

## INTERIM RESULTS

The board of directors (the “Directors”) of Sino-i.com Limited (“the Company”) hereby announces the unaudited consolidated results of the Company and its subsidiaries (“the Group”) for the six months ended 30 September 2002 as follows:

### CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT – UNAUDITED

*For the six months ended 30 September 2002*

	Notes	For the six months ended 30 September	
		2002 HK\$'000	2001 HK\$'000
<b>Turnover</b>	2	<b>173,456</b>	218,486
Cost of sales and services provided		<b>(89,523)</b>	(125,741)
<b>Gross profit</b>		<b>83,933</b>	92,745
Other revenue	3	<b>88,686</b>	96,530
Administrative expenses		<b>(84,070)</b>	(77,167)
Depreciation and amortisation	4	<b>(42,639)</b>	(23,993)
Other operating expenses		<b>(18,403)</b>	(18,252)
<b>Profit from operations</b>	4	<b>27,507</b>	69,863
Finance costs	5	<b>(16,671)</b>	(29,625)
Share of results of associates		<b>(223)</b>	116
<b>Profit before taxation</b>		<b>10,613</b>	40,354
Taxation	6	<b>(27)</b>	(612)
<b>Profit before minority interests</b>		<b>10,586</b>	39,742
Minority interests		<b>(7,311)</b>	(27,386)
<b>Profit for the period attributable to shareholders</b>		<b>3,275</b>	12,356
		<b>HK cents</b>	HK cents
<b>Earnings per share</b>	8		
– Basic		<b>0.024</b>	0.24
– Diluted		<b>N/A</b>	N/A

**CONDENSED CONSOLIDATED BALANCE SHEET***As at 30 September 2002*

	<i>Notes</i>	<b>(Unaudited) 30 September 2002 HK\$'000</b>	<b>(Audited) 31 March 2002 HK\$'000</b>
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment		<b>543,027</b>	546,586
Interests in associates		<b>(7,260)</b>	(7,426)
Interest in a jointly controlled entity		–	89
Long term investments		<b>242,093</b>	236,623
Land held for development		<b>3,702,494</b>	3,693,973
Intangible assets		<b>353,982</b>	368,270
		<b>4,834,336</b>	4,838,115
<b>Current assets</b>			
Inventories		<b>24,858</b>	30,663
Short term investments		<b>688</b>	1,649
Trade and other receivables	9	<b>373,460</b>	264,567
Amounts due from related companies		<b>891</b>	30,719
Cash at banks and in hand		<b>12,295</b>	262,102
		<b>412,192</b>	589,700
<b>Current liabilities</b>			
Trade and other payables	10	<b>280,341</b>	283,684
Provision for tax		<b>6,574</b>	6,243
Land premium payables		<b>305,288</b>	309,917
Amount due to a director		<b>41,028</b>	22,111
Amounts due to shareholders		<b>9,202</b>	9,269
Bank and other borrowings		<b>327,733</b>	525,106
		<b>970,166</b>	1,156,330
<b>Net current liabilities</b>		<b>(557,974)</b>	(566,630)

**CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)***As at 30 September 2002*

	<i>Notes</i>	<b>(Unaudited) 30 September 2002 HK\$'000</b>	(Audited) 31 March 2002 HK\$'000
<b>Total assets less current liabilities</b>		<b>4,276,362</b>	4,271,485
<b>Non-current liabilities</b>			
Bank and other borrowings		<b>643,220</b>	648,984
Deposit received		<b>28,163</b>	28,163
Deferred tax		<b>790</b>	790
		<b>672,173</b>	677,937
<b>Minority interests</b>		<b>917,627</b>	910,734
<b>Net assets</b>		<b>2,686,562</b>	2,682,814
<b>CAPITAL AND RESERVES</b>			
Share capital	<i>11</i>	<b>1,391,450</b>	1,391,450
Share premium		<b>472,736</b>	472,736
Reserves		<b>822,376</b>	818,628
<b>Shareholders' funds</b>		<b>2,686,562</b>	2,682,814

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT – UNAUDITED***For the six months ended 30 September 2002*

