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INTERIM RESULTS

The board of directors (the “Board”) of Central China Enterprises Limited (the “Company”) is pleased to present the interim report and condensed financial statements of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2003. The consolidated results, consolidated cash flow statement and consolidated statement of changes in equity of the Group for the six months ended 30 June 2003, and the consolidated balance sheet as at 30 June 2003 of the Group, all of which are unaudited and condensed, along with selected explanatory notes, are set out on pages 2 to 14 of this report:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2003

	Notes	For the six months ended 30 June	
		2003 (unaudited) HK\$'000	2002 (unaudited) HK\$'000
Turnover	2	348	637
Cost of sales		(7)	(475)
Gross profit		341	162
Other revenues		34	366
Other income		5,000	–
Distribution costs		(17)	(56)
Administrative expenses		(22,155)	(22,312)
Other operating expenses		(5,210)	(6,094)
Loss from operations	3	(22,007)	(27,934)
Finance costs	4	(793)	(926)
Net investment loss	5	(6,564)	(5,053)
Share of results of associates		(7,244)	(8,499)
Loss on disposal of a subsidiary		(620)	–
Loss before taxation		(37,228)	(42,412)
Taxation	6	–	–
Loss after taxation		(37,228)	(42,412)
Minority interests		–	–
Net loss for the period		(37,228)	(42,412)
Loss per share – Basic	8	1.40 cents	1.59 cents

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2003

	Notes	As at 30 June 2003 (unaudited) HK\$'000	As at 31 December 2002 (audited) HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	9	6,423	7,453
Goodwill	9	39,074	44,284
Interests in associates		16,810	24,055
Guaranteed income investments		–	–
Investments in securities, at cost less impairment loss		–	3,969
		<u>62,307</u>	<u>79,761</u>
Current assets			
Inventories		15	21
Trade and other receivables	10	14,968	20,431
Investments in securities, at market value		3,120	12,387
Amount due from a former associate		1	2,001
Bank balances and cash		717	984
		<u>18,821</u>	<u>35,824</u>
Current liabilities			
Trade and other payables	11	8,255	3,406
Obligations under finance leases		181	175
Bank loan – due within one year	12	16,723	18,672
		<u>25,159</u>	<u>22,253</u>
Net current (liabilities) assets		<u>(6,338)</u>	<u>13,571</u>
Total assets less current liabilities		<u>55,969</u>	<u>93,332</u>
Non-current liabilities			
Obligations under finance leases		(92)	(176)
		<u>55,877</u>	<u>93,156</u>
Minority interests		(7)	(7)
		<u>55,870</u>	<u>93,149</u>
CAPITAL AND RESERVES			
Share capital	13	532,674	532,674
Reserves		(476,804)	(439,525)
		<u>55,870</u>	<u>93,149</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2003

	For the six months ended 30 June	
	2003 (unaudited) HK\$'000	2002 (unaudited) HK\$'000
Net cash (used in) from operating activities	(3,642)	58,759
Net cash from (used in) investing activities	5,402	(80,546)
Net cash used in financing activities	<u>(2,027)</u>	<u>(7,928)</u>
Net decrease in cash and cash equivalents	(267)	(29,715)
Cash and cash equivalents at beginning of the period	<u>984</u>	<u>40,860</u>
Cash and cash equivalents at end of the period	<u>717</u>	<u>11,145</u>
Analysis of balances of cash and cash equivalents		
Bank balances and cash	<u>717</u>	<u>11,145</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2003

	Share Capital	Reserves				Total share- holders' equity HK\$'000
	Paid-up share capital HK\$'000 (Note 13)	Share premium HK\$'000	Translation reserve HK\$'000	Deficit HK\$'000	Total reserves HK\$'000	
As at 1 January 2003	532,674	491,076	(16)	(930,585)	(439,525)	93,149
Exchange differences arising on translation of the financial statements of foreign subsidiaries	–	–	(51)	–	(51)	(51)
Net loss for the period	–	–	–	(37,228)	(37,228)	(37,228)
As at 30 June 2003	532,674	491,076	(67)	(967,813)	(476,804)	55,870
As at 1 January 2002	532,674	491,076	(16)	(782,605)	(291,545)	241,129
Net loss for the period	–	–	–	(42,412)	(42,412)	(42,412)
As at 30 June 2002	532,674	491,076	(16)	(825,017)	(333,957)	198,717

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2003

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

These unaudited condensed consolidated financial statements have been prepared in accordance with the requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Statement of Standard Accounting Practice 2.125 "Interim financial reporting" (SSAP 25) issued by the Hong Kong Society of Accountants ("HKSA").

