

Sino-i.com Limited



sino-i.com

2001

Interim Report

INTERIM RESULTS

The Board of directors of Sino-i.com Limited ("the Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries ("the Group") for the period ended 30 September 2001. The interim results for the six months ended 30 September 2001 have not been audited by the Company's auditors, but have been reviewed by the Audit Committee on 19 December 2001.

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT - UNAUDITED

For the six months ended 30 September 2001

		For the six months ended 30 September	
		2001	2000
	<i>Notes</i>	HK\$'000	<i>HK\$'000</i>
Turnover	2	218,486	65,408
Cost of sales and services provided		<u>(125,741)</u>	<u>(50,527)</u>
Gross profit		92,745	14,881
Other revenue	3	96,530	77,542
Administrative expenses		(77,167)	(45,716)
Depreciation and amortisation	4	(23,993)	(1,824)
Other operating expenses		<u>(18,252)</u>	<u>(840)</u>
Profit from operations	4	69,863	44,043
Finance costs	5	(29,625)	(19,657)
Share of results of associates		116	-
Profit before taxation		40,354	24,386
Taxation	6	<u>(612)</u>	<u>(215)</u>
Profit before minority interests		39,742	24,171
Minority interests		<u>(27,386)</u>	<u>1,427</u>
Profit for the period attributable to shareholders		<u>12,356</u>	<u>25,598</u>
		HK cents	<i>HK cents</i>
Earnings per share	8		
- Basic		<u>0.24</u>	<u>0.83</u>
- Diluted		<u>N/A</u>	<u>0.59</u>

CONDENSED CONSOLIDATED STATEMENT OF RECOGNISED GAINS AND LOSSES – UNAUDITED

For the six months ended 30 September 2001

	For the six months ended 30 September	
	2001 HK\$'000	2000 HK\$'000
Exchange differences on translation of the financial statements of foreign subsidiaries and associates	2	335
Profit for the period attributable to shareholders	<u>12,356</u>	<u>25,598</u>
Total recognised gains	12,358	25,933
Goodwill eliminated directly against reserves	<u>-</u>	<u>(55,630)</u>
	<u>12,358</u>	<u>(29,697)</u>

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 September 2001

		(Unaudited) 30 September 2001 <i>HK\$'000</i>	(Audited) 31 March 2001 <i>HK\$'000</i>
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment		567,215	562,758
Interests in associates		19,586	1,191,340
Interest in a jointly controlled entity		40	5,279
Long term investments		148,579	173,882
Land held for development	9	3,827,117	430,056
Intangible assets		424,763	222,260
		4,987,300	2,585,575
Current assets			
Inventories		49,850	39,965
Short term investments		1,891	–
Trade and other receivables	10	247,327	618,673
Amount due from associates		–	72,117
Amounts due from related companies		8,217	29,808
Pledged deposits		–	5,446
Cash at banks and in hand		9,155	30,512
		316,440	796,521
Current liabilities			
Trade and other payables	11	692,914	392,112
Provision for tax		1,472	1,125
Amount due to a director		13,026	34,343
Amount due to an associate		27,029	26,587
Amount due to a related company		4,699	9,629
Amounts due to shareholders		8,512	10,429
Loan from minority interests		25,000	25,000
Interest-bearing bank and other borrowings		895,937	550,299
		1,668,589	1,049,524

CONDENSED CONSOLIDATED BALANCE SHEET (Continued)

As at 30 September 2001

		(Unaudited) 30 September 2001 HK\$'000	(Audited) 31 March 2001 HK\$'000
	Notes		
Net current liabilities		(1,352,149)	(253,003)
Total assets less current liabilities		3,635,151	2,332,572
Non-current liabilities			
Interest-bearing bank and other borrowings		188,443	288,670
Deposit received		27,685	-
Deferred tax		495	790
		216,623	289,460
Minority interests		829,435	166,377
		2,589,093	1,876,735
CAPITAL AND RESERVES			
Share capital	12	1,091,450	1,957,252
Share premium		472,736	472,736
Reserves	13	1,024,907	(553,253)
		2,589,093	1,876,735

