



China Treasure (Greater China) Investments Limited
華寶（大中華）投資有限公司

CHINA TREASURE

treasure

2003 INTERIM REPORT

The board of directors ("Board") of China Treasure (Greater China) Investments Limited ("Company") is pleased to present the unaudited interim report of the Company for the six months ended 30th June 2003 as follows:

CONDENSED INCOME STATEMENT

For the six months ended 30th June 2003

	Notes	Six months ended 30th June	
		2003 (unaudited) HK\$	2002 (unaudited) HK\$
Turnover		341,204	173,389
Other operating income			
– bank interest income		–	165,006
Net unrealised (losses) gains on investments in listed securities		(8,711,000)	15,394,977
Net unrealised losses on investments in unlisted securities		(3,239,212)	(4,600)
Administrative expenses		(1,847,398)	(1,394,909)
Other operating expenses		(1,204,942)	(2,948,311)
(Loss) profit before taxation	4	(14,661,348)	11,385,552
Taxation	5	–	–
Net (loss) profit for the period		(14,661,348)	11,385,552
Dividend	6	–	5,150,000
(Loss) earnings per share – Basic	7	(0.14)	0.16

CONDENSED BALANCE SHEET

At 30th June 2003

	<i>Note</i>	30th June 2003 (unaudited) HK\$	31st December 2002 (audited) HK\$
Non-current assets			
Investments in securities	8	46,473,758	50,073,758
Current assets			
Investments in securities	8	28,187,165	38,113,139
Debtors, prepayments and deposits		390,500	307,517
Bank balances and cash		55,897	1,491,126
		28,633,562	39,911,782
Current liabilities			
Creditors and accrued charges		285,349	502,221
Net current assets		28,348,213	39,409,561
		74,821,971	89,483,319
Capital and reserves			
Share capital		10,300,000	10,300,000
Reserves		64,521,971	79,183,319
		74,821,971	89,483,319

STATEMENT OF CHANGES IN EQUITY*For the six months ended 30th June 2003*

	Share capital <i>HK\$</i>	Share premium <i>HK\$</i>	Accumulated (losses) profits <i>HK\$</i>	Total <i>HK\$</i>
At 1st January 2002	300,000	2,700,000	(280,000)	2,720,000
Shares issued at premium by way of placing and public offer	10,000,000	90,000,000	–	100,000,000
Share issue expenses	–	(6,828,364)	–	(6,828,364)
Net profit for the period	–	–	11,385,552	11,385,552
At 30th June 2002	10,300,000	85,871,636	11,105,552	107,277,188
Dividend paid	–	–	(5,150,000)	(5,150,000)
Net loss for the period	–	–	(12,643,869)	(12,643,869)
At 31st December 2002	10,300,000	85,871,636	(6,688,317)	89,483,319
Net loss for the period	–	–	(14,661,348)	(14,661,348)
At 30th June 2003	10,300,000	85,871,636	(21,349,665)	74,821,971

CONDENSED CASH FLOW STATEMENT*For the six months ended 30th June 2003*

	Six months ended	
	30th June 2003 (unaudited) HK\$	30th June 2002 (unaudited) HK\$
Net cash used in operating activities	(1,435,229)	(182,103)
Net cash used in investing activities	-	(87,979,127)
Net cash generated from financing activities	-	93,171,636
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Net (decrease) increase in cash and cash equivalents	(1,435,229)	5,010,406
Cash and cash equivalents at beginning of the period	1,491,126	709,911
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Cash and cash equivalents at end of the period	55,897	5,720,317
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Analysis of the balances of cash and cash equivalents		
Bank balances and cash	55,897	5,720,317
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NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30th June 2003

1. BASIS OF PREPARATION

The condensed financial statements have been prepared in accordance with Statement of Standard Accounting Practice No. 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants and with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed financial statements have been prepared under the historical cost convention as modified for the revaluation of certain investments in securities.

The accounting policies adopted are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 31st December 2002, except as described below.

In the current period, the Company has adopted SSAP 12 (Revised) "Income Taxes". The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax. In previous years, partial provision was made for deferred tax using the income statement liability method, i.e. a liability was recognised in respect of timing differences arising, except where those timing differences were not expected to reverse in the foreseeable future. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit, with limited exceptions. This change in accounting policy has not had any material effect on the results for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.

3. SEGMENT INFORMATION

The Company was principally engaged in investing in listed and unlisted companies in the People's Republic of China and Hong Kong during the period.

All of the activities of the Company are based in Hong Kong and all of the Company's turnover and operating loss/profit are derived from Hong Kong.

