



Shenyin Wanguo (H.K.) Limited



Interim Report 2002

RESULTS

The Directors of Shenyin Wanguo (H.K.) Limited (the "Company") are pleased to present the unaudited condensed consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2002 together with comparative figures for the corresponding period of last year as follows:

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

		Six months ended 30 June	
		2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000
	Notes		
TURNOVER	3	136,279	288,059
Other revenue and gains		19,472	930
Cost of trading securities sold		(80,667)	(209,865)
Staff costs		(28,030)	(28,561)
Provision for bad and doubtful debts		(4,000)	–
Interest expenses for financial services operations		(5,501)	(27,548)
Depreciation and amortisation expenses		(6,222)	(5,557)
Other operating expenses, net		(24,265)	(13,215)
PROFIT FROM OPERATING ACTIVITIES	4	7,066	4,243
Finance costs	5	(30)	(867)
Share of profits of:			
Jointly-controlled entities		12,904	13,153
An associate		(24)	–
PROFIT BEFORE TAX		19,916	16,529
Tax	6	(2,816)	(2,193)
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		17,100	14,336
EARNINGS PER SHARE	7		
Basic		3.29 cents	2.76 cents
Diluted		3.16 cents	2.74 cents

CONDENSED CONSOLIDATED BALANCE SHEET

		30 June 2002 (Unaudited) HK\$'000	31 December 2001 (Audited) HK\$'000
	<i>Notes</i>		
NON-CURRENT ASSETS			
Fixed assets		17,188	19,768
Stock and Futures Exchange trading rights		6,318	6,739
Other assets		6,020	6,160
Interests in jointly-controlled entities		190,011	195,842
Interest in an associate		–	503
Goodwill		60,914	61,619
Long term receivable	9	285,943	285,943
Long term investments	10	7,457	12,733
		573,851	589,307
CURRENT ASSETS			
Short term investments		40,160	37,500
Interest in an unconsolidated subsidiary		–	30,500
Accounts receivable	11	114,902	150,283
Loans and advances		336,532	235,542
Deposits, prepayments and other receivables		5,912	6,374
Bank balances held on behalf of customers		472,916	354,252
Cash and cash equivalents		43,528	74,473
		1,013,950	888,924
CURRENT LIABILITIES			
Accounts payable	12	560,472	481,822
Other payables and accruals		21,759	17,493
Tax payable		1,245	439
Interest-bearing bank and other borrowings		203,502	189,368
		786,978	689,122
NET CURRENT ASSETS		226,972	199,802
TOTAL ASSETS LESS CURRENT LIABILITIES		800,823	789,109
NON-CURRENT LIABILITIES			
Convertible note	13	(133,259)	–
Other payable		(10,741)	–
Interest-bearing bank and other borrowings		(1,554)	(145,742)
		655,269	643,367
CAPITAL AND RESERVES			
Issued capital	14	259,880	259,880
Reserves		395,389	378,289
Proposed final dividend		–	5,198
		655,269	643,367

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share premium account <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	General reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2002 (audited)	314,740	15	138	63,396	378,289
Net profit for the period (unaudited)	–	–	–	17,100	17,100
At 30 June 2002 (unaudited)	314,740	15	138	80,496	395,389
At 1 January 2001 (audited)	314,700	15	138	50,550	365,403
Issue of shares (unaudited)	40	–	–	–	40
Net profit for the period (unaudited)	–	–	–	14,336	14,336
At 30 June 2001 (unaudited)	314,740	15	138	64,886	379,779

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six months ended	
	30 June	
	2002	2001
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash inflow/(outflow) from operating activities	(91,482)	96,646
Net cash inflow/(outflow) from investing activities	46,590	(5,466)
Net cash inflow/(outflow) from financing activities	(56,127)	4,240
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INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(101,019)	95,420
Cash and cash equivalents at beginning of period	(8,641)	(158,246)
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CASH AND CASH EQUIVALENTS AT END OF PERIOD	(109,660)	(62,826)
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ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances	20,922	158,303
Time deposits with original maturity of less than three months when acquired	22,606	20,628
Bank loans and overdrafts	(153,188)	(241,757)
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	(109,660)	(62,826)
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NOTES TO CONDENSED FINANCIAL STATEMENTS

1. PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial report has been prepared in accordance with the requirements of the Listing Rules of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and is in compliance with the Statements of Standard Accounting Practice ("SSAP") 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants.

