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FIRST SHANGHAI GROUP

**FIRST SHANGHAI INVESTMENTS LIMITED**

● SHANGHAI



**INTERIM REPORT ● 2003**

## **CORPORATE INFORMATION**

### **BOARD OF DIRECTORS**

#### *Chairman and Managing Director*

Mr. Lao Yuan Yi

#### *Independent Non-executive Directors*

Prof. Woo Chia Wei

Mr. Kwok Lam Kwong, Larry

#### *Directors*

Mr. Xin Shulin, Steve

Mr. Yeung Wai Kin

Mr. Hu Yi Ming

### **COMPANY SECRETARY**

Mr. Yeung Wai Kin

### **REGISTERED OFFICE**

Room 1903, Wing On House

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Hong Kong

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### **AUDITORS**

PricewaterhouseCoopers

*Certified Public Accountants*

### **SOLICITORS**

Richards Butler

Victor Chu & Co.

T. H. Koo & Associates

### **PRINCIPAL BANKERS**

CITIC Ka Wah Bank Limited

Standard Chartered Bank

BNP Paribas Hong Kong Branch

### **REGISTRARS & TRANSFER OFFICE**

Computershare Hong Kong Investor

Services Limited

17th Floor, Hopewell Centre

183 Queen's Road East

Hong Kong

The Board of Directors (the “Board”) of First Shanghai Investments Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries, associated companies and jointly controlled entities (the “Group”) for the six months ended 30th June 2003 together with comparative figures for the corresponding period last year as follows:

## CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

		Unaudited Six months ended 30th June	
		2003 HK\$'000	Restated (Note 1) 2002 HK\$'000
	Note		
Turnover	2	123,589	79,836
Cost of sales		(89,849)	(45,359)
Gross profit		33,740	34,477
Other revenue		1,770	2,537
Administrative expenses		(38,163)	(36,217)
Other operating expenses		(5,580)	(1,282)
Other operating income		17,541	9,931
Operating profit	2 and 3	9,308	9,446
Finance costs		(144)	(142)
Share of profits less losses of Associated companies		23,804	11,351
Jointly controlled entities		20,052	20,549
Profit before taxation		53,020	41,204
Taxation	5	(7,658)	(7,211)
Profit after taxation		45,362	33,993
Minority interests		1,112	(659)
Profit attributable to shareholders		46,474	33,334
Basic earnings per share	6	3.96 cents	2.95 cents
Fully diluted earnings per share	6	3.93 cents	2.90 cents

## CONDENSED CONSOLIDATED BALANCE SHEET

		Unaudited 30th June 2003 HK\$'000	Restated (Note 1) Audited 31st December 2002 HK\$'000
	<i>Note</i>		
Intangible assets	7	44,463	49,430
Fixed assets	8	144,609	146,578
Deposits for land		22,779	16,849
Investments in associated companies		290,438	308,086
Investments in jointly controlled entities		310,730	260,941
Investment securities		94,057	92,372
Deferred tax assets	12	124	—
<b>Current assets</b>			
Inventories		1,074	1,270
Other investments		46,176	22,499
Loans and advances		46,200	25,881
Accounts receivable and prepayments	9	133,410	63,261
Pledged bank deposits		15,000	15,000
Bank balances and cash		217,355	254,195
		<b>459,215</b>	<b>382,106</b>
<b>Current liabilities</b>			
Accounts payable and accruals	10	97,255	37,364
Taxation payable		4,257	2,379
Short-term bank loans and overdrafts, secured		2,836	2,835
		<b>104,348</b>	<b>42,578</b>
<b>Net current assets</b>		<b>354,867</b>	<b>339,528</b>
<b>Total assets less current liabilities</b>		<b>1,262,067</b>	<b>1,213,784</b>
<b>Financed by:</b>			
Share capital	11	234,665	234,665
Reserves		732,289	718,685
Retained profits			
Proposed final dividend		—	11,733
Other		241,644	195,170
<b>Shareholders' funds</b>		<b>1,208,598</b>	<b>1,160,253</b>
Minority interests		52,099	52,423
Deferred tax liabilities	12	1,370	1,108
		<b>1,262,067</b>	<b>1,213,784</b>