4. (LOSS) PROFIT BEFORE TAXATION

Six months ended 30th June	
2003	2002
(unaudited)	(unaudited)
HK\$	HK\$

(Loss) profit before taxation has been arrived at after charging:

Operating lease payments in respect of rented premises	60,000	100,000
Staff costs, including directors' emoluments		
– Salaries and allowances	1,260,892	675,413
– Retirement benefits scheme contribution	20,059	18,771
	<u>1,280,951</u>	<u>694,184</u>

5. TAXATION

No provision for Hong Kong Profits Tax has been made in the interim financial statements as the Company incurred a tax loss during the period.

6. DIVIDEND

Six months ended 30th June	
2003	2002
(unaudited)	(unaudited)
HK\$	HK\$

Interim, paid – Nil (1st January 2002 –
30th June 2002: HK\$0.05 per ordinary share)

<u>–</u>	<u>5,150,000</u>
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7. LOSS (EARNINGS) PER SHARE

The calculation of the basic loss (earnings) per share is based on the net loss for the period of HK\$14,661,348 (1st January 2002 – 30th June 2002: profit of HK\$11,385,552) and 103,000,000 (1st January 2002 – 30th June 2002: weighted average number of 70,955,801) ordinary shares in issue during the period.

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

8. INVESTMENTS IN SECURITIES

	30th June 2003 (unaudited) HK\$	31st December 2002 (audited) HK\$
Equity securities:		
Listed	13,488,000	22,199,000
Unlisted	32,973,758	36,573,758
	46,461,758	58,772,758
Debt securities:		
Unlisted	28,199,165	29,414,139
Total:		
Listed		
Hong Kong	13,488,000	22,199,000
Unlisted	61,172,923	65,987,897
	74,660,923	88,186,897
Market value of listed securities	13,488,000	22,199,000
Carrying amount analysed for reporting purposes as:		
Current	28,187,165	38,113,139
Non-current	46,473,758	50,073,758
	74,660,923	88,186,897

9. RELATED PARTY TRANSACTIONS

During the period, the Company paid investment management fees of HK\$1,104,000 to China Core Capital Management Limited ("China Core"). Mr. Chan Yan Ming, Michael and Mr. Ma Kam Fook, Robert, executive directors of the Company own 25% and 37.5% respectively of China Core. The fee was charged half-yearly at an agreed percentage of the net asset value of the Company at the end of the period.

During the prior period, the Company paid investment management fees of HK\$875,510 to AsiaVest Investment Advisory Limited ("AsiaVest"), a company which is wholly-owned by Mr. Andrew Nan Sherrill, an executive director of the Company who resigned on 4th April 2003. Mr. Andrew Nan Sherrill is also a director of AsiaVest. The fee was charged each month at an agreed percentage of the net asset value of the Company at the end of the month.

During the period, the Company paid rental expenses for office premises of HK\$60,000 (1st January 2002 – 30th June 2002: HK\$100,000) to Kinvick Limited, a company which is wholly-owned by Mr. Chan Yan Ming, Michael, an executive director of the Company. The rental expenses were charged at market price.

INTERIM DIVIDEND

The directors do not recommend the payment of an interim dividend for the 6 months ended 30th June 2003 (1st January 2002 – 30th June 2002: HK\$0.05 per ordinary share).

MANAGEMENT DISCUSSION AND ANALYSIS

Review and prospect

For the six months ended 30th June 2003, the Company recorded a loss of HK\$14.7 million. The loss was mainly due to unrealised loss of HK\$8.7 million on listed securities as compared with the market price on 31st December 2002 and a provision of HK\$3.6 million made on an unlisted equity investment.

Effective 1st January 2003, China Core Capital Management Limited has taken over the role of investment manager of the Company and AsiaVest Investment Advisory Limited resigned as interim investment manager of the Company.

There is no material change of the Company's investment portfolio as at 30th June 2003 from the portfolio at 31st December 2002 other than redeeming 2.02 shares out of 20 shares invested in Maximus Global Strategy Fund. Remaining 17.98 shares were fully redeemed in July at the price above our cost of investment.

At 30th June 2003, 44% of the Company's investment portfolio (based on market price and after provision) was invested in the equity of unlisted companies with operation in PRC, 18% in listed securities in Hong Kong, 18% in convertible loans of an unlisted company and 20% in Maximus Global Strategy Fund.

The SARS that badly damaged Hong Kong economy during the first half of 2003 also severely affected PRC economy. At Beijing and other metropolitan area, commercial activities had stopped completely for almost two months. Operation of the Company's investments at Beijing and Tianjin had been seriously interrupted.

Of the three investments in PRC by the Company, the internet phone investment at Tianjin was the hardest hit by the SARS. The joint-venture had encountered a much more competitive environment due to regulatory changes of the telecommunication market in PRC and continuous technological advancement which affected the manufacturing cost and product pricing. With the SARS's impact on commercial activities,

implementation of the projected business plan had been postponed further. The management of the Company decided to make a provision of 20% on this investment as the telecommunication market condition and financial situation of the joint venture had been deteriorated since we invested.

