

## Interim Report 2002



Continental Mariner Investment Company Limited

**CMIC**

## INTERIM RESULTS

The directors (the "Directors") of Continental Mariner Investment Company Limited (the "Company") hereby announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30th June, 2002 with comparative figures for the six months ended 30th June, 2001 as follows:

### CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30th June, 2002

	Notes	Six months ended 30th June,	
		2002 HK\$'000 (Unaudited)	2001 HK\$'000 (Unaudited)
Turnover	2	190,523	165,541
Cost of sales		(109,743)	(88,172)
Gross profit		80,780	77,369
Other revenue		2,975	539
Administrative expenses		(64,424)	(52,899)
Amortisation of intangible assets		(2,051)	–
Amortisation of deferred licencing income		7,477	7,477
Unrealised holding (loss) gain on other investments		(2,661)	5,122
Gain on disposal of a subsidiary		3,835	–
Profit from operations	3	25,931	37,608
Finance costs		(9,439)	(9,135)
Share of losses of associates		(4,599)	(1,903)
Share of profit (loss) of jointly controlled entities		628	(4,896)
Profit before taxation		12,521	21,674
Taxation	4	(1,254)	(872)
Profit before minority interests		11,267	20,802
Minority interests		(7,196)	(134)
Profit for the period		4,071	20,668
Earnings per share			
– Basic	5	0.5 cents	2.5 cents

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**CONDENSED CONSOLIDATED BALANCE SHEET**

At 30th June, 2002

		<b>30th June, 2002</b>	31st December, 2001
	<i>Notes</i>	<b>HK\$'000</b>	<i>HK\$'000</i>
		<b>(Unaudited)</b>	(Audited)
<b>Non-Current Assets</b>			
Investment properties		775,200	775,200
Hotel properties		608,400	608,400
Property, plant and equipment		928,480	992,953
Intangible assets		2,233	12,948
Negative goodwill		(15,153)	(15,593)
Interests in associates		373,289	374,470
Interests in jointly controlled entities		48,282	47,654
Investments in securities		87,403	87,403
		<b>2,808,134</b>	2,883,435
<b>Current Assets</b>			
Stores		536	1,121
Inventories		13,573	14,843
Trade and other receivables	7	133,264	115,688
Short-term loans receivable		30,841	32,710
Investments in securities		114,053	91,034
Pledged bank deposits		9,355	28,580
Bank balances, deposits and cash		231,962	187,245
		<b>533,584</b>	471,221
<b>Current Liabilities</b>			
Trade and other payables	8	250,734	241,983
Property rental deposits		3,352	3,474
Taxation		2,392	2,551
Bank borrowings – due within one year		161,655	162,042
		<b>418,133</b>	410,050
Net Current Assets		<b>115,451</b>	61,171
Total Assets Less Current Liabilities		<b>2,923,585</b>	2,944,606

**CONDENSED CONSOLIDATED BALANCE SHEET**

At 30th June, 2002

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		<b>30th June, 2002</b>	31st December, 2001
	<i>Notes</i>	<b>HK\$'000</b>	HK\$'000
		<b>(Unaudited)</b>	(Audited)
<b>Capital and Reserves</b>			
Share capital	9	<b>405,320</b>	405,392
Reserves		<b>1,813,311</b>	1,809,282
		<b>2,218,631</b>	2,214,674
<b>Minority Interests</b>			
		<b>253,779</b>	250,961
<b>Non-Current Liabilities</b>			
Bank borrowings – due after one year		<b>170,418</b>	190,737
Other borrowing		<b>30,290</b>	30,290
Loan from a fellow subsidiary		<b>168,224</b>	168,224
Deferred licencing income		<b>82,243</b>	89,720
		<b>451,175</b>	478,971
		<b>2,923,585</b>	2,944,606

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**CONDENSED CONSOLIDATED CASH FLOW STATEMENT***For the six months ended 30th June, 2002*