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Unaudited	
	Six months ended 30th June	
	2003	2002
	HK\$'000	HK\$'000
Net cash outflow from operating activities	(53,536)	(12,525)
Net cash inflow from investing activities	11,305	15,698
Net cash outflow from financing activities	—	(16,970)
Decrease in cash and cash equivalents	(42,231)	(13,797)
Cash and cash equivalents at 1st January	254,195	306,405
Effect of foreign exchange rate changes	5,391	1,683
Cash and cash equivalents at 30th June	217,355	294,291
Analysis of balances of cash and cash equivalents		
Bank balances and cash	217,355	294,291

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Unaudited			Retained profits HK\$'000	Total HK\$'000
				Capital redemption reserve HK\$'000	Land and buildings revaluation reserve HK\$'000	Exchange fluctuation reserve HK\$'000		
At 1st January 2003, as previously reported	234,665	594,823	64,476	14,006	49,262	(1,160)	203,375	1,159,447
Effect on adoption of SSAP 12	—	—	(314)	—	(2,408)	—	3,528	806
At 1st January 2003, as restated	234,665	594,823	64,162	14,006	46,854	(1,160)	206,903	1,160,253
Share of post-acquisition reserves of associated companies and jointly controlled entities	—	—	(35)	—	—	—	—	(35)
Exchange differences on translation of the accounts of foreign subsidiaries, jointly controlled entities and associated companies	—	—	—	—	—	4,626	—	4,626
Reversal of goodwill, previously written off, on disposal of partial interest in an associated company	—	—	9,013	—	—	—	—	9,013
Profit for the period	—	—	—	—	—	—	46,474	46,474
2002 final dividend	—	—	—	—	—	—	(11,733)	(11,733)
At 30th June 2003	234,665	594,823	73,140	14,006	46,854	3,466	241,644	1,208,598

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Unaudited							Total
	Share capital	Share premium	Capital reserve	Capital redemption reserve	Land and buildings revaluation reserve	Exchange fluctuation reserve	Retained profits	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st January 2002, as previously reported	226,265	582,236	63,720	14,006	49,582	(3,345)	171,416	1,103,880
Effect of adoption of SSAP 12	—	—	(314)	—	(2,456)	—	3,134	364
At 1st January 2002, as restated	226,265	582,236	63,406	14,006	47,126	(3,345)	174,550	1,104,244
Share of post-acquisition reserves of an associated company	—	—	101	—	—	—	—	101
Exchange differences on translation of the accounts of foreign subsidiaries, jointly controlled entities and associated companies	—	—	—	—	—	2,493	—	2,493
Reversal of goodwill, previously written off, on disposal of partial interest in an associated company	—	—	195	—	—	—	—	195
Profit for the period	—	—	—	—	—	—	33,334	33,334
2001 final dividend	—	—	—	—	—	—	(16,970)	(16,970)
At 30th June 2002	226,265	582,236	63,702	14,006	47,126	(852)	190,914	1,123,397

## NOTES TO CONDENSED INTERIM ACCOUNTS

### 1. BASIS OF PREPARATION

These unaudited consolidated condensed interim accounts are prepared in accordance with Hong Kong Statement of Standard Accounting Practice ("SSAP") 25, "Interim financial reporting", issued by the Hong Kong Society of Accountants.

These condensed interim accounts should be read in conjunction with the 2002 annual accounts.

The accounting policies and methods of computation used in the preparation of these condensed interim accounts are consistent with those used in the annual accounts for the year ended 31st December 2002 except that the Group has adopted SSAP 12 "Income Taxes" issued by the Hong Kong Society of Accountants which is effective for accounting periods commencing on or after 1st January 2003.

