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## Corporate Information

### BOARD OF DIRECTORS

#### Executive Directors

Li Hei Hu (*Chairman*)

Chen Chao

(*Vice-Chairman and Chief Executive*)

Li Jing Qi

Qiao Gang

#### Non-Executive Directors

Sun Yu Lin

To Chi Keung

#### Independent Non-Executive Directors

Leung Ming Yuen, Simon

Wang Xian Ping

### COMPANY SECRETARY

Tse Yat Hong

### HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Rooms 2206-2208, 22nd Floor

Greenfield Tower

Concordia Plaza

No. 1 Science Museum Road

Tsimshatsui East

Kowloon

Hong Kong

### REGISTERED OFFICE

Bank of Bermuda Building

6 Front Street

Hamilton HM11

Bermuda

### HOMEPAGE

<http://www.szihl.com>

### AUDITORS

Ernst & Young

*Certified Public Accountants*

Hong Kong

### LEGAL ADVISERS

Loong & Yeung, Solicitors

(*Hong Kong Legal Adviser*)

Shu Jin & Co., Law Firm

(*P.R.C. Legal Adviser*)

Shenzhen Harbour Law Firm

(*P.R.C. Legal Adviser*)

### PRINCIPAL BANKERS

Bank of China

China Merchants Bank

Deutsche Bank AG

First Pacific Bank

The Hong Kong and Shanghai

Banking Corporation Limited

Industrial and Commercial

Bank of China (Asia) Limited

ING Bank N.V.

Nanyang Commercial Bank Limited

### PRINCIPAL SHARE REGISTRARS

The Bank of Bermuda Limited

Bank of Bermuda Building

6 Front Street

Hamilton HM11

Bermuda

### HONG KONG BRANCH SHARE REGISTRARS

Tengis Limited

4th Floor, Hutchison House

10 Harcourt Road

Central

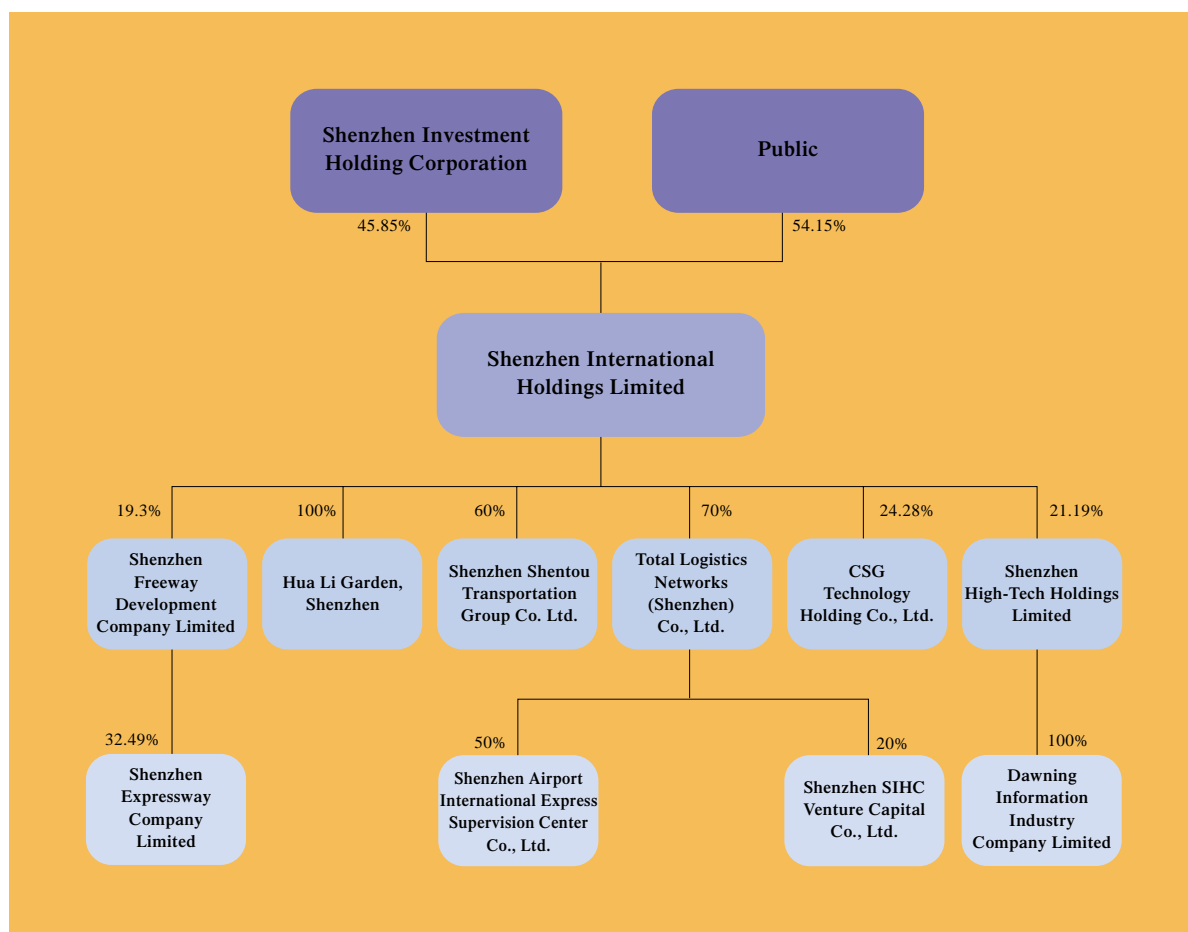
Hong Kong

## Corporate Profile

Shenzhen International Holdings Limited is a company incorporated in Bermuda with limited liability and is listed on the main board of The Stock Exchange of Hong Kong Limited. Its principal activity is investment holding. The Group, comprising the Company and its subsidiaries and associated companies, is principally engaged in the provision of total logistics and transportation ancillary services, investment and management of related high-tech projects.

Shenzhen Investment Holding Corporation (“SIHC”) is the largest shareholder of the Company holding 45.85% of the issued shares of the Company. SIHC is also the largest investment holding institution empowered by the Shenzhen Municipal Government to own a portfolio of assets and operations such as infrastructure, energy, transportation, advanced technology, public utilities, finance and securities. Its logistics resources include Shenzhen Airport, Yantian Port, expressways, public transportation and shipping transportation, logistics networks and Shenzhen Science & Industry Park. These form a combined strength for the development of modern logistics in terms of resources, geographical location, expertise and mechanism. SIHC has strong support from the Shenzhen Municipal Government.

With the full support and assistance by SIHC, the Company is reorganising its operations and has shifted its business focus to develop logistics business and related high-tech projects so as to fully capitalise the opportunities brought about by the growth of advanced and new technology.