CONDENSED CONSOLIDATED CASH FLOW STATEMENT - UNAUDITED

For the six months ended 30 September 2001

	For the six months ended 30 September	
	2001	2000
	HK\$'000	HK\$'000
Net cash inflow/(outflow) from operating activities	23,085	(16,609)
Returns on investments and servicing of finance	(22,009)	(7,553)
Tax paid	(659)	(221)
Net cash outflow from investing activities	(57,188)	(12,637)
Net cash outflow before financing activities	(56,771)	(37,020)
Financing activities	41,725	(11,251)
Decrease in cash and cash equivalents	(15,046)	(48,271)
Cash and cash equivalents at 1 April	(61,455)	12,427
Effect of foreign exchange rate changes, net	2	335
Cash and cash equivalents at 30 September	(76,499)	(35,509)
Analysis of balances of cash and cash equivalents		
Cash at banks and in hand	9,155	39,968
Bank overdrafts	(85,654)	(75,477)
	(76,499)	(35,509)

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2001

1. PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements are prepared in accordance with Hong Kong Statement of Standard Accounting Practice ("SSAP") 25 "Interim Financial Reporting". The accounting policies and basis of preparation used in the preparation of the interim financial statements are the same as those used in the audited financial statements for the year ended 31 March 2001, except in relation to SSAP 14 (revised) "Leases" and SSAP 30 "Business Combinations".

The Group has complied with SSAP 14 (revised) for the first time in this interim reporting period. As a result, total future minimum operating lease commitments are disclosed instead of annual operating lease commitments under non-cancellable operating leases. Figures for the year ended 31 March 2001 are extracted from the Group's audited financial statements for that period.

Following the adoption of SSAP 30, the Group adopted an accounting policy to recognise goodwill as an asset which is amortised on a straight-line basis over its estimated useful life. Negative goodwill arising on acquisitions after 1 April 2001 is presented as a deduction from assets and will be released to income based on an analysis of the circumstances from which the balance resulted.

The Group has taken advantage of the transitional provisions in SSAP 30 and the goodwill/negative goodwill that arose from acquisition prior to 1 April 2001, which has previously eliminated against/taken to reserves, has not been retrospectively restated under the new accounting policy. Therefore, goodwill arising on acquisitions prior to 1 April 2001 is held in reserves and will be charged to the profit and loss account at the time of disposal of the subsidiary companies/associates, or at such time as the goodwill is determined to be impaired. Negative goodwill arising on acquisition prior to 1 April 2001 is held in reserves and will be credited to the profit and loss account at the time of disposal of the relevant subsidiaries/associates.

2. TURNOVER

An analysis of the Group's turnover and contribution to profit from operations for the period ended 30 September 2001 by principal activity and geographical area of operations is as follows:

	Turnover		Profit/(Loss) from operations	
	Six months ended 30 September		Six months ended 30 September	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
By activity:				
Continuing operations:				
Operation of web sites and related services	99,004	7,968	30,665	(17,305)
Property investment	1,395	37,229	1,920	55,893
Provision of electronic manufacturing services	38,309	52	(2,158)	14
Sales of consumer packaged electronics	61,987	13,598	50,312	3,670
Sales of securities	6,665	-	(9,711)	-
Sales of telecommunications products	-	6,561	-	1,771
Hotel operations	7,540	-	(675)	-
	214,900	65,408	70,353	44,043
Discontinued operation:				
Sales of telecommunications products	3,586	-	(490)	-
	218,486	65,408	69,863	44,043
Principal markets				
Europe	28,112	15,742	20,717	4,249
Hong Kong	8,059	39,311	(15,160)	55,802
The People's Republic of China ("PRC") (Other than Hong Kong)	106,604	7,968	28,023	(16,652)
United States of America and Canada	31,035	2,387	23,380	644
Others	44,676	-	12,903	-
	218,486	65,408	69,863	44,043

