

**2001**



**MANSION HOUSE  
GROUP LIMITED**

**Interim Report**

The Board of Directors (“the Directors”) of Mansion House Group Limited (“the Company”) announces the unaudited results of the company and its subsidiaries (“the Group”) for the six months ended 30th June 2001.

## CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

		<b>Six months to 30th June</b>	
		<b>2001</b>	2000
		<b>(Unaudited)</b>	(Unaudited)
	<i>Note</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
Value of transactions		<b><u>3,625,732</u></b>	<b><u>8,748,165</u></b>
Turnover	2	<b>22,630</b>	89,286
Cost of sales		<b><u>(7,579)</u></b>	<b><u>(28,581)</u></b>
Gross profit		<b>15,051</b>	60,705
Other revenue		<b>2,209</b>	615
Administrative and other operating expenses		<b><u>(29,612)</u></b>	<b><u>(29,395)</u></b>
(Loss)/profit from operations	3	<b>(12,352)</b>	31,925
Finance costs	4	<b>(6,574)</b>	(6,692)
Share of profit of associates		<b>28</b>	–
(Loss)/profit before taxation		<b>(18,898)</b>	25,233
Taxation	5	<b><u>(264)</u></b>	<b><u>(3,311)</u></b>
(Loss)/profit after taxation		<b>(19,162)</b>	21,922
Minority interest		<b>17</b>	–
(Loss)/profit attributable to shareholders		<b><u>(19,145)</u></b>	<b><u>21,922</u></b>
(Loss)/earning per share (HK cents)	7	<b><u>(5.13)</u></b>	<b><u>6.59</u></b>

## CONDENSED CONSOLIDATED BALANCE SHEET

	<i>Note</i>	<b>30th June 2001 (Unaudited) HK\$'000</b>	31st December 2000 (Audited) HK\$'000
<b>NON-CURRENT ASSETS</b>			
Fixed assets		<b>12,727</b>	13,535
Interest in associates		<b>1,120</b>	1,107
Investment securities		<b>972</b>	1,012
Other assets		<b>13,966</b>	14,141
		<b>28,785</b>	29,795
<b>CURRENT ASSETS</b>			
Property held for development		<b>107,442</b>	97,734
Loans receivable		<b>13,409</b>	13,409
Accounts receivable	9	<b>110,538</b>	101,603
Sundry debtors and prepayments		<b>2,664</b>	3,406
Trading securities		–	1,277
Taxation recoverable	5(c)	<b>816</b>	2,096
Cash and cash equivalents	10	<b>109,837</b>	94,072
		<b>344,706</b>	313,597
<b>CURRENT LIABILITIES</b>			
Bank loans and overdrafts	12	<b>66,706</b>	68,730
Accounts payable	11	<b>156,419</b>	95,531
Loans payable		<b>62,332</b>	78,907
Sundry creditors and accruals		<b>35,463</b>	33,772
Amount due to directors	13	<b>6,302</b>	990
Current portion of obligation under finance lease		<b>759</b>	1,187
		<b>327,981</b>	279,117
<b>NET CURRENT ASSETS</b>			
		<b>16,725</b>	34,480
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			
		<b>45,510</b>	64,275
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing borrowings	12	<b>4,061</b>	4,406
Obligation under finance lease		–	135
		<b>4,061</b>	4,541
Minority Interest		<b>41,449</b>	59,734
		<b>(177)</b>	–
<b>NET ASSETS</b>			
		<b>41,272</b>	59,734
<b>CAPITAL AND RESERVES</b>			
Share capital	14	<b>74,634</b>	74,634
Reserves	15	<b>(33,362)</b>	(14,900)
		<b>41,272</b>	59,734

## CONDENSED CONSOLIDATED STATEMENT OF RECOGNISED GAINS AND LOSSES

Six months to  
30th June, 2001  
(Unaudited)  
HK\$'000

Exchange differences on translation of the financial statements of foreign entities	<u>683</u>
Gains not recognised in the consolidated profit and loss account	683
Loss attributable to shareholders	<u>(19,145)</u>
Total recognised losses	<u><u>(18,462)</u></u>

