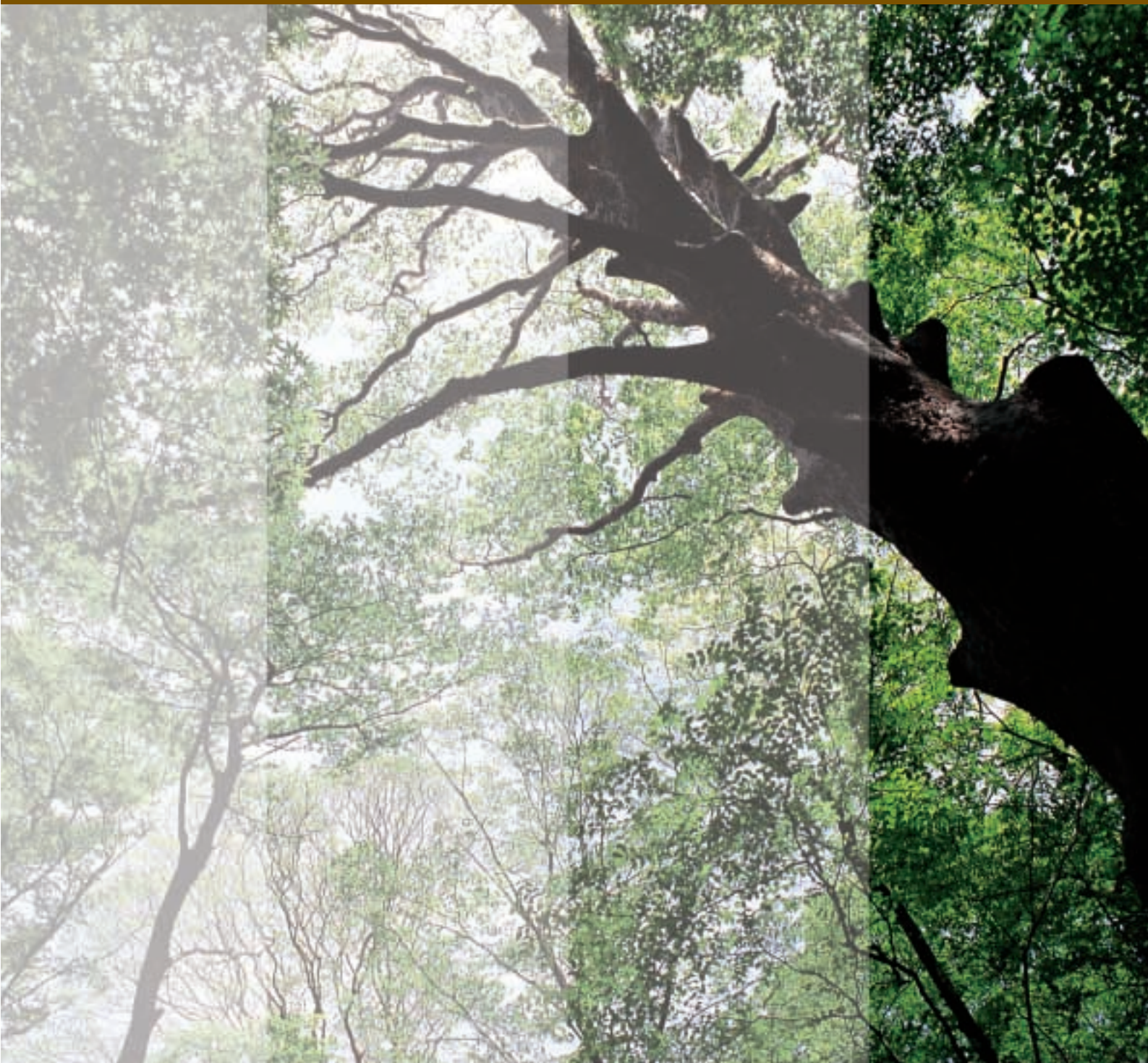




# CITIC Resources Holdings Limited

(Incorporated in Bermuda with limited liability)