	<b>Six months ended 30th June,</b>	
	<b>2002</b>	2001
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
	<b>(Unaudited)</b>	(Unaudited)
Net cash from operating activities	<b>26,522</b>	50,985
Net cash from (used in) investing activities	<b>39,014</b>	(44,972)
Net cash used in financing activities	<b>(20,819)</b>	(13,837)
Net increase (decrease) in cash and cash equivalents	<b>44,717</b>	(7,824)
Cash and cash equivalents at beginning of the period	<b>187,245</b>	369,550
Cash and cash equivalents at end of the period	<b>231,962</b>	361,726

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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For the six months ended 30th June, 2002

	Share capital	Share premium	Hotel properties revaluation reserve	Exchange translation reserve	Capital redemption reserve	Goodwill reserve	PRC statutory reserve	Other capital reserve	Accumulated profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st January, 2001	410,578	1,458,243	-	2,594	9,089	(59,089)	1,441	586	399,393	2,222,835
Share repurchased and cancelled	(1,817)	-	-	-	-	-	-	-	-	(1,817)
Transfer arising on shares repurchased and cancelled	-	-	-	-	1,817	-	-	-	(1,817)	-
Premium on shares repurchased and cancelled	-	-	-	-	-	-	-	-	(2,066)	(2,066)
Share of translation of reserve of overseas operations	-	-	-	(58)	-	-	-	-	-	(58)
Transfer	-	-	-	-	-	-	418	-	(418)	-
Profit for the period	-	-	-	-	-	-	-	-	20,668	20,668
At 30th June, 2001	<u>408,761</u>	<u>1,458,243</u>	<u>-</u>	<u>2,536</u>	<u>10,906</u>	<u>(59,089)</u>	<u>1,859</u>	<u>586</u>	<u>415,760</u>	<u>2,239,562</u>
At 31st December, 2001	405,392	1,458,243	9,660	2,546	14,275	(52,141)	4,167	586	371,946	2,214,674
Share repurchased and cancelled	(72)	-	-	-	-	-	-	-	-	(72)
Transfer arising on shares repurchased and cancelled	-	-	-	-	72	-	-	-	(72)	-
Premium on shares repurchased and cancelled	-	-	-	-	-	-	-	-	(42)	(42)
Profits for the period	-	-	-	-	-	-	-	-	4,071	4,071
At 30th June, 2002	<u>405,320</u>	<u>1,458,243</u>	<u>9,660</u>	<u>2,546</u>	<u>14,347</u>	<u>(52,141)</u>	<u>4,167</u>	<u>586</u>	<u>375,903</u>	<u>2,218,631</u>

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Notes:

**1. Basis of preparation and principal accounting policies**

The condensed financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (“Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and with Statement of Standard Accounting Practice (“SSAP”) 25 “Interim financial reporting” issued by the Hong Kong Society of Accountants (“HKSA”).

The accounting policies adopted are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31st December, 2001, except that in the current period, the Group has adopted, for the first time, a number of new and revised SSAP(s) issued by HKSA. The adoption of the new and revised SSAP(s) has resulted in a change in the format of presentation of the cash flow statement, but has had no material effect on the results for the current or prior periods. Accordingly, no prior period adjustments has been required.





*For the six months period ended 30th June, 2002*

An analysis of the Group's turnover and contribution to operating results by geographical location of its customers is presented below:

	The PRC* other than Hong Kong HK\$'000	Other parts of the world HK\$'000	Hong Kong HK\$'000	Total HK\$'000
Revenue	<u>148,572</u>	<u>25,004</u>	<u>16,947</u>	<u>190,523</u>
Contribution to profit from operations	<u>25,562</u>	<u>(296)</u>	<u>12,293</u>	37,559
Central administrative expenses				<u>(11,628)</u>
Profit from operations				25,931
Finance costs				(9,439)
Share of loss of associates	(4,599)	-	-	(4,599)
Share of profit of jointly controlled entities	628	-	-	<u>628</u>
Profit before taxation				12,521
Taxation				<u>(1,254)</u>
Profit before minority interests				<u>11,267</u>

\* *The People's Republic of China*



*For the six months period ended 30th June, 2001*

An analysis of the Group's turnover and contribution to operating results by geographical location of its customers is presented below:

	The PRC other than Hong Kong <i>HK\$'000</i>	Other parts of the world <i>HK\$'000</i>	Hong Kong <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue	<u>76,254</u>	<u>39,262</u>	<u>50,025</u>	<u>165,541</u>
Contribution to profit from operations	<u>11,344</u>	<u>8,673</u>	<u>29,939</u>	49,956
Central administrative expenses				<u>(12,348)</u>
Profit from operations				37,608
Finance costs				(9,135)
Share of loss of associates	(1,903)	–	–	(1,903)
Share of loss of jointly controlled entities	(4,896)	–	–	<u>(4,896)</u>
Profit before taxation				21,674
Taxation				<u>(872)</u>
Profit before minority interests				<u>20,802</u>

## 3. Profit from operations

	Six months ended	
	30th June, 2002	30th June, 2001
	<i>HK\$'000</i>	<i>HK\$'000</i>

Profit from operations has been arrived at after charging:

Depreciation and amortisation of property, plant and equipment and intangible assets	33,537	19,344
Amortisation of goodwill arising on acquisition of associates included in administrative expenses	1,519	–

and after crediting:

Release of negative goodwill to other revenue	<u>440</u>	<u>–</u>
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## 4. Taxation

	Six months ended	
	30th June, 2002	30th June, 2001
	<i>HK\$'000</i>	<i>HK\$'000</i>

The charge comprises:

Hong Kong profits tax calculated at 16% of the estimated assessable profits for the period	–	–
PRC income tax	<u>1,037</u>	<u>596</u>
	1,037	596
Share of taxation of associates	<u>217</u>	<u>276</u>
	<u>1,254</u>	<u>872</u>

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

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

## 5. Earnings per share

The calculation of basic earnings per share is based on the profit for the period of HK\$4,071,000 (six months ended 30th June, 2001: HK\$20,668,000) and on the weighted average number of 810,671,819 shares (six months ended 30th June, 2001: 818,519,084 shares) in issue during the period.

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

## 6. Transfers to and from reserves

During the period, the nominal value of shares repurchased of HK\$72,000 (six months ended 30th June, 2001: HK\$1,817,000) was transferred from retained earnings to capital redemption reserve and the premium on shares repurchased of HK\$41,000 (six months ended 30th June, 2001: HK\$2,066,000) was charged to retained earnings.

During the previous six months period ended 30th June, 2001, a PRC subsidiary of the Group has transferred HK\$418,000 from retained earnings to PRC statutory reserve.

## 7. Trade and other receivables

The Group has a policy of allowing credit periods ranging from 30 days to 90 days (31st December, 2001: 30 days to 90 days) to its trade customers. Included in this balance are trade receivables of HK\$49,146,000 (31st December, 2001: HK\$54,910,000), an aged analysis of which is as follows:

	<b>30th June, 2002</b>	31st December, 2001
	<b>HK\$'000</b>	HK\$'000
0 to 30 days	<b>24,598</b>	23,452
31 to 90 days	<b>14,179</b>	11,990
More than 90 days	<b>10,369</b>	19,468
	<b>49,146</b>	54,910

**8. Trade and other payables**

Included in this balance are trade payables of HK\$47,296,000 (31st December, 2001: HK\$49,001,000), an aged analysis of which is as follows:

	<b>30th June, 2002</b>	31st December, 2001
	<b>HK\$'000</b>	HK\$'000
0 to 30 days	<b>2,899</b>	26,043
31 to 90 days	<b>29,481</b>	1,685
More than 90 days	<b>14,916</b>	21,273
	<b>47,296</b>	49,001

**9. Share capital**

	<b>Number of shares</b>	<b>Nominal value</b>
		<i>HK\$'000</i>
Ordinary shares of HK\$0.50 each		
<i>Authorised:</i>		
At 1st January, 2002 and at 30th June, 2002	1,200,000,000	600,000
<i>Issued and fully paid:</i>		
At 1st January, 2002	810,783,200	405,392
Shares repurchased and cancelled	(144,000)	(72)
At 30th June, 2002	<b>810,639,200</b>	<b>405,320</b>

**10. Contingent liabilities**

At 30th June, 2002, the Company had given guarantees of approximately HK\$110 million (31st December, 2001: HK\$120 million) to certain banks in respect of banking facilities granted to certain subsidiaries of the Company.