## Chairman's Statement

### REVIEW AND OUTLOOK

For the six months ended 30 June 2001 (the "Period"), turnover of the Group was HK\$454 million (2000: HK\$235 million), representing an increase of 93% over the corresponding period of 2000. Profit attributable to shareholders was HK\$112 million (2000: HK\$106 million), an increase of 5.5% as compared to that of last year. Profit from operating activities was HK\$115 million (2000: HK\$120 million), representing a decrease of 3.7% over the corresponding period of 2000. Basic earnings per share was HK\$1.01 cents (2000: HK\$1.20 cents), representing a decrease of 15.8% over the corresponding period of 2000. As at 30 June 2001, the total assets and net asset value of the Group were HK\$4 billion (2000: HK\$3.866 billion) and HK\$1.610 billion (2000: HK\$1.493 billion), representing increases of 3.5% and 8% over 31 December 2000 respectively.

During the Period, the Group completed the acquisition of 19.3% equity interests in Shenzhen Freeway Development Company Limited ("Shenzhen Freeway") which contributed a net profit of HK\$7 million to the Group. The Group's investment properties in Shenzhen continued to generate stable rental income for the Group. While progressively reorganising its development strategy and transforming its business, the Group also capitalised the opportunity brought by the active B shares market in the People's Republic of China (the "PRC") by adjusting the shareholding in certain investments and realised investment gain of HK\$45 million. During the Period, CSG Technology Holding Co., Ltd., a principal associate of the Group, recorded a profit attributable to shareholders of approximately HK\$53.16 million (2000: HK\$75.63 million), of which approximately HK\$12.91 million (2000: HK\$19.90 million) was attributable to the Group. Shenzhen High-Tech Holdings Limited, another principal associate of the Group, recorded a profit of approximately HK\$10.96 million (2000: loss of HK\$24.65 million) for the Period, symbolising a successful recovery from a significant loss position in 2000. This contributed further improvements to the results of the Group.

Logistics business has become the focal point of the development of Shenzhen City and the economy of China has been in the process of transformation. As a result, it is expected that enormous business opportunities will be available in the market. In order to capture such opportunities, the Group established Total Logistics Networks (Shenzhen) Co., Ltd. ("Total Logistics") in mid 2000. The Group will fully leverage on resources in logistics operations and other related areas owned by the Group and Shenzhen Investment Holding Corporation ("SIHC"), the controlling shareholder, and develop Total Logistics into a modern total logistics service provider with modern management techniques and skills. The establishment and the operation of Total Logistics heralds the Group's first but yet successful step towards the goal of strategic transformation.

In 2000, the Group disposed of certain businesses or assets that were unrelated to logistics business or had limited growth potential to SIHC or realised them in the market. The Group also acquired 19.3% equity interests in Shenzhen Freeway from SIHC and the transaction was completed in the first quarter of 2001. The profitability of the Group has been further strengthened as a result. Given the limited growth potential of Shenzhen Shentou Transportation Group Co. Ltd. ("SSTG", a 60% owned subsidiary of the Group) and its business was not in line with the Group's strategy of developing logistics business, on 20 August 2001, the Directors resolved to dispose of the Group's 60% equity interests in SSTG to SIHC at a consideration of RMB696 million. Proceeds therefrom were applied to the acquisition of 53.7% equity interests in Shenzhen Freeway, thus increasing the Group's interests in Shenzhen Freeway to 73%. The acquisition enables the Group to consolidate its control over Shenzhen Freeway and to increase its investment in a logistics related and monopolised business in Shenzhen City, thereby creating synergy with other logistics operations of the Group. The Group will continue to realign SIHC's logistics related and quality assets so as to strengthen its core business.

## Chairman's Statement

To date, the restructuring of the Group's businesses has recorded remarkable results and the restructuring will continue in the second half of 2001. The Group will take an active role to participate in the reorganisation and development of logistics-related resources of SIHC according to the needs of the Group and with reference to the State's policy on the development of transportation industry. During the period under review, the Group performed an in-depth study on the possibility of developing logistics operations in the western part of Shenzhen City. At present, the port business in Shenzhen is operated in two major streams with Shekou and Mawan harbours at the west and Yantian harbour at the east. These ports form a pattern of harbour groups at the eastern and western part of Shenzhen. The annual growth rate of the import and export volume of Guangdong Province averages at 10%. As a result, sufficient sources of goods can be solicited in areas nearby, thus providing harbours in western Shenzhen with favourable operating environment. The Group holds a positive view on the development of port operations in western Shenzhen and in-depth evaluation on certain investment projects has been completed and investment is expected to be confirmed in the near future. The Group expects that with the acquisition of further interests in Shenzhen Freeway, the development of logistics operations in western harbours of Shenzhen, the commencement of operation of Shenzhen Airport International Express Supervision Center Co., Ltd. in which Total Logistics owns 50% interests, and the development of a logistics network, the Group will gradually establish a business system and organisations centre on airports, harbours and ground logistics services and with information systems.

The Group is optimistic on the prospect of logistics business in Shenzhen City and remarkable growth potential is expected. With the support from SIHC, the Group anticipates that logistics related and monopolised businesses and assets in Shenzhen City will be gradually injected to the Group. Meanwhile, the upcoming entry of China into the World Trade Organization is expected to bring about more business opportunities, thereby expanding the room for the development of logistics business. In addition, with the impetus generated by the globalisation of economy and the growing importance of information technology nowadays, a modern logistics system will become an inevitable asset in the new development trend of the world. Shenzhen City is the "Southern Gate" of China and is able to share the prosperity of logistics business of Hong Kong. Equipped with first class harbour, ground and air infrastructures, Shenzhen City is thus enjoying substantial growth potential. The Group expects to establish a regional logistics operation and management system in three to five years.

The major businesses of the Group and their performances during the Period are analysed as follows:

### **Total Logistics Networks (Shenzhen) Co., Ltd. ("Total Logistics")**

During the Period, turnover of Total Logistics was HK\$4.20 million (not yet incorporated in the first half year of 2000). Loss after taxation was HK\$0.83 million, which was lower than the budget by 45%. In April 2001, the "Total Logistics Network" developed by Total Logistics was duly recognised as a major project in the modern logistics business of Shenzhen City. Meanwhile, harbour, ground and air transportation ancillary services in western Shenzhen are put into operation and brought about encouraging results. It is expected that Total Logistics will attain break-even results in year 2001 and will contribute profits to the Group in 2002.