I n t e r i m   R e p o r t   2 0 0 3



## CORPORATE INFORMATION

### EXECUTIVE DIRECTORS

Mr. Kwok Viem, Peter (*Chairman*)  
Mr. Ma Ting Hung (*Vice Chairman*)  
Ms. Li So Mui  
Mr. Qiu Yiyong  
Mr. Sun Xinguo  
Mr. Tian Yuchuan  
Mr. Zhang Jijing

### INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Fan Ren Da, Anthony  
Mr. Tsang Link Carl, Brian

### AUDIT COMMITTEE

Mr. Fan Ren Da, Anthony  
Mr. Tsang Link Carl, Brian

### COMPANY SECRETARY

Ms. Li So Mui

### AUDITORS

Ernst & Young  
*Certified Public Accountants*  
15th Floor, Hutchison House  
10 Harcourt Road, Central  
Hong Kong

### REGISTERED OFFICE

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

### HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Room 2602, 26th Floor  
Bank of America Tower  
12 Harcourt Road, Central  
Hong Kong

Tel : (852) 2815 9792  
Fax : (852) 2815 9723  
Website : [www.citicresources.com](http://www.citicresources.com)

### SHARE REGISTRAR AND TRANSFER OFFICE

Tengis Limited  
G/F, Bank of East Asia Harbour View Centre  
56 Gloucester Road, Wanchai  
Hong Kong

Stock Code: 1205

### PRINCIPAL BANKER

CITIC Ka Wah Bank Limited

## CITIC Resources Holdings Limited

Six months ended 30 June 2003

Unaudited

(Expressed in HK\$'000)

### FINANCIAL RESULTS

The board of directors (the “Directors”) of CITIC Resources Holdings Limited (the “Company”) announces the unaudited consolidated interim results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2003 (the “Period”).

#### Condensed Consolidated Profit and Loss Account

	Notes	2003	2002
<b>TURNOVER</b>		<b>7,116</b>	16,624
Cost of sales		<u>(11,408)</u>	<u>(20,122)</u>
Gross loss		<b>(4,292)</b>	(3,498)
Other revenue and gains		<b>7,740</b>	1,461
Selling and distribution costs		<b>(193)</b>	(614)
Administrative expenses		<b>(9,495)</b>	(7,436)
Other operating expenses		<u>(187)</u>	<u>(823)</u>
<b>LOSS FROM OPERATING ACTIVITIES</b>	3	<b>(6,427)</b>	(10,910)
Finance costs		<u>(46)</u>	<u>–</u>
<b>LOSS BEFORE TAX</b>		<b>(6,473)</b>	(10,910)
Tax	4	<u>–</u>	<u>–</u>
<b>NET LOSS ATTRIBUTABLE TO SHAREHOLDERS</b>		<u><b>(6,473)</b></u>	<u>(10,910)</u>
<b>LOSS PER SHARE</b>	5		
Basic		<u><b>HK(0.20 cent)</b></u>	<u>HK(0.50 cent)</u>
Diluted		<u><b>N/A</b></u>	<u>N/A</u>

**Condensed Consolidated Balance Sheet**

	Notes	<b>30 June 2003</b> <b>Unaudited</b>	31 December 2002 Audited
<b>NON-CURRENT ASSETS</b>			
Fixed assets		<b>102,918</b>	107,959
Prepayments		<b>19,028</b>	12,582
		<b>121,946</b>	120,541
<b>CURRENT ASSETS</b>			
Inventories		<b>10,727</b>	3,065
Prepayments, deposits and other receivables		<b>2,102</b>	3,939
Accounts receivable	6	<b>3,370</b>	1,343
Pledged bank deposit		<b>15,600</b>	–
Cash and bank balances		<b>1,107,890</b>	1,123,498
		<b>1,139,689</b>	1,131,845
<b>CURRENT LIABILITIES</b>			
Secured bank loan	7	<b>9,864</b>	–
Accounts payable	8	<b>653</b>	1,067
Accrued liabilities and other payables		<b>23,234</b>	16,962
		<b>33,751</b>	18,029
<b>NET CURRENT ASSETS</b>		<b>1,105,938</b>	1,113,816
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>1,227,884</b>	1,234,357
<b>NON-CURRENT LIABILITIES</b>			
Other loans		<b>11,862</b>	11,862
		<b>1,216,022</b>	1,222,495
<b>CAPITAL AND RESERVES</b>			
Issued capital	9	<b>164,824</b>	164,824
Reserves		<b>1,051,198</b>	1,057,671
		<b>1,216,022</b>	1,222,495

