



**China Everbright Limited**

**Interim Report**

for the six months ended 30th June, 2002

## **BOARD OF DIRECTORS**

\* Wang Mingquan  
\* Xu Bin  
\* Guo You  
\* Zhou Liqun  
\* He Ling  
\* Wang Chuan  
\* Xie Zhichun  
Ng Ming Wah, Charles  
Tung Wai, David

Chairman  
Vice-chairman  
Chief Executive Officer  
Deputy General Manager  
Deputy General Manager

\* *Executive Directors*

## **COMPANY SECRETARY**

Ip Kun Wan, Kiril

## **REGISTERED OFFICE**

Room 4001, 40th Floor  
Far East Finance Centre  
16 Harcourt Road  
Hong Kong

## **PRINCIPAL BANKERS**

Standard Chartered Bank  
The Hongkong and Shanghai  
Banking Corporation Limited  
The Bank of East Asia, Limited  
Hang Seng Bank Limited

## **LEGAL ADVISORS**

Messrs. Richards Butler  
Messrs. Woo, Kwan, Lee & Lo  
Messrs. Anthony Chiang & Partners

## **SHARE REGISTRARS**

Secretaries Limited  
5th Floor, Wing On Centre  
111 Connaught Road Central  
Hong Kong

## **AUDITORS**

PricewaterhouseCoopers

## **Website Address**

<http://www.everbright165.com.hk>  
<http://www.irasia.com/listco/hk/chinaeverbright>

## UNAUDITED INTERIM RESULTS

The Directors of China Everbright Limited (the "Company") announce that the unaudited consolidated interim results of the Company and its subsidiaries (collectively the "Group") for the six months period ended 30th June, 2002 were as follows:–

### Condensed Consolidated Income Statement

|   |             | <b>1st January<br/>to 30th June<br/>2002</b> | 1st January<br>to 30th June<br>2001 |
|---|-------------|--|-------------------------------------|
|   | <i>Note</i> | <b>HK\$'000</b>                              | <i>HK\$'000</i>                     |
| Turnover                                  | 2           | <b>39,202</b>                                | 119,108                             |
| Other revenue                             | 3           | <b>5,686</b>                                 | 339,372                             |
| Staff costs                               |             | <b>(23,328)</b>                              | (24,310)                            |
| Depreciation and amortisation expenses    |             | <b>(10,026)</b>                              | (3,950)                             |
| Other operating expenses                  |             | <b>(30,312)</b>                              | (23,976)                            |
|   |             | <hr/>  | <hr/>                               |
| (Loss) Profit from operating activities   |             | <b>(18,778)</b>                              | 406,244                             |
| Finance costs                             |             | <b>(6,736)</b>                               | (6,300)                             |
| Share of profits and losses of associates |             | <b>(150,777)</b>                             | 216,813                             |
|   |             | <hr/>  | <hr/>                               |
| (Loss) Profit before tax                  |             | <b>(176,291)</b>                             | 616,757                             |
| Income tax expense                        | 4           | <b>(28,590)</b>                              | (64,582)                            |
|   |             | <hr/>  | <hr/>                               |
| Net (loss) profit for the period          |             | <b>(204,881)</b>                             | 552,175                             |
|   |             | <hr/>  | <hr/>                               |
| Dividends declared                        | 5           |  |                                     |
| – before period end                       |             | <b>18,759</b>                                | 155,925                             |
| – after period end                        |             | <b>–</b>                                     | 56,257                              |
|   |             | <hr/>  | <hr/>                               |
| (Loss) Earnings per share                 | 6           |  |                                     |
| – basic                                   |             | <b>(13.11 cents)</b>                         | 35.47 cents                         |
| – diluted                                 |             | <b>(13.11 cents)</b>                         | 34.53 cents                         |
|   |             | <hr/>  | <hr/>                               |

## Condensed Consolidated Balance Sheet

|  |             | <b>30th June</b>        | 31st December    |
|--|-------------|-------------------------|------------------|
|  |             | <b>2002</b>             | 2001             |
|  | <i>Note</i> | <b>HK\$'000</b>         | <i>HK\$'000</i>  |
| <b>ASSETS</b>                                    |             |                         |                  |
| <b>Non-current Assets</b>                        |             |                         |                  |
| Fixed assets                                     |             | <b>124,397</b>          | 127,832          |
| Investments in associates                        | 7           | <b>2,944,903</b>        | 2,624,515        |
| Investment in jointly controlled entity          |             | <b>2,239</b>            | 2,239            |
| Non-trading securities                           | 8           | <b>1,269,866</b>        | 1,508,019        |
| Goodwill   |             | <b>122,100</b>          | 128,700          |
| Other assets                                     |             | <b>2,450</b>            | 2,550            |
|  |             | <b><u>4,465,955</u></b> | <u>4,393,855</u> |
| <b>Current Assets</b>                            |             |                         |                  |
| Advances to customers                            |             | <b>135,728</b>          | 71,704           |
| Debtors, deposits and prepayments                | 9           | <b>217,053</b>          | 154,086          |
| Amount due from a related company                |             | <b>167</b>              | 167              |
| Trading securities                               | 10          | <b>419,004</b>          | 225,094          |
| Cash and bank balances                           |             | <b>652,506</b>          | 1,335,120        |
|  |             | <b><u>1,424,458</u></b> | <u>1,786,171</u> |
| <b>Current Liabilities</b>                       |             |                         |                  |
| Creditors, deposits received and accrued charges | 11          | <b>(264,677)</b>        | (176,326)        |
| Convertible notes                                |             | <b>(250,000)</b>        | (250,000)        |
| Provision for income tax                         |             | <b>(211,969)</b>        | (211,709)        |
| Bank loans and overdrafts                        |             | <b>(82,273)</b>         | (155)            |
|  |             | <b><u>(808,919)</u></b> | <u>(638,190)</u> |
| <b>Net Current Assets</b>                        |             | <b><u>615,539</u></b>   | <u>1,147,981</u> |
| <b>NET ASSETS</b>                                |             | <b><u>5,081,494</u></b> | <u>5,541,836</u> |
| <b>CAPITAL AND RESERVES</b>                      |             |                         |                  |
| Share capital                                    | 12          | <b>1,563,351</b>        | 1,562,991        |
| Reserves   |             | <b>3,518,143</b>        | 3,978,845        |
|  |             | <b><u>5,081,494</u></b> | <u>5,541,836</u> |

