

**SHANGHAI INTERNATIONAL
SHANGHAI GROWTH INVESTMENT LIMITED**

(INCORPORATED IN THE CAYMAN ISLANDS WITH LIMITED LIABILITY)

INTERIM REPORT 2003

上海

INVESTMENT MANAGER

SHANGHAI INTERNATIONAL ASSET MANAGEMENT (H.K.) CO., LTD.

REVIEW OF RESULTS

The Company's after-tax profit for the first half of 2003 was US\$1,208,663 (2002: US\$483,695), mainly attributable to the write back of prior years' provisions for Hong Kong profits tax. The Company continued to receive stable dividend income from its unlisted investments, while dividend income from listed securities was slightly lower than same period last year as a result of its prudent approach to maintain and manage the listed portfolio. After adjusting for losses from disposal of listed securities, the Company achieved a positive return on its overall exit of investments.

As at June 30, 2003, the Company's net asset value ("NAV") per share was US\$5.70 subsequent to its distribution of US\$0.40 per share of combined final and special dividends for 2002 in June, while up 4% compared with the ex-div NAV per share at the end of 2002.

LISTED INVESTMENTS

The global stock markets rallied in the beginning of 2003 and ended abruptly in the middle of January when investors' concern began to mount over the imminence of a U.S. led coalition military action against Iraq. As a result, global markets continued to decline for the next two months. It was not until the actual U.S. military advance into Iraq that the Hong Kong market began to stage a technical rebound, anticipating that the war would be a short-lived one. Since then, U.S. stocks have turned upward with the expectation that the Federal Open Market Committee would cut the Fed funds rate again in June in conjunction with passing of the US\$350 billion tax cut package by the Senate, provided a conducive environment for the U.S. equity market to pick up momentum again in the second quarter.

After April, the U.S. dollar showed a sharp correction against major currencies, thereby enhancing competitiveness of U.S. products and services, which also helped to ease the deflationary pressure back home. Better-than-expected first quarter corporate earnings coupled with expectations that capital spending and domestic consumption would increase in the second half saw the U.S. market rise to a one-year high in mid-June.

On the domestic front, the spread of SARS since mid-March had a severe impact on Hong Kong's economy across the spectrum. The blow to inbound tourism has been particularly severe. Setback in visitor arrivals has in turn slumped the airline, travel and hotel industries. It also hurt the retail and restaurant businesses considerably. In April and most of May, passenger load of the two local airlines had shrunk by around 70%. Occupancy rate for hotel rooms normally at over 80% hit an all-time low of 15% in May, far worse than the 58% record low in July 1997. The impact of SARS on the affected sectors has resulted in accentuation of unemployment which climbed to 8.6% during April to June.

For the first quarter of 2003 as a whole, Hong Kong's GDP still attained solid growth at 4.5% in real terms over a year earlier, albeit somewhat slower than the 5.1% growth in the fourth quarter of 2002 (latter figure revised slightly up

from the 5.0% growth put out earlier). On a seasonally adjusted quarter-to-quarter comparison, GDP declined by 0.3% in real terms in the first quarter of 2003, after a 1.7% increase in the fourth quarter of 2002. Government economist cautioned when the full impact of SARS finally surfaced, GDP growth in the second quarter or may be even the third quarter may still be hampered.

When the daily number of newly infected SARS cases dropped to low double digits in late April, investors' sentiment gradually resumed. After hitting 8,331 in late April, the Hang Seng Index ("HSI") experienced an incredible turnaround in May and June; it then broke above the 10,000 mark in mid-June for the first time since December 2002 and recovered 20.8% from April's bottom on the back of the high-flying U.S. market. The HSI was up 2.7% in the first half of 2003, one of the lowest climb among Asian indices.

The HSI's poor performance did not deter the Hang Seng China Enterprise Index ("HSCEI") from reaching high levels in the first quarter. Basic materials, oil and gas, and petrochemical stocks continued to perform well in the first quarter as crude oil prices surged and commodity prices stayed firm, whereas airlines were affected by higher fuel cost. During the second quarter, HSCEI continued its positive performance despite heightened concern of SARS in several major cities in China. Trading in H shares was only affected for a few days in late April, then investors scrambled to increase exposures in H shares and red chips on news that China might allow mainlanders to invest in China-related stocks listed in Hong Kong through the qualified domestic institutional investors (QDII) scheme. As a result, the HSCEI was up 37.0% in the first half.