**CITIC Resources Holdings Limited**

Six months ended 30 June 2003

(Expressed in HK\$'000)

**Condensed Consolidated Statement of Changes in Equity**

	Reserves						Sub-total	Total
	Issued capital (Note 9)	Share premium account	Contributed surplus	Exchange fluctuation reserve	Capital reserve	Accumulated losses		
At 31 December 2002 and 1 January 2003 (Audited)	164,824	1,200,879	65,527	860	4,104	(213,699)	1,057,671	1,222,495
Net loss for the Period	-	-	-	-	-	(6,473)	(6,473)	(6,473)
At 30 June 2003 (Unaudited)	<u>164,824</u>	<u>1,200,879</u>	<u>65,527</u>	<u>860</u>	<u>4,104</u>	<u>(220,172)</u>	<u>1,051,198</u>	<u>1,216,022</u>
At 31 December 2001 and 1 January 2002 (Audited)	106,000	262,462	65,527	-	4,104	(198,482)	133,611	239,611
Translation differences arising on consolidation	-	-	-	881	-	-	881	881
New issue of shares	58,824	941,176	-	-	-	-	941,176	1,000,000
Share issuance expenses	-	(1,693)	-	-	-	-	(1,693)	(1,693)
Net loss for the six months ended 30 June 2002	-	-	-	-	-	(10,910)	(10,910)	(10,910)
At 30 June 2002 (Unaudited)	<u>164,824</u>	<u>1,201,945</u>	<u>65,527</u>	<u>881</u>	<u>4,104</u>	<u>(209,392)</u>	<u>1,063,065</u>	<u>1,227,889</u>

**Condensed Consolidated Cash Flow Statement**

	<b>2003</b>	2002
Net cash used in operating activities	<b>(11,784)</b>	(38,888)
Net cash from investing activities	<b>1,912</b>	1,001,460
Net cash from financing activities	<b>9,864</b>	–
	<hr/>	<hr/>
<b>Increase/(decrease) in cash and cash equivalents</b>	<b>(8)</b>	962,572
Cash and cash equivalents at beginning of Period	<b>1,123,498</b>	141,905
	<hr/>	<hr/>
<b>Cash and cash equivalents at end of Period</b>	<b>1,123,490</b>	1,104,477
	<hr/>	<hr/>
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances	<b>439</b>	1,264
Non-pledged time deposits with original maturity of less than three months when acquired	<b>1,107,451</b>	1,103,213
Pledged time deposits with original maturity of less than three months when acquired	<b>15,600</b>	–
	<hr/>	<hr/>
	<b>1,123,490</b>	1,104,477
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**Notes to Interim Financial Statements:**

**1. Basis of preparation**

These condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Statements of Standard Accounting Practice (“SSAP”) 25 “Interim Financial Reporting”, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention. The accounting policies adopted are consistent with those used in the Group’s financial statements for the year ended 31 December 2002, except for the adoption of the new SSAP 12 (Revised) “Income Taxes” which is effective for the first time for the financial statements of the Period.

SSAP 12 (Revised) principally prescribes the accounting treatment and disclosures for deferred tax. In prior years, deferred tax was provided using the income statement liability method in respect of all significant timing differences to the extent it is probable that the liability will crystallize in the foreseeable future. A deferred tax asset is not recognized until its realization is assured beyond reasonable doubt. SSAP 12 (Revised) requires the adoption of the balance sheet liability method, whereby deferred tax is recognized in respect of all temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions. The adoption of SSAP 12 (Revised) has had no significant effect on the results for the current or prior accounting periods.

**2. Segment information**

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group’s operating businesses are structured and managed separately according to the nature of their operations and the products and services they provide. Each of the Group’s business segments represents a strategic business unit that offers products and services of different risks and returns. Summary details of the business segments are as follows:

- (a) the manufacture and sale of plywood segment comprises the supply of plywood mainly for use in the manufacture of furniture and fixtures and for refurbishment; and
- (b) the trading of timber products segment comprises the sale of veneers.

