



LEI SHING HONG LIMITED



2001

 INTERIM REPORT

INTERIM RESULTS

The Board of Directors of Lei Shing Hong Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2001 as follows. These interim financial statements have not been audited, but have been reviewed by the Company’s audit committee.

Condensed Consolidated Profit and Loss Account

For the six months ended 30 June 2001

	Notes	Six months ended 30 June	
		2001 (Unaudited) HK\$'000	2000 (Unaudited) HK\$'000
TURNOVER		2,220,820	1,738,511
Cost of sales and services		(1,851,962)	(1,358,551)
Gross profit		368,858	379,960
Other revenue		44,018	24,133
Distribution costs		(34,556)	(46,569)
Administrative expenses		(103,834)	(106,370)
Other operating expenses		(185,325)	(131,718)
PROFIT FROM OPERATING ACTIVITIES	3	89,161	119,436
Finance costs	4	(52,430)	(63,098)
Share of profits less losses of associates		102,806	123,177
PROFIT BEFORE TAX		139,537	179,515
Tax	5	(48,959)	(41,345)
PROFIT BEFORE MINORITY INTERESTS		90,578	138,170
Minority interests		(25,136)	(8,870)
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		<u>65,442</u>	<u>129,300</u>
EARNINGS PER SHARE			
– Basic	6	<u>6.88 cents</u>	<u>13.59 cents</u>
– Diluted	6	<u>N/A</u>	<u>N/A</u>
DIVIDEND	7	<u>Nil</u>	<u>Nil</u>

Condensed Consolidated Statement of Recognised Gains and Losses

For the six months ended 30 June 2001

	<i>Notes</i>	(Unaudited) <i>HK\$'000</i>
Net gains/(losses) recognised through reserves:		
Exchange differences on translation of the financial statements of foreign entities	<i>11</i>	(133,282)
Net proceeds from warrant subscription	<i>11</i>	91,648
Net losses not recognised in the profit and loss account		(41,634)
Net profit for the period attributable to shareholders	<i>11</i>	65,442
Total recognised gains and losses		<u>23,808</u>

Condensed Consolidated Balance Sheet

30 June 2001

		30 June 2001 (Unaudited) HK\$'000	31 December 2000 (Audited) HK\$'000
	<i>Notes</i>		
NON-CURRENT ASSETS			
Fixed assets		616,869	628,865
Properties under development		1,616,812	1,596,068
Investment properties		68,378	69,691
Interests in associates		1,540,710	1,523,494
Intangible assets		516,787	591,844
Long term investments		10,713	9,733
		<u>4,370,269</u>	<u>4,419,695</u>
CURRENT ASSETS			
Short term investments		499,540	620,202
Inventories	8	450,774	318,168
Trade receivables	9	433,611	349,251
Loans receivable		231,964	211,103
Other receivables		110,938	87,404
Pledged time deposits		712,474	711,628
Cash held on behalf of securities clients		920	1,024
Cash and cash equivalents		373,235	328,332
		<u>2,813,456</u>	<u>2,627,112</u>
CURRENT LIABILITIES			
Trade and bills payables	10	512,538	380,382
Tax payable		28,972	16,593
Other payables and accruals		205,549	188,094
Interest-bearing bank loans		1,610,507	1,669,062
		<u>2,357,566</u>	<u>2,254,131</u>
NET CURRENT ASSETS		<u>455,890</u>	<u>372,981</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>4,826,159</u>	<u>4,792,676</u>

Condensed Consolidated Balance Sheet (*Continued*)

30 June 2001

		30 June 2001 (Unaudited) HK\$'000	31 December 2000 (Audited) HK\$'000
	<i>Notes</i>		
NON-CURRENT LIABILITIES			
Interest-bearing bank loans and other non interest-bearing loan		888,937	859,450
Deferred tax		294	314
		<u>889,231</u>	<u>859,764</u>
Minority interests		<u>232,319</u>	<u>223,576</u>
		<u>3,704,609</u>	<u>3,709,336</u>
CAPITAL AND RESERVES			
Issued capital		951,165	951,165
Reserves	<i>11</i>	2,753,444	2,729,636
Proposed final dividend		–	28,535
		<u>3,704,609</u>	<u>3,709,336</u>