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT**

**Six months to  
30th June, 2001  
(Unaudited)  
HK'000**

<b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>	<b>20,503</b>
<b>RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>	
Interest paid	(6,516)
Interest element of finance lease rental payments	(58)
Interest received	4,528
<b>NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>	<b>(2,046)</b>
<b>TAXATION</b>	
Hong Kong profits tax paid	(101)
The People's Republic of China tax paid	(127)
Hong Kong profits tax refunded	1,244
<b>NET TAX REFUNDED</b>	<b>1,016</b>
<b>INVESTING ACTIVITIES</b>	
Purchase of fixed assets	(998)
Advance from an associate	14
Refund of deposit with the stock and futures exchanges	175
Proceeds from disposal of investment securities	33
<b>NET CASH OUTFLOW FROM INVESTING ACTIVITIES</b>	<b>(776)</b>
<b>NET CASH INFLOW BEFORE FINANCING</b>	<b>18,697</b>
<b>FINANCING</b>	
Capital element of finance lease rental payment	(564)
Repayment of bank loans	(290)
<b>NET CASH OUTFLOW FROM FINANCING</b>	<b>(854)</b>
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>17,843</b>
<b>CASH AND CASH EQUIVALENTS AT 31ST DECEMBER, 2000</b>	<b>25,725</b>
<b>CASH AND CASH EQUIVALENTS AT 30TH JUNE, 2001</b>	<b>43,568</b>
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>	
Cash and bank balances	109,837
Bank loans and overdrafts	(66,269)
	<b>43,568</b>

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS ENDED 30TH JUNE, 2001**

**1. PRINCIPAL ACCOUNTING POLICIES**

**a) Basis of preparation:**

The unaudited condensed consolidated interim financial statements of the Group have been prepared in compliance with Hong Kong Statements of Standard Accounting Practice ("SSAP") No. 25 "Interim Financial Reporting" except that comparative figures are not presented for the statement of recognised gains and losses and cash flow statement, being the first statement of recognised gains and losses and cash flow statement to be included in the interim financial report relating to accounting periods ended on or after 1st July, 2000. Such departures from SSAP 25 are permitted under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The accounting policies adopted are consistent with those followed in the Group's annual financial statements for the year ended 31st December, 2000.

**b) Comparative figures:**

Certain comparative figures have been reclassified to conform with the current period's presentation.

**2. SEGMENTAL INFORMATION**

An analysis of the Group's turnover and contribution to Group results by principal activity and geographical area of operations is as follows:

	<b>Turnover</b>		<b>Contribution to operating</b>	
	<b>Six months ended</b>		<b>(loss)/profit</b>	
	<b>30th June, 2001</b>	<b>30th June 2000</b>	<b>30th June 2001</b>	<b>30th June 2000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
By activity:				
Securities	<b>8,305</b>	50,837	<b>(6,913)</b>	30,436
Share margin financing	<b>4,419</b>	9,069	<b>(2,625)</b>	754
Futures	<b>137</b>	357	<b>(399)</b>	290
Consultancy, advisory, fund management and others	<b>361</b>	442	<b>(482)</b>	445
Sales of properties	<b>9,408</b>	28,581	<b>(1,933)</b>	–
	<b><u>22,630</u></b>	<b><u>89,286</u></b>	<b><u>(12,352)</u></b>	<b><u>31,925</u></b>
By geographical area:				
Hong Kong SAR	<b>13,222</b>	60,705	<b>(10,419)</b>	31,925
The People's Republic of China (excluding Hong Kong SAR)	<b>9,408</b>	28,581	<b>(1,933)</b>	–
	<b><u>22,630</u></b>	<b><u>89,286</u></b>	<b><u>(12,352)</u></b>	<b><u>31,925</u></b>

### 3. (LOSS)/PROFIT FROM OPERATIONS

This is arrived at after charging and crediting the following:

	Six months ended 30th June	
	2001	2000
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Charging:–		
Staff costs	14,057	10,849
Operating lease rentals – land and buildings	2,244	2,266
Depreciation	1,356	725
Auditors' remuneration	252	250
Fixed assets written off	450	–
	<u>14,528</u>	<u>14,090</u>
Crediting:		
Interest income	4,528	9,185
	<u>4,528</u>	<u>9,185</u>

### 4. FINANCE COSTS

	Six months ended 30th June	
	2001	2000
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest on bank loans, overdrafts and other loans repayable within five years	6,516	6,620
Interest on obligation under finance lease	58	72
	<u>6,574</u>	<u>6,692</u>