In determining the Group’s geographical segments, revenues are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

**(a) Business segments**

The following tables present revenue, results and certain asset, liability and expenditure information for the Group's business segments.

	Manufacture and sale of plywood		Trading of timber products		Consolidated	
	2003	2002	2003	2002	2003	2002
Segment revenue:						
Sales to external customers	7,116	14,894	-	1,722	7,116	16,616
Other revenue	11	-	-	-	11	-
	<u>7,127</u>	<u>14,894</u>	<u>-</u>	<u>1,722</u>	<u>7,127</u>	<u>16,616</u>
Segment results	<u>(7,381)</u>	<u>(6,050)</u>	<u>-</u>	<u>160</u>	<u>(7,381)</u>	<u>(5,890)</u>
Interest income and unallocated gains					7,729	1,385
Unallocated expenses					<u>(6,775)</u>	<u>(6,405)</u>
Loss from operating activities					<u>(6,427)</u>	<u>(10,910)</u>
Finance costs					<u>(46)</u>	<u>-</u>
Loss before tax					<u>(6,473)</u>	<u>(10,910)</u>
Tax					<u>-</u>	<u>-</u>
Net loss from ordinary activities attributable to shareholders					<u>(6,473)</u>	<u>(10,910)</u>
Segment assets	115,014	112,722	-	-	115,014	112,722
Unallocated assets					<u>1,146,621</u>	<u>1,150,081</u>
					<u>1,261,635</u>	<u>1,262,803</u>
Segment liabilities	35,077	23,464	-	-	35,077	23,464
Unallocated liabilities					<u>10,536</u>	<u>11,450</u>
					<u>45,613</u>	<u>34,914</u>
Other segment information:						
Depreciation	5,871	1,571	-	-	5,871	1,571
Unallocated amounts					<u>835</u>	<u>216</u>
					<u>6,706</u>	<u>1,787</u>
Other non-cash expenses	159	-	-	-	159	-
Unallocated amounts					<u>-</u>	<u>619</u>
					<u>159</u>	<u>619</u>
Capital expenditure	963	1	-	-	963	1
Unallocated amounts					<u>1,076</u>	<u>519</u>
					<u>2,039</u>	<u>520</u>



## CITIC Resources Holdings Limited

Six months ended 30 June 2003

Unaudited

(Expressed in HK\$'000)

### (b) Geographical segments

The following tables present revenue and certain asset and expenditure information for the Group's geographical segments.

	PRC		Other Asian countries		Consolidated	
	2003	2002	2003	2002	2003	2002
Segment revenue:						
Sales to external customers	<u>7,116</u>	14,581	<u>-</u>	2,043	<u>7,116</u>	16,624
Other segment information:						
Segment assets	<u>115,014</u>	112,722	<u>-</u>	-	<u>115,014</u>	112,722
Unallocated amounts					<u>1,146,621</u>	1,150,081
					<u>1,261,635</u>	1,262,803
Capital expenditure	<u>963</u>	1	<u>-</u>	-	<u>963</u>	1
Unallocated amounts					<u>1,076</u>	519
					<u>2,039</u>	520

### 3. Loss from operating activities

The Group's loss from operating activities is arrived at after charging:

	Group	
	2003	2002
Depreciation	<u>5,871</u>	1,571

### 4. Tax

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong for the Period (June 2002: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

A subsidiary established and operating in the People's Republic of China (the "PRC") was exempted from income tax for two years starting from its first profitable year of operations in 1997 and was entitled to 50% relief from income tax for the following three years under the Income Tax Law of the PRC. The tax holiday of this subsidiary expired in 2001. For the Period, the tax rate applicable to this subsidiary is 33%, however no provision for tax has been made for the Period as this subsidiary did not generate any assessable profits arising in the PRC during the Period.

No deferred tax has been provided as the Company and the Group had no significant timing differences at the balance sheet date.

No provision has been made for taxes which would arise on the remittance to Hong Kong of the retained profits of overseas companies as it is not anticipated that these amounts will be remitted in the near future.

