



PREMIUM LAND LIMITED

INTERIM REPORT
2004/2005

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors:

Dong Bo, Frederic (*Chairman*)
Lau Man Tak

Independent Non-executive Directors:

Kan Kwok Shu
Shum Ka Hei
Zuo Guang
Pang Haiou

COMPANY SECRETARY

Lau Man Tak

PRINCIPAL BANKERS

DBS Bank (Hong Kong) Limited
Wing Hang Bank, Limited

SOLICITORS

Hong Kong:

Preston Gates & Ellis
35/F Two International Finance Centre
8 Finance Street
Central
Hong Kong

Bermuda:

Conyers Dill & Pearman
2901 Once Exchange Square
8 Connaught Place
Central
Hong Kong

AUDITORS

Deloitte Touche Tohmatsu
Certified Public Accountants
26th Floor, Wing On Centre
111 Connaught Road Central
Hong Kong

REGISTERED OFFICE

Clarendon House
Church Street
Hamilton
HM11
Bermuda

PRINCIPAL PLACE OF BUSINESS

Room 2906-8
Shui On Centre
6-8 Harbour Road
Wanchai
Hong Kong

PRINCIPAL REGISTRARS

Butterfield Fund Services (Bermuda) Limited
26th Floor
Bank of China Tower
1 Garden Road
Central
Hong Kong

BRANCH REGISTRARS IN HONG KONG

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

INTERIM RESULTS

The board of directors (the “Board”) of Premium Land Limited (the “Company”) announces the unaudited condensed consolidated results of the Company and its subsidiaries (together “the Group”) for the six month ended 30th September, 2004.

CONDENSED CONSOLIDATED INCOME STATEMENT

| | | Six months ended 30th September, | |
|--------------------------------|--------------|---|---------------------|
| | | 2004 | 2003 |
| | | (unaudited) | (unaudited) |
| | <i>NOTES</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Turnover | 3 | 52,217 | 83,906 |
| Cost of sales | | (51,829) | (60,096) |
| | | <hr/> | <hr/> |
| | | 388 | 23,810 |
| Other operating income | | 170 | 863 |
| Administrative expenses | | (32,841) | (18,925) |
| Other operating expenses | | — | (22,827) |
| | | <hr/> | <hr/> |
| Loss from operations | 4 | (32,283) | (17,079) |
| Finance costs | | (2,272) | (9,002) |
| Share of results of associates | | 9 | (30) |
| | | <hr/> | <hr/> |
| Loss before taxation | | (34,546) | (26,111) |
| Taxation | 5 | (4) | (412) |
| | | <hr/> | <hr/> |
| Loss before minority interests | | (34,550) | (26,523) |
| Minority interests | | (30) | 584 |
| | | <hr/> | <hr/> |
| Loss for the period | | <u>(34,580)</u> | <u>(25,939)</u> |
| | | <hr/> | <hr/> |
| Loss per share | 6 | | |
| Basic | | <u>(0.77) cents</u> | <u>(0.69) cents</u> |
| | | <hr/> | <hr/> |
| Diluted | | <u>N/A</u> | <u>N/A</u> |
| | | <hr/> | <hr/> |