APT Satellite, a major holding in the Company's listed portfolio, surged 51.0% in conjunction with a rise in the portfolio's blue chips, contributed to an 8.0% gain during the first half.

SARS' negative impacts on China's economy was far less than expected, and sentiment on China-related stocks is generally anticipated to remain positive. According to estimate by China's National Bureau of Statistics, China's GDP is on track to rise more than 7% in 2003. Sentiment on domestic-related Hong Kong stocks is likely to be mixed, as recovery of the local economy remains arduous and challenging. The Company will remain vigilant of market conditions and take advantage of the current rally whenever possible by revamping its existing portfolio in stocks that offer favorable ratio in risk and reward.

UNLISTED INVESTMENTS

● **Shanghai Lian Ji Synthetic Fiber Co., Ltd. ("Lian Ji")**

The Iraqi war and the outbreak of SARS drove prices of Lian Ji's products down in the first half of 2003, and resulted in an unaudited operating loss of RMB26,034,000 (approximately US\$3,145,191). Nevertheless, the increased production capacity also increased revenue. Unaudited turnover for the six months was RMB502,675,000 (approximately US\$60,728,610), a 47.7% increase compared with same period last year. Construction for the third phase expansion is about 80% completed and in accordance with timeline. Pilot production is scheduled to commence around year-end. To secure

customer base for increased capacity of the third phase when it is ready for production, Lian Ji initiated pre-production sales by commissioning order received for polyester chips to be produced at Suzhou Du Pont.

● **Suzhou Taihai Automobile Ferry Wharf Co., Ltd. (“Taihai Ferry”)**

Taihai Ferry’s net profit for the first half of 2003 was RMB4,505,000 (approximately US\$544,253), a 14.9% drop compared with the same period last year, having been adversely affected by higher fuel prices and management fees. Its application for capital reduction together with the Company’s disposal of its 3% beneficial interest for RMB1,456,922 (approximately US\$176,172) have both been approved by relevant authorities. Final approval is to be given by the State Administration of Foreign Exchange, receipt of which is anticipated around the third quarter. By then, the aforesaid return of capital and sales proceed can be remitted to the Company in hard currency. As a result of the above-mentioned exercises, the Company’s share in the registered share capital of Taihai Ferry will be proportionately reduced to RMB9,300,000 (approximately US\$1,119,972), representing 31% of the registered capital. The Company received RMB4,643,345 (approximately US\$560,994) for its 2002 dividend entitlement in June.

● **Concord Greater China (“CGC”)**

The outbreak of SARS affected the performance of RT-Mart Shanghai Limited (“RTMS”) and People’s RT-Mart Jinan Limited (“RTMJ”) in the second quarter. RTMS recorded an unaudited net profit of RMB46,195,000 (approximately US\$5,580,859) for the first half, 48.75% higher than the same period last year. RTMS opened a new store in Longjiang, Nanjing during the first quarter, making it the 18th store under its management. Three more new stores are scheduled to be opened before the end of October this year.

RTMJ recorded an unaudited net profit of RMB3,180,000 (approximately US\$384,179) during the first six months, which was 54.84% lower than the same period last year. The number of stores under RTMJ management increased to 9 in the first quarter, and there is no plan for any new store to be opened for the remainder of 2003.

For the six months ended June 30, CGC registered an unaudited net profit of US\$2,367,000 on a consolidated level.

● **Shanghai Well Bright Foods Co., Ltd. (“Well Bright”)**

Further to the unsuccessful second attempt by the Arbitration Tribunal to mediate differences between the Company and Amazing Results Corporation (“Amazing Results”) in March, the Arbitration Tribunal adjudicated against the Company’s favor on June 3. The decision was not only a big disappointment to the Company, but also put it in a difficult position to function normally as a shareholder in Well Bright. The persuasive decision thwarted the Company’s rights and duties to scrutinize Well Bright’s operations in the future, since any infraction of the joint venture’s articles by Amazing Results could be argued as conduct of the joint venture and not that of Amazing Results’.

Failing legal recourse and weighing its exposure in Well Bright, the Company called for a board meeting to be convened and re-opened dialogue with Amazing Results, with the objective of solving differences through better communication albeit previous attempts have proven futile.

