

***CMIC***

**Continental Mariner Investment Company Limited**

**Interim Report 2001**

## INTERIM RESULTS

The directors (the "Directors") of Continental Mariner Investment Company Limited (the "Company") are pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30th June, 2001 with comparative figures for the six months ended 30th September, 2000 as follows:

### CONDENSED CONSOLIDATED INCOME STATEMENT

		<b>Six months ended</b>	
		<b>30th June,</b>	30th September,
		<b>2001</b>	2000
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
		<b>(Unaudited)</b>	(Unaudited)
Turnover	3	<b>165,541</b>	131,973
Cost of sales		<b>(88,172)</b>	(59,914)
Gross profit		<b>77,369</b>	72,059
Other revenue		<b>539</b>	284
Administrative expenses		<b>(52,899)</b>	(47,260)
Amortisation of deferred licensing income		<b>7,477</b>	7,477
Unrealised holding gain (loss) on other investments		<b>5,122</b>	(10,078)
Profit from operations	4	<b>37,608</b>	22,482
Finance costs		<b>(9,135)</b>	(10,429)
Share of (loss) profit of associates		<b>(1,903)</b>	3,423
Share of losses of jointly controlled entities		<b>(4,896)</b>	(7,693)
Profit before taxation		<b>21,674</b>	7,783
Taxation	5	<b>(872)</b>	(1,131)
Profit before minority interests		<b>20,802</b>	6,652
Minority interests		<b>(134)</b>	(1,258)
Profit for the period		<b>20,668</b>	5,394
Earnings per share			
— Basic	6	<b>2.5 cents</b>	1.3 cents

There were no recognised gains or losses other than the profit for the period for both periods.

INTERIM REPORT

**CONDENSED CONSOLIDATED BALANCE SHEET**

	<b>30th June,</b>	31st December,
	<b>2001</b>	2000
<i>Notes</i>	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Audited)
<b>Non-Current Assets</b>		
Investment properties	<b>772,825</b>	772,825
Hotel properties	<b>587,977</b>	587,977
Property, plant and equipment	<b>706,283</b>	691,991
Intangible assets	<b>6,670</b>	5,580
Interests in associates	<b>308,908</b>	311,087
Interests in jointly controlled entities	<b>103,933</b>	106,343
Investments in securities	<b>87,515</b>	87,515
	<b><u>2,574,111</u></b>	<u>2,563,318</u>
<b>Current Assets</b>		
Stores	<b>1,940</b>	1,260
Inventories	<b>9,197</b>	7,574
Trade and other receivables	<b>88,691</b>	84,987
Short-term loans receivable	<b>26,508</b>	26,508
Amount due from an associate	<b>94</b>	94
Investments in securities	<b>32,220</b>	27,056
Pledged bank deposits	<b>12,032</b>	13,407
Bank balances, deposits and cash	<b>361,726</b>	369,550
	<b><u>532,408</u></b>	<u>530,436</u>

		<b>30th June,</b>	31st December,
		<b>2001</b>	2000
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
		<b>(Unaudited)</b>	<b>(Audited)</b>
<b>Current Liabilities</b>			
Trade and other payables	9	<b>185,459</b>	171,637
Property rental deposits		<b>6,813</b>	7,454
Taxation		<b>2,334</b>	2,180
Bank borrowings — due within one year		<b>134,721</b>	133,833
		<u><b>329,327</b></u>	<u>315,104</u>
<b>Net Current Assets</b>		<u><b>203,081</b></u>	<u>215,332</u>
<b>Total Assets Less Current Liabilities</b>		<u><b>2,777,192</b></u>	<u>2,778,650</u>
<b>Capital and Reserves</b>			
Share capital	10	<b>408,761</b>	410,578
Reserves		<b>1,830,801</b>	1,812,257
		<u><b>2,239,562</b></u>	<u>2,222,835</u>
<b>Minority Interests</b>		<u><b>131,026</b></u>	<u>130,892</u>
<b>Non-Current Liabilities</b>			
Bank borrowings — due after one year		<b>109,707</b>	120,549
Other borrowing		<b>31,477</b>	31,477
Loan from a fellow subsidiary		<b>168,224</b>	168,224
Deferred licensing income		<b>97,196</b>	104,673
		<u><b>406,604</b></u>	<u>424,923</u>
		<u><b>2,777,192</b></u>	<u>2,778,650</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	<b>Six months ended</b>	
	<b>30th June, 2001</b>	30th September, 2000
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Net cash inflow from operating activities	<b>51,427</b>	39,072
Net cash outflow from returns on investments and servicing of finance	<b>(9,135)</b>	(10,468)
Net cash outflow from taxation	<b>(442)</b>	(525)
Net cash outflow from investing activities	<b>(35,837)</b>	(48,779)
	<hr/>	<hr/>
Net cash inflow (outflow) before financing	<b>6,013</b>	(20,700)
Net cash (outflow) inflow from financing	<b>(13,837)</b>	114,593
	<hr/>	<hr/>
(Decrease) increase in cash and cash equivalents	<b>(7,824)</b>	93,893
Cash and cash equivalents at beginning of the period	<b>369,550</b>	437,422
	<hr/>	<hr/>
Cash and cash equivalents at end of the period	<b>361,726</b>	531,315
	<hr/> <hr/>	<hr/> <hr/>