3. OTHER REVENUE

	For the six months ended 30 September	
	2001	2000
	HK\$'000	HK\$'000
Gain on disposal of a subsidiary	–	60,134
Waiver of trade creditor under Scheme of Arrangement (<i>Note a</i>)	84,593	–
Sundry income	11,937	17,408
	<u>96,530</u>	<u>77,542</u>

Note a: As the Scheme of Arrangement has been approved by the unsecured creditors in a meeting held on 10 July 2001 and sanctioned by High Court on 13 September 2001, the trade creditors of Team Concepts Manufacturing Ltd., a subsidiary of the Group has been waived.

4. PROFIT FROM OPERATIONS

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

	For the six months ended 30 September	
	2001	2000
	HK\$'000	HK\$'000
Depreciation	14,170	1,824
Amortisation of product development costs	1,775	–
Amortisation of goodwill	8,048	–
Negative goodwill released	(3,522)	–
	<u>20,471</u>	<u>1,824</u>

5. FINANCE COSTS

	For the six months ended 30 September	
	2001	2000
	HK\$'000	HK\$'000
Interest on		
Bank loans and overdrafts		
– wholly repayable within five years	23,274	13,487
– not wholly repayable within five years	–	–
Other loans and convertible notes		
– wholly repayable within five years	6,346	6,139
Finance leases	5	31
	<u>29,625</u>	<u>19,657</u>

6. TAXATION

Taxation in the condensed consolidated profit and loss account represents:

	For the six months ended 30 September	
	2001	2000
	HK\$'000	HK\$'000
Provision for taxation in respect of profit for the period:		
Overseas	<u>(612)</u>	<u>(215)</u>
Taxation charges for the period	<u><u>(612)</u></u>	<u><u>(215)</u></u>

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the period (2000: Nil).

Overseas tax has been provided on the profits of the overseas subsidiaries in accordance with tax laws of the country in which these subsidiaries operate.

7. DIVIDENDS

The Directors have resolved not to declare an interim dividend for the six months ended 30 September 2001 (2000: Nil).

8. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the net profit attributable to shareholders for the period ended of HK\$12,356,000 (2000: HK\$25,598,000) and the weighted average number of 5,215,051,325 (2000: 3,100,181,091) ordinary shares in issue during the period.

	For the six months ended 30 September	
	2001	2000
	HK\$'000	HK\$'000
Net profit attributable to shareholders for the purpose of basic and diluted earning per share	<u><u>12,356</u></u>	<u><u>25,598</u></u>
	Number of shares	
Weighted average number of ordinary shares for the purposes of basic earnings per share	<u><u>5,215,051,325</u></u>	3,100,181,091
Effect of dilutive potential ordinary shares: – Share options		<u>1,250,000,000</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share		<u><u>4,350,181,091</u></u>

8. EARNINGS PER SHARE (Continued)

As the exercise prices of the options outstanding during the period are higher than the average market price of the Company's share during the period, the dilutive earnings per share for the period ended 30 September 2001 is not presented because the impact of the exercise of the options is anti-dilutive.

9. LAND HELD FOR DEVELOPMENT

Land held for development has been increased by HK\$3,397 million due to the completion of Properties Injection Agreement on July 2001.