## Condensed Consolidated Statement of Changes in Equity

|   | Share<br>capital<br>HK\$'000 | Share<br>premium<br>HK\$'000 | Asset<br>revaluation<br>reserve<br>HK\$'000 | Investment<br>revaluation<br>reserve<br>HK\$'000 | Capital<br>redemption<br>reserve<br>HK\$'000 | Capital<br>reserve<br>HK\$'000 | Goodwill<br>reserve<br>HK\$'000 | Exchange<br>reserve<br>HK\$'000 | Retained<br>profits<br>HK\$'000 | Total<br>HK\$'000 |
|---|------------------------------|------------------------------|---|--|--|--------------------------------|---------------------------------|---------------------------------|---------------------------------|-------------------|
| As at 1st January, 2002                             | 1,562,991                    | 5,624,255                    | 414   | 760,413  | 2,984  | 10,000                         | (3,957,664)                     | (2,774)                         | 1,541,217                       | 5,541,836         |
| Issue of shares                                     | 360                          | 1,190                        | -   | -  | -  | -                              | -                               | -                               | -                               | 1,550             |
| Deficit on revaluation                              | -                            | -                            | -   | (238,252)  | -  | -                              | -                               | -                               | -                               | (238,252)         |
| Loss for the period                                 | -                            | -                            | -   | -  | -  | -                              | -                               | -                               | (204,881)                       | (204,881)         |
| Dividends   | -                            | -                            | -   | -  | -  | -                              | -                               | -                               | (18,759)                        | (18,759)          |
| <b>As at 30th June, 2002</b>                        | <b>1,563,351</b>             | <b>5,625,445</b>             | <b>414</b>                                  | <b>522,161</b>                                   | <b>2,984</b>                                 | <b>10,000</b>                  | <b>(3,957,664)</b>              | <b>(2,774)</b>                  | <b>1,317,577</b>                | <b>5,081,494</b>  |
|   | Share<br>capital<br>HK\$'000 | Share<br>premium<br>HK\$'000 | Asset<br>revaluation<br>reserve<br>HK\$'000 | Investment<br>revaluation<br>reserve<br>HK\$'000 | Capital<br>redemption<br>reserve<br>HK\$'000 | Capital<br>reserve<br>HK\$'000 | Goodwill<br>reserve<br>HK\$'000 | Exchange<br>reserve<br>HK\$'000 | Retained<br>profits<br>HK\$'000 | Total<br>HK\$'000 |
| As at 1st January, 2001                             | 1,543,741                    | 5,551,543                    | -   | 1,630,713  | 2,984  | 10,000                         | (3,957,664)                     | (2,774)                         | 1,381,967                       | 6,160,510         |
| Issue of shares                                     | 17,940                       | 67,474                       | -   | -  | -  | -                              | -                               | -                               | -                               | 85,414            |
| Deficit on revaluation                              | -                            | -                            | -   | (70,233)   | -  | -                              | -                               | -                               | -                               | (70,233)          |
| Release upon disposals of<br>non-trading securities | -                            | -                            | -   | (58,520)   | -  | -                              | -                               | -                               | -                               | (58,520)          |
| Profit for the period                               | -                            | -                            | -   | -  | -  | -                              | -                               | -                               | 552,175                         | 552,175           |
| Dividends   | -                            | -                            | -   | -  | -  | -                              | -                               | -                               | (155,925)                       | (155,925)         |
| <b>As at 30th June, 2001</b>                        | <b>1,561,681</b>             | <b>5,619,017</b>             | <b>-</b>                                    | <b>1,501,960</b>                                 | <b>2,984</b>                                 | <b>10,000</b>                  | <b>(3,957,664)</b>              | <b>(2,774)</b>                  | <b>1,778,217</b>                | <b>6,513,421</b>  |

## Condensed Consolidated Cashflow Statement

|  | <b>1st January<br/>to 30th June<br/>2002</b> | 1st January<br>to 30th June<br>2001 |
|--|--|-------------------------------------|
| <i>Note</i>  | <b>HK\$'000</b>                              | <i>HK\$'000</i>                     |
| <b>Net cash (outflow) inflow from<br/>operating activities</b> | <b>(271,519)</b>                             | 249,180                             |
| <b>Net cash (outflow) inflow from<br/>investing activities</b> | <b>(134,622)</b>                             | 88,035                              |
| <b>Net cash outflow from financing activities</b>              | <b>(17,209)</b>                              | (120,512)                           |
| <b>(Decrease) Increase in cash and<br/>cash equivalents</b>    | <b>(423,350)</b>                             | 216,703                             |
| <b>Cash and cash equivalents</b>                               |  |                                     |
| Beginning of period  | <b>993,583</b>                               | 1,693,000                           |
| End of period  | <b>570,233</b>                               | 1,909,703                           |

### (a) Analysis of the balances of cash and cash equivalents

|   | <b>30th June<br/>2002</b> | 30th June<br>2001 |
|---|---------------------------|-------------------|
|   | <b>HK\$'000</b>           | <i>HK\$'000</i>   |
| Cash and bank balances                              | <b>652,506</b>            | 1,937,170         |
| Deposits pledged or with maturity over three months | <b>-</b>                  | (27,467)          |
|   | <b>652,506</b>            | 1,909,703         |
| Short-term bank loans and overdrafts                | <b>(82,273)</b>           | -                 |
|   | <b>570,233</b>            | 1,909,703         |

## Notes to the Financial Statements

### 1. BASIS OF PRESENTATION

The unaudited condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Statements of Standard Accounting Practice ("SSAP") No. 25 "Interim Financial Reporting" and on a basis consistent with the principal accounting policies adopted in the annual financial statements for the year ended 31st December, 2001 except that the Group has changed certain of its accounting policies following its adoption of the following SSAPs which are effective for accounting periods commencing on or after 1st January, 2002:

|                   |                              |
|-------------------|------------------------------|
| SSAP 11 (revised) | Foreign currency translation |
| SSAP 25 (revised) | Interim financial reporting  |
| SSAP 34           | Employee benefits            |

The Group considers that the adoption of the above SSAPs do not have material impact on the financial statements on the Group.

