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FIRST SHANGHAI GROUP

FIRST SHANGHAI

First Shanghai Investments Limited

Interim Report 2004

CORPORATE INFORMATION

BOARD OF DIRECTORS

Chairman and Managing Director

Mr. Lao Yuan Yi

Independent Non-executive Directors

Prof. Woo Chia Wei

Mr. Kwok Lam Kwong Larry, J.P.

Mr. Liu Ji

Directors

Mr. Xin Shulin, Steve

Mr. Yeung Wai Kin

Mr. Hu Yi Ming

COMPANY SECRETARY

Mr. Yeung Wai Kin

REGISTERED OFFICE

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Website: www.firstshanghai.com.hk

AUDITORS

PricewaterhouseCoopers

Certified Public Accountants

SOLICITORS

Richards Butler

Victor Chu & Co.

T. H. Koo & Associates

PRINCIPAL BANKERS

CITIC Ka Wah Bank Limited

Standard Chartered Bank

BNP Paribas Hong Kong Branch

REGISTRARS & TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited

17th Floor, Hopewell Centre

183 Queen's Road East

Hong Kong

The Board of Directors (the “Board”) of First Shanghai Investments Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries, associated companies and jointly controlled entities (collectively the “Group”) for the six months ended 30th June 2004 together with the comparative figures for the corresponding period last year as follows:

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

	<i>Note</i>	Unaudited Six months ended 30th June	
		2004 HK\$'000	2003 HK\$'000
Turnover	2	299,689	123,589
Cost of sales		(190,779)	(89,849)
Gross profit		108,910	33,740
Other revenue		2,071	1,770
Administrative expenses		(78,602)	(38,163)
Other operating expenses		(18,016)	(5,580)
Other operating income		5,085	17,541
Operating profit	2 and 3	19,448	9,308
Finance costs		(3,242)	(144)
Share of profits less losses of			
Associated companies		1,815	23,804
Jointly controlled entities		18,913	20,052
Profit before taxation		36,934	53,020
Taxation	5	(11,674)	(7,658)
Profit after taxation		25,260	45,362
Minority interests		(1,417)	1,112
Profit attributable to shareholders		23,843	46,474
Basic earnings per share	6	2.03 cents	3.96 cents
Fully diluted earnings per share	6	1.99 cents	3.93 cents

CONDENSED CONSOLIDATED BALANCE SHEET

		Unaudited 30th June 2004 HK\$'000	Audited 31st December 2003 HK\$'000
	<i>Note</i>		
Intangible assets	7	12,083	17,916
Fixed assets	8	255,813	228,606
Deposits for land		11,577	9,738
Investments in associated companies		292,393	302,059
Investments in jointly controlled entities		343,990	328,640
Investment securities		93,358	99,100
Current assets			
Inventories		74,788	57,074
Other investments		11,617	24,393
Loans and advances		68,214	82,098
Accounts receivable and prepayments	9	294,714	285,284
Taxation recoverable		—	25
Pledged bank deposits		15,000	15,000
Bank balances and cash		245,642	310,433
		709,975	774,307
Current liabilities			
Accounts payable and accruals	10	172,523	265,985
Taxation payable		8,571	4,342
Short-term bank loans and overdrafts, secured		168,189	146,308
		349,283	416,635
Net current assets		360,692	357,672
Total assets less current liabilities		1,369,906	1,343,731
Financed by:			
Share capital	11	234,738	234,738
Reserves		734,805	736,629
Retained profits			
Proposed final dividend		—	14,084
Other		298,189	274,346
Shareholders' funds		1,267,732	1,259,797
Minority interests		101,014	82,602
Deferred tax liabilities	12	1,160	1,332
		1,369,906	1,343,731

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Unaudited	
	Six months ended 30th June	
	2004	2003
	HK\$'000	HK\$'000
Net cash outflow from operating activities	(62,320)	(53,536)
Net cash (outflow)/inflow from investing activities	(22,898)	11,305
Net cash inflow from financing activities	22,799	—
Decrease in cash and cash equivalents	(62,419)	(42,231)
Cash and cash equivalents at 1st January	310,433	254,195
Effect of foreign exchange rate changes	(2,372)	5,391
Cash and cash equivalents at 30th June	245,642	217,355
Analysis of balances of cash and cash equivalents		
Bank balances and cash	245,642	217,355