Notes:

## 1. General

On 20th December, 2000, the Directors of the Company resolved to change its financial year end date from 31st March to 31st December. The condensed consolidated financial statements presented for the current period therefore covered the period from 1st January, 2001 to 30th June, 2001. The comparative amounts shown for the condensed consolidated income statement, condensed consolidated cash flow statement and related notes covered the period from 1st April, 2000 to 30th September, 2000 may not be comparable with amounts shown for the current period.

## 2. Principal accounting policies

The condensed financial statements are unaudited and have been prepared in accordance with Statement of Standard Accounting Practice 25 "Interim Financial Reporting" ("SSAP 25").

The accounting policies adopted are consistent with those followed in the preparation of the Group's financial statements for the nine months period ended 31st December, 2000, except that in the current period, the Group has adopted SSAP 30 "Business Combinations" and has elected not to restate goodwill (negative goodwill) previously eliminated against (credited to) reserves. Accordingly, goodwill arising on acquisitions prior to 1st January, 2001 is held in reserves and will be charged to the income statement at the time of disposal of the relevant subsidiary or associate, or at such time as the goodwill is determined to be impaired. Negative goodwill arising on acquisitions prior to 1st January, 2001 will be credited to income at the time of disposal of the relevant subsidiary or associate.

Any goodwill arising on acquisitions after 1st January, 2001 will be capitalised and amortised over its estimated useful life. Any negative goodwill arising on acquisitions after 1st January, 2001 will be presented as a deduction from assets and will be released to income based on an analysis of the circumstances from which the balance resulted.

Apart from SSAP 30, the other new and revised SSAPs adopted during the period do not have significant impacts to the Company.

INTERIM REPORT

### 3. Turnover and segment information

	Turnover		Operating profit	
	Six months ended		Six months ended	
	30th June, 2001	30th September, 2000	30th June, 2001	30th September, 2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Business segments:</b>				
Shipping	39,262	36,241	8,673	2,889
Property investment and management	34,941	33,067	14,308	15,598
Securities investment	28,901	26,927	9,371	(6,645)
Manufacturing and distribution	24,772	—	328	—
Hotel and restaurant operations	24,468	15,764	4,079	3,154
Financial services	11,430	19,275	11,430	19,263
Trading	1,767	699	1,767	629
	<u>165,541</u>	<u>131,973</u>	<u>49,956</u>	<u>34,888</u>
Less: Central administrative expenses			(12,348)	(12,406)
Interest expenses			(9,135)	(10,429)
			<u>28,473</u>	<u>12,053</u>
Add: Share of (loss) profit of associates			(1,903)	3,423
Share of losses of jointly controlled entities			(4,896)	(7,693)
			<u>21,674</u>	<u>7,783</u>
Profit before taxation			<u>21,674</u>	<u>7,783</u>
<b>Geographical segments:</b>				
People's Republic of China other than Hong Kong (the "PRC")	76,254	40,061	11,344	10,563
Hong Kong	50,025	55,671	29,939	21,436
Other parts of the World	39,262	36,241	8,673	2,889
	<u>165,541</u>	<u>131,973</u>	<u>49,956</u>	<u>34,888</u>
Less: Central administrative expenses			(12,348)	(12,406)
Interest expenses			(9,135)	(10,429)
			<u>28,473</u>	<u>12,053</u>
Add: Share of (loss) profit of associates			(1,903)	3,423
Share of losses of jointly controlled entities			(4,896)	(7,693)
			<u>21,674</u>	<u>7,783</u>
Profit before taxation			<u>21,674</u>	<u>7,783</u>