	For the six months ended 30 September	
	2002 HK\$'000	2001 HK\$'000
Net cash outflow from operating activities	<b>(6,895)</b>	(7,200)
Net cash outflow from investing activities	<b>(39,829)</b>	(49,571)
Net cash (outflow)/inflow from financing activities	<b>(203,329)</b>	41,725
Decrease in cash and cash equivalents	<b>(250,053)</b>	(15,046)
Cash and cash equivalents at 1 April	<b>258,738</b>	(61,455)
Effect of foreign exchange rate changes, net	<b>54</b>	2
Cash and cash equivalents at 30 September	<b>8,739</b>	(76,499)
<b>Analysis of balances of cash and cash equivalents</b>		
Cash at banks and in hand	<b>12,295</b>	9,155
Bank overdrafts	<b>(3,556)</b>	(85,654)
	<b>8,739</b>	(76,499)

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY - UNAUDITED

For the six months ended 30 September 2002

	Share capital	Share premium	Capital redemption reserve	General reserve	Currency translation reserve	Retained profits/ (Accumulated losses)	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2002	1,391,450	472,736	2,258	(33,408)	(2,074)	851,852	2,682,814
Reserve from acquisition of additional interest in an associate	-	-	-	(2)	-	-	(2)
Reserve attributable to minority shareholders	-	-	-	422	-	-	422
Exchange difference	-	-	-	-	53	-	53
Profit for the period attributable to shareholders	-	-	-	-	-	3,275	3,275
<b>At 30 September 2002</b>	<b>1,391,450</b>	<b>472,736</b>	<b>2,258</b>	<b>(32,988)</b>	<b>(2,021)</b>	<b>855,127</b>	<b>2,686,562</b>
At 1 April 2001	1,957,252	472,736	2,258	131,897	(5,946)	(681,462)	1,876,735
Movement arising from reduction of nominal value of shares	(1,565,802)	-	-	-	-	1,565,802	-
Conversion of convertible notes	700,000	-	-	-	-	-	700,000
Exchange difference	-	-	-	-	2	-	2
Profit for the period attributable to shareholders	-	-	-	-	-	12,356	12,356
<b>At 30 September 2001</b>	<b>1,091,450</b>	<b>472,736</b>	<b>2,258</b>	<b>131,897</b>	<b>(5,944)</b>	<b>896,696</b>	<b>2,589,093</b>

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2002

### 1. PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements are prepared in compliance with Hong Kong Statement of Standard Accounting Practice (“SSAP”) 25 “Interim Financial Reporting” and Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The accounting policies and basis of preparation used in the preparation of the interim condensed financial statements are the same as those used in the audited financial statements for the year ended 31 March 2002, except for those changes as a result of adoption of the following SSAPs issued by the Hong Kong Society of Accountants which are effective for accounting periods commencing on or after 1 January 2002:

SSAP 1 (revised)	Presentation of financial statements
SSAP 11 (revised)	Foreign currency translation
SSAP 15 (revised)	Cash flow statements
SSAP 34	Employee benefits

The adoption of the above SSAPs has no material effect on the condensed financial statements of the Group for the current and prior period.

## 2. SEGMENT INFORMATION

(a) The following analysis presents turnover and profit for the Group's business segments for the period ended 30 September 2002:

	Turnover		Profit/(Loss)	
	Six months ended		Six months ended	
	30 September		30 September	
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Information technology business	<b>76,603</b>	69,179	<b>12,144</b>	14,780
Provision of financial information	<b>37,736</b>	29,825	<b>9,383</b>	23,786
Consumer packaged electronics	<b>14,307</b>	61,927	<b>(27,546)</b>	(16,973)
Electronic manufacturing services	<b>19,853</b>	38,309	<b>(839)</b>	3,105
Telecommunication products	-	3,586	<b>(4)</b>	(16,960)
Property development	<b>73</b>	71	<b>(13,607)</b>	(1,771)
Sales of securities	<b>16,055</b>	6,665	<b>(507)</b>	(9,711)
Hotel operation	<b>6,615</b>	7,540	<b>(735)</b>	(1,096)
Property investment	<b>1,297</b>	1,299	<b>764</b>	570
Other segment	<b>917</b>	85	<b>(3,724)</b>	(1,176)
	<b><u>173,456</u></b>	<u>218,486</u>	<b><u>(24,671)</u></b>	<u>(5,446)</u>
Sundry income			<b>1,646</b>	8,415
Liabilities waived by unsecured creditors			-	84,593
Gain on disposal of a jointly controlled entity			<b>3,480</b>	-
Gain on partial disposal of interest in property development project			<b>71,438</b>	-
Unallocated corporate expenses			<b>(24,386)</b>	(17,699)
Profit from operations			<b>27,507</b>	69,863
Finance costs			<b>(16,671)</b>	(29,625)
Share of results of associates			<b>(223)</b>	116
Profit before taxation			<b>10,613</b>	40,354
Taxation			<b>(27)</b>	(612)
Profit before minority interests			<b>10,586</b>	39,742
Minority interests			<b>(7,311)</b>	(27,386)
Profit attributable to shareholders			<b><u>3,275</u></b>	<u>12,356</u>