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Unaudited							Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Capital redemption reserve HK\$'000	Land and buildings revaluation reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Retained profits HK\$'000	
At 1st January 2004	234,738	594,896	73,733	14,006	46,854	7,139	288,430	1,259,796
Issue share expenses	—	(3)	—	—	—	—	—	(3)
Share of post-acquisition reserve of a subsidiary	—	—	85	—	—	—	—	85
Share of post-acquisition reserves of jointly controlled entities	—	—	39	—	—	—	—	39
Exchange differences on translation of the accounts of foreign subsidiaries, jointly controlled entities and associated companies	—	—	—	—	—	(1,944)	—	(1,944)
Profit for the period	—	—	—	—	—	—	23,843	23,843
2003 final dividend	—	—	—	—	—	—	(14,084)	(14,084)
At 30th June 2004	<u>234,738</u>	<u>594,893</u>	<u>73,857</u>	<u>14,006</u>	<u>46,854</u>	<u>5,195</u>	<u>298,189</u>	<u>1,267,732</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Unaudited			Retained profits HK\$'000	Total HK\$'000
				Capital redemption reserve HK\$'000	Land and buildings revaluation reserve HK\$'000	Exchange fluctuation reserve HK\$'000		
At 1st January 2003, as previously reported	234,665	594,823	64,476	14,006	49,262	(1,160)	203,375	1,159,447
Effect of adoption of SSAP 12	—	—	(314)	—	(2,408)	—	3,528	806
At 1st January 2003, as restated	234,665	594,823	64,162	14,006	46,854	(1,160)	206,903	1,160,253
Share of post-acquisition reserves of associated companies and jointly controlled entities	—	—	(35)	—	—	—	—	(35)
Exchange differences on translation of the accounts of foreign subsidiaries, jointly controlled entities and associated companies	—	—	—	—	—	4,626	—	4,626
Reversal of goodwill, previously written off, on disposal of partial interest in an associated company	—	—	9,013	—	—	—	—	9,013
Profit for the period	—	—	—	—	—	—	46,474	46,474
2002 final dividend	—	—	—	—	—	—	(11,733)	(11,733)
At 30th June 2003	<u>234,665</u>	<u>594,823</u>	<u>73,140</u>	<u>14,006</u>	<u>46,854</u>	<u>3,466</u>	<u>241,644</u>	<u>1,208,598</u>

NOTES TO CONDENSED INTERIM ACCOUNTS

1. BASIS OF PREPARATION

These unaudited consolidated condensed interim accounts are prepared in accordance with Hong Kong Statement of Standard Accounting Practice 25, "Interim financial reporting", issued by the Hong Kong Institute of Certified Public Accountants. These condensed interim accounts should be read in conjunction with the 2003 annual accounts. The accounting policies and methods of computation used in the preparation of these condensed interim accounts are consistent with those used in the annual accounts for the year ended 31st December 2003.

2. SEGMENT INFORMATION

The Group is principally engaged in securities trading and investment, corporate finance and stockbroking, container transportation and freight forwarding services, manufacture of motor vehicles meters and components, investment holding, property holding and management.

An analysis of the Group's turnover and contribution to operating profit for the period by business and geographical segments is as follows:

Primary reporting format — business segments

	Turnover Unaudited		Contribution to operating profit Unaudited	
	Six months ended 30th June 2004 HK\$'000	2003 HK\$'000	Six months ended 30th June 2004 HK\$'000	2003 HK\$'000
Securities trading and investment	40,750	71,641	(4,045)	2,787
Corporate finance and stockbroking	55,293	30,999	28,943	14,297
Container transportation and freight forwarding services	22,466	20,593	652	(2,106)
Manufacture of motor vehicles meters and components	171,009	—	6,691	—
Investment holding, property holding and management	10,171	356	(14,864)	(7,440)
	<u>299,689</u>	<u>123,589</u>	<u>17,377</u>	<u>7,538</u>
Other revenue — interest income			2,071	1,770
Operating profit			<u>19,448</u>	<u>9,308</u>

2. SEGMENT INFORMATION (Cont'd)

Secondary reporting format — geographical segments

The Group operates in two main geographical areas:

- Hong Kong — Securities trading and investment, corporate finance and stockbroking, investment holding, property holding and management
- Chinese Mainland — Investment holding, container transportation and freight forwarding services, manufacture of motor vehicles meters and components