● **Everflow Capital Limited (“Everflow Capital”)**

Aetna Tower’s occupancy rate as at June 30 was 89.48%. Anxin Real Estate Development Co., Ltd. was able to reduce its finance cost substantially effective April, contributing to improved earnings in the second quarter. Yet, unaudited net profit in the first half of 2003 decreased slightly from US\$359,896 in the same period of 2002 to US\$283,895. For the six months ended June 30, Everflow registered an unaudited net profit of US\$312,788 on a consolidated level.

● **Zhejiang Huguang Heat and Power Co., Ltd. (“Zhejiang Huguang”)**

The Bureau of Finance gave approval on April 28 to Zhejiang Huguang’s application to remit past dividends owed to the Company in hard currency. The final hurdle rests with the State Administration of Foreign Exchange (“SAFE”). Based on a “Notice on Related Issues Concerning Guaranteed Return to Foreign Investors” dated October 24, 2002, SAFE holds the view that Zhejiang Huguang’s amended agreement to pay the Company a fixed amount for the ensuing years of the joint venture from depreciation is technically construed as a capital reduction. The Notice requires the foreign shareholder to provide a letter of guarantee issued by a foreign bank to the joint venture, guaranteeing the corresponding amount advanced to the foreign shareholder in the event the joint venture incurs a liability, before SAFE entertains granting its approval. The Company will continue to appeal and work with SAFE with the objective of securing its final approval.

● **Shanghai Hua Xin High Biotechnology Inc. (“Hua Xin”)**

Production and sales of the injection type Interferon began in May helped to improve Hua Xin’s turnover in the second quarter. The unaudited turnover in the first six months 2003 was RMB8,633,000 (approximately US\$1,042,960), a 13.53% increase compared with that of 2002.

Application to obtain Good Manufacturing Process (“GMP”) for capsule type Interferon was submitted in late June, with the hope that production license can be obtained before the end of the year. Hua Xin also applied for GMP for its Recombinant Human Erythropoietin (rHuEPO) in March, hopefully production license will be granted before year-end; whereas production license for Recombinant Human Granulocyte-Macrophage Colony-Stimulating Factor (rhGM-CSF) is expected to be granted in September.

- **Semiconductor Manufacturing International Corporation (“SMIC”)**

SMIC’s Fab 1 (8-inch) and Intel’s Fab 11x (12-inch) both won the coveted honor as Top Fab of the Year for 2003. This prestigious award bestowed by Semiconductor International (SI) confers upon the recipient recognition by the industry that it has attained status of world class fab and the imprimatur of excellence in technological process and quality. Shanghai Industrial, SMIC’s single largest shareholder, reported that SMIC postponed its flotation timetable till 2004, slightly pushed back from statement made by SMIC in early 2002 to dual list in NASDAQ and Hong Kong around year end of 2003.

- **ENE Technology Inc. (“ETI”)**

ETI plans to launch a series of new products in the second quarter to increase its market share and revenue. Prospect for the third quarter and the remainder of this year is generally considered promising by analysts. Such optimism is built on the knowledge ETI plans to launch cost saving Card Bus and notebook keyboard controller ICs and other products in its pipeline.

ETI began trading on the OTC market in Taiwan on April 22. As at June 30, ETI’s share price was NT\$41.6. At its annual general meeting held on May 28, ETI resolved and received shareholders approval to distribute stock dividend at 125 bonus shares for every 1,000 shares.

NEW INVESTMENT

- **Sino-Wood Partners Limited (“Sino-Wood”)**

Sino-Wood’s principal business is in sustainable growth and sale of harvestable tree plantation in China, concentrating in such species as eucalyptus, aspen and pine trees. It also involves in the processing and selling of wood products in China.

In February 2003, the Company entered into an agreement with Sino-Wood to subscribe for US\$1,800,000 worth of its convertible notes (“Notes”) maturing in 18-months with a semi-annual coupon rate of 4% per annum. Based on the subscription agreement, should Sino-Wood obtain approval for listing on the main board of the Stock Exchange of Hong Kong Limited (the “Stock Exchange”), Notes held by the Company will be converted into ordinary shares of Sino-Wood according to a prescribed formula. The Company is given to understand that Sino-Wood has retained Hong Kong’s largest financial institution as its sponsor and global coordinator to prepare for the listing on the main board of the Stock Exchange before the end of 2003.

