



第一上海

FIRST SHANGHAI GROUP

FIRST SHANGHAI INVESTMENTS LIMITED

2002  
INTERIM REPORT



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 2002 together with comparative figures for the corresponding period last year as follows:

## CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Note	Unaudited	
		Six months ended 30th June	
		2002	2001
		HK\$'000	HK\$'000
Turnover	2	79,836	183,068
Cost of sales		(45,359)	(150,795)
Gross profit		34,477	32,273
Other revenue		2,537	4,796
Distribution costs		(29)	(19)
Administrative expenses		(36,217)	(34,390)
Other operating expenses		(1,253)	(5,163)
Other operating income		9,931	26,307
Operating profit	2 and 3	9,446	23,804
Finance costs		(142)	(111)
Share of profits less losses of			
Associated companies		11,351	11,164
Jointly controlled entities		20,549	18,898
Profit before taxation		41,204	53,755
Taxation	5	(7,540)	(7,147)
Profit after taxation		33,664	46,608
Minority interests		(659)	(1,228)
Profit attributable to shareholders		<u>33,005</u>	<u>45,380</u>
Basic earnings per share	6	<u>2.92 cents</u>	<u>4.07 cents</u>
Fully diluted earnings per share	6	<u>2.88 cents</u>	<u>4.01 cents</u>



## CONDENSED CONSOLIDATED BALANCE SHEET

		Unaudited 30th June 2002 HK\$'000	Audited 31st December 2001 HK\$'000
	<i>Note</i>		
Intangible asset	7	1,474	1,556
Fixed assets	8	151,940	154,993
Investments in associated companies		290,950	291,070
Investments in jointly controlled entities		238,369	237,341
Investment securities		102,584	81,414
Current assets			
Inventories		1,079	1,104
Other investments		22,003	20,193
Loans and advances		13,055	10,886
Accounts receivable, prepayments and other receivables	9	105,769	107,752
Tax recoverable		54	51
Pledged bank deposits		15,000	15,000
Bank balances and cash		294,291	306,914
		<u>451,251</u>	<u>461,900</u>
Current liabilities			
Accounts payable, accruals and other accounts payable	10	59,417	76,676
Taxation payable		2,950	772
Short-term bank loans and overdrafts - secured		2,830	3,344
		<u>65,197</u>	<u>80,792</u>
Net current assets		<u>386,054</u>	<u>381,108</u>
Total assets less current liabilities		<u><u>1,171,371</u></u>	<u><u>1,147,482</u></u>
Financed by:			
Share capital	11	226,265	226,265
Reserves		708,988	706,199
Retained profits			
Proposed final dividend		–	16,970
Other		187,451	154,446
Shareholders' funds		<u>1,122,704</u>	<u>1,103,880</u>
Minority interests		<u>48,667</u>	<u>43,602</u>
		<u><u>1,171,371</u></u>	<u><u>1,147,482</u></u>



## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Unaudited	
	Six months ended 30th June	
	2002	2001
	HK\$'000	HK\$'000
Net cash outflow from operating activities	(12,525)	(30,478)
Net cash inflow from investing activities	15,698	87,807
Net cash outflow from financing activities	(16,970)	(2,007)
(Decrease)/increase in cash and cash equivalents	(13,797)	55,322
Cash and cash equivalents at 1st January	306,405	204,952
Effect of foreign exchange rate changes	1,683	(3,113)
Cash and cash equivalents at 30th June	<u>294,291</u>	<u>257,161</u>
Analysis of balances of cash and cash equivalents		
Bank balances and cash	294,291	267,224
Bank overdrafts	–	(10,063)
	<u>294,291</u>	<u>257,161</u>



## 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 2002	226,265	582,236	63,720	14,006	49,582	(3,345)	171,416	1,103,880
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
Net gains not recognised in the profit and loss account			101	-	-	2,493	-	2,594
Profit for the period			-	-	-	-	33,005	33,005
Reversal of goodwill, previously written off, on disposal of partial interest in an associated company			195	-	-	-	-	195
2001 final dividend			-	-	-	-	(16,970)	(16,970)
At 30th June 2002	226,265	582,236	64,016	14,006	49,582	(852)	187,451	1,122,704



## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Unaudited							Total HK\$'000
	Share capital HK\$'000	Share premium and warrant reserve HK\$'000	Capital reserve HK\$'000	Capital redemption reserve HK\$'000	Land and buildings revaluation reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Retained profits HK\$'000	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1st January 2001, as previously reported	222,756	594,610	1,590	12,534	49,582	(6,346)	103,735	978,461
Effect of adopting SSAP 9 (revised)	-	-	-	-	-	-	16,709	16,709
At 1st January 2001, as restated	222,756	594,610	1,590	12,534	49,582	(6,346)	120,444	995,170
Share of post-acquisition reserves of an associated company			(2,789)	-	-	-	-	(2,789)
Exchange differences on translation of the accounts of foreign subsidiaries, jointly controlled entities and associated companies			-	-	-	(2,437)	-	(2,437)
Net losses not recognised in the profit and loss account			(2,789)	-	-	(2,437)	-	(5,226)
Exercise of warrants net of expenses	4,677	9,788	-	-	-	-	-	14,465
Reversal of goodwill, previously written off, on disposal of a subsidiary	-	-	1,838	-	-	-	-	1,838
Reversal of goodwill, previously written off, on disposal of a jointly controlled entity	-	-	43,201	-	-	-	-	43,201
Transfer from retained profits on repurchase of shares	-	-	-	216	-	-	(216)	-
Exercise of share options, net of expenses	304	72	-	-	-	-	-	376
Repurchase of shares	(216)	(239)	-	-	-	-	-	(455)
Profit for the period	-	-	-	-	-	-	45,380	45,380
2000 final dividend	-	-	-	-	-	-	(16,691)	(16,691)
At 30th June 2001	227,521	604,231	43,840	12,750	49,582	(8,783)	148,917	1,078,058



## 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 2001 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 2001 except that the Group has adopted the following new/revised Statements of Standard Accounting Practice (“SSAPs”) issued by the Hong Kong Society of Accountants which are effective for accounting periods commencing on or after 1st January 2002:

SSAP 1 (revised)	:	Presentation of financial statements
SSAP 11 (revised)	:	Foreign currency translation
SSAP 15 (revised)	:	Cash flow statements
SSAP 25 (revised)	:	Interim financial reporting
SSAP 33	:	Discontinuing operations
SSAP 34	:	Employee benefits

The major changes to the Group’s accounting policies and the effect of adopting these new/revised policies is set out below:

(a) SSAP 11 (revised): Foreign currency translation

The balance sheet of subsidiaries, jointly controlled entities and associated companies expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date whilst the profit and loss account is translated at an average rate. Exchange differences are dealt with as a movement in reserves.

In prior periods, the profit and loss account of foreign enterprises was translated at closing rate. This is a change in accounting policy, however, the translation of the profit and loss account of foreign enterprises in prior periods has not been restated as the effect of this change is not material to the current and prior periods.



1. **Basis of preparation** (*Cont'd*)

(b) SSAP 15 (revised): Cash flow statements

The presentation and classification of items in the cash flow statement have been changed due to the adoption of the requirements of SSAP 15 (revised). As a result, cash flow during the period in respect of the operating, investing and financing activities has been reclassified. For the six months ended 30th June 2001, net cash inflow from taxation, interest paid and interest received of approximately HK\$4,309,000 has been reclassified as operating cash flow while cash inflow from dividend received of approximately HK\$10,467,000 has been reclassified as investing cash flow and cash outflow from dividend paid of approximately HK\$16,394,000 has been reclassified as financing cash flow.

2. **Segment information**

The Group is principally engaged in securities trading and investment, container transportation and freight forwarding services, corporate finance and stockbroking, and 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		Six months ended	
	30th June		30th June	
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Securities trading and investment	23,705	140,005	(2,751)	11,206
Container transportation and freight forwarding services	22,164	23,887	1,685	3,175
Corporate finance and stockbroking	33,529	18,089	14,162	3,773
Investment holding, property holding and management	438	1,087	(6,187)	854
	<u>79,836</u>	<u>183,068</u>	<u>6,909</u>	<u>19,008</u>
Other revenue – interest income			<u>2,537</u>	<u>4,796</u>
Operating profit			<u>9,446</u>	<u>23,804</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, and investment holding, property holding and management
- Chinese Mainland – Investment holding, container transportation and freight forwarding services

	Turnover		Contribution to operating profit	
	Unaudited		Unaudited	
	Six months ended		Six months ended	
	30th June		30th June	
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	57,259	158,731	5,002	6,986
Chinese Mainland	22,345	24,239	2,507	11,624
Others	232	98	(600)	398
	<u>79,836</u>	<u>183,068</u>	<u>6,909</u>	<u>19,008</u>
Other revenue - interest income			<u>2,537</u>	<u>4,796</u>
Operating profit			<u><u>9,446</u></u>	<u><u>23,804</u></u>

There are no sales between the geographical segments.