During the Period, Total Logistics and Guangzhou City Vehicle Transportation Company (廣州市長途汽車運輸公司) reached a co-operation intention agreement pursuant to which the business foundation of the latter will be applied in establishing a joint venture to jointly develop comprehensive logistics operations focused on transportation ancillary services in southern China. Guangzhou is a transportation hub of freight forwarding activities in southern China. With the establishment of a

## *Chairman's Statement*

logistics center in Guangzhou, Total Logistics is able to consolidate the control over resources and client base in Pearl Delta Region, thereby providing clients with secure, reliable and comprehensive logistics services at reasonable prices.

The business objective of Total Logistics is to provide value-added and modernized comprehensive logistics services to major clients and enterprises with substantial potential. This strategy has been proven to be successful to a certain extent. Total Logistics has established business connection with various famous corporations. Electronic logistics services supported by Global Positioning System and network information platforms have been accredited by several sizable corporations and turnover has been gradually increased as a result. On the other hand, Total Logistics has entered into local ancillary transportation agreement with certain international electronic appliances corporations and has also provided logistics design and implementation proposals to domestic clients.

Airports, harbours and logistics centers are important infrastructures of logistics industry. Total Logistics will speed up its pace in evaluating cooperation opportunities in the construction of those crucial resources in order to secure itself a favourable position amongst the upcoming competitors from the international market. Meanwhile, Total Logistics also makes every effort to identify opportunities to work together with sizable logistics corporations in China so as to capture a larger market share in a short period through cooperation, mergers and acquisitions. With respect to sizable corporations, particularly those multinational corporations with well-known brand names, Total Logistics will add value to and create favourable conditions for them by modernised logistics services featured by comprehensive and value-added services.

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Shenzhen Airport International Express Supervision Center Co., Ltd. ("Airport Express Center"), in which Total Logistics has 50% interests, has duly commenced its operation in the second quarter of 2001, which was earlier than the expected schedule. The Airport Express Center is being recognised as the best-equipped supervision center in China. The daily cargo handling volume of Airport Express Center increases from less than 35 tones during the trial period to over 100 tones nowadays. The eleven courier companies previously operated in the custom areas of Shenzhen have been reallocated to the Airport Express Center. With three additional courier companies joining the Airport Express Centre, the income source of Airport Express Center is being further guaranteed. At the same time, with the coordination of Shenzhen Municipal Government, a special lane has been arranged for motor vehicles delivering express materials, thereby facilitating the operation of courier companies and thus greatly increasing handling fees income. It is expected that the Airport Express Centre will be able to attain break-even results in 2001. The focus of Airport Express Center in the second half of the year will be fostering a convenient environment for custom clearing and facilitating a stable and healthy development of the express operation. It will also take all possible measures to solicit sources of goods from nearby areas, develop new business and construct an airport logistics center to identify new focal point for profit growth.

### **Shenzhen Freeway Development Company Limited ("Shenzhen Freeway")**

The major asset of Shenzhen Freeway is a 32.49% equity interests in Shenzhen Expressway Company Limited ("Shenzhen Expressway") whose H-shares are listed on The Stock Exchange of Hong Kong Limited. During the Period, turnover of Shenzhen Expressway was HK\$207 million (2000: HK\$197 million), representing an increase of approximately 5.3% over that of last year. Profit attributable to shareholders was HK\$192 million (2000: HK\$163 million), representing an increase of 17.6% over that of last year. The growth rate of the aggregate traffic volume of Shenzhen Expressway during the Period was able to maintain at a level comparable to that of 2000. With a number of new road sections being put into operations and non-stop auto-toll systems being introduced, the operation

## *Chairman's Statement*

and management mechanism of its expressways have been further strengthened. All these measures have brought to the growth of toll income to a certain extent. For the period from the completion date of the acquisition of 19.3% equity interests in Shenzhen Freeway to 30 June 2001, Shenzhen Freeway contributed HK\$7 million to the Group's profit attributable to shareholders. In order to consolidate the Group's control over Shenzhen Freeway and enhance the investment in monopolised logistics related business, the Group entered into an agreement with SIHC on 20 August 2001 pursuant to which the Group acquired 53.7% equity interests in Shenzhen Freeway at a consideration of RMB696 million. Upon completion of the transaction, the Group's interests in Shenzhen Freeway will increase to 73%, thereby optimising and reinforcing the logistics business of the Group.

Taking the economic growth in China in future years into consideration, economic and trading activities in Shenzhen City will be more active and importing and exporting volume will also be further increased, thus creating exigency demand for motorway transportation. Shenzhen Expressway will continue to strengthen the operation of expressways in Shenzhen and its major future investments are Yanba Expressway (B and C sections). Projects under feasibility studies mainly include the expressway between Yantian and Paibang ("Yanpai Expressway") and other planned expressways in Shenzhen City. With the rapid increase in number of expressways in Shenzhen City, the efficiency of logistics operations will be further enhanced and synergy will be created between the logistics and expressway operations of the Group as a result.

### **Shenzhen Shentou Transportation Group Co. Ltd. ("SSTG")**

During the Period, turnover of SSTG was HK\$439 million (2000: HK\$419 million), representing an increase of 4.8% over the same period of 2000. Profit attributable to shareholders was HK\$2.79 million (2000: HK\$9.38 million), a decrease of 70% as compared to that of 2000. The principal activities of SSTG are the provision of passenger transportation services within Shenzhen City and its neighbouring cities. Turnover of SSTG during the Period increased slightly which was mainly attributable to the introduction of additional routes. However, due to the soaring price level of petroleum and deviations of passenger base resulting from keen competition, the operating cost of SSTG continues to increase. In addition, major bus stations have been moved out of passengers crowded Luohu Railway Station and Guangzhou Hanjin Station, which seriously affected the core business and profitability of SSTG. After due consideration by the management, the Group entered into an agreement with SIHC on 20 August 2001 to dispose of the entire 60% interests in SSTG to SIHC at a consideration of RMB696 million. The reason for the disposal is that the business of SSTG is not in line with the logistics business of the Group and that its growth in profitability is relatively limited. It is estimated that the Group will realise an unaudited gain of HK\$42 million as a result of the disposal.

### **CSG Technology Holding Co., Ltd. ("CSG")**

During the Period, turnover of CSG was approximately HK\$454 million (2000: HK\$439 million), representing an increase of approximately 3.3% over the period. Operating profit was approximately HK\$77.01 million (2000: HK\$75.63 million), representing an increase of 1.8%. Since CSG adopted new accounting policies during the Period, a one-off provision of approximately HK\$23.85 million (2000: nil) was made for the impairment loss on fixed assets, resulting in a decrease of 30% in profit attributable to shareholders to HK\$53.16 million (2000: HK\$75.63 million). The Group shared a profit of approximately HK\$12.91 million (2000: HK\$19.90 million) as a result.



