UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-KSB

(Mark One)
X__Annual report under section 13 or 15(d) of the Securities Exchange Act of 1934 for the fiscal year ended December 31, 2001.

___Transition report under section 13 or 15(d) of the Securities Exchange Act of 1934 for the transition period from ______ to ______.

T.Z.F. INTERNATIONAL INVESTMENTS, INC.
(Exact name of registrant as specified in its charter)

Nevada	0-31353	88-0404186
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification Number)

Unit 1, 3071 No. 5 Road Richmond, B.C., Canada	V6X 2T4
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (604) 718-2188

Securities to be registered under Section 12(b) of the Act:

Title of each class
N/A

Securities to be registered under Section 12(g) of the Act:

Common Stock
(Title of Class)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act during the past 12 months (or for such shorter period that the registrant was

required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes X No ____

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-B contained in this form, and no disclosure will be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB.___

State issuer's revenue for its most recent fiscal year: $5,114,243

State the aggregate market value of the voting stock held by non-affiliates computed by reference to the price at which the stock was sold, or the average bid and asked priced of such stock, as of a specified date within the past 60 days (See definition of affiliate in Rule 12b-2): -0-

Note: If determining whether a person is an affiliate will involve an unreasonable effort and expense, the issuer may calculate the aggregate market value of the common equity held by non-affiliates on the basis of reasonable assumptions, if the assumptions are stated.

(Issuers involved in bankruptcy proceedings during the past five years):

Check whether the issuer has filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Exchange Act after the distribution of securities under a plan confirmed by a court. Yes ____ No ____

(Applicable only to corporate registrants) State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date: 35,897,309 as of December 31, 2001.

(Documents incorporated by reference. If the following documents are incorporated by reference, briefly describe them and identify the part of the Form 10-KSB (e.g. Part I, Part II, etc.) into which the document is incorporated: (1) any annual report to security holders; (2) any proxy or information statement; and (3) any prospectus filed pursuant to Rule 424(b) or (c) of the Securities Act of 1933 ("Securities Act"). The listed documents should be clearly described for identification purposes.

PART I

ITEM 1. DESCRIPTION OF BUSINESS.

Background

The Company was incorporated under the laws of Nevada on September 14, 1998, as Sabai Sabai Enterprises, Corp, and on May 25, 2000, changed its name to T.Z.F. International Investments, Inc. As a result of various acquisitions completed during the fiscal year ending December 31, 2000, the Company has expanded rapidly. It now owns several subsidiaries and business operations in Canada and in China through which it manufactures, markets and distributes pharmaceutical and health food products. The Company's goal, through the operations of its subsidiaries, is to become a market leader in distributing domestic and imported health foods and medicines throughout China and in exporting Chinese health food products to North America and elsewhere.

Subsidiaries and Their Operations

The Company has four subsidiaries in China and Canada through which it undertakes research and development and through which it manufactures, markets and distributes pharmaceutical and health food products. All of these acquisitions were completed during the fiscal year ending December 31, 2000.

During the fiscal year ending December 31, 2001, the Company worked on integrating and consolidating the operations of its various subsidiaries. It is currently contemplated that the Company's business operations will be organized as follows:

China Headquarters - Shenzhen Tianzifu Network Technology, Ltd.

Sales Center, Southern China - Guangdong Hongkang Medical Company

Sales Center, North America - T.Z.F. International Herbs Investment, Inc.

Western Medicine Production Base - T.Z.F. International Herbs (Jiangsu) Co., Ltd.

Chinese Medicine Production Base - Tian'an Pharmacy (Xiamen) Co., Ltd.

Additional information regarding each of the subsidiary companies follows:

<u>TZF International Herbs Investment, Inc.</u>

T.Z.F. International Herbs Investment, Inc. ("TZF Herbs") is a wholly-owned subsidiary of the

Company which was incorporated in 1998 under the laws of British Columbia, Canada. It is the Company's intent for TZF Herbs to serve as its North American sales center.

Through TZF Herbs, the Company owns the formula, distribution and intellectual property rights, including trademark, patent and industrial design rights, for the "Snow Lotus Tea" series products. TZF Herbs acquired those rights from Shenzhen Hungyunda Enterprises Co. Ltd. of China pursuant to an Assignment Agreement dated December 15, 1999. Prior to the execution of the Assignment Agreement, TZF Herbs was licensed to develop, market, and distribute the "Snow Lotus Tea" products in North America, but did not own the formula rights.

Snow Lotus Tea is primarily an extract of the snow lotus flower which grows in high elevations in the mountains of Tibet and neighboring Chinese provinces. It is marketed as a treatment for rheumatic and rheumatoid arthritis.

In, October, 1998, the Canadian Food Inspection Agency approved the sale of Snow Lotus Tea in Canada as a food product, and the Company is currently focusing its efforts on selling the product in two markets in Canada. One is the health food and supplements market, in which the product is being marketed as a health food supplement. The other market consists of local Traditional Chinese Medicine practitioners, Naturopathic clinics and the Chinese community throughout Canada, in which the product is considered to be a Chinese formula natural remedy for arthritis.

In the future, the Company may apply to the U.S. Food and Drug Administration for permission to sell Snow Lotus Tea as a food product in the U.S. It is not known when, or whether, the Company is likely to receive permission from the FDA to sell its product in the United States. In the future, the Company may also elect to seek approval from appropriate governmental agencies in both Canada and the U.S. to market Snow Lotus Tea as an over-the-counter medicine for the treatment of the symptoms of arthritis. However, the process of obtaining approval for sale of any product as an over-the-counter medicine is extremely time-consuming and expensive. As a result, the Company may never have the funds or other resources required to initiate that process.

The Company has filed trademark applications in the United States and Canada for the tradename "Snow Lotus."

At the present time, Beijing Zhong Jia Yi Pharmaceutical Technology Development Company produces Snow Lotus Tea under license from TZF Herbs and ships the product to Canada for sale. Since the Company has now acquired both Tian'an Pharmacy and Second Pharmacy Factory, it is anticipated that production of Snow Lotus Tea will be transferred to these facilities, thereby reducing manufacturing costs.

TZF Herbs is currently working on development of a North American sales and distribution network for Snow Lotus Tea. In the future, the Company expects to use this same sales and distribution network to distribute and sell other Chinese health food products into North America. In addition, TZF Herbs has entered into an agent agreement with a Canadian health foods producer and distributor, Trophic Health Foods Co., under which TZF Herbs will become an exclusive agent for distribution of that company's products in China.

In June 2001, TZF Herbs acquired the exclusive North American distribution rights for a product known as "Bitter Melon Powder." TZF Herbs is currently in the process of seeking necessary permits for sale of this product in Canada and is working on development of the North American market.

Shenzhen Tianzifu Network Technology Ltd.

On December 31, 2000, the Company completed the purchase of all of the assets of Shenzhen Tianzifu Network Technology Ltd, ("Shenzhen Tianzifu"), a Chinese corporation. The assets acquired included Guangdong Hongkang Pharmaceutical Company which was a subsidiary of Shenzhen Tianzifu. However, in December 2001, the acquisition of Guangdong Hong Kong Pharmaceutical Company was cancelled as a result of difficulties in obtaining regulatory approval of the acquisition

The registered address of Shenzhen Tianzifu is 8 South Road, Dong Men, LouHu District, Shenzhen City, GuangDong Province. It will serve as the Company's China headquarters.

Currently, Shenzhen Tianzifu operates a Chinese-language health food Web site in China. Its objective, though, is to centralize the management of the entire T.Z.F. network in China and to improve its efficiency and economic scale, including that of the manufacturing, sales and marketing functions. It will seek to further expand the existing distribution network and channels of all current subsidiaries in China and will seek to carry out the T.Z.F.'s plan of building 200 chain counters and stores in the top 200 department stores national wide, 50 licensed drug stores, 60 chain stores and 20 distribution centers in selected locations in China. Shenzhen Tianzifu has opened product counters in the southwest and central areas of China and plans to extend the counters into other areas of the country. Once Shenzhen Tianzifu has completed building the sales network platform domestically, it will then focus on attracting international suppliers of health food or related health care products that wish to export their products to China. It will then use this expanding international network to market Chinese health food products and herbal medicines.

Shenzhen Tianzifu will apply the computer, network and database technology that it has developed and is currently using in-house to consolidate, standardize and specialize its management and distribution systems in order to maximize operating efficiencies. It will seek to implement a Retailer Management System, an Electronic Ordering System and an Electronic Data Interchange through which it will control the organization of the chain stores. Its online network will be able to present a virtual sales platform for the eventual B2B and B2C transaction. In all, Shenzhen Tianzifu will have seven departments: marketing, merchandise, sales, information center, distribution center, general management/administration and accounting.

Guangdong Hongkang Pharmaceutical Company

Guangdong Hongkang Pharmaceutical Company was an 88% owned subsidiary of Shenzhen Tianzifu. It was anticipated that Guangdong Hongkang would serve as the Company's sales center in southern China. However, during the fourth quarter of 2001, the acquisition of Guangdong HongKang Pharmacy was cancelled by the directors of Shenzhen Tianzifu as a result of difficulties in obtaining approval of the acquisition from Chinese regulatory authorities.

T.Z.F. International Herbs (Jiangsu) Co., Ltd.

On December 31, 2000, the Company completed the purchase of all of the assets of Second Pharmacy Factory of Yancheng City, ("Second Pharmacy"), a Chinese corporation. The assets were purchased from The People's Government of JianWu County, JiangSu Province, the People's Republic of China. The Company has changed the name of this subsidiary to T.Z.F. International Herbs (Jiangsu) Co, Ltd. ("T.Z.F. Jiangsu"). It is the Company's intent that T.Z.F. Jiangsu will serve as it's base of operation for manufacturing medicines which meet North American product standards.

The cash purchase price for the assets of Second Pharmacy was paid on our behalf by Xin Chen, one of our principal shareholders. These payments were part of a total of $5,000,000 US which Mr. Chen paid or advanced on our behalf during the fiscal year ending December 31, 2000. The funds advanced by Mr. Chen were used for a variety of purposes including being used in part for purchase of the assets of Second Pharmacy and in part for purchase of all of the issued and outstanding stock Tian'an Investments Limited, a British Virgin Islands Corporation (which was completed on or about December 21, 2000 and described in a report on Form 8K dated December 21, 2000). The advances made on our behalf by Mr. Chen were initially treated as a loan. However, on December 31, 2000, Mr. Chen agreed to convert his loan to an equity investment, and our Board of Directors authorized the issuance of shares of common stock and warrants to Mr. Chen in full satisfaction of this loan. (See ITEM 5. Other Events).

T.Z.F. Jiangsu (formerly known as Second Pharmacy Factory of Yancheng City) is a medical manufacturing plant located in Jiangsu Province. It was founded in 1971. The factory produces both pharmaceutical active ingredients and pharmaceutical preparations including chemically combined pharmaceutical active ingredients, tablets, capsules, syrups, infusion solutions and tincture solutions. Currently, it produces over 100 products, and is capable of manufacturing North American standard products.

The factory currently operated by T.Z.F. Jiangsu includes an advanced production line, an infusion production line with a capacity of 9 million bottles per year, and a capsule production line capable of producing 5 million capsules per year. It maintains a consistent program of advanced research and development, and its assay center has various testing capabilities and a sound quality assurance system. It also has four sales departments and four branch offices and sells its products throughout China.

It is the Company's intent to use the facilities and employees of T.Z.F. Jiangsu to continue to produce its current product line and to expand its production to include additional health products. The Company also intends to seek to expand the research and development operations conducted at the T.Z.F. Jiangsu facility and to seek to increase the sales volume for the products which are manufactured at its facility by expanding the sales team and linking it with the Company's existing marketing platform.

Tian'an Pharmacy (Xiamen) Co., Ltd.

On December 21, 2000, the Company acquired all of the issued and outstanding capital stock of Tian'an Investments Limited, a British Virgin Islands corporation. The sole asset of Tian'an Investments Limited is its 100% ownership of Tian'an Pharmacy (Xiamen) Co., Ltd. ("Tian'an Pharmacy"), a manufacturer of Chinese biological and herbal medicine products. Tian'an Pharmacy has a plant which is located in the Torch High Tech Development Zone of Xiamen, China, where it currently conducts research and development and produces herbal and biological medicines which its distributes and sells in China. Although Tian'an Pharmacy is capable of producing products which satisfy North American standards, it is the Company's intent that Tian'an Pharmacy will serve primarily as its base of operation for manufacturing Chinese medicines.