	Turnover Unaudited		Contribution to operating profit Unaudited	
	Six months ended 30th June		Six months ended 30th June	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Hong Kong	100,804	102,661	26,341	16,346
Chinese Mainland	198,805	20,841	(6,813)	(6,423)
Others	80	87	(2,151)	(2,385)
	<u>299,689</u>	<u>123,589</u>	<u>17,377</u>	<u>7,538</u>
Other revenue — interest income			2,071	1,770
Operating profit			<u>19,448</u>	<u>9,308</u>

3. OPERATING PROFIT

	Unaudited Six months ended 30th June	
	2004 HK\$'000	2003 HK\$'000
Operating profit is stated after crediting and charging the following:—		
Crediting:		
Recovery of deposit for purchase of an office premise	—	9,000
Gain on disposal of partial interest in an associated company	—	6,002
Gain on disposal of partial interest in subsidiaries	164	—
Amortisation of negative goodwill on acquisition of partial interest in jointly controlled entities	2,799	1,510
	<u>2,799</u>	<u>1,510</u>
Charging:		
Depreciation	7,718	4,203
Loss on disposal of fixed assets	—	25
Amortisation of goodwill on acquisition of partial interest in an associated company and a jointly controlled entity	324	130
Amortisation of goodwill on acquisition of subsidiaries	9,992	4,885
Staff costs (Note 4)	49,600	31,394
	<u>49,600</u>	<u>31,394</u>

4. STAFF COSTS

	Unaudited	
	Six months ended 30th June	
	2004	2003
	HK\$'000	HK\$'000
Wages, salaries and allowance	43,691	27,821
Medical and other benefits	3,104	1,362
Pension costs — defined contribution plans	2,615	1,605
Termination benefits	190	606
	<u>49,600</u>	<u>31,394</u>

5. TAXATION

Hong Kong profits tax has been provided for at the rate of 17.5% (2003: 17.5%) on the estimated assessable profit for the period. Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

The amount of taxation charged to the consolidated profit and loss account represents:

	Unaudited	
	Six months ended 30th June	
	2004	2003
	HK\$'000	HK\$'000
Hong Kong profits tax		
Current	4,225	1,742
Overprovision in prior years	—	(2)
Overseas taxation — current	2,977	—
Deferred taxation	(172)	138
Share of taxation attributable to:		
Associated companies	389	1,922
Jointly controlled entities	4,255	3,858
	<u>11,674</u>	<u>7,658</u>

6. EARNINGS PER SHARE

The calculations of basic and diluted earnings per share are based on the Group's profit attributable to shareholders of approximately HK\$23,843,000 (2003: HK\$46,474,000). The basic earnings per share is based on the weighted average number of 1,173,691,705 (2003: 1,173,323,705) ordinary shares in issue during the period. The diluted earnings per share is based on 1,196,155,054 (2003: 1,182,087,836) ordinary shares which is the weighted average number of ordinary shares in issue during the period plus the weighted average of 22,463,349 (2003: 8,764,131) ordinary shares deemed to be issued at no consideration if all outstanding options had been exercised.

7. INTANGIBLE ASSETS

	Goodwill <i>HK\$'000</i>	Negative goodwill <i>HK\$'000</i>	Unaudited Future exchange trading right & patent <i>HK\$'000</i>	Total <i>HK\$'000</i>
1st January 2004	29,526	(12,974)	1,364	17,916
Acquisition	3,058	—	—	3,058
Amortisation	(9,992)	1,319	(218)	(8,891)
30th June 2004	<u>22,592</u>	<u>(11,655)</u>	<u>1,146</u>	<u>12,083</u>

8. FIXED ASSETS

	Unaudited <i>HK\$'000</i>
1st January 2004	228,606
Additions	35,084
Disposals	(159)
Depreciation	(7,718)
30th June 2004	<u>255,813</u>

9. ACCOUNTS RECEIVABLE AND PREPAYMENTS

Included in accounts receivable and prepayments are trade receivables and their ageing analysis is as follows:

	Unaudited 30th June 2004 <i>HK\$'000</i>	Audited 31st December 2003 <i>HK\$'000</i>
0 — 30 days	74,576	101,620
31 — 60 days	29,162	18,369
61 — 90 days	17,419	7,249
Over 90 days	5,885	1,896
	<u>127,042</u>	<u>129,134</u>

For securities business, trade receivables are on credit terms of trading day plus two days. For the remaining business of the Group, trade receivables are mainly on credit terms of 30 to 90 days.

