



Sun Man Tai Holdings Company Limited

2003
Interim Report

CORPORATE INFORMATION

Directors

Executive Directors

Qian Yong Wei
(Chairman & Chief Executive Officer)

Xu Zhe Cheng
Ren Jun Tao
Chiu Yeung

Independent Non-executive Directors

Mu Xiangming
Cheng Chak Ho

Company Secretary

Yuen Wing Kwan, Annie

Audit Committee

Mu Xiangming
Cheng Chak Ho

Principal Bankers

Citic Ka Wah Bank Limited
Wing Hang Bank Limited

Auditors

HLB Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants
6/F., Wheelock House
20 Pedder Street
Central
Hong Kong

Registered Office

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head Office and Principal Place of Business

Units E and F
12th Floor
CNT Tower
338 Hennessy Road
Hong Kong

Share Registrar

Butterfield Corporate Services Limited
11 Rosebank Centre
Bermudiana Road
Hamilton
Bermuda

Hong Kong Branch Share Registrar and Transfer Office

Tengis Limited
Ground Floor
BEA Harbour View Centre
56 Gloucester Road
Wanchai
Hong Kong

Listing Information

The Stock Exchange of Hong Kong Limited
Ordinary shares (Code: 433)

SUN MAN TAI HOLDINGS COMPANY LIMITED

The Board of Directors (the "Board") of Sun Man Tai Holdings Company Limited (the "Company") announces the unaudited interim results of the Company and its subsidiaries (the "Group") for the six months ended 30th June 2003 together with the comparative figures for the corresponding period as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	Six months ended 30th June	
		2003 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000
Turnover	2	4,698	6,927
Cost of sales		(100)	(388)
Gross profit		4,598	6,539
Other income, net		859	199
Administrative expenses		(8,881)	(7,828)
Loss from operations	3	(3,424)	(1,090)
Finance costs	4	(1,246)	(1,593)
Share of profits of an associate		-	6,086
(Loss)/profit before tax		(4,670)	3,403
Taxation	5	-	(140)
(Loss)/profit before minority interest		(4,670)	3,263
Minority interest		370	635
Net (loss)/profit from ordinary activities attributable to shareholders		(4,300)	3,898
(Loss)/Earnings per share			
Basic, HK cents	6	(0.13)	0.17

SUN MAN TAI HOLDINGS COMPANY LIMITED

CONDENSED CONSOLIDATED BALANCE SHEET

		30th June 2003 (Unaudited) HK\$'000	31st December 2002 (Audited) HK\$'000
	Notes		
Non-Current Assets			
Fixed assets	8	244,874	222,372
Interest in joint venture		46,769	46,768
Interest in associates		605	605
Other investments		216,466	216,467
		508,714	486,212
Current Assets			
Accounts receivable	9	1,346	306
Prepayments, deposits and other receivables		28,980	27,368
Investment deposits		209,200	171,036
Loan receivable		31,005	21,371
Amount due from fellow subsidiary		2,405	2,405
Cash and bank equivalents		33,652	38,293
		306,588	260,779
Current Liabilities			
Current portion of bank loans and overdraft (secured)		9,961	15,181
Obligations under finance lease		2	17
Accounts payable	10	760	178
Other payables and accrued expenses		10,617	12,549
Amount due to related companies		3,222	3,222
Amount due to a director		101	2,723
Taxation		526	3,880
		25,189	37,750
Net Current Assets		281,399	223,029

SUN MAN TAI HOLDINGS COMPANY LIMITED

CONDENSED CONSOLIDATED BALANCE SHEET (cont'd)

		30th June	31st December
		2003	2002
		(Unaudited)	(Audited)
	<i>Notes</i>	HK\$'000	HK\$'000
Total Assets Less Current Liabilities		790,113	709,241
Non-Current Liabilities			
Bank loan (secured)		61,098	58,583
Minority Interests		26,269	26,639
Net Assets		702,746	624,019
Capital and Reserves			
Share Capital	11	33,139	27,639
Reserves		669,607	596,380
Shareholders' Funds		702,746	624,019