### 2. TURNOVER

Turnover by activities is as follows:

|   | <b>1st January<br/>to 30th June<br/>2002<br/>HK\$'000</b> | 1st January<br>to 30th June<br>2001<br>HK\$'000 |
|---|---|---|
| Realised gain on disposals of investments, net                          | <b>23,801</b>   | 38,170  |
| Unrealised (loss) gain on trading securities and other investments, net | <b>(37,151)</b>   | 9,807   |
| Interest income   | <b>14,840</b>   | 44,007  |
| Dividend income   | <b>5,236</b>  | 2,837   |
| Gross rental income   | <b>945</b>  | 1,146   |
| Commission and service income   | <b>31,017</b>   | 21,530  |
| Other income  | <b>514</b>  | 1,611   |
|   | <b><u>39,202</u></b>                                      | <b><u>119,108</u></b>                           |

### 3. OTHER REVENUE

|   | <b>1st January<br/>to 30th June<br/>2002<br/>HK\$'000</b> | 1st January<br>to 30th June<br>2001<br>HK\$'000 |
|---|---|---|
| Gain on disposals of non-trading securities   | –   | 60,598  |
| Compensation from legal claims (see Note 14(a))   | –   | 270,919   |
| Write-back of impairment loss on non-trading securities previously recognised in income statement | –   | 7,625   |
| Write back of provision on doubtful receivables   | <b>68</b>   | 230   |
| Exchange gain, net  | <b>5,220</b>  | –   |
| Others  | <b>398</b>  | –   |
|   | <b><u>5,686</u></b>                                       | <b><u>339,372</u></b>                           |

#### 4. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16% (2001: 16%) on the estimated assessable profit for the period. Overseas taxation has been calculated on the estimated assessable profit for the period at rates prevailing in the respective jurisdictions.

|                                       | <b>1st January<br/>to 30th June<br/>2002<br/>HK\$'000</b> | 1st January<br>to 30th June<br>2001<br>HK\$'000 |
|---------------------------------------|---|---|
| Provision for Hong Kong profits tax   | –   | –   |
| Provision of overseas profits tax     | <b>1,103</b>  | 48  |
| Share of tax on results of associates | <b>27,487</b>   | 64,534  |
|                                       | <b><u>28,590</u></b>                                      | <b><u>64,582</u></b>                            |

#### 5. DIVIDENDS

|  | <b>1st January<br/>to 30th June<br/>2002<br/>HK\$'000</b> | 1st January<br>to 30th June<br>2001<br>HK\$'000 |
|--|---|---|
| Dividends declared before period end                                 |   |   |
| Final dividend of HK\$0.012 per share<br>(2001: HK\$0.10 per share)  | <b><u>18,759</u></b>                                      | <b><u>155,925</u></b>                           |
| Dividends proposed after period end                                  |   |   |
| Interim dividend of HK\$nil per share<br>(2001: HK\$0.036 per share) | <b><u>–</u></b>   | <b><u>56,257</u></b>                            |

#### 6. (LOSS) EARNINGS PER SHARE

The calculation of basic loss per share for the six months period ended 30th June, 2002 is based on the net loss attributable to shareholders of approximately HK\$204,881,000 (2001: net profit of approximately HK\$552,175,000) divided by the weighted average number of ordinary shares outstanding during the period of 1,563,167,729 shares (2001: 1,556,670,856 shares).

The calculation of diluted (loss) earnings per share is based on the adjusted net (loss) profit for the period attributable to shareholders divided by the weighted average number of ordinary shares outstanding during the period adjusted for the effects of all dilutive potential ordinary shares from conversion of convertible notes and exercise of share options. As the effect of convertible notes and share options on loss per share is anti-dilutive, they are excluded in the calculation of diluted loss per share for the six months ended 30th June, 2002.

The adjusted weighted average number of ordinary shares used to compute diluted (loss) earnings per share were 1,563,167,729 shares (2001: 1,617,204,166 shares). Adjusted net loss used was approximately HK\$204,881,000 (2001: net profit approximately HK\$558,422,000).



|  | <b>1st January<br/>to 30th June<br/>2002<br/>HK\$'000</b> | 1st January<br>to 30th June<br>2001<br>HK\$'000 |
|--|---|---|
| Computation of adjusted net (loss) profit  |   |   |
| (Loss) Profit attributable to shareholders   | <b>(204,881)</b>  | 552,175   |
| Add: Interest expenses of the convertible notes  | –   | 6,247   |
|  | <u><b>(204,881)</b></u>                                   | <u>558,422</u>                                  |
| Adjusted net (loss) profit   | <b>(204,881)</b>  | 558,422   |
|  | <b>1st January<br/>to 30th June<br/>2002</b>              | 1st January<br>to 30th June<br>2001             |
| Computation of adjusted weighted average number of shares  |   |   |
| Weighted average number of shares in issue during the period   | <b>1,563,167,729</b>                                      | 1,556,670,856                                   |
| Number of shares that would have been issued if the convertible notes were converted into shares during the period | –   | 53,629,825                                      |
| Number of shares that would have been issued if the outstanding share options were exercised during the period     | –   | 6,903,485                                       |
|  | <u><b>1,563,167,729</b></u>                               | <u>1,617,204,166</u>                            |
| Adjusted weighted average number of shares   | <b>1,563,167,729</b>                                      | 1,617,204,166                                   |

## 7. INVESTMENTS IN ASSOCIATES

|  | <b>30th June<br/>2002<br/>HK\$'000</b> | 31st December<br>2001<br>HK\$'000 |
|--|--|-----------------------------------|
| Investment, at cost  |  |                                   |
| Unlisted shares in   |  |                                   |
| Hong Kong  | <b>102,174</b>                         | 102,174                           |
| Overseas   | <b>5,500,755</b>                       | 4,985,693                         |
| Listed shares in   |  |                                   |
| Hong Kong  | <b>904,411</b>                         | 904,411                           |
| Share of post-acquisition reserves   | <b>447,338</b>                         | 642,012                           |
|  | <u><b>6,954,678</b></u>                | <u>6,634,290</u>                  |
| Less: accumulated provision for impairment in value premium on acquisition | <b>(165,548)</b>                       | (165,548)                         |
|  | <u><b>(3,843,789)</b></u>              | <u>(3,843,789)</u>                |
|  | <b>2,945,341</b>                       | 2,624,953                         |
| Amount due to associates   | <b>(438)</b>                           | (438)                             |
|  | <u><b>2,944,903</b></u>                | <u>2,624,515</u>                  |
| Quoted market value of listed shares                                       | <u><b>452,454</b></u>                  | <u>443,076</u>                    |

The balances with associates are unsecured, interest free and have no fixed term of repayment.