10. ACCOUNTS PAYABLE AND ACCRUALS

Included in accounts payable and accruals are trade payables and their ageing analysis is as follows:

	Unaudited 30th June 2004 HK\$'000	Audited 31st December 2003 HK\$'000
0 — 30 days	69,103	169,850
31 — 60 days	22,108	12,166
61 — 90 days	23,661	6,054
Over 90 days	7,041	1,967
	<u>121,913</u>	<u>190,037</u>

11. SHARE CAPITAL

	Ordinary shares of HK\$0.2 each			
	Unaudited 30th June 2004		Audited 31st December 2003	
	No. of shares	HK\$'000	No. of shares	HK\$'000
Authorised:				
At the beginning and the end of the period/year	<u>2,000,000,000</u>	<u>400,000</u>	<u>2,000,000,000</u>	<u>400,000</u>
Issued and fully paid:				
At 1st January 2004/2003	1,173,691,705	234,738	1,173,323,705	234,665
Issue of shares	—	—	368,000	73
At 30th June 2004/ 31st December 2003	<u>1,173,691,705</u>	<u>234,738</u>	<u>1,173,691,705</u>	<u>234,738</u>

12. DEFERRED TAXATION

Deferred taxation is calculated in full on temporary differences under the liability method using a principal taxation rate of 17.5% (2003: 17.5%). The movement on the deferred tax liabilities account during the period/year is as follows:

	Unaudited Six months ended 30th June 2004 HK\$'000	Audited Year ended 31st December 2003 HK\$'000
At the beginning of the period/year	1,332	1,108
Exchange differences	—	182
(Credited)/charged to profit and loss account	(172)	42
At the end of the period/year	<u>1,160</u>	<u>1,332</u>

13. COMMITMENTS

(a) Capital commitments

	Unaudited 30th June 2004 HK\$'000	Audited 31st December 2003 HK\$'000
Contracted but not provided for	20,212	11,568
The Group's share of capital commitments of jointly controlled entities and an associated company not included in the above is as follows:—		
Contracted but not provided for	30,165	25,050

(b) Commitments under operating leases

At 30th June 2004, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	Unaudited 30th June 2004 HK\$'000	Audited 31st December 2003 HK\$'000
Not later than one year	4,685	3,791
Later than one year but not later than five years	3,496	4,613
	8,181	8,404

14. RELATED PARTY TRANSACTIONS

China Assets Investment Management Limited ("CAIML") is a subsidiary of the Company. During the period, CAIML received a management fee of US\$512,730 (2003: US\$584,131) from China Assets (Holdings) Limited ("CAHL"), a related company of the Company under the management agreement signed between CAIML and CAHL.

Mr. Lao Yuan Yi and Mr. Yeung Wai Kin are directors of the Company, CAIML and CAHL. Mr. Shi Yucheng, Charlie, a former director of both CAIML and CAHL, resigned in April 2004. Mr. Tsui Che Yin, Frank, a former non-executive director of CAHL who resigned in April 2004, is a shareholder of CAIML.

OPERATION REVIEW

For the six months ended 30th June 2004, the Group's turnover grew to HK\$300 million when compared to HK\$124 million for the same period last year. This reflected the consolidation of the results of Zhejiang Shaoxing Betung Instrument Company Limited ("Betung") for reason as stated in the following paragraph. The Group recorded a 2004 interim profit attributable to shareholders of HK\$24 million, representing a 49% decrease from the corresponding period last year. The decrease in profit is mainly caused by the drop of contribution from China Assets (Holdings) Limited ("China Assets", an associated company of the Group) and the absence of special gains recorded in last period. After the divestments of some major projects in last year, China Assets is seeking for new investment opportunities and contribution from China Assets to the Group dropped by approximately HK\$18 million. In the first half of 2003, the Group recorded a gain of HK\$6 million from disposal of certain interest in RBI Holdings Limited ("RBI") and a revenue of HK\$9 million from recovery of a deposit for purchase of an office premise. If the above-mentioned special items were taken out, the 2004 interim results would be better than that of the corresponding period last year.

Following the acquisition of an additional 32% equity interest in Betung in December 2003, Betung has become a subsidiary of the Group and its turnover and profit is consolidated to the Group's financial statements since then. As the result, the Group's turnover, cost of sales, expenses and operating profit increased significantly.

Compared with the same period in 2003, the average daily turnover of The Stock Exchange of Hong Kong Limited increased by 137% to HK\$16 billion. Benefited from the improvement in market sentiment, the business of corporate finance and stockbroking achieved a significant growth in both turnover and operating profit. We were honoured with the "Best Equity House in Hong Kong" by FinanceAsia in 2004.