SUN MAN TAI HOLDINGS COMPANY LIMITED

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th June 2003

	Share capital (Unaudited) HK\$'000	Share premium (Unaudited) HK\$'000	Contributed surplus (Unaudited) HK\$'000	Capital reserve (Unaudited) HK\$'000	Exchange reserve (Unaudited) HK\$'000	Retained earnings (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
At 1st January 2003	27,639	422,636	31,350	(894)	(4,260)	147,548	624,019
Exchange differences on translation of foreign subsidiaries	-	-	-	-	8,527	-	8,527
Issue of new shares	5,500	69,000	-	-	-	-	74,500
Loss for the period	-	-	-	-	-	(4,300)	(4,300)
As 30th June 2003	33,139	491,636	31,350	(894)	4,267	143,248	702,746

For the six months ended 30th June 2002

	Share capital (Unaudited) HK\$'000	Share premium (Unaudited) HK\$'000	Contributed surplus (Unaudited) HK\$'000	Capital reserve (Unaudited) HK\$'000	Exchange reserve (Unaudited) HK\$'000	Retained earnings (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
At 1st January 2002	23,033	289,071	31,350	(894)	(4,553)	156,351	494,358
Exchange differences on translation of foreign subsidiaries	-	-	-	-	6,543	-	6,543
Profit for the period	-	-	-	-	-	3,898	3,898
As 30th June 2002	23,033	289,071	31,350	(894)	1,990	160,249	504,799

SUN MAN TAI HOLDINGS COMPANY LIMITED

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six months ended	
	30th June	
	2003	2002
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Net cash (outflow)/inflow from operating activities	(64,347)	1,011
Net cash outflow from investing activities	(27,270)	(15,776)
Net cash inflow/(outflow) from financing activities	77,015	(30,792)
Net decrease in cash and cash equivalents	(14,602)	(45,557)
Cash and cash equivalents at beginning of the period	38,293	46,231
Cash and cash equivalents at end of the period	23,691	674
Analysis of the balances of cash and cash equivalents		
Cash and bank balances	33,652	352
Unpledged time deposits with bank maturing within three months of the balance sheet date	-	322
Bank overdraft	(9,961)	-
	23,691	674

NOTES TO CONDENSED FINANCIAL STATEMENTS

1. Basis of preparation and principal accounting policies

These unaudited condensed consolidated interim financial statements ("Interim Accounts") have been prepared in accordance with Statement of Standard Accounting Practice ("SSAP") No. 25, "Interim Financial Reporting", issued by the Hong Kong Society of Accountants, and Appendix 16 of the Rules Governing the Listing of Securities ("Listing Rules") of The Stock Exchange of Hong Kong Limited.

The principal accounting policies and methods of computation used in the preparation of these Interim Accounts are consistent with those used in the Group's audited financial statements for the year ended 31st December 2002.

These Interim Accounts have been reviewed by the audit committee of the Company and were approved by the Board on 18th May 2004.

2. Segment information

An analysis of the Group's turnover and (loss)/profit from operations by principal activity and by geographical location is as follows:

(a) Business segments

	Six months ended 30th June									
	Property leasing (Unaudited)		Interest income (Unaudited)		Securities trading (Unaudited)		Unallocated (Unaudited)		Consolidated (Unaudited)	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Segment revenue	2,946	4,893	1,752	2,034	-	-	-	-	4,698	6,927
Segment results	2,846	4,505	1,752	2,034	-	-	-	-	4,598	6,539
Other income, net									859	199
Administrative Expenses									(8,881)	(7,828)
Loss from operating activities									(3,424)	(1,090)
Finance costs									(1,246)	(1,593)
Share of results of an associate									-	6,086
(Loss)/profit before tax									(4,670)	3,403
Tax									-	(140)
(Loss)/profit before minority interest									(4,670)	3,263
Minority interest									370	635
Net (loss)/profit from ordinary activities attributable to shareholders									(4,300)	3,898

SUN MAN TAI HOLDINGS COMPANY LIMITED

	Six months ended 30th June									
	Property leasing (Unaudited)		Interest income (Unaudited)		Securities trading (Unaudited)		Unallocated (Unaudited)		Consolidated (Unaudited)	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Depreciation for the period	544	333	-	-	-	-	136	84	680	417
Segment assets	244,874	169,624	33,652	674	-	-	536,776	504,894	815,302	675,192
Segment liabilities	71,059	75,852	-	-	-	-	15,228	20,481	86,287	96,333
Capital expenditure incurred during the period	-	20,915	-	-	-	-	22,502	-	22,502	20,915