## 2. SEGMENT INFORMATION (CONTINUED)

(b) The following analysis presents the Group's turnover by geographical markets:

	Turnover	
	Six months ended	
	30 September	
	2002	2001
	HK\$'000	HK\$'000
Europe	<b>2,200</b>	28,112
United States of America/Canada	<b>8,940</b>	31,034
Hong Kong	<b>30,856</b>	8,059
The People's Republic of China ("PRC")	<b>124,966</b>	106,604
Others	<b>6,494</b>	44,677
	<b>173,456</b>	218,486

## 3. OTHER REVENUE

	For the six months	
	ended 30 September	
	2002	2001
	HK\$'000	HK\$'000
Negative goodwill released	<b>12,122</b>	3,522
Gain on partial disposal of interest in property development project ( <i>Note</i> )	<b>71,438</b>	-
Gain on disposal of a jointly controlled entity	<b>3,480</b>	-
Liabilities waived by unsecured creditors	-	84,593
Sundry income	<b>1,646</b>	8,415
	<b>88,686</b>	96,530

*Note:* The gain is attributable to the Group's partial disposal of its interest in property development project undertaken by Nanjing Hanxi Real Estate Development Co. Ltd.



#### 4. PROFIT FROM OPERATIONS

The Group's profit from operations is arrived at after charging:

	For the six months ended 30 September	
	2002	2001
	HK\$'000	HK\$'000
Amortisation of goodwill	<b>19,032</b>	8,048
Amortisation of product development costs	<b>916</b>	1,775
Amortisation of proprietary software	<b>3,935</b>	–
Depreciation	<b>15,203</b>	14,170
Provision for impairment in goodwill	<b>3,553</b>	–
Provision for impairment in value of land held for development	<b>12,887</b>	–
	<b>12,887</b>	–

#### 5. FINANCE COSTS

	For the six months ended 30 September	
	2002	2001
	HK\$'000	HK\$'000
Interest on		
Bank loans and overdrafts		
– wholly repayable within five years	<b>18,220</b>	23,274
– not wholly repayable within five years	<b>2,771</b>	–
Other loans and convertible notes		
– wholly repayable within five years	<b>8,256</b>	6,346
Finance leases	<b>33</b>	5
	<b>29,280</b>	29,625
Less: Amounts capitalised under land held for development	<b>(12,609)</b>	–
	<b>16,671</b>	29,625

## 6. TAXATION

Taxation in the condensed consolidated profit and loss account represents:

	<b>For the six months ended 30 September</b>	
	<b>2002</b>	<b>2001</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Provision for the period:		
Overseas	<b>(27)</b>	(612)
Taxation charges for the period	<b>(27)</b>	(612)

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the period (2001: Nil).

Overseas taxation has been provided on the profits of the overseas subsidiaries in accordance with tax laws of the country in which these subsidiaries operate.

## 7. DIVIDENDS

The Directors have resolved not to declare an interim dividend for the six months ended 30 September 2002 (2001: Nil).

## 8. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the net profit attributable to shareholders for the period ended of HK\$3,275,000 (2001: HK\$12,356,000) and the weighted average number of 13,914,504,877 (2001: 5,215,051,325) ordinary shares in issue during the period.

As the exercise prices of potential ordinary shares outstanding during the period are higher than the average market price of the Company's share during the period, the diluted earnings per share for the period ended 30 September is not presented because the impact of the exercise of the potential ordinary shares is anti-dilutive.