### 4. Profit from operations

Profit from operations has been arrived at after charging depreciation and amortisation of HK\$19,344,000 (six months ended 30th September, 2000: HK\$17,941,000) in respect of the Group's property, plant and equipment and intangible assets.

## 5. Taxation

	Six months ended	
	30th June, 2001 HK\$'000	30th September, 2000 HK\$'000
The charge comprises:		
Hong Kong profits tax, calculated at 16% of the estimated assessable profits for the period	—	—
PRC income tax	<u>596</u>	<u>530</u>
	<b>596</b>	<b>530</b>
Share of taxation of an associate	<u>276</u>	<u>601</u>
	<b>872</b>	<b>1,131</b>

Hong Kong profits tax has not been provided as the Group has no estimated assessable profits which were earned in or derived from Hong Kong during the period.

PRC income tax is calculated in accordance with the relevant laws and regulations in the PRC.

## 6. Earnings per share

The calculation of basic earnings per share is based on the profit for the period of HK\$20,668,000 (six months ended 30th September, 2000: HK\$5,394,000) and on the weighted average number of 818,519,084 shares (six months ended 30th September, 2000: 826,790,883 shares) in issue during the period.

No diluted earnings per share amount has been presented as the exercise prices of share options were greater than the market price of the Company's shares in both periods.

## 7. Transfers to and from reserves

During the period, the nominal value of shares repurchased of HK\$1,817,000 (six months ended 30th September, 2000: HK\$1,271,000) was transferred from retained earnings to capital redemption reserve and the premium on shares repurchased of HK\$2,066,000 (six months ended 30th September, 2000: HK\$2,210,000) was charged to retained earnings. In addition, during the period, a PRC subsidiary of the Group has transferred HK\$418,000 from retained earnings to surplus reserve (six months ended 30th September, 2000: nil).

## 8. Trade and other receivable

The Group has a policy of allowing a credit period ranging from 30 days to 90 days (31st December, 2000: 30 days to 90 days).

Included in trade and other receivable are trade receivables of HK\$16,666,000 (31st December, 2000: HK\$14,188,000) and their aged analyses are as follows:

	30th June, 2001 HK\$'000	31st December, 2000 HK\$'000
0 to 30 days	8,431	10,042
31 to 90 days	5,192	1,708
More than 90 days	<u>3,043</u>	<u>2,438</u>
	<b>16,666</b>	<b>14,188</b>



**9. Trade and other payables**

Included in creditors and accrued charges are trade payable of HK\$15,760,000 (31st December, 2000: HK\$22,780,000) and their aged analyses are as follows:

	<b>30th June, 2001</b>	31st December, 2000
	<b>HK\$'000</b>	HK\$'000
0 to 30 days	6,125	11,727
31 to 90 days	5,788	4,169
More than 90 days	3,847	6,884
	<u>15,760</u>	<u>22,780</u>

**10. Share capital**

	<b>Number of shares</b>	<b>Nominal value</b>
		HK\$'000
Ordinary shares of HK\$0.50 each		
Authorised:		
At 1st January, 2001 and at 30th June, 2001	<u>1,200,000,000</u>	<u>600,000</u>
Issued and fully paid:		
At 1st January, 2001	821,155,200	410,578
Shares repurchased and cancelled	<u>(3,634,000)</u>	<u>(1,817)</u>
At 30th June, 2001	<u>817,521,200</u>	<u>408,761</u>

**11. Contingent liabilities**

At 30th June, 2001, the Company had given guarantees of approximately HK\$131 million (31st December, 2000: HK\$148 million) to certain banks in respect of banking facilities granted to certain subsidiaries of the Company.

