

Corporate Information

BOARD OF DIRECTORS

Zhu Dengshan (Chairman)
Hui Xiao Bing (Vice Chairman)
Gao Jian Min (Managing Director)
Liu Tianni (Deputy Managing Director)
Gu Jianguo
Chen Yongcun
Cheung Chung Kiu
Yuen Wing Shing
Yang Yongsheng
Kang Dian*
Zhang Lu*

* Independent Non-executive Directors

AUDIT COMMITTEE

Kang Dian
Zhang Lu

COMPANY SECRETARY

Tung Tat Chiu, Michael

COMPANY SOLICITORS

Woo, Kwan, Lee & Lo

AUDITORS

Deloitte Touche Tohmatsu
Certified Public Accountants

BANKERS

Bank of China (Hong Kong) Limited
The Hongkong and Shanghai Banking Corporation
Limited
The Citic Ka Wah Bank Limited

SHARE REGISTRARS AND TRANSFER OFFICE

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

REGISTERED OFFICE

Suite 4901 49th Floor
Office Tower, Convention Plaza
1 Harbour Road, Wanchai
Hong Kong

Website: <http://www.irasia.com/listco/hk/silvergrant>

Management Discussion and Analysis

For six months ended 30th June 2002

FINANCIAL REVIEW

The turnover for the first half of 2002 was HK\$73,041,000 which is close to HK\$76,814,000 for the same period in 2001.

Net profit for the first half of 2002 was HK\$70,845,000 representing an increase of 113% from HK\$33,251,000 for the same period in 2001. Earnings per share for the first half of 2002 is 5.4 cents representing an increase of 108% from 2.6 cents for the same period in 2001. The increase in net profit and earnings per share was due mainly to the HK\$21,797,000 increase in profit shared from associates and the effect brought by increased stake in Beijing East Gate Development Limited (“East Gate”) from 58.5% to 87.9%.

The increase in profit shared from associates was due mainly to the HK\$11,442,000 increase in profit contribution from CII Limited (“CII”) and the cessation of sharing losses from associates following the disposal of those loss-making associates.

As to the other income, the Group recorded an exceptional gain of HK\$26,648,000 upon the disposal of interests in SilverNet Group Limited (“Silvernet”) during the first half of 2002. For the same period in 2001, there was also an exceptional gain of HK\$20,410,000 on the disposal of investment securities, which is approximate to the gain on disposal of Silvernet. As a result, there is no material change in the net figure of other income as compared to the figure for the corresponding period in 2001.

BUSINESS REVIEW AND PROSPECT

During the period under review, the Group was still focusing on disposing of its non-core investments and to concentrate resources on developing the investment in the PRC property market and the investment in infrastructure projects in the PRC. The performance of the major businesses is summarized as follows.

PRC Property Investment

Rental from East Gate Plaza remains pretty stable. Gross rental income for the first half of 2002 was HK\$33,113,000, improved slightly from HK\$30,522,000 for the same period in 2001. East Gate has contributed HK\$17,332,000 after tax profit to the Group during the first half of 2002, representing a 50% increase from HK\$11,533,000 for the same period in 2001.

The development progress of the 2,800,000 square feet HaiYunCang redevelopment project is on schedule. The redevelopment works will be completed by the end of the year and is expected to cash in funds in excess of HK\$100,000,000. During the period, East Gate has resolved to invest in and to develop the WangJing project. The project has a site area exceeding 1,500,000 square feet. Total floor area will be approximately 5,500,000 square feet and development work is expected to commence by the end of the year.

The Directors are now negotiating and soliciting several development projects to expand the property development business of East Gate.

Infrastructure Investment

The Group invested in the PRC infrastructure projects through its 50% owned associate CII. CII has contributed HK\$40,678,000 after tax profit to the Group for the first half of 2002, representing an increase of 39% comparing to HK\$29,236,000 for the same period in 2001.

Management Discussion and Analysis

For six months ended 30th June 2002

The project portfolio of CII remains unchanged during the period under review. The performance of individual project has improved and recorded a fair growth in light of the efforts of the CII management on tightening internal control and extensive cooperation and coordination works done with the local joint venture partners.

At present the CII management is seriously considering several potential projects and will invest in the one with good quality. At the same time, the CII management is also reviewing the existing project portfolio and may consider reducing its stake in certain projects according to the growth strategies of CII.