Tian'an Pharmacy studies, develops and manufactures herbal and biological medicines which its sells through distribution channels in China. Its operations, including a production line which was imported from Taiwan, are located in the Torch High Development Zone of Xiamen, China. The operations of Tian'an Pharmacy, and the Japonica Capsule, which is currently its principal product line, have both obtained China GMP approval. The Company believes this will be an important factor in the level of success which can be achieved for the operations of Tian'an Pharmacy because the Chinese government requires all hospitals and pharmacies in China to use GMP approved medicine or medicine produced by GMP approved companies.

At the present time, Tian'an Pharmacy produces a total of ten different herbal and biological medicines which are sold in China. Its most well known products are Japonica capsules, which are used to help increase the body's immunity function, and to treat cancer cells in the body, and bear bile capsules, which are used to treat liver diseases and high blood pressure. Research into new products and treatments is ongoing at Tian'an Pharmacy. This research focuses primarily on combining various herb resources with advanced technology to produce new herbal medicines. Linglong capsules, a new product line used to treat liver cancel cells, are currently under final development and are expected to receive approval from the Chinese government during 2001.

Research into new products is ongoing at Tian'an Pharmacy. This research is focused on studying, developing and producing herbal medicines which will be intended to be marketed and sold in China and in North America.

Risk Factors

An investment in the outstanding securities of the Company should be considered to be risky. The following discussion of risk factors is not intended to provide an exhaustive list of all of the risks which may be associated with an investment in the Company. Any person considering such an investment should carefully consider all of the risks involved, including, but not limited to, the risk factors discussed below, before making an investment decision.

Limited Operating History. The Company was formed in December, 1998, and itself has no operating history or revenues from operations. On April 30, 2000, it acquired all of the issued and outstanding stock of TZF International Herbs Investment, Inc, and in December, 2000, it acquired Tian'an Pharmacy, TZF International Herbs (Jiangsu) Co, Ltd., and Shenzhen Tianzifu Network Technology, Ltd. Although several of the entities acquired by the Company have established a profitable operating history, there is no assurance the Company will be able to successfully manage and integrate their operations or that they will continue to be profitable. As a result, the Company faces all of the risks inherent in a new business venture, including all the unforeseen costs, expenses, problems, and difficulties to which such ventures are subject.

No Market for Stock. At the present time, there is no public market for the Company's common stock and there is no assurance that a market will develop in the future. Although the Company intends to take steps to have its shares approved for trading on the OTC Bulletin Board, there is no assurance that it will be successful. Even if a market should develop in the future, there is no assurance that it will be maintained. Thus, persons who purchase shares of the Company may find it to be difficult or impossible to liquidate their investment, because of the lack of a market or the difficulty in maintaining a market. There is currently no person or entity which is obligated to make or maintain a market in the Company's shares.

Need for Additional Financing. The Company will require substantial additional funds to continue its acquisition and market expansion plans. Although the Company's Chairman, Mr. Xin Chen, has previously provided substantial funds to the Company to assist in completion of acquisitions, and has indicated a willingness and ability to provide some additional funds to the Company in the future until the Company is in a position to raise funds from external sources, he is not obligated to provide additional funds in the future and there is no assurance that he will be able to do so. Likewise, there is no assurance that the Company will be able to raise funds from external sources when it seeks to do so. Therefore, no assurance can be given that additional financing will be available when needed or that such financing will be available on terms acceptable to the Company. If adequate funds are not available, the Company would be required to delay, trim or eliminate its expansion plans, its research and product development programs or other programs or services which are currently part of the business plan, or may be required to alter the business plan, which is likely to have a material adverse effect on the Company.

Dependence on Key Personnel. The success of the Company will depend to a significant degree upon the ability of its senior management personnel to integrate and consolidate the operations of its various subsidiaries. It will also depend to a significant degree on the Company's ability to retain and integrate a substantial number of the management personnel previously employed by its subsidiaries. Significant disruption in the Company's operations would occur if it is not able to retain its senior management personnel and to fully integrate and develop cooperation between the separate management personnel of each of its subsidiaries. The Company does not currently have employment contracts with any of its senior management personnel. As a result, those persons could elect to terminate their employment with the Company at any time.

Governmental Regulation. There are substantial regulations applicable to the import and export of goods and relating to advertising and sale of food products or over-the-counter medicines both in North America and in China. The Company believes that it currently has all of the necessary permits to manufacture and sell its existing products in China. However, as it seeks to develop new products and to expand its marketing and distribution networks both in China and in North America, it is likely to encounter additional regulations. Although it is the Company's intention to comply with all applicable governmental regulations in every country in which it conducts operations, there is no assurance that it will be able to do so. There is also no assurance that the applicable regulations in the various countries in which the Company seeks to operate will be consistent. Finally, there is no assurance that the Company will have the resources necessary to comply with certain regulations such as those required to seek approval to sell certain of its products in the U.S., Canada, or other countries as over-the-counter medicine. The process of obtaining approval for sale of any product as an over-the-counter medicine is extremely expensive and time-consuming.

Patent or Copyright Protection. The Company's success will depend upon its ability to obtain patents, obtain exclusive rights to patents, maintain trade secret protection and operate without infringing upon the proprietary rights of third parties. The Company has attempted to protect its products and technologies through a combination of patent and trade secret laws and will continue to do so in the future. There can be no assurance that the Company's efforts will be successful or that competitors will not develop functionally equivalent or superior products or technology that does not infringe the Company's patents or trade secrets. Accordingly, the Company may be vulnerable to competitors which develop competing products or competing technology, whether independently, or as a result of acquiring access to the Company's trade secrets.

Competition. Until recently, the Chinese health food market (including manufacturing as well as wholesale and retail distribution and sales) has not been open to foreign investors and the Company does not believe that there are currently any national chain stores or other national outlets for the distribution and sale of Chinese health food products in all regions of China. However, it is believed that the domestic China health food market will open to foreign competition soon after China joins the World Trade Organization (W.T.O.). As a result, it is anticipated that many large foreign competitors are likely to seek to enter the Chinese market in the near future. The expected increase in foreign competition, combined with competition from both existing and newly established domestic entities, will make the Chinese health food market extremely competitive. The Company hopes to create a competitive edge for itself in China by quickly establishing a large distribution network for its health food products. It has obtained government approval to establish health food counters in up to 200 department stores in China and up to 50 pharmacy stores in the province of Shanxi, as well as approvals to establish up to 20 pharmaceutical and health food sales centers and up to 60 health food stores for sale of both Chinese and North American products. In addition to its plans to expand its distribution network in China, the Company also intends to seek to expand its operations and increase sales of its Chinese health food products in North America. There is no assurance that the Company will be able to complete its expansion plans or that it will be able to compete effectively in China against both domestic and foreign competition. Likewise, since the Company has only a limited operating history with little revenue from its current operations in North America, there is no assurance it will able to effectively introduce and sell its Chinese health food products in the North American market.

Research and Development. The Company will be required to expend a significant amounts of money on research and development expenses in order to develop new products improve the market acceptance of its existing products. There is no assurance that it will have sufficient capital to fund all desired research and development activities or that the research and development activities its does conduct will lead to the creation of new products. is necessary in order to In order to be successful in the market for sale of pharmaceutical and health food products, the Company will be required to

Market Acceptance. Many Chinese health food products are not currently widely used outside of China. There is no assurance that the Company's products, if approved for sale in the North American market and other countries as either food products or over-the-counter medicines, will achieve market acceptance. The extent of acceptance of the Company's products by consumers and by persons in the healthcare industry will depend upon a number of factors, including, but not limited to, recognition of the efficacy of the product, product availability, brand name recognition, the availability and cost of competitive products, relative safety and efficacy of competitive products, and the like. There is no assurance that the Company's products will be successful in achieving market acceptance as either a food product or as an over-the-counter medicine.

Potential Product Liability. Testing and proposed commercialization of food products and human therapeutic products involves inherent risk of product liability claims and associated adverse publicity. There can be no assurance that the Company will be able to obtain or maintain sufficient insurance coverage on acceptable terms with coverage which is adequate to provide necessary protection. Such insurance is expensive, difficult to obtain and may not be available in the future on acceptable terms, or at all. An inability to obtain sufficient insurance coverage on reasonable terms or to otherwise protect against potential product liability claims, could prevent or inhibit the commercialization of the Company's potential products.

Manufacturing Uncertainties. The Company's ability to commercialize its products will depend upon its ability to manufacture such products, either directly or through third parties, at a competitive cost and in accordance with any applicable regulatory requirements. The Company's products must be manufactured in commercial quantities at an acceptable cost and with sufficient quality, consistency, purity and stability to make them marketable. If the Company is unable to make manufacture its products in sufficient quantities and at a competitive cost, either in its own manufacturing facilities or through contracting with third parties, it would have a material adverse affect upon the Company's business and potential profitability.

ITEM 2. DESCRIPTION OF PROPERTY.

The Company currently maintains a mailing address at Unit 1, 3071 No. 5 Road, Richmond, B.C., Canada V6X 2T4. The Company's telephone number there is (604) 718-2188. Other than this mailing address, the Company does not maintain any other office facilities, and does not anticipate the need for maintaining office facilities at any time in the foreseeable future. The Company pays rent in the amount of CAD $3,300 (approximately $2,220 U.S. dollars) per month for the use of this office space. The lease is for three years, and commenced on July 1, 1999.

The operations of Tian'an Pharmacy are located in a 7,100 square meter building in the Torch High Development Zone of Xiamen, China.

The operations of T.Z.F. International Herbs (Jiangsu) Co., Ltd. (formerly Second Factory Pharmacy) are located in a 20,000 square meter building in Yancheng City in Jiangsu Province. It's facility includes a factory area of 20,000 square meters and office area of 8,500 square meters.

The facilities of Shenzhen Tianzifu Network Technology Ltd., are located at 8 South Road, Dong Men, LouHu District, Shenzhen City, GuangDong Province.

ITEM 3. LEGAL PROCEEDINGS.

Expediter Sales Ltd. ("Expediter") has filed suit against T.Z.F. International Herbs Investments, Inc., alleging a breach of contract and misrepresentation. Expediter is seeking damages for alleged loss of profits, loss of business and goodwill, misrepresentation, set-up expenses and the alleged wrongful use of Expediter's name. Further, Expediter is seeking an injunction to prevent the T.Z.F. Herbs from selling herbal tea in Canada. TZF claims that it terminated its contract with Expediter as a result of non-performance. TZF Herbs intends to vigorously defend this suit and has filed a counterclaim against Expediter for collection of outstanding debts.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

No matters were submitted to a vote of the security holders of the Company during the fourth quarter of the fiscal year which ended December 31, 2001.

PART II

ITEM 5. MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS.

As of December 31, 2001, there was not currently a public trading market for the Company's shares. As of December 31, 2001, the Company's securities were held of record by a total of approximately 48 persons.

ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATIONS.

Forward Looking Statements. Certain statements contained in this report, including statements in the following discussion of the Company's Plan of Operation, which are not statements of historical fact are what are known as "forward looking statements," which are basically statements about the future. Since it is not possible to accurately predict the future, these statements involve risk and uncertainty. Words such as "plans," "intends," "will," "hopes," "seeks," "anticipates," "expects," "goal" and "objective" often identify such forward looking statements, but are not the only indication that a statement is a forward looking statement. Such forward looking statements include statements of our plans and objectives with respect to the present and future operations of the Company, and statements which express or imply that such present and future operations will or may produce revenues, income or profits. Numerous factors and future events could cause the Company to change such plans and objectives, or fail to successfully implement such plans or achieve such objectives, or cause such present and future operations to fail to produce revenues, income or profits.

General. In the fiscal year ended December 31, 2001, the Company began the process of consolidating and reorganizing the business of the various subsidiaries it acquired in late 2000. During the fiscal year ended December 31, 2001, the Company deeply studied the existing operations of each of its subsidiaries, including, all aspects of productions, marketing and sales and focused efforts on reorganizing those operations. Primarily as a result of its focus on reorganization efforts, overall sales and profits for the fiscal year ended December 31, 2001 were significantly lower than results for the preceding fiscal year. However, management has modified its business plan to focus more of its efforts on marketing, and believes that financial results will begin to show improvement during the fiscal year ended December 31, 2002. On a consolidated basis (including the results of the parent company as well as the results of all of its subsidiaries), the Company had revenues of $5,114,242 and a net profit of $232,938 during the fiscal year ended December 31, 2001, as compared to revenues of $7,870,350 and a net profit of $2,680,885 during the fiscal year ended December 31, 2000.