The major changes to the Group's accounting policies and the effect of adopting the SSAP 12 are set out below:

Under the new SSAP 12, deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred taxation is provided for on temporary differences arising on investments in subsidiaries, associated companies and joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

In prior year, deferred taxation was accounted for at the current taxation rate in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or an asset was expected to be payable or recoverable in the foreseeable future. The adoption of the new SSAP 12 represents a change in accounting policy, which has been applied retrospectively so that the comparatives presented have been restated to conform to the changed policy.

As detailed in the Condensed Consolidated Statement of Changes in Equity, opening retained earnings at 1st January 2003 and 2002 have been increased by approximately HK\$3,528,000 and HK\$3,134,000 respectively and opening reserves at 1st January 2003 and 2002 have been decreased by approximately HK\$2,722,000 and HK\$2,770,000 respectively. The profit for the six months ended 30th June 2002 has been increased by approximately HK\$329,000.



2. SEGMENT INFORMATION

The Group is principally engaged in securities trading and investment, corporate finance and stockbroking, container transportation and freight forwarding services, investment holding, property holding and management.

An analysis of the Group's turnover and contribution to operating profit for the period by business and geographical segments is as follows:

Primary reporting format — business segments

	Turnover Unaudited		Contribution to operating profit Unaudited	
	Six months ended 30th June 2003 HK\$'000	2002 HK\$'000	Six months ended 30th June 2003 HK\$'000	2002 HK\$'000
Securities trading and investment	71,641	23,705	2,787	(2,751)
Corporate finance and stockbroking	30,999	33,529	14,297	14,162
Container transportation and freight forwarding services	20,593	22,164	(2,106)	1,685
Investment holding, property holding and management	356	438	(7,440)	(6,187)
	<u>123,589</u>	<u>79,836</u>	7,538	6,909
Other revenue — interest income			1,770	2,537
Operating profit			<u>9,308</u>	<u>9,446</u>

There are no sales or other transactions between the business segments.

2. SEGMENT INFORMATION (Cont'd)

Secondary reporting format — geographical segments

The Group operates in two main geographical areas:

- Hong Kong — Securities trading and investment, corporate finance and stockbroking, investment holding, property holding and management.
- Chinese Mainland — Investment holding, container transportation and freight forwarding services.

	Turnover Unaudited		Contribution to operating profit Unaudited	
	Six months ended 30th June		Six months ended 30th June	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Hong Kong	102,661	57,259	16,346	5,002
Chinese Mainland	20,841	22,345	(6,423)	2,507
Others	87	232	(2,385)	(600)
	<u>123,589</u>	<u>79,836</u>	<u>7,538</u>	<u>6,909</u>
Other revenue - interest income			1,770	2,537
Operating profit			<u>9,308</u>	<u>9,446</u>

There are no sales between the geographical segments.

3. OPERATING PROFIT

	Unaudited	
	Six months ended 30th June	
	2003 HK\$'000	2002 HK\$'000
Operating profit is stated after crediting and charging the following:—		
<b>Crediting:</b>		
Gain on disposal of partial interest in an associated company	6,002	—
Gain on disposal of investment securities	—	7,850
Amortisation of negative goodwill on acquisition of partial interest in jointly controlled entities	1,510	1,479
<b>Charging:</b>		
Depreciation	4,203	5,372
Loss on disposal of fixed assets	25	276
Amortisation of goodwill on acquisition of partial interest in an associated company and a jointly controlled entity	130	85
Amortisation of goodwill on acquisition of a subsidiary	4,885	—
Amortisation of trading right	82	82
Staff costs (Note 4)	31,394	28,073