(b) Geographical segments

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

	Six months ended 30th June					
	Hong Kong (Unaudited)		Rest of the PRC (Unaudited)		Consolidated (Unaudited)	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Turnover	4,698	5,896	-	1,031	4,698	6,927
Loss/(profit) from operations	956	147	2,468	(1,237)	3,424	(1,090)
Segment assets	590,708	582,342	224,594	92,850	815,302	675,192
Capital expenditure incurred during the period	2,502	20,915	20,000	-	22,502	20,915

3. Loss from operations

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

	Six months ended	
	30th June	
	2003	2002
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Depreciation	680	417
Bank loan interest	1,238	1,549
Finance lease interest	8	44

4. Finance costs

	Six months ended	
	30th June	
	2003	2002
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest on bank advances and other borrowings		
Repayable within 5 years	1,238	1,549
Finance charges on obligations under finance lease	8	44
	1,246	1,593

5. Taxation

Taxation in the condensed consolidated income statement represents:

	Six months ended	
	30th June	
	2003	2002
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current tax – Provision for Hong Kong	–	140

No provision for Hong Kong Profits Tax has been made in the Interim Accounts as the Company and its subsidiaries operating in Hong Kong incurred a tax loss for the period.

No provision for other jurisdictions has been made for the period since the Group has no estimated assessable profits (30th June 2002: Nil).

A deferred tax asset has not been recognised in the financial statements in respect of estimated tax losses due to the unpredictability of future profit streams (30th June 2002: Nil).

6. (Loss)/Earnings per share

The calculation of basic loss per share is based on the loss attributable to shareholders for the period of HK\$4,300,000 (30th June 2002: Profit of HK\$3,898,000) and the weighted average of 3,200,981,818 (30th June 2002: 2,303,296,940) ordinary shares in issue for the period.

There were no potential dilutive shares in existence for the periods end, and therefore, no diluted earnings per share have been presented.

7. Interim dividend

The Board did not recommend the payment of an interim dividend for the year ended 30th June 2003 (30th June 2002: Nil).

8. Fixed assets

	<i>HK\$'000</i>
Audited	
Net book value	
At 31st December 2002	222,372
Unaudited	
Additions	23,182
Depreciation	(680)
At 30th June 2003	244,874

9. Accounts receivable

Included in accounts receivables are debts which are normally due within 30 days from the date of billing. The aging analysis included as follows:

	30th June 2003 <i>HK\$'000</i>	31st December 2002 <i>HK\$'000</i>
0–30 days	563	306
31–60 days	783	–
	1,346	306

10. Accounts payable

The ageing analysis of accounts payable is set out as follows:

	30th June 2003 HK\$'000	31st December 2002 HK\$'000
Due within 1 month or on demand	760	178

11. Share capital

	30th June 2003		31st December 2002	
	Number of shares '000	Amount HK\$'000	Number of shares '000	Amount HK\$'000
Authorised:				
Ordinary shares at HK\$0.01 each	5,000,000	50,000	5,000,000	50,000
Issued and fully paid:				
At beginning of the period	2,763,869	27,639	2,303,297	23,033
Issue of new shares	550,000	5,500	460,572	4,606
At end of the period	3,313,869	33,139	2,763,869	27,639

Details of issue of new shares

	Number of shares '000	Issued price per share HK\$	Aggregate amount received HK\$'000
31st December 2002			
11 July 2002	228,972	0.30	68,691
1 August 2002	231,600	0.30	69,480
	460,572		138,171
30th June 2003			
24th January, 2003	250,000	0.13	32,500
17th February 2003	300,000	0.14	42,000
	550,000		74,500

During the period ended 30th June 2003 and the year ended 31st December 2002, the Company placed a number of new ordinary shares to independent subscribers and contractors of property development project on the respective date at the respective share issue price. The new ordinary shares rank pari passu in all material aspects with the existing issued shares of the Company.