10. TRADE AND OTHER RECEIVABLES

The defined credit policy is maintained within the Group. The age analysis of trade debtors as at 30 September 2001 was as follows:

	30 September 2001 HK\$'000	31 March 2001 HK\$'000
Trade receivable, analysed according to aging:		
0-90 days	54,815	21,466
91-180 days	3,325	14,724
181-270 days	2,606	6,290
271-360 days	6,149	5,663
Over 360 days	10,157	32,244
Less: provision	(7,538)	(33,105)
	69,514	47,282
Prepayments, deposits and other receivables	177,813	571,391
	247,327	618,673

11. TRADE AND OTHER PAYABLES

The age analysis of trade creditors as at 30 September 2001 was as follows:

	30 September 2001 HK\$'000	31 March 2001 HK\$'000
Trade payables, analysed according to aging:		
0-90 days	25,292	19,614
91-180 days	4,692	23,475
181-270 days	228	31,643
271-360 days	-	19,406
Over 360 days	3,243	38,505
	33,455	132,643
Other payables and accruals	659,459	259,469
	692,914	392,112

12. SHARE CAPITAL

	Number of ordinary shares	HK\$'000
Authorised:		
At 1 April 2001	6,000,000,000	3,000,000
Reduction of nominal value	–	(2,400,000)
Increase	<u>24,000,000,000</u>	<u>2,400,000</u>
At 30 September 2001	<u>30,000,000,000</u>	<u>3,000,000</u>
Issued and fully paid:		
At 1 April 2001	3,914,504,877	1,957,252
Reduction of nominal value	–	(1,565,802)
Conversion of convertible notes	<u>7,000,000,000</u>	<u>700,000</u>
At 30 September 2001	<u>10,914,504,877</u>	<u>1,091,450</u>

Pursuant to a special resolution passed on 3 May 2001 and confirmed by an order of the court made on 27 June 2001, the capital of the Company was reduced from HK\$3,000,000,000 divided into 6,000,000,000 ordinary shares of HK\$0.50 each to HK\$600,000,000 divided into 6,000,000,000 ordinary shares of HK\$0.10 each. The new ordinary shares of HK\$0.10 each commenced trading on 10 July 2001. The reduction is effected by cancelling paid-up capital to the extent of HK\$0.40 upon each of the 3,914,504,877 ordinary shares in issue as at 6 April 2001 and any further ordinary shares issued prior to 27 June 2001, and the amount arising from the reduction of capital would be credited to a special reserve of the Company. By an ordinary resolution passed on 9 July 2001, the authorised share capital was increased from an amount of HK\$600,000,000 to HK\$3,000,000,000 by the creation of 24,000,000,000 new shares of HK\$0.10 each. These new shares rank pari passu with the existing shares of the Company.

13. RESERVES

	Capital redemption reserve HK\$'000	General reserve HK\$'000	Currency translation reserve HK\$'000	(Accumulated Losses)/ Retained profits HK\$'000	Total HK\$'000
At 1 April 2001	2,258	131,897	(5,946)	(681,462)	(553,253)
Movement arising from reduction of nominal value of shares	–	–	–	1,565,802	1,565,802
Exchange differences	–	–	2	–	2
Profit for the period attributable to shareholders	–	–	–	12,356	12,356
At 30 September 2001	<u>2,258</u>	<u>131,897</u>	<u>(5,944)</u>	<u>896,696</u>	<u>1,024,907</u>

14. CONTINGENT LIABILITIES

As at 30 September 2001, the Group had the following contingent liabilities:

	30 September 2001 HK\$'000	31 March 2001 HK\$'000
Guarantee given in connection with credit facilities granted to:		
– An associate	7,235	7,235
– Former subsidiaries	145,761	139,135
– A minority shareholder of a former subsidiary	38,077	36,968
Discounted bill of exchange	8,186	–
	<u>199,259</u>	<u>183,338</u>

15. COMMITMENTS

(i) Capital commitments:

	30 September 2001 HK\$'000	31 March 2001 HK\$'000
Plant and equipment:		
Contracted, but not provided for	761	1,603
Construction costs for certain property development projects undertaken in the PRC:		
Contracted, but not provided for	650,435	650,435
	<u>651,196</u>	<u>652,038</u>

(ii) Commitments under operating leases:

At 30 September 2001, the Group had commitments under non-cancellable operating leases as follows:

	30 September 2001 Total commitment HK\$'000	31 March 2001 Annual commitment HK\$'000
Land and buildings expiring:		
Within one year	9,553	4,272
In the second to fifth years, inclusive	19,065	1,847
After five years	9,595	2,487
	<u>38,213</u>	<u>8,606</u>

16. LITIGATION SETTLEMENT

In last year, a number of creditors have issued writs against Team Concepts Manufacturing Limited, a subsidiary of the Group, to settle its outstanding debt. These creditors are defined as Scheme Creditors pursuant to the Scheme of Arrangement. The Scheme of Arrangement has been approved by unsecured creditors on 10 July 2001 and sanctioned by High Court on 13 September 2001. All the outstanding debts were settled by shares, convertible notes and cash payments.

17. RELATED PARTY TRANSACTIONS

During the period, the Group had the following transactions with certain related companies:

Name	Nature of transactions	For the six months ended 30 September	
		2001 HK\$'000	2000 HK\$'000
Genius Reward Company Limited	Interest paid and payable	441	441
Mr. Yu Pun Hoi ("Mr. Yu")	Interest paid and payable	-	283
Pippen Limited	Interest paid and payable	-	50
Staverley Assets Limited	Interest paid and payable	-	60
CIM Company Limited	Investment in PRC jointly controlled entities	-	900
CIM Hotel Management Limited	Compensation receivable for termination of hotel management contract	-	9,985

The nature and terms of these related party transactions are similar to those disclosed in the Group's audited consolidated financial statements for the year ended 31 March 2001.

18. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with current periods presentation.

OPERATION REVIEW

During the period under review, the Group has been involved in the following businesses:

1. Business Application Service – China Enterprise ASP Limited
2. Financial Information – Beijing Shihua International Financial Information Limited
3. Properties investment and development – South Sea Holding Company Limited
4. Other Investments

China Enterprise ASP Limited (“CE”)

CE, a 80% owned subsidiary of the Group, operates more than 21 branch offices in China and has a team of about 1,550 sales engineers and professionals, providing business services including design and production of corporate web sites, development of IT solutions for client’s operation, registration of domain names, provision of e-mail systems, and data centre services to enterprises that would like to move into the information era. Since September 2001, the Company has provided other online application services to clients and managed the total software requirement for clients both onsite and network basis. Such move is able to broaden CE’s revenue base. Currently, CE has more than 20,000 corporate members throughout China.

In view of the continuous strong demand of web site development and IT solution by most small to medium sized enterprises (“SMEs”) in China, the management is optimistic about its prospects and will further expand this operation in order to capitalize on the rapidly growing market.

Moreover, CE is recognized as one of the largest providers of the aforesaid services to corporate clients in China, and the management has decided to further expand its market share by opening more new branches to meet the increasing demand from the SMEs. The management believes that CE is qualified for listing application in China.

Beijing Shihua International Financial Information Limited (“Shihua”)

Shihua has become an 80% owned subsidiary of the Group since August 2001. It is principally engaged in the provision of proprietary software to institutional clients. At the moment, it is one of the leaders in China’s financial information industry and commands a remarkable 80% market share in China futures market.

Shihua has launched the first Window OS based Internet application software in China in October 2001, which promises the first consolidated platform for securities, futures, and foreign exchange markets in both data, analysis, and information provision. This platform is the first of its kind in China amongst local services providers. The management believes this will not only expand the reach of Shihua's services in the corporate and institutional markets, but also tap into the retail sector including the Internet based individual users shortly, which further guarantees the larger client base.

In addition to the provision of information and application service to clients, the Company intends to take advantage of the liberalization of the securities industry to participate in the provision of securities trading platform for brokers in China.

South Sea Holding Company Limited ("South Sea", HKSE code 680)

As at the date of this report, the Company holds approximately 67.3% of the total issued share capital in South Sea. Its principal activities include property development and investment in China and toy manufacturing businesses. In July 2001, South Sea acquired a property portfolio from the Company with a value of approximately HK\$2.8 billion. The significant properties project portfolio includes prime residential developments in Shenzhen, Guangzhou and Nanjing. These projects are expected to contribute significant cash inflow for the Group in the next five to eight years. Such asset injection offers enormous investment opportunities for South Sea to tap into the rapidly growing property market in China.