### 5. TAXATION

Taxation in the condensed consolidated profit and loss account represents:

	Six months ended 30th June	
	2001	2000
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Hong Kong profits tax		
– current period	–	3,311
Tax in The People's Republic of China	264	–
	<u>264</u>	<u>3,311</u>

- a) No provision for Hong Kong profits tax has been made (2000: 16%) as the Group sustained a loss for the current period.
- b) Tax in The People's Republic of China represents enterprise income tax which is provided on profits from operations deemed to arise in The People's Republic of China at 33% (2000: 33%).
- c) Taxation recoverable represents the excess of provisional profits tax paid over the estimated tax liabilities.

## 6. INTERIM DIVIDEND

The Directors has resolved not to pay an interim dividend for the six months ended 30th June, 2001 (2000: HK\$ Nil)

## 7. (LOSS)/EARNINGS PER SHARE

- a) The calculation of (loss)/earnings per share is based on the loss attributable to shareholders of HK\$19,145,527 (2000: profit of HK\$21,921,704) and the weighted average of 373,169,481 shares (2000: 332,656,624 shares) in issue during the period.
- b) Diluted (loss)/earnings per share for the period and prior period reflecting the exercise of all outstanding share options is not presented because the impact is anti-dilutive.

## 8. ADDITION TO FIXED ASSETS

During the period, the Group acquired fixed assets amounting to HK\$997,552 (year ended 31.12.2000: HK\$5,530,816).

## 9. ACCOUNTS RECEIVABLE

The aged analysis of accounts receivable is as follows:

	<b>30th June, 2001 (Unaudited) HK'000</b>	31st December, 2000 (Audited) HK'000
Less than 1 month	<b>55,315</b>	24,943
1-3 month	<b>17,574</b>	20,867
Over 3 month	<b>37,649</b>	55,793
	<b><u>110,538</u></b>	<u>101,603</u>

The settlement terms of accounts receivable arising from the ordinary course of business of dealing in securities are two days after trade date, and accounts receivable arising from the ordinary course of business of dealing in futures contracts are one day after trade date.

Loans to share margin clients are secured by clients' pledged securities, repayable on demand and bear interest at commercial rates.



## 10. CASH AND CASH EQUIVALENTS

	<b>30th June, 2001 (Unaudited) HK'000</b>	31st December, 2000 (Audited) HK'000
Deposits with financial institutions	<b>101,659</b>	82,338
Cash at banks and in hand	<b>8,178</b>	11,734
	<b><u>109,837</u></b>	<b><u>94,072</u></b>

Deposits with financial institutions at the balance sheet date included HK\$101,659,194 (31.12.2000: HK\$78,828,953) which were specifically designated as client's segregated funds by its subsidiaries.

## 11. ACCOUNTS PAYABLE

The aged analysis of accounts payable is as follows:-

	<b>30th June, 2001 (Unaudited) HK'000</b>	31st December, 2000 (Audited) HK'000
Less than 1 month	<b>156,419</b>	95,531
1-3 month	-	-
Over 3 month	-	-
	<b><u>156,419</u></b>	<b><u>95,531</u></b>

## 12. INTEREST-BEARING BORROWINGS/BANK LOANS AND OVERDRAFTS

	<b>30th June, 2001 (Unaudited) HK\$'000</b>	31st December, 2000 (Audited) HK\$'000
Bank loans	<b>17,373</b>	18,731
Bank overdrafts	<b>53,394</b>	54,405
	<b>70,767</b>	73,136
Portion due within one year classified as current liabilities	<b><u>(66,706)</u></b>	<u>(68,730)</u>
Long term portion	<b><u>4,061</u></b>	<b><u>4,406</u></b>

The long term portion of bank loans are repayable within a period of:

More than one year but not exceeding two years	<b>583</b>	560
More than two years but not exceeding five years	<b>1,749</b>	1,848
More than five years	<b>1,729</b>	1,998
	<b><u>4,061</u></b>	<b><u>4,406</u></b>

Client's and part of the Group's securities with a total market value of approximately HK\$106,128,168 (31.12.2000: HK\$162,797,661) at the balance sheet date were pledged to banks to secure loans and overdraft facilities granted to the Group.