4. STAFF COSTS

	Unaudited	
	Six months ended 30th June	
	2003	Restated
	HK\$ '000	2002
		HK\$ '000
Wages, salaries and allowance	27,821	25,126
Medical and other benefits	1,362	1,230
Pension costs - defined contribution plans	1,605	1,425
Termination benefits	606	292
	<u>31,394</u>	<u>28,073</u>

5. TAXATION

Hong Kong profits tax has been provided for at the rate of 17.5% (2002: 16%) on the estimated assessable profit for the period. Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

The amount of taxation charged to the consolidated profit and loss account represents:

	Unaudited	
	Six months ended 30th June	
	2003	Restated
	HK\$ '000	2002
		HK\$ '000
Hong Kong profits tax		
Current	1,742	2,518
Overprovision in prior years	(2)	(317)
Overseas taxation - current	—	178
Deferred taxation	138	(56)
Share of taxation attributable to:		
Associated companies	1,922	1,487
Jointly controlled entities	3,858	3,401
	<u>7,658</u>	<u>7,211</u>

6. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share are based on the Group's profit attributable to shareholders of approximately HK\$46,474,000 (2002: HK\$33,334,000, as restated). The basic earnings per share is based on the weighted average number of 1,173,323,705 (2002: 1,131,323,705) ordinary shares in issue during the period. The diluted earnings per share is based on 1,182,087,836 (2002: 1,147,748,155) ordinary shares which is the weighted average number of ordinary shares in issue during the period plus the weighted average of 8,764,131 (2002: 16,424,450) ordinary shares deemed to be issued at no consideration if all outstanding options had been exercised.

7. INTANGIBLE ASSETS

	Goodwill <i>HK\$'000</i>	Future Exchange trading right <i>HK\$'000</i>	Total <i>HK\$'000</i>
1st January 2003	48,038	1,392	49,430
Amortisation	(4,885)	(82)	(4,967)
30th June 2003	<u>43,153</u>	<u>1,310</u>	<u>44,463</u>

8. FIXED ASSETS

	<i>HK\$'000</i>
1st January 2003	146,578
Additions	3,323
Disposals	(1,089)
Depreciation	(4,203)
30th June 2003	<u>144,609</u>

9. ACCOUNTS RECEIVABLE AND PREPAYMENTS

Included in accounts receivable and prepayments are trade receivables and their ageing analysis is as follows:

	30th June 2003 <i>HK\$'000</i>	31st December 2002 <i>HK\$'000</i>
0 - 30 days	52,030	14,593
31 - 60 days	5,243	5,504
61 - 90 days	4,978	2,701
Over 90 days	2,085	228
	<u>64,336</u>	<u>23,026</u>

For securities business, trade receivables are on credit terms of trading day plus two days. For the remaining business of the Group, trade receivables are mainly on credit terms of 30 to 60 days.

10. ACCOUNTS PAYABLE AND ACCRUALS

Included in accounts payable and accruals are trade payables and their ageing analysis is as follows:

	30th June 2003 <i>HK\$'000</i>	31st December 2002 <i>HK\$'000</i>
0 - 30 days	70,173	7,006
31 - 60 days	73	50
61 - 90 days	14	11
Over 90 days	2	2
	<u>70,262</u>	<u>7,069</u>

11. SHARE CAPITAL

	Ordinary shares of HK\$0.2 each			
	30th June 2003		31st December 2002	
	No. of shares	<i>HK\$'000</i>	No. of shares	<i>HK\$'000</i>
Authorised:				
At the beginning and the end of the period/year	<u>2,000,000,000</u>	<u>400,000</u>	<u>2,000,000,000</u>	<u>400,000</u>
Issued and fully paid:				
At 1st January 2003/2002 and 30th June 2002	1,173,323,705	234,665	1,131,323,705	226,265
Issue of shares	—	—	42,000,000	8,400
At 30th June 2003/ 31st December 2002	<u>1,173,323,705</u>	<u>234,665</u>	<u>1,173,323,705</u>	<u>234,665</u>

