



## SUMMARY

- Turnover for the first half of the year was HK\$1.72 billion, an increase of 19% over the corresponding period last year
- Gross profit was HK\$126 million, an increase of 35% over the corresponding period last year
- Profit attributable to the shareholders was HK\$51.18 million, an increase of 239% over the corresponding period last year

## INTERIM FINANCIAL STATEMENTS

The Directors of WellNet Holdings Limited (the “Company”) are pleased to present the unaudited condensed consolidated financial statements of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2002 as follows:

### Condensed Consolidated Income Statement

		<b>Unaudited</b> <b>Six months ended 30 June</b>	
	Notes	<b>2002</b> <b>HK\$'000</b>	2001 HK\$'000
<b>Turnover</b>	2	<b>1,724,492</b>	1,449,047
Cost of sales		<b>(1,598,481)</b>	(1,355,823)
Gross profit		<b>126,011</b>	93,224
Other revenue		<b>4,614</b>	1,816
Selling and distribution expenses		<b>(14,134)</b>	(12,880)
General and administrative expenses		<b>(48,497)</b>	(42,209)
Exchange loss		<b>(3,940)</b>	–
Loss on investments, net		<b>(141)</b>	(2,840)
Profit from operations	2 & 3	<b>63,913</b>	37,111
Interest income		<b>671</b>	2,261
Finance costs		<b>(9,867)</b>	(15,179)
Share of profit (loss) of associates		<b>1,150</b>	(91)
<b>Profit before taxation</b>		<b>55,867</b>	24,102
Taxation			
Company and subsidiaries	4	<b>(2,098)</b>	(2,282)
Associates		<b>(367)</b>	(56)
		<b>(2,465)</b>	(2,338)
<b>Profit after taxation but before minority interests</b>		<b>53,402</b>	21,764
Minority interests		<b>(2,224)</b>	(6,683)
<b>Profit attributable to the shareholders</b>		<b>51,178</b>	15,081
Earnings per share	5		
– basic		<b>5.42 HK Cents</b>	1.65 HK Cents
– diluted		<b>5.29 HK Cents</b>	1.64 HK Cents



## Condensed Consolidated Balance Sheet

	Notes	Unaudited 30 June 2002 HK\$'000	Audited 31 December 2001 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment		168,341	180,289
Investment properties		460,624	464,954
Investment in associates	6	53,173	26,842
Long-term investments		41,476	41,696
Loans to officers		143	285
Intangible assets		304	4,086
		<hr/>	<hr/>
Total non-current assets		724,061	718,152
<b>Current assets</b>			
Inventories		25,419	26,618
Properties held for sale		33,293	40,671
Short-term investments		581	722
Bills and accounts receivable	7	758,510	673,286
Deposits, prepayments and other receivables		31,427	27,993
Taxation recoverable		1,416	1,396
Pledged bank deposits		27,744	40,790
Other cash and bank balances		179,932	175,428
		<hr/>	<hr/>
Total current assets		1,058,322	986,904
<b>Current liabilities</b>			
Short-term bank borrowings		(311,638)	(343,188)
Due to associates		(7,810)	(2,027)
Bills and accounts payable	8	(331,647)	(303,462)
Other payables and accruals		(29,096)	(36,665)
Obligations under finance leases – current portion		(259)	(1,120)
Dividend payable		(18,781)	–
Taxation payable		(22,172)	(22,826)
		<hr/>	<hr/>
Total current liabilities		(721,403)	(709,288)
		<hr/>	<hr/>
<b>Net current assets</b>		336,919	277,616
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<b>Total assets less current liabilities</b>		1,060,980	995,768
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**Condensed Consolidated Balance Sheet** (continued)

	Notes	Unaudited 30 June 2002 HK\$'000	Audited 31 December 2001 HK\$'000
<b>Non-current liabilities</b>			
Long-term bank borrowings		(107,224)	(112,838)
Other loans		(13,943)	(15,333)
Obligations under finance leases		-	(99)
Deferred taxation		-	(321)
		<hr/>	<hr/>
Total non-current liabilities		(121,167)	(128,591)
		<hr/>	<hr/>
<b>Minority interests</b>		(54,921)	(107,218)
		<hr/>	<hr/>
<b>Net assets</b>		884,892	759,959
		<hr/> <hr/>	<hr/> <hr/>
<b>Representing:-</b>			
Share capital	9	104,164	93,867
Reserves		547,323	465,084
Retained profit		233,405	182,227
Proposed dividend		-	18,781
		<hr/>	<hr/>
<b>Total shareholders' equity</b>		884,892	759,959
		<hr/> <hr/>	<hr/> <hr/>