The Group's leasehold properties have been pledged in favour of a bank to secure a loan granted to the Group to the extent of HK\$5,000,000 and interest (31.12.2000: HK\$5,000,000 and interest).

Certain portion of the property held for development has been mortgaged to a bank in The People's Republic of China for loans granted to a subsidiary in the amount of HK\$12,728,644 (31.12.2000: HK\$12,605,042).

### 13. AMOUNT DUE TO DIRECTORS

The amount due to directors are unsecured, carries interest at Hong Kong prime rate per annum or cost of funding and is repayable on demand.

### 14. SHARE CAPITAL

#### a) Authorised:

	<b>30th June, 2001 (Unaudited) HK\$'000</b>	31st December, 2000 (Audited) HK\$'000
450,000,000 ordinary shares of HK\$0.20 each	<u><b>90,000</b></u>	<u>90,000</u>

#### b) Issued and fully paid:

	Number of ordinary shares of HK\$0.20 each	Nominal Value HK\$
Balance as at 31st December, 2000 and 30th June, 2001	<u><b>373,169,481</b></u>	<u><b>74,633,896</b></u>

## 15. RESERVES

	<b>30th June, 2001 (Unaudited) HK\$'000</b>	31st December, 2000 (Audited) HK\$'000
Share premium account:		
Balance as at 31st December, 2000	<b>117,522</b>	65,599
Premium on issue of shares	–	51,923
	<hr/>	<hr/>
Balance as at 30th June, 2001	<b>117,522</b>	117,522
	<hr/>	<hr/>
Capital redemption reserve:		
Balance as at 31st December, 2000 and 30th June, 2001	<b>1,035</b>	1,035
	<hr/>	<hr/>
Accumulated deficit:		
Balance as at 31st December, 2000	<b>(143,766)</b>	(41,637)
Loss for the period	<b>(19,145)</b>	(102,129)
	<hr/>	<hr/>
Balance as at 30th June, 2001	<b>(162,911)</b>	(143,766)
	<hr/>	<hr/>
Assets revaluation reserve:		
Balance as at 31st December, 2000	<b>8,850</b>	14,000
Release upon disposal of shares on the Hong Kong Exchanges and Clearing Limited	–	(14,000)
Surplus on revaluation of trading rights in the Hong Kong Futures Exchange Limited and The Stock Exchange of Hong Kong Limited	–	8,850
	<hr/>	<hr/>
Balance as at 30th June, 2001	<b>8,850</b>	8,850
	<hr/>	<hr/>
Exchange fluctuation reserve:		
Balance as at 31st December, 2000	<b>1,459</b>	(2,623)
Exchange differences arising from translation of the financial statements of overseas subsidiaries	<b>683</b>	4,082
	<hr/>	<hr/>
Balance as at 30th June, 2001	<b>2,142</b>	1,459
	<hr/>	<hr/>
Total reserves	<b><u>(33,362)</u></b>	<b><u>(14,900)</u></b>

## 16. OPERATING LEASE COMMITMENTS

The annual commitments under non-cancellable operating lease at the balance sheet date in respect of land and buildings are as follows:

	<b>30th June, 2001 (Unaudited) HK\$'000</b>	31st December, 2000 (Audited) HK\$'000
Leases expiring:		
– Within one year	<b>182</b>	319
– In the second to fifth years inclusive	<b>4,046</b>	3,245
	<b><u>4,228</u></b>	<b><u>3,564</u></b>

## 17. CONTINGENT LIABILITIES

- a) The company has given guarantees to banks in respect of banking facilities granted by the banks to subsidiaries to the extent of HK\$100,000,000 (31.12.2000: HK\$ 20,000,000).
- b) A legal claim against a subsidiary for the return of securities valuing at HK\$68,420,793.27 was filed with the High Court on 9th April, 1998 by a client of the subsidiary. The claim was settled out of court for a sum of HK\$20,000,000 on 25th April, 2001. The estimated shortfall of HK\$7.6 million after taking into consideration of the estimated insurance claim receivable under the subsidiary's brokers' fidelity insurance scheme has already been made in these financial statements.

## 18. RELATED PARTY TRANSACTIONS

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

- a) The Group has granted on 20th October, 1998 the following related-party loans to enable the borrowers to reduce their margin accounts in prudent levels. These loans are approved by shareholders in the extraordinary general meeting held on 23rd July, 1999 as required by the Listing Rules of The Stock Exchange of Hong Kong Limited.