These condensed financial statements should be read in conjunction with the 2002 annual financial statements.

The basis of preparation and accounting policies adopted in the preparation of these condensed financial statements are consistent with those used in the audited annual financial statements for the year ended 31 December 2002, except that the Group has changed certain of its accounting policies following its adoption of the Statement of Standard Accounting Practice 2.112 "Income taxes" (SSAP 12) issued by the HKSA which are effective for accounting periods commencing on or after 1 January 2003. The changes to the Group's accounting policies and the effect of adopting these new policies are set out below:

SSAP 12: Income taxes

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred taxation is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

In prior period, deferred taxation was accounted for at the current taxation rate in respect of timing differences between profit as computed for taxation purposes and profit as stated in the financial statements to the extent that a liability or an asset was expected to be payable or recoverable in the foreseeable future. The adoption of this accounting standard has no material impact on the Group's results and net assets.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2003

2. TURNOVER AND SEGMENTAL INFORMATION

The principal activities of the Group are provision of software design and development, provision of Internet software services, and guaranteed income investments in a power plant and a motor spare parts business in the People's Republic of China (the "PRC").

An analysis of the Group's turnover and contribution to gain (loss) from operations by business segments is as follows:

	Continuing operations				Consolidated HK\$'000
	Software design and development HK\$'000	Internet software services HK\$'000	Power plant HK\$'000 (Note (i))	Motor spare parts business HK\$'000 (Note (i))	
For the six months ended 30 June 2003 (unaudited)					
Turnover					
– External sales	348	–	–	–	348
Contribution to loss from operations	(3,032)	–	–	–	(3,032)
Other revenues					34
Other income					5,000
Unallocated expenses (Note (ii))					(24,009)
Loss from operations					(22,007)

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2003

2. TURNOVER AND SEGMENTAL INFORMATION (continued)

	Continuing operations				Consolidated HK\$'000
	Software design and development HK\$'000	Internet software services HK\$'000	Power plant HK\$'000 (Note (i))	Motor spare parts business HK\$'000 (Note (i))	
For the six months ended					
30 June 2002 (unaudited)					
Turnover					
– External sales	281	356	–	–	637
Contribution to gain (loss) from operations	(4,488)	96	(252)	–	(4,644)
Unallocated expenses (Note (ii))					(23,290)
Loss from operations					(27,934)

The turnover of the Group is principally derived from the PRC excluding the Hong Kong and Macau Special Administrative Regions.

Notes:

- (i) No return has been recognised in both periods as the recoverability of the guaranteed return is considered by the directors to be uncertain.
- (ii) There were no sales or other transactions between the business segments. Unallocated expenses mainly represent corporate expenses.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2003

3. LOSS FROM OPERATIONS

	For the six months ended 30 June	
	2003 (unaudited) HK\$'000	2002 (unaudited) HK\$'000
Loss from operations has been arrived at after crediting and charging the following:		
Crediting:		
Net gain on disposal of property, plant and equipment	20	50
Reversal for provision for doubtful debts	<u>5,000</u>	<u>–</u>
Charging:		
Depreciation and amortisation of:		
– guaranteed income investments	–	252
– property, plant and equipment	1,528	417
– goodwill arising on acquisition of subsidiary (included in other operating expenses)	5,210	3,825
– goodwill arising on acquisition of associates (included in other operating expenses)	–	2,269
	<u>6,738</u>	<u>6,763</u>

4. FINANCE COSTS

	For the six months ended 30 June	
	2003 (unaudited) HK\$'000	2002 (unaudited) HK\$'000
Interest on bank borrowings wholly repayable within five years	767	926
Interest element of finance leases	7	–
Other borrowing costs	<u>19</u>	<u>–</u>
Total borrowing costs	<u>793</u>	<u>926</u>

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2003

5. NET INVESTMENT LOSS

	For the six months ended 30 June	
	2003 (unaudited) HK\$'000	2002 (unaudited) HK\$'000
Unrealised holding loss on other investments	(3,748)	(1,617)
Loss on disposal of other investments	(2,426)	(3,642)
Loss on disposal of investment securities	(580)	–
Dividend income	17	–
Interest income	173	206
	<u>(6,564)</u>	<u>(5,053)</u>

6. TAXATION

Hong Kong profits tax is calculated at 17.5% (2002: 16%) on the estimated assessable profit for the period. Taxation for overseas subsidiaries is similarly charged at the appropriate current rates of taxation ruling in the relevant countries.