Subsequent to the completion of a scheme of arrangement in respect of a subsidiary of South Sea, the trade payables of such subsidiary has been eliminated resulting in a greatly improved financial position. In addition, South Sea has also completed its debt restructuring arrangement with its principal banker regarding its manufacturing business. As a result, manufacturing arm of South Sea is able to operate with a much smoother financial position.

Other Businesses

The Group continues to make investments in China in a move to explore more business opportunities. However, the scale of these operations remains insignificant and with no profit contribution during the period under review. The management is confident that these investments should be fruitful in the next financial year with meaningful turnover and profit contribution to the Group.

Prospect

The Group believes China market will continue to provide significant opportunities for the expansion of our various subsidiaries. Our team of engineers and scientists are the foundation of our technical capability while the professional sales and services personnel are the backbone of our businesses. The Group will continue to strive for excellence with these two pillars and make sure our growth is consistent with the market. The management deeply believes the current success of our operations in China will continue in the years ahead.

FINANCIAL REVIEW

Turnover for the period under review was amounting to HK\$218.5 million, representing an increase of 234% compare with the same period last year. The net profit attributable to the shareholders for the six months ended 30 September 2001 amounted to HK\$12,356,000 (2000: HK\$25,598,000). The net assets value of the Group was HK\$2,589,093,000, representing a value of HK\$0.24 per share.

In August 2001, the Company entered into an underwriting arrangement with its substantial shareholders for the placement of up to HK\$1,000 million convertible notes to improve the liquidity of the Group.

Liquidity and Financial Resources

As at 30 September 2001, the Group's aggregate bank borrowings were increased to HK\$584.8 million (31 March 2001: HK\$419.9 million), and the convertible loan notes were HK\$194 million (31 March 2001: HK\$200 million). The bank borrowings have been increased by HK\$164.9 million mainly due to the acquisition of the subsidiaries during the period. The convertible loan note of HK\$194 million was subsequently fully redeemed after the period under review.

The Group's gearing ratio as at 30 September 2001 was improved to 42% from 45% as at 31 March 2001. It is because the Company has entered into an underwriting arrangement for the placement of up to HK\$1,000 million convertible notes. Up to 30 September 2001, HK\$700 million convertible notes have been issued and converted into 7,000 million new shares of the Company.

As at 30 September 2001, fixed assets with the net book value of HK\$520 million were pledged as securities for banking facilities.

The Group contingent liabilities as at 30 September 2001 were HK\$199 million due to the guarantees given in connection with credit facilities.

Employees

As at 30 September 2001, the Group had approximately 2,350 employees, of which 60 were based in Hong Kong and 2,290 were based in China. The salaries and allowance of employees for the period ended 30 September 2001 was about HK\$20 million.

DIRECTORS' INTEREST IN EQUITY OR DEBT SECURITIES

As at 30 September 2001, the interests of the Directors and their associates in the equity or debt securities of the Company or any of its associated corporation (within the meaning of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance")) as required to be recorded in the register maintained pursuant to Section 29 of the SDI Ordinance were as follows:

Name of Directors	Personal Interests	No. of shares of HK\$0.10 each			Total Interests
		Corporate Interests	Family Interest		
Mr. Yu Pun Hoi	-	5,658,325,316	50,000,000	5,708,325,316	
Mr. Wong Wai Ming	1,000,000	10,000,000	-	11,000,000	
Mr. Zhang Hong Ren	504,000	-	-	504,000	

Save as disclosed above and disclosed under "Directors' rights to acquire shares or debt securities", none of the Directors or their associates had or were deemed to have any interest in any equity or debt securities of the Company or any of its associated corporation as defined in the SDI Ordinance.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBT SECURITIES