CONDENSED CONSOLIDATED BALANCE SHEET

| | | 30th September, 2004 (unaudited) HK\$'000 | 31st March, 2004 (audited) HK\$'000 |
|---|-------|--|--|
| | NOTES | | |
| Non-current assets | | | |
| Investment properties | 7 | 20,636 | 20,636 |
| Property, plant and equipment | 7 | 270,438 | 275,585 |
| Interests in associates | | 6,159 | 6,142 |
| Investments in securities | | 58,860 | 58,860 |
| Deposits paid for acquisition of subsidiaries | | 36,874 | 36,874 |
| | | <u>392,967</u> | <u>398,097</u> |
| Current assets | | | |
| Inventories | | 8,707 | 8,835 |
| Trade and other receivables and prepayments | 8 | 167,798 | 142,125 |
| Investments in securities | | 57,738 | 76,160 |
| Pledged bank deposit | | 5,035 | 5,034 |
| Bank balances and cash | | 28,286 | 60,920 |
| | | <u>267,564</u> | <u>293,074</u> |
| Current liabilities | | | |
| Trade and other payables | 9 | 86,840 | 83,540 |
| Amount due to a minority shareholder | | 2,359 | 505 |
| Taxation Payable | | 14 | 14 |
| Bank and other borrowings | | 142,595 | 143,680 |
| | | <u>231,808</u> | <u>227,739</u> |
| Net current assets | | <u>35,756</u> | <u>65,335</u> |
| Total assets less current liabilities | | <u>428,723</u> | <u>463,432</u> |
| Non-current liabilities | | | |
| Bank and other borrowings | | 26,718 | 26,877 |
| Deferred taxation | 10 | 42,000 | 42,000 |
| | | <u>68,718</u> | <u>68,877</u> |
| | | <u>360,005</u> | <u>394,555</u> |
| Minority interests | | <u>103,809</u> | <u>103,779</u> |
| Net assets | | <u>256,196</u> | <u>290,776</u> |
| Capital and reserves | | | |
| Share capital | 11 | 45,114 | 45,114 |
| Reserves | | 211,082 | 245,662 |
| | | <u>256,196</u> | <u>290,776</u> |
| Shareholders' funds | | <u>256,196</u> | <u>290,776</u> |

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | Share capital <i>HK\$'000</i> | Share premium account <i>HK\$'000</i> | Capital redemption reserve <i>HK\$'000</i> | Investment property revaluation reserve <i>HK\$'000</i> | Special reserve <i>HK\$'000</i> | Contributed surplus <i>HK\$'000</i> | Warrant reserve <i>HK\$'000</i> | Accumulated losses <i>HK\$'000</i> | Total <i>HK\$'000</i> |
|--|-------------------------------------|--|---|---|---------------------------------------|---|---------------------------------------|--|--------------------------|
| At 1st April, 2003 | 37,714 | 405,984 | 13,878 | 1,021 | 78,176 | 658,247 | 26,719 | (900,542) | 321,197 |
| Loss for the period | – | – | – | – | – | – | – | (25,939) | (25,939) |
| At 30th September, 2003 | 37,714 | 405,984 | 13,878 | 1,021 | 78,176 | 658,247 | 26,719 | (926,481) | 295,258 |
| Share of reserve movement of an associate not recognized in the income statement | – | – | – | 334 | – | – | – | – | 334 |
| Realised on disposal of a subsidiary | – | – | – | 30 | – | – | – | – | 30 |
| Issue of shares | 7,400 | 29,600 | – | – | – | – | – | – | 37,000 |
| Share issue expenses | – | (580) | – | – | – | – | – | – | (580) |
| Loss for the period | – | – | – | – | – | – | – | (41,266) | (41,266) |
| At 31st March, 2004 | 45,114 | 435,004 | 13,878 | 1,385 | 78,176 | 658,247 | 26,719 | (967,747) | 290,776 |
| Loss for the period | – | – | – | – | – | – | – | (34,580) | (34,580) |
| At 30th September, 2004 | 45,114 | 435,004 | 13,878 | 1,385 | 78,176 | 658,247 | 26,719 | (1,002,327) | 256,196 |

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

| | Six months ended 30th September, | |
|--|-------------------------------------|-------------|
| | 2004 | 2003 |
| | (unaudited) | (unaudited) |
| | HK\$'000 | HK\$'000 |
| NET CASH USED IN OPERATING ACTIVITIES | (33,996) | (4,591) |
| NET CASH USED IN INVESTING ACTIVITIES | 2,606 | (48,957) |
| NET CASH FROM FINANCING ACTIVITIES | (1,244) | 45,324 |
| DECREASE IN CASH AND CASH EQUIVALENTS | (32,634) | (8,224) |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD | 60,920 | 87,956 |
| CASH AND CASH EQUIVALENTS AT END OF THE PERIOD | 28,286 | 79,732 |
| ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS | | |
| Bank balances and cash | 28,286 | 79,732 |

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30th September, 2004

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

The condensed financial statements have been prepared under the historical cost convention as modified for the revaluation of investment properties and certain investments in securities. The accounting policies adopted are consistent with those followed in the preparation of the Group’s financial statements for the year ended 31st March, 2004.