## Chairman's Statement

During the Period, in addition to strengthening the existing market, CSG made every endeavour to explore the international market, to expand the client base and to improve the quality of its earnings by developing new high-tech products. Transformation of the industry portfolio and the product mix have been initially implemented in the industrial production of CSG. High-tech products of CSG mainly include micro electronic components, flat display materials and structural ceramics. Except for structural ceramics, electronic components and flat display materials were more vulnerable to the downturn of the information technology industry around the world. During the first half of the year, all production and sales volume, prices and profits of chip-style electronic sensors and glass equipped with electricity-conducting membrane recorded a substantial decrease when compared with the corresponding period of 2000. Notwithstanding the pressure from the keen competition brought about by the downturn of the information technology industry, CSG succeeded in speeding up the pace of new products development and technological improvement, thereby solving the production-to-waste ratio and overlapping problems in the production of high frequency electronic sensors. After solving the problem in selecting glasses, measurement of micro levelling and polishing technique in connection with high grade STN glass, the product quality of CSG is comparable to the international standard. The production-to-sale ratio of high value-added products increased substantially when compared with the corresponding period of 2000.

Mr. Chen Chao, the Vice Chairman and Chief Executive of the Company, was appointed the chairman of CSG in May 2001. This enhances the influence of the Group on CSG and thus further strengthens the Group's interests in CSG.

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In February 2001, trading restrictions in the B shares market of the PRC were relaxed where local citizens having their own foreign currencies were allowed to participate in the trading of B shares. The Group capitalised this opportunity by adjusting the shareholding in CSG through the market and realised investment gain of HK\$45 million.

### **Shenzhen High-Tech Holdings Limited ("Shenzhen High-Tech")**

During the Period, turnover of Shenzhen High-Tech was HK\$58.90 million (2000: HK\$4.04 million), representing an increase of 13.6 times. Shenzhen High-Tech was able to realise profit attributable to shareholders of HK\$10.96 million (2000: loss of HK\$24.65 million) when compared with substantial losses recorded in 2000. This is mainly attributable to the profit contribution of over HK\$10 million by a newly acquired wholly owned subsidiary, Dawning Information Industry Company Limited ("Dawning"), during the Period and that Shenzhen High-Tech was not required to make further provision for diminution in values in respect of its assets portfolio as in last year.

On 4 June 2001, Shenzhen High-Tech completed the acquisition of the entire interests in Dawning and thereby secured its position in the new and advanced technology industry. Dawning is the only manufacturer specialising in the production of full spectrum of servers (inclusive of UNIX/RISC) in the PRC and is also the only system integrator capable of supplying high-performance computers and high-end servers bearing its own brand name in the PRC. Besides, Dawning is the pioneer in the development of high-end computer industry and secures a leading position in the industry. Mr. Li Guojie, the head of the Computation Institute of the Chinese Academy of Science, is a co-founder and chairman of Dawning. He leads the internal research and development teams of Dawning to accomplish the aggressive marketing strategy of enlarging the market shares in the domestic and

## Chairman's Statement

international market. As a result, Dawning is able to keep up with the trend of technological development in the international market and possess adequate resources to support the research and development of its products. Dawning had made significant contributions to the turnover and net profit of Shenzhen High-Tech for the first half of the year and it is expected that the contribution from Dawning will further increase in the second half of the year.

In June 2001, Shenzhen High-Tech completed a placement of 750 million new shares, raising net proceeds of approximately HK\$190 million, and the financial position of Shenzhen High-Tech has been greatly improved as a result. Together with the issue of 517 million new shares as part of the acquisition consideration for Dawning during the Period, Shenzhen High-Tech's net asset value per share has been significantly increased and as a result the Group was able to realise dilution gain of approximately HK\$48 million.

### Hua Li Garden, Shenzhen

Hua Li Garden is a major investment property held by the Group. During the Period, the net rental income of Hua Li Garden was approximately HK\$9.43 million (2000: HK\$8.72 million), representing an increase of 8% over the period. The investment property is leased to a leading chain department store group in Shenzhen under a long-term lease. This provides a stable rental income to the Group.

### FINANCIAL POSITION

	30 June 2001 <i>HK\$ million</i>	31 December 2000 <i>HK\$ million</i>	Increase/ (Decrease) %
Total Assets	3,995	3,866	3
Current Assets	1,212	1,314	(8)
Current Liabilities	(1,461)	(1,374)	6
Net Current Liabilities	(249)	(60)	315
Net Assets	1,610	1,493	8
Net Assets per Share	HK\$0.144	HK\$0.14	3
Cash and Bank Deposits	716	675	6
Loans and Finance Leases	414	403	3
Convertible Bond	514	514	–

In March 2000, the Company issued a convertible bond with a principal amount of HK\$514 million to Hutchison International Limited ("HIL"), a wholly owned subsidiary of Hutchison Whampoa Limited. The bond bears interests at a rate of 4.5% per annum and is convertible into shares of the Company at a conversion price of HK\$0.43 per share prior to its maturity on 13 October 2001. The Group is currently in the process of negotiating the arrangement upon maturity of the convertible bond with HIL and will issue relevant press announcement in due course.

As at 30 June 2001, bank loans, other loans and finance leases of the Group amounted to HK\$414 million (31 December 2000: HK\$403 million), of which 96.6% and 3.4% are due within one year and over one year respectively. All these borrowings are denominated in Renminbi, out of which approximately HK\$253 million or 61% are attributable to SSTG and are secured by fixed assets, investment properties and other assets of the Group. Following the disposal of the entire interests in SSTG and the acquisition of Shenzhen Freeway which has a solid financial background, the Group is able to capture a more healthy and stable financial position.

## Chairman's Statement

As at 30 June 2001, the net current liabilities of the Group were HK\$249 million (31 December 2000: HK\$60 million). This is mainly attributable to the Group's bank loans in the PRC are generally having terms of one year. In general, the costs of these short-term loans are lower than that of long-term loans and most of which are secured by assets of the Group. Under normal circumstances, these bank loans may be extended on their respective maturity dates on the same terms and therefore the overall financial position of the Group will not be affected.

