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CORPORATE INFORMATION

Board of Directors

YE Xuquan (*Chairman*)

JIANG Guoqiang (*Managing Director*)

CHENG Mo Chi, Moses*

Alan Howard SMITH*

V-nee YEH*

ZHANG Yaping

WANG Man Kwan, Paul

HO LAM Lai Ping, Theresa

* *Independent Non-Executive Directors*

Company Secretary

LAM Yee Mei, Katherine

Auditors

Ernst & Young

Principal Bankers

Standard Chartered Bank

Shenzhen Development Bank

Registered Office

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

Head Office & Principal Place of Business

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Principal Share Registrars

Butterfield Corporate Services Limited

Rosebank Centre

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Pembroke

Bermuda

Branch Share Registrars in Hong Kong

Tengis Limited

4th Floor, Hutchison House

10 Harcourt Road

Central

Hong Kong

UNAUDITED INTERIM FINANCIAL REPORT

The Board of Directors of Guangdong Brewery Holdings Limited (the "Company") is pleased to present the unaudited condensed consolidated financial statements of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2002 together with the comparative figures. These interim financial statements have not been audited, but have been reviewed by the Company's audit committee and the auditors, Ernst & Young.

Condensed Consolidated Profit and Loss Account

For the six months ended 30 June 2002

		(Unaudited)	
		For the six months ended 30 June	
		2002	2001
	<i>Notes</i>	HK\$'000	HK\$'000
TURNOVER	2	276,433	253,772
Cost of sales		(168,399)	(153,571)
Gross profit		108,034	100,201
Other revenue and gains	2	18,887	23,089
Selling and distribution expenses		(48,211)	(71,139)
Administrative expenses		(20,727)	(29,330)
PROFIT FROM OPERATING ACTIVITIES	2, 3	57,983	22,821
Finance costs	4	-	(5,411)
Share of loss of an associate		(2,998)	(2,925)
PROFIT BEFORE TAX		54,985	14,485
Tax	5	(8,100)	(3,040)
PROFIT BEFORE MINORITY INTERESTS		46,885	11,445
Minority interests		(3,295)	(1,362)
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		43,590	10,083
DIVIDEND - INTERIM	6	(12,500)	-
EARNINGS PER SHARE	7		
- Basic		3.5 cents	0.8 cents
- Diluted		N/A	N/A

Condensed Consolidated Statement of Changes in Equity*For the six months ended 30 June 2002*

	(Unaudited)								
	Issued	Share	Capital	Exchange	Enterprise	Reserve	Retained	Proposed	Total
	capital	premium	reserve	fluctuation	development	fund	profits	dividend	
	HK\$'000	HK\$'000	HK\$'000	reserve	fund	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2002	125,000	739,583	51,104	4,407	216	15,246	160,994	12,500	1,109,050
Net profit for the period	-	-	-	-	-	-	43,590	-	43,590
Dividend paid	-	-	-	-	-	-	-	(12,500)	(12,500)
Proposed interim dividend	-	-	-	-	-	-	(12,500)	12,500	-
Exchange adjustments	-	-	-	63	-	-	-	-	63
At 30 June 2002	125,000	739,583	51,104	4,470	216	15,246	192,084	12,500	1,140,203
At 1 January 2001	125,000	739,583	51,104	4,746	216	15,246	139,060	12,500	1,087,455
Net profit for the period	-	-	-	-	-	-	10,083	-	10,083
Dividend recognised as liability	-	-	-	-	-	-	-	(12,500)	(12,500)
Exchange adjustments	-	-	-	(630)	-	-	-	-	(630)
At 30 June 2001	125,000	739,583	51,104	4,116	216	15,246	149,143	-	1,084,408

Condensed Consolidated Balance Sheet

30 June 2002

		(Unaudited) 30 June 2002 HK\$'000	(Audited) 31 December 2001 HK\$'000
	Notes		
NON-CURRENT ASSETS			
Fixed assets		1,070,660	1,112,710
Interest in an associate		40,008	42,997
Investment securities		4,611	4,611
Reusable packaging materials		8,845	5,975
		<u>1,124,124</u>	<u>1,166,293</u>
CURRENT ASSETS			
Inventories		63,208	76,852
Trade receivables	8	50,981	37,327
Prepayments, deposits and other receivables		7,595	5,610
Due from a fellow subsidiary	13(i)	458	–
Cash and bank balances		141,869	74,579
		<u>264,111</u>	<u>194,368</u>
CURRENT LIABILITIES			
Trade payables	9	(35,608)	(35,955)
Tax payable		(9,243)	(7,026)
VAT payable		(7,685)	(7,138)
Other payables and accruals		(69,518)	(70,203)
Due to a fellow subsidiary	13(i)	–	(8,612)
		<u>(122,054)</u>	<u>(128,934)</u>
NET CURRENT ASSETS		<u>142,057</u>	<u>65,434</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,266,181</u>	<u>1,231,727</u>
NON-CURRENT LIABILITIES			
Due to minority equityholders of subsidiaries		(88,191)	(88,181)
		<u>1,177,990</u>	<u>1,143,546</u>
MINORITY INTERESTS			
		<u>(37,787)</u>	<u>(34,496)</u>
		<u>1,140,203</u>	<u>1,109,050</u>
CAPITAL AND RESERVES			
Issued capital	10	125,000	125,000
Reserves		1,002,703	971,550
Proposed dividend		12,500	12,500
		<u>1,140,203</u>	<u>1,109,050</u>