3. SEGMENT INFORMATION

| | Turnover | | Segment results | |
|-----------------------------------|------------------|---------------|------------------|-----------------|
| | Six months ended | | Six months ended | |
| | 30th September, | | 30th September, | |
| | 2004 | 2003 | 2004 | 2003 |
| | HK\$’000 | HK\$’000 | HK\$’000 | HK\$’000 |
| Business segment | | | | |
| Securities trading and investment | 33,153 | 47,986 | (7,326) | 14,015 |
| Property development and sales | – | 15,870 | – | (57) |
| Trading of building materials | | | | |
| and renovations services | 13,322 | 10,658 | (479) | 194 |
| Operation of toll highway | 5,737 | 7,384 | 50 | 1,380 |
| Property rental | 5 | 2,008 | 1 | 1,917 |
| | <u>52,217</u> | <u>83,906</u> | <u>(7,754)</u> | <u>17,449</u> |
| Other operating income | | | 170 | 863 |
| Unallocated corporate expenses | | | <u>(24,699)</u> | <u>(35,391)</u> |
| Loss from operations | | | <u>(32,283)</u> | <u>(17,079)</u> |
| Geographical segment | | | | |
| Hong Kong and the PRC | <u>52,217</u> | <u>83,906</u> | <u>(32,283)</u> | <u>(17,079)</u> |

4. LOSS FROM OPERATIONS

The loss from operations has been arrived at after charging (crediting):

| | Six months ended | |
|--|------------------|------------|
| | 30th September, | |
| | 2004 | 2003 |
| | HK\$’000 | HK\$’000 |
| Amortisation of intangible asset | – | 6,163 |
| Depreciation of property, plant and equipment | 2,242 | 3,957 |
| Impairment loss on goodwill arising on acquisition of a subsidiary | – | 16,664 |
| Interest income | 16 | (7) |
| Unrealised holding gain on investment securities | (5,576) | (12,313) |
| (Gain) loss on disposal of property, plant and equipment | <u>(382)</u> | <u>222</u> |

5. TAXATION

The charge for the six month ended 30th September, 2004 represented share of Hong Kong Profits Tax of an associate.

No provision for Hong Kong Profits Tax has been made in the financial statements as the companies comprising the Group incurred tax losses for the six month periods ended 30th September, 2003 and 30th September, 2004 respectively.

Pursuant to relevant laws and regulations in the People's Republic of China, other than Hong Kong (the "PRC"), one of the Group's PRC subsidiaries is entitled to an exemption from PRC income tax for the two years starting from their first profit making year, followed by a 50% tax reduction for the next three years. No provision for PRC income tax has been made for the year as the Group's PRC subsidiaries were still within the PRC income tax exemption period during the year or they have not had any assessable profit.

Details of the recognised and unrecognised deferred taxation for the period are set out in note 10.

6. LOSS PER SHARE

The calculation of the basic loss per share is based on the loss for the six months ended 30th September, 2004 of HK\$34,580,000 (six months ended 30th September, 2003: HK\$25,939,000 and on the weighted average number of 4,511,445,970 shares (30th September, 2003: 3,771,445,970 shares) in issue during the period.

No diluted loss per share has been presented as the exercise of the Company's outstanding share options would reduce the loss per share for the six months ended 30th September, 2003 and there are no dilutive potential ordinary shares in issue for the six months ended 30th September, 2004.

7. MOVEMENTS IN INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT

The directors consider that the values of the Group's investment properties as at 30th September, 2004 would not differ materially from the professional valuation made as at 31st March, 2004 and, accordingly, no revaluation surplus or deficit has been recognized in the current period.

8. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

The Group allows a credit period normally ranging from 60 days to 90 days to its customers. The following is an aged analysis:

| | THE GROUP | |
|--|---------------------------------|-----------------------------|
| | 30th September, 2004 | 31st March, 2004 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Trade receivables | | |
| 0 to 30 days | 2,763 | 1,109 |
| 31 to 90 days | 5,055 | 1,277 |
| More than 90 days | 5,320 | 4,841 |
| | <hr/> | <hr/> |
| | 13,138 | 7,227 |
| Amounts due from customers for contract work (<i>Note</i>) | 84 | 1,495 |
| Retention receivable | — | 405 |
| Other receivables and prepayments | 154,576 | 132,998 |
| | <hr/> | <hr/> |
| | 167,798 | 142,125 |
| | <hr/> | <hr/> |