Listed Investment

The Group holds an indirect interest in 250,000,000 H shares in Jiangxi Copper Company Limited (“JCC”) and treated it as an investment in associate. For the first half of 2002, the Group has shared HK\$6,383,000 after tax profit from JCC, which is lower than HK\$12,627,000 for the same period in 2001. The drop in the results of JCC was due mainly to the prolonged poor copper price performance during the period. However, in light of the already significantly reduced world copper prices, the Directors believe that the results of JCC will be improved with the expected increases in world copper price in the future and will bring significant returns to the Group.

High Technology Investment

The Group has disposed of its entire investment in Silvernet during the period and realized cash in excess of HK\$164,974,000. Disposal of interests in Silvernet has contributed HK\$26,648,000 profit to the Group.

Group Strategy and New Businesses

Following the long and gradual process of restructuring in more than one-year period, the Group has substantially achieved the goal of repositioning itself in accordance with the new strategies imposed by the Directors. Going ahead, PRC property development and PRC infrastructure investment will be the two core businesses of the Group. The Directors will concentrate its effort on soliciting quality investments or projects in the aspect of core businesses for the purpose of, on one hand, generating stable and recurring income while on the other hand achieving growth through scale.

The Directors has also resolved to make investments in the finance industry, including but not limited to securities brokerage, insurance and venture capital, both in Hong Kong and in the PRC. The Directors are currently investigating several investment opportunities of this nature for the purpose of starting a new business. The Directors are also actively seeking investments with good quality in these areas.

The Directors are confident that financial investment will eventually become a major source for rapid growth and income.

INTERIM DIVIDEND

The Directors resolved not to recommend any interim dividend for the first half of 2002 (2001: Nil).

By order of the Board

GAO Jian Min

Managing Director

Hong Kong SAR, 18th September 2002

Condensed Consolidated Income Statement

For six months ended 30th June 2002

	Notes	Unaudited	
		Six months ended 30th June	
		2002	2001
		HK\$'000	HK\$'000
Turnover	2	73,041	76,814
Direct operating expenses		(27,892)	(31,157)
		45,149	45,657
Other revenue		27,507	5,589
Administrative expenses		(27,306)	(24,817)
Other operating (expenses) income		(2,321)	1,387
Profit from operations	4	43,029	27,816
Finance costs		(42,597)	(38,629)
Other (expenses) income	5	(180)	28,246
Gain on disposal of an associate		26,648	—
Share of results of associates		47,543	25,746
Profit before taxation		74,443	43,179
Taxation	6	(1,797)	(1,493)
Profit after taxation		72,646	41,686
Minority interest		(1,801)	(8,435)
Net profit for the period		70,845	33,251
Interim dividends		—	—
Earnings per share			
- Basic	7	5.4 cents	2.6 cents
- Diluted		5.4 cents	N/A

Condensed Consolidated Balance Sheet

For six months ended 30th June 2002

	<i>Notes</i>	Unaudited 30th June 2002 HK\$'000	Audited 31st December 2001 HK\$'000
Non-current assets			
Investment properties	8	1,688,334	1,661,414
Property, plant and equipment	8	94,224	96,057
Interest in associates		1,307,096	1,371,068
Investments in securities		2,987	3,916
Goodwill		47,493	50,286
Negative goodwill		(109,800)	(112,768)
Other assets		8,912	9,598
Amount due from a shareholder of an associate - portion due after one year		130,000	162,500
		3,169,246	3,242,071
Current assets			
Trade receivables	9	4,207	1,951
Deposits, prepayments and other receivables		187,729	160,016
Amount due from associates		3,801	17,037
Inventories		679	684
Amount due from a shareholder of an associate - portion due within one year		89,375	81,250
Investments in securities		31,347	26,160
Taxation recoverable		11,333	11,333
Bank balances and cash		236,879	204,839
		565,350	503,270
Current liabilities			
Trade payables	10	9,330	6,882
Accrued charge, rental deposits and other payables		314,204	326,386
Amount due to associates		45,811	26,356
Other loan		100,000	100,000
Provision in respect of borrowings of associate - due within one year		83,950	44,550
Taxation		357	368
Secured bank loans due within one year		623,364	636,136
Secured bank overdrafts		4,045	30,434
Convertible bonds		257,047	293,041
		1,438,108	1,464,153
Net current liabilities		(872,758)	(960,883)
		2,296,488	2,281,188