EXITED INVESTMENTS

● **Harbin Brewery Group Limited (“HBGL”)**

On January 7, 2003, the Company exercised rights provided in the convertible notes it held in HBGL and converted the entire notes into HBGL’s ordinary shares six months after its listing on the Stock Exchange. In view of announced plans by HBGL to continue its acquisition of more breweries to expand production capacity, and that the industry is commodity in nature, the Company disposed its entire stake in HBGL at HK\$2.05 per share in the market when share price remained relatively stable at that range. The exit in HBGL allowed the Company to achieve an approximate 40% return on investment, realizing a total return of US\$702,765 in 14 months.

● **GSMC International Limited (“GSMCI”)**

Recovery of the Company’s investment in GSMCI is equally undertaken from its largest shareholder, a listed company in Taiwan, and its chairman for repayment. With US\$170,000 already received at the end of 2002, the Company received another US\$20,000 plus an accrued interest of US\$6,582 in May this year. Repayment of US\$20,000 and US\$40,000 investment principal are expected to be made in August and November respectively this year.

As for the balance of US\$250,000, the chairman pledged his own shares in a Taiwan listed company and some other shares he invested in an IC design for security. The Company will continue its strife to recover the balance investment within the soonest practicable time.

PROSPECTS

Despite SARS’ impact on China’s second quarter GDP growth, its economy is still expected to grow by more than 7% this year. High profile corporate scandals of listed companies founded by private entrepreneurs like Euro-Asia Agricultural and Shanghai Land have inevitably raised concern of corporate governance in Chinese companies. Such concern is, however, a common fabric that runs in every boardroom, and not Chinese privilege. The Company remain sanguine ample investment opportunities will emerge on China’s road to a full market economy.

The Investment Manager has revamped the Company’s investment portfolio considerably, and such efforts have produced results in one way or another. The Company is focus to enhance the possibility of recurrent income in its investment approach. It will continue to look for means to resolve problems from past investments while enhance portfolio value by choosing better asset class for the future.

It is the investment manager’s strategy to capitalize resources within its parental companies (the “Group”) with a focus to identify sound investment projects, filtered by respective expertise within the Group, and provide an integrated platform when deciding on their investments. Projects invested in the last two years have proven successful for this business model. Companies within the Group can offer co-investment leverage in projects, offer bank financing, provide placement and underwriting capabilities, etc. This approach differentiates the Company’s role from other funds. List of recent exits made in the last two years attests to the workability of this approach, and the Company is confident of the future prospects of the China market and of generating satisfactory return from its investments.

CONDENSED INCOME STATEMENT

		Six months ended	
		June 30,	
		2003	2002
		(unaudited)	(unaudited)
	<i>Notes</i>	US\$	US\$
Investment income	2	753,718	1,121,983
Gains on sale of investments in securities		103,129	280,153
Impairment loss recognized in respect of unlisted investments		(135,455)	(135,455)
Other income		—	92,882
		721,392	1,359,563
Expenses			
Administrative expenses		192,568	270,133
Investment Manager's fee		520,161	605,735
		712,729	875,868
Profit from operation before taxation		8,663	483,695
Taxation overprovided	3	1,200,000	—
Profit for the period		1,208,663	483,695
Loss (gain) on investments in securities transferred to capital reserve		32,326	(144,698)
Profit for the period, retained		1,240,989	338,997
EARNINGS PER SHARE - BASIC	6	13.57 cents	5.43 cents

CONDENSED BALANCE SHEET

		As at June 30, 2003 (unaudited) US\$	As at December 31, 2002 (audited) US\$
NON-CURRENT ASSETS			
Investments in unlisted securities		33,733,685	35,896,014
Investments in listed securities	8	5,576,431	5,847,404
		39,310,116	41,743,418
CURRENT ASSETS			
Property(ies) held for resale		567,000	1,034,000
Dividend, interest and other receivables and prepayments		2,126,760	1,413,417
Bank balances		9,020,328	10,579,493
		11,714,088	13,026,910
CURRENT LIABILITIES			
Creditors and accrued charges		48,032	913,537
Amount due to Investment Manager		261,145	277,948
Taxation payable		—	1,200,000
		309,177	2,391,485
NET CURRENT ASSETS		11,404,911	10,635,425
		50,715,027	52,378,843
CAPITAL AND RESERVES			
Share capital		890,500	890,500
Reserves		49,824,527	51,488,343
		50,715,027	52,378,843
NET ASSET VALUE PER SHARE	7	5.70	5.88