Note:

| | THE GROUP | |
|---|---------------------------------|-----------------------------|
| | 30th September, 2004 | 31st March, 2004 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Amounts due from (to) customers for contract works | | |
| Contract costs incurred plus recognized profits less recognized losses | (53) | 2,702 |
| Less: Progress billings | 559 | (2,072) |
| | (506) | 630 |
| Represented by: | | |
| Due from customers included in current assets | 84 | 1,495 |
| Due to customers included in current liabilities (<i>note 9</i>) | (590) | (865) |
| | (506) | 630 |

9. TRADE AND OTHER PAYABLES

| | THE GROUP | |
|--|---------------------------------|-----------------------------|
| | 30th September, 2004 | 31st March, 2004 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Trade payables | | |
| 0 to 30 days | 760 | 347 |
| 31 to 90 days | 769 | 283 |
| More than 90 days | 1,975 | 1,028 |
| | 3,504 | 1,658 |
| Amounts due to customers for contract work (<i>note 8</i>) | 590 | 865 |
| Retention payables | – | 340 |
| Other payables and accruals | 82,746 | 80,677 |
| | 86,840 | 83,540 |

10. DEFERRED TAX

The followings are the major deferred tax liabilities and assets recognized by the Group and movements thereon during the current and prior reporting periods:

| | Temporary difference attributable to toll highway <i>HK\$'000</i> | Accelerated tax depreciation <i>HK\$'000</i> | Tax losses <i>HK\$'000</i> | Total <i>HK\$'000</i> |
|--|--|---|---|----------------------------------|
| At 1st April, 2003 | 46,000 | 1,685 | (1,685) | 46,000 |
| (Credit) charge to income | (4,000) | (175) | 175 | (4,000) |
| Effect of change in tax rate | – | 158 | (158) | – |
| Disposal of a subsidiary | – | (1,668) | 1,668 | – |
| At 31st March, 2004 and at 30th September, 2004 | 42,000 | – | – | 42,000 |

For the purpose of balance sheet presentation, certain deferred tax assets and liabilities have been offset in accordance with the conditions set out in SSAP 12 (Revised).

At 30th September, 2004, the Group has unused tax losses of HK\$429,830,000 (31st March, 2004: HK\$418,975,000) available for offset against future profits. Included in unrecognized tax losses are losses of HK\$16,033,000 (31st March, 2004: HK\$16,033,000) that will be expired in five years.

At 30th September, 2004, the Group has other deductible temporary difference of HK\$36,253,000 (31st March, 2004: HK\$38,731,000). No deferred tax asset has been recognized in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary difference can be utilized.

11. SHARE CAPITAL

| | Number of shares | Amounts HK\$'000 |
|--|-----------------------|---------------------|
| AUTHORISED | | |
| Ordinary shares of HK\$0.01 each at 1st April, 2004 and at 30th September, 2004 | <u>15,000,000,000</u> | <u>150,000</u> |
| ISSUED AND FULLY PAID | | |
| Ordinary share of HK\$0.01 each at 1st April, 2004 and at 30th September, 2004 | <u>4,511,445,970</u> | <u>45,114</u> |

12. CAPITAL COMMITMENTS

At 30th September, 2004, the Group had the following capital commitments contracted for but not provided in the financial statements:

- (a) On 17th December, 2003, Rich Lion Limited, a wholly-owned subsidiary of the Company, entered into a conditional agreement with independent third parties to acquire the entire interests in Rich Linker Limited at a total consideration of HK\$53 million. As at 31st March, 2004 and as at 30th September, 2004, a deposit amounting to HK\$26,874,000 was paid and the Group had outstanding commitments amounting to HK\$26,126,000 in respect of the Rich Linker Acquisition. Rich Linker Limited is a company incorporated in Hong Kong and is engaged in property holding and investment in the PRC. Details of the acquisition are set out in the Company's announcement and circular dated 18th December, 2003 and 8th January, 2004 respectively.

Pursuant to the Company's announcement dated 31st March, 2004, the parties to that agreement have agreed that the completion date is extended to the date on or before 30th September, 2004. Pursuant to the Company's announcement dated 28th September, 2004, the parties to that agreement have agreed that the completion date is further extended to the date on or before 15th January, 2005.