**5. Loss per share**

The calculation of the basic loss per share is based on the consolidated net loss attributable to shareholders for the Period of HK\$6,473,000 (June 2002: HK\$10,910,000) and the weighted average of 3,296,470,588 shares (June 2002: 2,170,601,235 shares) in issue during the Period.

Diluted loss per share amounts for the six months ended 30 June 2003 and 2002 have not been presented because there were no dilutive events existing during these periods.

**6. Accounts receivable**

An aged analysis of the accounts receivable as at the balance sheet date, based on invoice date, is as follows:

	<b>Group</b>	
	<b>30 June 2003</b>	31 December 2002
	<b>Unaudited</b>	Audited
Within 1 month	2,143	1,077
1 to 2 months	809	3
2 to 3 months	64	–
Over 3 months	354	263
	<u>3,370</u>	<u>1,343</u>

The normal credit terms granted to debtors range from 30 to 45 days.

**7. Secured bank loan**

In March 2003, a wholly-owned subsidiary of the Company which is established and operating in the PRC obtained a trust receipt loan and bank overdraft facility of HK\$20 million. The facility is secured by the Group's pledge of a deposit of HK\$20 million and a corporate guarantee of the parent company of the subsidiary. As at 30 June 2003, the pledged bank deposit was HK\$15.6 million.

**8. Accounts payable**

An aged analysis of the accounts payable as at the balance sheet date, based on invoice date, is as follows:

	<b>Group</b>	
	<b>30 June 2003</b>	31 December 2002
	<b>Unaudited</b>	Audited
Within 1 month	334	731
1 to 2 months	198	310
2 to 3 months	113	14
Over 3 months	8	12
	<u>653</u>	<u>1,067</u>

**9. Share capital**

	<b>Number of ordinary shares</b>	<b>HK\$'000</b>
Authorised:		
Ordinary shares of HK\$0.05 each as at 1 January 2003 and 30 June 2003	<u>6,000,000,000</u>	<u>300,000</u>
Issued and fully paid:		
Ordinary shares of HK\$0.05 each as at 1 January 2003 and 30 June 2003	<u>3,296,470,588</u>	<u>164,824</u>

**INTERIM DIVIDEND**

The Directors resolved not to pay an interim dividend for the Period (June 2002: Nil).

**BUSINESS REVIEW AND OUTLOOK**

The principal activities of the Group are the manufacture and sale of plywood. The Group is still suffering from a slowdown of business and pricing pressures from its competitors. Considerable effort has been expended in sustaining the business performance, yet, the result was disappointing. The situation was further worsened by the sudden outbreak of Severe Acute Respiratory Syndrome ("SARS") in the second quarter.

Facing the weak business environment and sentiment, the Directors continue to pursue active improvements to and developments in its core business. In the first quarter of the year, the trial run of the new production line of veneer was completed. The normal production was gradually resumed in the second quarter. So far, the veneer produced is for own production of plywood. The Directors expect that the operational efficiency and productivity will be improved in the second half of the year though a strong rebound appears unlikely.

The sustained focus and core expertise of the Group, enhanced by the expansion and diversification of operations, encourage confidence in the long-term business prospects. The Group will endeavour to adopt effective competitive strategies and measures to enhance its overall competitiveness and achieve growth. In the mean time, the Directors continue to employ aggressive costs control and to improve the quality of the products.

Since the Directors have expertise and extensive experience in the forestry and aluminium industry, they are actively pursuing investment opportunities in natural resources. The Group's strong cash position is capable of supporting the investments and asset acquisitions required to create the growth of the Group. These, over time, will make a meaningful contribution to the earnings of the Group. The Group will strive to obtain favourable financial results and to achieve the best possible return for its shareholders.