Condensed Consolidated Balance Sheet

For six months ended 30th June 2002

		Unaudited	Audited
		30th June	31st December
	<i>Notes</i>	2002	2001
		HK\$'000	HK\$'000
Capital and reserves			
Share capital	11	262,444	262,444
Reserves	12	1,764,300	1,691,402
		<u>2,026,744</u>	<u>1,953,846</u>
Minority interest		<u>106,394</u>	<u>104,592</u>
Non-current liabilities			
Provision in respect of borrowings of associate - due after one year		<u>163,350</u>	<u>222,750</u>
		<u>163,350</u>	<u>222,750</u>
		<u>2,296,488</u>	<u><u>2,281,188</u></u>

Condensed Consolidated Statement of Changes in Equity

For six months ended 30th June 2002

	Unaudited	
	Six months ended 30th June 2002 HK\$'000	2001 HK\$'000
At 1st January	1,953,846	1,985,339
Goodwill reserve released to profit upon disposal of an associate	28,303	—
Exchange reserve released to profit upon disposal of an associate	(6)	—
Issue of new shares (net of issuance cost)	—	42,773
Repurchase of shares	—	(56,799)
Investment property revaluation reserve released to profit upon disposal of investment properties	—	(12,796)
Reverse of deferred taxation on revaluation deficit of properties situated in the PRC	—	3,839
Profit for the period	70,845	33,251
Dividend paid during the period	(26,244)	(12,847)
At 30th June	<u>2,026,744</u>	<u>1,982,760</u>

Condensed Consolidated Cash Flow Statement

For six months ended 30th June 2002

	Notes	Unaudited	
		Six months ended 30th June 2002 HK\$'000	2001 HK\$'000
NET CASH OUTFLOW FROM			
OPERATING ACTIVITIES			
	13	19,136	(3,781)
Interest received		5,751	762
Dividend received from an associate		—	23,400
Interest paid		(29,472)	(14,679)
Dividend paid		(26,244)	(12,847)
PRC profit tax paid		(321)	(274)
		<hr/>	<hr/>
NET CASH OUTFLOW FROM			
OPERATING ACTIVITIES			
		(31,150)	(7,419)
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INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(332)	(2,418)
Purchase of investment properties		(30,000)	—
Purchase of subsidiaries (net of cash equivalent acquired)		—	60,112
Advance to associates		—	(79,982)
Proceeds on disposal of investment property		3,880	—
Proceeds on disposal of property, plant and equipment		90	32
Advance from associates		19,455	—
Repayment from associates		13,236	66,778
Sale of other investments		2,349	47,262
Proceeds on disposal of an associate		164,974	—
Purchase of investment securities		(467)	—
		<hr/>	<hr/>
NET CASH INFLOW FROM			
INVESTING ACTIVITIES			
		173,185	91,784
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NET CASH INFLOW BEFORE FINANCING			
		142,035	84,365
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Condensed Consolidated Cash Flow Statement

For six months ended 30th June 2002

<i>Notes</i>	Unaudited	
	Six months ended 30th June	
	2002	2001
	HK\$'000	HK\$'000
FINANCING ACTIVITIES		
Consideration paid on repurchase of convertible bonds	(50,835)	(15,366)
Repurchase of shares	—	(56,798)
Repayment of bank loan	(79,500)	(33,439)
Issue of shares	—	42,773
Funds raised from bank loan	46,729	93,458
	<hr/>	<hr/>
NET CASH (OUTFLOW) INFLOW FROM FINANCING ACTIVITIES	(83,606)	30,628
	<hr/>	<hr/>
INCREASE IN CASH AND CASH EQUIVALENTS	58,429	114,993
	<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	174,405	211,293
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CASH AND CASH EQUIVALENT AT END OF PERIOD	232,834	326,286
	<hr/> <hr/>	<hr/> <hr/>
Analysis of cash and cash equivalent:		
Cash and bank balances	236,879	326,286
Bank overdraft	(4,045)	—
	<hr/>	<hr/>
	232,834	326,286
	<hr/> <hr/>	<hr/> <hr/>

Notes to the Condensed Consolidated Accounts

For six months ended 30th June 2002

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited condensed consolidated interim accounts are prepared in accordance with Hong Kong Statement of Standard Accounting Practice (“SSAP”) No.25 “Interim Financial Reporting” issued by the Hong Kong Society of Accountants and the disclosure requirements under Appendix 16 of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

These condensed consolidated interim accounts should be read in conjunction with the 2001 annual accounts.