CONDENSED CASH FLOW STATEMENT

		Six months ended	
		June 30,	
		2003	2002
		(unaudited)	(unaudited)
	<i>Notes</i>	US\$	US\$
Net cash used in operating activities		(1,554,663)	(426,252)
Net cash from (utilized in) investing activities		3,557,498	(3,137,773)
Net cash generated (utilized) before financing activities		2,002,835	(3,564,025)
Net cash utilized in financing activities	5	(3,562,000)	(8,905,000)
Net decrease in cash and cash equivalent		(1,559,165)	(12,469,025)
Cash and cash equivalent at beginning of the period		10,579,493	18,824,190
Cash and cash equivalent at end of the period		9,020,328	6,355,165
Analysis of the balances of cash and cash equivalents:-			
Cash at bank		6,732,165	4,885,922
RMB deposits with a financial institution maturing within three months of the balance sheet date		2,288,163	1,469,243
		9,020,328	6,355,165

STATEMENT OF CHANGES IN EQUITY

	Share Capital US\$	Share Premium US\$	Capital Reserve US\$	Accumulated Profits US\$	Total US\$
At January 1, 2003	890,500	58,372,935	(12,113,123)	5,228,531	52,378,843
Net unrealized gains on revaluation of investments in listed securities	—	—	1,179,988	—	1,179,988
Net unrealized losses on revaluation of unlisted investments	—	—	(490,467)	—	(490,467)
Net gains not recognized in the income statement	—	—	689,521	—	689,521
Net profit for the period	—	—	—	1,208,663	1,208,663
Transfers to (from) capital reserve:					
- Net gain on disposal of securities and property	—	—	103,129	(103,129)	—
- Impairment loss recognized in respect of an unlisted investment	—	—	(135,455)	135,455	—
Dividends paid	—	(1,781,000)	—	(1,781,000)	(3,562,000)
At June 30, 2003	890,500	56,591,935	(11,455,928)	4,688,520	50,715,027
At January 1, 2002	890,500	63,715,935	(11,162,518)	7,362,272	60,806,189
Net unrealized losses on revaluation of investments in listed securities	—	—	(651,455)	—	(651,455)
Net losses not recognized in the income statement	—	—	(651,455)	—	(651,455)
Net profit for the period	—	—	—	483,695	483,695
Transfers to (from) capital reserve:					
- Gain on investments in securities	—	—	280,153	(280,153)	—
- Impairment loss recognized in respect of an unlisted investment	—	—	(135,455)	135,455	—
Dividend paid	—	(5,343,000)	—	(3,562,000)	(8,905,000)
At June 30, 2002	890,500	58,372,935	(11,669,275)	4,139,269	51,733,429

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the six months ended June 30, 2003

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

a) Basis of Preparation

The condensed interim financial statements ("interim financial statements") have been prepared in accordance with the Statement of Standard Accounting Practice ("SSAP") 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants ("HKSA") and the disclosure requirements set out in Appendix 16 of the Rules governing the Listing of Securities on of The Stock Exchange of Hong Kong Limited (the "Listing Rules").

b) Principal Accounting Policies

The interim financial statements have been prepared under the historical cost convention, modified to include the valuation of investments.

The accounting policies adopted are consistent with those set out in the Company's audited financial statements for the year ended December 31, 2002 except that the Company has adopted the revised SSAP 12 "Income Taxes", issued by the HKSA which became effective for accounting periods commencing on or after January 1, 2003. The adoption of revised SSAP 12 has no material impact on the Company's interim financial statements.

The interim financial statements are unaudited but have been reviewed by the Audit Committee.

2. INVESTMENT INCOME

	Six months ended June 30,	
	2003 (unaudited) US\$	2002 (unaudited) US\$
Dividend Income		
– Listed securities	96,633	136,187
– Unlisted investments	560,994	833,682
Interest income	96,091	152,114
	<u>753,718</u>	<u>1,121,983</u>

Save as disclosed above, no other segment information was presented as the Company has only one business activity and operates in one geographical location.

3. TAXATION

No provision for Hong Kong profits tax has been made in the interim financial statements for the current period as the Company has no assessable profit for the period.

Taxation overprovided written back in the current period were provisions made for Hong Kong profits tax in prior years. Notices were received during the period from the Inland Revenue Department that the Company's profits were not chargeable to Hong Kong profits tax.