No provision for Hong Kong profits tax has been made in the financial statements as the companies operating in Hong Kong did not have any assessable profits in both periods.

No provision for PRC income tax has been made in the financial statements for both periods as the companies operating in the PRC had no assessable profit for both periods.

A deferred tax asset has not been recognised in the aforesaid periods in respect of tax losses available to offset future profits as there is no immediate plan to utilise the tax losses in the foreseeable future.

7. DIVIDENDS

No dividends were paid or declared in both periods.

8. LOSS PER SHARE

The calculation of loss per share is based on net loss for the six months ended 30 June 2003 of approximately HK\$37,228,000 (six months ended 30 June 2002: approximately HK\$42,412,000) and 2,663,370,147 shares (six months ended 30 June 2002: 2,663,370,147 shares) in issue during the period.

No diluted loss per share has been calculated as the exercise of the share options would result in a decrease in loss per share for both periods.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2003

9. CAPITAL EXPENDITURE

	Goodwill (unaudited) HK\$'000	Property, plant and equipment (unaudited) HK\$'000
For the six months ended 30 June 2003		
Opening net book amount as at 1 January 2003	44,284	7,453
Additions	–	1,532
Disposals	–	(1,038)
Amortisation/depreciation charge (Note 3)	(5,210)	(1,528)
Other movements	–	4
Closing net book amount as at 30 June 2003	<u>39,074</u>	<u>6,423</u>

10. TRADE AND OTHER RECEIVABLES

The Group allows an average credit period of 30 days to its trade customers. The ageing analysis of trade receivables is as follows:

	30 June 2003 (unaudited) HK\$'000	31 December 2002 (audited) HK\$'000
Up to 30 days	–	744
31 to 60 days	–	–
61 to 90 days	12	–
91 days or above	680	39
Total trade receivables	<u>692</u>	783
Other receivables (Note below)	<u>14,276</u>	19,648
	<u>14,968</u>	<u>20,431</u>

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2003

10. TRADE AND OTHER RECEIVABLES (continued)

Note:

As at 30 June 2003, included in other receivables is the outstanding balance for the purchase consideration due from the purchaser as a result of disposal of the Group's subsidiary during the year ended 31 December 2001. A breakdown of this outstanding balance is as follows:

	30 June 2003 (unaudited) HK\$'000
Buildnow Industries Limited	10,729
Allowance for trade and other receivables	(6,000)
	<u>4,729</u>

The directors of the Company are currently negotiating for the recovery of the outstanding balance. As the recovery of this other receivable is considered by the directors to be uncertain, a provision for doubtful debts of approximately HK\$6,000,000 has been made during the year ended 31 December 2002.

11. TRADE AND OTHER PAYABLES

The ageing analysis for trade payables is as follows:

	30 June 2003 (unaudited) HK\$'000	31 December 2002 (audited) HK\$'000
Up to 30 days	–	32
Total trade payables (Note (i))	–	32
Other payables (Note (ii))	8,255	3,374
	<u>8,255</u>	<u>3,406</u>

Notes:

- (i) As at 30 June 2003, the Group did not have any trade payables.
- (ii) As at 30 June 2003, included in other payables are a refundable deposit amounting to approximately HK\$3,000,000, an unsecured loan amounting to approximately HK\$1,000,000, amounts due to directors amounting to approximately HK\$1,900,000 and other payables amounting to approximately HK\$2,300,000.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2003

12. BANK LOAN

The maturity of the bank loan is as follows:

	30 June 2003 (unaudited) HK\$'000	31 December 2002 (audited) HK\$'000
Within one year and shown under current liabilities (Notes (i) and (ii))	<u>16,723</u>	<u>18,672</u>