Borrower:	Dynamic Assets Limited and Pharmatech Management Limited	Noblesse Ventures Inc.
Relationship	Companies controlled by Mr. So Shu Ching, Jason, brother of a director, Ms. Irene Wai Yin So	Company controlled by Ms. Sheila So Wai Kwan, sister of a director, Ms. Irene Wai Yin So
Lender:	A wholly owned subsidiary, Mansion House Capital Limited	A wholly owned subsidiary, Mansion House Capital Limited
Terms of the loan:		
– interest rate	Prime rate plus 1%	Prime rate plus 1%
– security	Partially secured by marketable securities and unlisted shares	Partially secured by marketable securities and unlisted shares
–repayment terms	By 14 equal instalments payable semi-annually with the last instalment due in May, 2006	By 14 equal instalments payable semi-annually with the last instalment due in May, 2006
Balance at 30.6.2001 (unaudited)	<u>HK\$77,934,917</u>	<u>HK\$7,473,858</u>
Balance at 31.12.2000 (audited)	<u>HK\$77,934,917</u>	<u>HK\$7,473,858</u>

A total provision of HK\$72,000,000 (31.12.2000: HK\$40,000,000) has been made against these related-party loans.

b) The Group has also provided margin financing to the following related parties:

Borrower:	Mr. So Shu Ching, Jason and companies controlled by him	Noblesse Ventures Inc.
Relationship:	Brother of a director, Ms. Irene Wai Yin So	Company controlled by Ms. Sheila So Wai Kwan, sister of a director, Ms. Irene Wai Yin So
Lender:	A wholly owned subsidiary, Mansion House Securities (F.E.) Limited	A wholly owned subsidiary, Mansion House Securities (F.E.) Limited
Terms of the loan:		
– interest rate	Prime rate plus 1%	Prime rate plus 1%
– security	Marketable securities	Marketable securities
Balance at 30.6.2001 (unaudited)	<u>HK\$8,040,013</u>	<u>HK\$10,681,839</u>
Balance at 31.12.2000 (audited)	<u>HK\$14,882,866</u>	<u>HK\$25,851,951</u>
Provision at 30.6.2001 (unaudited)	<u>HK\$ Nil</u>	<u>HK\$ Nil</u>

In the opinion of the directors, these transactions were conducted on normal commercial terms.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Review of results and operation

For the six months ended 30 June 2001 the Group recorded a consolidated turnover of HK\$22,630,000. Loss before taxation HK\$18,898,000 for the period and the corresponding period in 2000 was profit of HK\$25,233,000 respectively. Loss per share was HK cents 5.13 for the period and earning of HK cents 6.59 for the corresponding period.

The loss was due to revenue decline, whereas last year result included the gain on disposal of HKEx share.

### Liquidity and financial resources

The Group generally finances its operations with internally generated cashflow and banking facilities provided by its principal bankers. Such facilities were secured by listed securities. As at 30 June 2001, the total shareholders' equity of the Group was approximately HK\$41.2 million, a decrease of 30.9% over that as at 31 December 2000. The Group's net current asset stood at HK\$16.7 million, a decrement of 51.5% as compared to that as at 31 December 2000. The gearing ratio (defined as the total of the bank borrowings, finance lease and hire purchase as a percentage of the total of equity interests) as at 30 June, 2001 was approximately 173%.

## **Capital Structure**

There was no movement in share capital during the period.

## **Brokerage**

Results of the brokerage business have been adversely affected by the substantial decline in both the value of the Hang Seng Index and market turnover. The index has lost 13% since the beginning of the year and the turnover dropped from an average of HK\$12,338.3 million at the end of 2000 to HK\$9,386.8 million at the end of June 2001. As a result, revenues for our brokerage business have dropped significantly.

Considering the unfavorable external factors caused by poor market sentiment, new local policies, stringent regulations, and intense market competition from rival banks as well as other brokerages, the Directors has decided to reposition the Group to cope with the undesirable market changes.