In addition, at 30th June, 2001, the Group had given a guarantee of approximately HK\$14.3 million (31st December, 2000: HK\$14.3 million) to a bank in respect of credit facilities granted to prospective purchasers of properties developed by a jointly controlled entity of the Group.

**12. Capital commitments**

	<b>THE GROUP</b>		<b>THE COMPANY</b>	
	30th June, 2001	31st December, 2000	30th June, 2001	31st December, 2000
	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
Capital expenditure authorised but not contracted for in the financial statements in respect of acquisition of property, plant and equipment	<u>4,299</u>	<u>—</u>	<u>—</u>	<u>—</u>

## INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend in respect of the six months ended 30th June, 2001 (six months ended 30th September, 2000: nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

For the six months ended 30th June, 2001, turnover of the Group amounted to HK\$165,541,000, an increase of 25.4% as compared with the previous six months ended 30th September, 2000. Profit before taxation was HK\$21,674,000, an increase of 178% as compared with the previous six months ended 30th September, 2000. The increase was due to unrealised holding gain on other investments of HK\$5,122,000 during the period as compared with unrealised holding loss of HK\$10,078,000 in the previous six months ended 30th September, 2000.

Due to the global economic slowdown, the dry bulk carriers market was plagued by excess supply in 2001. The Baltic Freight Index fell from 1,599 at the end of year 2000 to 927 at the end of August 2001. During the period, the shipping business of the Group recorded a profit before interest expenses of HK\$8,673,000. At present, the Group owns three bulk carriers, namely, M.V. "Hai Kang" and M.V. "Hai Ji" with a dead weight of 70,000 MT each and M.V. "Jin Feng" with a dead weight of 40,000 MT. The total dead weight is 180,000 MT and the average age of these carriers is 10 years. The composition of the fleet is tend to be flavoured. Following the diversification of business, the weighting of shipping business within the Group will decrease in future.

The Group owns a portion of 13,848 square metres in the Shanghai Stock Exchange Building, located in Lujiazui, Pudong, Shanghai (the "Property"). At present and throughout the six months ended 30th June 2001, the Property has been fully leased out. The rental income for the period was US\$618,000 providing a rental yield of approximately 3.2% per annum.

The Group owns 75% equity interests in Poly Plaza Limited ("PPL") in Beijing whose major asset is Poly Plaza. Poly Plaza is located in Dong Er Huan Road (東二環路), with a total gross floor area of 93,422 square metres comprising a hotel tower, an office tower and a grand theatre.

At the end of June 2001, the letting rate of the office tower was 96%, the average rental income per square metre was US\$0.94. The four-star ranking hotel tower reached an occupancy rate of 86%. After renovation of Poly Theatre (保利劇院), by having regular performance of spectacular classical operas and other musical events, it has not only established its brand name as a cultural venue in Beijing, but also brought economic benefit. It also helped boosting the occupancy rate of the hotel tower and the letting rate of the office tower.

In view of promising prospects of the PRC economy, particularly now that Beijing has obtained the hosting right to the upcoming Olympic Games, PPL is studying the feasibility of upgrading the status of the property and undertaking renovation to expand the size of its operating area. Besides, PPL is also implementing certain measures to deploy excessive staff, lower operating cost, strengthen management and improve service quality, etc. in order to increase its competitiveness in the market and its economic efficiency and make it become a stable source of income to the Group.

The Group and a power company in Australia together holds 52% equity interests in Shengzhou Xinzhonggang Thermal Power Co., Ltd. ("Shengzhou Power"), in which the Group holds 26% interests. Shengzhou Power operates a cogeneration plant with a total capacity of 28.5 megawatt per hour. The total investment is approximately RMB160,000,000. The three power generators had started operation when the joint venture was formed. During the period from 1st January, 2001 to 30th June, 2001, Shengzhou Power recorded an unaudited profit of RMB3,704,000.