12. DEFERRED TAXATION

Deferred taxation is calculated in full on temporary differences under the liability method using a principal taxation rate of 17.5% (2002 : 16%). The movement on the deferred tax liabilities/ (assets) account during the period/year is as follows:

	Six months ended 30th June 2003 HK\$'000	Year ended 31st December 2002 HK\$'000
At the beginning of the period/year	1,108	1,269
Charged/(credited) to profit and loss account	138	(113)
Credited to reserve	—	(48)
At the end of the period/year	<u>1,246</u>	<u>1,108</u>

Deferred income tax assets are recognised for tax losses carry forwards to the extent that realisation of the related tax benefit through the future taxable profits is probable. The Group has unrecognised tax loss of approximately HK\$705,000 at 30th June 2003 (31st December 2002 : Nil) to carry forward against future taxable income. This tax loss has no expiry date.

The movement in deferred tax assets and liabilities during the period/year is as follows:

**Deferred tax liabilities**

	Six months ended 30th June 2003 HK\$'000	Accelerated tax depreciation Year ended 31st December 2002 HK\$'000
At the beginning of the period/year	1,108	1,269
Charged/(credited) to profit and loss account	262	(113)
Credited to reserve	—	(48)
At the end of the period/year	<u>1,370</u>	<u>1,108</u>

**Deferred tax assets**

	Six months ended 30th June 2003 HK\$'000	Tax losses Year ended 31st December 2002 HK\$'000
At the beginning of the period/year	—	—
Credited to profit and loss account	(124)	—
At the end of the period/year	<u>(124)</u>	<u>—</u>

13. CONTINGENT LIABILITIES

	30th June 2003 HK\$'000	31st December 2002 HK\$'000
Guarantee for bank loans of a jointly controlled entity	—	2,830

14. COMMITMENTS

(a) Capital commitments

	30th June 2003 HK\$'000	31st December 2002 HK\$'000
Contracted but not provided for	12,329	14,532
The Group's share of capital commitments of a jointly controlled entity and an associated company not included in the above is as follows:—		
Contracted but not provided for	19,160	11,862

(b) Commitments under operating leases

At 30th June 2003, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	30th June 2003 HK\$'000	31st December 2002 HK\$'000
Not later than one year	4,715	3,288
Later than one year but not later than five years	6,291	2,180
	11,006	5,468

## OPERATION REVIEW

For the six months ended 30th June 2003, the Group recorded a profit attributable to shareholders of HK\$46 million, representing a 39% increase from the corresponding period last year. The increase in profit is mainly contributed by the outstanding performance of China Assets (Holdings) Limited (“China Assets”). Following the continued recovery in the equities market, the Group has increased securities trading activities. As the result, the Group’s turnover increased to HK\$124 million from HK\$80 million of the same period last year.

Despite the SARS outbreak in March, we still delivered a satisfactory result in the corporate finance and stockbroking business. Unlike some other business sectors, the securities industry was fast recovered from this short crisis. During the period under review, our Corporate Finance Department had successfully completed three sponsorships of IPO.

Goodbaby Child Products Company Limited (“Goodbaby”) recorded a healthy increase in both turnover and profit attributable to shareholders in the period. By broadening the client base overseas, Goodbaby’s export business continued to grow.

Benefiting from the rapid growth in the automotive industry in Chinese Mainland, Zhejiang Shaoxing Betung Instrument Company Limited achieved a substantial increase in both turnover and profit attributable to shareholders.

The performance of Shanghai Zhong Chuang International Container Storage & Transportation Co. Ltd. (“ZCIC”) is not satisfactory and an operating loss was incurred in the period. The competition in the container transportation sector is still keen and the profit margin of freight forwarding industry is decreasing.

The investee companies of China Assets have stable performance during the six months ended 30th June 2003. Gain from disposal of the toll roads contributed extra profits to the Group.