- (b) On 24th March, 2004, Grand Fix Limited, a wholly-owned subsidiary of the Company, entered into an agreement with independent third parties for the acquisition of the entire issued share capital of Chinese Gain and the shareholders loan of approximately HK\$102,094,000 (the "Chinese Gain Acquisition") for a consideration of HK\$105 million. As at 31st March, 2004 and as at 30th September, 2004, a deposit amounting to HK\$10,000,000 was paid and the Group had outstanding commitments amounting to HK\$95,000,000 in respect of the Chinese Gain Acquisition. Chinese Gain is a company incorporated in Hong Kong and is engaged in property holding and investment in the PRC.

Pursuant to the Company's announcement dated 28th September, 2004, the parties to that agreement have agreed that the completion date is extended to the date on or before 31st March, 2005.

13. POST BALANCE SHEET EVENTS

- (a) On 6th November, 2004, the Company entered into an agreement with Asean Resources Limited to extend the repayment date of a loan amounting to approximately HK\$23,643,000 to 6th May, 2005.
- (b) On 17th November, 2004, the Company announced that it had entered into a placing agreement with a placing agent. Pursuant to the placing agreement, the Company agreed to place, through the placing agent on a fully underwritten basis, 902,280,000 placing shares to independent investors at a price of HK\$0.02 per placing share. The placing shares were issued under the general mandate granted to the directors of the Company at the annual general meeting held on 3rd September, 2004. The net proceeds of approximately HK\$17.7 million will be used as the general working capital of the Group. Details of which were set out in the announcement dated 17th November, 2004.
- (c) On 7th December, 2004, the Company announced that it had entered into a subscription agreement with Peakhill Investments Limited (the "Subscriber"). The Subscriber is a third party independent of and not connected with the directors, chief executives or substantial shareholders of the Group or any of their respective associates (as defined in the Listing Rules). Pursuant to the subscription agreement, the Company conditionally agreed to issue and the Subscriber conditionally agreed to subscribe for the convertible note of the Company in an aggregate principal amount of HK\$32.4 million. The convertible note is convertible into convertible shares of the Company at a price of HK\$0.03 per convertible share. The convertible note will bear interest on the outstanding principal from the date of issue at a rate of 1% per annum. The net proceeds of HK\$32 million will be used as the general working capital of the Group. Details of which were set out in the announcement dated 8th December, 2004.

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30th September, 2004. (2003: Nil)

BUSINESS REVIEW AND OUTLOOK

The Group is principally engaged in securities trading and investments, property development and sales, trading of building materials and renovations services and operation of toll highway.

For the six months ended 30th September, 2004, the Group recorded a consolidated turnover of approximately HK\$52,217,000, representing a decrease of 38% from approximately HK\$83,906,000 for the corresponding period in the last year. The decrease was largely attributable to (a) the decrease in securities trading and investments from HK\$47,986,000 in last year's corresponding period to HK\$33,153,000 for the period under review; and (b) the decrease in property sales from HK\$15,870,000 in last year's corresponding period to no sales recorded in the period under review. The loss attributable to shareholders amounted to HK\$34,580,000 for the six months ended 30th September, 2004 compared to approximately HK\$25,939,000 for the corresponding period in the prior year.

Following the recovery of the property market in Hong Kong, the Group's business in trading of building materials and renovation services recorded an increase of approximately 25% compared with the same period of the last year. Although this business has picked up in the reporting period, the Group will continued it's effort to increase productivity and to improve quality.

The imposition of macro-economic control policy in this year in the PRC, coupled with the oversupply problem, put the property market in the PRC into a very difficult year. Owing to this market downturn, the Group recorded zero turnover in property sales in the reporting period. The Board has initiated various measures to improve the business and to achieve cost control.

It is the intention of the Group to continue to look for investments with reasonable return to strengthen the Group's operations and asset base.

SIGNIFICANT INVESTMENTS AND MATERIAL ACQUISITION AND DISPOSAL

There is no significant investment and material acquisition/disposal made during the reporting period.