### 3. Operating profit

Unaudited  
Six months ended 30th June  
2002                      2001  
HK\$'000                      HK\$'000

Operating profit is stated after crediting and charging the following:-

Crediting:

Gain on disposal of a subsidiary	-	10,117
Gain on disposal of a jointly controlled entity	-	9,719
Gain on disposal of investment securities	7,850	1,142
Amortisation of negative goodwill on acquisition of partial interest of a jointly controlled entity	1,479	-
	1,479	-

Charging:

Depreciation	5,372	5,559
Loss on disposal of fixed assets	276	163
Loss on disposal of partial interest in an associated company	19	-
Amortisation of goodwill on acquisition of an associated company and partial interest of a jointly controlled entity	85	-
Amortisation of trading right	82	-
	5,834	5,722

### 4. Staff costs

Unaudited  
Six months ended 30th June  
2002                      2001  
HK\$ '000                      HK\$'000

Wages and salaries	22,596	22,129
Termination benefits	292	213
Social security costs	89	81
Pension costs – defined contribution plans	587	568
	23,564	22,991



5. Taxation

Hong Kong profits tax has been provided for at the rate of 16% (2001: 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	
	2002 HK\$'000	2001 HK\$'000
Hong Kong profits tax		
Current	2,518	1,171
Overprovision in prior years	(317)	(3)
Overseas taxation - current	178	69
Share of taxation attributable to:		
Associated companies	1,760	1,224
Jointly controlled entities	3,401	4,686
	<u>7,540</u>	<u>7,147</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\$33,005,000 (2001: HK\$45,380,000). The basic earnings per share is based on the weighted average number of 1,131,323,705 (2001: 1,114,612,677) ordinary shares in issue during the period. The diluted earnings per share is based on 1,147,748,155 (2001: 1,131,139,292) ordinary shares which is the weighted average number of ordinary shares in issue during the period plus the weighted average of 16,424,450 (2001: 16,526,615) ordinary shares deemed to be issued at no consideration if all outstanding options had been exercised.



7. Intangible asset

Future exchange  
trading right  
HK\$'000

1st January 2002	1,556
Amortisation	(82)
	<hr/>
30th June 2002	<u><u>1,474</u></u>

8. Fixed assets

HK\$'000

1st January 2002	154,993
Additions	2,729
Disposals	(410)
Depreciation	(5,372)
	<hr/>
30th June 2002	<u><u>151,940</u></u>

9. Accounts receivable, prepayments and other receivables

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

	30th June 2002 HK\$'000	31st December 2001 HK\$'000
0 - 30 days	33,031	16,369
31 - 60 days	6,534	6,950
61 - 90 days	5,463	5,761
Over 90 days	2,127	—
	<hr/>	<hr/>
	<u><u>47,155</u></u>	<u><u>29,080</u></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 on credit terms of 30 to 60 days.



## 10. Accounts payable, accruals and other accounts payable

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

	30th June 2002 HK\$'000	31st December 2001 HK\$'000
0 - 30 days	27,995	37,922
31 - 60 days	251	-
61 - 90 days	2	-
	<u>28,248</u>	<u>37,922</u>

## 11. Share capital

	Ordinary shares of HK\$0.2 each			
	30th June 2002		31st December 2001	
	No. of shares	HK\$'000	No. of shares	HK\$'000
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 2002/2001	1,131,323,705	226,265	1,113,779,705	222,756
Exercise of share options	-	-	1,520,000	304
Exercise of warrants	-	-	23,384,000	4,677
Repurchase of shares	-	-	(1,080,000)	(216)
At 30th June 2002/2001	<u>1,131,323,705</u>	<u>226,265</u>	1,137,603,705	227,521
Repurchase of shares			<u>(6,280,000)</u>	<u>(1,256)</u>
At 31st December 2001			<u>1,131,323,705</u>	<u>226,265</u>



## 12. Contingent liabilities

	30th June 2002 HK\$'000	31st December 2001 HK\$'000
Discounted bills	1,078	1,384
The Group's share of contingent liabilities of an associated company:		
Guarantee for loans	<u>12,200</u>	<u>16,960</u>

## 13. Commitments

### (a) Capital commitments

	30th June 2002 HK\$'000	31st December 2001 HK\$'000
Contracted but not provided for	<u>15,557</u>	<u>15,557</u>
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	<u>846</u>	<u>5,013</u>
Authorised but not contracted for	<u>3,164</u>	<u>–</u>