In addition, at 30th June, 2002, the Group had given a guarantee of approximately HK\$14.3 million (31st December, 2001: HK\$14.3 million) to a bank in respect of credit facilities granted to prospective purchasers of properties developed by a jointly controlled entity of the Group.

## 11. Capital commitments

	The Group		The Company	
	30th June, 31st December,		30th June, 31st December,	
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Capital expenditure contracted for but not provided in the financial statements in respect of				
– acquisition of property, plant and equipment	-	35,268	-	-
– acquisition of interests in an unlisted company	150,000	2,400	150,000	-
	<b>150,000</b>	<b>37,668</b>	<b>150,000</b>	<b>-</b>

## INTERIM DIVIDEND

The Directors have resolved not to declare the payment of an interim dividend for the six months ended 30th June, 2002 (six months ended 30th June, 2001: nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

## Business Review

For the six months ended 30th June, 2002, turnover of the Group amounted to HK\$190,523,000, representing an increase of 15.1% as compared with the previous six months ended 30th June, 2001. The increase was mainly due to the consolidation of the accounts of both Taicang Xinhaikang Xiexin Thermal Power Co., Ltd. ("Taicang Power") (51% held by the Group) and Shengzhou Xinzhonggang Thermal Power Co., Ltd. ("Shengzhou Power") (52% held by the Group). Profit for the period was HK\$4,071,000, a decrease of 80.3% as compared with the corresponding period last year. The decrease was mainly attributable to the Group's New Satellite TV Cartoon Channel "New Cartoon TV Channel" which recorded an operating expense of HK\$9,000,000 while awaiting the approval of the right to broadcast

programs into authorised areas and channels in the PRC and coupled with the drastic cut in deposit interest rates which led to a sharp decrease in financial service income during the period.

For the period ended 30th June, 2002, the occupancy rate of the portion of 13,848 square metres in Shanghai Stock Exchange Building located in Lujiazui, Shanghai, and owned by the Group was 76.4%. The rental income was US\$707,000.

The Group owns 75% equity interests in Poly Plaza Limited in Beijing whose principal asset is Poly Plaza. Poly Plaza is located adjacent to Dong Er Huan Lu, with a total gross floor area of 93,422 square metres comprising a hotel tower, an office building and a grand theatre. By the end of June 2002, the occupancy rate of the office space in Poly Plaza was 94%, the average daily rent per square metre was RMB8.3. The four-star ranking hotel rooms archived an occupancy rate of 77% and the average daily rent was RMB454.

The Group completed the acquisition of 26% equity interests in Shengzhou Power from a power company in Australia in October 2001 and as a result of the acquisition, the Group's equity interests in Shengzhou Power was increased from 26% to 52%. Shengzhou Power operates a cogeneration plant with a total capacity of 28.5 megawatt per hour. The total investment amounts to RMB205,000,000. For the six months ended 30th June, 2002, Shengzhou Power recorded an unaudited profit of RMB2,591,000.

The Group also holds 51% equity interests in Taicang Power. Taicang Power operates a cogeneration plant with a total capacity of 30 megawatt per hour. The total investment amounts to approximately RMB210,000,000. For the six months ended 30th June, 2002, Taicang Power recorded an unaudited profit of RMB4,549,000.

The Group leases an existing channel of Cosmo Satellite TV Company Limited, Macau ("Cosmo") to launch a station at Cosmo named "New Cartoon TV Channel". New Cartoon TV Channel has been broadcasting since August 2001. The Group expects that the right of broadcast by satellite in the PRC will be obtained by the end of this year. After obtaining the right of broadcast by satellite in the PRC, New Cartoon TV Channel will consolidate with the DVD duplication business of Polystar Digidisc Co., Ltd. ("Polystar") and the DVD distribution business of United East Audio & Video Co., Ltd., an associate of Polystar, to gradually build up the mass media business of the Group.



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During the period, the Group decreased its investment in non-core shipping business. The disposal of 18-year-old bulk carrier M.V. "Jin Feng" was completed at a consideration of HK\$35,685,000 in June 2002. Since the Group had made an impairment loss provision of HK\$22,643,000 at the end of 2001, therefore no gain or loss has been recorded for the disposal of M.V. "Jin Feng" during the period. At present, the Group still owns two bulk carriers, namely M.V. "Hai Kang" and M.V. "Hai Ji" with a dead weight of 70,000 MT each. The age of the two carriers is approximately 8 years. The composition of the Group's fleet is relatively healthy. Following the diversification of the Group's business, the weighting of shipping business within the Group will be decreased in future.