The 2001 operations of the parent company and of each of the subsidiaries are outlined below:

TZF International Investments, Inc. TZF International Investments, Inc., is the parent company. On July 25, 2001, the Company entered into an agreement with Flora Manufacturing and Distributing Ltd. which granted the Company the exclusive right to promote, distribute, and sell the supplier's products within China (excluding Hong Kong and Macau) for a period of three (3) years, subject to certain sales volume conditions. Continuation of the exclusive right is continent upon the ability of the Company to meet or exceed certain minimum purchase quotas. In order to maintain its exclusivity, the Company must purchase a minimum of US$50,000 of products within 12 months after the initial Product has been approved for sale in the designated territory. The quota is US$200,000 in the second year and US$400,000 in the third year.

On June 22, 2001 the Company signed a distribution agreement with Puresource pursuant to which the Company has the exclusive rights to distribute the Puresource's products in China and Hong Kong. The Company intends to seek to become the largest distributor of Canadian health products into China. Puresource is Canada's leading health products wholesaler and broker, founded in 1989. Puresource delivers Canadians over 4500 brand name health products through an extensive network of dedicated health food retailers located from coast to coast. Puresource offers a broad range of products covering herbal, nutritional and sport supplements, herbal and medicinal teas, homeopathics, personal care products, non-dairy beverages and energy bars. Leading manufacturers represented by Puresource include; Herbal Select, Now Foods, Nonu International, Select Teas, Uncle Lee's Tea, Algonquin Tea Company, Homeocan, Natra-Bio, Naturade, Tea Tree Therapy, Rachel Perry, Imagine Foods, Pacific Foods, Vitasoy, Peak Bar, Clif Bar, Balance Foods and PowerBar.

During the fiscal year ended December 31, 2001, the Company had sales of $146,234 and net profits of $27,391, as compared to 0 revenue and a net loss of $300,962 during the fiscal year ended December 31, 2000.

<u>T.Z.F. International Medical (Xiamen) Co. Ltd.</u> In the fiscal year ending December 31, 2001, this subsidiary company maintained the existing market for the products of this subsidiary and began the process of developing new markets. As part of this process, this company changed some existing sales policies and set up a more suitable sales network. At same time, the company focused on cost controls and new product research and development. It completed the second stage testing of its LingLong product, which it hopes to have available for distribution during the fiscal year ending December 31, 2001.

During the fiscal year ended December 31, 2001, this subsidiary had sales revenue of $1,160,518, and a net profit from operations of $206,032, as compared to sales revenue of $1,251,866 and a net profit of $359,041 during the fiscal year ended December 31, 2000.

<u>T.Z.F. International Herbs (Jiangsu) Co. Ltd.</u> In April of 2001, this subsidiary acquired a license from the government of Jiangsu province for production of pills, capsules and syrups. The injection production line of this subsidiary also received GMP approval from both the Jiangsu province government and from the national government of China. Sales of injection product represent approximately 60% of total sales of this subsidiary. During the fiscal year ended December 31, 2001, this subsidiary company evaluated its product costs and elected to lower its prices in order to increase its market size. This subsidiary is also in the process of seeking new products for production and sale.

Revenue of this subsidiary during the first half of the fiscal year ended December 31, 2001, was decreased compared as the first half of 2000. The reason for the reduction was that during the first half of 2001 this subsidiary moved its operations to a new facility and concentrated on obtaining GMP approval for its injection production line. During the second half of the year, this subsidiary increased its sales of injection products to almost 60,000 bottles per day, and as a result, revenues during the second half of the year were substantially higher than during the first half of the year. Overall, for the fiscal year ended December 31, 2001, this subsidiary had sales revenue of $1,621,745 and a net profit of $125,354, as compared to revenues of $3,637,046 and a net profit of $1,407,119 during the fiscal year ended December 31, 2000.

T.Z.F. (Shenzhen) Co., Ltd. As the Company's headquarters in China, T.Z.F. (Shenzhen) (sometimes referred to herein as "Shenzhen TZF Net") reorganized its operations during the fiscal year ended December 31, 2001 in order to improve its ability to manage the business of all the subsidiaries in China. This subsidiary has opened product counters southwest and central China and plans to continue to expand its operations to include counters in the northeast and south, and in the cities of Guangdong, Beijing and Shanghai. This subsidiary has also focused efforts on strengthening its product line and on attempting to locate some good local health products for distribution on its counters.

The revenues and profits of this subsidiary for the fiscal year ended December 31, 2001 were significantly less than anticipated for two reasons. During the fourth quarter of 2001, this subsidiary elected to cancel its acquisition of Hongkang Pharmaceutical Company because of problems in obtaining approval of the acquisition from Chinese regulatory bodies. As a result, the financial results of Hongkang Pharmaceutical Company for the nine month period ended September 30, 2001, which had previously been consolidated into the financial statements of Shenzhen TZF Net, were reversed during the fourth quarter resulting in negative sales for the fourth quarter (See Note 1 to the Financial Statements). In addition, this subsidiary spent a significant amount of time and money on establishing on the process of building and opening its initial product counters. Company management believes that these counters will begin to provide positive returns prior to the end of 2002.

After eliminating the results of Hongkang Pharmaceutical Company from the financial results, total revenues of this subsidiary for the fiscal year ended December 31, 2001, were $951,954 as compared to total revenues of $1,347,541 for the fiscal year ended December 31, 2000.

TZF International Herbs Co., Ltd. On June 6, 2001, this subsidiary acquired the exclusive distribution rights for the product named "Bitter Melon Powder" in North American. This subsidiary has applied to the Canadian government for the necessary permits to distribute this product in Canada and has also begun initial efforts to develop a market for this product.

During the fiscal year ended December 31, 2001, this subsidiary had revenues of $1,233,791 and a net loss of $14,513, as compared to revenues of $1,633,897 and a net profit of $606,584 for the fiscal year ended December 31, 2000.

ITEM 7. FINANCIAL STATEMENTS AND EXHIBITS

MOEN AND COMPANY
CHARTERED ACCOUNTANTS

PO Box 10129
1400 IBM Tower
701 West Georgia Street
Vancouver, BC   V7Y 1C6

Telephone: (604)662-8899
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INDEPENDENT AUDITORS' REPORT

To the Directors and Shareholders of
T.Z.F. International Investments, Inc.
(A Nevada Corporation)

We have audited the Consolidated Balance Sheets of T.Z.F. International Investments, Inc. (A Nevada Corporation) and subsidiaries as of December 31, 2001 and December 31, 2000, and the related Consolidated Statements of Operations, Retained Earnings, Cash Flows and Changes in Stockholders' Equity for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the report or other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of T.Z.F. International Investments, Inc. as of December 31, 2001 and December 31, 2000, and the results of its operations and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

"Moen and Company"

Chartered Accountants

Vancouver, British Columbia, Canada
April 8, 2002

T.Z.F. INTERNATIONAL INVESTMENTS, INC.
(A Nevada Corporation)
Consolidated Balance Sheets
December 31, 2001 and December 31, 2000

(In US Dollars)

	2001	2000
Assets		
Current Assets		
Cash and cash equivalents (note 3)	$ 437,409	$ 1,668,711
Accounts receivable (note 4)	4,069,810	5,204,977
Prepaid expenses and deposits (note 5)	2,093,425	34,684
Subscriptions receivable (note 6)	--	406,434
Short-term investment - secured	--	1,354,293
Inventories, at lower cost or market (note 7)	1,989,871	1,244,642
TOTAL CURRENT ASSETS	8,590,515	9,913,741
Investment in Guangdon Hongkang Medical Company	--	532,044
Fixed Assets - Schedule A	6,435,813	5,876,615
Intangible Assets - Schedule A	4,138,789	4,140,910
Goodwill, at cost (note 11)	1,206,554	1,206,554
TOTAL ASSETS (Pledged as security for bank loans - Note 17)	$ 20,371,671	$ 21,669,864
Liabilities and Stockholders' Equity		
Current Liabilities		
Bank loans - secured (note 17)	$ 1,784,764	$ 1,579,202
Accounts payable and accrued (note 14)	2,312,320	2,750,430
Payable on acquisition of Shenzhen Tianzhifu Network Technology Ltd. (note 1)	--	518,590
Management fees payable (note 15)	--	150,004
Due to related parties, unsecured, non interest bearing, with no specific terms of repayment (note 16(b))	308,601	515,053
TOTAL CURRENT LIABILITIES	4,405,685	5,513,279
Long-term Liabilities		
Long-term debt (note 18)	268,990	306,138
Deferred liabilities - pensions (note 23)	212,562	212,562
	481,552	518,700
Stockholders' Equity		
Capital stock (note 19)		
Authorized		
100,000,000 common shares at $0.0001 par value		
Issued		
35,498,505 common shares (2000 - 35,897,309 shares) - par value	3,550	3,590
Paid in capital in excess of par value of stock	14,838,990	15,225,943
Retained earnings	636,907	403,969
Cumulative translation adjustment (note 2)	4,987	4,383

	15,484,434	15,637,885
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 20,371,671	$ 21,669,864

Approved on behalf of the board:

____________________, Director

____________________, Director

See accompanying notes and Independent Auditors' Report

T.Z.F. INTERNATIONAL INVESTMENTS, INC.
(A Nevada Corporation)
Consolidated Statements of Operations
(In US Dollars)

	Cumulative From Inception Date of Sep. 15, 1998 to December 31,	Quarter Ended December 31,		Year Ended December 31,	
	2001	2001	2000	2001	2000
Revenue					
Sales	$ 6,982,519	$ (4,021,579)	$ 1,595,677	$ 5,114,243	$ 1,868,276
Cost of sales	3,869,300	(3,437,039)	618,131	2,995,242	887,649
	3,113,219	(584,540)	977,546	2,119,001	980,627
Other income	486,691	(40,962)	226,549	258,271	227,464
	3,599,910	(625,502)	1,204,095	2,377,272	1,208,091
Expenses					
Selling expenses	408,349	91,185	--	408,349	--
Administration Costs	2,000,443	795,986	34,294	1,447,765	543,092
Depreciation	217,748	73,978	--	204,157	--
Amortization of Goodwill	--	(45,246)	--	--	--
Stock-based compensation	252,400	--	--	--	252,400
	2,878,940	915,903	34,294	2,060,271	795,492
Profit (loss) before income taxes	720,970	(1,541,405)	1,169,801	317,001	412,599
Income taxes	84,063	(262,415)		84,063	
	636,907	(1,278,990)	1,169,801	232,938	412,599
Minority interest		(66,390)			
Net profit (loss) for the period	$ 636,907	$ (1,212,600)	$ 1,169,801	$ 232,938	$ 412,599
Basic profit per share		$ (0.03)	$ 0.04	$ 0.01	$ 0.02
Diluted profit per share		$ (0.03)	$ 0.04	$ 0.01	$ 0.02
Weighted average number of common shares used to compute profit per share					
Basic		35,498,505	29,153,909	35,498,505	17,717,212
Diluted		45,788,512	29,153,909	45,788,512	17,717,212

See accompanying notes and Independent Auditors' Report

T.Z.F. INTERNATIONAL INVESTMENTS, INC.