The accounting policies and methods of computation used in the preparation of these accounts are consistent with those used in the annual accounts for the year ended 31st December 2001 except for the changes in accounting policies to comply with new and revised SSAPs, which are effective for accounting periods commencing on or after 1st January 2002 as detailed below:

Certain presentation changes have been made upon the adoption of SSAP No.1 (revised) “Presentation of Financial Statements” and SSAP No.15 (revised) “Cash Flow Statement”.

2. TURNOVER

	Unaudited	
	Six months ended 30th June	
	2002	2001
	HK\$'000	HK\$'000
Turnover is analyzed as follows:		
Rental income	38,005	55,660
Proceeds from trading of securities	6,770	—
Management fee income	28,212	20,346
Dividend income from listed securities	54	808
	<u>73,041</u>	<u>76,814</u>

Notes to the Condensed Consolidated Accounts

For six months ended 30th June 2002

3. SEGMENT INFORMATION

The presentation of segment information has been revised so as to be consistent with the presentation adopted in the audited annual report for the year ended 31st December 2001. As a result, the 2001 segment information presentation has been revised with certain comparative figures being restated.

Business segments:

	For six months ended 30th June 2002 (Unaudited)						Total HK\$'000
	Investments HK\$'000	Property leasing HK\$'000	Property management HK\$'000	Retailing management HK\$'000	Infra- structure projects HK\$'000	e-commerce business HK\$'000	
Turnover	6,824	38,005	28,212	—	—	—	73,041
Segment results	11,384	30,357	1,313	—	—	—	43,054
Loss on repurchase of convertible bonds							(980)
Unallocated corporate expenses							(12,725)
Interest expenses (net)							(29,097)
Gain on disposal of an associate							26,648
Share of net profit (losses) of associates	7,710	(228)	—	—	40,678	(617)	47,543
Profit before taxation							74,443
Taxation							(1,797)
Profit after taxation							72,646
Minority interest	—	(1,738)	(63)	—	—	—	(1,801)
Net profit for the period							70,845

Notes to the Condensed Consolidated Accounts

For six months ended 30th June 2002

3. SEGMENT INFORMATION — continued

	For six months ended 30th June 2001 (Unaudited)						Total HK\$'000
	Investments HK\$'000	Property	Property	Retailing	Infra-	e-commerce	
		leasing	management	management	structure	business	
Turnover	808	55,660	20,346	—	—	—	76,814
Segment results	25,307	40,727	7,272	—	—	—	73,306
Profit on repurchase of convertible bonds							4,270
Unallocated corporate expenses							(22,208)
Interest expenses (net)							(37,935)
Share of net profit (losses) of associates	3,302	(4,569)	—	(613)	29,236	(1,610)	25,746
Profit before taxation							43,179
Taxation							(1,493)
Profit after taxation							41,686
Minority interest	—	(8,181)	(254)	—	—	—	(8,435)
Net profit for the period							33,251

Geographical segments:

	Unaudited			
	Turnover		Operating profit after finance costs and other income (expenses)	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Hong Kong	9,006	2,861	14,330	42,071
The PRC, excluding Hong Kong	64,035	73,953	27,744	35,505
	<u>73,041</u>	<u>76,814</u>	<u>42,074</u>	<u>77,576</u>
Unallocated corporate expenses			(12,725)	(22,208)
Finance cost (net)			(29,097)	(37,935)
Operating profit after finance costs and other income (expenses)			<u>252</u>	<u>17,433</u>

Notes to the Condensed Consolidated Accounts

For six months ended 30th June 2002

4. PROFIT FROM OPERATIONS

	Unaudited	
	Six months ended 30th June	
	2002	2001
	HK\$'000	HK\$'000
<i>Profit from operations has been arrived at after charging:</i>		
Depreciation	1,551	1,772
Amortization of convertible bonds issuing cost	632	1,328
Amortization of goodwill	2,793	1,397
Loss on disposal of property, plant and equipment	525	—
	<u>13,500</u>	<u>694</u>
<i>And after crediting:</i>		
Interest income	13,500	694
Gain on disposal of property, plant and equipment	—	14
Release to income of negative goodwill	2,968	2,784
	<u>2,968</u>	<u>2,784</u>

5. OTHER (EXPENSES) INCOME

	Unaudited	
	Six months ended 30th June	
	2002	2001
	HK\$'000	HK\$'000
Profit on disposal of investment property	800	—
Unrealized gain on investment securities	—	3,566
Realized gain on investment securities	—	20,410
(Loss) Profit on repurchase of convertible bonds	(980)	4,270
	<u>(180)</u>	<u>28,246</u>