During the period, the Group also disposed of its entire holding of 564,957,745 shares (46.53%) in Poly Investments Holdings Limited ("Poly Investments"), which is another non-core business of the Group. On 8th July, 2002, the Group, through its placing agent, successfully placed 206,800,000 shares (17.03%) of Poly Investments to an independent third party at a consideration of HK\$62,040,000. Also on 22nd July, 2002, the Group entered into a sale and purchase agreement ("S&P Agreement") with an independent purchaser, to sell the remaining 358,157,745 shares (29.5%) of Poly Investments at a consideration of HK\$256,000,000 or at approximately HK\$0.715 per share. The S & P Agreement was unconditional and completed on the same date. The Group received a non-refundable payment of HK\$156,000,000 from the purchaser, and the remaining balance of HK\$100,000,000 will be paid by the purchaser before 23rd December, 2002.

As the Group will focus on the development and investment of real estates and the development of infrastructure projects, the investment in Poly Investments will no longer generate a synergy to the Group's overall business operations and therefore was subject to disposal. As a result of the placing and disposal of the entire 564,957,745 shares (46.53%) of Poly Investments, the Group recorded a gain of approximately HK\$72,000,000 and a net loss of HK\$46,600,000 arising from the impairment loss of goodwill of approximately HK\$118,600,000 this year.

## Liquidity and Capital Structure

As at 30th June, 2002, the shareholders' funds of the Group amounted to HK\$2,219,000,000 (31st December 2001: HK\$2,215,000,000), while the net asset value per share was HK\$2.74 (31st December, 2001: HK\$2.73). As at 30th June, 2002, the Group's gearing ratio (on the basis of the amount of total liabilities less bank balances divided by shareholders' funds) was 28.7% (31st December, 2001: 31.7%).

As at 30th June, 2002, the Group had outstanding bank loans of HK\$332,073,000, in terms of maturity, the outstanding bank loans can be divided into HK\$161,655,000 (49%) to be repaid within one year, HK\$170,418,000 (51%) to be repaid after one year but within two years. In terms of currency denomination, the outstanding bank loans can be divided into HK\$222,366,000 (67%) in Renminbi and HK\$109,707,000 (33%) in US dollars.

About two third of the bank borrowings of the Group are subject to fixed interest rates and the remaining one third are subject to floating interest rates. Therefore, under circumstances of interest rates uncertainty or fluctuations or otherwise as appropriate, the Group will consider the use of hedging instruments (including interest rates swaps), in order to manage interest rate risks.

As at 30th June, 2002, the Group had working capital of HK\$418,000,000 and bank balances of HK\$232,000,000 (31st December, 2001: HK\$61,000,000 and HK\$187,000,000 respectively). In view of the Group's current cash balances, available banking facilities and cash revenue from business operations, it is believed that the Group has sufficient resources to meet the foreseeable working capital demands and capital expenditure.

The monetary assets and liabilities and business transactions of the Group are mainly carried out and conducted in Hong Kong dollars, Renminbi and US dollars. The Group maintains a prudent strategy towards its foreign exchange risk management, where foreign exchange risks are minimised via balancing the monetary assets versus monetary liabilities, and foreign exchange revenue versus foreign exchange expenditures. Besides, as the Hong Kong dollar is linked to the US dollar, and the exchange rate between Hong Kong dollar and Renminbi also fluctuates slightly, the Group believes that its exposure to foreign exchange risks is not material.

**18****Pledge of Assets**

The pledge on group assets have not been changed materially compared to those disclosed in the annual report of the Company for the year ended 31st December, 2001.

**Contingent Liabilities**

At 30th June, 2002, the Company had given guarantees of approximately HK\$110 million (31st December, 2001: HK\$120 million) to certain banks in respect of banking facilities granted to certain subsidiaries of the Company.