As at 30 June 2001, the gearing ratio of the Group was as follows:

	30 June 2001 <i>HK\$ million</i>	31 December 2000 <i>HK\$ million</i>
Shareholders' Equity	<u>1,610</u>	<u>1,493</u>
Liabilities:		
Convertible bond (fixed rate)	514	514
Floating rate borrowings	414	403
Non-interest bearing liabilities	<u>1,027</u>	<u>1,025</u>
	<u>1,955</u>	<u>1,942</u>
Ratio of Total Liabilities to Shareholders' Equity	121.4%	130.1%

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The Group's ratio of total liabilities to shareholders' equity decreases from 130.1% as at 31 December 2000 to 121.4% as at 30 June 2001. The decrease in gearing ratio is mainly attributable to the earnings contribution of the Group. Meanwhile, the Group has a cash balance of HK\$700 million, which greatly strengthens the Group's financial position and its capability in business development.

### EMPLOYEES

As at 30 June 2001, the Group employed 20 employees in Hong Kong and 8,700 employees in PRC. Remuneration package is determined by qualification, experience, performance and also by reference to market terms. The remuneration package of Hong Kong staff includes salary payments, medical subsidies, hospitalisation scheme and Mandatory Provident Fund retirement benefits. The remuneration package of PRC staff includes salary payments, year end bonus and provident funds.

The Company has established a share option scheme whereby employees of the Group may be granted options to acquire shares of the Company.

**Li Hei Hu**  
*Chairman*

Hong Kong, 14 September 2001

## *Independent Auditors' Review Report*



To the Board of Directors  
**Shenzhen International Holdings Limited**

### **Introduction**

We have been instructed by the Company to review the interim financial report for the six months ended 30 June 2001 set out on pages 12 to 20.

### **Directors' responsibilities**

The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with Statement of Standard Accounting Practice No. 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants and the relevant provisions thereof. The interim financial report is the responsibility of, and has been approved by, the Directors of the Company.

### **Review work performed**

We conducted our review in accordance with Statement of Auditing Standards 700 "Engagements to review interim financial reports" issued by the Hong Kong Society of Accountants. A review consists principally of making enquiries of management and applying analytical procedures to the interim financial report and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the interim financial report.

### **Review conclusion**

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the interim financial report for the six months ended 30 June 2001.

Without modifying our review conclusion above, we draw attention to the fact that the comparative condensed consolidated profit and loss account, condensed consolidated statement of recognised gains and losses and condensed consolidated cash flow statement for the six months ended 30 June 2000 have not been reviewed in accordance with Statement of Auditing Standards 700.

**Ernst & Young**  
*Certified Public Accountants*

Hong Kong, 14 September 2001

## Condensed Consolidated Profit and Loss Account

Six months ended 30 June 2001

	Notes	Six months ended	
		30 June 2001 (Unaudited) HK\$'000	30 June 2000 (Unaudited) HK\$'000
TURNOVER	2	454,065	235,437
Cost of sales		(335,217)	(167,230)
Gross Profit		118,848	68,207
Other revenue		115,460	123,651
Selling and distribution costs		(8,653)	(3,482)
General and administrative expenses		(95,039)	(68,439)
Other operating expenses		(15,528)	(394)
PROFIT FROM OPERATING ACTIVITIES	3	115,088	119,543
Finance costs		(26,268)	(16,842)
		88,820	102,701
Share of profits less losses of:			
Associates		26,485	12,747
Jointly-controlled entities		4,466	239
PROFIT BEFORE TAXATION		119,771	115,687
Tax	4	(7,838)	(3,737)
PROFIT BEFORE MINORITY INTERESTS		111,933	111,950
Minority interests		350	(5,561)
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		112,283	106,389
EARNINGS PER SHARE	5		
Basic		1.01 cents	1.20 cents
Diluted		1.00 cents	1.07 cents

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## Condensed Consolidated Statement of Recognised Gains and Losses

Six months ended 30 June 2001

	Six months ended	
	30 June 2001 (Unaudited) HK\$'000	30 June 2000 (Unaudited) HK\$'000
Exchange differences arising on consolidation of subsidiaries, associates and jointly controlled entities outside Hong Kong	(1,655)	3,517
Net profit from ordinary activities attributable to shareholders	112,283	106,389
Total recognised gains and losses	110,628	109,906
Goodwill eliminated directly against reserves	–	(21,868)
	110,628	88,038

# Condensed Consolidated Balance Sheet

At 30 June 2001

	Notes	30 June 2001 (Unaudited) HK\$'000	31 December 2000 (Audited) HK\$'000
<b>Non-Current Assets</b>			
Goodwill		(30,261)	–
Fixed assets		1,082,781	1,059,508
Investment properties		271,626	271,626
Interests in associates		766,801	475,693
Interests in joint ventures		94,287	95,619
Investment securities		10,903	10,903
Intangible assets		518,858	525,697
Properties under development for sale		60,647	73,768
Deposits for acquisition of fixed assets		7,006	38,651
		<u>2,782,648</u>	<u>2,551,465</u>
<b>Current Assets</b>			
Due from ultimate holding company		–	193,361
Other investments		61,523	38,189
Inventories		5,886	5,750
Properties held for sale		213,031	218,114
Trade receivables	7	35,343	25,913
Deposits, prepayments and other receivables		180,623	157,769
Pledged bank deposits		65,000	65,000
Cash and cash equivalents		650,869	610,374
		<u>1,212,275</u>	<u>1,314,470</u>
<b>Current Liabilities</b>			
Trade payables	8	(26,714)	(20,328)
Accrued liabilities, customers' deposits and other payables		(305,070)	(315,249)
Tax payable		(35,341)	(39,895)
Convertible bond		(513,661)	(513,661)
Interest-bearing borrowings	9	(393,673)	(296,520)
Lease payables		(6,306)	(6,456)
Refundable deposits received		(97,931)	(88,584)
Current portion of receipts in advance for sales of properties		(23,994)	(37,764)
Current portion of deferred income		(53,107)	(54,755)
Due to a minority shareholder		(5,657)	(1,039)
Due to ultimate holding company		(199)	(199)
		<u>(1,461,653)</u>	<u>(1,374,450)</u>
<b>Net Current Liabilities</b>		<u>(249,378)</u>	<u>(59,980)</u>
<b>Total Assets Less Current Liabilities</b>		<u>2,533,270</u>	<u>2,491,485</u>
<b>Non-Current Liabilities</b>			
Interest-bearing borrowings	9	(804)	(84,427)
Lease Payables		(13,258)	(15,594)
Refundable deposits received		(108,842)	(95,536)
Receipts in advance for sales of properties		(79,993)	(67,899)
Deferred income		(286,378)	(296,462)
Other deposits received and other payable		(3,969)	(7,817)
		<u>(493,244)</u>	<u>(567,735)</u>
<b>Minority Interests</b>		<u>(430,256)</u>	<u>(430,366)</u>
		<u>1,609,770</u>	<u>1,493,384</u>
<b>Capital and Reserves</b>			
Issued capital	10	1,114,675	1,110,084
Reserves	11	495,095	383,300
		<u>1,609,770</u>	<u>1,493,384</u>