(A Nevada Corporation)
Consolidated Statements of Retained Earnings (Deficit)
(In US Dollars)
(Unaudited)

	Cumulative From Inception Date of Sep. 15, 1998 to December 31, 2001	Quarter Ended December 31, 2001	Quarter Ended December 31, 2000	Year Ended December 31, 2001	Year Ended December 31, 2000
Retained earnings (deficit),					
beginning of period		$ 1,849,507	$ (765,832)	$ 403,969	$ (8,630)
Net profit (loss) for the period	$ 636,907	(1,212,600)	1,169,801	232,938	412,599
Retained earnings,					
end of period	$ 636,907	$ 636,907	$ 403,969	$ 636,907	$ 403,969

See accompanying notes and Independent Auditors' Report

T.Z.F. INTERNATIONAL INVESTMENTS, INC.
(A Nevada Corporation)
Consolidated Statements of Cash Flows
(In US Dollars)

	Cumulative From Inception Date of Sep. 15, 1998 to December 31,	Quarter Ended December 31,		Year Ende December 3	
	2001	2001	2000	2001	2000
Cash derived from (used for)					
Operating activities					
Net profit (loss) for the period	$ 636,907	$ (1,212,600)	$ 1,169,801	$ 232,938	$ 412,59
Items not requiring use of cash					
Depreciation	217,748	73,978	8,089	204,157	13,59
Amortization of goodwill	--	(45,246)	--	--	--
Stock-based compensation	252,400	--	--	--	252,40
Minority interest	--	(138,941)	--	--	--
Cumulative translation	4,987	4,214	3,811	604	4,38
Changes in non-cash working capital items					
Accounts receivable	(4,069,810)	1,160,628	(4,910,754)	1,135,167	(5,204,97
Prepaid expenses and deposits	(2,093,425)	(1,600,127)	(29,300)	(2,058,741)	(34,68
Advances on inventory purchase	--	--	102,511	--	--
Inventories	(1,989,871)	286,838	(1,244,642)	(745,229)	(1,244,64
Subscriptions receivable	--	406,434	(3,812)	406,434	(406,43
Accounts payable and accrued	2,312,320	(715,805)	2,661,350	(438,110)	2,749,93
	(4,728,744)	(1,780,627)	(2,242,946)	(1,262,780)	(3,457,83
Financing activities					
Issuance of shares for cash	7,199,367	(406,434)	5,264,000	(406,434)	7,543,30
Net gain on acquisition	3,333,103	--	3,333,103	--	3,333,10
Capital contributed	19,441	(158,505)	--	19,441	--
Management fees payable	--	--	(35,720)	(150,004)	150,00
Advance on share subscriptions					--
Payable on acquisitions	--	(518,590)	518,590	(518,590)	518,59
Bank loans	1,784,764	(183,797)	1,579,202	205,562	1,579,20
Long-term debt	268,990	(363)	306,138	(37,148)	306,13
Deferred liabilities, pension	212,562	--	212,562	--	212,56
Due to related parties	308,601	(120,457)	(394,641)	(206,452)	515,05
	13,126,828	(1,388,146)	10,783,234	(1,093,625)	14,157,95

Investing activities					
Fixed assets acquired	(6,653,561)	(55,215)	(5,809,083)	(763,355)	(5,890,206
Intangible assets	(100,560)	--	(102,681)	2,121	(102,681
Goodwill	(1,206,554)	--	(1,206,554)	--	(1,206,554
Investment in Hongkang	--	--	(532,044)	532,044	(532,044
Short-term investment	--	2,530,348	(1,354,293)	1,354,293	(1,354,293
Deposit on proposed acquisition	--	--	1,824,924	--	--
	(7,960,675)	2,475,133	(7,179,731)	1,125,103	(9,085,778
Cash, increase (decrease) during the period	437,409	(693,640)	1,360,557	(1,231,302)	1,614,341
Cash, beginning of period		1,131,049	308,154	1,668,711	54,370
Cash, end of period	$ 437,409	$ 437,409	$ 1,668,711	$ 437,409	$ 1,668,711

See accompanying notes and Independent Auditors’ Report

T.Z.F. INTERNATIONAL INVESTMENTS, INC. **Schedule A**

(A Nevada Corporation)
Schedule of Fixed Assets/Intangible Assets
As at December 31, 2001
(In US Dollars)

	Cost	Accumulated Depreciation	Net
Fixed Assets			
Deferred lease expense	$ 3,556	$ 2,206	$ 1,350
Deferred expenses - other - TZF Jiangsu	256,256	--	256,256
Fixed assets of operating companies			
- note 8	2,513,967	779,104	1,734,863
- note 9	548,421	--	548,421
Construction in progress - Note 10	2,292,416	--	2,292,416
Rights of use of land			
Tianan - 50 years	370,508	7,943	362,565
TZF Jiangsu - 50 years (1)	1,239,942	--	1,239,942
	$ 7,225,066	$ 789,253	$ 6,435,813

Intangible Assets	
Technology rights - Note 13	$ 4,038,229
Deferred costs - Note 12	100,560
	$ 4,138,789

(1) To be amortized commencing when certificate of completion of building is received in 2002.

T.Z.F. INTERNATIONAL INVESTMENTS, INC.

(A Nevada Corporation)

Consolidated Statement of Changes in Stockholders' Equity

From Date of Inception on September 15, 1998 to December 31, 2001

(In U.S. Dollars)

	Number of Common Shares	Par Value	Additional Paid-in Capital	Total Capital Stock	Retained Earnings (Deficit)	Cumulative Translation	Total Stockholders' Equity
9/25/98 issuance of common stock for cash	1,000,000	$1,000	$1,500	$2,500			$2,500
Net loss for the year ended December 31, 1998					(1,115)		(1,115)
Balance, December 31, 1998	1,000,000	1,000	1,500	2,500	(1,115)		1,385
2/17/99 issuance of common stock for cash	600,000	600	59,400	60,000			60,000
Net loss for the year ended December 31, 1999					(7,515)		(7,515)
Balance, December 31, 1999	1,600,000	1,600	60,900	62,500	(8,630)		53,870
4/30/00 cancellation of common stock and transfer of par value to paid-in capital (note 1)	(1,000,000)	(1,000)	1,000				
Balance, April 30, 2000 before forward split	600,000	600	61,900	62,500	(8,630)		53,870
05/15/00 10 to 1 forward split	6,000,000	600	61,900	62,500	(8,630)		53,870
05/15/00 issuance of common stock for services	250,000	25	252,375	252,400			252,400
05/15/00 issuance of common stocks for the BC Company	18,451,843	1,845	5,351,087	5,352,932			5,352,932
7/4/00 issuance of common stock for cash	340,000	34	343,216	343,250			343,250
9/30/00 issuance of common stock for cash	615,466	62	621,286	621,348			621,348
10/19/00 issuance of common stock for cash	10,000	1	10,999	11,000			11,000
11/19/00 issuance of common stock for cash	230,000	23	252,977	253,000			253,000
12/28/00 issuance of common stock for debt	10,000,000	1,000	4,999,000	5,000,000			5,000,000
Net profit for the year ended December 31, 2000					412,599		412,599
Negative goodwill - gain on acquisition TZF Jiangsu - note 1			3,333,103	3,333,103			3,333,103
Cumulative translation						4,383	4,383
Balance, December 31, 2000	35,897,309	3,590	15,225,943	15,229,533	403,969	4,383	15,637,885
1/1/01 capital contributed			177,946	177,946			177,946
12/31/01 capital contribution adjustment			(158,505)	(158,505)			(158,505)
12/31/01 cancellation of common stock	(398,804)	(40)	(406,394)	(406,434)			(406,434)
Net profit for year ended December 31, 2001					232,938		232,938
Cumulative translation						604	604
Balance, December 31, 2001	35,498,505	$3,550	$14,838,990	$14,842,540	$636,907	$4,987	$15,484,434

See Accompanying Notes and Independent Auditors' Report

T.Z.F. INTERNATIONAL INVESTMENTS, INC.
(A Nevada Corporation)
Notes to Consolidated Financial Statements
December 31, 2001
(In U.S. Dollars)

Note 1. ORGANIZATION AND NATURE OF BUSINESS

The Company was incorporated under the laws of the State of Nevada on September 15, 1998, as Sabai Sabai Enterprises, Corp., and on May 25, 2000, changed its name to T.Z.F. International Investments, Inc.

Pursuant to a stock purchase agreement dated March 30, 2000, T.Z.F. International Herbs Investment Inc., ("BC Company") purchased 1,000,000 shares of the issued and outstanding common stock of the Company. These shares were purchased in anticipation of the subsequent completion of a share exchange transaction between the Company and the BC Company. In conjunction with completion of the share exchange transaction these shares were cancelled, effective April 30, 2000, and as a result, the amount of the par value of $1,000 attributable to such shares was transferred to paid-in capital.

Pursuant to the terms of the share exchange which was effective as of April 30, 2000, the Company acquired all of the issued and outstanding stock of the BC Company in exchange for the issuance of 18,451,843 shares of its authorized but previously unissued shares of common stock, which shares were valued at $5,352,932 for purposes of the acquisition. Assets and liabilities of the BC Company at the date of acquisition on April 30, 2000, were as follows:

Assets	
Cash and short term deposits	$1,040,372
Accounts receivable	13,217
Capital stock subscriptions receivable	374,546
Prepaid expense and deposit	5,382
Inventories	206,532
Deferred lease expense, net of amortization	5,047
Fixed assets, net of accumulated depreciation	59,927
Intangible assets, technology rights	4,038,229
	5,743,252

Liabilities	
Accounts payable and accrued	114,917
Accrued payroll deductions payable	45,767
Management fees payable	168,205
Due to related parties	60,755
	389,644
Net assets including cumulative translation	5,353,608
Cumulative translation, included in above, Booked in stockholders' equity of Sabai Sabai	(676)
Net value in exchange for 18,451,843 common Shares off Sabai Sabai and net equity on date of acquisition of the BC Company	$5,352,932

In May 2000, the Company completed a 10:1 forward split of its outstanding stock. This forward split increased the number of issued and outstanding shares from 600,000 (1,600,000 previously outstanding less the 1,000,000 shares which were cancelled) to 6,000,000.

Subsequent to completion of the share exchange on April 30, 2000, the BC Company (the Company's wholly-owned subsidiary) received subscriptions for 340,000 additional shares. The Company elected to convert such shares to shares of its own common stock on the same terms as it completed the share exchange. Therefore, effective as of July 4, 2000 the Company issued 340,000 additional shares in exchange for shares of the BC Company

In May 2000, following completion of the forward split, the Company authorized the issuance of 250,000 restricted shares as compensation for consulting services at a price of CAD$1.50 per share, to the following:

Name	Number of Shares	Consideration CAD $	Equivalent US $
Robert Gelfand	50,000	$75,000	$50,480
Fred Fisher	200,000	300,000	201,920
	250,000	$ 375,000	$ 252,400

Accordingly, the amount of $252,400 was recorded as stock-based compensation in the financial statements for the year ended December 31, 2000.

T.Z.F. International Herbs Investment Inc., which is now a wholly-owned subsidiary of the Company, owns the formula and all distribution and intellectual property rights, including trademark, patent and industry design rights, for Snow Lotus Tea products.

The Company and its wholly-owned subsidiary, the BC Company, are both based in Richmond, British Columbia, Canada.

On December 21, 2000 the BC Company acquired 100% of issued and outstanding shares of Tianan Investment Limited (“Tianan”), a British Virgin Islands company with an office in Hong Kong for the total price of HK$21,500,000 (US$2,758,847), which was paid in cash in three installments. The BC Company paid the first installment totaling HK $6,638,318.09 (approximately US $851,100) in two parts, on July 7 and July 10, 2000. The second installment of HK $6,261,681.91 (approximately US $802,800), and the final installment of HK$8,600,000.00 (approximately US $1,104,947), which were paid on October 20, 2000 and December 20, 2000, respectively, were both paid by Xin Chen, one of the principal shareholders.

The sole asset of Tianan is its 100% ownership of Tianan Pharmacy (Xiamen) Co., Ltd. ("Tianan Pharmacy"), a manufacturer of Chinese biological and herbal medicine products. Tianan Pharmacy has a plant which is located in the Torch High Tech Development Zone of Xiamen, China, where it currently conducts research and development and produces herbal and biological medicines which it distributes and sells in China.

As a result of the closing of this purchase transaction, Tianan became a wholly-owned subsidiary.

Assets and liabilities of Tianan at the date of acquisition on December 21, 2000, were as follows:

Assets	
Cash and cash equivalents	$ 103,910
Accounts receivable, trade	198,910
Short-term loans	831,875
Prepaid expense and deposit	5,069
Inventories	449,147
Deferred expense, net of amortization	27,957
Fixed assets, net of accumulated depreciation	1,405,851
Rights of use of land - 50 years	370,508

	3,393,227
Liabilities	
Accounts payable, trade	9,921
Accounts payable, others	42,176
Taxes payable	33,222
Deferred liabilities, pension	212,562
Bank loan	483,676
	781,557
Net assets	2,611,670
Goodwill on acquisition	147,177
Total cash payments on acquisition	$2,758,847

On December 31, 2000, the BC Company completed the purchase of all of the shares of T.Z.F. International Herbs (Jiangsu) Co. Ltd. ("TZF Jiangsu") (formerly Second Pharmacy Factory of Yancheng City), ("Second Pharmacy"), a Chinese corporation. The assets were purchased from The People's Government of JianWu County, JiangSu Province, the People's Republic of China. The purchase was completed pursuant to the terms of an Acquisition and Investment Agreement dated September 12, 2000.

In accordance with the Acquisition and Investment Agreement, the purchase price was a total of RMB14,000,000.00 (US $1,786,591), which was paid in cash in two installments, plus assumption of liabilities totaling approximately RMB400,000 (approximately US$48,000). The first cash installment totaling RMB3,000,000.00 (approximately US $362,000) , was paid on September 18, 2000. The second cash installment of RMB11,000,000.00 (approximately US $1,376,591) was paid in two parts, on November 22 and November 28, 2000.
The purchase price for the assets of TZF Jiangsu was determined through arms length negotiation with the seller.

The cash purchase price for the assets of TZF Jiangsu was paid on our behalf by Xin Chen, one of the principal shareholders. These payments were part of a total of US$5,000,000 which Mr. Chen paid or advanced on behalf of the Company during the fiscal year ended December 31, 2000.