## Condensed Consolidated Cash Flow Statement

**Unaudited**  
**Six months ended 30 June**

	<b>2002</b> <b>HK\$'000</b>	2001 HK\$'000
Net cash outflow from operating activities	<b>(2,624)</b>	(182,623)
Net cash (used in) from investing activities	<b>(42,544)</b>	3,812
Net cash from financing activities	<b>69,330</b>	105,006
	<hr/>	<hr/>
Increase (Decrease) in cash and cash equivalents	<b>24,162</b>	(73,805)
Cash and cash equivalents, beginning of period	<b>(73,912)</b>	101,695
Translation adjustments	<b>84</b>	(614)
	<hr/>	<hr/>
Cash and cash equivalents, end of period	<b>(49,666)</b>	27,276
	<hr/>	<hr/>
Analysis of the balances of cash and cash equivalents		
Cash and bank balances	<b>179,932</b>	88,380
Less: Short-term bank loans	<b>(229,598)</b>	(61,104)
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	<b>(49,666)</b>	27,276
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## Condensed Consolidated Statement of Changes in Equity

	Unaudited six months ended 30 June 2002						
	Share capital	Share premium	Investment property revaluation reserve	Cumulative translation reserve	Retained profit	Proposed dividend	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2002	93,867	388,330	81,547	(4,793)	182,227	18,781	759,959
Translation adjustments	-	-	-	618	-	-	618
Net gains and losses not recognised in the income statement	-	-	-	618	-	-	618
Profit attributable to the shareholders	-	-	-	-	51,178	-	51,178
Reserve realised upon disposal of investment properties	-	-	(1,251)	-	-	-	(1,251)
Recognition of translation difference in the income statement	-	-	-	3,940	-	-	3,940
Transfer to dividend payable	-	-	-	-	-	(18,781)	(18,781)
Issue of shares	10,297	81,122	-	-	-	-	91,419
Share issuance expenses	-	(2,190)	-	-	-	-	(2,190)
At 30 June 2002	<u>104,164</u>	<u>467,262</u>	<u>80,296</u>	<u>(235)</u>	<u>233,405</u>	<u>-</u>	<u>884,892</u>
	Unaudited six months ended 30 June 2001						
	Share capital	Share premium	Investment property revaluation reserve	Cumulative translation reserve	Retained profit	Contributed surplus	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2001	91,167	359,287	5,063	(2,961)	176,695	5,381	634,632
Translation adjustments	-	-	-	(1,955)	-	-	(1,955)
Net gains and losses not recognised in the income statement	-	-	-	(1,955)	-	-	(1,955)
Profit attributable to the shareholders	-	-	-	-	15,081	-	15,081
Transfer to retained profit	-	-	-	-	5,381	(5,381)	-
Issue of shares	4,124	29,307	-	-	-	-	33,431
Share issuance expenses	-	(375)	-	-	-	-	(375)
Repurchase of shares	(2,133)	(2,652)	-	-	-	-	(4,785)
At 30 June 2001	<u>93,158</u>	<u>385,567</u>	<u>5,063</u>	<u>(4,916)</u>	<u>197,157</u>	<u>-</u>	<u>676,029</u>



## NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

### 1. Accounting policies

The unaudited condensed interim financial statements are prepared in accordance with Hong Kong Statement of Standard Accounting Practice No. 25, "Interim Financial Reporting", issued by the Hong Kong Society of Accountants, and Appendix 16 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The accounting policies used in the preparation of the condensed interim financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2001, except for the adoption of the following Statements of Standard Accounting Practice ("SSAP") issued by the Hong Kong Society of Accountants which are effective for accounting periods commencing on or after 1 January 2002:

SSAP 1 (revised)	:	Presentation of financial statements
SSAP 11 (revised)	:	Foreign currency translation
SSAP 15 (revised)	:	Cash flow statements
SSAP 25 (revised)	:	Interim financial reporting
SSAP 33	:	Discontinuing operations
SSAP 34	:	Employee benefits

The adoption of the above SSAP has no material effect on the prior year financial statements.