The Group also holds 51% equity interests in Taicang Xinhaikang Xiexin Thermal Power Co., Ltd. ("Taicang Power"). Taicang Power operates a cogeneration plant with a total capacity of 30 megawatt per hour. The total investment is approximately RMB210,600,000. The two power generators commenced operation in December 1998 and February 1999 respectively. During the period from 1st January, 2001 to 30th June, 2001, Taicang Power recorded an unaudited profit of RMB7,320,000.

The Group cooperated with Winterthur Swiss Insurance Company, by acquisition of 48% equity interests in Winterthur Insurance (Asia) Limited at a consideration of approximately HK\$72,696,000, to engage in the non-life insurance business in Shanghai. By the PRC's imminent accession to WTO, the mainland's insurance market is down the road of deregulation. The Group managed to stay ahead of competition by forming alliance with a leading international insurance player. The combined competitive edges help the Group to manoeuvre for position in the mainland insurance market and the business is expected to have huge market potential.

The Group has acquired 66% equity interests in Polystar Digidisc Co., Ltd. ("Polystar"), the principle activity of which is engaged in the duplication of DVDs. At present, Polystar has four production lines with annual production of 50,000,000 VCDs and 16,000,000 DVDs. Such acquisition has broadened the scope of business of the Group. As the mainland authorities are stepping up their efforts in combating piracy, the underlying market environment for the business is looking optimistic.

The Group leases an existing channel of Cosmo Satellite TV Company Limited ("Cosmo") to launch a station at Cosmo named "New Cartoon TV". The total investment is expected to be approximately HK\$90,000,000 for the first three years. At present, New Cartoon TV has been broadcasting and after the right of broadcast by satellite in the PRC has obtained, it will consolidate with the DVD duplication business of Polystar and the DVD distribution business of United East Audio & Video Co., Ltd. (東方聯合音像發行有限公司), a subsidiary of Polystar, to gradually build up the mass media business of the Group.

## Financial Review

As at 30th June, 2001, the Group's total shareholders funds amounted to HK\$2,239 million (31st December, 2000: HK\$2,223 million). Bank borrowings due within one year was HK\$134.7 million (31st December, 2000: HK\$133.8 million) and bank borrowings due after one year was HK\$109.7 million (31st December, 2000: HK\$120.5 million).

WINTER  
REPORT

The gearing ratio was 16.2% (basis: total liabilities net of bank balances divided by shareholders funds) as at 30th June, 2001 (31st December, 2000: 16%). The interest cover as at 30th June, 2001 was 3.37 times (six months ended 30th September, 2000: 1.75 times). The debt/equity ratio of the Group as at 30th June, 2001 was 13.8% (31st December, 2000: 14.4%).

As at 30th June, 2001, the Group had working capital of HK\$203.1 million (31st December, 2000: HK\$215.3 million) and a cash balance of HK\$361.7 million (31st December, 2000: HK\$369.5 million).

It was concluded that the Group is in good financial position by the fact that sufficient cash is retained whereas the gearing ratio during this financial period is low.

The capital structure of the Group has not been changed materially compared to those disclosed in the annual report of the Company for the nine months period ended 31st December, 2000.

The pledge on group assets have not been changed materially compared to those disclosed in the annual report of the Company for the nine months period ended 31st December, 2000.

Contingent liabilities of the Group have no material adverse changes compared to those disclosed in the annual report of the Company for the nine months period ended 31st December, 2000. It was concluded that these liabilities would not affect the Group's financial position by the fact that the guarantees given are insignificant and the Group has adequate funds to repay the bank loans if necessary.

The business activities of the Group are not exposed to fluctuations in exchange rates.

## **STAFF**

At 30th June, 2001, the Group employed about 1,000 staff with remuneration for the period amounting to approximately HK\$19 million. The Group provides its staff with various benefits including year-end double-pay, discretionary bonus, contributory provident fund, share options and medical insurance. Staff training is also provided as and when required.

## PROSPECT

In the face of the continued slowdown of the Hong Kong and global economies, the Group will continue its prudent operating strategy. As for existing operations, the Group will strengthen its operation management and risk control, improve management quality and lower operating costs so as to perfect its corporate management.