The assets of TZF Jiangsu consist primarily of an automated assembly line used for the production of various pharmaceutical products. The Company will continue to use this equipment and factory for the production of pharmaceutical products and will seek to expand and improve the operations.

In addition to payment of the initial purchase price of RMB14,000,000 for purchase of the existing assets of TZF Jiangsu, the Acquisition and Investment Agreement contemplates that during the next three years we will invest an additional sum of RMB14,000,000 in fixed assets, technological improvements, research and development and marketing in order to improve and expand the operations of TZF Jiangsu. In return for the Company's commitment to make this additional capital investment, the seller, The People's Government of JianWu County, JiangSu Province, the People's Republic of China has agreed to grant the Company various incentives, including rent free occupancy of certain new plant space for 50 years, an agreement to refund certain Value Added Tax for 3 years, a 100% exemption from income taxes for three years commencing in 2001, a 50% exemption from income taxes for an additional 3 years thereafter, an exemption from the Industrial and Commercial Administration Charge and other industry fees for one year, and an exemption from a variety of other fees and surcharges during the period that the new plant space is under construction.

Assets and liabilities of TZF Jiangsu at the date of acquisition on December 31, 2000, were as follows:

Assets	
Cash and cash equivalents	$ 1,005,456
Accounts receivable, trade	1,675,847
Short-term loans	701,927
Inventories	79,095
Construction in progress	861,460
Fixed assets, net of accumulated depreciation	548,421
Fixed assets, other	239,261
Rights of use of land - 50 years	1,239,942
	8,269,783
Liabilities	
Accounts payable, trade	913,669
Accounts payable, others	350,001
Taxes payable	389,934
Payroll and payroll deductions payable	94,821
Long-term liabilities	306,138

Bank loans	1,095,526
	3,150,089
Net assets	5,119,694
Gain - Negative goodwill on acquisition added to paid-in capital in these financial statements	3,333,103
Total cash payments on acquisition	$1,786,591

By an Acquisition and Investment Agreement dated December 31, 2000, the Company completed the purchase of all of the shares of Shenzhen Tianzifu Network Technology Ltd., ("Shenzhen TZF Net") (formerly Shenzhen Xinhaihu Industry Trading & Development Co., Ltd.), a Chinese corporation. The purchase price is $3,000,000, of which, $2,481,410 was paid, and the balance of $518,590 is recorded as payable on acquisition as a current liability in these financial statements.

The major businesses of Shenzhen TZF Net are in China and include pharmaceutical businesses, material supply, computer network software and hardware development and related business information consulting.

Shenzhen TZF Net. owns and operates a major health food and medicine online sales network, as outlined below through which Chinese products are marketed and brand products from North America and the rest of the world will be distributed under licenses. It also serves as T.Z.F's China headquarters, and will administer the operations of all current and future T.Z.F. subsidiaries in China.

Shenzhen TZF Net operates a Chinese-Language health food Web site. Its objective is to centralize the management of the entire T.Z.F. network in China and to improve its efficiency and economic scale, including that of the manufacturing, sales and marketing functions. It proposes to expand the existing distribution network and channels of distribution of all current subsidiaries of T.Z.F. in China with its competitive edge and unique resources. It will carry out the T.Z.F. plan of building 200 chain counters and stores in the top 200 major department stores nationwide, and to open 50 licensed drug stores, 60 chain stores and 20 distribution centers in selected locations in China. After Shenzhen TZF Net has completed building the sales network platform domestically in China, it will then focus on attracting international suppliers of health food or related health care products that wish to export their products to China, and use this expanding international network to market Chinese health food products and herbal medicines. Shenzhen TZF Net proposes to be the flagship operation of an effective, competitive China-North America manufacturing, sales and marketing network.

Shenzhen TZF Net will apply the computer network and database technology that it has developed and is currently using in-house to consolidate, standardize and specialize its management and distribution systems in order to maximize operating efficiencies. It will implement a Retailer Management System, an Electronic Ordering System and an Electronic Data Interchange. Network Technology's head office will control the organization of the chain stores. Its online network will be able to present a virtual sales platform for the eventual B2B and B2C transaction. Shenzhen TZF Net proposes to have seven departments: marketing, merchandise, sales, information center, distribution center, general management/administration and accounting.

Hongkang Pharmaceutical Company, is an 88% owned subsidiary of Shenzhen TZF Net. It was formed in 1995 and is located in Guangdong Province. It has a staff of 60 and is one of only few pharmaceutical wholesalers/retailers (out of 990 wholesale enterprises and 3,760 retailers) in Guangdong Province to meet the GSP requirements. Hongkang Pharmaceutical wholesales and retails chemical pharmaceutical preparation, antibiotic pharmaceutical preparations, Chinese traditional medicine preparations, Chinese traditional medicine tablets and health products throughout Southern China including Guanxi, Fujian and Hunan provinces. Hongkang Pharmaceutical plans to expand its facilities and market share in order to meet the growing demand for medicines and to become a major pharmaceutical distributor and wholesaler in Southern China.

During the fourth quarter of 2001, due to the problems of the approval from Chinese regulatory bodies relating to the acquisition of ongkang Pharmaceutical Company. Directors and Management of Shenzhen TZF Net decided to cancel the acquisition. All the figures of Hongkang Pharmaceutical Company consolidated into the financial statements of Shenzhen TZF Net for the nine month period ended September 30, 2001, have been reversed during the fourth quarter of 2001. These results the negative sales in these consolidated financial statements for the fourth quarter of 2001. Reconciliation of these changes and its affect on operations of the Company for the quarter ended December 31, 2001, are as follows:

Shenzhen TZF Net Operations

	9 Mths to 9/30/01	Reversal of Cancelled Acquisition	Restated Figures 9 Months to 9/30/01	Quarter Ended 12/31/01	Adjusted Figures 12 Mths Ended 12/31/01
Revenue					
Sales	$ 5,762,634	$ (4,823,501)	$ 939,133	$ 12,821	$ 951,954
Cost of Sales	4,533,903	(3,863,309)	670,594	12,122	682,716
Gross Profit	1,228,731	(960,192)	268,539	699	269,238
Other income	105,404		105,504	(70,288)	35,216
	1,334,235	(960,192)	374,043	(69,589)	304,454
Selling expenses	88,356	(72,412)	15,944	10,816	26,760
Administrative Costs	157,429	(62,037)	95,392	237,444	332,836
Amortization of goodwill	39,726		39,726	(39,726)	

Depreciation	5,467		5,467	3,795	9,262
	290,978	(134,449)	156,529	212,329	368,858
Profit before income taxes	1,043,257	(825,743)	217,514	(281,918)	(64,404)
Income taxes	319,417	(272,495)	46,922		46,922
Net profit for the period	723,840	(553,248)	170,592	(281,918)	(111,326)
Minority interest	66,390	(66,390)			
Net profit	$ 657,450	$ (486,858)	$ 170,592	$ (281,918)	$ (111,326)

The annual adjusted figures for Shenzhen TZF Net are disclosed in the Condensed Statement of Operations of subsidiaries in note 28, thereto.

Assets and liabilities of Shenzhen TZF Net at the date of acquisition on December 31, 2000, were as follows:

Assets	
Cash and cash equivalents	$ 416,994
Accounts receivable, trade	274,132
Short-term loans	517,487
Short-term investment	1,354,293
Inventories	12,033
Prepaid expenses	23,260
Fixed assets, net of accumulated depreciation	78,193
Investment in subsidiary, Meixian Hengkang Pharmaceutical Company	532,044
Deferred Website development costs	74,724
	3,283,160
Liabilities	
Accounts payable, trade	6,829
Accounts payable, others	1,183,904
Taxes payable	151,804

	1,342,537
Net assets	1,940,623
Goodwill on acquisition (note)	1,059,377
Total payments required on acquisition	$3,000,000
Amounts paid by December 31, 2000	2,481,410
Amount unpaid at December 31, 2000 and paid during the year ended December 31, 2001	$518,590

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation
The accompanying consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, T.Z.F. International Herbs Investment Inc., Tianan Investment Limited (and its wholly-owned subsidiary Tianan Pharmacy (Xiamen) Co. Ltd.), TZF International Herbs (Jiangsu) Co. Ltd. and Shenzhen Tianzhifu Network Technology Ltd. All intercompany transactions and balances have been eliminated.

Basis of presentation
These consolidated financial statements have been prepared in accordance with Accounting Principles Generally Accepted in the United States ("USGAAP).

Development stage company
The accompanying consolidated financial statements have been prepared in accordance with the provisions of Statement of Financial Accounting Standard No. 7, "Accounting and Reporting by Development Stage Enterprises", which include cumulative figures for the statement of operations and cash flows from the date of inception on September 15, 1998 to December31, 2001.

Business Combinations
The Company uses the Purchase Method in accounting for its acquisitions.

Goodwill will be subject to review for impairment. This review would be at the lowest reporting level or levels that include the acquired business (i.e., the reporting unit). Goodwill would be considered impaired and subject to write-down if the fair value of the reporting unit's goodwill is less than its carrying amount. The fair value of goodwill would be determined by subtracting the fair value of the recognized net assets of the reporting unit (excluding goodwill) from the fair value of the reporting unit. The amount of the impairment would be the difference between the carrying amount and the fair value of the goodwill.

Use of estimates

The preparation of financial statements in conformity with USGAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Cash and cash equivalents
Cash and cash equivalents consists of cash on deposit and highly liquid short-term interest bearing securities with a maturity at the date of purchase of three months or less.

Income Taxes
Provisions for income taxes are based on taxes payable or refundable for the current year and deferred taxes on temporary differences between the amount of taxable income and pretax financial income and between the tax bases of assets and liabilities and their reported amounts in the financial statements. Deferred tax assets and liabilities are included in the financial statement at currently enacted income tax rates applicable to the period in which the deferred tax assets and liabilities are expected to be realized or settled as prescribed in FASB Statement No. 109, Accounting for Income Taxes. As changes in tax laws or rate are enacted, deferred tax assets and liabilities are adjusted through the provision for income taxes.

Compensated absences
Employees of the corporation are entitled to paid vacations, sick days and other time off depending on job classification, length of service and other factors. It is impractical to estimate the amount of compensation for future absences, and accordingly, no liability has been recorded in the accompanying financial statements. The corporation's policy is to recognize the costs of compensated absences when paid to employees.

Net earnings per share
The Company adopted Statement of Financial Accounting Standards No. 128 that requires the reporting of both basic and diluted earnings per share. Basic earnings per share is computed by dividing net income available to common shareowners by the weighted average number of common shares outstanding for the period. Diluted earnings per share reflects the potential dilution that could occur if securities or other contacts to issue common stock were exercised or converted into common stock. In accordance with FASB 128, any anti-dilution effects on net loss per share are excluded.

Disclosure about fair value of financial instruments
The Company has financial instruments, none of which are held for trading purposes. The Company estimates that the fair value of all financial instruments at December 31, 2001 as defined in FASB 107, does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheets. The estimated fair value amounts have been determined by the Company using available market information and appropriate valuation methodologies. Considerable judgment is required in interpreting market data to develop the estimates of fair value, and accordingly,

the estimates are not necessarily indicative of the amounts that the Company could realize in a current market exchange.

Fixed assets

Fixed assets are stated at cost less accumulated depreciation. Depreciation is recorded on the following rates, based upon the useful life of the assets.

Office equipment	- 20% per annum on the declining balance basis
Leasehold improvement	- allocated on a straight-line basis over the term of lease
Vehicles	- 30% per annum on the declining balance basis
Computer equipment	- 30% per annum on the declining balance basis
Buildings	- 4.75% per annum on the straight-line basis
Mechanical devices	- 19% per annum on the straight-line basis
Electric devices	- 19% per annum on the straight-line basis
Shipping devices	- 19% per annum on the straight-line basis
Other devices	- 19% per annum on the straight-line basis

Long-lived assets

Statement of Financial Accounting Standards No. 121, “Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of,” requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset in question may not be recoverable. This standard does not have a material effect on the Company’s results of operations, cash flows or financial position in these financial statements.

Foreign currency translation

The functional currency of the parent Company T.Z.F. International Investments, Inc. is the United States Dollar and of T.Z.F. International Herbs Investment Inc. is the Canadian Dollar, Tiana Pharmacy (Xiamen) Co. Ltd, T.Z.F. International Herbs (Jiangsu) Co. Ltd. and Shenzhen Tianzifu Network Technology Ltd. are in Chinese Yuan and the reporting currency on a consolidated basis is the United States Dollar.