### 2. Segment information

#### (a) Primary segment

The Group is organised into five major operating units: (i) metal trading; (ii) metal manufacturing; (iii) property development; (iv) property investment; and (v) metal trading portals. An analysis by business segment is as follows:

	2002		2001	
	External sales HK\$'000	Internal segment sales HK\$'000	External sales HK\$'000	Internal segment sales HK\$'000
Turnover				
– Metal trading	1,519,888	20,444	1,262,659	–
– Metal manufacturing	113,417	–	103,427	–
– Property development	16,418	–	56,310	–
– Property investment	4,483	–	4,962	–
– Metal trading portals	69,420	3,098	21,169	3,804
– Others	866	–	520	–
	<b>1,724,492</b>	<b>23,542</b>	1,449,047	3,804
Inter-segment elimination	–	(23,542)	–	(3,804)
	<b>1,724,492</b>	<b>–</b>	1,449,047	–



## 2. Segment information (continued)

### (a) Primary segment (continued)

	<b>Unaudited</b> <b>Six months ended 30 June</b>	
	<b>2002</b> <b>HK\$'000</b>	2001 HK\$'000
Profit from operations		
– Metal trading	<b>57,780</b>	12,996
– Metal manufacturing	<b>15,190</b>	7,245
– Property development	<b>7,295</b>	24,259
– Property investment	<b>3,018</b>	3,342
– Metal trading portals	<b>3,547</b>	8,057
– Others	<b>(303)</b>	(1,402)
– Unallocated expenses	<b>(22,614)</b>	(17,386)
	<b>63,913</b>	37,111

### (b) Secondary segment

The Group has business operations in Mainland China, Hong Kong, Asia (other than Mainland China and Hong Kong), Europe and other regions. An analysis by geographical location is as follows:

	<b>Unaudited</b> <b>Six months ended 30 June</b>	
	<b>2002</b> <b>HK\$'000</b>	2001 HK\$'000
Turnover		
– Mainland China	<b>1,562,090</b>	1,312,482
– Hong Kong	<b>67,549</b>	23,268
– Asia (other than Mainland China and Hong Kong)	<b>78,662</b>	45,758
– Europe	<b>1,307</b>	22,872
– Others	<b>14,884</b>	44,667
	<b>1,724,492</b>	1,449,047
Profit from operations		
– Mainland China	<b>80,172</b>	36,577
– Hong Kong	<b>5,221</b>	5,519
– Asia (other than Mainland China and Hong Kong)	<b>1,052</b>	4,844
– Europe	<b>(462)</b>	1,022
– Others	<b>544</b>	6,535
– Unallocated expenses	<b>(22,614)</b>	(17,386)
	<b>63,913</b>	37,111

**3. Profit from operations**

	<b>Unaudited Six months ended 30 June</b>	
	<b>2002 HK\$'000</b>	2001 HK\$'000
Profit from operations is stated after charging:		
Depreciation of fixed assets	<b>6,705</b>	6,983
Amortisation of intangible assets	<b>1,168</b>	1,424
Loss on disposal of investments	–	2,827
Loss on disposal of property, plant and equipment	<b>896</b>	1,087
	<u>          </u>	<u>          </u>

**4. Taxation – Company and subsidiaries**

	<b>Unaudited Six months ended 30 June</b>	
	<b>2002 HK\$'000</b>	2001 HK\$'000
Current taxation		
– Hong Kong profits tax	<b>106</b>	965
– Overseas taxation		
– Mainland China	<b>2,747</b>	476
– Others	<b>42</b>	841
	<b>2,895</b>	2,282
Over-provision in prior years		
– Overseas taxation	<b>(797)</b>	–
	<u>          </u>	<u>          </u>
	<b>2,098</b>	2,282
	<u>          </u>	<u>          </u>

Hong Kong profits tax has been provided at the rate of 16% (2001: 16%) on the estimated assessable profits for the six months period. A subsidiary of the Group is subject to Mainland China enterprise income tax at 33% (2001: 33%) on its taxable income determined according to Mainland China tax laws. Other overseas taxation has been calculated on the estimated assessable profits for the six months period at the rates prevailing in the respective jurisdictions.

Under the relevant tax rules in Mainland China, the Group is subject to Mainland China land appreciation tax. However, up to 30 June 2002, the Group had not been required by the local tax bureau to make any tax payments in respect of the land appreciation tax. Taking into account the common practice of the levy of land appreciation tax in various cities in Mainland China, the Directors consider it is unlikely that the Group will be required to make any payment in respect of Mainland China land appreciation tax.