## Condensed Consolidated Cash Flow Statement

Six months ended 30 June 2001

	Six months ended	
	30 June 2001 (Unaudited) HK\$'000	30 June 2000 (Unaudited) HK\$'000
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	146,122	(25,783)
Net cash inflow/(outflow) from returns on investments and servicing of finance	18,587	(6,927)
Taxation	(4,278)	–
Net cash inflow /(outflow) from investing activities	120,144	(205,179)
NET CASH INFLOW/(OUTFLOW) BEFORE FINANCING ACTIVITIES	280,575	(237,889)
Net cash inflow from financing activities	16,952	634,296
INCREASE IN CASH AND CASH EQUIVALENTS	297,527	396,407
Cash and cash equivalents at beginning of period	418,342	(32,338)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	715,869	364,069
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	715,869	364,069

## Notes to 2001 Interim Financial Statements

### 1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

- (i) The unaudited condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Statement of Standard Accounting Practice (“SSAP”) No.25 “Interim Financial Reporting” (“SSAP25”) issued by the Hong Kong Society of Accountants. Certain items in the condensed consolidated profit and loss account in the prior period have been restated to conform with SSAP25. The accounting policies and basis of preparation used in the preparation of these interim financial statements are the same as those used in the annual financial statements for the year ended 31 December 2000 except as disclosed in (ii) below.
- (ii) The Group has adopted the following new SSAPs issued by the Hong Kong Society of Accountants which are effective for accounting period commencing on or after 1 January 2001:

SSAP28: Provisions, Contingent Liabilities and Contingent Assets

SSAP29: Intangible Assets

SSAP30: Business Combinations

SSAP31: Impairment of Assets

SSAP32: Consolidated Financial Statements and Accounting for Investments in Subsidiaries

#### (iii) Goodwill

Goodwill (negative goodwill) arising on consolidation represents the difference between purchase consideration paid for subsidiaries, associates and jointly controlled entities over the fair values ascribed to the underlying net assets acquired. In previous years, goodwill (negative goodwill) was eliminated against reserves in the year of acquisition.

With the introduction of SSAP30 “Business Combinations”, the Group has adopted the transitional provisions prescribed therein, and as a result all goodwill (negative goodwill) arising from acquisition before 1 January 2001 will continue to be eliminated against reserves and no reinstatement has been made. However, any impairment arising on such goodwill is recognised in the profit and loss account. Goodwill arising on acquisition after 1 January 2001 is capitalised in the balance sheet and is amortised to the profit and loss account on a straight-line basis over its estimated useful life. Negative goodwill arising on acquisition after 1 January 2001 is recognised as income on a systematic basis over the remaining useful life of the non-monetary assets acquired to the extent that the negative goodwill does not relate to identified expected future losses and expenses at the date of acquisition.

The gain or loss on disposal of subsidiaries, associates or jointly controlled entities includes the unamortised balance of goodwill (negative goodwill) relating to the entity disposed of or, for acquisition prior to 1 January 2001, the related goodwill previously eliminated against reserves to the extent it has not previously been realised in the profit and loss account.



## Notes to 2001 Interim Financial Statements

### 2. SEGMENTAL INFORMATION

Turnover represents income generated from transportation services and logistics services, properties investment and sale, net of business tax and surcharge.

An analysis of the Group's turnover and profit from operating activities by principal activities and by geographical areas is as follows:

	Turnover		Profit from operating activities	
	Six months ended		Six months ended	
	30 June 2001 (Unaudited) HK\$'000	30 June 2000 (Unaudited) HK\$'000	30 June 2001 (Unaudited) HK\$'000	30 June 2000 (Unaudited) HK\$'000
By principal activities:				
Continuing operations				
Transportation business	417,131	181,961	12,727	23,733
Logistics business	4,207	–	(417)	–
Property investment and sale	32,727	9,730	6,947	4,577
Investment holding	–	–	95,183	26,029
	<u>454,065</u>	<u>191,691</u>	<u>114,440</u>	<u>54,339</u>
Discontinued operations				
Manufacturing business	–	32,204	–	2,009
Optometry business	–	11,542	–	(2,687)
	–	43,746	–	(678)
	<u>454,065</u>	<u>235,437</u>	<u>114,440</u>	<u>53,661</u>
Gain on disposal of discontinued operations			–	68,261
Other revenue			13,333	8,009
Other general and administrative expenses			(12,685)	(10,388)
			<u>115,088</u>	<u>119,543</u>
By geographical areas:				
Continuing operations				
Hong Kong	–	–	95,183	26,029
The People's Republic of China except Hong Kong (the "PRC")	454,065	191,691	19,257	28,310
	<u>454,065</u>	<u>191,691</u>	<u>114,440</u>	<u>54,339</u>
Discontinued operations				
Hong Kong	–	10,883	–	(703)
PRC	–	32,863	–	25
	–	43,746	–	(678)
	<u>454,065</u>	<u>235,437</u>	<u>114,440</u>	<u>53,661</u>
Gain on disposal of discontinued operations			–	68,261
Other revenue			13,333	8,009
Other general and administrative expenses			(12,685)	(10,388)
			<u>115,088</u>	<u>119,543</u>

## Notes to 2001 Interim Financial Statements

### 3. PROFIT FROM OPERATING ACTIVITIES

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

	Six months ended	
	30 June 2001 (Unaudited) HK\$'000	30 June 2000 (Unaudited) HK\$'000
Depreciation of fixed assets	97,736	27,844
Amortisation of intangible assets	6,839	2,581
Impairment losses on fixed assets	14,534	–
Gain on disposal of interests in an associate	(45,736)	(19,850)
Gain on dilution of interests in an associate	(48,179)	–

### 4. TAX

No provision for Hong Kong profits tax has been made in the interim financial statements as the Group did not generate any assessable profits arising in Hong Kong during the six months ended 30 June 2001 (2000: Nil). Taxes on profits assessable outside Hong Kong 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) HK\$'000	30 June 2000 (Unaudited) HK\$'000
Hong Kong	–	–
Outside Hong Kong	5,464	3,040
Associates	1,652	697
Jointly controlled entities	722	–
Tax charges for the period	7,838	3,737

### 5. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the Group's net profit from ordinary activities attributable to shareholders for the period of HK\$112,283,000 (2000: HK\$106,389,000) and the weighted average of 11,110,785,650 (2000: 8,873,328,800) shares in issue during the period.