The accounting policies and basis of preparation used in the preparation of the unaudited condensed consolidated interim financial statements are the same as those used in the annual financial statements for the year ended 31 December 2001, except that the Group has adopted the following recently issued and revised SSAPs:

- SSAP 1 (Revised) Presentation of financial statements
- SSAP 11 (Revised) Foreign currency translation
- SSAP 15 (Revised) Cashflow statements
- SSAP 25 (Revised) Interim financial reporting
- SSAP 34 Employee benefits

The adoption of these recently issued and revised SSAPs has had no material effect on the results for the current period or prior financial period. Accordingly, no prior period adjustment is required.

2. SEGMENT INFORMATION

The Group's operating business can be analysed primarily by business segments. The summarised details of the business segments are as follows:

- (a) securities trading and investment holding
- (b) securities broking and dealing
- (c) securities financing and direct loan
- (d) investment advisory services

The Group's Inter-segment sales and transfers are transacted with reference to terms and conditions as used for such transactions similar to those with third parties.

2. SEGMENT INFORMATION (Continued)

The following table represents unaudited turnover and results for the Group's business segments for the period ended 30 June.

	Securities trading and investment holding		Securities broking and dealing		Securities financing and direct loan		Investment advisory services		Eliminated on consolidation		Total	
	2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000
Segment turnover:												
External customers	87,591	211,636	25,367	42,605	19,085	29,895	4,236	3,923	—	—	136,279	288,059
Inter-segment	—	—	—	—	—	—	1,342	1,975	(1,342)	(1,975)	—	—
Total	87,591	211,636	25,367	42,605	19,085	29,895	5,578	5,898	(1,342)	(1,975)	136,279	288,059
Segment results	11,530	4,150	(10,061)	131	6,971	891	1,795	2,570	—	—	10,235	7,742
Unallocated expenses											(3,169)	(3,499)
Profit from operating activities											7,066	4,243
Finance costs											(30)	(867)
Share of profits of:												
Jointly-controlled entities	12,904	13,153									12,904	13,153
An associate	(24)	—									(24)	—
Profit before tax	(1,988)	(2,193)	(828)	—							19,916	16,529
Tax											(2,816)	(2,193)
Net profit from ordinary activities attributable to shareholders											17,100	14,336

3. TURNOVER

Turnover represents the aggregate of sales proceeds from securities and futures contracts trading, gross interest income, commission and brokerage income less rebates, fees for the rendering of services, and dividend income. Revenue from the following activities has been included in turnover:

	Six months ended 30 June	
	2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000
Financial services:		
Sales proceeds from securities and futures contracts trading	81,670	203,923
Interest income from securities financing and direct loan	17,310	28,519
Commission and brokerage income	25,003	42,307
Rendering of services	4,236	3,513
	128,219	278,262
Others:		
Bank interest income	1,776	1,365
Dividend income from		
Listed equity investments	665	627
Unlisted equity investment — an unconsolidated subsidiary	5,216	7,086
Others	403	719
	8,060	9,797
	136,279	288,059

4. PROFIT FROM OPERATING ACTIVITIES

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

	Six months ended 30 June	
	2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000
Depreciation	5,097	4,838
Amortisation of goodwill	704	298
Amortisation of intangible assets	421	421
Net realised loss/(gain) on trading of listed equity investments	(1,120)	6,931
Gain on disposal of subsidiaries	(19,225)	—
Net unrealised loss/(gain) on listed equity investments	7,260	(9,579)

5. FINANCE COSTS

	Six months ended 30 June	
	2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000
Interest on bank loans and overdrafts	30	867

6. TAX

No Hong Kong profits tax has been provided because the Group companies either did not generate any assessable profits in Hong Kong, or had available tax losses brought forward to offset the assessable profits generated during the period (2001: Nil).

	Six months ended 30 June	
	2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000
Underprovision in prior year	828	–
Share of tax attributable to jointly-controlled entities	1,988	2,193
	2,816	2,193

7. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the unaudited net profit from ordinary activities attributable to shareholders for the period of HK\$17,100,212 (2001: HK\$14,336,303) and the weighted average of 519,759,126 (2001: 519,633,159) ordinary shares in issue during the period.