## 5. Earnings per share

The calculation of basic earnings per share is based on the consolidated profit attributable to shareholders of approximately HK\$51,178,000 (2001: HK\$15,081,000) and the weighted average number of 944,464,831 shares (2001: 913,443,310 shares) in issue during the period. The calculation of diluted earnings per share is based on the consolidated profit attributable to shareholders of approximately HK\$51,178,000 (2001: HK\$15,081,000) and the weighted average number of 968,031,670 shares (2001: 920,184,709 shares) in issue after adjusting for the effects of all dilutive potential shares.

A reconciliation of the weighted average number of shares used in calculating the basic earnings per share and the diluted earnings per share is as follows:

	<b>Unaudited Six months ended 30 June</b>	
	<b>2002 Number of shares</b>	2001 Number of shares
Weighted average number of shares used in calculating basic earnings per share	<b>944,464,831</b>	913,443,310
Adjustment for potential dilutive effect in respect of outstanding employee share options	<b><u>23,566,839</u></b>	<u>6,741,399</u>
Weighted average number of shares used in calculating diluted earnings per share	<b><u>968,031,670</u></b>	<u>920,184,709</u>

## 6. Investment in associates

Following the exercise of the option by the optionholder in June 2002, the Group's interest in WorldMetal Holdings Limited was reduced from 51.37% to 46.38%. The increase in investment in associates mainly represents the Group's share of the aggregate fair value of the net assets of WorldMetal Holdings Limited.



## 7. Bills and accounts receivable

Consideration in respect of sold properties are payable by the purchasers pursuant to the terms of the sale and purchase agreement. Sales of goods and commission income from metal trading are on normal terms payable within three months by the customers. Rental in respect of leased properties are payable by the tenants on monthly basis. The ageing analysis of bills and accounts receivable is as follows:

	<b>Unaudited 30 June 2002 HK\$'000</b>	Audited 31 December 2001 HK\$'000
Within three months	584,512	627,675
Over three months but within six months	170,901	36,725
Over six months	<u>3,333</u>	<u>10,777</u>
	<b>758,746</b>	675,177
Less: Provision for doubtful debts	<u>(236)</u>	<u>(1,891)</u>
	<u><b>758,510</b></u>	<u>673,286</u>

## 8. Bills and accounts payable

The ageing analysis of bills and accounts payable is as follows:

	<b>Unaudited 30 June 2002 HK\$'000</b>	Audited 31 December 2001 HK\$'000
Within three months	330,907	299,810
Over three months but within six months	–	286
Over six months	<u>740</u>	<u>3,366</u>
	<u><b>331,647</b></u>	<u>303,462</u>



## 9. Share capital

	Unaudited Number of shares '000	HK\$'000
Authorised:		
Ordinary shares of HK\$0.10 each		
At 1 January 2002	1,200,000	120,000
Increase in authorised share capital	<u>600,000</u>	<u>60,000</u>
At 30 June 2002	<u>1,800,000</u>	<u>180,000</u>
Issued and fully paid:		
Ordinary shares of HK\$0.10 each		
At 1 January 2002	938,669	93,867
Issued upon exercise of employee share options	2,976	297
Issuance of shares	<u>100,000</u>	<u>10,000</u>
At 30 June 2002	<u>1,041,645</u>	<u>104,164</u>

By an ordinary resolution passed by the shareholders of the Company on 6 June 2002, the authorised share capital of the Company was increased from HK\$120,000,000 to HK\$180,000,000 by the creation of 600,000,000 ordinary shares of HK\$0.10 each.

## 10. Related party transactions

During the period, the Group had the following transactions with related parties conducted in accordance with the terms of the relevant agreements or arrangements and in the normal course of business:

- (a) Sales to related parties amounted to HK\$179,373,408;
- (b) Commission earned from a related party amounted to HK\$156,486;
- (c) Purchases from a related party amounted to HK\$13,143,069; and
- (d) Interest paid to a related party amounted to HK\$218,335.

## 11. Contingent liabilities

As at 30 June 2002, the Group had the following contingent liabilities: (i) guarantee for general banking facilities granted to an associate amounted to HK\$21,730,000; (ii) shipping guarantees amounted to HK\$2,615,000; (iii) Mainland China land appreciation tax amounted to HK\$13,168,000; and (iv) guarantees given to banks for mortgage facilities granted to the buyers of the Group's properties amounted to HK\$15,829,000.