In addition, at 30th June, 2002, the Group had given a guarantee of approximately HK\$14.3 million (31st December, 2001: HK\$14.3 million) to a bank in respect of credit facilities granted to prospective purchasers of properties developed by a jointly controlled entity of the Group.

**Staff**

At 30th June, 2002, the Group employed about 30 staff in Hong Kong and 1,400 staff in the PRC with remuneration for the period amounting to approximately HK\$23 million. The Group provides its staff with various benefits including year-end double-pay, discretionary bonus, contributory provident fund, share options and medical insurance. Staff training is also provided as and when required.

**Prospects**

During the first half of the year, the Group has made substantial progress on asset restructuring, project management and identification of new investment opportunities. These efforts include the successful disposal of approximately 46.53% shareholding of Poly Investments, a non-core business, for a consideration of HK\$318 million and the sale of M.V. "Jin Feng", a 39,697 MT dry bulk carrier which had been in service for more than 18 years. The Group will principally engage in property development and investment while making sound progress in active identification of new investment opportunities. Acquisition of the 100% shareholding in Johnsbury Limited, which holds 40% interests in the Shanghai Stock Exchange Building with a gross floor area of 22,748 square metres and 126 car park spaces located in Lujiazui, Shanghai, by the Group was completed on 31st July 2002. Lujiazui is currently the financial center of Shanghai while the

Shanghai Stock Exchange is also situated in the Shanghai Stock Exchange Building. The building is expected to have a substantial potential of appreciation. In addition, the Group has entered into a conditional agreement with an independent third party to indirectly acquire interests in China Securities Building which is under construction at Finance Street, Xicheng District, Beijing. The Finance Street in Beijing is the hub of major banks, financial institutions and the headquarters of many telecom companies in the capital of the PRC. In view of the limited supply of grade A office space available for sale in the Finance Street in Beijing, if the conditional agreement is completed, it is envisaged that the property will generate considerable profits for the Group.

Despite the present sluggish global economy, the PRC economy is still growing at a fast pace. As most of the Group's investments are focused in the PRC and the majority are in industries with relatively rapid development, the management is therefore optimistic in believing that the Company will achieve a higher growth operating results for this year.

## SHARE OPTION SCHEME

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

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

Pursuant to the Share Option Scheme, the Company has granted options to subscribe for the Shares and the particulars and the movements of which for the six months ended 30th June, 2002 are described below:

Date of grant	Exercise period	Exercise price per Share	Number of Shares subject to CMIC Options				
			Outstanding at 1.1.2002	Granted during the period	Exercised during the period	Lapsed during the period at 30.06.2002	
3.9.1997	3.9.1998 to 2.9.2007	HK\$5.175	31,200,000	-	-	-	31,200,000
5.6.1998	5.6.1999 to 4.6.2008	HK\$1.37	17,000,000	-	-	-	17,000,000
30.11.2000	30.11.2001 to 29.11.2010	HK\$0.74	26,205,000	-	-	-	26,205,000
			<u>74,405,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>74,405,000</u>

## DIRECTORS' INTERESTS IN SECURITIES

At 30th June, 2002, according to the register maintained by the Company under Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance"), the following directors held options to subscribe for the number of Shares in the Company, and options to subscribe for the number of shares of HK\$0.50 each (the "Poly Share(s)") in Poly Investments (the "Poly Options"), as follows:

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

Name of Director	Number of Poly Shares subject to the Poly Options (Note 5)			Total
	Granted on 3.9.1997 (Note 6)	Granted on 5.6.1998 (Note 7)	Granted on 30.11.2000 (Note 8)	
Wang Jun (Note 9)	10,000,000	10,000,000	7,000,000	27,000,000
He Ping (Note 10)	10,000,000	10,000,000	7,000,000	27,000,000
Xie Da Tong (Note 11)	8,000,000	8,000,000	5,500,000	21,500,000
Li Shiliang (Note 12)	–	–	8,400,000	8,400,000