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the unaudited net profit from ordinary activities attributable to shareholders for the period of HK\$17,100,212 (2001: HK\$14,336,303) and the interest accrued on the convertible note for the period of HK\$1,258,521 (2001: Nil). The weighted average number of ordinary shares used in the calculation comprises the 519,759,126 (2001: 519,633,159) ordinary shares in issue during the period, as used in the basic earnings per share calculation, the weighted average of 5,516,451 (2001: 4,440,619) ordinary shares assumed to have been issued at no consideration on the deemed exercise of all options outstanding during the period, and the weighted average of 56,716,226 (2001: Nil) ordinary shares assumed to have been issued on the full conversion of the convertible note outstanding during the period.

8. INTERIM DIVIDEND

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

9. LONG TERM RECEIVABLE

	30 June 2002 (Unaudited) HK\$'000	31 December 2001 (Audited) HK\$'000
Amounts receivable	292,767	292,767
Less: Portion classified as current and included in advances to customers	(6,824)	(6,824)
Long term receivable	285,943	285,943

At 30 June 2002, the Group had amounts receivable from Century City International Holdings Limited ("CCIH") and its subsidiaries (collectively, the "CC Group") in the aggregate amount of HK\$292,767,388 (2001: HK\$292,767,388), representing approximately 45% (2001: 46%) of the Group's net assets at the balance sheet date.

In view of the recently reported developments and financial position of the CC Group, the directors consider that the receivable of HK\$286 million is unlikely to be recovered within the next twelve months and, accordingly, it has been classified as a long term receivable. Notwithstanding the uncertainty surrounding the full recovery of this receivable, no provision against it has been made in the preparation of these financial statements. The amounts receivable from the CC Group bear interest ranging from prime rate plus 3.05% to 4% per annum.

10. LONG TERM INVESTMENTS

	30 June 2002 (Unaudited) HK\$'000	31 December 2001 (Audited) HK\$'000
Listed equity investments in Hong Kong at fair value	7,457	12,733

The market value of the Group's long term listed equity investments at the date of approval of these condensed financial statements was approximately HK\$5,702,162 (2001: HK\$9,523,563).

11. ACCOUNTS RECEIVABLE

	30 June 2002 (Unaudited) HK\$'000	31 December 2001 (Audited) HK\$'000
Accounts receivable	133,402	164,783
Less: Provisions for doubtful debts — specific	(18,500)	(14,500)
	114,902	150,283

An aged analysis of accounts receivable is as follows:

Current to 30 days	105,417	131,672
31 to 60 days	11,503	5,403
61 to 90 days	932	422
Over 90 days	15,550	27,286
	133,402	164,783

The Group allows a credit period up to the settlement dates of respective securities and commodities transactions or a credit period mutually agreed with the contracting parties.

12. ACCOUNTS PAYABLE

An aged analysis of accounts payable is as follows:

	30 June 2002 (Unaudited) HK\$'000	31 December 2001 (Audited) HK\$'000
Current to 30 days	560,472	481,822

13. CONVERTIBLE NOTE

On 7 March 2002, the Company issued a HK\$132 million 3-year 3% convertible note (the "Note"). The Note is convertible into shares in the Company at HK\$1.49875 per share, subject to adjustments. The Note bears interest only for the first three years from the date of issue at 3% per annum. The full conversion of the Note (principal and interest) will result in the issue of a maximum of 96,000,000 shares (the "Conversion Shares"), representing approximately 18.47% of the existing issued share capital of the Company and approximately 15.59% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares. Neither conversion nor redemption is allowed before maturity on 7 March 2005 (the "First Maturity Date").

If approval of the listing of the Conversion Shares is granted by the Stock Exchange, the term of the Note is extendable for another 2 years to 7 March 2007 (the "Second Maturity Date"). Subject to the Company's right of redemption, if the listing approval is obtained and the term of the Note is extended by the Company, the noteholder is entitled to convert an outstanding amount (principal and/or interest) of not more than HK\$14,987,500 in aggregate in each quarterly period after the First Maturity Date. However, in the last quarterly period before the Second Maturity Date, the noteholder may request the Company to convert the entire outstanding amount under the Note. The Company may elect to redeem the whole or any part of the outstanding amount of the Note, with the remaining to be converted to shares on the Second Maturity Date.