## 12. Comparative figures

Certain prior year comparative figures have been reclassified to conform to current period's presentation.

## DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2002 (2001: Nil).



## REVIEW AND PROSPECTS

### 1. METAL BUSINESS

There had been drastic changes in the global steel trading market in the first half year. Global demand for steel registered a revival increase. Prices at the major steel consumption markets of North America, the European Union and East Asia had emerged from the trough. This was especially so in China which saw a rapid increase in industrial production and investment in fixed assets. Driven by the construction, engineering and light industries, consumption demand for steel was extremely strong from the domestic market, leading to an upsurge in price. However, trade protectionism once again reared its head. Since the imposition of Clause 201 to levy additional tariffs on the importation of certain steel materials by the U.S.A. in March, the European Union, Korea, Canada and China followed suit in raising anti-dumping investigations or putting into force temporary protection for their local steel industry by implementing import restrictions. All these had changed the face of the usual international steel trading and had led to new complicated factors as well as a turbulent situation.

The metal trading department of the Group kept close track of market demands. Based on its comprehensive procurement capabilities of having multi-channels, multiple countries and diverse product mix, sales and distribution in the markets of East Asia, especially in China, had been expanded to bring in substantial growth in sales volume and gross profits. With the gradual recovery of the U.S. economy and the sustained economic development in China, it is envisaged that demands from the steel consumption markets would maintain a cyclical stable rising trend. The Group endeavours to steer clear of business risks, and yet at the same time will continue to upkeep its market competitiveness so as to realise a steady increase in profits.

The warehousing and distribution business of the Group had achieved good progress. China's accession to the WTO had provided the space for development for the Group to tap into the high value-added domestic market. In the first half of the year, the warehousing business had forged close alliance with dozens of import agents, wholesalers and processing plants in the eastern and northern regions of China, with sales and distribution of several hundred thousand tons of products by the Group had been realised and satisfactory results had been achieved. In addition to doing international metal trading business with China traded in US dollars, it is expected that the restrictions on foreign companies entering the import/export business in China and using Renminbi for settlement in domestic sales will be gradually lifted in the next few years. The warehousing and distribution business staged by the Group in China in the recent years is well-poised to capitalise on the development for expansion.



## REVIEW AND PROSPECTS *(continued)*

Furthermore, export orders at the Group's wholly-owned steel pipes processing plant were satisfactory and there were growth in profits. Following the acquisition of the assets of an enterprise with the rights for domestic sales in Renminbi in Dongguan and the reorganisation of it to become the Group's wholly-owned enterprise at the beginning of the year, the Group had made further investments in the expansion of production plants, implementation of additional production lines and enlargement of production and sales volumes on its already well managed operations. These measures were aimed at further reduction of cost, fulfillment of market demands by allocation of products for overseas and domestic sales and the formation of an operation scale. As such, the foundation for long-term development of this business is firmly established.

### 2. PROPERTY DEVELOPMENT AND INVESTMENT

The first phase of the Yangzhou Times Square commenced business in April this year. The rate of leased out space in the first phase exceeded 95%. Interior fitting out works and leasing of the second phase of the development are well under way to be ready for opening within this year. To meet the general consumption level, an appropriate business mix will be arranged and grouped within the shopping centre according to its functions and layout. Following the full operation of the development and on the strength of meticulous planning and management, it is envisaged that the development would bring sales returns as well as provide a long-term stable rental income for the Group.

### 3. WORLDMETAL.COM

In the period under review, WorldMetal.com continued to maximize the utilisation of its resources and exercise prudent control of operation costs. A stable and yet remarkable performance was attained on its solid foundation and successful business strategies.

The Internet metal trading platform, WorldMetal.com and its ancillary value-chain services in legal advisory, shipping, insurance, inspection and trade finance had established their business territory and built themselves as a distinguished brand to maintain a competitive advantage in the industry.

WorldMetal.com, while sustaining its focus on Internet trading and the ancillary value-chain services, will actively pursue new businesses with potentials for good operating results and space for development in order to bring investment returns for the shareholders.