The calculation of diluted earnings per share for the six months ended 30 June 2001 is based on the Group's net profit from ordinary activities attributable to shareholders for the period of HK\$112,283,000 (2000: adjusted profit HK\$119,918,000). The weighted average number of ordinary shares used in the calculation is the weighted average of 11,110,785,650 (2000: 8,873,328,800) ordinary shares in issue during the period, as used in the basic earnings per share calculation, and the weighted average of 115,855,138 (2000: 2,357,048,454) ordinary shares assumed to have been issued at no consideration in deemed exercise of all share options and warrants in existence during the period.

### 6. INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend in respect of the six months ended 30 June 2001 (2000: Nil).

## Notes to 2001 Interim Financial Statements

### 7. TRADE RECEIVABLES

The ageing analysis of the Group's trade receivables is as follows:

	30 June 2001 (Unaudited) HK\$'000	31 December 2000 (Audited) HK\$'000
1 - 3 months	26,025	19,959
3 - 6 months	4,200	5,173
6 - 12 months	2,111	1,220
1 - 2 years	6,396	7,917
	<u>38,732</u>	<u>34,269</u>
Provision	(3,389)	(8,356)
<b>Total after provision</b>	<u><u>35,343</u></u>	<u><u>25,913</u></u>

Trade receivables generally have credit terms of 30 to 90 days.

### 8. TRADE PAYABLES

The ageing analysis of the Group's trade payables is as follows:

	30 June 2001 (Unaudited) HK\$'000	31 December 2000 (Audited) HK\$'000
1 - 3 months	24,976	17,554
3 - 6 months	25	1,251
6 - 12 months	985	18
1 - 2 years	728	1,505
	<u>26,714</u>	<u>20,328</u>

### 9. INTEREST-BEARING BORROWINGS

	30 June 2001 (Unaudited) HK\$'000	31 December 2000 (Audited) HK\$'000
Bank loans	363,175	346,455
Other loans wholly repayable within one year	31,302	34,492
	<u>394,477</u>	<u>380,947</u>
Interest-bearing borrowings repayable within one year	(393,673)	(296,520)
Non-current portion of interest-bearing borrowings	<u>804</u>	<u>84,427</u>

The Group's bank loans in the PRC are generally having terms of one year. In general, the costs of these short-term loans are lower than that of long-term loans and most of which are secured by assets of the Group. Under normal circumstances, these bank loans may be extended on their respective maturity dates on the same terms and therefore the overall financial position of the Group will not be affected.

## Notes to 2001 Interim Financial Statements

### 10. SHARE CAPITAL

	<b>30 June 2001</b> <b>(Unaudited)</b> <i>HK\$'000</i>	<b>31 December 2000</b> <b>(Audited)</b> <i>HK\$'000</i>
Authorised 20,000,000,000 shares of HK\$0.10 each	<u><b>2,000,000</b></u>	<u>2,000,000</u>
Issued and fully paid 11,146,746,261 shares of HK\$0.10 each (2000: 11,100,838,261 shares of HK\$0.10 each)	<u><b>1,114,675</b></u>	<u>1,110,084</u>

Details of movements in the issued share capital of the Company during the period were as follows:

	<b>(Unaudited)</b> <i>HK\$'000</i>	<b>(Unaudited)</b> <b>No. of Shares</b>
At 1 January 2001	1,110,084	11,100,838,261
Warrants exercised	4,231	42,308,000
Share options exercised	360	3,600,000
At 30 June 2001	<u><b>1,114,675</b></u>	<u>11,146,746,261</u>

### 11. RESERVES

	Exchange		Capital		Investment		Enterprise expansion fund	Statutory reserve fund	Staff welfare reserve	Goodwill reserve	Accumulated losses	Total
	Share premium	fluctuation reserve	reserve	Contributed surplus	Asset revaluation reserve	property revaluation reserve						
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 January 2001	1,050,081	5,159	6,535	13,005	1,565	5,172	29	8,984	7,413	(270,966)	(443,677)	<b>383,300</b>
Arising on exercise of warrants and share options	1,167	-	-	-	-	-	-	-	-	-	-	<b>1,167</b>
Exchange differences arising on consolidation of subsidiaries, associates and jointly-controlled entities outside Hong Kong	-	(1,655)	-	-	-	-	-	-	-	-	-	<b>(1,655)</b>
Net profit for the period	-	-	-	-	-	-	-	-	-	-	112,283	<b>112,283</b>
At 30 June 2001	<u><b>1,051,248</b></u>	<u><b>3,504</b></u>	<u><b>6,535</b></u>	<u><b>13,005</b></u>	<u><b>1,565</b></u>	<u><b>5,172</b></u>	<u><b>29</b></u>	<u><b>8,984</b></u>	<u><b>7,413</b></u>	<u><b>(270,966)</b></u>	<u><b>(331,394)</b></u>	<u><b>495,095</b></u>

## Notes to 2001 Interim Financial Statements

### 12. COMMITMENTS

#### Capital commitments

	30 June 2001 (Unaudited) HK\$'000	31 December 2000 (Audited) HK\$'000
Acquisition of fixed assets	12,142	77,874
Investments in unlisted equity investment securities and subsidiaries in the PRC	54,772	61,014
Acquisition of a 19.3% equity interest in Shenzhen Freeway Development Company Limited ("Shenzhen Freeway")	—	209,249
	<u>66,914</u>	<u>348,137</u>

### 13. CONTINGENT LIABILITIES

- (i) As at 30 June 2001, the Group had provided guarantees for mortgage loans granted by banks to certain purchasers of the Group's properties held for sale, amounting to approximately HK\$64,993,000 (31 December 2000: approximately HK\$53,556,000).
- (ii) As at 30 June 2001, the Group had executed corporate guarantees to an associate and a jointly-controlled entity of the Group and an independent third party in respect of their bank loan amounting to approximately HK\$33,006,000 (31 December 2000: approximately HK\$33,006,000).

### 14. RELATED PARTIES TRANSACTIONS

- (i) During the period, the Group had completed the acquisition of 19.3% equity interest in Shenzhen Freeway from SIHC for a total cash consideration of HK\$209,249,000.
- (ii) On 5 January 2001, Total Logistics Networks (Shenzhen) Co., Ltd. ("Total Logistics") entered into a shareholders' agreement with Shenzhen Freeway, Shenzhen State-owned Duty Free Commodity (Group) Co. Ltd., Shenzhen SIHC Networks Investment and Development Co., Ltd. and Shenzhen Capital and Investment Co. Ltd. (collectively "VC Shareholders"), for the establishment of an investment company namely, Shenzhen SIHC Venture Capital Co., Ltd. ("SIHC Venture Capital") in the PRC. All of the VC Shareholders are subsidiaries of SIHC.