The Directors are of the opinion that the underlying value of the associates is not less than the carrying amount of the associates at 30th June, 2002.

As at 30th June, 2002, particulars of the principal associates of the Group are as follows:

| Name of associate                     | Place of incorporation/<br>operation | Principal activities  | Percentage of equity interest held |            |
|---------------------------------------|--------------------------------------|-----------------------|------------------------------------|------------|
|                                       |                                      |                       | Directly                           | Indirectly |
| China Everbright Bank Company Limited | PRC                                  | Banking operations    | 21.39%                             | -          |
| Everbright Securities Company Limited | PRC                                  | Securities operations | -                                  | 49%        |
| International Bank of Asia Limited    | Hong Kong                            | Banking operations    | -                                  | 20%        |
| Standard Life (Asia) Limited          | Hong Kong                            | Life insurance        | 35%                                | -          |

## 8. NON-TRADING SECURITIES

|  | <b>30th June<br/>2002<br/>HK\$'000</b> | 31st December<br>2001<br>HK\$'000 |
|--|--|-----------------------------------|
| Listed equity securities, at carrying value<br>Hong Kong | <b><u>1,269,866</u></b>                | <u>1,508,019</u>                  |
| Quoted market value of listed securities                 | <b><u>1,269,866</u></b>                | <u>1,508,019</u>                  |

The following is a list of the principal non-trading securities as at 30th June, 2002:

| Company name                             | Place of incorporation | Principal activities                            | Effective equity interest held |
|--|------------------------|---|--------------------------------|
| China Mobile (Hong Kong) Limited         | Hong Kong              | Provision of telecommunication services         | 0.27%                          |
| Hong Kong Exchanges and Clearing Limited | Hong Kong              | Operating exchanges and related clearing houses | 0.29%                          |
| China Unicom Limited                     | Hong Kong              | Provision of telecommunication services         | 0.06%                          |
| Frankie Dominion International Limited   | Bermuda                | Manufacturing and trading                       | 7.29%                          |
| Theme International Holdings Limited     | Bermuda                | Manufacturing and retail operation              | 4.98%                          |

**9. DEBTORS, DEPOSITS AND PREPAYMENTS**

|  | <b>30th June<br/>2002<br/>HK\$'000</b> | 31st December<br>2001<br>HK\$'000 |
|--|--|-----------------------------------|
| Trade receivables                                      | <b>128,948</b>                         | 71,452                            |
| Other debtors, deposits and prepayments                | <b>88,105</b>                          | 65,459                            |
| Deposits for futures and derivative transactions       | -                                      | 18,566                            |
| Unrealised loss on futures and derivative transactions | -                                      | (1,391)                           |
|  | <b><u>217,053</u></b>                  | <b><u>154,086</u></b>             |

Details of the ageing analysis on trade receivables are as follows:

|  | <b>30th June<br/>2002<br/>HK\$'000</b> | 31st December<br>2001<br>HK\$'000 |
|--|--|-----------------------------------|
| Within 1 month                           | <b>129,337</b>                         | 71,866                            |
| Within 1 to 2 months                     | -                                      | -                                 |
| Within 2 to 3 months                     | -                                      | -                                 |
| Within 3 to 6 months                     | -                                      | -                                 |
| Over 6 months                            | <b>611</b>                             | 586                               |
|  | <b><u>129,948</u></b>                  | <b><u>72,452</u></b>              |
| Less: provision for doubtful receivables | <b><u>(1,000)</u></b>                  | <b><u>(1,000)</u></b>             |
|  | <b><u>128,948</u></b>                  | <b><u>71,452</u></b>              |

Trade receivables are mainly comprised of amounts due from the Group's securities brokering customers and brokers. These receivables are normally due two days after trade, the extension of credit requires management's approval on a case by case basis.

**10. TRADING SECURITIES**

|   | <b>30th June<br/>2002<br/>HK\$'000</b> | 31st December<br>2001<br>HK\$'000 |
|---|--|-----------------------------------|
| Listed equity securities, at carrying value |  |                                   |
| Hong Kong                                   | <b>382,254</b>                         | 139,029                           |
| Listed debt securities, at carrying value   |  |                                   |
| Overseas                                    | -                                      | 7,216                             |
|   | <b><u>382,254</u></b>                  | <b><u>146,245</u></b>             |
| Unlisted debt securities, at carrying value |  |                                   |
| Overseas                                    | <b>36,750</b>                          | 78,849                            |
|   | <b><u>419,004</u></b>                  | <b><u>225,094</u></b>             |
| Quoted market value of listed securities    | <b><u>382,254</u></b>                  | <b><u>146,245</u></b>             |

**11. CREDITORS, DEPOSITS RECEIVED AND ACCRUED CHARGES**

|  | <b>30th June<br/>2002<br/>HK\$'000</b> | 31st December<br>2001<br>HK\$'000 |
|--|--|-----------------------------------|
| Trade payables   | <b>246,905</b>                         | 148,653                           |
| Other creditors, deposits received and accrued charges | <b>17,772</b>                          | 27,673                            |
|  | <b><u>264,677</u></b>                  | <u>176,326</u>                    |

All trade payables are due in one month.