**13. Commitments (Cont'd)****(b) Commitments under operating leases**

At 30th June 2002, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	30th June 2002 HK\$'000	31st December 2001 HK\$'000
Not later than one year	1,750	2,302
Later than one year but not later than five years	44	659
	<u>1,794</u>	<u>2,961</u>

**OPERATION REVIEW**

For the six months ended 30th June 2002, the Group recorded a profit attributable to shareholders of HK\$33 million, representing a 27% decline from the corresponding period last year. The decline in profit is mainly due to the lessening of the gain on disposal of investments. In consideration of the negative economic growth and rising unemployment rate in Hong Kong, and increasing incidents of corporate malfeasance in the US, the management adopted a more conservative strategy in securities trading and investment business. As a result, the Group's turnover reduced to HK\$80 million from HK\$183 million of the same period last year.

The corporate finance and stockbroking business achieved a remarkable growth in both turnover and operating profit. Despite the depressed market conditions, 62 new companies joined the Main Board or GEM in the first half of 2002. The Corporate Finance Division continued to play an active role in assisting small to medium size companies to obtain listing position in Hong Kong. During the period under review, the Division had already completed four sponsorships of IPO.

Notwithstanding the keen competition in Chinese Mainland and the slowdown in global economy, Goodbaby Child Products Company Limited ("Goodbaby") still maintained its leading position in the child products market and recorded a slightly increase in both turnover and profit attributable to shareholders in the period.

Shanghai Zhong Chuang International Container Storage & Transportation Co. Ltd. ("ZCIC") remains profitable in the period. The freight forwarding business keeps on growing in a general pace, however, the price competition in the container transportation market pulled down the overall performance of ZCIC.



## OPERATION REVIEW (Cont'd)

The investee companies of China Assets (Holdings) Limited ("China Assets") have stable performance during the six months ended 30th June 2002. China Assets is still negotiating with the Shenzhen Municipal Government for solving the cross guarantee problem triggered by the parent company of Shenzhen SPEC Plastics Holdings Co., Ltd. China Assets had made a partial provision for potential loss that might arise from this investment.

Despite the pressure of increasing labour cost in Chinese Mainland, RBI Holdings Limited achieved a healthy growth in both turnover and profit attributable to shareholders through the continuous development of innovative items to fulfill customers' demanding requests.

## PROSPECTS

Negative economic growth, continued deflationary pressure and rising unemployment rate in Hong Kong are likely to weaken investor sentiment and confidence. Significant declines in most equity markets evidenced the unfavourable environment for the corporate finance and stockbroking business. Following China's accession to the WTO, more enterprises from Chinese Mainland are planning to raise capital by listing in Hong Kong. Our Financial Services Division will utilise our strengths and experiences in serving more small to medium size PRC enterprises to go listing in the second half year.

As the economy in Chinese Mainland is growing steadily, we believed that the various investments in Chinese Mainland will continue contributing a stable and reasonable returns to the Group. Goodbaby has appointed a sponsor and it is expected to be listed in Hong Kong in the first half of 2003.

China Assets will still put effort to find an exit for its existing investments. Negotiation for early disposal of the investment in the two toll roads in Zhongshan has reached the final stage and it is likely to complete within the year.

The development of a four-star hotel in Kunshan Economy & Technology Development District is commenced in the year and it is expected to be completed at the end of 2004. In May 2002, the Group appointed Shangri-La International Hotel Management Limited as the hotel manager to manage and operate the hotel. We are confident that when the hotel comes to operate in future, it will contribute a steady return and cash flow to the Group.

In view of the rising importance of China to the global economy, we strongly believe the Group's business strategy of seeking opportunities to acquire high-potential projects in Chinese Mainland will improve the performance of the Group and ultimately enhance the return to shareholders.





## MANAGEMENT DISCUSSION AND ANALYSIS

### Results

Profit attributable to shareholders for the six months ended 30th June 2002 was HK\$33 million, a decrease of 27% over the same period in 2001. Basic earnings per share decreased to HK2.92 cents, down 28%.

Turnover of the Group for the period under review decreased by 56% to HK\$80 million as compared to HK\$183 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 2002, the Group has a strong financial position with approximately HK\$294 million cash reserves and a gearing ratio (total liabilities excluding minority interests to shareholders' fund) of 6%. Investment in marketable securities as at 30th June 2002 amounted to approximately HK\$29 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 2002, the Group employed 478 staff (30th June 2001: 489), of which 407 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 2002 amounted to approximately HK\$24 million.