## FINANCIAL REVIEW

### Group's financial results:

<b>Operating results</b>		<b>Six months ended 30 June</b>		
		<b>2003</b>	2002	Increase/ (decrease)
	Notes	<b>Unaudited HK\$ million</b>	Unaudited HK\$ million	%
• Turnover	1	<b>7.1</b>	16.6	(57.2)
• Net loss attributable to shareholders	2	<b>6.5</b>	10.9	(40.4)
• Loss per share		<b>HK(0.20 cent)</b>	HK(0.50 cent)	
<b>Financial position</b>				
	Notes	<b>30 June 2003 Unaudited HK\$ million</b>	31 December 2002 Audited HK\$ million	Increase/ (decrease) %
• Cash & bank balances	3	<b>1,107.9</b>	1,123.5	(1.4)
• Total assets		<b>1,261.6</b>	1,252.4	0.7
• Shareholders' equity		<b>1,216.0</b>	1,222.5	(0.5)
<b>Financial ratios</b>				
		<b>Six months ended 30 June</b>		
	Notes	<b>2003</b>	2002	
		<b>Unaudited</b>	Unaudited	
• Gross loss margin * <sup>1</sup>	4	<b>60.3%</b>	21.0%	
• Stock turnover * <sup>2</sup>	5	<b>1.7 times</b>	2.3 times	
		<b>30 June 2003</b>	31 December 2002	
	Notes	<b>Unaudited</b>	Audited	
• Current ratio * <sup>3</sup>	6	<b>33.8 times</b>	62.8 times	
• Total liabilities to total capital * <sup>4</sup>	7	<b>3.6%</b>	2.4%	

\*<sup>1</sup> gross loss / turnover x 100%

\*<sup>2</sup> cost of sales / [(opening stock + closing stock) / 2]

\*<sup>3</sup> current assets / current liabilities

\*<sup>4</sup> liabilities / (shareholders' equity + liabilities) x 100%

Notes:

1. the decrease was caused by:
  - (a) normal production was only resumed in the second quarter of the year, and
  - (b) the aggressive market competition in plywood products
2. the decrease of loss was mainly due to the increase in interest income
3. there was a pledged bank deposit of HK\$15.6 million
4. there was substantial increase in the depreciation on the new production lines and the economies of scale were not attained
5. the deterioration was due to postponed resumption of normal production and the keen market competition in plywood products
6. the decrease was mainly due to the new secured bank loan
7. gearing was sustained at healthy level

The Directors hope that the timber industry will pick up gradually in the latter half of the year. For the time being, the Group still focuses on its manufacturing activities in PRC.

### **LIQUIDITY AND FINANCIAL RESOURCES**

As at 30 June 2003, the cash balance was HK\$1,107.9 million. There was a bank loan of HK\$9.9 million, secured by the Group's pledge of a deposit of HK\$15.6 million and a corporate guarantee of HK\$20 million provided by the parent company of the subsidiary which obtained such bank loan. The gearing ratio of the Group, i.e. total liabilities to total capital, was 3.6%.

As the Group derives its revenue mainly in Renminbi, its exposure to foreign exchange rate fluctuations is not significant. The Directors are of the view that there is sufficient cash to satisfy the working capital needs and other financing requirements.

### **POST BALANCE SHEET EVENT**

In July 2003, the Company obtained a revolving loan facility of US\$20 million from a bank. The facility is secured by the Group's pledge of a deposit of US\$20 million.

### **EMPLOYEES AND REMUNERATION POLICIES**

As at 30 June 2003, the Group had around 400 full time employees, including the management and administrative staff and the production workers. Most of them station in the PRC while the remaining in Hong Kong.

The employees' remuneration, promotion and salary increment are assessed based on individual's performance, professional and working experience and are referred to the prevailing industry practice. Rent-free quarters are provided to the PRC employees. The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme.

## **DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS OR SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES**

At 30 June 2003, the directors and chief executives of the Company had the following interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited ("The Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") :

<b>Name of director</b>	<b>Type of interest</b>	<b>Number of ordinary shares of HK\$0.05 each in the Company</b>	<b>Percentage of total issued shares</b>
Mr. Kwok Viem, Peter (Note)	Corporate	1,112,000,000	33.733
Mr. Ma Ting Hung (Note)	Corporate	1,112,000,000	33.733
Mr. Zhang Jijing	Family	28,000	0.001

Note: The shares disclosed above are held by United Star International Inc., a company incorporated in the British Virgin Islands, which is beneficially owned as to 50% by Mr. Kwok Viem, Peter and 50% by Mr. Ma Ting Hung. Accordingly, each of them is deemed to be interested in 1,112,000,000 shares.