## 9. TRADE AND OTHER RECEIVABLES

A defined credit policy is maintained within the Group. The age analysis of trade debtors as at 30 September 2002 was as follows:

	<b>30 September 2002 HK\$'000</b>	31 March 2002 HK\$'000
Trade receivables, analysed according to aging:		
0-90 days	<b>50,724</b>	14,271
91-180 days	<b>4,450</b>	39,597
181-270 days	<b>33,617</b>	1,740
271-360 days	<b>1,478</b>	2,992
Over 360 days	<b>14,623</b>	24,553
Less: Provisions	<b>(16,424)</b>	(18,877)
	<b>88,468</b>	64,276
Prepayments, deposits and other receivables	<b>293,483</b>	208,365
Less: Provisions	<b>(8,491)</b>	(8,074)
	<b>373,460</b>	264,567

## 10. TRADE AND OTHER PAYABLES

The age analysis of trade creditors as at 30 September 2002 was as follows:

	<b>30 September 2002 HK\$'000</b>	31 March 2002 HK\$'000
Trade payables, analysed according to aging:		
0-90 days	<b>5,777</b>	8,926
91-180 days	<b>548</b>	5,618
181-270 days	<b>795</b>	2,458
271-360 days	<b>1,488</b>	269
Over 360 days	<b>3,251</b>	2,050
	<b>11,859</b>	19,321
Other payables and accruals	<b>268,482</b>	264,363
	<b>280,341</b>	283,684

## 11. SHARE CAPITAL

	Number of ordinary shares	HK\$'000
Authorised:		
At 1 April 2002 and 30 September 2002	<b>30,000,000,000</b>	<b>3,000,000</b>
Issued and fully paid:		
At 1 April 2002 and 30 September 2002	<b>13,914,504,877</b>	<b>1,391,450</b>

## 12. CONTINGENT LIABILITIES

As at 30 September 2002, the Group had the following contingent liabilities:

	30 September 2002 HK\$'000	31 March 2002 HK\$'000
Guarantee given in connection with credit facilities granted to:		
– An associate	<b>8,248</b>	7,235
– Former subsidiaries	<b>116,078</b>	118,249
– A minority shareholder of a former subsidiary	<b>38,064</b>	33,957
– Third party	<b>37,037</b>	37,037
	<b>199,427</b>	196,478

## 13. COMMITMENTS

(a) Capital commitments

	30 September 2002 HK\$'000	31 March 2002 HK\$'000
Construction costs for certain property development projects undertaken in the PRC:		
Contracted, but not provided for	<b>56,394</b>	86,281

**13. COMMITMENTS (CONTINUED)**

## (b) Other commitments

	<b>30 September 2002 HK\$'000</b>	31 March 2002 HK\$'000
Commitments in respect of capital contribution to subsidiaries in the PRC	<b><u>320,649</u></b>	<u>271,656</u>

**14. PLEDGE OF ASSETS**

As at 30 September 2002, the Group's credit facilities were supported by the following:

- (a) Charge over fixed assets with net book value of HK\$497,950,000;
- (b) Charge over shares in certain subsidiaries within the Group;
- (c) Pledge of listed shares with market value of approximately HK\$198,977,000; and
- (d) Charge over the land with Lot No. K708-5 at Liu Wan, Shekou, the PRC together with all its sales proceeds.

**15. RELATED PARTY TRANSACTIONS**

On 4 April 2002, the Company as an issuer and Mr. Yu Pun Hoi ("Mr. Yu"), a director and substantial shareholder of the Company, as placing agent and underwriter entered into an agreement to appoint Mr. Yu to procure, on a fully underwritten basis, investors to subscribe for the convertible notes in an aggregate principal amount of at least HK\$400 million by the date falling 90 days following the fulfillment of certain conditions. Mr. Yu also has a right, exercisable within 3 months of such completion, to require the Company to issue the convertible notes of up to an additional principal amount of HK\$200 million for subscription by the investors or by Mr. Yu or one or more of his associates. Accordingly, all condition precedents have been fulfilled on 17 May 2002 and therefore the issue of convertible notes of at least HK\$400 million shall be completed on or before 17 August 2002. However, due to the market sentiment, the Company and Mr. Yu have on 14 August 2002 entered into supplemental agreement to postpone such completion to 31 December 2002.

## 16. PENDING LITIGATION

There have been no material changes and developments in respect of pending litigation cases of the Group since the disclosures in the Group's annual audited financial statements for the year ended 31 March 2002.

## 17. SUBSEQUENT EVENT

On 10 October 2002, the Group has disposed the entire interest in Chongqing Sheng Tai Properties Development Co. Ltd. for a consideration of RMB9,000,000.

## 18. COMPARATIVE FIGURES

Certain prior year comparative figures have been reclassified to conform with current period's presentation and in compliance with new SSAPs.