12. Capital commitments

At 30th June 2003, the Group had the following commitments which were not provided for in these Interim Accounts:

	30th June 2003 (Unaudited) HK\$'000	31st December 2002 (Audited) HK\$'000
Authorised but not contracted for in respect of property development project in the PRC	24,500	–
Authorised and contracted for in respect of capital contribution to a PRC company	–	19,500
	24,500	19,500

Saved as disclosed above, as at 30 June 2003, the Group did not have any significant capital commitments.

13. Material related party transactions

On 31st December 2001, China Wan Tai Group Limited, the ultimate holding company, provided an irrevocable guarantee to the Group in respect of certain investment deposits and amount due from fellow subsidiary of HK\$96,087,000 and HK\$11,652,000, respectively whereby China Wan Tai Group Limited agrees to reimburse any loss suffered by the Group, in the event that the Group is unable to recover the amounts from relevant parties on or before the agreed dates. As at 30th June 2003, the investment deposits and amount due from fellow subsidiary were HK\$30,000,000 and HK\$3,222,000 respectively.

14. Subsequent events

- a) On 3rd December 2003, a subsidiary of the Company entered into a sales and purchase agreement with an independent third party for additional acquisition of 3.5% interests in a PRC company of which the Group held 3.625% interests in year 2002 for a consideration of HK\$62,000,000.
- b) On 5th December 2003, a subsidiary of the Company entered into a sales and purchase agreement with an independent third party for additional acquisition of 3.5% interests in a PRC company in which the Group held 10% interests in year 2002 for a consideration of HK\$30,000,000.

15. Approval of Interim Accounts

The Interim Accounts have been approved by the Board on 18th May 2004.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

The Group's turnover for the period ended 30th June 2003 was approximately HK\$4,698,000, (30th June 2002: HK\$6,927,000), down 32% when compared to the corresponding period in the previous year. It was mainly attributable to the declining rental revenue for the period under review. Meanwhile, the Group incurred a loss of approximately HK\$4,300,000, which was an inverted result when compared to the profit of approximately HK\$3,898,000 reported in the corresponding period in the previous year. Although two consecutive reporting periods showed operating loss, it was mainly due to the declining rental revenue and the share of net profits of an associate for the period under review vanished as the Group disposed of its investments in associates in 2002.

Business Review

For the period under review, the Group continued focusing on property investment operations in Hong Kong and elsewhere in the People's Republic of China ("PRC").

Hong Kong

The Group has a portfolio of leasing properties located in Hong Kong. For the period ended 30th June 2003, the Group's rental revenue generated from leasing of properties was approximately HK\$2,946,000 (30th June 2002: HK\$4,893,000), significantly down 40% when compared to the corresponding period in the previous year. During the period under review, there was no clue of economic recovery and the setbacks of deflation problem deteriorated the consumer sentiment to the historical low level. Moreover, the outbreak of Severe Acute Respiratory Syndrome ("SARS") exacerbated the sluggish Hong Kong economic and exerted disastrous impact on all kinds of business. As a result, the Group lowered the asking rental in order to avoid vacancy.

Thanks to the untiring effort of our management and talented staff, the Group survived through the darkness by adopting effective and instant measures and contingencies including trim down of operating costs, concentration of resources on core business and introduction of leasing incentives. In June 2003, the Group stabilized the plunge of the revenue and profit of the property leasing operations.

Shanghai, the PRC

Subsequent to the several disposals of property investment projects in Shanghai in 2002, the Group still possessed an investment property project under construction with investment deposits amounting HK\$58,720,000. The aforesaid property investment project was about a commercial building construction in Shanghai. It was agreed that upon completion of the project, the developer would transfer the legal titles of certain number of units to the Group and allow the Group to acquire other units at a discount of the market price. As the outbreak of SARS disordered the normal operation of the society and puzzled the economic prospects, the scheduled progress of construction was slowed down. The management has rescheduled the completion date to the last quarter in 2004.

Apart from the aforesaid property investment project, the Group also had several investments in a number of corporate entities in Shanghai which are mainly engaged in real estates, trading and manufacturing. During the period under review, the Directors were pleased to note that the operation and results of those investee companies had further developed and expanded. The Directors believe that those investments will bring a positive return to the Group in the foreseeable future.

