



Financial Position

The Group's financial position is healthy and stable. As at 30th June 2001, the Group's cash and bank deposits reached HK\$176,252,000 (2000: HK\$146,855,000). As at the same date, the Group's total bank borrowings was approximately HK\$78,874,000 (2000: HK\$72,874,000), comprising instalment loans as to approximately HK\$3,800,000 (2000: HK\$4,100,000) and overdrafts, short term loans and trade facilities as to approximately HK\$75,074,000 (2000: HK\$68,774,000). The Group utilized about 46% of total banking facilities granted by various banks. Unused facilities as at the same date amounted to approximately HK\$83,260,000 (2000: HK\$35,866,000). The Group's borrowings are subject to floating interest rates.

The reserves experienced an increase of 24.56% to HK\$322,260,000 (2000: HK\$258,714,000) because of an increase in current period profit and the premium arising from the issue of shares upon the exercise of warrants. Net profit attributable to shareholders was HK\$62,408,000 (2000: HK\$43,033,000), representing a rise of 45%, due to gain on disposal of investment. Group's gearing ratio, representing total interest-bearing borrowings by shareholder's fund was 11% as at 30th June 2001 (2000: 11%). As at 30th June 2001, certain assets with aggregate value of HK\$13,932,000 of the Group was charged (2000: HK\$13,947,000) to secure bank borrowings.

Employment and Remuneration Policy

As at 30th June 2001, the total number of staff of the Group in Hong Kong and the PRC was 329. In addition to the set up of the share option scheme, the Group also provided Mandatory Provident Fund entitlement to Hong Kong's employees.

OTHER INFORMATION

Directors' Interests in Securities

As at 30th June 2001, the Directors of the Company had the following beneficial interests in the shares of \$0.10 each in the capital of the Company within the meaning of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance"), as recorded in the Register of Directors' Interests required to be kept by the Company pursuant to Section 29 of the SDI Ordinance:

Name	Number of shares	Number of warrants (Note a)	Number of share options
Mr. Yip Kim Po (Notes b, c and d)	1,374,303,524	—	—
Ms. Yip Wan Fung	111,443,141	—	—
Mr. Tang Hin Lun (Note g)	3,000,000	—	9,000,000
Mr. Kwan Yan (Note e)	9,000,000	10,000,000	—
Mr. Suen Shiu Kay	80,000	—	—
Mr. Li Lee Cheung	10,000	—	—
Mr. Chau Po Fan	200,000	—	—
Mr. Choy Tak Ho (Note f)	—	—	5,000,000



Notes:

- a. The warrants of the Company conferred rights to subscribe in cash for shares, on the basis of a subscription price of \$0.16 per share (subject to adjustments), during the period from 28th August 2000 to 31st December 2001 (both dates inclusive).
- b. As at 30th June 2001, Holylake Resources Limited ("Holylake") held 817,114,286 shares of the Company. The issued shares of Holylake were owned as to 76% and 24% by Mr. Yip Kim Po and Mr. Yip Lap Chi, respectively. The interests of Mr. Yip Kim Po in the issued shares of the Company were corporate interests in the Company by virtue of Practice Note 5 to the Listing Rules.
- c. As at 30th June 2001, Grecian Resources Limited ("Grecian") held 310,832,095 shares of the Company. The issued shares of Grecian were owned as to 76% and 24% by Mr. Yip Kim Po and Mr. Yip Lap Chi, respectively. The interest of Mr. Yip Kim Po in the issued shares were corporate interests in the Company by virtue of Practice Note 5 to the Listing Rules.
- d. Mr. Yip Kim Po held 237,357,143 shares and Mr. Wong Soon Teck held 9,000,000 shares of the Company (as nominee for Mr. Yip Kim Po). These interests of Mr. Yip Kim Po were personal interests as described in Practice Note 5 to the Listing Rules.
- e. Mr. Kwan Yan was interested in warrants to subscribe for an aggregate of 10,000,000 shares in the Company at \$0.16 per share (see Note a). These interests were personal interests in the Company as described in Practice Note 5 of the Listing Rules.
- f. Mr. Choy Tak Ho was interested in options to subscribe for an aggregate of 5,000,000 shares in the Company at \$0.12 per share exercisable during the period from 27th March 1998 to 3rd September 2007. The subscription price of these share options had been adjusted due to the issuance of bonus shares on the basis of two new shares for every one share in issue on 25th November 1999. These interests were personal interests in the Company as described in Practice Note 5 of the Listing Rules.
- g. Mr. Tang Hin Lun was interested in options to subscribe for an aggregate of 9,000,000 shares in the Company at \$0.1128 per share exercisable during the period from 2nd May 2000 to 3rd September 2007. These interests were personal interests in the Company as described in Practice Note 5 of the Listing Rules.