## LIQUIDITY AND FINANCIAL RESOURCES

The Group continues to be in a stable financial position with cash and bank balances of approximately HK\$208 million (31 December 2001: HK\$216 million) as at 30 June 2002. As at 30 June 2002, the Group's current ratio, as a ratio of current assets to current liabilities, was 1.47 (31 December 2001: 1.39) and the Group's gearing ratio, as a ratio of total liabilities to total assets, was 0.47 (31 December 2001: 0.49).

The bank borrowings of the Group as at 30 June 2002 were approximately HK\$419 million (31 December 2001: HK\$456 million), including long-term borrowings of approximately HK\$107 million (31 December 2001: HK\$113 million), which were denominated in Hong Kong Dollar, US Dollar and Renminbi, bearing interest at prevailing market rates. The short-term bank borrowings were mainly loans on trade finance and construction loans and the long-term bank borrowings were mainly mortgage loans.

## CHARGE ON ASSETS

There has been no material change in the charge on the Group's assets since 31 December 2001.

## STAFF

As at 30 June 2002, the Group employed 707 staff. Staff remuneration packages are normally reviewed annually. The Group also provides other staff benefits which include year end double pay, discretionary bonus, contributory provident fund and medical insurance. Training programmes for staff are provided as and when required.

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

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 June 2002.



## ISSUE OF SHARES

- (1) During the six months ended 30 June 2002, the Company issued a total of 2,976,000 new ordinary shares upon the exercise of share options by the optionholders.
- (2) Pursuant to the placing agreement dated 10 June 2002 entered into between Hang Sing Overseas Limited (the "Vendor"), a substantial shareholder of the Company, and the placing agent whereby 100,000,000 existing shares held by the Vendor were placed to not less than six independent places at HK\$0.90 per placing share, and the subscription agreement dated 10 June 2002 entered into between the Vendor and the Company whereby the Vendor subscribed for 100,000,000 new shares of the Company at a subscription price of HK\$0.90 per subscription share, the Company issued and allotted a total of 100,000,000 new ordinary shares to the Vendor on 21 June 2002.

## SHARE OPTION SCHEME

At the Annual General Meeting of the Company held on 6 June 2002, shareholders of the Company approved the termination of the share option scheme adopted by the Company on 23 July 1999 (the "Old Scheme") and the adoption of a new share option scheme (the "New Scheme") in compliance with the amended Chapter 17 of the Listing Rules. A summary of the principal terms of the New Scheme is contained in the circular dated 29 April 2002 sent to the shareholders of the Company. No options had been granted under the New Scheme since its adoption.

Upon termination of the Old Scheme, no further options could be granted thereunder but in all other respects, the provisions of the Old Scheme shall remain in force. All outstanding options which were granted under the Old Scheme, and the share option scheme of the Company which was expired on 1 August 1999, to subscribe for shares in the Company prior to the termination or expiration shall continue to be valid and exercisable.

**SHARE OPTION SCHEME** (continued)

Details of the share options granted under the share option schemes of the Company and remain outstanding as at 30 June 2002 are as follows:

(i)	Name of Director	No. of shares under the options			Exercise price per share HK\$	Date of grant	Exercise period	
		Held as at 1 January 2002	Exercised during the period	Held as at 30 June 2002			from	until
	CHAN Shing	4,500,000	–	4,500,000	0.68	29/03/2000	27/06/2000	26/06/2003
		5,400,000	–	5,400,000	0.461	07/05/2001	05/08/2001	04/08/2004
	LAU Ting	4,500,000	–	4,500,000	0.68	29/03/2000	27/06/2000	26/06/2003
		5,400,000	–	5,400,000	0.461	07/05/2001	05/08/2001	04/08/2004
	YU Wing Keung, Dicky	1,151,972	–	1,151,972	0.3957	31/12/1998	31/12/1999	30/12/2002
		3,637,806	–	3,637,806	0.4988	28/09/1999	27/12/1999	26/12/2002
		2,000,000	–	2,000,000	0.68	29/03/2000	27/06/2000	26/06/2003
		2,000,000	–	2,000,000	0.461	07/05/2001	05/08/2001	04/08/2004
	TUNG Pui Shan, Virginia	1,151,972	–	1,151,972	0.3957	31/12/1998	31/12/1999	30/12/2002
		3,637,806	–	3,637,806	0.4988	28/09/1999	27/12/1999	26/12/2002
		1,000,000	–	1,000,000	0.461	07/05/2001	05/08/2001	04/08/2004
	KWOK Wai Lam	1,151,972	–	1,151,972	0.3957	31/12/1998	31/12/1999	30/12/2002
		2,425,204	–	2,425,204	0.4988	28/09/1999	27/12/1999	26/12/2002
		1,000,000	–	1,000,000	0.461	07/05/2001	05/08/2001	04/08/2004
	YIN Mark	606,301	–	606,301	0.3957	31/12/1998	31/12/1999	30/12/2002
		2,425,204	–	2,425,204	0.4988	28/09/1999	27/12/1999	26/12/2002
		1,000,000	–	1,000,000	0.461	07/05/2001	05/08/2001	04/08/2004
	SIT Hoi Tung	2,000,000	–	2,000,000	0.68	29/03/2000	27/06/2000	26/06/2003
		3,100,000	–	3,100,000	0.461	07/05/2001	05/08/2001	04/08/2004
	SUN Ho	606,301	–	606,301	0.3957	31/12/1998	31/12/1999	30/12/2002
		970,081	–	970,081	0.4988	28/09/1999	27/12/1999	26/12/2002
		2,000,000	–	2,000,000	0.68	29/03/2000	27/06/2000	26/06/2003
		3,100,000	–	3,100,000	0.461	07/05/2001	05/08/2001	04/08/2004
(ii)	<b>Continuous contract employees</b>	903,082	294,000 <sup>(1)(a)</sup>	609,082	0.3957	31/12/1998	31/12/1999	30/12/2002
		4,122,845	1,782,000 <sup>(1)(b)</sup>	2,340,845	0.4988	28/09/1999	27/12/1999	26/12/2002
		2,100,000	900,000 <sup>(1)(c)</sup>	1,200,000	0.461	07/05/2001	05/08/2001	04/08/2004





## SHARE OPTION SCHEME (continued)

Notes:

- The weighted average closing market price per share immediately before the date on which the option was exercised was as follows:

	No. of shares under the options exercised during the period	Exercise price per share HK\$	Weighted average closing price per share HK\$
(a)	294,000	0.3957	0.965
(b) (i)	970,000	0.4988	0.955
(b) (ii)	606,000	0.4988	0.965
(b) (iii)	206,000	0.4988	0.965
(c) (i)	400,000	0.4610	0.895
(c) (ii)	500,000	0.4610	0.920

- No options were granted, cancelled and lapsed during the six months period.

## DIRECTORS' INTERESTS

As at 30 June 2002, the interests of the Directors and chief executive of the Company (including those interests which were deemed or taken to have interests under the provisions of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance")) in the issued share capital of the Company and any of its associated corporations (within the meaning of the SDI Ordinance) as recorded in the register kept by the Company pursuant to Section 29 of the SDI Ordinance were as follows:

### (1) Interests in Shares

#### (A) The Company

Name of Director	Personal interests	Number of shares			Total
		Corporate interests	Family interests		
CHAN Shing	13,035,472 (Note 2)	438,304,701 (Notes 1&2)	21,776,072 (Note 2)	473,116,245	
LAU Ting	21,776,072 (Note 2)	211,900,848 (Notes 1&2)	239,439,325 (Note 2)	473,116,245 (Note 2)	
TUNG Pui Shan, Virginia	3,672,218	5,104,000 (Note 3)	110,000	8,886,218	
YIN Mark	138,000	–	–	138,000	
SIT Hoi Tung	1,576,382	–	–	1,576,382	

**DIRECTORS' INTERESTS** *(continued)**Notes:*

1. Out of the 438,304,701 shares, 226,403,853 shares were owned by Hang Sing Overseas Limited ("Hang Sing") and 211,900,848 shares were owned by Strong Purpose Corporation ("Strong Purpose"). Mr. CHAN Shing, together with Ms. LAU Ting, own a 51% interest in Hang Sing through Orient Strength Limited and a 100% interest in Strong Purpose. Ms. LAU Ting is the spouse of Mr. CHAN Shing.
2. The interests of Ms. LAU Ting and Mr. CHAN Shing were duplicated.
3. 5,104,000 shares were owned by Focus Cheer Consultants Limited ("Focus Cheer"), a company which is wholly-owned by Ms. TUNG Pui Shan, Virginia.