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2001

	(Unaudited) HK\$'000
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	(974)
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	(30,403)
TAXES PAID	(7,725)
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	<u>(47,005)</u>
NET CASH OUTFLOW BEFORE FINANCING ACTIVITIES	(86,107)
NET CASH INFLOW FROM FINANCING ACTIVITIES	<u>138,744</u>
INCREASE IN CASH AND CASH EQUIVALENTS	52,637
Cash and cash equivalents at beginning of period	328,332
Effect of foreign exchange rate changes, net	<u>(7,734)</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u><u>373,235</u></u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS	
Cash and bank balances	200,038
Unpledged time deposits	<u>173,197</u>
	<u><u>373,235</u></u>

Notes to Condensed Consolidated Financial Statements

1. Basis of Preparation and Accounting Policies

The condensed consolidated interim financial statements have been prepared in accordance with Statement of Standard Accounting Practice (“SSAP”) No. 25, “Interim Financial Reporting”, issued by the Hong Kong Society of Accountants (“HKSA”) except that no comparative figures have been presented for the condensed consolidated statement of recognized gains and losses and the condensed consolidated cash flow statement. Such departures from SSAP 25 are permitted under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

The accounting policies and basis of preparation used in the preparation of these condensed interim financial statements are the same as those used in the annual financial statements for the year ended 31 December 2000 except that the Group has changed certain of its accounting policies following its adoption of the following SSAPs issued by the HKSA which are effective for accounting periods commencing on or after 1 January 2001:

- SSAP 9 (revised): Events after the balance sheet date
- SSAP 14 (revised): Leases (effective for periods commencing on or after 1 July 2000)
- SSAP 26: Segment reporting
- SSAP 30: Business combinations

The effects resulting from the adoption of these SSAPs are set out below:

- (a) In accordance with the SSAP 9 (revised), the Group no longer recognises dividend proposed after the balance sheet date as a liability at the balance sheet date. This change has been applied retrospectively and comparative figures have been restated. The proposed final dividend of HK\$28,535,000 for the year ended 31 December 2000, which had been recognised as a liability in the annual report, is now reclassified to the proposed final dividend account within the capital and reserves section of the balance sheet.
- (b) In note 15(b), the Group has disclosed its total future aggregate minimum lease payments under non-cancellable operating leases in accordance with the SSAP 14 (revised). In the annual report for the year ended 31 December 2000, the Group had disclosed the commitments to make payments in the next twelve months under operating leases.

1. Basis of Preparation and Accounting Policies (*Continued*)

- (c) In accordance with SSAP 26, in note 2 the Group has disclosed segment revenue and results as defined therein. The Group has determined that business segments be presented as the primary reporting format and geographical segments as the secondary reporting format. Comparative information has been given.
- (d) Under SSAP 30, goodwill arising from business combination after 1 January 2001 is capitalised and amortised over its estimated useful life. There is a rebuttable presumption that the useful life of goodwill will not exceed twenty years from initial recognition. According to the transitional provisions as set out in SSAP 30, the Group has elected not to retroactively restate goodwill previously eliminated against reserves and the carrying amount of goodwill for any difference between accumulated amortisation in prior years and that calculated under the new accounting policy but amortise the carrying amount of the goodwill over its remaining useful life.

2. Segment Information

An analysis of the Group's turnover and contribution to profit from operating activities by principal activity and geographical area of operations for the six months ended 30 June 2001 is as follows:

	Turnover		Contribution to profit from operating activities	
	Six months ended 30 June 2001	Six months ended 30 June 2000	Six months ended 30 June 2001	Six months ended 30 June 2000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
By principal activity:				
Trading of motor vehicles and spare parts	1,225,547	754,005	104,084	45,550
Property development and investment	137	6,120	(3,927)	(1,084)
Financial services	78,961	155,980	(65,542)	44,645
General trading and services	916,175	822,406	54,546	30,325
	<u>2,220,820</u>	<u>1,738,511</u>	<u>89,161</u>	<u>119,436</u>

2. Segment Information (Continued)

	Turnover		Contribution to profit from operating activities	
	Six months ended 30 June		Six months ended 30 June	
	2001 (Unaudited) HK\$'000	2000 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000	2000 (Unaudited) HK\$'000
By geographical area of operations:				
People's Republic of China:				
Hong Kong	821,583	643,256	31,397	18,499
Mainland China	1,022,245	653,262	78,717	25,972
Other Asian countries	376,992	441,993	(20,953)	74,965
	<u>2,220,820</u>	<u>1,738,511</u>	<u>89,161</u>	<u>119,436</u>