## OPERATION REVIEW *(Cont'd)*

The share price of RBI Holdings Limited ("RBI") reached a historical high recently and we have disposed of certain interests in RBI to realise the return on this investment. As affected by the outbreak of SARS and the war in Iraq, the results of RBI dropped slightly compared to the same period last year.

In May 2003, the litigation for recovery of the deposit amounted HK\$22.3 million paid by the Group for purchase of an office premises in Lippo Centre was settled out of court and the Group received HK\$9 million in June 2003. The deposit paid had been fully provided in 1998.

## PROSPECTS

The Closer Economic Partnership Arrangement with Chinese Mainland is offering new opportunities. There are expectations that the Hong Kong economy will rebound from the worst situation during the SARS outbreak. We have expanded our brokerage team to grasp this opportunity and thus enlarge the market share.

Chinese Mainland's economy remains robust and there is an increase in consumer purchasing power. We believe that our various investments in different business sectors in Chinese Mainland will continue to generate reasonable returns.

The development of a four-star hotel in Kunshan Economy & Technology Development District and the properties development project in Shanghai Zhangjiang High-tech Park are in the progress. We expect the returns from these projects will commence in 2004 and which will widen our profit base in future.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Results

Profit attributable to shareholders for the six months ended 30th June 2003 was HK\$46 million, an increase of 39% over the same period in 2002. Basic earnings per share increased to HK3.96 cents, up 34%.

Turnover of the Group for the period under review increased by 55% to HK\$124 million as compared to HK\$80 million for the same period last year.

### Liquidity and Financial Resources

The Group relied principally on its internal resources to fund its operation and investment activities. As at 30th June 2003, the Group has a strong financial position with approximately HK\$232 million cash reserves and a gearing ratio (total liabilities excluding minority interest to shareholders' fund) of 9%. Investment in marketable securities as at 30th June 2003 amounted to approximately HK\$49 million.

The Group's principal operations are transacted and recorded in Hong Kong dollars and Renminbi.

The Group has no significant exposure to foreign exchange fluctuations.

### Employees

As at 30th June 2003, the Group employed 472 (30th June 2002: 478) staff, of which 389 are located in Chinese Mainland. Employee remuneration is performance based and is reviewed annually. In addition to basic salary payments, other staff benefits include medical schemes, defined contribution provident fund schemes and employee shares option scheme. Training courses are provided to staff where necessary. The staff cost for the six months ended 30th June 2003 amounted to approximately HK\$31 million.

**MANAGEMENT DISCUSSION AND ANALYSIS** (Cont'd)**Pledge of Assets**

Certain properties of the Group with an aggregate net book value of approximately HK\$92 million as at 30th June 2003 (31st December 2002 : HK\$93 million) as well as fixed deposits of HK\$15 million (31st December 2002 : HK\$15 million) were pledged as securities against bank loans and general banking facilities amounting to HK\$120 million (31st December 2002 : HK\$120 million) granted to the Group.

**INTERIM DIVIDEND**

The Board does not recommend the payment of an interim dividend (2002: Nil).

**DIRECTORS' INTERESTS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES**

At 30th June 2003, the interests of each Director in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of the Securities and Futures Ordinance ("SFO"), as recorded in the register maintained by the Company under Section 352 of the SFO or as notified to the Company were as follows:

Ordinary shares of HK\$0.2 each in the Company:

<b>Directors</b>	<b>Personal Interests</b>	<b>Family Interests</b>	<b>Corporate Interests</b>
Lao Yuan Yi	42,080,000	—	75,308,000
Woo Chia Wei	—	72,000	—

No Directors has any interest of short positions in the shares or underlying shares of the Company. Arrangement on share options granted to Directors is set out in a separate section of this report.

Apart from the share option scheme stated below, at no time during the period was the Company, its subsidiaries or its associated companies a party to any arrangement to enable the Directors of the Company to hold any interests in the shares or debentures of the Company or any of its associated corporations.