LIQUIDITY AND FINANCIAL RESOURCES

During the period under review, the Group's financial resources were mainly from cash income generated by its business operations as well as bank and other borrowings. The bank balances and cash as at 30th September, 2004 stood at HK\$33,321,000 and total borrowings of the Group amounted to HK\$169,313,000, of which HK\$26,718,000 were not repayable within one year. The gearing ratio, with total borrowings over total tangible assets, at 30th September, 2004 was about 24.9%.

CONTINGENT LIABILITIES

At 30th September, 2004, the Company had given corporate guarantees to banks and a securities broker in respect of credit facilities utilized by the subsidiaries to an extent of approximately HK\$19,193,345.21.

At the balance sheet date, the Group did not have any contingent liabilities.

EXCHANGE EXPOSURE

Due to the fact that the Group's transactions are denominated in Hong Kong dollars and Renminbi and the related exchange rates are considered relative stable, and accordingly, the exposure to fluctuations in exchange rate is minimal.

EMPLOYEE

As at 30th September, 2004, the total number of employees of the Group was approximately 210, inclusive of its operations in the PRC and Hong Kong. Remunerations were reviewed periodically in accordance with market situations and the performance of individual staff. Share options may be granted as recognition of their contribution and incentive to motivate them.

DIRECTORS' INTERESTS AND SHORT POSITION IN SECURITIES

At 30th September, 2004, the interests and short positions of the directors and the chief executives and their associates in the shares and underlying shares of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance, or as otherwise notified to the Company and the Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

(I) Ordinary shares of HK\$0.01 each of the Company

| Name of director | Capacity | Number of issued ordinary shares held | Percentage of the issued share capital of the Company |
|-----------------------------------|-----------------------------------|---|--|
| Dong Bo, Frederic (<i>Note</i>) | Held by controlled corporation | <u>1,030,468,350</u> | <u>22.84%</u> |

Note: United Jumbo Limited ("United Jumbo") holds the 1,030,468,350 shares of the company and is beneficially wholly-owned by Dong Bo, Frederic.

Other than as disclosed above, the company has not been notified of any other relevant interests or short positions in the issued share capital and underlying shares of the Company or any associated corporation as at 30th September, 2004.

SHARE OPTIONS

The Company adopted a share option scheme on 24th April, 2002 (the “2002 scheme”) with expiry date on 23rd April, 2012, for the primary purpose of providing incentives to directors, eligible employees and consultants. Under the 2002 scheme, the Company may grant options to eligible employees, including directors of the Company and its subsidiaries and consultants to subscribe for shares in the Company.

The following table discloses details of options outstanding under the company’s share option scheme and movements during the period:

| For the six month ended 30th September, 2004 | Date of grant | Exercise price HK\$ | Number of share options and number of underlying shares | | |
|---|---------------|------------------------|--|-----------------------------|-----------------------------|
| | | | Outstanding at 1.4.2004 | Lapsed during the period | Outstanding at 30.9.2004 |
| Category 1: Directors | | | | | |
| Dong Bo, Frederic | 2.5.2002 | 0.298 | 16,778,000 | (16,778,000) | — |
| Lau Man Tak | 2.5.2002 | 0.298 | 26,990,000 | (26,990,000) | — |
| | | | <u>43,768,000</u> | <u>(43,768,000)</u> | <u>—</u> |
| Category 2: Employee and consultants | | | | | |
| | 2.5.2002 | 0.298 | 226,162,000 | (226,162,000) | — |
| | 19.9.2002 | 0.225 | 259,120,000 | (259,120,000) | — |
| | 9.12.2002 | 0.202 | 64,780,000 | (64,780,000) | — |
| | | | <u>550,062,000</u> | <u>(550,062,000)</u> | <u>—</u> |

Notes:

- (1) The closing prices of the Company’s share immediately before 2nd May, 2003, 19th September, 2003 and 9th December, 2003, the date of grant of the options, were HK\$0.290, HK\$0.220 and HK\$0.201, respectively.
- (2) No share options were granted or exercised during the six months ended 30th September, 2004.

DIRECTORS RIGHTS TO ACQUIRE SHARES OR DEBT SECURITIES

Save as disclosed under the section headed “DIRECTORS’ INTERESTS AND SHORT POSITION IN SECURITIES”, at no time during the year was the Company or any of its holding companies, fellow subsidiaries or subsidiaries a party to any arrangements to enable the directors or chief executives of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the directors or chief executives, nor any of their spouses or children under the age of 18, had any rights to subscribe for the securities of the Company, or had exercised any such rights during the year.