Saved as disclosed above, the Company has no notice of any interest required to be recorded under Section 29 of the SDI Ordinance as at 30th June 2001.

Directors' Rights to Acquire Shares or Debentures

The Company has a share option scheme under which it may grant options to employees (including executive directors) of the Group to subscribe for shares in the Company.



The share options granted to and held by the Directors of the Company during the period were as follows:

Number of share options					
Name	Subscription price per share \$	As at 1st January 2001	Granted during the period	Exercised during the period	As at 30th June 2001
Executive director:					
Mr. Tang Hin Lun	0.1128 (Note b)	9,000,000	–	–	9,000,000
Non-executive director:					
Mr. Choy Tak Ho	0.12 (Note a)	5,000,000	–	–	5,000,000
		14,000,000	–	–	14,000,000

Notes:

- The options with subscription price of \$0.12 (as adjusted from the issuance of bonus share on the basis of two shares for every one share in issue on 25th November 1999) are exercisable at any time during the period from 27th March 1998 to 3rd September 2007.
- The options with subscription price of \$0.1128 are exercisable at any time during the period from 2nd May 2000 to 3rd September 2007.

Save as disclosed above, at no time during the period was the Company or any of its subsidiaries or its holding company a party to any arrangements to enable any of the Company's directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Substantial Shareholder

As at 30th June 2001, the following entity (not being a director or chief executive of the Company) had registered an interest in 10% or more of the issued share capital of the Company:

Name	Number of issued shares	Percentage shareholding
Holylake Resources Limited	817,114,286	22.06%

Save as disclosed above, the Company had no notice of any interests required to be recorded under Section 16(1) of the SDI Ordinance as at 30th June 2001.



Purchase, Sale or Redemption of Shares and Warrants

During the period, the Company repurchased a total of 5,808,000 ordinary shares of HK\$0.10 each of the Company on the Stock Exchange, all of which were cancelled. The repurchases of the Company's shares during the period were effected by the directors, pursuant to the general repurchase mandate from shareholders, with a view to benefiting shareholders as a whole by enhancing the net asset value and earnings per share of the Company. Details of the repurchased shares are as follows:

Date of repurchase	Number of shares repurchased	Repurchase price per share		Aggregate price paid HK\$
		Highest HK\$	Lowest HK\$	
16th March 2001	1,294,000	0.110	0.106	139,875.11
19th March 2001	1,176,000	0.110	0.105	126,729.80
20th March 2001	3,338,000	0.112	0.104	359,042.18

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed shares and warrants during the period.

Audit Committee

The Audit Committee comprises two independent non-executive directors, namely Mr. Choy Tak Ho and Mr. Chau Po Fan. The Committee has reviewed the effectiveness of internal control, the risk evaluation and the interim report for the six months ended 30th June 2001.

Compliance with Code of Best Practice

None of the Directors is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the accounting period for the six months ended 30th June 2001. In compliance with the Code of Best Practices as set out in Appendix 14 of the Listing Rules notwithstanding that the non-executive directors are not appointed for a specific term as they are subject to retirement by rotation at the Annual General Meeting in accordance with the Bye-laws of the Company.

By Order of the Board
OCEAN GRAND HOLDINGS LIMITED
Yip Kim Po
 Chairman

Hong Kong, 21st September 2001