**12. SHARE CAPITAL**

|                                  | <b>30th June<br/>2002<br/>HK\$'000</b> | 31st December<br>2001<br>HK\$'000 |
|----------------------------------|--|-----------------------------------|
| <i>Authorised:</i>               |  |                                   |
| Ordinary shares of HK\$1.00 each | <b><u>2,000,000</u></b>                | <u>2,000,000</u>                  |
| <i>Issued and fully paid:</i>    |  |                                   |
| Beginning of period/year         | <b>1,562,991</b>                       | 1,543,741                         |
| Exercise of convertible notes    | -                                      | 10,539                            |
| Exercise of share options        | <b>360</b>                             | 8,711                             |
|                                  | <b><u>1,563,351</u></b>                | <u>1,562,991</u>                  |

### 13. SEGMENT INFORMATION

#### A. Business segments

The Group conducts the majority of its business activities in three areas - investment holding, financial services and other operations. An analysis by business segment is as follows:

|  | Investment holding                  |                                     | Financial services                  |                                     | Others                              |                                     | Total                               |                                     |
|--|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
|  | 1st January<br>to 30th June<br>2002 | 1st January<br>to 30th June<br>2001 | 1st January<br>to 30th June<br>2002 | 1st January<br>to 30th June<br>2001 | 1st January<br>to 30th June<br>2002 | 1st January<br>to 30th June<br>2001 | 1st January<br>to 30th June<br>2002 | 1st January<br>to 30th June<br>2001 |
|  | HK\$'000                            | HK\$'000                            | HK\$'000                            | HK\$'000                            | HK\$'000                            | HK\$'000                            | HK\$'000                            | HK\$'000                            |
| REVENUE  |                                     |                                     |                                     |                                     |                                     |                                     |                                     |                                     |
| Investment income  | (7,169)                             | 116,200                             | -                                   | -                                   | -                                   | -                                   | (7,169)                             | 116,200                             |
| Commission and service<br>income                           | -                                   | -                                   | 31,283                              | 26,878                              | -                                   | -                                   | 31,283                              | 26,878                              |
| Other income   | -                                   | -                                   | -                                   | -                                   | 5,934                               | 271,395                             | 5,934                               | 271,395                             |
| Inter-segment income                                       | -                                   | -                                   | -                                   | -                                   | -                                   | -                                   | -                                   | -                                   |
| Total revenue  | <u>(7,169)</u>                      | <u>116,200</u>                      | <u>31,283</u>                       | <u>26,878</u>                       | <u>5,934</u>                        | <u>271,395</u>                      | <u>30,048</u>                       | <u>414,473</u>                      |
| RESULTS  |                                     |                                     |                                     |                                     |                                     |                                     |                                     |                                     |
| Segment results  | (14,896)                            | 118,664                             | (807)                               | (4,754)                             | 5,018                               | 272,504                             | (10,685)                            | 386,414                             |
| Unallocated corporate<br>expenses                          |                                     |                                     |                                     |                                     |                                     |                                     | (22,933)                            | (24,177)                            |
| Operating (loss) profit                                    |                                     |                                     |                                     |                                     |                                     |                                     | (33,618)                            | 362,237                             |
| Interest expense   |                                     |                                     |                                     |                                     |                                     |                                     | (6,736)                             | (6,300)                             |
| Interest income  |                                     |                                     |                                     |                                     |                                     |                                     | 14,840                              | 44,007                              |
| Share of profits and losses<br>of associates               |                                     |                                     |                                     |                                     |                                     |                                     | (150,777)                           | 216,813                             |
| Income tax expense   |                                     |                                     |                                     |                                     |                                     |                                     | (28,590)                            | (64,582)                            |
| Net (loss) profit for the period                           |                                     |                                     |                                     |                                     |                                     |                                     | <u>(204,881)</u>                    | <u>552,175</u>                      |
| OTHER INFORMATION  |                                     |                                     |                                     |                                     |                                     |                                     |                                     |                                     |
| Capital expenditures                                       | 159                                 | -                                   | -                                   | -                                   | -                                   | -                                   |                                     |                                     |
| Depreciation and amortisation                              | 444                                 | 447                                 | 214                                 | 172                                 | -                                   | -                                   |                                     |                                     |
|  | 30th June<br>2002                   | 31st December<br>2001               | 30th June<br>2002                   | 31st December<br>2001               | 30th June<br>2002                   | 31st December<br>2001               | 30th June<br>2002                   | 31st December<br>2001               |
|  | HK\$'000                            | HK\$'000                            | HK\$'000                            | HK\$'000                            | HK\$'000                            | HK\$'000                            | HK\$'000                            | HK\$'000                            |
| Segment assets   | 1,707,526                           | 1,763,841                           | 443,127                             | 338,458                             | 1,034                               | 276,579                             | 2,151,687                           | 2,378,878                           |
| Investments in associates<br>and jointly controlled entity |                                     |                                     |                                     |                                     |                                     |                                     | 3,069,242                           | 2,755,454                           |
| Unallocated corporate assets                               |                                     |                                     |                                     |                                     |                                     |                                     | 669,484                             | 1,045,694                           |
| Total assets   |                                     |                                     |                                     |                                     |                                     |                                     | <u>5,890,413</u>                    | <u>6,180,026</u>                    |
| Segment liabilities  | -                                   | -                                   | 329,678                             | 148,808                             | -                                   | -                                   | 329,678                             | 148,808                             |
| Unallocated corporate<br>liabilities                       |                                     |                                     |                                     |                                     |                                     |                                     | 479,241                             | 489,382                             |
| Total liabilities  |                                     |                                     |                                     |                                     |                                     |                                     | <u>808,919</u>                      | <u>638,190</u>                      |

## B. Geographical segments

Most of the activities of the Group are based in Hong Kong from where it derives more than 90% of its revenue and operating (loss) profit.