No provision for deferred taxation has been made in the interim financial statements as there were no significant temporary differences arising from the period or at the balance sheet date.

4. INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended June 30, 2003 (2002: Nil).

5. DIVIDENDS PAID

During the period, the Company has paid out the following dividends:

	Six months ended June 30,	
	2003 (unaudited) US\$	2002 (unaudited) US\$
2002 final dividend @US\$0.20 per share (2001 final dividend: US\$0.40 per share)	1,781,000	3,562,000
2002 special final dividend @US\$0.20 per share (2001 special final dividend: US\$0.60 per share) deducted from share premium account	1,781,000	5,343,000
	<u>3,562,000</u>	<u>8,905,000</u>

6. EARNINGS PER SHARE - BASIC

The calculation of basic earnings per share is based on the Company's unaudited profit for the six months ended June 30, 2003 of US\$1,208,663 (2002: US\$483,695) and on 8,905,000 (2002: 8,905,000) ordinary shares in issue during the period.

No diluted earnings per share have been presented as the Company did not have any dilutive potential ordinary shares in issue during the period.

7. NET ASSET VALUE PER SHARE

The calculation of net asset value per share is based on the net asset value of the Company as at June 30, 2003 of US\$50,715,027 (*December 31, 2002: US\$52,378,843*) divided by the 8,905,000 ordinary shares in issue as at both dates.

8. INVESTMENT IN LISTED SECURITIES

	June 30, 2003 (unaudited) US\$	December 31, 2002 (audited) US\$
Listed securities, at fair value:		
Shares listed on the Hong Kong stock exchange	4,789,637	5,315,739
Shares listed on the Taiwan stock exchange	786,794	531,665
	<u>5,576,431</u>	<u>5,847,404</u>

9. RELATED PARTY TRANSACTIONS

During the period, the Company paid to the Investment Manager a management fee of US\$520,161 (*2002: US\$605,735*). Certain unlisted investments held by the Company are jointly invested with Ruentex companies and SinoPac Capital Limited.

10. SUBORDINATION

As at balance sheet date, the Company together with other shareholders (the "Subordinated Parties") of an investee company in which the Company holds a 19% equity interest, had entered into a Subordination Agreement in favour of a bank in respect of a term loan facility to the extent of US\$35,000,000 granted to that investee company.

The Subordination Agreement is in respect of loans made by the Subordinated Parties to the investee company, if any. At June 30, 2003, the Company has not made any advances to that investee company or its subsidiaries.

11. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current period's presentation.

LIQUIDITY, FINANCIAL RESOURCES, GEARING AND CAPITAL COMMITMENT

The Company continued to maintain a stable and liquid position in 2003. As at June 30, 2003, the Company's cash and bank balances were US\$9,020,328 (*December 31, 2002: US\$10,579,493*) without any bank borrowing. The fall in cash balances was attributable to dividend payout to shareholders after deduction from cash received from disposal of investments.

The Company did not have any capital commitment on its unlisted investments at the end of June 2003 and December 2002 respectively.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES

As a majority of the Company's assets are denominated in United States dollars, the reference currency in which the Company's accounting records are maintained, no material exposure to exchange rate fluctuations is expected. Accordingly there were no hedging instruments transacted to cover such exposure.

EMPLOYEES

The Company does not have any employee as its investment portfolio and administration of operation are under management by the Investment Manager.

DIRECTORS' INTERESTS OR SHORT POSITION IN THE SHARES

As at June 30, 2003, the interests of the directors of the Company in the shares of the Company disclosed pursuant to section 352 of the Securities and Futures Ordinance ("SFO") were as follows:

<u>Name of director</u>	<u>Type of interest</u>	<u>Number of shares</u>
Mr. Chao Hsi-hsiang	Other	43,169 (<i>notes (a), (b)</i>)
Mr. Chiang Ching-ye	Personal & other	54,227 (<i>note (c)</i>)

Notes:

- Mr. Chao Hsi-hsiang has a 33% interest in Tong Yuan International Ltd. which in turn holds a 1.12% interest in the Company.
- Mr. Chao Hsi-hsiang has a 1.18% interest in Ruentex Development Co., Ltd. which in turn holds a 9.34% interest in the Company.
- In addition to a direct personal holding of 51,000 shares in the Company, Mr. Chiang Ching-ye has a 4.27% interest in Great China Metal Ind. Co., Ltd. which in turn holds a 1.11% interest in the Company.