## SHARE OPTIONS

On 24th May 2002, the shareholders of the Company approved the termination of the 1994 Share Option Scheme and the adoption of a new scheme (the "Scheme") to comply with the new requirements of Chapter 17 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"). The purpose of the Scheme is to assist in recruiting, retaining and motivating key staff. Under the terms of the Scheme, the Directors have the discretion to grant to employees and Directors of any member of the Group to subscribe for shares in the Company.

Details of share options granted under the Scheme and remain outstanding as at 30th June 2003 are as follows:—

	Options held at 1st January and 30th June 2003	Exercise price HK\$	Date of grant	Exercise period
Directors:—				
Lao Yuan Yi	7,338,100	0.342	26/09/1995	26/03/1996-07/10/2005
	5,503,900	0.318	11/07/1996	11/01/1997-15/07/2006
	10,000,000	0.816	01/11/1997	01/05/1998-12/11/2007
Xin Shulin, Steve	2,534,980	0.453	26/01/1995	26/07/1995-09/02/2005
	838,640	0.318	11/07/1996	11/01/1997-15/07/2006
	2,500,000	0.816	01/11/1997	01/05/1998-12/11/2007
	4,464,000	0.283	08/07/1998	08/01/1999-15/07/2008
Yeung Wai Kin	2,401,560	0.453	26/01/1995	26/07/1995-09/02/2005
	1,494,304	0.318	11/07/1996	11/01/1997-15/07/2006
	2,500,000	0.816	01/11/1997	01/05/1998-12/11/2007
	6,980,000	0.283	08/07/1998	08/01/1999-15/07/2008
Hu Yi Ming	1,000,000	0.816	01/11/1997	01/05/1998-12/11/2007
	2,300,000	0.283	08/07/1998	08/01/1999-15/07/2008
Employees	266,840	0.453	26/01/1995	26/07/1995-09/02/2005
	4,101,712	0.318	11/07/1996	11/01/1997-15/07/2006
	950,000	0.816	01/11/1997	01/05/1998-12/11/2007
	1,808,000	0.283	08/07/1998	08/01/1999-15/07/2008
	<u>56,982,036</u>			

## SHARE OPTIONS *(Cont'd)*

### Notes

The above options granted are not recognised in the accounts until they are exercised. Rule 17.08 of the Listing Rules stipulates that the listed issuer is encouraged to disclose in its annual report and interim report the value of share options granted to participants. The Directors consider it inappropriate to value the share options as a number of factors critical for the valuation cannot be determined accurately. Any valuation of the share option based on various speculative assumptions would be meaningless and could be misleading to the shareholders.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS

The register of substantial shareholders maintained under section 336 of the SFO shows that as at 30th June 2003, the Company had been notified of the following substantial shareholders' interests, being 5% or more of the Company's issued share capital. These interests are in addition to those disclosed above in respect of the Directors.

Ordinary shares of HK\$0.2 each in the Company:

	Corporate Interests	Percentage
China Assets (Holdings) Limited ("China Assets")	238,032,000	20.29%

China Assets is a Hong Kong listed company, which is also an associated company of the Group. Apart from the above, so far as the Directors are aware, there are no parties which were, directly or indirectly, interested in 5% or more of the nominal value of the issued share capital of the Company as at 30th June 2003.

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

The Company has not redeemed any of its shares during the period. Neither the Company nor any of its subsidiaries has purchased or sold any the Company's shares during the period.

## AUDIT COMMITTEE

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matter, including a review of the unaudited interim accounts for the six months ended 30th June 2003 approved by the Directors.

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

In the opinion of the Directors, the Company was in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules throughout the period, except that the independent non-executive Directors of the Company are not appointed for specific terms and are subject to re-election at the annual general meeting of the Company in accordance with the provisions of the Company's Articles of Association.

By order of the Board

**LAO Yuan Yi**

*Chairman and Managing Director*

Hong Kong, 19th September 2003