3. Profit from Operating Activities

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

	Six months ended 30 June	
	2001 (Unaudited) HK\$'000	2000 (Unaudited) HK\$'000
Depreciation	18,371	17,962
Amortisation of goodwill	20,254	10,469
Amortisation of trading rights	150	-
Provision for impairments in fair values of short term listed investments	127,728	51,110
Dividend income from listed investments	(20,128)	(13,517)
Rental income, net	(5,140)	(4,874)
Interest income	(25,294)	(33,058)
Net gains on dealing in listed investments	<u>(14,912)</u>	<u>(101,463)</u>

4. Finance Costs

	Six months ended 30 June	
	2001 (Unaudited) <i>HK\$'000</i>	2000 (Unaudited) <i>HK\$'000</i>
Interest on borrowings wholly repayable within five years:		
Bank loans	28,258	43,817
Trust receipt loans	22,208	19,026
Bank overdrafts	1,964	255
	<u>52,430</u>	<u>63,098</u>

5. Tax

Hong Kong profits tax has been provided at the rate of 16% (2000: 16%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	Six months ended 30 June	
	2001 (Unaudited) <i>HK\$'000</i>	2000 (Unaudited) <i>HK\$'000</i>
Group:		
Hong Kong	5,622	4,421
Elsewhere	18,419	2,542
(Over)/under provision in prior years	(53)	17
	<u>23,988</u>	<u>6,980</u>
Associates:		
Hong Kong	66	16
Elsewhere	24,905	34,349
	<u>24,971</u>	<u>34,365</u>
Tax charge for the period	<u>48,959</u>	<u>41,345</u>

6. Earnings Per Share

The calculations of basic and diluted earnings per share are based on net profit from ordinary activities attributable to shareholders for the period of HK\$65,442,000 (2000: HK\$129,300,000). The number of ordinary shares in issue for the six months ended 30 June 2001 was 951,165,000 shares (2000: 951,165,000).

The diluted earnings per share for the current and corresponding periods have not been presented as the exercise prices of the Company's outstanding share options and warrants were higher than the average market price of the ordinary shares for the period.

7. Dividend

At a meeting of the board of directors held on 18 September 2001, the directors do not recommend the payment of an interim dividend for the six months ended 30 June 2001 (2000: Nil).

8. Inventories

	30 June 2001 (Unaudited) HK\$'000	31 December 2000 (Audited) HK\$'000
Motor vehicles and spare parts	409,626	271,374
Machinery and spare parts	41,148	46,794
	<u>450,774</u>	<u>318,168</u>

9. Trade Receivables

The aged analysis of trade receivables was as follows:

	30 June 2001 (Unaudited) HK\$'000	31 December 2000 (Audited) HK\$'000
Current	333,780	297,924
0 – 3 months	65,069	28,930
4 – 6 months	11,972	5,702
7 – 12 months	7,508	816
Over 1 year	15,282	15,879
Total	<u>433,611</u>	<u>349,251</u>

9. Trade Receivables (Continued)

The Group has granted credit to substantially all its debtors ranging from 30-60 days. Due to certain trade patterns, a minority of debtors have been given a credit period of 90-150 days.

10. Trade and Bills Payables

The aged analysis of trade and bills payables was as follows:

	30 June 2001 (Unaudited) HK\$'000	31 December 2000 (Audited) HK\$'000
Current	486,201	378,361
0 – 3 months	17,869	2,021
4 – 6 months	7,775	–
7 – 12 months	693	–
	<u>512,538</u>	<u>380,382</u>

11. Reserves

	Share premium account HK\$'000	Capital reserve HK\$'000	Investment property revaluation reserve HK\$'000	Warrant subscription reserve HK\$'000	Reserve funds HK\$'000	Exchange fluctuation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 January 2001	2,459,512	12,743	2,317	–	11,533	(193,962)	437,493	2,729,636
Exchange adjustments	–	–	–	–	–	(133,282)	–	(133,282)
Rights issue of warrants	–	–	–	91,648	–	–	–	91,648
Profit for the period	–	–	–	–	–	–	65,442	65,442
At 30 June 2001	<u>2,459,512</u>	<u>12,743</u>	<u>2,317</u>	<u>91,648</u>	<u>11,533</u>	<u>(327,244)</u>	<u>502,935</u>	<u>2,753,444</u>