The assets, liabilities, and operations of the Company are expressed in the functional currency of the Company in United States Dollars. Operations of the subsidiary, T.Z.F. International Herbs Investment Inc. are in Canadian Dollars and in conformity with US GAAP they are translated into the reporting currency, the United States Dollar.

Monetary assets and liabilities are translated at the current rate of exchange.

The weighted average exchange rate for the period is used to translate revenue, expenses, and gains or losses from the functional currency to the reporting currency.

The gain or loss on translation is reported as a separate component of stockholders' equity and not recognized in net income. Gains or losses on remeasurement are recognized in current net income.

Gains or losses from foreign currency transactions are recognized in current net income.

Fixed assets are measured at historical exchange rates that existed at the time of the transaction.

Depreciation is remeasured at historical exchange rates that existed at the time the underlying related asset was acquired.

An analysis of the changes in the cumulative translation adjustment as disclosed as part of stockholders' equity, is as follows:

	Year Ended December 31,	
Balance, Beginning of year	$ 4,383	$
Change during the year	604	4,383
Balance, end of year	$ 4,987	$ 4,383

The effect of exchange rate changes on cash balances is reported in the statement of cash flows as a separate part of the reconciliation of change in cash and cash equivalents during the period.

Concentration of credit risk

Financial instruments that potentially subject the Company to a significant concentration of credit risk consist primarily of cash and cash equivalents which are not collateralized. The Company limits its exposure to credit loss by placing its cash and cash equivalents with high credit quality financial institutions.

Inventories

The inventories are recorded at the lower of cost or market. As at December 31, 2001 the inventories total $1,989,871 (December 31, 2000 - $1,244,642) (see note 7)

Revenue Recognition

The Securities and Exchange Commission (SEC) issued Staff Accounting Bulletin (SAB) 101, Revenue Recognition in Financial Statements, in December 1999. The SAB summarizes certain of the SEC staff's views in applying generally accepted accounting principles to revenue recognition in financial statements. During the current year, the Company performed a review of its revenue recognition policies and determined that it is in compliance with SAB 101.

Web Site Development Expenses

Web site development expenses relate to the development of new online services and consist principally of employee compensation, as well as costs for content, facilities and equipment. The consensus in the Financial Accounting Standards Board Emerging Issues Task Force (EITF) Issue No. 00-2, Accounting for Web Site Development Costs, requires that certain costs to develop Web sites be capitalized or expensed, depending on the nature of the costs. Development expenses of $67,809 have been capitalized and will be either expensed in 2002 or amortized over a period of 30 months after completion the Web Site (note 13)

Shipping and Handing Fees and Costs

In September 2000, the Financial Accounting Standards Board Emerging Issues Task Force (EITF) reached a final consensus on EITF Issue No. 00-10, Accounting for Shipping and Handling Fees and Costs. This consensus requires that all amounts billed to a customer in a sale transaction related to shipping and handling, be classified as revenue. The Company historically has netted shipping charges to customers with shipping and handling costs which are included in operating expenses in the Statements of Operations. With respect to the classification of costs related to shipping and handling incurred by the seller, the EITF determined that the classification of such costs is an accounting policy decision that should be disclosed. The Company adopted the consensus in the Issue in fiscal 2001.

Segmented Information

The Company's identifiable assets as at December 31, 2001 are located in the following countries:

Canada	$4,698,258
China	15,641,922
The United States	12,144
	$20,352,324

Note 3. CASH AND CASH EQUIVALENTS - $437,409

The total for cash and equivalents as at December 31, 2001, is made up as follows:

	TZF US Company	The BC Company	Tian'an	JZF Jiangsu	Shenzhen TZF Net	Total

Petty cash	$	$ 417	$ 223	$	$ 1,440	$ 26,069
Cash in trust		8,217				8,217
Cash in bank	3,317	118,580	218,686	17,477	5,021	363,081
Short-term deposits				40,042		40,042
Total	$ 3,317	$127,214	$218,909	$ 81,508	$ 6,461	$ 437,408

Note 4. ACCOUNTS RECEIVABLE - $4,069,810 (December 31, 2000 - $5,204,977) (see note 30 operations of subsidiaries)

This balance represents the following:

	TZF US Company	The BC Company	Tian'an	JZF Jiangsu	Shenzhen TZF Net	Total
Accounts receivable, trade	$ 8,827	$ 631,837	$470,726	$1,221,895	$ 5,224	$2,338,509
Accounts receivable, Canadian GST		26,922				26,922
Short-term loans			3,531		738,466	741,997
Accounts receivable, others		14,710		947,672		962,382
Total	$ 8,827	$673,469	$474,257	$2,169,567	$ 743,690	$4,069,810

Note 5. PREPAID EXPENSES AND DEPOSITS - $2,093,425

The balance of prepaid expense and deposit as at December 31, 2001, is as follows:

	The BC Company	Tian'an	Shenzhen TZF Net	Total
Rental deposits	$ 5,157	$	$	$ 5,157
Prepaid to Beijing Zhong Buo for website development		846,433		846,433

Prepaid new medicine application fees		29,921		29,921
Deposit for supplies		29,921		29,921
Total	$ 5,157	876,354	$1,211,914	$2,093,425

As at December 31, 2001, Shenzhen TZF Net paid $1,211,914 (11,872,120 Yuan) to Beijing Zhongbuo Merchants Promotion Internet Co. Ltd. for the setting up of website and computer systems. This project is in progress as at December 31, 2001 and, accordingly, is recorded as a prepaid expense.

As at December 31, 2001, Tianan paid $846,433 (7,000,000 Yuan) to three medical companies as prepayment for three new product certificate. The medical companies would provide the certificate within six months, otherwise they will return the money, plus interest at the prime bank rate, calculated from the date of prepayment.

Note 6. SUBSCRIPTIONS RECEIVABLE

As at September 11, 2000, Mr. Chung Yiu Chung signed a subscription agreement with the Company, whereby he subscribed for 561,798 common share of the Company at a price of CAD$1.50 per share, of which, 162,994 common shares were issued and paid. The balance of $406,434 is unpaid. As at December 31, 2001 the latter amount has been reversed and the issued share capital reduced, accordingly.

Note 7. INVENTORIES - $1,989,871

The inventories as at December 31, 2001, are made up as follows:

	The BC Company	Tian'an	TZF Jiangsu	Shenzhen TZF Net	Total
Raw materials	$	$ 74,230	$ 79,850	$	$154,080
Packaging materials	22,947	26,532	663,258		712,737
Finished products		403,699	204,235		607,934
Other			299,662	215,458	515,120
Total	$ 22,947	$ 504,461	$1,247,005	$ 215,458	$1,989,871

Note 8. FIXED ASSETS

The totals for fixed assets and accumulated depreciation as at December 31, 2001, are made up as follows:

	The BC Company	Tian'an	TZF Jiangsu	Shenzhen TZF Net	Total
Cost					
Computer equipment	$ 14,364	$	$	$	$14,364
Office equipment	14,286				14,286
Vehicles	19,025				19,025
Buildings and improvements	38,426	1,312,794			1,351,220
Mechanic devices		321,187			321,187
Shipping devices		21,685			21,685
Electronic devices				100,072	100,072
Other		315,691	356,437		672,128
Total	86,101	1,971,357	356,437	100,072	2,513,967
Accumulated Depreciation					
Computer equipment	5,393				5,393
Office equipment	4,889				4,889
Vehicles	6,943				6,943
Buildings and improvements	11,231	305,234			316,465
Mechanic devices		142,851			142,851
Shipping devices		19,517			19,517
Electronic devices				15,347	15,347
Other		237,021	30,678		267,699
Total	28,456	704,623	30,678	15,347	779,104

Net book value					
Computer equipment	8,971				8,971
Office equipment	9,397				9,397
Vehicles	12,082				12,082
Buildings and improvements	27,195	1,007,560		0	1,03,755
Mechanic devices		178,336		0	178,336
Shipping devices		2,168		0	2,168
Electronic devices		0		84,725	84,725
Other		78,670	325,759	0	404,429
Total (to Schedule A)	$ 57,645	$1,266,734	$ 325,759	$ 84,725	$1,734,863

Note 9. FIXED ASSETS – OTHERS

As at December 31, 2001, other fixed assets of $548,421 as disclosed in Schedule A, in addition to the above, represent the residual value of fixed assets located at TZF Jiangsu.

Note 10. FIXED ASSETS – CONSTRUCTION IN PROGRESS

The construction in progress of $2,292,416 as at December 31, 2001, applies to new buildings and related equipment located at TZF Jiangsu and will not be depreciated until the building has been completed and the equipment put into use. Certificate of completion is expected by mid 2002. The additional cost to complete is approximately $2,424,598 , see note 27, contractual commitments.

Note 11. GOODWILL

As at December 31, 2001, goodwill of $1,206,554 is made up as follows:

	Tian'an	Shenzhen TZF Net	Total
Goodwill on acquisitions	$147,177	$1,059,377	$1,206,554

The goodwill will be evaluated on an annual basis as to any possible impairment. The earnings of Tianan justify the goodwill. Shenzhen is expected to attain earnings to continue to justify the amount of goodwill and, accordingly, no adjustment has been made to the goodwill booked for Shenzhen.

Note 12. INTANGIBLE ASSETS - DEFERRED COSTS

As at December 31, 2001, deferred costs of $100,560 are made up as follows:

	Tian'an	Shenzhen TZF Net	Total
Website development - to be amortized over 30 months after completion of the Website in 2002	$	$67,809	$67,809
Net product development costs - to be expensed in 2002	32,751		32,751
Total	$ 32,751	$ 67,809	$100,560

Note 13. INTANGIBLE ASSETS - TECHNOLOGY RIGHTS

By agreement dated December 15, 1999, Shenzhen Hengyunda Enterprises Co. Ltd. of P.R. China agreed to sell and assign certain information and rights relating to a series of products known as the Snow Lotus Tea series products to the BC Company.

The BC Company agreed to pay consideration of $4,038,229 for acquisition of these assets, through the issuance of 6,000,000 shares of its Class B common stock, which were valued for purposes of the acquisition at a price of CAD$1.00 per share, for total consideration of CAD$6,000,000 (US$4,038,229).

Shenzhen Hengyunda Enterprises Co. Ltd. has warranted that there are no charges or encumbrances against the rights being acquired.

This agreement includes the sale, assignment and transfer of all the right, title and interest in and to the Product Information and all the rights to use, exploit, develop or otherwise deal with the Product Information or the Project, including the right to register any Intellectual Property in connection with the Product, the same to be held and enjoyed by the BC Company and its successors and assigns as fully and effectively as the same would have been held and enjoyed by Shenzhen Hengyunda Enterprises Co. Ltd. had this transfer and assignment not been made.

Shenzhen Hengyunda Enterprises Co. Ltd. further agrees to execute and deliver all such documents and further assurances as may be necessary or desirable to give effect to the sale and assignment.

Amortization of the cost of the technology will commence when the products relating to the technologies are available to be marketed; which is expected to be effective in 2002. The amortization period is for ten years on a straight-line basis. No amortization of these technology rights is included in these financial statements for the year ended December 31, 2001.

Note 14. ACCOUNTS PAYABLE AND ACCRUED

Details of the total of accounts payable and accrued as at December 31, 2001, are as follows:

	TZF US Company	The BC Company	Tian'an	TZF Jiangsu	Shenzhen TZF Net	Total
A/P, trade	$		$ 49,945	$ 1,043,095	$ 46,961	$1,140,001
Accrued payroll			7,815	22,790	9,928	40,533
Taxes payable			11,827	133,173	106,332	251,332
Other payables	12,284	58,229	48,332	378,904	382,705	880,454
Total	$ 12,284	$ 58,229	$ 117,919	$1,577,962	$ 545,926	$2,312,320

Note 15. MANAGEMENT FEES PAYABLE

For the current year, effective the third quarter, all unpaid management fees were cancelled (see note 17) resulting in a credit of $288,000 to administration costs for the current year.

Note 16. RELATED PARTY TRANSACTIONS

a) By Director Resolution, each of Mr. Eric Liu, Director and Vice-president of the Company, Mr. Chung Yu, Director and CEO of the Company and Mr. Xin Chen, Director and Chairman of the Company, respectively, will be paid CAD$8,000 per month as remuneration effective December 1, 1998. Payment of such director's fees may be deferred until such time as the Company has had an Initial Public Offering (IPO), or as the Board of Directors may otherwise decide in view of the financial situation of the Company at that time.