Notes:

- (i) As at 30 June 2003, bank loan of the Group was guaranteed by Henan Hongkong Finance Limited ("HHF"), a wholly owned subsidiary of Henan Hongkong Enterprises Limited ("HHE"), without charge. In addition, the Group's guaranteed return in Henan Taiwu Electric Power Co., Ltd. was also pledged to the bank.
- (ii) On 19 June 2003, the Company has received a writ of summons with statement of claim. Bank of China (Hong Kong) Limited, the Plaintiff, is claiming repayment of the bank loan in the sum of US\$2,143,993 (equivalent to approximately HK\$16,723,000). This results from the Company's failure to make repayment pursuant to the loan agreement entered into between the Company, as borrower and the Plaintiff, as lender, on 15 September 1999 (the "Loan Agreement"), which constitutes an event of default under the Loan Agreement. The Company is currently in negotiations with the Plaintiff with a view to agreeing on a new repayment schedule of the outstanding balance of the bank loan. No agreement has been reached in connection with the rescheduling of repayment of the bank loan. The Plaintiff also commenced litigation against HHF, as guarantor, on 19 June 2003 in relation to the outstanding amount of the bank loan of approximately US\$2,143,993.

13. SHARE CAPITAL

	30 June 2003 (unaudited) HK\$'000	31 December 2002 (audited) HK\$'000
Authorised:		
6,000,000,000 ordinary shares of HK\$0.20 each	<u>1,200,000</u>	<u>1,200,000</u>
Issued and fully paid:		
2,663,370,147 ordinary shares of HK\$0.20 each	<u>532,674</u>	<u>532,674</u>

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2003

14. OPERATING LEASE COMMITMENTS

As at 30 June 2003, the total future minimum lease payments under non-cancellable operating leases in respect of rented office premises are payable as follows:

	30 June 2003 (unaudited) HK\$'000	31 December 2002 (audited) HK\$'000
Within one year	3,035	3,306
In the second to fifth year inclusive	2,138	3,630
	<u>5,173</u>	<u>6,936</u>

15. CONTINGENCIES

As at 30 June 2003, the Group did not have any significant contingencies other than those disclosed in the audited annual financial statements for the year ended 31 December 2002.

16. SUBSEQUENT EVENTS

On 30 June 2003, the Company has entered into a conditional subscription agreement with an independent investor in relation to the subscription of 29,500,000 Adjusted Shares of the Company. On the same date, the directors of the Company put forward a proposal to the shareholders of the Company to effect the Capital Reorganisation which involving the Capital Reduction, the Share Subdivision, the Share Consolidation and the Share Premium Cancellation. An extraordinary general meeting ("EGM") of the Company has been convened on 22 September 2003 to consider and approve, inter alia, the Capital Reorganisation, the Subscription and the Whitewash Waiver.

Before the EGM proceeded to business, the chairman of the EGM proposed a resolution that the EGM be adjourned forthwith until a time and date to be fixed by the directors of the Company, in order to allow the shareholders more time to consider the proposals. The resolution to adjourn the EGM was passed. On 25 September 2003, the Company announced that the EGM will be reconvened on 3 October 2003 to consider, among other things, the Capital Reorganization, the Subscription and the Whitewash Waiver.

Terms used herein, unless otherwise defined, have the same meanings as defined in the circular of the Company dated 29 August 2003 (the "Circular"). Details of the Capital Reorganisation, the Subscription, the Whitewash Waiver and the general mandates to issue and repurchase Adjusted Shares have been set out in the Circular.

INTERIM DIVIDEND

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the six months ended 30 June 2003, the Group reported a turnover of HK\$348,000, representing a decrease of 45.4% when compared with the corresponding period in 2002. The net loss for the period was HK\$37,228,000, a slight improvement of 12.2% over last corresponding period, which was mainly attributable to the reversal of a provision for doubtful debts in respect of a receivable of HK\$5,000,000. The loss per share stood at 1.40 cents (2002: 1.59 cents).