## 14. LITIGATION

- (a) On 12th December, 1995, the Company issued civil proceedings against Mr. Ch'ng Poh claiming damages for conspiracy and/or conversion and/or breach of fiduciary duty arising from his unlawful use of approximately HK\$127 million of the Company's funds in 1985 to finance a purchase of shares in the Company. Mr. Ch'ng Poh was a former Chief Executive Officer and Chairman of the Company which was then known as IHD Holdings Limited. The trial of the matter was concluded on 28th February, 2000, and the Court handed down its judgment on 27th February, 2001. Mr. Ch'ng Poh was held liable to the Company for damages in conversion and conspiracy and for breach of fiduciary duty. The judgment sum amounted to HK\$336,310,069 as at 27th February, 2001. On 27th April, 2001 a sum of HK\$270,918,527 was recovered by the Company from Mr. Ch'ng Poh and recognised as other revenue in the consolidated income statement of the Company for the year ended 31st December, 2001. Mr. Ch'ng Poh's appeal was heard by the Court of Appeal and concluded on 28th January, 2002. Judgment was delivered on 19th February, 2002 whereby the Court of Appeal dismissed Mr. Ch'ng Poh's appeal and affirmed the judgment of the Court of First Instance. Mr. Ch'ng Poh has obtained leave to appeal to the Court of Final Appeal from the judgment of the Court of Appeal. The appeal will be heard on 18th November, 2002 by the Court of Final Appeal, with 2 days reserved. In the meantime, the Company is taking steps to recover the shortfall in the judgment sum from Mr. Ch'ng Poh.
- (b) In January 1998, Mr. Ch'ng Poh commenced civil proceedings against the Company claiming damages for breach of an alleged oral agreement by the Company to sell to him the entire issued share capital of Keepmore Limited, a wholly-owned subsidiary of the Company. The trial of this matter concluded on 12th October, 2001. The Court handed down its judgment on 31st October, 2001 and dismissed Mr. Ch'ng Poh's claims against the Company. Mr. Ch'ng Poh has served a Notice of Appeal to appeal against the aforesaid judgment. The appeal will be heard by the Court of Appeal on 27th September, 2002, with 1 day reserved.
- (c) In July 1998, the Company and I.H.D. Management Services Limited (now known as CEL Management Services Limited), a wholly owned subsidiary of the Company, was served with a Statement of Claim by one of its former senior executives claiming damages for alleged failure by the Company and I.H.D. Management Services Limited to grant him certain share options pursuant to his employment contract. Pleadings have closed and discovery has completed. The parties have exchanged witness statements. A hearing for setting this matter down for trial has been fixed for 23rd October, 2002.

## 15. SUBSEQUENT EVENT

The Group's convertible notes liability of HK\$250 million due to China Everbright Holdings Company Limited ("CEH") matured on 2nd July, 2002 and it was repaid by a one year renewable term loan of the same amount obtained from CEH which bear interest at the Hong Kong Interbank Offer Rate plus 1.50% per annum.

## INTERIM DIVIDEND

The Directors do not recommend the payment of interim dividend for the six months ended 30th June, 2002 (2001: HK\$0.036 per share).

## **RESULTS OF THE GROUP**

For the period under review, the Hong Kong economy was going through a very difficult period. Both the Hong Kong and the Mainland domestic securities markets were continuously affected by the poor market sentiments. Against this background, the Company together with its subsidiaries companies (collectively the "Group") and its associated companies, made their best efforts in developing business in Hong Kong and the Mainland. China Everbright Bank Company Limited ("Everbright Bank") and Everbright Securities Company Limited ("Everbright Securities") continued to develop their businesses. According to unaudited management accounts, the profits before tax of Everbright Bank and Everbright Securities were HK\$277 million and HK\$2 million respectively, attributing HK\$60 million in profits to the Group. However as a listed group in Hong Kong, adopting a prudent provisioning policy, the Group made additional provisions for the historical problem assets of the associated companies according to Hong Kong accounting standards. After adjustments, the losses attributed from Everbright Bank and Everbright Securities to the Group were HK\$159 million and HK\$41 million respectively. Therefore, the Group recorded a loss after tax of HK\$205 million for the period ended 30th June, 2002.

## **REVIEW OF OPERATIONS**

### **(A) Commercial Banking**

As at 30th June, 2002, Everbright Bank's total assets was approximately HK\$271 billion and its total deposit and customer loan values reached approximately HK\$220 billion and HK\$145 billion representing an increase of 16% and 15% respectively. Everbright Bank recorded a net interest income of HK\$2.31 billion, representing an increase of 18% compared with the same period last year. Everbright Bank's operating cost to net interest income ratio was improved to 57% compared with 59.3% for the same period last year.

For the period under review, according to the management accounts of the Everbright Bank, the profit before tax was HK\$277 million. Because of historical problems related to provisions on the ex-China Investment Bank's assets and also due to changes in requirements of provision on bank assets, the Group's management adopted a prudent provisioning policy and increased provision charges to the bank's profit and loss accounts to HK\$1.71 billion. As a result, Everbright Bank under Hong Kong accounting standards recorded a loss after tax of HK\$741 million.

As at the end of June 2002, Everbright Bank was operating 30 direct branches and 314 banking offices in 30 provinces/cities and autonomous regions in the PRC with a representative office in Hong Kong.

Affected by the weakening of the Hong Kong economy in the first half of 2002, the Group's 20% owned International Bank of Asia Limited has recorded an after tax profit of HK\$101 million and contributed a profit after tax of HK\$20 million to the Group, representing a decrease of 38% compared to the same period last year.

**(B) Investment Banking Business**

In the period under review, the primary market and the secondary market trading volume in the Mainland domestic securities market recorded a significant reduction compared to the same period last year. In the circumstances, Everbright Securities, according to its management accounts, recorded a profit before tax of HK\$2.18 million. According to the data announced by the China Securities Association, Everbright Securities' ranking has risen from 14th to 12th according to trade volume in securities. The Group adopted a prudent provisioning policy and increased the provisions for Everbright Securities according to Hong Kong accounting standards. Accordingly, Everbright Securities recorded a loss after tax of HK\$84 million, and contributed a loss of HK\$41 million to the Group.

For the purpose of reinforcing its operational capability and expanding its business in China, Everbright Securities enlarged its capital in May 2002 to RMB2,600 million.

The Group's Hong Kong brokerage business achieved an increase in market share, despite the overall difficult market conditions.

The Group has re-positioned its corporate finance business in Hong Kong and has participated in a number of initial public offerings and rights issues.

**(C) Others**

The Court of Appeal dismissed unanimously the appeal of Mr. Ch'ng Poh against the judgment awarded by the Court of First Instance in favour of the Company. Mr. Ch'ng has filed an appeal against the judgment of the Court of Appeal to the Court of Final Appeal. The final appeal will be heard on 18th November, 2002.

For the period under review, 35% owned Standard Life (Asia) Limited contributed an accounting profit of HK\$1.3 million to the Group due to reversal of loss provision in 2001 as a result of difference in accounting period.

**FINANCIAL POSITION**

As at 30th June, 2002, the net assets of the Group were approximately HK\$5.08 billion, with cash on hand of approximately HK\$653 million, and held approximately 50 million shares in China Mobile (Hong Kong) Limited. Apart from trade liabilities in the ordinary course of business, the Group's major liability is the convertible notes issued to China Everbright Holdings Company Limited in 1999 in relation to the acquisition of Everbright Securities which has an outstanding principal amount of HK\$250 million as at 30th June, 2002.