To remain competent, we have taken immediate action to boldly implement effective cost-cutting measure for the brokerage business, which include reductions in directors remuneration, allowances, head-count and general overhead expenses. As the retail branch located in Central could not generate sufficient business, it was closed down to save costs accordingly. We reckon these cost-cutting measures shall appropriately consolidate the brokerage operation, and it is for the best interest of the Group and its shareholders. On the other hand, we shall continue to cooperate with our existing and potential business partners in order to provide our clients with a worldwide securities trading service.

## **Investment/Asset Management**

Further to the Cooperation Memorandum signed last year with Sichuan International Trust & Investment Corporation of Sichuan Province for pursuing investment management business in China, we are now at the final stage of negotiation to enter into an official joint venture contract with them. Under our plan, we shall establish several more ventures with our alliances in various parts of China to tap the enormous capital market opportunities therein. For the western region, we are also lined up with West China Securities for establishing a sino-foreign joint venture on investment management. West China Securities has been authorized by the CSRC (China Securities Regulatory Commission) as a large scale securities company based in Chengdu of Sichuan province. China Securities Co. Ltd., of Beijing is working closely with us for similar cooperation, which we expect to finalize the transaction by year end.

During the period, the Group has established M H Topgoal Financial Advisory Limited to provide financial advisory services to clients mainly located in Macau, the Pearl River Delta region and China. Incorporated in Macau, this venture is a cooperation between the Group and Topgoal International Limited, a window company of Sichuan International Trust & Investment Corporation. We believe their extensive connections and network in China, combined with our international exposure and financial expertise, will form a synergy to broaden our client base and generate new income for the Group in the near future.

Our asset management subsidiary was restructured in the period to improve overall efficiency and investment control. Client assets under our management performed well relative to the market. We have worked diligently with other professionals to prepare for expanding the discretionary fund management business in the near future.

## **Corporate Finance**

We shall continue to focus in providing corporate finance advisory services to clients from China and abroad. We have been mandated by clients to raise funds in forms of private equity, debt financing and public listing despite the poor market sentiment, on retainer and success fees basis. We anticipate substantial growth in this area as demand for advisory services is high in light of increasing capital market activities in China.

## **Guangdong Wanhau Real Estate Development Project**

Infrastructure construction of Wanhua Garden's Phase V at Guangzhou has commenced and is anticipated to be completed by the end of September 2001. As soon as the gardening and environmental improvement are completed, the apartments will be ready for delivery. Pre-sale of the flats has begun, and response was encouraging considering the recent real estate boom in Guangzhou. We anticipate streams of income available for the Group when these apartment units are sold. The total market value of the remaining properties amounts to over HKD100 million.

## **Challenges and Prospects**

After the stock exchange implements its AMS/3 platform in the fourth quarter last year, the trading volume has not increased as anticipated. Local banks' involvement in the securities trading business has made the competition even more "Cut-throat". The removal of minimum commission rates next year is also expected to put pressure on the profitability of the securities subsidiary. As for the Economy, the local government indicated that the GDP for 2001 is forecasted at 1%, including that a recovery will be unlikely to come until at least 2002. The lasting effects of the terrorist attacks in the U.S. on the economy would also be felt in the coming months.

In view of the difficult operating environment ahead for securities business in Hong Kong, the Group has switched its focus towards investment/fund management, and corporate finance. We have already initiated a series of discussion with relevant companies in China in terms of cooperation, and have signed appropriate documents in preparation for entering China's private equity fund management industry. We have also invited Mr. Mart Bakal, an experienced investment banker and a former lecturer at Harvard Business School, to join the Board of Directors and explore investment opportunities in China.

As for the securities subsidiary, we shall reduce its cost further to maintain an adequate level of operation. The consolidation shall accommodate to the imminent challenging environment. For business development purposes, we are prepared to form alliances and ventures with securities companies in Mainland China to jointly tap the lucrative securities markets in China. In the meantime, the securities subsidiary will continue to provide traditional securities clients and online clients with additional services, financial products, and facilities to enhance their trading experience, as we already have the ability to execute and settles securities in all major markets. We have also introduced STOCKMARKET ANYWHERE to our clients through Reuters "AFE" solution. Equipped with this service, our client will be able to trade anywhere and the experience of trading will be greatly enhanced.

As for Wanhua Real Estate Project, the Group anticipates a moderate improvement on sales of the apartments. Further, we are currently exploring ways to enhance sales through a broader network, and will review its strategies in Phase VI (the last phase) of the development.