In relation to new investment projects, under the support of its controlling shareholder, the Group will continue its prudent approach by taking due consideration of various factors such as direction of business development, investment return and risk level. The Group will continue its efforts in identifying potential and appropriate investment opportunities in the PRC and Hong Kong. By doing so, the Company is pursuing to a reliable earnings base and stable business growth which meet with the interests of the shareholders.

## SHARE OPTION SCHEME

The Company adopted a share option scheme (the "Share Option Scheme") pursuant to an Ordinary Resolution passed on 16th June, 1993. Under the Share Option Scheme, the Directors may, at their discretion, invite all eligible employees (i.e. any employee including directors of the Company or any subsidiary as defined in the Share Option Scheme) to subscribe for shares of HK\$0.50 each (the "Share(s)") in the Company ("CMIC Options") subject to the terms and conditions stipulated therein.

The Company considered that it is essential to its continued success that it is able to attract and motivate eligible employees of the right calibre and with the necessary experience to work for the Company. The adoption of the Share Option Scheme will enable the Group to provide incentive to the eligible employees of the Group by offering them an opportunity to participate in the growth of the Group.

INTERIM REPORT

Pursuant to the Share Option Scheme, the Company has granted options to subscribe for the Shares and the particulars and the movements of which for the six months ended 30th June, 2001 are described below:

Date of grant	Exercise period	Exercise price per Share	Outstanding at 1.1.2001	Number of Shares subject to CMIC Options			
				Granted during the period	Exercised during the period	Lapsed during the period	Outstanding at 30.06.2001
3.9.1997	3.9.1998 to 2.9.2007	HK\$5.175	32,160,000	—	—	600,000	31,560,000
5.6.1998	5.6.1999 to 4.6.2008	HK\$1.37	17,000,000	—	—	—	17,000,000
30.11.2000	30.11.2001 to 29.11.2010	HK\$0.74	26,935,000	—	—	—	26,935,000
			<u>76,095,000</u>	<u>—</u>	<u>—</u>	<u>600,000</u>	<u>75,495,000</u>

**DIRECTORS' INTERESTS IN SECURITIES**

At 30th June, 2001, according to the register maintained by the Company under Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance"), the following directors held options to subscribe for the number of shares of HK\$0.50 each (the "Share(s)") in the Company (the "CMIC Options"), and options to subscribe for the number of shares of HK\$0.50 each (the "Poly Share(s)") in Poly Investments Holdings Limited ("Poly") (the "Poly Options"), as follows:

Name of Director	Number of Shares subject to the CMIC Options (Note 1)			Total
	Granted on 3.9.1997 (Note 2)	Granted on 5.6.1998 (Note 3)	Granted on 30.11.2000 (Note 4)	
Wang Jun	6,000,000	4,500,000	5,000,000	15,500,000
He Ping	6,000,000	4,500,000	5,000,000	15,500,000
Xie Da Tong	4,800,000	3,000,000	4,000,000	11,800,000
Li Shi Liang	—	—	5,000,000	5,000,000
Ji Jun (Note 9)	3,600,000	2,000,000	3,000,000	8,600,000

Name of Director	Number of Poly Shares subject to the Poly Options (Note 5)			Total
	Granted on 3.9.1997 (Note 6)	Granted on 5.6.1998 (Note 7)	Granted on 30.11.2000 (Note 8)	
Wang Jun	10,000,000	10,000,000	7,000,000	27,000,000
He Ping	10,000,000	10,000,000	7,000,000	27,000,000
Xie Da Tong	8,000,000	8,000,000	5,500,000	21,500,000
Li Shi Liang	—	—	8,400,000	8,400,000
Ji Jun (Note 10)	5,000,000	5,000,000	3,400,000	13,400,000