By agreement all unpaid management fees were cancelled as of July 1, 2001.

b) The amount of $308,601 due to related parties as at December 31, 2001, is unsecured, non interest bearing, with no specific terms of repayment.

c) The principal shareholders offered to all warrant holders to exchange their warrants for shares held by the principal shareholders pursuant to such ratio so that, with the completion of the warrant/share exchange, the per share cost of the share/warrant held by the minority shareholder effectively stands at CAD$0.75 per share. The share/warrant change became effective as of December 17, 2000.

d) During the fiscal year ended December 31, 2000, Mr. Xin Chen, Director and Chairman of

Board of Directors of the Company, advanced a total of approximately $5,500,000 on behalf of the Company. These funds were used in part for purchase of the assets of TZF Jiangsu, and in part for purchase of all of the issued and outstanding stock of Tian'an Investments Limited, a British Virgin Islands Corporation (which was completed on December 21, 2000) and part of the payment on the acquisition of 100% issued and outstanding shares of Shenzhen T.Z.F. Network Technologies Co., Ltd.

On December 28, 2000, the Company signed a Debt Settlement Agreement with Mr. Xin Chen. Mr. Chen agreed to take 10,000,000 common shares of the Company at a price of CAD$0.75 (US$0.50) per share to repay $5,000,000 of his loan. These shares have warrants attached entitling the holder to purchase additional 10,000,000 common shares of the Company at a price of CAD$1.50 per share until December 28, 2001 (expired), and thereafter, at a price of CAD$2.50 per share until December 28, 2002.

Note 17. BANK LOANS

Details of bank loans as at December 31, 2001, are as follows:

a) Tian'an

As at December 31, 2001, Tianan has bank loans, as follows, secured by its assets:

	Period of Loan	Principal Chinese RMB	Principal Equivalent to US $	Interest Rate/Monthly
Bank of China	12/30/00 - 4/30/02	2,700,000	326,481	0.558%
China Construction Bank	5/18/01 - 5/18/02	3,000,000	362,757	0.53625%
Total		5,700,000	689,238	

b) TZF Jiangsu

As at December 31, 2001, TZF Jiangsu has bank loans, as follows, secured by its assets:

	Period of Loan	Principal Chinese RMB	Principal Equivalent to US $	Interest Rate/Monthly

Industries and Commerce Bank of Jianhu, China	6/30/01 - 6/30/02	9,060,000	1,095,526	0.63375%

Management of the company proposes to apply for renewal of these loans prior to their due date.

c) Summary of Bank loans

	Tian'an	TZF Jiangsu	Total
Bank of China Xiamen Branch	$ 326,481	$	$ 326,481
Industries and Commerce Bank of Jianhu		1,095,526	1,095,526
China Construction Bank	362,757		362,757
Total	$ 689,238	$1,095,526	$1,784,764

Note 18. LONG-TERM LIABILITIES

a) The long-term debt of $268,990 represents long-term accounts payable owing by Second Pharmacy.

b) The deferred liabilities for pensions applies to Tianan. This is a provision for pension liabilities.

Note 19. CAPITAL STOCK

a) Authorized: 100,000,000 common shares with a par value of $0.0001 each per share.

b) Issued and outstanding common shares as at December 31, 2001 are as follows:

	Issue Date	Number of Shares	Par Value	Additional Paid-in Capital	Total
Private placement	9/25/98	1,000,000	$1,000	$1,500	$2,500
Balance	12/31/98	1,000,000	1,000	1,500	2,500
Private placement	2/17/99	600,000	600	59,400	60,000
Balance	12/31/99	1,600,000	1,600	60,900	62,500

Cancellation of common stock	4/30/00	(1,000,000)	(1,000)	1,000	
Balance, before forward split	4/30/00	600,000	$600	$61,900	$62,500
10:1 forward split	5/15/00	6,000,000	600	61,900	62,500
Issuance of stock for services	5/15/00	250,000	25	252,375	252,400
Acquisition of the BC Company	5/15/00	18,451,843	1,845	5,351,087	5,352,932
Issuance for cash	7/4/00	340,000	34	343,216	343,250
Issuance for cash	9/30/00	615,466	62	621,286	621,348
Issuance for cash	10/19/00	10,000	1	10,999	11,000
Issuance for cash	11/19/00	230,000	23	252,977	253,000
Issuance for debt	12/28/00	10,000,000	1,000	4,999,000	5,000,000
Negative goodwill	12/31/00			3,333,103	3,333,103
Capital contributed	1/1/01			177,946	177,946
Capital contribution adjustment	12/31/01			(158,505)	(158,505)
Cancellation of common stock	12/31/01	(398,804)	(40)	(406,394)	(406,394)
Balance	12/31/01	35,498,505	$ 3,550	$14,838,990	$14,842,540

c) Outstanding Warrants at December 31, 2001

290,007 warrants to purchase 290,007 common shares exercisable at CAD$1.50 per share until December 17, 2001 (expired and subsequently extended, see note 30)

10,000,000 warrants to purchase 10,000,000 common shares exercisable at CAD$2.50 per shares until December 28, 2002.

10,290,007

Note 20. INCOME TAXES

a) The most recent Federal Income Tax filing for the Company for the US was for the year ended December 31, 2000, disclosing no income taxes payable to the US Internal Revenue Service.

b) The BC Company has filed Federal Income Tax Returns for the years ended December 31, 1999 and 2000. To December 31, 2000, the BC Company had a total loss of CAD$482,634 (equivalent to US$321,756). No provision for Canadian Income Taxes is provided for in these consolidated financial statements as the profit is reduced by the losses brought forward and other costs of the Company.

Note 21. FINANCIAL INSTUMENTS

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, prepaid expenses and deposits, subscriptions receivable, inventories, bank loans, accounts payable and accrued, balances due to related parties, the amount payable on an acquisition and long-term liabilities. It is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial statements approximates their carrying values.

Note 22. LEASE OBLIGATIONS

a) Canon Copier (NP-3825) Lease

On October 1, 1999, the Company entered into a 48 month lease with Dominion Technologies for a Canon Copier to be used by the Company. Lease payments are expensed as they are incurred. Lease obligations are as follows:

2002	CAD$ 1,327
2003	CAD$ 995

b) Computer Lease

On October 1, 1999, the Company entered into a 36 month lease with Dominion Technologies for computer equipment to be used by the Company. Lease payments are expensed as they are incurred. Lease obligations are as follows:

2002	CAD$ 2,210

c) Vehicle Leases

On July 29, 1999, the Company entered into a 36 month lease with Mercedes-Benz Credit of Canada Inc. for two vehicles to be used by the Company. Lease payments are expensed as they are incurred. Lease obligations are as follows:

2002	CAD$	12,207

d) Lease of Premises

The Company entered into a lease for offices on April 26, 1999 with Omnia Overseas Trading Ltd. for three years for monthly rent and costs of CAD$3,133.51, that commenced on July 1, 1999.

The first and the last months rent of CAD$6,631.15 is due at the time of signing. This amount has been paid and is recorded as prepaid expense and deposit as at December 31, 2001.

Summary of lease obligations

Year	CDN$	Equivalent US$
2002	$34,545	$23,250
2003	995	670
	$35,540	$23,920

These lease payments are not capitalized, but are expensed as they are incurred.

Note 23. PENSION AND EMPLOYMENT LIABILITIES

The Company has liabilities which are deferred as at December 31, 2001, for pension, post-employment benefits or post-retirement benefits in Tianan in the amount of $212,562. This liability is unchanged from December 31, 2001. The parent company and other subsidiary companies, (except for Tianan) do not have any liabilities for pensions and related costs.

Note 24. DISTRIBUTORSHIP AGREEMENTS

The Company and/or its subsidiaries enter into various distributorship agreements with independent third parties to market products of the Company and its subsidiaries.

Note 25. LAWSUITS

Expediter Sales Ltd. (“Expediter”) v. the BC Company

There is a claim filed against the BC Company by Expediter alleging a breach of contract and misrepresentation. Expediter is seeking damages for alleged loss of profits, loss of business and goodwill, misrepresentation, set-up expenses and the alleged wrongful use of Expediter's name, and an injunction to prevent the BC Company from selling an herbal tea in Canada. The BC Company terminated the contract of Expediter for non-performance and has, accordingly, counterclaimed against Expediter for outstanding debts unpaid by Expediter. No provision has been made in these financial statements for any potential costs or contingent assets relating to this matter as the results of the claim and counterclaim are not determinable at this time.

Note 26. CONTRACTUAL COMMITMENTS

A subsidiary, TZF Jiangsu has contractual obligations totalling $2,424,598, at December 31, 2001, to builders, suppliers and subtrades relating to construction in progress of buildings and for purchase of equipment.

Note 27. SALES IN CANADA

The Company maintains a products analysis and quality control system in Canada, for its products to be distributed, in order to ensure that its products conform to relevant regulatory and health requirements. Where any products are found not to meet the regulatory requirements, the Company will immediately take such measures as necessary, or cause such measures to be taken, so that the said regulatory requirements are complied with.

Note 28. REVENUES OF ACQUISITIONS

The Company has acquired four subsidiary companies and they are recorded as a purchase. Operating figures of these acquisitions are disclosed from the date of acquisition. Details of the operating figures for the Company and the four subsidiary companies for the year ended December 31, 2001, extracted from the applicable financial statements of those companies, are as follows:

	TZF US Company	The BC Company	Tian'an	TZF Jiangsu	Shenzhen TZF Net	Total
Revenue						
Sales	$ 146,234	$1,233,791	$1,160,518	$1,621,745	$ 951,954	$5,114,242
Cost of sales	38,056	683,343	543,235	1,047,890	682,716	2,995,241
Gross profit	108,178	550,448	617,22	573,855	269,238	2,119,001
Other income	3,910	23,993	73,325	121,827	35,216	258,271
	112,088	574,441	690,607	695,682	304,454	2,377,272

Selling expenses		16,509	110,452	254,627	26,760	408,348
Administrative costs	84,697	588,954	447,433	570,328	368,858	2,060,270
Depreciation		19,017	145,200	30,678	9,262	204,157
	84,697	588,954	447,433	570,328	368,858	2,060,270
Profit before income taxes	27,391	(14,513)	242,174	125,354	(64,404)	317,002
Income taxes			37,142		46,922	84,064
Net profit for the period	$ 27,391	$ 14,513	$ 206,032	$ 125,354	$(111,326)	$ 232,938

Refer to note 1, showing reconciliation of operations of Shenzhen TZF Net due to cancellation of proposed acquisition of Hengkang Pharmaceutical Company.

Note 29 DISTRIBUTION AGREEMENTS

a) By agreement dated December 15, 2000, effective January 1, 2001, Trophic Canada Ltd. ("the Supplier"), granted TZF International Investments, Inc. ("TZF") the exclusive right to promote, distribute, and sell the supplier's products within the "Territory" of China, which includes Hong Kong, SAR, for a period of five years. Continuation of this exclusive right is continent upon meeting or exceeding the purchase of products for a minimum of CAD$50,000 within the first distribution year, a minimum of CAD$200,000 within the second distribution year, and increases of approximately 20% in each of the subsequent distribution years.

The supplier may terminate the distribution agreement if TZF breaches any terms of the agreement, including but not restricted to the annual sales requirements, if any breaches are not remedied within three months after written notice.

TZF cannot assign the agreement or subcontract its obligations under the agreement without the consent in writing of the supplier. The supplier is an arms length party unrelated to TZF.

b) By agreement dated June 22, 2001, effective June 22, 2001, Puresource Inc. ("the Supplier") granted TZF International Investments, Inc. ("TZF") the exclusive right to promote, distribute, and sell the supplier's products within the "Territory" of China, which includes Hong Kong, SAR, for a period of five years. Continuation of this exclusive right is continent upon meeting or exceeding the purchase of products for a minimum of US$20,000 within 12 months after the initial Product has been approved for sale in the Territory by the appropriate Government department.

The supplier may terminate the distribution agreement if TZF breaches any terms of the agreement, including but not restricted to the annual sales requirements, if any breaches are not remedied within 45 days after written notice.

This agreement shall be renewed for additional successive renewal periods of five year terms upon written notice by either of the parties, delivered at lease 60 days prior to the expiration of the preceding period and in any case the Distributor will always have the first choice of renewal.

c) By agreement dated July 25, 2001 effective July 25, 2001, Flora Manufacturing and Distributing Ltd. ("the Supplier"), granted TZF International Investments, Inc. ("TZF") the exclusive right to promote, distribute, and sell the supplier's products within the "Territory" of the Peoples' Republic of China (excluding Hong Kong and Macao) for a period of three years. Continuation of this exclusive right is continent upon meeting or exceeding the purchase of products for a minimum of US$50,000 within 12 months after the initial Product has been approved for sale in the Territory by the appropriate government department and in the next two years thereafter or US$200,000 in the second year and US$400,000 in the third year.