# MANAGEMENT DISCUSSION AND ANALYSIS

## OPERATION REVIEW

During the period under review, the principal activities of the Group are information technology business, provision of financial information and through its listed subsidiary, South Sea Holding Company Limited, engaged in property investment and development; design, manufacturing and marketing of consumer electronic products; and provision of electronic manufacturing services.

Turnover for the period was HK\$173.5 million (2001: HK\$218.5 million) and net profit of HK\$3.3 million (2001: HK\$12.4 million) was recorded. The net assets value of the Group amounted to HK\$2,687 million, representing a value of HK\$0.19 per share.

Despite the overall decrease in the Group's turnover, performance from its core operating divisions, namely, information technology business and provision of financial information continue to grow and posted satisfactory results. However, the sluggish economic environment around the world battered performance from the manufacturing division. The management will keep on monitoring closely the development of this division and will carry out all necessary measures to protect the interest of all its shareholders.

### *Information Technology Business*

This division of business primarily provides Internet Application Services to corporate clients. During the period, this division recorded revenue of HK\$76.6 million (2001: HK\$69.2 million), an increase of 10.7% over the same period last year. The segmental profit decreased marginally to HK\$12.1 million from HK\$14.8 million as a result of increasing price competition within the China market. Corporate members increased to 48,000 from about 40,000 at the beginning of the current financial year.

### *Provision of Financial Information*

Revenue of HK\$37.7 million was recorded compare with HK\$29.8 million during the same period last year. Despite the increase in revenue, segmental profit declined to HK\$9.4 million from HK\$23.8 million in the same period last year. This is mainly due to the amortisation of goodwill resulting from the acquisition of this business division last year.

### *Property Development and Investment*

During the period under review, no turnover or profit contribution was recorded from the Group's property division. The key property development business of the Group includes projects in Shenzhen, Guangzhou and Nanjing. All necessary approvals have been obtained and profit contribution is expected to reflect in the next twelve months.

During the period, the Group's interest in one of its development projects in Nanjing was disposed and provided a profit of HK\$71.4 million.

### *Manufacturing and Marketing of Consumer Electronics Products*

This division recorded revenue of HK\$34.2 million (2001: HK\$100.2 million) and a segmental loss of HK\$28.4 million (2001: HK\$13.9 million). Business environment continues to deteriorate given the stagnant economies in the European and US markets.

## LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL

The Group continues to adopt prudent funding and treasury policies. As at 30 September 2002, net assets value of the Group amounted to HK\$2,687 million, including cash and bank balances of approximately HK\$12.3 million, which was denominated mainly in Renminbi and Hong Kong dollars. As at 30 September 2002, the Group's aggregate borrowings decreased to HK\$971 million (31 March 2002: HK\$1,174 million) and no convertible loan notes issued by the Group were remained outstanding (31 March 2002: HK\$210 million). The decrease in borrowings is due to the net repayment of bank loan of HK\$203 million during the period. All the Group's borrowings during the period were bearing interest rate at floating rates. The gearing ratio of the Group, measured on the basis of total borrowings as a percentage of total shareholders' equity, decreased to 36% from 44% in 31 March 2002. The Group's contingent liabilities as at 30 September 2002 were HK\$199 million due to the guarantees given in connection with credit facilities.

As at 30 September 2002, fixed assets with net book value of HK\$498 million; shares in certain subsidiaries within the Group; listed securities with market value of approximately HK\$199 million; and land with Lot No. K708-5 at Liu Wan, Shekou, the PRC together with all its sales proceeds were pledged as securities for credit facilities.

On 4 April 2002, the Company as an issuer and Mr. Yu Pun Hoi ("Mr. Yu") as placing agent and underwriter entered into an agreement to appoint Mr. Yu to procure, on a fully underwritten basis, investors to subscribe for the convertible notes in an aggregate principal amount of at least HK\$400 million by the date falling 90 days following the fulfillment of certain conditions. Mr. Yu also has a right, exercisable within 3 months of such completion, to require the Company to issue the convertible notes of up to an additional principal amount of HK\$200 million for subscription by the investors or by Mr. Yu or one or more of his associates. Accordingly, all condition precedents have been fulfilled on 17 May 2002 and therefore the issue of convertible notes of at least HK\$400 million shall be completed on or before 17 August 2002. However, due to the market sentiment, the Company and Mr. Yu have on 14 August 2002 entered into supplemental agreement to postpone such completion to 31 December 2002.