14. ISSUED CAPITAL

	Number of ordinary shares of HK\$0.50 each	HK\$'000
Authorised	2,000,000,000	1,000,000
Issued and fully paid	519,759,126	259,880

Share options

During the period ended 30 June 2002, no option was exercised. At the balance sheet date, the Company had 11,000,000 outstanding options entitling the holder, who is a director of the Company, to subscribe for shares in the Company in cash at any time during the exercise period. The exercise in full of such options would, under the present capital structure of the Company, result in the issue of 11,000,000 additional ordinary shares for aggregate proceeds, before the related issue expenses, of HK\$5,500,000.

15. COMMITMENTS

- (a) Capital commitments

	30 June 2002 (Unaudited) HK\$'000	31 December 2001 (Audited) HK\$'000
Contracted, but not provided for	1,575	1,204

- (b) Operating lease commitments as a lessee

At the balance sheet date, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2002 (Unaudited) HK\$'000	31 December 2001 (Audited) HK\$'000
Within one year	7,553	4,195
In the second to fifth years, inclusive	10,293	1,125
	17,846	5,320

16. CONNECTED AND RELATED PARTY TRANSACTIONS

- (a) As at 30 June 2002, the Group had an outstanding loan advanced from the substantial shareholder of the Company, Venture-Some Investments Limited, of HK\$10,000,000 (31 December 2001: HK\$20,000,000).
- (b) On 21 May 2002, the Group agreed to acquire from Shanghai Shenyin (H.K.) Holdings Limited 51% interest in Shenyin Wanguo Asset Management (Asia) Limited ("Asset Management"), for a total consideration of HK\$509,173, based on an internal valuation of the business prepared by the directors. As a result, Asset Management became a wholly owned subsidiary of the Group. The acquisition was completed on 26 June 2002.
- (c) During the period, the Group paid research fee of HK\$100,000 (six months ended 30 June 2001: Nil) to the substantial shareholder of the Company, Shenyin & Wanguo Securities Co., Ltd.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

In the first half of the year, the Group recorded an unaudited net profit attributable to shareholders of HK\$17 million (2001: HK\$14 million), representing an increase of 19% over 2001 though the turnover of the Group fell approximately by HK\$152 million to HK\$136 million on a year-on-year comparison (2001: HK\$288 million).

The Group continued to focus on its stockbroking and dealing businesses on Hong Kong, Shenzhen, Shanghai and some other Asian stock exchanges. The stockbroking business contributed HK\$25 million to the Group's turnover while the number of clients increased by 15% for the six months ended 30 June 2002.

In respect of corporate finance services, Shenyin Wanguo Capital (H.K.) Limited, a wholly owned subsidiary of the Company, sponsored the initial share offering of Linefan Technology Holdings Limited on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") apart from participating in more than ten new issues and secondary market placements. Further, it also acted as financial advisor/independent financial advisor in relation to notifiable transactions of several companies listed on the Main Board of the Stock Exchange, including CATIC International Holdings Limited and Shougang Concord International Enterprises Company Limited.

Market Review

The performance of the local economy was consonant with the sluggish global economic conditions in the first half of 2002. The Hong Kong economy remained difficult. The property market is showing signs of a pick up in the primary market. However, the secondary market remains essentially stagnant. The value of retail sales kept falling throughout the first six months of 2002, and in April 2002 was 3.6% lower than a year earlier. Meanwhile, the seasonally adjusted unemployment rate has risen sharply from 4.5% in mid-2001 to 7.4% in mid-2002. Total exports were strong in March to May, but domestic exports continued to trend downward as a result of the slack US and Japanese markets.



Market Review *(Continued)*

In addition, the Hong Kong economy continued to suffer from deflation. GDP declined by 2.6% in the first quarter of 2002, but showed a lower decline of 1.6% in the second quarter, compared to the same period in 2001. Economic indicators do not suggest a major turnaround is imminent although overall consumer spending on services is growing.

In conjunction with the disappointing local economic performance, the Hong Kong stock market sentiment in the first six months of 2002 had been adversely affected by global economic uncertainty, especially in the United States with its string of major accounting scandals and corporate malfeasance cases. These dampened investors' confidence in the US and other international markets. For the first six months of the year, the average daily turnover on the Stock Exchange dropped by 21% to HK\$7,341 million, compared with that of HK\$9,309 million in the equivalent period of last year. The Hang Seng Index closed at 10,598 at end-June 2002, which was 19% lower than that at end-June 2001.