Notes to the Condensed Consolidated Accounts

For six months ended 30th June 2002

6. TAXATION

	Unaudited	
	Six months ended 30th June	
	2002	2001
	HK\$'000	HK\$'000
The charge comprises:		
Company and subsidiaries		
Income tax in the PRC, excluding Hong Kong	<u>310</u>	<u>1,250</u>
Share of taxation of associates		
Income tax in the PRC, excluding Hong Kong	<u>1,487</u>	<u>243</u>
	<u><u>1,797</u></u>	<u><u>1,493</u></u>

No provision for Hong Kong Profits Tax has been made, as the Group has no assessable profit for the period and the previous period.

No deferred tax has been provided, as there is no significant timing difference arising during the period and previous period or as at the period end date and that of the previous period.

7. EARNINGS PER SHARE

	Unaudited	
	Six months ended 30th June	
	2002	2001
	HK\$'000	HK\$'000
Earnings for the purpose of basic and diluted earnings per share	<u>70,845</u>	<u>33,251</u>
	No. of shares (in thousand)	
	2002	2001
Weighted average number of shares for the purpose of basic earnings per share	<u>1,312,222</u>	<u>1,282,428</u>
Effect of dilutive potential ordinary shares from share options	<u>5,114</u>	<u>—</u>
Weighted average number of shares for the purpose of diluted earnings per share	<u><u>1,317,336</u></u>	<u><u>1,282,428</u></u>

There is no potential dilutive effect on the conversion of the outstanding convertible bonds for the period and the previous period.

Notes to the Condensed Consolidated Accounts

For six months ended 30th June 2002

8. INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT

	Unaudited	
	Investment properties	Property, Plant and equipment
	HK\$'000	HK\$'000
Net book value at 1st January 2002	1,661,414	96,057
Additions	30,000	332
Disposal	(3,080)	(889)
Depreciation	—	(1,276)
	<u>1,688,334</u>	<u>94,224</u>
Net book value at 30th June 2002	<u>1,688,334</u>	<u>94,224</u>

9. TRADE RECEIVABLES

The Group allows an average credit period of 30 days to its trade customers.

The following is the aged analysis of trade receivables at the balance sheet date:

	Unaudited	Audited
	30th June	31st December
	2002	2001
	HK\$'000	HK\$'000
0 to 30 days	1,009	1,630
31 to 90 days	3,040	275
Over 90 days	158	46
	<u>4,207</u>	<u>1,951</u>
	<u>4,207</u>	<u>1,951</u>

10. TRADE PAYABLES

The following is the aged analysis trade payables at the balance sheet date:

	Unaudited	Audited
	30th June	31st December
	2002	2001
	HK\$'000	HK\$'000
0 to 30 days	2,092	1,921
31 to 90 days	981	2,395
Over 90 days	6,257	2,566
	<u>9,330</u>	<u>6,882</u>
	<u>9,330</u>	<u>6,882</u>

Notes to the Condensed Consolidated Accounts

For six months ended 30th June 2002

11. SHARE CAPITAL

The movements in the share capital of the Company are summarized as follows:

	Unaudited	
	Number of shares	Share capital
		HK\$'000
<i>Authorised:</i>		
Balance at 1st January 2001, 30th June 2001 and 1st January 2002 and 30th June 2002, ordinary shares of HK\$0.2 each	2,000,000,000	400,000
<i>Issued and fully paid:</i>		
Balance at 1st January 2001	1,284,684,100	256,937
Issue of shares upon exercise of warrants	50,925,295	10,185
Repurchase and cancellation of shares	(57,636,000)	(11,527)
Balance at 30th June 2001	1,277,973,395	255,595
Balance at 1st January 2002 and 30th June 2002	1,312,221,611	262,444