Pursuant to the agreement, Total Logistics and each of VC Shareholders own 20% equity interest in SIHC Venture Capital and contributed RMB20 million (approximately HK\$18.7 million) in cash to the registered capital of SIHC Venture Capital in accordance with their respective shareholdings. Further details of the establishment of SIHC Venture Capital are set out in the press announcement dated 5 January 2001.

### 15. POST BALANCE SHEET EVENTS

On 21 August 2001, the Directors announced that, Successful Plan Assets Limited ("Successful Plan", a wholly owned subsidiary of the Company), SIHC and the Company entered into an acquisition agreement ("Acquisition Agreement") on 20 August 2001, pursuant to which Successful Plan would acquire 53.7% equity interest in Shenzhen Freeway from SIHC at a consideration of RMB696 million (equivalent to approximately HK\$656.4 million). Shenzhen Freeway is currently owned as to 19.3% by Successful Plan and 80.7% by SIHC. Upon completion of the Acquisition, Shenzhen Freeway would become a 73% owned subsidiary of Successful Plan. Concurrently, Honest United Development Limited ("Honest United", a wholly owned subsidiary of the Company) entered into a disposal agreement ("Disposal Agreement") with SIHC whereby Honest United agreed to dispose of the entire 60% equity interest in Shenzhen Shentou Transportation Group Co. Ltd. ("SSTG") to SIHC at a consideration of RMB696 million (equivalent to approximately HK\$656.4 million). The consideration for the acquisition of 53.7% equity interest in Shenzhen Freeway under the Acquisition Agreement would be satisfied by the sale of the 60% equity interest in SSTG under the Disposal Agreement. Further details of the transactions are set out in a circular to shareholders dated 12 September 2001.

## Supplementary Information

### PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the six months ended 30 June 2001, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

### DIRECTORS' INTEREST IN SECURITIES

During the Period, according to the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance"), Chapter 396 of the Laws of Hong Kong, the following Directors had personal interests in the share options granted by the Company or its associated corporations (within the meaning of SDI Ordinance) as set out hereunder:

#### Share Options granted by the Company

Name of Director	Number of options outstanding as at 31 December 2000	Number of options granted during the Period	Number of options exercised during the Period	Number of options outstanding as at 30 June 2001	Exercise price	Exercise period
Mr. Li Hei Hu	35,000,000	-	-	35,000,000	HK\$0.272	22 January 2001 to 15 April 2004
Mr. Chen Chao	30,000,000	-	-	30,000,000	HK\$0.272	22 January 2001 to 15 April 2004
Mr. Li Jing Qi	30,000,000	-	-	30,000,000	HK\$0.272	22 January 2001 to 15 April 2004
Mr. Qiao Gang	15,000,000	-	-	15,000,000	HK\$0.272	22 January 2001 to 15 April 2004
Mr. Sheng Bin (Note 1)	30,000,000	-	-	30,000,000	HK\$0.272	22 January 2001 to 15 April 2004
Mr. Sun Yu Lin	15,000,000	-	-	15,000,000	HK\$0.272	22 January 2001 to 15 April 2004
Mr. To Chi Keung	15,000,000	-	-	15,000,000	HK\$0.272	22 January 2001 to 15 April 2004

The share options were granted pursuant to the executive share option scheme approved by the shareholders of the Company on 16 April 1994. The share options entitle the holders thereof to subscribe in cash for new shares of HK\$0.10 each in the Company.

(Note 1) Mr. Sheng Bin resigned as a Non-Executive Director of the Company on 14 September 2001.

#### Share Options Granted by Associated Corporation

##### Shenzhen High-Tech Holdings Limited

Name of Director	Number of options outstanding as at 31 December 2000	Number of options granted during the Period	Number of options exercised during the Period	Number of options outstanding as at 30 June 2001	Exercise price	Exercise period
Mr. Li Hei Hu	-	60,000,000	-	60,000,000	HK\$0.1945	21 March 2001 to 16 November 2010
Mr. Chen Chao	-	30,000,000	-	30,000,000	HK\$0.1945	21 March 2001 to 16 November 2010
Mr. Li Jing Qi	-	13,500,000	-	13,500,000	HK\$0.1945	21 March 2001 to 16 November 2010

## Supplementary Information

The share options were granted by Shenzhen High-Tech Holdings Limited pursuant to the share option scheme approved by the shareholders of Shenzhen High-Tech Holdings Limited on 17 November 2000. The share options entitles the holders thereof to subscribe in cash for new shares of US\$0.025 each in Shenzhen High-Tech Holdings Limited.

Save as disclosed above, (i) none of the Directors, their respective spouse or children under 18 years of age had been granted or exercised any rights to subscribe for equity or debt securities of the Company or any its associated corporations during the Period and (ii) as at 30 June 2001, none of the Directors or their respective associates (within the meaning of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited) had any interests in the equity or debt securities of the Company or any of its associated corporations.

### SUBSTANTIAL SHAREHOLDERS

As at 30 June 2001, the following parties were interested directly or indirectly and/or deemed to be interested in 10% or more of the issued share capital of the Company, as recorded in the register of interests required to be maintained by the Company pursuant to Section 16(1) of the SDI Ordinance:

Name		Number of ordinary shares held	Percentage of total issued shares
Shenzhen Investment Holding Corporation (“SIHC”)	<i>Note(a)</i>	5,119,069,180	45.92%
Ultrarich International Limited (“Ultrarich”)		4,836,363,636	43.39%

Note (a) Ultrarich is a wholly owned subsidiary of SIHC and accordingly SIHC was deemed to be interested in the 4,836,363,636 shares of the Company owned by Ultrarich as disclosed above. The remaining balance of the shares of the Company of which SIHC were interested were owned by other wholly owned subsidiaries of SIHC.

Save as disclosed above, the Company is not aware of any other parties holding 10% or more of the issued share capital of the Company that was required to be recorded pursuant to Section 16(1) of the SDI Ordinance.

### AUDIT COMMITTEE

The Audit Committee comprises two Independent Non-Executive Directors, namely Mr. Leung Ming Yuen, Simon and Mr. Wang Xian Ping. The primary duties of the Audit Committee are to review and supervise the financial reporting and internal control procedures of the Group. The Group’s unaudited interim financial statements have been reviewed by the Audit Committee and the Company’s auditors, Ernst & Young, and the report of their review are included in page 11.

### COMPLIANCE WITH THE CODE OF BEST PRACTICE

In the opinion of the Directors, the Company complied with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited throughout the Period, except that the Non-Executive Directors were not appointed for specific terms but are subject to retirement by rotation and re-election at the Company’s annual general meeting in accordance with the bye-laws of the Company.