Xian, the PRC

The Group has two property development projects of high-class villa-type residential district in Xian. The first property development project commenced in 2001 when the Group established a joint venture with a reputable and independent local property developer in Xian to jointly develop the project. As at 30th June 2003, the total investment costs of the project were approximately HK\$46,768,000. The profit sharing ratio between the Group and the joint venture partner was on a 30:70 basis. Due to the outbreak of SARS, the construction progress takes longer time than expected. The management has planned to accelerate the construction progress in the second half year of 2003 in order to catch up the construction schedule and to shorten the payback period of the project.

The second project commenced in 2002. As at 30th June 2003, the total costs of development of the project were approximately HK\$114 million. This project was ranked as the second key project of Xian by the local government in 2002. The management was satisfactory about the progress of construction and anticipated that remarkable profits will be made upon completion of the investment project.

Placement of new shares

In order to support the daily operation and to strengthen the cash flow position of the Company for capturing unusual investment opportunities, the Group made two share placements during the period under review. The details of the placements of new shares were set out as follows:

On 24th January 2003, the Company announced the placing of 250,000,000 new shares of the Company at the subscription price of HK\$0.13 per share. The proceeds from placing of new shares have been remitted to the Company's subsidiary as working capital for the Group's Xian property development project and operations in Hong Kong.

On 17th February 2003, the Company announced the placing of 300,000,000 new shares of the Company at the subscription price of HK\$0.14 per share. The proceeds from placing of new shares have been used as the general working capital of the Group.

Prospects

With the end of the SARS in June 2003 and along with the launch of the Closer Economic Partnership Arrangement ("CEPA"), the Group expects the PRC will continue to growth rapidly. The Group is set to further expand its investments in the PRC, especially Shanghai. The Group is actively seeking investment and acquisition opportunities with similar business nature and development prospects to the Group.

On the other hand, the Group will closely monitor the construction progress of its PRC investment projects on hand. The Group is keen to complete all the projects on time for capturing the economic boom of the PRC property market and to accelerate the profit generating power of the Group. The Board is confident that the Group will enter into the period of harvest in the next two years.

Capital Structure

The Group's financial position remains strong and stable for the period under review. As at 30th June 2003, the Group had total assets of approximately HK\$815,302,000, comprising non-current assets of approximately HK\$508,714,000 and current assets of approximately HK\$306,588,000, which were financed by current liabilities, non-current liabilities and shareholders' funds of approximately HK\$25,189,000 HK\$87,367,000 and HK\$702,746,000 respectively.

As at 30th June 2003, the Group had net current assets of approximately HK\$281,399,000 (31st December 2002: HK\$223,029,000). The Group's current ratio, as a ratio of current assets to current liabilities, was maintained at a healthy level of approximately 12.2 (31st December 2002: 6.9).

The debt to equity ratio as at 30th June 2003 was 0.12 while it was 0.15 at 31st December 2002. The ratio was calculated by dividing the total liabilities of HK\$86,287,000 (31st December 2002: HK\$96,333,000) by the total shareholders' equity of HK\$702,746,000 (31st December 2002: HK\$624,019,000)

The gearing ratio expressed as a percentage of total bank borrowings to total shareholders' equity was 0.10 for the period ended 30th June 2003 (31st December 2002: 0.12)

As at 30th June 2003, the Group did not use any financial instruments for hedging purpose.

Liquidity and financial resources

The Group generally finances its operations with internally generated cash flow and facilities provided by its principal bankers in Hong Kong. During the period under review, the Group recorded a net cash outflow of HK\$14,602,000, which led to the total cash and cash equivalents to HK\$23,691,000 as at 30th June 2003.

In the opinion of the Board, the cash outflow for the period did not have material effect on the Group's liquidity position.

Borrowings and banking facilities

The total bank borrowing of the Group as at 30th June 2003 was approximately HK\$71,059,000, which was denominated in Hong Kong dollar. The bank borrowing mainly consists of mortgage loan granted for the purpose of facilitating the acquisition of investment properties in Hong Kong. The mortgage loan is not at fixed interest rates and is secured by the investment properties of the Group.

Foreign exchange exposure

As the Group's transactions are mostly settled by Hong Kong dollars and Renminbi, the exposure to foreign exchange fluctuation is minimal, therefore the use of financial instruments for hedging purpose is considered not necessary.

Capital commitments

The total capital commitments of the Group as at 30th June 2003 was HK\$24,500,000.