During the period under review, the Group carried out its core businesses through its operating arm, Sharpo Group (“Sharpo”) in providing Internet software services, software design and development services and trading of related computer products. Sharpo is positioned as a provider of retail management solutions to the customers via web technology and its major customers are retail chain store operators, engaging in apparel, pharmaceuticals, optical and other general trading sectors in the PRC. Owing to the continued economic setback and the outburst of Severe Acute Respiratory Syndrome in Hong Kong and the PRC in the first half of 2003, the performance of Sharpo did not turn out as expected.

In view of the current business environment and the financial position of the Group, the management has revised its operation plans for strategic repositioning in order to maintain the existing operations, though in a smaller scale, and explore businesses and new revenues from the related fields in the computer technology industry.

PROSPECTS

It is believed that the year to come is extremely challenging and the outlook for the economy remains unpredictable. The management will exercise caution in managing its existing operations and in assessing any possible business opportunities which will bring in new sources of businesses and revenues to the Group.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

FINANCIAL REVIEW

As at 30 June 2003, the Group's net asset value amounted to HK\$55,870,000 and the net asset value per share was HK\$2.1 cents. The current ratio and quick ratio were reported at 0.75 and 0.75 respectively. Further, the gearing ratio, calculated as total debts to total assets was at 0.30.

The Group has only one bank loan due to Bank of China (Hong Kong) Limited ("BOC"), which was originally scheduled to be repaid by the Company by installments in accordance with the repayment timetable, and the outstanding balance stood at 30 June 2003 was HK\$16,723,000 (as at 31 December 2002: HK\$18,672,000). Due to internal cash flow difficulties, the Company failed to make full repayment when the 5th installment fell due on 13 March 2003. Such failure of full repayment constituted an event of default and, accordingly, on 19 June 2003, the Company received a writ of summons together with the statement of claim from BOC, as plaintiff, claiming for the outstanding loan amount of HK\$16,723,000. The Company is currently in negotiation with BOC with a view to rescheduling the repayment timetable for the remaining balance.

As at 30 June 2003, the Group has operating lease commitments of HK\$5,173,000 (as at 31 December 2002: HK\$6,936,000). These commitments represent the total future lease payments under the operating leases in respect of the rented office premises of the Group.

Save as disclosed in the 2002 annual report, the Company neither has other significant capital commitments nor contingent liabilities for any of its subsidiaries and associates. There were also no material changes in the capital structure and the pledge of assets of the Group during the period under review.

EMPLOYEE AND REMUNERATION POLICY

As at 30 June 2003, the Group employed 47 employees, 36 of which were based in the PRC, and remunerated them in accordance with their performance, experience and prevailing market practices.

In addition, the Company adopted a share option scheme on 27 May 2002. Share options may be granted to eligible persons (including employees and directors) in accordance with the terms and conditions of such scheme document. During the period under review, no options were granted under this share option scheme.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

PROPOSED CAPITAL REORGANIZATION

On 1 August 2003, the Company announced the following:

(i) **Capital Reorganization Proposal**

A capital reorganization proposal involving share consolidation, capital reduction, share subdivision and reduction of share premium account was put forward to the shareholders of the Company for consideration and approval.

(ii) **Subscription Agreement**

On 30 June 2003, the Company entered into a subscription agreement with Aimstar Holdings Limited (the "Investor") and Mr. Chan Tat Chee as guarantor in relation to the subscription of an aggregate of 29,500,000 adjusted shares by the Investor for a total consideration of HK\$18,000,000.

Completion of the Subscription Agreement is conditional upon the capital reorganization becoming effective and the whitewash waiver being granted by the Executive of the Securities and Futures Commission and approved by the independent shareholders of the Company.

A circular containing details, inter alia, the capital reorganization, the subscription agreement, the whitewash waiver and a notice of an extraordinary general meeting ("EGM") was sent to the shareholders of the Company on 29 August 2003.

On 22 September 2003, an EGM of the Company was convened to consider and approve the resolutions, among other things, in relation to the capital reorganization, the subscription agreement and the whitewash waiver. Before the EGM proceeded to business, the chairman of the EGM proposed a resolution to adjourn the meeting until a time and a date to be fixed by the directors in order to allow the shareholders more time to consider the proposals. The resolution to adjourn the meeting was approved by the shareholders at the EGM.

On 25 September 2003, the Company announced that the EGM will be reconvened on 3 October 2003 to consider, among other things, the capital reorganization, the subscription agreement and the whitewash waiver.