## DIRECTORS' INTERESTS IN SHARE CAPITAL

As at 30th June, 2001 the Directors of the Company had disclosed the following interests in the share capital of the Company as recorded in the Register maintained under Section 29 (1) of the Securities (Disclosure of Interests) Ordinance (“SDI Ordinance”).

Name of director	Number of Shares	
	Personal Interests	Corporate Interest*
Mr. Evans Carrera Lowe	27,343,027	64,205,947
Ms. Irene Wai Yin So	8,809,567	–
Mr. Danny Tak Tim Chan	2,934,029	–
Mr. Philip Tai Yip Poon	3,608,163	–
Mr. Eric Carrera Lowe	156,218	–
Mr. Nelson Hing Fung Chan	–	–
Mr. David King Chuen Lung	–	–
Mr. Alan George Thompson	698,779	–
Mr. Henry Hin Wing Lai	–	–

\* *These shares are held through Global Source Company Limited, Supreme Grass Limited and Lowe Holdings Company Limited Inc., all of which are companies beneficially owned by Mr. Evans Carrera Lowe.*

In addition to the foregoing, the Directors of the Company had the following interests in options to subscribe for shares in the share capital of the Company, outstanding at 30th June 2001, granted under the Company's share option scheme:

	<b>Date Granted</b>	<b>Period during which options exercisable</b>	<b>Price per share to be paid on exercise of option (HK\$)</b>	<b>Number of shares issuable under outstanding options as at 1.1.2001</b>	<b>Number of shares issuable under outstanding options as at 30.6.2001</b>
Mr Evans Carrera Lowe	13.1.1999	13.7.1999 to 12.7.2004	0.49	1,700,000	1,700,000
	13.1.1999	13.7.2001 to 12.7.2004	0.49	1,700,000	1,700,000
Ms Irene Wai Yin So	13.1.1999	13.7.1999 to 12.7.2004	0.49	1,000,000	1,000,000
	13.1.1999	13.7.2001 to 12.7.2004	0.49	1,000,000	1,000,000
Mr Danny Tak Tim Chan	13.1.1999	13.7.2001 to 12.7.2004	0.49	300,000	300,000
Mr Philip Tai Yip Poon	13.1.1999	13.7.1999 to 12.7.2004	0.49	300,000	300,000
	13.1.1999	13.7.2001 to 12.7.2004	0.49	300,000	300,000
Mr Eric Carrera Lowe	18.6.1997	18.6.1998 to 17.6.2002	1.22	100,000	100,000
	13.1.1999	13.7.2001 to 12.7.2004	0.49	200,000	200,000
Mr Nelson Hing Fung Chan	27.2.2001	27.08.2001 to 26.08.2006	0.38	–	1,000,000

Save as disclosed above, none of the Directors of the Company, chief executive or any of their associates, had any interest in any securities of the Company or any of its associated corporations as defined in the SDI Ordinance, and none of the directors of the Company or their spouses or children under the age of 18, were granted any right to subscribe for the securities of the company.

## **SUBSTANTIAL SHAREHOLDERS**

As at 30th June 2001, the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance shows that, other than the interest disclosed above in respect of Mr. Evans Carrera Lowe, the company has not been notified of any other interests representing 10% or more of the company's issued share capital.

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

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

## **AUDIT COMMITTEE**

The Audit Committee has met in September, 2001 to review the system of internal controls and its compliance and the interim report for the period ended 30th June, 2001.

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 30th June 2001, the Group has 62 employees (2000: 77) at markets remunerations with employee benefits such as medical, retirement benefit and share option scheme.

## **CODE OF BEST PRACTICE**

None of the Directors of the Company is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the period under review, in compliance 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 ("the Stock Exchange").

## **DISCLOSURE PURSUANT TO PRACTICE NOTE 19 OF THE LISTING RULES**

As at 30th June 2001, the Group recorded an amount after provision of HK\$12,094,355 and HK\$9,899,183 due from Dynamic Assets Limited and Noblesse Ventures Inc., which constituted approximately 29.30% and 24.0% of the Group's consolidated net assets at 30th June, 2001. The amounts due result from share margin loans. The amounts due are partly secured and interest is charged at 1% over Hong Kong prime rate.

On behalf of the Board

**Peter Lee Yip Wah**

*Company Secretary*

Hong Kong 21st September 2001