Contingent liabilities

As at 30th June 2003, the Group did not have any significant contingent liabilities.

Pledge and charge of assets

As at 30th June 2003, certain investment properties of the Group with an aggregate carrying value of approximately HK\$101,520,000 (31st December 2002: HK\$101,520,000) was pledged to secure mortgage loan.

HUMAN RESOURCES

As at 30th June 2003, the Group employed 85 employees. Employee remuneration packages are structured and reviewed by reference to the nature of the job, market condition and individual merits. The Group also provides other employee benefits which include year end double pay, mandatory provident fund and medical insurance. Total staff costs for the period ended 30th June 2003 were approximately HK\$ 2.4 million (30th June 2002: HK\$2.2 million).

DIRECTORS' INTERESTS IN SHARES

As at 30th June 2003, the interests and short positions of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of 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 by the Company under Section 352 of the SFO, or as 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, were as follow:

Name of Director	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Qian Yong Wei (Note 1)	Held by spouse/ Held by controlled corporation	1,148,368,235	34.65%
Xu Zhe Cheng (Note 2)	Held by spouse/ Held by controlled corporation	1,148,368,235	34.65%
Chiu Yeung (Note 3)	Held by controlled corporation	500,000	0.02%

Notes:

1. Mr. Qian Yong Wei ("Mr. Qian") held 95,000 shares (95%) in China Wan Tai Group Limited ("China Wan Tai"), the ultimate holding company of the Company. China Wan Tai held 100 shares (100%) in Universal Union Limited ("Universal Union"). Universal Union held 1,148,368,235 shares in the Company.
2. Ms. Xu Zhe Cheng ("Ms. Xu"), Mr. Qian's wife, held 5,000 shares (5%) in China Wan Tai. China Wan Tai held 100 shares (100%) in Universal Union. Universal Union in turn held 1,148,368,235 shares in the Company.
3. Mr. Chiu Yeung held all shares in Sunnergy Finance & Investment Limited ("Sunnergy"). Sunnergy held 500,000 shares in the Company.

All interests stated above represent long positions.

Other than as disclosed above, and save for nominee shares in certain subsidiaries held in trust for the Group at 30th June 2003, neither the directors nor the chief executive, nor any of their associates, had any interest or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

Directors' rights to acquire shares or debentures

At no time during the period under review were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or minor children, or were any such rights exercised by them, or was the Company, its holding company or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the directors to acquire such rights in the Company or any other body corporate.

Share options scheme

The share option scheme adopted by the Group was expired on 23rd December 2000. As at 30th June 2003 and up to the date of approval of the Interim Accounts, the Group has not adopted any new share option scheme.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As at 30th June 2003, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO showed that, other than the interests disclosed above in respect of certain directors, the following shareholders had notified the Company of relevant interests in the issued share capital of the Company:

Name of shareholder	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
China Wan Tai (Note)	Held by controlled corporation	1,148,368,235	34.65%
Universal Union	Beneficial owner	1,148,368,235	34.65%
Zhao Qing	Beneficial owner	173,760,000	5.24%

Notes: These shares are held by Universal Union, a wholly owned subsidiary of China Wan Tai which is in turn beneficially owned by Mr Qian and Ms Xu as to 95% and 5% respectively.

All interests stated above represent long position.

Other than as disclosed above, the Company has not been notified of any other interests or short positions in the issued share capital of the Company as at 30th June 2003.

Purchase, sale or redemption of the Company's Listed Securities

During the six month ended 30th June 2003, neither the Company nor any of its subsidiaries purchased, sold nor redeemed any of the Company's listed securities.

Use of proceeds

The proceeds from the shares issued during the six months ended 30th June 2003 were fully utilized for investment projects and working capital of the Company and its subsidiaries.

Audit Committee

The Group's Interim Accounts for the six months ended 30th June 2003 have been reviewed by the Audit Committee of the Company.

Compliance with the Code of Best Practice

To the best knowledge of the Directors, the Group has complied with the Code of Best Practice set out in Appendix 14 of the Listing Rules issued by the Stock Exchange during the six months ended 30 June 2003.

By order of the Board

Chiu Yeung

Executive Director

Hong Kong, 18th May 2004