## Pledge of assets

Certain properties of the Group with an aggregate net book value of approximately HK\$94 million as at 30th June 2002 (31st December 2001: HK\$95 million) as well as fixed deposits of HK\$15 million (31st December 2001: HK\$15 million) were pledged as securities against bank loans and general banking facilities amounting to HK\$120 million (31st December 2001: HK\$120 million) granted to the Group.

## 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 ("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 2002 are as follows:-

	Options held at 1st January 2002	Options lapsed during the period	Options held at 30th June 2002	Exercise price HK\$	Date of grant	Exercise period
<b>Directors:-</b>						
Lao Yuan Yi	7,338,100	-	7,338,100	0.342	26/09/1995	26/03/1996-07/10/2005
	5,503,900	-	5,503,900	0.318	11/07/1996	11/01/1997-15/07/2006
	10,000,000	-	10,000,000	0.816	01/11/1997	01/05/1998-12/11/2007
Xin Shulin,	2,534,980	-	2,534,980	0.453	26/01/1995	26/07/1995-09/02/2005
Steve	838,640	-	838,640	0.318	11/07/1996	11/01/1997-15/07/2006
	2,500,000	-	2,500,000	0.816	01/11/1997	01/05/1998-12/11/2007
	4,464,000	-	4,464,000	0.283	08/07/1998	08/01/1999-15/07/2008
Yeung Wai Kin	2,401,560	-	2,401,560	0.453	26/01/1995	26/07/1995-09/02/2005
	1,494,304	-	1,494,304	0.318	11/07/1996	11/01/1997-15/07/2006
	2,500,000	-	2,500,000	0.816	01/11/1997	01/05/1998-12/11/2007
	6,980,000	-	6,980,000	0.283	08/07/1998	08/01/1999-15/07/2008

SHARE OPTIONS (*Cont'd*)

	Options held at 1st January 2002	Options lapsed during the period	Options held at 30th June 2002	Exercise price HK\$	Date of grant	Exercise period
<b>Directors:-</b>						
Hu Yi Ming	1,000,000	-	1,000,000	0.816	01/11/1997	01/05/1998-12/11/2007
	2,300,000	-	2,300,000	0.283	08/07/1998	08/01/1999-15/07/2008
<b>Employees</b>	266,840	-	266,840	0.453	26/01/1995	26/07/1995-09/02/2005
	4,101,712	-	4,101,712	0.318	11/07/1996	11/01/1997-15/07/2006
	1,050,000	100,000	950,000	0.816	01/11/1997	01/05/1998-12/11/2007
	1,812,000	4,000	1,808,000	0.283	08/07/1998	08/01/1999-15/07/2008
	<u>57,086,036</u>	<u>104,000</u>	<u>56,982,036</u>			

*Note:*

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.

## INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend (2001: Nil).



## DIRECTORS' INTEREST IN SHARE EQUITY AND DEBT SECURITIES

At 30th June 2002, the interests of the directors in the shares of the Company or any of its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance (“SDI Ordinance”)) as recorded in the register maintained by the Company under Section 29 of SDI Ordinance or as notified to the Company are as follows:-

Name of directors	Personal interests	Number of ordinary shares	
		Family interests	Corporate interests
Mr. Lao Yuan-Yi	42,080,000	–	75,308,000
Prof. Woo Chia-Wei	–	72,000	–

Arrangement on share options granted to directors are set out in the previous part of this report. Saved as disclosed above, none of the directors had any interests in the shares and options of the Company or any of its associated corporations as defined in the SDI Ordinance as at 30th June 2002.

Apart from the share option scheme as mentioned in the previous part of this report, at no time during the period was the Company or any of its subsidiaries a party to any arrangement to enable the directors and chief executive (including their spouse and children under 18 years of age) of the Company and its associated corporations, to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

## SUBSTANTIAL SHAREHOLDERS

The register of substantial shareholders maintained under section 16(1) of the SDI Ordinance shows that as at 30th June 2002, the Company had been notified of the following substantial shareholder's interests, being 10% or more of the Company's issued share capital. These interests are in addition to those disclosed above in respect of the directors and chief executive.

Name of shareholder	Number of ordinary shares in the Company
China Assets (Holdings) Limited	238,032,000



## SUBSTANTIAL SHAREHOLDERS *(Cont'd)*

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 10% or more of the nominal value of the issued share capital of the Company as at 30th June 2002.

## 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 of 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 matters, including a review of the unaudited interim accounts for the six months ended 30th June 2002 approved by the directors.

## COMPLIANCE WITH THE CODE OF BEST PRACTICE

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, 13th September 2002