## **EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATE**

As the majority of the Group's borrowings and transactions are denominated in Hong Kong dollars, US dollars and Renminbi, the Group's exposure to exchange rate fluctuations is relatively insignificant. In general, the Group mainly utilizes its Renminbi income receipt for operating expenditures in the PRC and did not use any financial instruments for hedging Renminbi bank borrowings during the period and such borrowings were mainly used for Renminbi capital requirements in the PRC.

## **EMPLOYEES**

The Group employs and remunerates its staff based on their qualifications, experience and performance. In addition to basic salary payments, other benefits include contributions to provident fund schemes, group medical insurance, group personal accident insurance and external training sponsorship. Employees of the Group are eligible to be granted share options under the Company's share option scheme at the discretion of the Board. In general, salary review is conducted annually. The Group offers examination leave to assist staff in participating those relevant external development courses for qualifications enrichment and enhancement. As at 30 September 2002, the Group had approximately 4,474 employees (2001: 2,350 employees), of which 58 were based in Hong Kong, 4,403 were based in the PRC and 13 were based in overseas. The salaries and allowance of employees for the period ended 30 September 2002 was about HK\$42 million (2001: HK\$20 million).

## **PROSPECT**

The Group has achieved remarkable results from its IT business during the period despite the increasing competitive environment in China. The management believes that our strong foothold in China will further improve the performance and value of our investments in the second half of the financial year.

## SHARE OPTION SCHEMES

In compliance with the amendments to the Listing Rules and the announcement of the Stock Exchange in 2001, the share option scheme adopted at an extraordinary general meeting held on 29 October 1999 (the "Old Scheme") was terminated upon the adoption of the share option scheme at the extraordinary general meeting of the Company held on 29 August 2002 (the "New Scheme") to allow wider classes of person or entity to be the participants and to contain more terms as are in compliance with the requirement of the Chapter 17 of the Listing Rules now in force. Therefore, no further option would be granted under the Old Scheme. However, all options granted prior to such termination and not yet exercised shall continue to be valid and exercisable in accordance with the Old Scheme.

Under the New Scheme, share options may be granted to Directors, employees of the Group and those who have contributed or will contribute to the Group to subscribe for shares in the Company at any time within ten years after its adoption at the discretion of the Board. Details of the New Scheme were disclosed in the Company's circular dated 31 July 2002.

During the period under review, no share options have been granted or exercised under the Old Scheme and the New Scheme. Details of outstanding share options granted under the Old Scheme were as follows:

Grantee	Date of Grant	Exercisable Period	Exercise Price per Share	No. of share options		
				At 1 April 2002	Lapse during the period	At 30 September 2002
<b>Directors</b>						
Yu Pun Hoi ("Mr. Yu")	30-12-99	1-2-00 to 31-1-03	HK\$0.50	1,296,000	-	1,296,000
	30-12-99	1-2-01 to 31-1-03	HK\$0.50	1,296,000	-	1,296,000
	30-12-99	1-2-02 to 31-1-03	HK\$0.50	1,728,000	-	1,728,000
Zhang Hong Ren	30-12-99	1-2-01 to 31-1-03	HK\$0.50	504,000	-	504,000
	30-12-99	1-2-02 to 31-1-03	HK\$0.50	672,000	-	672,000
Lam Bing Kwan	30-12-99	1-2-01 to 31-1-03	HK\$0.50	612,000	-	612,000
	30-12-99	1-2-02 to 31-1-03	HK\$0.50	816,000	-	816,000
<b>Employees</b>						
In aggregate	30-12-99	1-2-00 to 31-1-03	HK\$0.50	3,228,000	720,000	2,508,000
	30-12-99	1-2-01 to 31-1-03	HK\$0.50	4,391,000	720,000	3,671,000
	30-12-99	1-2-02 to 31-1-03	HK\$0.50	5,867,000	960,000	4,907,000
	27-07-00	1-5-02 to 30-4-03	HK\$0.50	3,000,000	-	3,000,000

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBT SECURITIES

Other than the share options disclosed above, the Company entered into an agreement with Mr. Yu on 21 June 1999 in respect of the acquisition from Mr. Yu the entire issued share capital of Powerful Resources Limited at a total consideration of HK\$870 million, a total of 200,000,000 new shares in the Company were issued in 1999 at a price of HK\$0.60 each to Mr. Yu as settlement of part of the total consideration payable. The remaining portion of the acquisition consideration payable will be satisfied by the issuance of 1,250,000,000 new shares in the Company at the same price of HK\$0.60 each to Mr. Yu upon the fulfillment of certain conditions.