Goodbaby Child Products Company Limited ("Goodbaby") continues contributing a reasonable return to the Group. The increase in export sales brought a healthy growth in both turnover and profit attributable to shareholders in the period.

RBI managed to maintain its turnover despite the keen competition in the toy industry during the period under review. However, its profit was down by 33% due to the increase in cost of raw materials and operating costs.

Shanghai Zhong Chuang International Container Storage & Transportation Co. Ltd. ("ZCIC") has put great efforts to improve its efficiency and reduce the operating cost. It returned to profit in the period under review.

PROSPECTS

Following the rebound in trading volume on the Hong Kong stock market, securities trading appears to have peaked in the first quarter of 2004. Despite Chinese Mainland's Individual Visit Scheme has boosted some local business sectors such as retail, tourism, food and beverages, the investors are watching the impacts of the macro economic control in Chinese Mainland, high oil prices and the interest rate cycle in the United States. It is likely that the market sentiment as well as our stockbroking business will continue to be affected by these external uncertainties. In respect of corporate finance services, some of our existing clients are ready to list in the second half year and we believe that our Corporate Finance Division can maintain its position in the industry.

It is expected that Chinese Mainland will continue to be one of the fastest growing economies in the world in the coming years. The macro economic control will favor the development of Chinese Mainland's economy in long run. We believe that our various investments in different business sectors in Chinese Mainland including Betung, Goodbaby and ZCIC can still be benefited from the growth of Chinese Mainland's economy.

The first phase of the properties development project in Shanghai Zhangjiang High-tech Park is close to completion and the sale activities are planned to commence in the fourth quarter. On the other hand, the development of a four-star hotel in Kunshan Economy & Technology Development District will be completed in mid 2005.

MANAGEMENT DISCUSSION AND ANALYSIS

Results

Profit attributable to shareholders for the six months ended 30th June 2004 was HK\$24 million, a decrease of 49% over the same period in 2003. Basic earnings per share decreased to HK2.03 cents, down 49%.

Turnover of the Group for the period under review increased by 142% to HK\$300 million as compared to HK\$124 million for the same period last year.

MANAGEMENT DISCUSSION AND ANALYSIS *(Cont'd)*

Liquidity and financial resources

The Group relied principally on its internal resources to fund its operation and investment activities. Bank loans will be raised in occasion to meet the different demands in our various investment projects. During the period, bank loan of HK\$168 million were borrowed for financing clients' acquisitions of securities and operation of subsidiaries. As at 30th June 2004, the Group is holding approximately HK\$261 million cash reserves and the gearing ratio (total borrowings to shareholders' fund) is at the level of 13%. Investment in marketable securities as at 30th June 2004 amounted to approximately HK\$23 million.

The Group's principal operations are transacted and recorded in Hong Kong dollars and Renminbi and we expected that the Group has no significant exposure to foreign exchange fluctuations.

Employees

As at 30th June 2004, the Group employed 1,978 (30th June 2003: 472) staff, of which 1,890 are located in Chinese Mainland. Employee remuneration is performance based and is reviewed annually. In addition to basic salary payments, other staff benefits include medical schemes, defined contribution provident fund schemes and employee shares option scheme. Training courses are provided to staff where necessary. The staff costs for the six months ended 30th June 2004 amounted to approximately HK\$50 million.

Pledge of assets

Certain properties of the Group with an aggregate net book value of approximately HK\$103 million as at 30th June 2004 (31st December 2003: HK\$102 million) as well as fixed deposits of HK\$15 million (31st December 2003: HK\$15 million) were pledged as securities against bank loans and general banking facilities amounting to HK\$129 million (31st December 2003: HK\$129 million) granted to the Group.

MANAGEMENT DISCUSSION AND ANALYSIS (Cont'd)**Contingent liabilities**

As at 30th June 2004, the Group had no material contingent liabilities.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend (2003: Nil).

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

At 30th June 2004, the interests of the Directors and chief executives in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of the Securities and Futures Ordinance ("SFO"), as recorded in the register maintained by the Company under Section 352 of the SFO or as notified to the Company were as follows:

Number of ordinary shares of HK\$0.2 each in the Company:

Directors	Personal Interests	Family Interests	Corporate Interests	Total	Percentage
Lao Yuan Yi	42,080,000	—	75,308,000	117,388,000	10%
Woo Chia Wei	—	72,000	—	72,000	0.006%

No Directors and chief executives has any interest of short positions in the shares or underlying shares of the Company. Arrangement on share options granted to Directors is set out in a separate section of this report.