The increase in bank loans and overdrafts, all denominated in Hong Kong dollar and matured within one month was for normal working capital requirements. The level of borrowing depends mainly on the Group's business and investment needs. The Group's gearing ratio, which is computed from the Group's total interest bearing liabilities divided by shareholders' funds, was 6.5% as at 30th June, 2002 as compared to 4.5% as at 31st December, 2001.

As at 30th June, 2002, the Group had no material exposure to foreign exchange fluctuations other than assets denominated in Renminbi. The Group does not foresee any substantial exposure to foreign exchange fluctuations in Renminbi, therefore, the Group did not engage itself in any foreign exchange hedging activities in the period under review.

As at 30th June, 2002, the Group had pledged listed securities to the value of HK\$150 million (31st December, 2001: HK\$nil) in relation to certain banking facilities.

## **PROSPECTS**

As the Hong Kong economy is closely linked to the Mainland economy, Hong Kong will no doubt benefit from the enormous growth opportunities offered by the Mainland. The continuous reform in China's banking and securities markets will lead to higher demand for banking and securities services. The Directors are confident that our associate operations will benefit to a great extent from these market changes. We believe the prudent provisioning policy adopted for the associated companies to resolve their historical asset quality problems is, in longer term, of great importance to Group's healthy business development in the future. The Group is committed to further improve its corporate governance and information transparency, and will strive to strengthen the competitiveness of its existing businesses and to expand its operations in a prudent manner aiming at establishing a stable income base.

## **DIRECTORS' INTERESTS IN SECURITIES**

As at 30th June, 2002, the interests of the Directors of the Company in the securities of the Company or its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance")) as recorded in the register required to be kept under section 29 of the SDI Ordinance in relation to their share options during the six months ended 30th June, 2002 are shown in the following section under the heading "Information on Share Options".

## INFORMATION ON SHARE OPTIONS

Information in relation to share options of the Company disclosed in accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") is as follows:

### 1. Outstanding share options as at 1st January, 2002 :

|                      | Number of options | Date of offer | Vesting period      | Exercise period     | Exercise price (HK\$) |
|----------------------|-------------------|---------------|---------------------|---------------------|-----------------------|
| Xu Bin               | 3,000,000         | 11.06.99      | 12.12.99 – 12.12.01 | 12.12.99 – 11.06.02 | 4.308                 |
| Nie Qingping         | 1,000,000         | 11.06.99      | 12.12.99 – 12.12.01 | 12.12.99 – 11.06.02 | 4.308                 |
| Wang Xiaoping        | 100,000           | 11.06.99      | 12.12.99 – 12.12.01 | 12.12.99 – 11.06.02 | 4.308                 |
| Ng Ming Wah, Charles | 102,000           | 21.03.97      | 22.03.99– 22.03.01  | 22.03.99 – 21.03.03 | 5.152                 |
| Aggregate            | 140,000           | 11.06.99      | 12.12.99 – 12.12.01 | 12.12.99 – 11.06.02 | 4.308                 |
| total of             | 480,000           | 15.11.99      | 16.05.00 – 16.05.02 | 16.05.00 – 15.11.02 | 5.805                 |
| employees (Note 1)   | 500,000           | 29.06.00      | 30.12.00 – 30.12.02 | 30.12.00 – 29.06.03 | 5.220                 |
| Aggregate            | 3,162,000         | 21.03.97      | 22.03.99 – 22.03.01 | 22.03.99 – 21.03.03 | 5.152                 |
| total of other       | 5,120,000         | 11.06.99      | 12.12.99 – 12.12.01 | 12.12.99 – 11.06.02 | 4.308                 |
| persons (Note 2)     |                   |               |                     |                     |                       |

**2. Outstanding share options as at 30th June, 2002 :**

|   | <b>Number of<br/>options</b> | <b>Date of<br/>offer</b> | <b>Vesting period</b> | <b>Exercise period</b> | <b>Exercise<br/>price<br/>(HK\$)</b> |
|---|------------------------------|--------------------------|-----------------------|------------------------|--------------------------------------|
| Wang Mingquan                               | 6,000,000                    | 26.06.02                 | 27.06.03 – 27.12.04   | 27.06.03 – 26.12.05    | 4.360                                |
| Xu Bin                                      | 1,500,000                    | 26.06.02                 | 27.06.03 – 27.12.04   | 27.06.03 – 26.12.05    | 4.360                                |
| Guo You                                     | 2,000,000                    | 26.06.02                 | 27.06.03 – 27.12.04   | 27.06.03 – 26.12.05    | 4.360                                |
| Zhou Liqun                                  | 1,500,000                    | 26.06.02                 | 27.06.03 – 27.12.04   | 27.06.03 – 26.12.05    | 4.360                                |
| He Ling                                     | 1,500,000                    | 26.06.02                 | 27.06.03 – 27.12.04   | 27.06.03 – 26.12.05    | 4.360                                |
| Wang Chuan                                  | 1,500,000                    | 26.06.02                 | 27.06.03 – 27.12.04   | 27.06.03 – 26.12.05    | 4.360                                |
| Xie Zhichun                                 | 1,500,000                    | 26.06.02                 | 27.06.03 – 27.12.04   | 27.06.03 – 26.12.05    | 4.360                                |
| Ng Ming Wah, Charles                        | 102,000                      | 21.03.97                 | 22.03.99 – 22.03.01   | 22.03.99 – 21.03.03    | 5.152                                |
| Tung Wai, David                             | 300,000                      | 26.06.02                 | 27.06.03 – 27.12.04   | 27.06.03 – 26.12.05    | 4.360                                |
| Aggregate                                   | 480,000                      | 15.11.99                 | 16.05.00 – 16.05.02   | 16.05.00 – 15.11.02    | 5.805                                |
| total of                                    | 500,000                      | 29.06.00                 | 30.12.00 – 30.12.02   | 30.12.00 – 29.06.03    | 5.220                                |
| employees ( <i>Note 1</i> )                 | 5,800,000                    | 26.06.02                 | 27.06.03 – 27.12.04   | 27.06.03 – 26.12.05    | 4.360                                |
| Aggregate                                   | 3,060,000                    | 21.03.97                 | 22.03.99 – 22.03.01   | 22.03.99 – 21.03.03    | 5.152                                |
| total of other<br>persons ( <i>Note 2</i> ) |                              |                          |                       |                        |                                      |