B-share activity remained subdued during the first six months of the year, but was still higher than before the markets were opened to individual investors in the PRC in February 2001. A moratorium on new issues remained in place. The B-share indices on the Shanghai and Shenzhen Stock Exchanges reached highs (and lows) of 171.5 (126.2) and 265.7 (188.8), respectively, during the period. The average daily turnover of the B-shares declined to RMB310 million and RMB180 million from approximately RMB1.2 billion and RMB1.0 billion on the Shanghai and Shenzhen Stock Exchanges, respectively, over the same period as last year.

Looking Ahead

For Hong Kong, the scale-back in GDP growth forecasts, the rise in bankruptcies and unemployment as well as the recent worsened US and Japanese economic data have led to increased pessimism for the local economy and negatively affected investor confidence.

With the World Trade Organisation (the "WTO") accession, China has made concessions on foreign investment in the mainland's securities market. Foreign securities firms can establish joint ventures (with foreign ownership capped at 33%) to engage (without a Chinese intermediary) in underwriting A-shares, and in underwriting and trading B- and H-shares, as well as government and corporate debt within three years of accession.

Looking Ahead *(Continued)*

Following China's entry into the WTO, restructuring of China's state-owned enterprises is likely to boost the mergers and acquisitions sector as it prepares for intensified foreign competition. The restructured mainland enterprises will rely more on equity finance for expansion as part of the regional trend, and Hong Kong is expected to be the main beneficiary of such demand.

In this kind of environment, we have been taking a conservative approach in our proprietary share trading, provision of margin finance to clients and business expansion. On the other hand, our Group shall continue to focus proactively on tapping business opportunities to provide financial advisory and capital raising services to predominately PRC corporations, strengthening our traditional stockbroking business and maintaining high liquidity to respond to opportunities which may appear at any moment.

In respect of the abolition of the minimum brokerage commission which has been deferred for one year until 1 April 2003 and the proposed extended trading hours, our Group has taken prompt measures to upgrade our computer systems with a view to enhancing operational efficiency and cutting operating costs. Further, we shall continue to recruit sales professionals to sustain a growth in our market share and our operating revenue amidst the on-going keen competition in the industry.

Liquidity And Financial Resources

As at 30 June 2002, the Group had a cash holding of HK\$43.5 million and marketable securities of HK\$40.2 million. At the same time, the Group's total unutilised banking facilities amounted to HK\$380 million, of which HK\$102 million could be drawn down without the need of notice nor completion of condition precedent. During the period, the Group closely negotiated with lenders to restructure the borrowings so that the long-term assets of the Group are financed by medium and/or long-term loans. In March 2002, the Group settled loans of HK\$180 million by cash and by a 3-year convertible note. The liquidity ratio (current assets to current liabilities) and gearing ratio (borrowings to net asset value) as at 30 June 2002 were 1.29 and 0.52 respectively. The Group has sufficient financial resources for its day to day operations as well as spare capacity to take advantage of any investment opportunities when they arise.

Material Disposal

On 28 February 2002, the Group entered into a conditional sale and purchase agreement to dispose of its entire interest in an unconsolidated subsidiary at a total consideration of HK\$50 million. The disposal was completed on 11 June 2002 and a gain on disposal of HK\$19 million was resulted. The reason for the disposal is that it enables the Group to focus on its core business and can enhance the cash flow position of the Group.

Risk Management

The Group has properly put credit management policies in place which address the approval of clients' trading and credit limits, regular reviews of facilities granted, monitoring of credit exposures and the follow up of credit risks associated with overdue debts. The policies are documented in the Operational Manual which is updated regularly.

As at 30 June 2002, the advances to customers included direct loans of HK\$43 million (31 December 2001: HK\$42 million) and margin financing of HK\$307 million (31 December 2001: HK\$207 million). All direct loans were advanced to commercial and financial industry sectors, of which 47% (31 December 2001: 48%) were to property development sector with the remaining to financial sector, according to the business activities of the borrowers. In respect of margin financing, 16% (31 December 2001: 27%) is attributable to corporate borrowers, while the remaining is attributable to individual borrowers.

Charges On The Group's Asset

The Group's interest in jointly-controlled entities has been charged to a bank as security for a short term loan facility. As at 30 June 2002, the amount of the Group's borrowings outstanding under this loan facility was HK\$108 million. The carrying value of the investment as at 30 June 2002 was HK\$251 million.

The Group's interests in land and buildings in Hong Kong have been pledged to banks to secure the Group's long-term bank loans. As at 30 June 2002, the outstanding loan was HK\$2 million.