## Notes:

- All CMIC Options were granted to the directors under the share option scheme of the Company at a nominal consideration of HK\$1.00 each.
- These CMIC Options granted on 3rd September, 1997 are exercisable from 3rd September, 1998 to 2nd September, 2007 (both days inclusive) at an exercise price of HK\$5.175 per Share.
- These CMIC Options granted on 5th June, 1998 are exercisable from 5th June, 1999 to 4th June, 2008 (both days inclusive) at an exercise price of HK\$1.37 per Share.
- These CMIC Options granted on 30th November, 2000 are exercisable from 30th November, 2001 to 29th November, 2010 (both days inclusive) at an exercise price of HK\$0.74 per Share.
- All Poly Options were granted to the directors under the share option scheme of Poly Investments without consideration.
- These Poly Options granted on 3rd September, 1997 are exercisable from 3rd September, 1997 to 2nd September, 2007 (both days inclusive) at an exercise price of HK\$1.27 per Poly Share.
- These Poly Options granted on 5th June, 1998 are exercisable from 5th June, 1998 to 4th June, 2008 (both days inclusive) at an exercise price of HK\$0.50 per Poly Share.
- These Poly Options granted on 30th November, 2000 are exercisable from 30th November, 2000 to 29th November, 2010 (both days inclusive) at an exercise price of HK\$0.50 per Poly Share.
- Mr. Wang Jun resigned as the Chairman and a Director of Poly Investments on 22nd July, 2002 and the Poly Options held by him were cancelled on the same date.

10. Mr. He Ping resigned as the Vice-Chairman and a Director of Poly Investments on 22nd July, 2002 and the Poly Options held by him were cancelled on the same date.
11. Mr. Xie Da Tong resigned as a Director of Poly Investments on 22nd July, 2002 and the Poly Options held by him were cancelled on the same date.
12. Mr. Li Shiliang resigned as the Managing Director of Poly Investments on 22nd July, 2002 and the Poly Options held by him were cancelled on the same date.

Save as disclosed above, at 30th June, 2002, none of the directors, chief executive or their associates had any personal, family, corporate or other interests in the securities of the Company or any of its associated corporations as defined in the SDI Ordinance which is required to be recorded in the register maintained under Section 29 of the SDI Ordinance or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules and none of the directors, or their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the period.

## SUBSTANTIAL SHAREHOLDERS

At 30th June, 2002, according to the register of substantial shareholders maintained by the Company pursuant to Section 16(1) of the SDI Ordinance, the following shareholders were interested in 10% or more of the issued share capital of the Company:

Name of Shareholder	Number of Shares held
Congratulations Company Ltd.	169,745,000
Source Holdings Limited ( <i>Note 1</i> )	328,485,560
Ting Shing Holdings Limited ( <i>Note 2</i> )	498,230,560
Ringo Trading Limited ( <i>Note 3</i> )	537,678,036
China Poly Group Corporation ( <i>Note 4</i> )	537,678,036

Notes:

1. Source Holdings Limited is deemed by the SDI Ordinance to be interested in 328,485,560 Shares as a result of its direct holding of the Shares and indirect holdings of the Shares through its wholly-owned subsidiaries.

2. Ting Shing Holdings Limited is deemed by the SDI Ordinance to be interested in 498,230,560 Shares as a result of its indirect holding of the Shares through its subsidiaries, representing Source Holdings Limited and Congratulations Company Ltd.
3. Ringo Trading Limited is deemed by the SDI Ordinance to be interested in 537,678,036 Shares as a result of its direct holding of the Shares and indirect holding of the Shares through its wholly-owned subsidiary, Ting Shing Holdings Limited.
4. China Poly Group Corporation owns 100% of Ringo Trading Limited and is accordingly deemed by the SDI Ordinance to be interested in the Shares directly and indirectly owned by Ringo Trading Limited.

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

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

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

	Number of Shares repurchased	Highest price paid <i>HK\$</i>	Lowest price paid <i>HK\$</i>	Total consideration <i>HK\$</i>
February 2002	144,000	0.80	0.75	113,480

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

## AUDIT COMMITTEE

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



## 24 CODE OF BEST PRACTICE

None of the Directors of the Company is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the six months ended 30th June, 2002, in compliance with the “Code of Best Practice” as set out in Appendix 14 of the Listing Rules except that the independent non-executive directors are not appointed for a specific term but are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company’s Articles of Association.

By Order of the Board  
**LI Shiliang**  
*Managing Director*

19th September, 2002