12. Note to the Condensed Consolidated Cash Flow Statement

Acquisition of remaining interest in a subsidiary during the period

Minority interest acquired and to be satisfied by cash

(Unaudited)
HK\$'000

8,323

13. Contingent Liabilities

At 30 June 2001, the Group had contingent liabilities in respect of bills discounted with recourse and bank guarantees given in lieu of deposit payments, amounting to HK\$108,018,000 (31 December 2000: HK\$92,749,000) and HK\$5,640,000 (31 December 2000: HK\$3,861,000), respectively.

14. Pledge of Assets

At 30 June 2001, the Group's short term bank loans amounting to HK\$603,855,000 (31 December 2000: HK\$602,374,000) were secured by fixed charges on foreign currency bank deposits of HK\$689,073,000 (31 December 2000: HK\$688,230,000). In addition, time deposits of approximately HK\$23,401,000 (31 December 2000: HK\$23,398,000) were pledged to secure banking facilities granted to independent third parties.

15. Commitments

(a) Capital commitments

At 30 June 2001, the Group had capital commitments, which had been contracted for but not been provided for in the financial statements, amounting to HK\$588,665,000 (31 December 2000: HK\$536,158,000).

15. Commitments (Continued)

(b) Commitments under operating leases

At the balance sheet date, the Group's total future minimum payments under non-cancellable operating leases in respect of land and buildings were as follows:

	30 June 2001 (Unaudited) HK\$'000	31 December 2000 (Audited) HK\$'000
Payable:		
Within one year	8,710	8,636
In the second to fifth years, inclusive	8,203	1,658
	<u>16,913</u>	<u>10,294</u>

(c) Other commitments

	30 June 2001 (Unaudited) HK\$'000	31 December 2000 (Audited) HK\$'000
Forward foreign exchange contracts	<u>302,669</u>	<u>93,910</u>

16. Related Party Transactions

During the period, the Group had the following transactions with related parties:

	Six months ended 30 June	
	2001 (Unaudited) HK\$'000	2000 (Unaudited) HK\$'000
Interest income received	<u>964</u>	<u>1,249</u>

A wholly owned subsidiary of the Group which is involved in financial services business provided advances to related parties of a director of the Company in the ordinary and normal course of business of that subsidiary on commercial terms. At 30 June 2001, the amounts due from related parties amounted to HK\$24,679,000 (31 December 2000: HK\$24,952,000).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Turnover of the Group for the six months ended 30 June 2001 was HK\$2,220 million, an increase of 28% over the six-month period ended 30 June 2000. Profit before tax for the six months ended 30 June 2001 was HK\$139.5 million compared with HK\$179.5 million for the corresponding period in Year 2000. Basic earnings per share for the period was 6.9 cents compared with 13.6 cents for the same period last year.

The Group's results for the period were adversely affected by the marking to market value of the Group's investment portfolio which has resulted in a provision of HK\$127.7 million for the period under review.

Automobile

The Division experienced buoyant market conditions in China and Korea during the first half of the year and recorded substantial improvements in comparative period vehicle sales and profit contributions. Operating expenses were well controlled with unit costs per vehicle much reduced. Inventory levels remained satisfactory at the end of the period.

The Division continued to invest heavily in management resource development, technical training, marketing and logistics to maintain the momentum of progress in these key luxury vehicle markets.

Business conditions in Taiwan further weakened during the period under review. Capital Motors Inc. increased market share and maintained its leading position in the luxury car market with vehicle unit sales only marginally lower than in the same period last year.

Property

The Division's only source of revenue for the period was from rental of the Group's own properties.

Construction work commenced on the three phase Wangjing New City Project "Starcrest" at Beijing consisting of 400,000 sq. meters of mainly residential properties. Phase I comprising 109,200 sq. meters of residential units is scheduled for completion in December 2002. Ground preparation and piling works for Phase I was completed on 28th June 2001 with marketing and sales commencing in the final quarter of Year 2001.

