 9 Queen's Road Central, Hong Kong and at any adjournment thereof for the purpose of considering and, if thought fit, passing the resolution set out in the Notice convening the Meeting and at such Meeting to vote on my/our behalf as indicated below.

Please indicate with a "X" in the boxes provided how you wish the proxy to vote on your behalf *(Note 4)*.

	FOR	AGAINST
Ordinary resolution No. 1		
Ordinary resolution No. 2		
Ordinary resolution No. 3		
Ordinary resolution No. 4		
Ordinary resolution No. 5		
Ordinary resolution No. 6		
Ordinary resolution No. 7		

Dated this ______________ day of ______________ 2002.

Shareholder's Signature ______________________ *(Note 5)*

Notes:

1. Full name(s) and address(es) to be inserted in **BLOCK CAPITALS**. The names of all joint holders should be stated.
2. Please insert the number of shares registered in your name(s) and to which this form of proxy relates. If no number is inserted, this form of proxy will be deemed to relate to all the shares in the capital of the Company registered in your name(s).
3. If any proxy other than the Chairman of the Meeting is desired, the appointor must delete the words "the Chairman of the Meeting or" and insert the name and address of the proxy desired in the space provided. A proxy need not be a member of the Company, but must attend the Meeting in person to represent you. **ANY ALTERATION MADE TO THIS FORM OF PROXY MUST BE INITIALLED BY THE SHAREHOLDER WHO SIGNS IT**.
4. **IF YOU WISH TO VOTE FOR ANY OF THE SAID RESOLUTIONS, TICK IN THE BOX MARKED "FOR". IF YOU WISH TO VOTE AGAINST ANY OF THE SAID RESOLUTIONS, TICK IN THE BOX MARKED "AGAINST".** If this form is returned duly signed but without a specific indication as to how your proxy should vote, the proxy will vote or abstain at his discretion. The proxy will also be entitled to vote at his discretion on any resolution properly put to the Meeting other than those referred to in the notice convening the Meeting.
5. This form of proxy must be signed by the appointor or his attorney duly authorised in writing, or if such appointor is a corporation, either under its common seal or under the hand of an officer or attorney so authorised, in the case of joint holders, this form of proxy must be signed by the member whose name stands first on the register of members.
6. In order to be valid, this form of proxy together with a power of attorney, if any, under which it is signed or a notarially certified copy thereof must be deposited at the Company's branch share registrars, Central Registration Hong Kong Limited at 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time for holding the Meeting or any adjourned Meeting.
7. Completion and return of this form of proxy will not preclude the appointor from attending and voting at the Meeting. In that event this form of proxy will be deemed to have been revoked.
8. In the case of joint holders of a share, any one of such holders may vote at the Meeting either in person or by proxy in respect of such share, but if one of such joint holders is present at the Meeting personally or by proxy, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the other joint holder(s) and for this purpose, seniority will be determined by the order in which the names stand in the register of members in respect of the joint holders.

* *For identification purpose only*