We had been notified by our joint-venture partner in Huayi Pharmaceutical Company Limited, one of our investments in Beijing, PRC, requesting shareholders' loan contribution on or before 26th July 2003. As there is an investment restriction on the Company not to invest more than 20% of the Company's net asset value on any single investment, and the Company's investment in Huayi Pharmaceutical Company Limited has reached the investment limit of 20%, it was not possible for the Company to fulfil its obligation as per the Shareholders' Agreement to contribute any shareholders' loan. The Company is negotiating with related parties to extend the deadline of the shareholder's loan contribution with the view to resolve the issue. Failure in the negotiation would result in the dilution of the Company's ultimate holding interest in Huayi Pharmaceutical Company Limited.

Notice had been received from the borrower of the HK\$13.5 million loan with the option to convert into shares which would entitle the company to control not more than 30% of an advertising company at Beijing, PRC. The borrower exercised the prepayment right of the loan agreement. The loan principal of HK\$6 million together with the accrued interest was repaid in July 2003. The remaining HK\$7.5 million loan, if being converted, would represent approximately 15% interest of the advertising company.

The current investment portfolio is characterised by start-ups and venture capital in nature which carried a higher risk and required a longer period of time before any cashflow can be distributed to the investor. To achieve a better balance of the portfolio, the management of the Company will consider investments in more established business in future.

Financial resources, capital commitment and contingent liability

As at 30th June 2003, the Company has an overdraft banking facility up to HK\$5 million which is secured by the Company's marketable securities. The Company has no material capital commitment and contingent liability.

Employees

As at 30th June 2003, the Company had 4 employees, total staff cost for the period amounted to approximately HK\$1.3 million including director's emoluments. The Company's remuneration policies are in line with the prevailing market practice. Mr. Chan Yan Ming, Michael resigned as the managing director of the Company with effect from 1st August 2003, he will continue to be an executive director of the Company.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

At 30th June 2003, the interests of the directors in the share capital of the Company as recorded in the register maintained by the Company pursuant to Section 324 and 347 of Part XV of the Securities and Future Ordinance (the "SFO") were as follows:

Name of directors	Number of shares held for personal interests
Mr. Chan Yan Ming, Michael	100,000
Mr. Joel Lazare Hohman	2,900,000

Other than as disclosed above, none of the directors or chief executives, nor their associates, had any interests in any securities of the Company or any of its associated corporations.

SHARE OPTION SCHEME

The Company's share option scheme (the "Scheme"), was adopted pursuant to a resolution passed on 8th February 2002, and revised pursuant to a resolution passed on 6th December 2002, for the primary purpose of providing incentives to directors and eligible participants (as defined in the Scheme), and will expire on 7th February 2012. Under the Scheme, the Board of Directors of the Company may grant options to directors of the Company (including non-executive directors and independent non-executive directors) and its eligible participants to subscribe for shares in the Company.

The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares in respect of which options may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's share capital or with a value in excess of HK\$5 million must be approved in advance by the Company's shareholders.

Options granted must be taken up within 7 days of the date of grant, upon payment of HK\$1.00 per option. Options may be exercised at any time from the date of grant of the share option to a period to be notified by the Board of Directors of the Company to each grantee at the time of making such offer, which shall not expire later than 10 years from the date of grant. The exercise price is determined by the Board of Directors of the Company at its absolute discretion and will not be less than the higher of (a) the closing price of the shares of the Company as stated in the daily quotations sheets issued by the Stock Exchange on the date of grant; (b) the average closing price of the shares of the Company as stated in the daily quotations sheets issued by the Stock Exchange for the 5 business days immediately preceding the date of grant; and (c) the nominal value of a share of the Company on the date of grant.

No option has been granted under the share option scheme since its adoption.

SUBSTANTIAL SHAREHOLDERS

As at 30th June 2003, the register of substantial shareholders maintained under Section 336 of the SFO showed that, other than the interest disclosed above in respect of certain directors, the following shareholders had an interest of 5% or more in the issued share capital of the Company.

Name	Number of shares
Big Draw Limited	10,000,000
First Deals Trading Limited	10,000,000
First Win Trading Limited	10,000,000
First Pink Limited	10,000,000
I-Deluxe Assets Limited	10,000,000
Ma Kai Chiu	8,000,000
B & D Investments Limited	5,384,000

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

During the six months ended 30th June 2003, the Company did not purchase, sell or redeem any of the Company's listed securities.

AUDIT COMMITTEE

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Company and discussed the internal control and financial reporting matters including a review of the unaudited consolidated interim results for the six months ended 30th June 2003.

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 six months ended 30th June 2003, 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.

On behalf of the Board
Ma Kam Fook, Robert
Executive Director

Hong Kong, 29th July 2003