Pursuant to the Company's share option scheme, the Company has granted options on the Company's ordinary shares in favour of certain directors, the details of which are as follows:

Name of director	Number of share options outstanding as at 1 April 2001	Number of share option outstanding at end of the period	Exercise period of share options	Exercise price of share option
Yu Pun Hoi	1,296,000	1,296,000	1 Feb 2000 to 31 Jan 2003	HK\$0.50
	1,296,000	1,296,000	1 Feb 2001 to 31 Jan 2003	HK\$0.50
	1,728,000	1,728,000	1 Feb 2002 to 31 Jan 2003	HK\$0.50
Lam Bing Kwan	612,000	612,000	1 Feb 2001 to 31 Jan 2003	HK\$0.50
	816,000	816,000	1 Feb 2002 to 31 Jan 2003	HK\$0.50
Zhang Hong Ren	504,000	504,000	1 Feb 2001 to 31 Jan 2003	HK\$0.50
	672,000	672,000	1 Feb 2002 to 31 Jan 2003	HK\$0.50
	5,000,000	5,000,000	1 Nov 2000 to 31 Oct 2001	HK\$0.50
	<u>11,924,000</u>	<u>11,924,000</u>		

No share options has been granted and exercised during the period under review.

Pursuant to an agreement entered into between the Company and Mr. Yu during the year on 21 June 1999 for the acquisition from Mr. Yu the entire issued share capital of Powerful Resources Limited, a company incorporated in the British Virgin Islands, at a total consideration of HK\$870 million, a total of 200,000,000 new shares in the Company were issued during year of 1999 at a price of HK\$0.60 each to Mr. Yu as settlement of part of the total consideration payable. The remaining portion of the acquisition consideration payable will be satisfied by the issuance of 1,250,000,000 new shares in the Company at the same price of HK\$0.60 each to Mr. Yu upon the fulfillment of certain conditions.

Apart from the foregoing, at no time during the period under review was the Company or any of its subsidiaries a party to any arrangement to enable the Directors or chief executives of the Company or their respective spouse or children under the age of 18 to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

As at 30 September 2001, the register maintained by the Company under Section 16(1) of the SDI Ordinance shows that the Company has been notified of the following interests, being 10% or more of the Company's issued share capital:-

Name	Notes	Number of shares
Pippen Limited	1	2,779,275,668
Actinna Development Limited	1	2,779,275,668
Rosewood Assets Limited	1	2,628,333,000
Mr. Yu Pun Hoi	1	5,708,325,316
Staverley Assets Limited	2	1,857,470,000
Elstrong Limited	2	1,857,470,000
Citic Guoan Group Company Limited	2	1,857,470,000

Note:

1. Pippen Limited is a wholly-owned subsidiary of Actinna Development Limited, which in turn is wholly-owned by Mr. Yu Pun Hoi ("Mr. Yu"). Pippen Limited's interest in the Company is included as part of the interest held by Actinna Development Limited and Mr. Yu.

Rosewood Assets Limited is wholly-owned by Mr. Yu. Rosewood Assets Limited's interest in the Company is included as part of the interest held by Mr. Yu.

2. Staverley Assets Limited is wholly owned by Elstrong Limited, which is in turn wholly-owned by Citic Guoan Group Company Limited. Staverley Assets Limited's interest in the Company is included as part of the interest held by Elstrong Limited and Citic Guoan Group Company Limited.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 September 2001, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any shares of the Company.

AUDIT COMMITTEE

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

CODE OF BEST PRACTICE

None of the Directors is aware of any information that would reasonable indicate that the Company is not, or was not for any part of the six months ended 30 September 2001, 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 except that non-executive Directors are not appointed for a specific term as recommended in paragraph 7 of Appendix 14. All Directors, including the non-executive Directors, are subject to the retirement and rotation requirements in accordance with the Company's Articles of Association.

By Order of the Board
Lam Bing Kwan
Director

Hong Kong, 19 December 2001