*Notes:*

1. All CMIC Options were granted to the directors under the share option scheme of the Company at a nominal consideration of HK\$1.00 each.
2. These CMIC Options granted on 3rd September, 1997 are exercisable from 3rd September, 1998 to 2nd September, 2007 (both days inclusive) at an exercise price of HK\$5.175 per Share.
3. These CMIC Options granted on 5th June, 1998 are exercisable from 5th June, 1999 to 4th June, 2008 (both days inclusive) at an exercise price of HK\$1.37 per Share.
4. These CMIC Options granted on 30th November, 2000 are exercisable from 30th November, 2001 to 29th November, 2010 (both days inclusive) at an exercise price of HK\$0.74 per Share.
5. All Poly Options were granted to the directors under the share option scheme of Poly without consideration.
6. These Poly Options granted on 3rd September, 1997 are exercisable from 3rd September, 1997 to 2nd September, 2007 (both days inclusive) at an exercise price of HK\$1.27 per Poly Share.
7. These Poly Options granted on 5th June, 1998 are exercisable from 5th June, 1998 to 4th June, 2008 (both days inclusive) at an exercise price of HK\$0.50 per Poly Share.
8. These Poly Options granted on 30th November, 2000 are exercisable from 30th November, 2000 to 29th November, 2010 (both days inclusive) at an exercise price of HK\$0.50 per Poly Share.
9. Mr. Ji Jun resigned as Director and Deputy Managing Director of the Company on 31st May, 2001.
10. Mr. Ji Jun resigned as Director and Deputy Managing Director of Poly on 31st May, 2001.

Save as disclosed above, at 30th June, 2001, none of the directors, chief executive or their associates had any personal, family, corporate or other interests in the securities of the Company or any of its associated corporations as defined in the SDI Ordinance which is required to be recorded in the register maintained under Section 29 of the SDI Ordinance or otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and none of the directors, or their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the period.

## SUBSTANTIAL SHAREHOLDERS

At 30th June, 2001, according to the register of substantial shareholders maintained by the Company pursuant to Section 16(1) of the SDI Ordinance, the following shareholders were interested in 10% or more of the issued share capital of the Company:

<b>Name of Shareholder</b>	<b>Number of Shares held</b>
Congratulations Company Ltd.	169,645,000
Source Holdings Limited ( <i>Note 1</i> )	328,485,560
Ting Shing Holdings Limited ( <i>Note 2</i> )	498,130,560
Ringo Trading Limited ( <i>Note 3</i> )	537,678,036
China Poly Group Corporation ( <i>Note 4</i> )	537,678,036

*Notes:*

1. Source Holdings Limited is deemed by the SDI Ordinance to be interested in 328,485,560 Shares as a result of its direct holding of the Shares and indirect holdings of the Shares through its wholly-owned subsidiaries.
2. Ting Shing Holdings Limited is deemed by the SDI Ordinance to be interested in 498,130,560 Shares as a result of its indirect holding of the Shares through its subsidiaries, representing Source Holdings Limited and Congratulations Company Ltd.
3. Ringo Trading Limited is deemed by the SDI Ordinance to be interested in 537,678,036 Shares as a result of its direct holding of the Shares and indirect holding of the Shares through its wholly-owned subsidiary, Ting Shing Holdings Limited.
4. China Poly Group Corporation owns 100% of Ringo Trading Limited and is accordingly deemed by the SDI Ordinance to be interested in the Shares directly and indirectly owned by Ringo Trading Limited.

Save as disclosed above, the Company has not been notified of any other interests representing 10% or more of the issued share capital of the Company at 30th June, 2001.

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

During the period, the Company made the following repurchases of its shares on the Stock Exchange for the purpose of enhancing the net assets per share:

	<b>Number of shares repurchased</b>	<b>Highest price paid</b> <i>HK\$</i>	<b>Lowest price paid</b> <i>HK\$</i>	<b>Total consideration</b> <i>HK\$</i>
January 2001	1,435,000	1.18	1.04	1,608,390
March 2001	<u>2,199,000</u>	1.12	0.95	<u>2,275,310</u>
	<u><u>3,634,000</u></u>			<u><u>3,883,700</u></u>

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period.

**AUDIT COMMITTEE**

The members of the Audit Committee have reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the unaudited financial statements.

**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 six months ended 30th June, 2001, in compliance with the "Code of Best Practice" as set out in Appendix 14 of the Listing Rules on the Stock Exchange except that the independent non-executive directors are not appointed for a specific term but are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company's Articles of Association.

By Order of the Board  
**LI Shi Liang**  
*Managing Director*

Hong Kong, 21st September, 2001