Employees And Training

As at 30 June 2002, the total number of full-time employees was 205. The total staff costs for the period (excluding directors' fees) amounted to approximately HK\$28 million.

The Group is committed to professional training for its employees. In compliance with the relevant requirement of the Securities and Futures Commission, the Group will organise a Continuous Professional Training seminar in September 2002 for all licensed staff members.

Disclosure Under Practice Note 19

At 30 June 2002, the Group had amounts receivable from Century City International Holdings Limited ("CCIH") and its subsidiaries (collectively, the "CC Group") in the aggregate amount of HK\$292,767,388 (31 December 2001: HK\$292,767,388), representing approximately 45% (31 December 2001: 46%) of the Group's net assets. The aggregate balance comprises receivables arising from securities and options trading, a claim under an indemnity in relation to the acquisition of the interests in jointly-controlled entities and accrued interest income. Apart from a balance of HK\$6.8 million (31 December 2001: HK\$6.8 million) arising from securities trading and accrued interest income which is adequately secured by marketable securities, all of the remaining balance of HK\$286 million is guaranteed by CCIH and due for repayment. The amounts receivable from the CC Group bear interest ranging from prime rate plus 3.05% to 4% per annum.

ADDITIONAL INFORMATION

Directors' Interests in Share Capital and Share Options

At 30 June 2002, the following were the interests of the Directors in the share capital and share options of the Company as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance").

a. Ordinary shares

Lee Man Chun Tony had a personal interest in 1,350,000 shares in the Company.

b. Share options

Under a share option scheme (the "Scheme") adopted by the shareholders at the Company's extraordinary general meeting on 12 December 1992, the directors may, at any time within 10 years from 12 December 1992, grant options to any employees, including directors, to subscribe for shares in the Company. As at 30 June 2002, the Company had 11,000,000 outstanding options entitling the holder, who is a director of the Company, to subscribe in cash at any time during the exercise period. A summary of the movement of outstanding share options for the six months ended 30 June 2002 is as follows:

Name of director	Date of options granted	Exercise price per share option HK\$ Note (2)	Exercise period of share options	Outstanding options as at 1 January 2002 and 30 June 2002
Lee Man Chun Tony	1 June 2000 Note (1)	0.50 Note (2)	1 July 2001- 11 December 2002	11,000,000

Notes:

- (1) The vesting period of the share options is from the date of grant until the commencement of the exercise period.
- (2) The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

Directors' Interests in Share Capital and Share Options (Continued)

b. Share options (Continued)

During the six months ended 30 June 2002, no options were granted, exercised, cancelled or lapsed. Since there was no share option granted under the Scheme, no value of share options granted has been disclosed accordingly.

Save as disclosed above, none of the Directors or their associates had interests or rights in the share capital of the Company or its associated corporations recorded in the register required to be kept under Section 29 of the SDI Ordinance as at 30 June 2002.

Substantial Shareholders

At 30 June 2002, the following interests of 10% or more of the issued share capital of the Company were recorded in the register of interests in shares required to be kept by the Company pursuant to Section 16(1) of the SDI Ordinance:

Name	Number of shares held	
	Direct	Indirect
Shenyin Wanguo Holdings (B.V.I.) Limited	268,334,875	–
Venture-Some Investments Limited	–	268,334,875*
Shenyin Wanguo (H.K.) Holdings Limited	–	268,334,875*
Shenyin & Wanguo Securities Co., Ltd.	2,045,000	268,334,875*

* These companies were deemed to have interests in 268,334,875 shares of the Company by virtue of their equity interests in Shenyin Wanguo Holdings (B.V.I.) Limited.

Save as disclosed above, no person had registered an interest in 10% or more of the issued share capital of the Company that was required to be recorded pursuant to Section 16(1) of the SDI Ordinance as at 30 June 2002.

Purchase, Redemption or Sale of Shares

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



Code of Best Practice

None of the Directors is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the accounting period covered by the interim report, 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.

Audit Committee

The Company has an audit committee which was established in accordance with the requirements of the Code of Best Practice, for the purpose of reviewing and providing supervision over the Group's financial reporting process and internal controls. The audit committee comprises two independent non-executive directors and one non-executive director of the Company. The unaudited condensed consolidated interim financial statements have been reviewed by the audit committee.

By order of the Board

Jiang Guofang

Chairman

Hong Kong, 20 September 2002