*(B) Associated Corporation – WorldMetal Holdings Limited*

<b>Name of Director</b>	<b>Personal interests</b>	<b>Number of shares</b>		<b>Total</b>
		<b>Corporate interests</b>	<b>Family interests</b>	
CHAN Shing	72,951,773	485,746,308 <i>(Note 1)</i>	50,288,803 <i>(Note 2)</i>	608,986,884 <i>(Note 4)</i>
YANG Da Wei	3,000,000	–	–	3,000,000
LAU Ting	50,288,803	485,746,308 <i>(Note 1)</i>	72,951,773 <i>(Note 3)</i>	608,986,884 <i>(Note 4)</i>
YU Wing Keung, Dicky	28,100,000	–	–	28,100,000
TUNG Pui Shan, Virginia	3,183,610	255,200 <i>(Note 5)</i>	5,500	3,444,310
KWOK Wai Lam	3,000,000	–	–	3,000,000
YIN Mark	3,016,900	–	–	3,016,900
SIT Hoi Tung	3,078,819	–	–	3,078,819
SUN Ho	5,000,000	–	660,000	5,660,000



## DIRECTORS' INTERESTS *(continued)*

Notes:

1. These shares were held as to 11,320,192 shares by Hang Sing, as to 10,595,042 shares by Strong Purpose and as to 463,831,074 shares by the Company.
2. These shares were held by Ms. LAU Ting.
3. These shares were held by Mr. CHAN Shing.
4. The interests of Ms. LAU Ting and Mr. CHAN Shing were duplicated.
5. 255,200 shares were owned by Focus Cheer.

Save as disclosed herein, as at 30 June 2002, none of the Directors or chief executive of the Company had or were deemed under the SDI Ordinance to have any interests in the share capital or debentures of the Company or any of its associated corporations, or were required to notify the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in respect of such interests.

### (2) Rights to Acquire Shares

As at 30 June 2002, the interests of the Directors in options to subscribe for shares in the Company granted under the share option schemes of the Company as recorded in the register kept by the Company under Section 29 of the SDI Ordinance were as disclosed in the previous section headed "Share Option Scheme" of this report.

Save as otherwise disclosed in this report, at no time during the period was the Company or any of its subsidiaries a party to any arrangements to enable any of the Company's Directors, their respective spouse or children under 18 years of age to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

## SUBSTANTIAL SHAREHOLDERS

As at 30 June 2002, according to the register kept by the Company under Section 16(1) of the SDI Ordinance, the following shareholders (other than the Directors and chief executive of the Company) were directly or indirectly interested in 10% or more of the issued share capital of the Company:

Name of shareholder	Number of shares in the Company	Note
Strong Purpose Corporation	211,900,848	1
Hang Sing Overseas Limited	226,403,853	2
Orient Strength Limited	226,403,853	2
Zhong Shan Company Limited	226,403,853	2
Superior Quality Assets Limited	226,403,853	2



## SUBSTANTIAL SHAREHOLDERS *(continued)*

Notes:

1. The 211,900,848 shares owned by Strong Purpose formed part of the interests of Mr. CHAN Shing and Ms. LAU Ting herein disclosed respectively.
2. 51% of the issued share capital of Hang Sing was owned by Orient Strength Limited, a company which in turn was wholly-owned by Mr. CHAN Shing and Ms. LAU Ting, and 49% of the issued share capital of Hang Sing was owned by Superior Quality Assets Limited, a company which was wholly-owned by Zhong Shan Company Limited. Zhong Shan Company Limited was wholly-owned by the Jiangsu Provincial People's Government of the PRC. The 226,403,853 shares held by Hang Sing formed part of the interests of Mr. CHAN Shing and Ms. LAU Ting herein disclosed respectively.

As at 30 June 2002, save as disclosed above, the Company had not been notified of any other interests representing 10% or more of the issued share capital of the Company.

## AUDIT COMMITTEE

The Audit Committee comprising two independent non-executive directors of the Company has been set up since January 1999. Its principal duties include the review and supervision of the Company's financial reporting process and internal controls. The unaudited interim financial statements for the six months ended 30 June 2002 have been reviewed by the Audit Committee.

## CODE OF BEST PRACTICE

The Directors are not aware of any information which 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 Listing Rules, except that the non-executive directors are not appointed for a specific term, as they have to retire by rotation at the Annual General Meeting of the Company when they are due for re-election pursuant to the Bye-laws of the Company.

By order of the Board  
**CHAN Shing**  
Chairman

Hong Kong, 5 August 2002