The Group's three sites in Shanghai and one at Xiamen are at various stages of processing and are progressing satisfactorily.

Financial Services

In a difficult business environment, the Division traded profitably and achieved positive contributions from all departments. However much lower dealing profits were booked than in the same period last year. Brokerage income was also below last year's level due to lower business volumes.

The results were materially affected by the provision arising from marking to market value of the Group's investment portfolio which was valued at HK\$499.5 million as at 30 June 2001. The charge of HK\$127.7 million was mainly due to depressed agricultural prices which negatively affected the market value of these regional commodity related stocks in the portfolio. This adjustment had no effect on the Group's cash flow.

Trading

The Trading Division continued to limit its presence to trading in timber products, watch movements and fertilizer.

The combined effect of excessive log stocks, oversupply and weak demand heavily influenced the China market for round logs. In these conditions, the Division marked down offers to the market and reduced sales volumes to timber processors in China. Fertilizer volume was also adversely affected by low agricultural commodity prices and weak demand in Southeast Asia. Watch movement sales remained at satisfactory levels.

Overall the Division traded profitably during the period.

Machinery

The high level of Government infrastructure investment in Eastern China was maintained during the period enabling the Caterpillar Dealership achieve further growth in revenues and profit in extremely competitive business conditions.

Construction Equipment deliveries were satisfactorily ahead of the same period last year. The Power Systems Division also operated in a favourable business environment coping with strong demand from the Petroleum, Power Generation and Marine market sectors.

The Dealership continued to benefit from the growing Caterpillar machine and engine populations which contributed to higher domestic parts and service sales.

Prospects

Despite declining rates of growth in world economies, Mainland China continues to offer the Group opportunities to strengthen our organization and further develop our presence there. The Automobile Division anticipates a fair level of demand for Mercedes Benz products in the second half of Year 2001. The current outlook for Korea is also positive, with vehicle unit sales and revenues to be ahead of the same period in Year 2000. The results of Capital Motors Inc. for the full year are expected to be somewhat lower than Year 2000.

Property Division is looking forward to a successful sales launch of the Beijing “Starcrest” Project in the second half of the year and to further progress the remaining Projects in China.

In view of the many uncertainties in their respective markets at this time, the Trading and Financial Services Divisions remain cautious in their forecasts of performance for the remainder of the year. The Machinery Division, on the other hand, anticipates favorable market conditions for their products and services and comparative improvement in results for the second half of the year.

In the wake of recent international developments, the Board is aware of the many uncertainties facing the region and the industries the Group presently serves. As such management will concentrate on the Group’s core competencies and be ready to respond to changing market conditions.

Liquidity and Capital Resources

As at 30 June 2001, the Group had total assets of HK\$7,184 million which were financed by current liabilities of HK\$2,358 million, long term loans of HK\$889 million, deferred tax of HK\$0.3 million, minority interests of HK\$232 million and shareholders’ equity of HK\$3,705 million. The Group has a working capital ratio of approximately 1.2 and a gearing ratio (long term debt to equity) of 24%. The Group has adequate short term liquid funds and a positive cash flow to fund ongoing businesses including capital expenditure in Year 2001. Further external finance will be sourced to support the Group’s property development projects.

Capital Statement of the Group

The Group's funding reflects the capital structure of each business and is monitored by a Central Treasury function. Sources of funding are from operational cash flows and leading international and local banks in the countries served by the Group's business units. The Group's borrowings are at varying terms and interest rates as dictated by local bank practice. Generally, foreign currency trading exposures are matched and hedged where appropriate or possible.

Prospects for New Business

The Group intends to focus on existing core businesses in Year 2001.

Segmented Information

The allocation by activity and location of the Group's turnover and results was not affected by any significant change to existing businesses during the period.

Employment Policy

The Group employs a total of 1,987 staff based in four countries. The Group offers a competitive remuneration package and has a well-defined remuneration policy applying best industry/country standards to attract, motivate and keep a quality work force.

APPOINTMENT OF DIRECTOR

Mr. Christopher Patrick Langley joined the Board as an Independent Non Executive Director on 29 May 2001. Mr. Langley brings to the Board, the benefit of his extensive financial and commercial knowledge and experience of Asia. We look forward to his invaluable contribution to the development of the Group. We are very pleased to welcome Mr. Langley to the Board of Lei Shing Hong Limited.