Apart from the share option scheme stated below, at no time during the period was the Company, its subsidiaries or its associated companies a party to any arrangement to enable the Directors of the Company to hold any interests in the shares or debentures of the Company or any of its associated corporations.

SHARE OPTIONS

On 24th May 2002, the shareholders of the Company approved the termination of the 1994 Share Option Scheme and the adoption of a new scheme (the "Scheme") to comply with the new requirements of Chapter 17 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"). The purpose of the Scheme is to assist in recruiting, retaining and motivating key staff. Under the terms of the Scheme, the Directors have the discretion to grant to employees and Directors of any member of the Group to subscribe for shares in the Company.

Details of share options granted under the Scheme and remain outstanding as at 30th June 2004 are as follows:—

	Options held at 1st January and 30th June 2004	Exercise price HK\$	Date of grant	Exercise period
Directors:—				
Lao Yuan Yi	7,338,100	0.342	26/09/1995	26/03/1996-07/10/2005
	5,503,900	0.318	11/07/1996	11/01/1997-15/07/2006
	10,000,000	0.816	01/11/1997	01/05/1998-12/11/2007
Xin Shulin, Steve	2,534,980	0.453	26/01/1995	26/07/1995-09/02/2005
	838,640	0.318	11/07/1996	11/01/1997-15/07/2006
	2,500,000	0.816	01/11/1997	01/05/1998-12/11/2007
	4,464,000	0.283	08/07/1998	08/01/1999-15/07/2008
Yeung Wai Kin	2,401,560	0.453	26/01/1995	26/07/1995-09/02/2005
	1,494,304	0.318	11/07/1996	11/01/1997-15/07/2006
	2,500,000	0.816	01/11/1997	01/05/1998-12/11/2007
	6,980,000	0.283	08/07/1998	08/01/1999-15/07/2008
Hu Yi Ming	1,000,000	0.816	01/11/1997	01/05/1998-12/11/2007
	2,300,000	0.283	08/07/1998	08/01/1999-15/07/2008
Employees	1,952	0.453	26/01/1995	26/07/1995-09/02/2005
	4,002,600	0.318	11/07/1996	11/01/1997-15/07/2006
	950,000	0.816	01/11/1997	01/05/1998-12/11/2007
	1,804,000	0.283	08/07/1998	08/01/1999-15/07/2008
	<u>56,614,036</u>			

SHARE OPTIONS *(Cont'd)*

Notes

The above options granted are not recognised in the accounts until they are exercised. Rule 17.08 of the Listing Rules stipulates that the listed issuer is encouraged to disclose in its annual report and interim report the value of share options granted to participants. The Directors consider it inappropriate to value the share options as a number of factors critical for the valuation cannot be determined accurately. Any valuation of the share option based on various speculative assumptions would be meaningless and could be misleading to the shareholders.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

The register of substantial shareholders maintained under section 336 of the SFO shows that as at 30th June 2004, the Company had been notified of the following substantial shareholders' interests, being 5% or more of the Company's issued share capital. These interests are in addition to those disclosed above in respect of the Directors.

Ordinary shares of HK\$0.2 each in the Company:

		Corporate Interests	Percentage
China Assets (Holdings) Limited			
("China Assets")	Long position	238,032,000	20.28%

China Assets is a Hong Kong listed company, which is also an associated company of the Group. Apart from the above, so far as the Directors are aware, there are no parties which were, directly or indirectly, interested in 5% or more of the nominal value of the issued share capital of the Company as at 30th June 2004.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

The Company has not redeemed any of its shares during the period. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the period.

AUDIT COMMITTEE

The Audit Committee was established on 27th December 1998 and the Company has appointed two independent non-executive Directors, Prof. Woo Chia Wei and Mr. Kwok Lam Kwong Larry, J.P. as members of the Audit Committee of the Company. On 11th March 2004, Mr. Liu Ji was appointed as an independent non-executive Director and a member of the Audit Committee. The Audit Committee has reviewed with the Management the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matter, including a review of the unaudited interim accounts for the six months ended 30th June 2004 approved by the Directors.

COMPLIANCE WITH THE CODE OF BEST PRACTICE OF LISTING RULES

In the opinion of the Directors, the Company was in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules throughout the period.

By order of the Board

LAO Yuan Yi

Chairman and Managing Director

Hong Kong, 17th September 2004