Other than as disclosed above, none of the directors had any interests or short positions in the shares of the Company which were required to be recorded in the register pursuant to section 352 of the SFO.

Other than as disclosed above, no person had interests or short positions in the shares of the Company as required to be recorded in the register pursuant to section 336 of the SFO.

SUBSTANTIAL SHAREHOLDERS

As at June 30, 2003, the register of substantial shareholders maintained by the Company pursuant to section 336 of the SFO disclosed the following persons or corporations as having an interest of 5% or more of the issued share capital of the Company:

Name	Number of shares	Approximate percentage	Notes
Mr. J. Ezra Merkin	1,964,500	22.06%	(1)
Gabriel Capital Corporation ("GCC")	1,407,259	15.80%	(1)
Gabriel Capital, L.P. ("Gabriel")	557,241	6.26%	(1)
Ariel Fund Limited ("Ariel")	821,838	9.23%	(1)
Mr. Hsu Sheng Yu	1,075,040	12.07%	(2)
Chung Chia Co., Ltd. ("Chung Chia")	598,743	6.72%	(2)
Kwang Shun Co., Ltd. ("Kwang Shun")	476,297	5.35%	(2)
Ms. Hsu Tsui Hua	598,743	6.72%	(3)
Ms. Chang Hsiu Yen	476,297	5.35%	(4)
Shanghai International Group Corporation Ltd.	503,000	5.65%	(5)
Shanghai International Trust & Investment Corporation ("SITICO")	503,000	5.65%	(5)
Temasek Holdings (Private) Ltd.	500,000	5.61%	(6)
Hong Lim Fund Investments Pte Ltd.	500,000	5.61%	(6)
Sinopac Global Investment Ltd. ("Sinopac Global")	603,752	6.78%	(7)
Ruentex Industries Ltd.	860,752	9.67%	(8)
Ruentex Development Co., Ltd.	831,752	9.34%	(9)

Notes:

- (1) Mr. J. Erza Merkin is the General Partner of Gabriel, he was deemed to be interested in 1,964,500 shares by virtue of his 100% control over GCC and Gabriel. Besides, GCC was also deemed to be interested in the Company through its management of Ariel and other funds.
- (2) Mr. Hsu Sheng Yu has an indirect interest in the Company through his 50% beneficial interest in each of Chung Chia and Kwang Shun.
- (3) Ms. Hsu Tsui Hua has an indirect interest in the Company through her 50% beneficial interest in Chung Chia.
- (4) Ms. Chang Hsiu Yen has an indirect interest in the Company through her 50% beneficial interest in Kwang Shun.

- (5) Shanghai International Group Corporation Ltd. has an indirect interest in the Company through its approximately 66.33% equity interest in SITICO.
- (6) Hong Lim Fund Investments Pte. Ltd. is a wholly-owned subsidiary of Temasek Holdings (Private) Ltd.
- (7) Ruentex Construction Int'l (BVI) Ltd. ("Ruentex Construction") and Full Shine Int'l Holdings Ltd. ("Full Shine") each has a 49.06% equity interest in Sinopac Global.
- (8) Apart from a direct holding of 257,000 shares in the Company, Ruentex Industries Limited has an indirect interest in the Company through its 100% ownership in Full Shine.
- (9) Apart from a direct holding of 228,000 shares in the Company, Ruentex Development Co., Ltd has an indirect interest in the Company through its 100% ownership in Ruentex Construction.

Other than disclosed above, the Company has not been notified of any other interests representing 5% or more of the Company's issued share capital as at June 30, 2003.

PURCHASE, SALE AND REDEMPTION OF SECURITIES

During the six months ended June 30, 2003, the Company did not purchase, sell nor redeem any of its own securities.

COMPLIANCE WITH CODE OF BEST PRACTICE

The directors are not aware of any information that would reasonably indicate that the Company was not in compliance with the "Code of Best Practice" (the "Code") as set out in Appendix 14 to the Listing Rules during the period.

AUDIT COMMITTEE

The Company has set up an Audit Committee in accordance with paragraph 14 of the Code. The Audit Committee comprises three non-executive directors, two of them being independent. The primary roles of the Audit Committee are to review and supervise the financial reporting process and internal controls of the Company. The Audit Committee has reviewed with management of this unaudited interim financial statements.

By Order of the Board
Wu Choi Sun, William
Executive Director

Hong Kong, July 23, 2003