DIRECTORS' INTERESTS IN SHARES AND WARRANTS

Share capital

At 30 June 2001, the interests of the directors and their associates in the share capital and warrants of the Company or its associated corporations, as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") were as follows:

Name	Number of ordinary shares of HK\$1 each			Total
	Personal interests	Family interests	Corporate interests (Note)	
Lau Chor Lok	<u>30,262</u>	<u>1,812</u>	<u>37,832,865</u>	<u>37,864,939</u>

Note: The interests in 37,832,865 ordinary shares are held through Pacific City Investments Limited and Beauty Year Limited, of which Mr. Lau Chor Lok is a controlling shareholder.

Warrants

During the period, rights issue of warrants to subscribe for new shares at an initial subscription price of HK\$0.50 per share were provisionally allotted to shareholders, other than overseas shareholders of the Company in the proportion one warrant for every five shares held. Each warrant will entitle its holders to subscribe for one new share at an initial exercise price of HK\$3.00 per share, subject to adjustment, at any time from 19 June 2001 to 19 June 2006.

As at 30 June 2001, the interests of the directors of the Company and their associates in the warrants of the Company as recorded in the register maintained by the Company pursuant to Section 29 of the SDI Ordinance were as follows:

Name	Number of warrants held			Total
	Personal interests	Family interests	Corporate interests (Note)	
Lau Chor Lok	<u>—</u>	<u>—</u>	<u>7,566,572</u>	<u>7,566,572</u>

Note: The interests in 7,566,572 warrants are held through Pacific City Investments Limited and Beauty Year Limited, of which Mr Lau Chor Lok is a controlling shareholder.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Options to subscribe for ordinary shares of the Company were granted to the following directors of the Company and remained outstanding as at 30 June 2001.

Name of director	Notes	Number of options	Exercise price	Commencement of exercise dates
PARK David	(a)	500,000	5.89	11 August 1999
	(b)	200,000	6.00	3 February 2000
GAN Khian Seng	(a)	500,000	5.89	1 September 1999
	(b)	200,000	6.00	31 January 2000
YONG Foo San, JP	(a)	500,000	5.89	21 August 1999
	(b)	200,000	6.00	27 January 2000
HARMS Volker Josef Eckehard	(a)	500,000	5.89	2 August 1999
	(b)	200,000	6.00	24 January 2000
LAU Chor Lok	(a)	500,000	5.89	29 August 1999
	(b)	200,000	6.00	23 February 2000
LAU Kwok Kee	(a)	500,000	5.89	19 August 1999
	(b)	200,000	6.00	27 January 2000

Notes: (a) The share options were granted on 2 August 1997.

(b) The share options were granted on 24 January 1998.

The granted share options may be exercised at any time during the period of ten years from the date on which the share option is deemed to be granted and accepted by the holders in accordance with the provisions of the Share Option Scheme subject to a two-year vesting period.

Save as disclosed herein, none of the Directors or any of their associates had any beneficial interests in the share capital of the Company or its associated companies or had been granted any rights to subscribe for equity or debt securities of the Company as at 30 June 2001 as recorded in the Company's Register of Directors' Interests as required to be kept under Section 29 of the SDI Ordinance.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

At 30 June 2001, according to the register required to be kept under Section 16(1) of the SDI Ordinance, the following shareholders were interested in 10% or more of the issued share capital of the Company:

Name	Number of shares held	Percentage of issued share capital
Victon Investment Limited	235,282,761	25%
Amerdale Investments Limited	170,062,075	18%

Save as disclosed above, no person, other than a director of the Company, whose interests are set out in the section "Directors' interests in shares and warrants" above, had registered an interest in the share capital of the Company that was required to be recorded pursuant to Section 16(1) of the SDI Ordinance.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period under review.

AUDIT COMMITTEE

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters including a review of the unaudited interim financial statements for the six months ended 30 June 2001.

CODE OF BEST PRACTICE

None of the directors of the Company is aware of any information which would indicate that the Company is not, or was not, in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules at any time during the six months ended 30 June 2001 except that the independent non-executive directors are subject to retirement by rotation and 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
David Park
Managing Director

Hong Kong, 18 September, 2001