The supplier may terminate the distribution agreement if TZF breaches any terms of the agreement, including but not restricted to the annual sales requirements, if any breaches are not remedied within three months after written notice.

This agreement shall be renewed for additional successive renewal periods of three year terms upon written notice by either of the parties, delivered at least 60 days prior to the expiration of the preceding period and, in any case, the Distributor will always have the first choice of renewal.

Note 30 SUBSEQUENT EVENT

By a Director Resolution dated February 25, 2002, the expiry date for 290,007 units of share purchase warrant have been extended from December 17, 2001 to December 17, 2002. The exercise price remained the same, at CAD$1.50 per share.

PART III

ITEM 9. DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS AND CONTROL PERSONS; COMPLIANCE WITH SECTION 16(a) OF THE EXCHANGE ACT.

The directors and executive officers currently serving the Company are as follows:

Name	Age	Tenure
Xin Chen	37	Chairman and a Director since February 1999

Chung Yu	40	CEO, President, and a Director since February 1999
Qing Liu	45	Vice President and a Director since February 1999
Hong Li	39	Director since February 2000
Chun Sheng Guo	35	Director since February 2000

The directors named above will serve until the next annual meeting of the Company's stockholders. Thereafter, directors will be elected for one-year terms at the annual stockholders' meeting. Officers will hold their positions at the pleasure of the board of directors, absent any employment agreement, of which none currently exists or is contemplated. There is no arrangement, plan or understanding between any of the directors or officers of the Company and any other person pursuant to which any director or officer was or is to be selected as a director or officer, and there is no arrangement, plan or understanding as to whether non-management shareholders will exercise their voting rights to continue to elect the current directors to the Company's board. There are also no arrangements, agreements or understandings between non-management shareholders and management under which non-management shareholders may directly or indirectly participate in or influence the management of the Company's affairs.

Biographical Information of Directors and Executive Officers follows:

Xin Chen

Mr. Chen is the founder and Chairman of the board of directors of the Company. Presently, Mr. Chen is also the Chairman, President and CEO of Xin Hai Group and the Chairman of its subsidiaries Ningbo Success Information Industry Co Ltd. and Shanghai New Star Real Estate Development Co., Ltd. Ningbo Success Information Industry Co., Ltd., is listed on the Shen Zhen Stock Exchange in China Mr. Chen is also the honorary Dean of the Finance Faculty and visiting professor at JiangXi Finance University and a visiting professor at the Beijing Commerce University.

Chung Yu.

Mr. Chung Yu is President and CEO of the Company, as well as a director. Mr. Chung Yu is the honorary president of the Canadian Chinese Herbal Professional & Merchants Association, Vice-Chairman of the Canadian Chinese Chamber of Commerce, and a member of the Chinese Entrepreneurial Society of Canada. Mr. Chung Yu was the former director and vice-president of Hong Kong KunZe Enterprise Ltd., president of China Hua Pu Group, and a director of RoRo International Trading, Ltd. With over 12 years as the president of China Hua Pu Group, Mr. Yu will contribute his expertise to the startup and management of the Company.

Qing Liu.

Mr. Liu is the Vice President for North America & Asia and is Vice President and a director of the Company. From 1995 to 1999, Mr. Liu was the Chairman and President of Beijing T.Z.F. Commerce and Trade Group, Chairman of the Board of Directors of Beijing YoungHeng Advertising Company, President of Beijing Kai Huan medicine manufacturing company, and the President of Beijing Zhong Jia Yi Medical and Pharmaceutical Technology Development Company. Mr. Liu is the honorary Chairman of the S.T.A.U.N.C.H. (The Society for Therapeutic Alternatives Using Natural Chinese Healing Methods) Foundation in Canada and a committee member of the Chinese Business Association of Canada.

Hong Li.

Mr. Li is a director of the Company, and is involved with introducing investors from Asia. Mr. Li was the Secretary of the Board of Directors of Shenzhen Tianyuan Industry, Inc., and was responsible for raising capital. Mr. Li was also the Vice President of Hainan HengTai Group, Ltd, a Shanghai Stock Exchange company. Presently, Mr. Li is the director of ShenZhen Xinhai Industrial & Trading, Ltd., and is a director and CEO of Ningbo Success Information Industry Co. Ltd.

Chung Sheng Guo.

Mr. Guo is a director of the Company. Since 1994, he has worked for ShenZhen Xinhai Industrial & Trading, Ltd. as the manager. In this capacity, he specialized in import and export, and projects for overseas investment. Mr. Guo will be responsible for China-based production.

Compliance with Section 16(a) of the Exchange Act

The Company's officers and directors have each filed an Annual Statement of Changes in Beneficial Ownership of Securities on Form 5.

ITEM 10. EXECUTIVE COMPENSATION.

By directors’ resolution dated December 1, 1998, the Company agreed to pay each of Mr. Chung Yu, Mr. Xin Chen, and Mr. Qing (Eric) Liu a management fee of CAD $8,000 (approximately $5,384 U.S. dollars) per month effective as of the date of the resolution. The resolution also authorized the Company to defer payment all, or a portion, of such management fees until such time as the Company has had a public offering, or as the Board of Directors decides in view of the Company’s financial resources.

During the fiscal year ending December 31, 2000, the Company paid each of the named directors and officers a total of CAD $72,000 (approximately $48,456 U.S.), and deferred a total of CAD $24,000 (approximately $16,152 U.S.).

As at December 31, 2000, the accrued but unpaid portion of the management fees due to each of the named officers and directors was as follows:

	Xin Chen	Chung Yu	Eric Liu	Total
Amount unpaid	$71,195	$54,032	$24,777	$150,004

Additional management fees were accrued during the current fiscal year. However, effective in the third quarter of the current fiscal year, all accrued but unpaid management fees were cancelled. The cancellation resulted in a credit of $288,000 to administration costs for the fiscal year ending December 31, 2001.

ITEM 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT.

The following table sets forth, as of December 31, 2001, the stock ownership of each executive officer and director of T.Z.F. International Investments, Inc., of all executive officers and directors as a group, and of each person known by T.Z.F. International Investments, Inc. to be a beneficial owner of 5% or more of its Common Stock. Except as otherwise noted, each person listed below is the sole beneficial owner of the shares and has sole investment and voting power as such shares. No person listed below has any options, warrants or other rights to acquire additional securities of T.Z.F. International Investments, Inc., except as may be otherwise noted.

Name and Address	Number of Shares Owned Beneficially	% of Class Owned
Xin Chen (1) 3381 Fleming Street Vancouver, B.C. V5N 3V6	20,000,000 (2)	55.71 %
Chung Yu (1) 3381 Fleming Street Vancouver, B.C. V5N 3V6	1,429,941	3.98%
Qing Liu (1) #308 - 8625 Logan Street Vancouver, B.C. V6P 3T3	1,072,456	2.97 %

Hong Li [(1)] 3381 Fleming Street Vancouver, B.C. V5N 3V6	20,000	nil
Chun Sheng Guo [(1)] 3381 Fleming Street Vancouver, B.C. V5N 3V6	0	0%
Shenzhen Hengyunda Enterprises Co. Ltd. Shenzhen, China	6,000,000	16.71%
All directors and executive officers (5 persons)	22,522,397	62.74 %

(1) The person listed is an officer, a director, or both, of the Company.

(2) On December 28, 2000, the Company signed a Debt Settlement Agreement with Mr. Xin Chen. Mr. Chen agreed to take 10,000,000 common shares of the Company at a price of CAD$0.75 (US$0.50) per share to repay $5,000,000 of his loan. The 10,000,000 shares also have 10,000,000 warrants attached, entitling the holder to purchase an additional 10,000,000 common shares of the Company at a price of CAD$1.50 per share until December 28, 2001, and thereafter at a price of CAD$2.50 per share until December 28, 2002.

ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

As of December 31, 2000, the Company had outstanding loans from related parties totaling $515,053, including $499,776 owed to Mr. Xin Chen and $15,277 owed to Mr. Chung Yu. These amounts are unsecured, non-interest bearing obligations, with no specific terms of repayment.

Three of the Company's principal shareholders offered certain warrant holders of the Company the opportunity to exchange all, or a portion, of their warrants for shares of common stock then held by such principal shareholders. The warrant holders to which the offer was made had acquired their warrants through purchase of units consisting of one share of common stock and one warrant. The warrants allow the holder to purchase one share of common stock of the Company at a price of CAD $1.50 per share (approximately $1.00 U.S.) if exercised on or before December 17, 2000, and at a price of CAD $2.50 per share (approximately $1.675 U.S.) if exercised after December 17, 2000 and on or before December 17, 2001. A portion of the units were offered and sold by the Company at a price of CAD $1.00 (approximately $ 0.67 U.S.) and a portion were offered and sold by the Company at a price of CAD $1.50 (approximately $1.00 U.S.). The purpose of the exchange offer was to reduce the effective per share price paid by each of the warrant holders for purchase of shares of the Company to CAD $0.75 (approximately $0.50 U.S.).

The exchange was completed on December 17, 2000, and on that date, the three principal shareholders exchanged a total of 2,850,295 of their shares of common stock of the Company (including 452,692 shares exchanged by Mr. Xin Chen, 1,020,059 shares exchanged by Mr. Chung Yu and 1,377,544 shares exchanged by Mr. Eric Liu) to acquire 100% of the warrants which had been offered and sold as part of the CAD $1.00 units and 33% of the of the warrants which had been offered and sold as part of the CAD $1.50 units.

During the fiscal year ending December 31, 2000, Mr. Xin Chen, Director and Chairman of the Board of the Company, advanced a total of approximately $5,500,000 on the behalf of the Company. These funds were used in part for purchase of the assets of T.Z.F International Herbs (Jiangsu), Co, Ltd., in part for purchase of all of the issued and outstanding stock of Tian'an Investments Limited, a British Virgin Islands Corporation, and in part for the purchase of 100% of the issued and outstanding stock of Shenzhen Tianzifu Network Technologies Co., Ltd.

On December 28, 2000, the Company signed a Debt Settlement Agreement with Mr. Xin Chen. Mr. Chen agreed to accept a total of 10,000,000 shares of common stock of the Company and 10,000,000 warrants in payment of $5,000,000 of his loan. For purposes of this transaction, the 10,000,000 shares were valued at a price per share of CAD $0.75 (approximately $ 0.50 U.S.), Each of the 10,000,000 warrants entitles the holder thereof to purchase one share of common stock of the Company at a price of CAD $1.50 (approximately $1.00 U.S.) if exercised on or before December 28, 2001, and at a price of CAD $2.50 (approximately $1.675 U.S.) if exercised after December 28, 2001 and on or before December 31, 2002.

By agreement, all accrued but unpaid management fees were cancelled effective as of July 31, 2001.

As of December 31, 2001, the Company has a total of $308,601 outstanding, and owed to related parties. This amount is unsecured, and non-interest bearing, with no specific terms of repayment.

ITEM 13. EXHIBITS AND REPORTS ON FORM 8-K.

(a) The Exhibits listed below are filed as part of this Annual Report.

Exhibit No.	Document
2.1	Agreement for Share Exchange (incorporated by reference from Registration Statement on Form 10-SB filed with the Securities and Exchange Commission on August 21, 2000).
2.2	Stock Purchase Agreement (incorporated by reference from Registration Statement on Form 10-SB filed with the Securities and Exchange Commission on August 21, 2000).

3.1	Articles of Incorporation (incorporated by reference from Registration Statement on Form 10-SB filed with the Securities and Exchange Commission on August 21, 2000).
3.1a	Amendment to Articles of Incorporation (incorporated by reference from Registration Statement on Form 10-SB filed with the Securities and Exchange Commission on August 21, 2000).
3.2	Bylaws (incorporated by reference from Registration Statement on Form 10-SB filed with the Securities and Exchange Commission on August 21, 2000).
4.1	Specimen Common Stock Certificate (incorporated by reference from Registration Statement on Form 10-SB filed with the Securities and Exchange Commission on August 21, 2000).

(b) No reports on Form 8-K were filed by the Company during the last quarter of its fiscal year ending December 31, 2001.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

T.Z.F. INTERNATIONAL INVESTMENTS, INC.

By:/S/ CHUNG YU
Chung Yu, President, Chief Executive Officer, and a Director

By: /S/ XIN CHEN
Xin Chen, Chairman of the Board

By: /S/ HONG LI
Hong Li, a Director

By: /S/ CHUN SHENG GUO
Chun Sheng Guo, a Director

By: /S/ QING LIU
Qing Liu, Vice President and a Director

Date: May 7, 2002