### 3. Share options granted during the period ended 30th June, 2002:

|                  |                         |
|------------------|-------------------------|
| Date of Grant:   | 26.06.2002              |
| Vesting Period:  | 27.06.2003 – 27.12.2004 |
| Exercise Period: | 27.06.2003 – 26.12.2005 |
| Exercise Price:  | HK\$4.360               |

| <b>Grantees</b>                                | <b>Number of options granted on<br/>26.06.2002</b> |
|--|--|
| Wang Mingquan                                  | 6,000,000  |
| Xu Bin   | 1,500,000  |
| Guo You  | 2,000,000  |
| Zhou Liqun                                     | 1,500,000  |
| He Ling  | 1,500,000  |
| Wang Chuan                                     | 1,500,000  |
| Xie Zhichun                                    | 1,500,000  |
| Tung Wai, David                                | 300,000  |
| Aggregate total of employees ( <i>Note 1</i> ) | 5,800,000  |

The value of the options depends on a number of factors such as the exercise price, the exercise period, interest rate, expected volatility and other relevant variables. The Directors believe that any calculation of the value of the options as at 30th June, 2002 based on a great number of speculative assumptions would not be meaningful and would be misleading to the shareholders. Therefore the Directors believe it is not appropriate to state herein the value of options granted.

### 4. Number of share options exercised during the period ended 30th June, 2002 :

|   | <b>Date of<br/>offer</b> | <b>No. of<br/>Shares</b> | <b>Exercise<br/>price<br/>(HK\$)</b> | <b>WA Closing<br/>price**<br/>(HK\$)</b> |
|---|--------------------------|--------------------------|--------------------------------------|--|
| Wang Xiaoping   | 11.06.99                 | 100,000                  | 4.308                                | 5.100                                    |
| Aggregate total of<br>employees ( <i>Note 1</i> )     | 11.06.99                 | 140,000                  | 4.308                                | 4.764                                    |
| Aggregate total of other<br>persons ( <i>Note 2</i> ) | 11.06.99                 | 120,000                  | 4.308                                | 4.900                                    |

\*\* The weighted average ("WA") closing price of the shares of the Company immediately before the dates on which the options were exercised.

**5. No share option was cancelled during the period ended 30th June, 2002.****6. Number of share options lapsed during the period ended 30th June, 2002 :**

|  | <b>Date of offer</b> | <b>No. of options</b> |
|--|----------------------|-----------------------|
| Xu Bin                                       | 11.06.99             | 3,000,000             |
| Nie Qingping                                 | 11.06.99             | 1,000,000             |
| Aggregate total of other persons<br>(Note 2) | 21.03.97<br>11.06.99 | 102,000<br>5,000,000  |

*Notes:*

1. *These are employees working under employment contracts that were regarded as "Continuous Contracts" for the purpose of the Hong Kong Employment Ordinance.*
2. *These are former Directors and employees who ceased to be eligible persons after the grant of options. The exercise periods of such options have been extended by the board of Directors at their discretion in accordance with the terms of the scheme.*

Save as disclosed above, at no time during the six months ended 30th June, 2002 was the Company or any of its holding companies, subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors or any of their spouses or children under eighteen 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 30th June, 2002, the following interests in 10% or more in the issued share capital of the Company have been notified to the Company and recorded in the register required to be kept under section 16(1) of the SDI Ordinance:

| <b>Name of shareholder</b>                       | <b>No. of shares<br/>beneficially held</b> | <b>% of total<br/>issued shares</b> |
|--|--|-------------------------------------|
| China Everbright Holdings Company Limited (Note) | 867,119,207                                | 55.465                              |
| Datten Investments Limited (Note)                | 867,119,207                                | 55.465                              |
| Honorich Holdings Limited                        | 867,119,207                                | 55.465                              |

*Note:* Honorich Holdings Limited ("Honorich") is wholly-owned by Datten Investments Limited ("Datten") which in turn is a wholly-owned subsidiary of China Everbright Holdings Company Limited ("Holdings"). Accordingly, Datten and Holdings are deemed to have the same interests in the shares of the Company as Honorich.

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

During the period, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's securities.

## **EMPLOYEES**

As at 30th June, 2002, the number of employees of the Group was 93. Total staff cost for the period under review amounted to approximately HK\$23.3 million as noted in the consolidated income statement. The Group ensures that the remuneration packages for employees are fair and competitive and employees are rewarded on a performance-related basis within the general framework of the Group's salary and bonus scale. Discretionary year end bonus may also be paid to employees based on individual performance. Other benefits to employees include medical insurance, retirement scheme and training programmes. Directors of the Company and full time employees of the Group may be granted share options to subscribe for shares in the Company in accordance with the terms and conditions of the share option scheme approved by the Company at an extraordinary general meeting held on 24th May, 2002.

## **CHANGE OF AUDITORS**

Following the combination of the mainland China and Hong Kong practices of Messrs. Arthur Andersen & Co. and PricewaterhouseCoopers in July 2002, Messrs. Arthur Andersen & Co. resigned as auditors of the Company and its subsidiaries. The notice of resignation received by the Company from Messrs. Arthur Andersen & Co. did not contain any matter which should be brought to the attention of the members and/or creditors of the Company. PricewaterhouseCoopers has been appointed to fill the casual vacancy in the office of auditors of the Company until the conclusion of the next annual general meeting of the Company.

## **AUDIT COMMITTEE**

The audit committee of the Company comprises Mr. Ng Ming Wah, Charles and Mr. Tung Wai, David who are Independent Non-executive Directors. The audit committee has 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 interim financial statements for the six months ended 30th June, 2002 of the Company.

## **COMPLIANCE WITH THE CODE OF BEST PRACTICE**

Save and except that Independent Non-executive Directors are not appointed for a specific term but are subject to retirement by rotation and re-election in accordance with Articles 120 and 121 of the Company's Articles of Association, 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 six months ended 30th June, 2002 in compliance with the Code of Best Practice as set out in Appendix 14 to the Listing Rules.

By order of the Board

**GUO YOU**

*Chief Executive Officer*

Hong Kong, 5th September, 2002