DISCLOSURE OF INTERESTS

I. DIRECTORS' INTERESTS AND SHORT POSITIONS IN THE SECURITIES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

Save as disclosed below, as at 30 June 2003, none of the directors had or were deemed to have any interest in the share capital of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which are required have taken or deemed to have under such provisions of the SFO) or which are required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or which are required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") or which are required to be disclosed pursuant to the Hong Kong Code on Takeovers and Mergers (the "Takeovers Code"), to be notified to the Company and the Stock Exchange.

Name of Directors	Type of Interest	Number of Shares
Kwong Jimmy Cheung Tim	Personal	300,000,000
Lin Hoi Kwong	Personal	20,000

II. PERSONS WHO HAVE INTERESTS OR SHORT POSITIONS WHICH ARE DISCLOSEABLE UNDER DIVISIONS 2 AND 3 OF PART XV OF THE SFO

Save as disclosed below, as at 30 June 2003, so far as is known to the directors, no other person had, or was deemed or taken to have an interest or short position in the securities of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Name of Shareholders	Number of Shares	Approximate percentage of existing issued share capital of the Company
Kwong Jimmy Cheung Tim	300,000,000	11.3
Henan Hongkong Enterprises Limited (Note)	370,000,000	13.9

Note: The interests disclosed under Henan Hongkong Enterprises Limited represent its direct interest in the Company of 144,000 shares together with its deemed interests in 369,856,000 shares, held by its wholly owned subsidiary, Fulham Associates Limited. Henan Hongkong Enterprises Limited is wholly-owned by Henan Provincial Government.

DISCLOSURE OF INTERESTS (continued)

III. SHARE OPTION SCHEMES

The Company had adopted a share option scheme on 24 July 1992 (the "1992 Share Option Scheme"). Pursuant to which, share options were granted to certain eligible employees of the Group to subscribe for shares in the Company. On 27 May 2002, a new share option scheme (the "2002 Share Option Scheme") was adopted and the 1992 Share Option Scheme was terminated by the shareholders of the Company. Accordingly, no further share options can be granted under the 1992 Share Option Scheme.

(a) **1992 Share Option Scheme:**

No options were granted, cancelled, exercised or lapsed under the 1992 Share Option Scheme during the period. The following table showing the details and the outstanding balances of the options granted under the 1992 Share Option Scheme as at 1 January 2003 and 30 June 2003 respectively:

Category	Exercisable period	Exercise Price per share HK\$	Number of Share Options Outstanding at 1.1.2003	Number of Share Options Outstanding at 30.6.2003
Eligible Employees	26.1.2001 to 25.1.2010	0.3300	19,500,000	19,500,000
	3.2.2001 to 2.2.2010	0.3648	10,000,000	10,000,000
	19.6.2001 to 18.6.2010	0.3152	3,000,000	3,000,000
	28.7.2001 to 27.7.2010	0.2784	9,000,000	9,000,000
Total:			<u>41,500,000</u>	<u>41,500,000</u>

(b) **2002 Share Option Scheme:**

No options were granted, cancelled, exercised or lapsed under the 2002 Share Option Scheme during the period.

DISCLOSURE OF INTERESTS (continued)

III. SHARE OPTION SCHEMES (continued)

Save as disclosed above, none of the directors or chief executives, nor their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the period. Similarly, at no time during the period was the Company or any of its subsidiaries, its holding company or a subsidiary of its holding company a party to any arrangement to enable a director of the Company to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

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

There was no purchase, sale, redemption or cancellation of the Company's listed securities by the Company or any of its subsidiaries during the period.

AUDIT COMMITTEE

The Audit Committee consisting of two independent non-executive directors, namely, Mr. Lee Yu Leung and Mr. Lo Ka Lok, Steve, has reviewed with the management the areas in respect of the Group's accounting policies, auditing, internal control and financial reporting. The unaudited interim financial statements for the six months ended 30 June 2003 have been reviewed by the Audit Committee.

CODE OF BEST PRACTICE

In the opinion of the directors, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules throughout the accounting period covered by the interim report save and except that independent non-executive directors are not appointed for specific terms but are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provisions of the Company's Articles of Association.

On behalf of the Board
Chung Chi Shing
Deputy Chairman

Hong Kong, 26 September 2003