12. RESERVES

	Asset		Goodwill reserve	Capital reserve	Other reserve	Exchange reserve	Retained profits	Total
	Share premium	revaluation reserve						
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Unaudited								
At 31st December 2001	1,210,737	14,858	(28,303)	12,233	28,306	3,105	450,466	1,691,402
Released on disposal of an associate	—	—	28,303	—	—	(6)	—	28,297
Net profit for the period	—	—	—	—	—	—	70,845	70,845
Dividend paid	—	—	—	—	—	—	(26,244)	(26,244)
As 30th June 2002	1,210,737	14,858	—	12,233	28,306	3,099	495,067	1,764,300
Investment								
	Asset		Goodwill reserve	Capital reserve	Other reserve	Exchange reserve	Retained profits	Total
	Share premium	revaluation reserve						
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Unaudited								
At 31st December 2000	1,202,160	14,666	94,787	(16,069)	23,415	(3,005)	412,448	1,728,402
Premium on issue of shares	32,592	—	—	—	—	—	—	32,592
Issue cost	(4)	—	—	—	—	—	—	(4)
Cancelled on share repurchase	(45,271)	—	—	—	—	—	—	(45,271)
Realized upon disposal of investment Property	—	—	(12,796)	—	—	—	—	(12,796)
Reversal of deferred Taxation in PRC	—	—	3,839	—	—	—	—	3,839
Net profit for the year	—	—	—	—	—	—	33,251	33,251
Dividend paid	—	—	—	—	—	—	(12,847)	(12,847)
As 30th June 2001	1,189,477	14,666	85,830	(16,069)	23,415	(3,005)	432,852	1,727,165

Notes to the Condensed Consolidated Accounts

For six months ended 30th June 2002

13. RECONCILIATION OF PROFIT BEFORE TAXATION TO NET CASH INFLOW (OUTFLOW) FROM OPERATING ACTIVITIES

	Unaudited	
	Six months ended 30th June	
	2002	2001
	HK\$'000	HK\$'000
Profit before taxation	74,443	43,179
Share of results of associates	(47,543)	(25,746)
Amortization of direct issuance costs of convertible bonds	632	1,328
Amortization of goodwill	2,793	1,397
Repair and maintenance funds expensed	686	686
Depreciation	1,551	1,772
Release of negative goodwill	(2,968)	(2,784)
Interest income	(13,500)	(694)
Interest expenses	41,965	37,301
Gain on disposal of investment property	(800)	—
Unrealized gain on other investment	—	(3,566)
Gain on other investment	(953)	(20,410)
Loss (gain) on disposal of property, plant and equipment	525	(14)
Gain on disposal of an associate	(26,648)	—
Loss (gain) on repurchase of convertible bonds	980	(4,270)
Decrease in deposits, prepayments and other receivables	2,886	127,664
Decrease in inventories	4	15,598
Increase in marketable securities	(5,187)	(10,227)
Decrease in accrued charges, rental deposits and other payables	(9,730)	(164,995)
Net cash inflow (outflow) from operating activities	<u>19,136</u>	<u>(3,781)</u>

Other Information

For six months ended 30th June 2002

DIRECTOR'S INTEREST IN SHARES

The interest of the directors and the Company's chief executives or any of its associates corporations as recorded in the register to be kept under section 29 of the Securities (Disclosure of Interest) Ordinance of the laws of Hong Kong (the "SDI Ordinance") at 30th June 2002 were as follows:

Name of director	Number of Ordinary shares	Approximate percentage of shareholding
Cheung Chung Kiu (<i>Note</i>)	35,994,000	2.7%

Note: Oriental Pearl Holdings Limited, a company controlled by Oriental Pearl Trust, of which Mr. Cheung Chung Kiu and his family are the beneficiaries, directly holds 35,994,000 shares in the Company.

Other than as disclosed above and in the section below headed "Director's right to acquire shares or debenture" and "Substantial shareholders", none of the directors held any interest in the share capital of the Company or its associated corporations 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.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURE

On 27th May 2002, the shareholders of the Company approved the termination of (to the effect that no further options shall be offered) of the share option scheme adopted by the Company on 26th June 1995 (the "Old Option Scheme") and the adoption of a new share option scheme (the "New Option Scheme"). The New Option Scheme is designed to motivate executives and key employees in the service of any member of the Group and other person(s) who may make a contribution to the Group to optimize their future contribution to the Group and enable the Group to attract and retain individuals with experience and ability and to reward individuals for future performance.

According to the register maintained by the Company pursuant to Section 29 of the SDI Ordinance, certain directors of the Company were granted share options (pursuant to the New Option Scheme).