SUBSTANTIAL SHAREHOLDERS

As at 30th September, 2004, the register of substantial shareholders maintained by the Company pursuant to section 336 of the Securities and Future Ordinance show that, the following shareholders had notified the Company of relevant interest and short positions in the issued share capital of the company.

| Name of shareholders | Capacity | Number of issued ordinary shares held | Percentage of the issued share capital of the Company |
|--|-----------------------------------|---|--|
| United Jumbo Limited | Beneficial owner | 1,030,468,350 | 22.84% |
| Lee Wai Man | Beneficial owner | 15,130,000 | 0.34% |
| | Held by Spouse | 865,520,350 <i>(Note 1)</i> | 19.18% |
| | | 880,650,350 | 19.52% |
| Ma Siu Fong | Held by Spouse | 15,130,000 <i>(Note 2)</i> | 0.34% |
| | Held by controlled corporation | 865,520,350 <i>(Note 1)</i> | 19.18% |
| | | 880,650,350 | 19.52% |
| Chu Yuet Wah | Held by controlled corporation | 865,520,350 <i>(Note 1)</i> | 19.18% |
| Kingston Finance Limited | Beneficial owner | 865,520,350 | 19.18% |
| Cheung Yu Shum, Jenkin | Held by controlled corporation | 419,000,000 <i>(Note 3)</i> | 9.29% |
| Interpool Holdings Limited | Beneficial owner | 419,000,000 | 9.29% |
| Hu Die Fei | Beneficial owner | 445,530,000 | 9.88% |
| Goldright Finance Limited ("Goldright") | Beneficial owner | 406,280,000 | 9.01% |
| China National Resources Development Holdings Limited ("CRDH") | Held by controlled corporation | 406,280,000 <i>(Note 4)</i> | 9.01% |
| Smartgood Investment Limited ("Smartgood") | Held by controlled corporation | 406,280,000 <i>(Note 5)</i> | 9.01% |
| Zhou Weirong ("Zhou") | Held by controlled corporation | 406,280,000 <i>(Note 6)</i> | 9.01% |

Other than disclosed above, the Company has not been notified of any other relevant interests or short positions in the shares or underlying shares of the Company as at 30th September, 2004 as required pursuant to Section 336 of the SFO.

Notes:

1. These 865,520,350 shares are beneficially owned by Kingston Finance Limited (“Kingston”). Ms. Ma Siu Fong is deemed to be interested in these shares as she beneficially owns 49% of Kingston. Ms. Chu Yuet Wah is deemed to be interested in these shares as she beneficially owns 51% of Kingston. Mr. Lee Wai Man is the husband of Ms. Ma Siu Fong and is deemed to be interested in 865,520,350 shares beneficially owned by Ms. Ma Siu Fong.
2. Ms. Ma Siu Fong is the wife of Mr. Lee Wai Man and is deemed to be interested in 15,130,000 shares beneficially owned by Mr. Lee Wai Man.
3. Mr. Cheung Yu Shum, Jenkin is deemed to be interested in 419,000,000 shares of the Company as he beneficially owns 100% of Interpool Holdings Limited.
4. CRDH holds 100% of shareholding in Goldright and CRDH is accordingly taken to have an interest in the 406,280,000 Share in which Goldright is interested under SFO.
5. Smartgood holds 60.69% of shareholding in CRDH and Smartgood is accordingly taken to have an interest in the 406,280,000 Share in which CRDH is interested under SFO.
6. Zhou holds 100% of shareholding in Smartgood and Zhou is accordingly taken to have an interest in the 406,280,000 Share in which Smartgood is interested under SFO.

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

During the period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities.

CODE OF BEST PRACTICE

None of the Directors is aware of any information that would reasonably indicate that the Company was not in compliance with the Code of Best Practice as set out in the Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited at any time during the six months period ended 30th September, 2004.

AUDIT COMMITTEE

The Audit Committee has reviewed with directors the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters in relation to the preparation of the unaudited condensed financial statements for the six months ended 30th September, 2004.

By the Order of the Board
Dong Bo, Frederic
Chairman

Hong Kong, 23rd December, 2004