In addition to the above, one of the directors has non-beneficial personal equity interests in certain subsidiaries held for the benefit of the Company solely for the purpose of complying with the minimum company membership requirements.

Save as disclosed above, none of the directors or the chief executives of the Company had an interest or a short position in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of the SFO) that was required to be recorded under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange pursuant to the Model Code.

## **DIRECTORS' AND CHIEF EXECUTIVES' RIGHTS TO ACQUIRE SHARES OR DEBENTURES**

Apart from as disclosed under the heading "Share option scheme" below, at no time during the Period was the Company or any of its subsidiaries a party to any arrangement to enable the Company's directors or chief executives or their respective spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

## SHARE OPTION SCHEME

The Company operates a share option scheme (the “Scheme”) for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group’s operations. Eligible participants of the Scheme include the Company’s directors and other employees of the Group.

No share options are permitted to be granted to an eligible participant which, if exercised in full, would result in such eligible participant becoming entitled to subscribe for such number of shares of the Company as, when aggregated with the total number of shares of the Company already issued and remaining issuable to him or her under the Scheme, would exceed 25% of the aggregate number of the shares of the Company being issued and issuable under the Scheme.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% the issued share capital of the Company from time to time, excluding any shares issued pursuant to the Scheme.

The Scheme became effective on 21 August 1997 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date. The Company is required to comply with the requirements of Chapter 17 of the Rules Governing the Listing of Securities on The Stock Exchange (the “Listing Rules”) in granting new share options under the Scheme which took effect from 1 September 2001.

During the Period and up to the date of this report, no share options were granted, exercised, lapsed, cancelled or outstanding under the Scheme.

## SUBSTANTIAL SHAREHOLDERS

At 30 June 2003, the following persons (other than the directors and chief executives of the Company) had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Name of shareholder	Number of ordinary shares held	Percentage of total issued shares
Keentech Group Limited (Note 1)	1,360,180,588	41.26
CITIC International Holdings Limited (Note 1)	1,360,180,588	41.26
China International Trust and Investment Corporation (Note 1)	1,360,180,588	41.26
United Star International Inc. (Note 2)	1,112,000,000	33.73

Note 1: Keentech Group Limited, a company incorporated in the British Virgin Islands, is a direct wholly-owned subsidiary of CITIC International Holdings Limited, a company incorporated in the British Virgin Islands. China International Trust and Investment Corporation, a company incorporated in the PRC, is the direct holding company of CITIC International Holdings Limited. Accordingly, each of these companies is interested or deemed to be interested in 1,360,180,588 shares.

Note 2: These interests are also included as corporate interests of Mr. Kwok Viem, Peter and Mr. Ma Ting Hung, as disclosed under the heading “Directors’ and chief executives’ interests or short positions in shares, underlying shares and debentures” above.

Save as disclosed above, no person (other than the directors and chief executives of the Company whose interests are set out under the heading “Directors’ and chief executives’ interests or short positions in shares, underlying shares and debentures” above) had an interest or a short position in the shares and underlying shares of the Company that was required to be recorded under Section 336 of the SFO.

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

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company’s listed securities during the Period.

#### **CODE OF BEST PRACTICE**

In the opinion of the Directors, the Company complied with the Code of Best Practice (the “Code”) as set out in Appendix 14 of the Listing Rules throughout the Period, except that the non-executive directors of the Company are not appointed for specific terms as required by paragraph 7 of the Code, but are subject to retirement by rotation in accordance with the Company’s bye-laws.

#### **AUDIT COMMITTEE**

The Company has an audit committee which was established in accordance with the requirements of the Code, for the purpose of reviewing and providing supervision over the Group’s financial reporting process and internal controls. The audit committee comprises the two independent non-executive directors of the Company.

The audit committee has reviewed this interim report with the management of the Company.



**PUBLICATION OF INTERIM REPORT**

The 2003 Interim Report containing all information required by paragraphs 46(1) to 46(6) of Appendix 16 of the Listing Rules will be published on the respective website of The Stock Exchange and the Company in due course.

On behalf of the board  
**Peter Kwok Viem**  
*Chairman*

Hong Kong, 22 September 2003