Other Information

For six months ended 30th June 2002

Movements during the period of share options granted to the directors and other employees under the Old Option Scheme and the New Option Scheme are set out below:

	Exercisable period	Subscription price per share	Outstanding at 1.1.2002	Granted during the Period (Note)	Outstanding at 30.6.2002
Directors					
Gao Jian Min	9.1.1997-8.1.2007	0.967	15,000,000	—	15,000,000
	7.6.2002-6.6.2012	0.700	—	5,000,000	5,000,000
Gu Jianguo	27.7.1999-26.7.2009	0.900	2,000,000	—	2,000,000
Chen Yongcun	25.7.2001-24.7.2011	0.535	2,000,000	—	2,000,000
	7.6.2002-6.6.2012	0.700	—	5,000,000	5,000,000
Liu Tianni	27.7.1999-26.7.2009	0.900	2,000,000	—	2,000,000
	25.7.2001-24.7.2011	0.535	3,000,000	—	3,000,000
	7.6.2002-6.6.2012	0.700	—	5,000,000	5,000,000
Other employees					
	9.1.1997-8.01.2007	0.967	15,000,000	—	15,000,000
	27.7.1999-26.7.2009	0.900	16,000,000	—	16,000,000
	25.7.2001-24.7.2011	0.535	21,000,000	—	21,000,000
	7.6.2002-6.6.2012	0.700	—	55,000,000	55,000,000
			76,000,000	70,000,000	146,000,000

Note: The Stock Exchange closing price of the Company's share on 7th June 2002 being the date immediately before the grant of options was HK\$0.69.

No option was exercised or lapsed during the period.

No consideration was paid for the share options granted. The financial impact of the share options granted is not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no charge is recorded in the income statement or balance sheet for their costs. Upon the exercise of the share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded in the share premium account.

The fair value of share options granted during the period with the exercise price per share of HK\$0.70 is estimated at HK\$0.37 per share using the Black-Scholes option-pricing model. The fair value is estimated basing on the risk-free rate of 4.39% per annum (with reference to the June 2002 rate of 5-year Exchange Fund Notes close to the date of granting the share options) and an expected volatility (deduced from one-year period historical volatility) of 57.80%, assuming no dividends and an expected option life of 5 years.

Other Information

For six months ended 30th June 2002

The Black-Scholes option-pricing model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. In addition, such option-pricing model requires input of highly subjective assumptions, including the expected stock price volatility. As the characteristics of the option granted during the year are significantly different from those of publicly traded options and any changes in the subjective inputs may materially affect the fair value estimate, the Black-Scholes option-pricing model does not necessarily provide a reliable measure of the fair value of the share options.

Other than as disclosed above, at no time during the period was the Company or its subsidiaries a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debenture of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

As at 30th June 2002, the register of substantial shareholders maintained by the Company pursuant to Section 16(1) of the SDI Ordinance (“Register of Substantial Shareholders”) shows that the following shareholders had interest of 10% or more in the share capital of the Company:

Name of shareholder	Number of ordinary shares
Silver Grant International Holdings Limited (<i>note 1</i>)	198,820,022
Catic Limited (<i>note 2</i>)	175,768,000

Notes:

1. Messrs. Hui Xiao Bing and Gao Jian Min, both of whom are directors of the Company, each has a 30% interest in Silver Grant International Holdings Limited as at 30th June 2002.
2. Catic Limited is an indirect wholly-owned subsidiary of China Cinda Asset Management Corporation through Well Kent International Investment Company Limited. 175,768,000 shares in the Company are beneficially owned by Catic Limited in its name and in the name of HKSCC Nominees Limited.

Save as disclosed above, the Register of Substantial Shareholders showed that the Company had not been notified of any interest representing 10% or more of the issued share capital of the Company as at 30th June 2002.

PURCHASE, SALE AND REDEMPTION OF THE GROUP'S LISTED SECURITIES

During the period, the Group repurchased and cancelled certain convertible bonds of an aggregate principal amount of HK\$36,738,000 at a total consideration of approximately HK\$50,835,000. Total amount of convertible bonds outstanding as at 30th June 2002 amounted to approximately HK\$ 257,205,000.

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

STAFFING

As at 30th June 2002, the Company and its subsidiaries had approximately 1,200 employees. Remuneration of employees is maintained at competitive levels. Bonuses are granted on a discretionary basis depending on the performance of particular employee. Other employee benefits include mandatory provident fund, insurance and medical cover as well as share option scheme.

EXCHANGE EXPOSURE AND HEDGING

The Group's rental income from PRC property leasing and the returns from PRC infrastructure investments are both denominated mainly in RMB. As RMB is currently not a freely exchangeable currency, the related exchange risk is difficult to quantify. However, the Directors are of the opinion that the prevailing RMB to HKD exchange rate will not change significantly in the short-term and do not give rise to any significant exchange risk to the Group.