On 4 April 2002, the Company as an issuer and Mr. Yu as placing agent and underwriter entered into an agreement to appoint Mr. Yu to procure, on a fully underwritten basis, investors to subscribe for the convertible notes in an aggregate principal amount of at least HK\$400 million by the date falling 90 days following the fulfillment of certain conditions. Mr. Yu also has a right, exercisable within 3 months of such completion, to require the Company to issue the convertible notes of up to an additional principal amount of HK\$200 million for subscription by the investors or by Mr. Yu or one or more of his associates. Accordingly, all condition precedents have been fulfilled on 17 May 2002 and therefore the issue of convertible notes of at least HK\$400 million shall be completed on or before 17 August 2002. However, due to the market sentiment, the Company and Mr. Yu have on 14 August 2002 entered into supplemental agreement to postpone such completion to 31 December 2002.

Apart from the foregoing, at no time during the period under review was the Company or any of its subsidiaries a party to any arrangement to enable the Directors or chief executives of the Company or their respective spouse or children under the age of 18 to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

## DIRECTORS' INTERESTS IN EQUITY OR DEBT SECURITIES

As at 30 September 2002, the interests of the Directors and their associates in the equity or debt securities of the Company or any of its associated corporation (within the meaning of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance")) as required to be recorded in the register maintained pursuant to Section 29 of the SDI Ordinance were as follows:

Name of Directors	No. of shares of HK\$0.10 each			
	Personal Interests	Corporate Interests	Family Interests	Total Interests
Mr. Yu	-	6,658,325,316	50,000,000	6,708,325,316
Mr. Zhang Hong Ren	504,000	-	-	504,000

Save as disclosed above, as at 30 September 2002, none of the Directors or their associates had or was deemed to have any interest in any equity or debt securities of the Company or any of its associated corporation as defined in the SDI Ordinance.

## SUBSTANTIAL SHAREHOLDERS

As at 30 September 2002, the register maintained by the Company under Section 16(1) of the SDI Ordinance shows that the Company has been notified of the following interests, being 10% or more of the Company's issued share capital:-

Name	Notes	No. of shares
Pippen Limited	1	3,342,274,668
Actinna Development Limited	1	3,342,274,668
Rosewood Assets Ltd.	1	2,098,333,000
Mr. Yu	1	6,708,325,316
Staverley Assets Limited	2	2,857,470,000
Elstrong Limited	2	2,857,470,000
Citic Guoan Group Company Limited	2	2,857,470,000

Notes:

1. Phippen Limited is a wholly-owned subsidiary of Actinna Development Limited, which in turn is wholly-owned by Mr. Yu. Phippen Limited's interest in the Company is included as part of the interest held by Actinna Development Limited and Mr. Yu.

Rosewood Assets Ltd. is wholly-owned by Mr. Yu. Rosewood Assets Ltd.'s interest in the Company is included as part of the interest held by Mr. Yu.

Macro Resources Ltd. and King Corporation Limited (formerly known as CIM Company Limited), companies owned as to 60% and about 59.95% respectively by Mr. Yu, are interested in 1,000,000,000 shares and 217,717,648 shares respectively. Such interests are included as part of the interest held by Mr. Yu.

Apart from the interests described above, 50,000,000 shares represent Mr. Yu's family interest in the Company.

2. Macro Resources Ltd. is owned as to 40% by Staverley Assets Limited. Its interest in the Company is included as part of the interest held by Staverley Assets Limited. Staverley Assets Limited is wholly-owned by Elstrong Limited, which is in turn wholly-owned by Citic Guoan Group Company Limited. Staverley Assets Limited's interest in the Company is included as part of the interest held by Elstrong Limited and Citic Guoan Group Company Limited.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

During the six months ended 30 September 2002, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any shares of the Company.

## **AUDIT COMMITTEE**

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters including a review of the unaudited interim results for the six months ended 30 September 2002.

## CODE OF BEST PRACTICE

None of the Directors is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the six months ended 30 September 2002, in compliance with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited except that non-executive Directors are not appointed for a specific term as recommended in paragraph 7 of Appendix 14. All Directors, including the non-executive Directors, are subject to the retirement and rotation requirements in accordance with the Company's Articles of Association.

By order of the Board

**Zhang Hong Ren**

*Director*

Hong Kong, 16 December 2002