Other than the convertible bonds, which is denominated in USD, the rest of the debts of the Group are mainly in HKD and RMB. Since the USD denominated convertible bonds has, to a large extent, been redeemed before the date of this report, therefore the Directors do not anticipate any significant exchange risk in term of debts.

The Group does not take any contractual arrangement to hedge exchange exposure.

LIQUIDITY AND LOANS

Other than the convertible bonds, the Group's total bank loan as at 30th June 2002 amounted to approximately HK\$874,709,000 of which HK\$623,364,000 is the equivalent amount of a RMB working capital loan drawn by East Gate which is a short-term revolving loan drawn under a long-term master facility. The remaining portion is mainly a long-term loan drawn to finance the Group's investment in JCC.

After the balance sheet date, the Group has, by utilizing internal resources as supplemented by borrowings, redeemed the Group's convertible bonds (see the section "post balance sheet event" for details). Following the redemption of the convertible bonds, the Group has no significant borrowings that are repayable in the short-term.

The Directors has also made projections and concluded that the operating cashflow is adequate to finance the Group's working capital needs.

As at 30th June 2002, the Group's gearing ratio was 44% with interest cover of 2.8 times.

Note: Gearing ratio = Net debts / Shareholders' Equity

Interest cover = Profit before interest and tax / Total interest expenses

PLEDGE OF ASSETS

The Group has pledged its investment properties and leasehold properties which have an aggregate carrying value as at the balance sheet date of approximately HK\$1,578,147,000 (31st December 2001: HK\$1,581,227,000) and HK\$47,100,000 (31st December 2001: HK\$31,000,000) respectively to secure general banking facilities granted to the Group.

The Group has also pledged its investment in Nonferrous Metals International (BVI) Limited in favour of a bank to secure a bank loan granted to Nonferrous Metals International Limited ("NMIL") of HK\$297,000,000. The Group has also executed a second mortgage over certain investment properties and leasehold properties pledged to a bank with carrying value as at the balance sheet date of approximately HK\$61,220,000 and HK\$13,000,000 respectively to secure the bank loan granted to NMIL.

Other Information

For six months ended 30th June 2002

CONTINGENT LIABILITIES

The Group has provided a guarantee in respect of a bank loan granted to a wholly-owned subsidiary of an associate amounting to approximately HK\$233,645,000 (31st December 2001: 233,645,000), to secure 52% of such loan amount. The amount of the bank loan outstanding as at the balance sheet date amounted to approximately HK\$233,645,000 (31st December 2001: HK\$233,645,000).

The Company guaranteed the issue of USD115,000,000 (equivalent to HK\$897,000,000) convertible bonds by Silver Grant International Industries (Cayman) Limited, the Company's wholly owned subsidiary. As at 30th June 2002, the total convertible bonds outstanding amounted to approximately HK\$257,205,000 (31st December: HK\$293,943,000). The bonds may be redeemed at the option of the holders of the bonds on 19th August 2002 at 142.025 per cent. of their principal amount plus accrued interest. Unpaid interest and premium on redemption in respect of the bonds accrued upto 30th June 2002 amounted to approximately HK\$107,800,000 (31st December 2001: HK\$106,950,000).

AUDIT COMMITTEE

The Group has an audit committee comprising the two independent non-executive directors of the Company.

The audit committee has reviewed the unaudited interim accounts, this interim report and discussed with management the accounting principles and practices and discussed the internal controls and the financial reporting system of the Group.

CORPORATE GOVERNANCE

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 accounting period covered by this interim report, in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules.

DISCLOSURE UNDER PRACTICE NOTE 19 OF THE LISTING RULES

During the period, CII has repaid certain of its bank loans and released the Group from the guarantee given in respect those loans. As at 30th June 2002, the total amount of advances made by the Group to its affiliated companies and the amount of guarantees on banking facilities given by the Group has decreased to below 25% of the Group's net asset value as at 31st December 2001.

POST BALANCE SHEET EVENTS

Holders holding principal amount of approximately HK\$255,645,000 bonds has exercised put option for the mandatory redemption of the Group's convertible bonds. The bonds were redeemed at a total consideration of approximately HK\$365,652,000 inclusive of coupon interest on 19th August 2002. Following the mandatory redemption, only HK\$1,560,000 in principal of convertible bonds remains outstanding. The outstanding bonds will mature on 19th August 2004 and will be redeemed at approximately HK\$2,216,000 including premium but excluding coupon interest.