Condensed Consolidated Cash Flow Statement*For the six months ended 30 June 2002*

	(Unaudited)	
	For the six months ended 30 June	
	2002	2001
	HK\$'000	HK\$'000
CASH INFLOWS FROM OPERATING ACTIVITIES	74,623	71,724
CASH OUTFLOWS FROM INVESTING ACTIVITIES	(7,340)	(4,176)
CASH OUTFLOWS FROM FINANCING ACTIVITIES	—	(159,067)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	67,283	(91,519)
Cash and cash equivalents at beginning of period	74,579	176,059
Effect of foreign exchange rate changes, net	7	(153)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	141,869	84,387
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	141,869	84,387

Notes to Condensed Consolidated Financial Statements

30 June 2002

1. Basis of Preparation and Accounting Policies

These unaudited condensed consolidated financial statements of the Group have been prepared in accordance with Statement of Standard Accounting Practice ("SSAP") 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants. The accounting policies and basis of presentation used in the preparation of these financial statements are the same as those used in the audited financial statements for the year ended 31 December 2001, except the following new/revised SSAPs have been adopted for the first time in the preparation of the current period's condensed consolidated financial statements:

- SSAP 1 (Revised): "Presentation of Financial Statements"
- SSAP 11 (Revised): "Foreign Currency Translation"
- SSAP 15 (Revised): "Cash Flow Statements"
- SSAP 33: "Discontinuing Operations"
- SSAP 34: "Employee Benefits"

A summary of their major effects is as follows:

SSAP 1 (Revised) prescribes the basis for the presentation of financial statements and sets out guidelines for their structure and minimum requirements for the content thereof. The main revision to this SSAP is to change the requirements from presenting a statement of recognised gains and losses to a statement of changes in equity. The condensed consolidated statement of changes in equity for the current interim period and the comparative figures have been presented in accordance with the revised SSAP.

SSAP 11 (Revised) prescribes the basis for the translation of foreign currency transactions and financial statements. The principal impact of this revised SSAP on the condensed consolidated financial statements is that the profit and loss account of subsidiaries and associate operating in Mainland China are translated at an average rate for the interim period on consolidation, rather than translated at the applicable rates of exchange ruling at the balance sheet date as was previously required. The Group has adopted the transitional provision of this SSAP that where the calculation of a prior year adjustment is impractical, these changes in policy are applied only to current and future financial statements. The effect on the results of the current period is not significant.

SSAP 15 (Revised) prescribes the provision of information about the historical changes in cash and cash equivalents by means of a cash flow statement which classifies cash flows during the period into operating, investing and financing activities. The condensed consolidated cash flow statement for the current interim period and the comparative figures have been presented in accordance with the revised SSAP.

SSAP 33 prescribes the basis for reporting information about discontinuing/discontinued operations. This SSAP has had no major impact on these condensed consolidated financial statements.

SSAP 34 prescribes the accounting treatment and disclosures for employee benefits. This SSAP has had no major impact on these condensed consolidated financial statements.

2. Segment Information

The Group's operating businesses are structured and managed separately, according to the location of customers. Each of the Group's geographical segments represents a strategic geographical unit that offers products and services which are subject to risks and returns that are different from those of other geographical segments. Summary details of the geographical segments are as follows:

- (i) The Hong Kong segment engages in distribution and sale of beer;
- (ii) The Mainland China segment engages in production, distribution and sale of beer, and operation of restaurants, pubs and other related services; and

Notes to Condensed Consolidated Financial Statements (Cont'd)**2. Segment Information** (Cont'd)

- (iii) The corporate segment engages in providing corporate services to the Hong Kong segment and the Mainland China segment in Hong Kong.

In determining the Group's business segments, revenues and results are attributed to the segments based on the nature of their operations and the products and services they provide.

Intersegment transactions mainly represent sale of beer by the Mainland China segment which is made on the bases determined within the Group.

(a) Geographical segments

The following table presents revenue and results for the Group's geographical segments.

(Unaudited)									
For the six months ended 30 June									
	2002	2001	2002	2001	2002	2001	2002	2001	
	Mainland China		Hong Kong		Corporate		Eliminations		Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:									
Sales to external customers	255,001	238,407	21,432	15,365	-	-	-	-	276,433
Intersegment sales	5,959	4,380	-	-	-	-	(5,959)	(4,380)	-
Other revenue	18,543	22,103	-	-	-	-	-	-	18,543
Total	<u>279,503</u>	<u>264,890</u>	<u>21,432</u>	<u>15,365</u>	<u>-</u>	<u>-</u>	<u>(5,959)</u>	<u>(4,380)</u>	<u>294,976</u>
Segment results	<u>53,360</u>	<u>35,027</u>	<u>6,336</u>	<u>3,756</u>	<u>(2,057)</u>	<u>(16,948)</u>	<u>-</u>	<u>-</u>	<u>57,639</u>
Interest income									344
Profit from operating activities									57,983
Finance costs									-
Share of loss of an associate	(2,998)	(2,925)	-	-	-	-	-	-	(2,998)
Profit before tax									54,985
Tax									(8,100)
Profit before minority interests									46,885
Minority interests									(3,295)
Net profit from ordinary activities attributable to shareholders									<u>43,590</u>

(b) Business segments

During the period, the Group was engaged in the production, distribution and sale of beer, and terminated its operations of restaurants, pubs and other related services (the "Other Operations"). As the Other Operations contributed less than 10% of the total revenue and segment results, information in respect of the business segment is not presented. In the opinion of the directors, the Other Operations are not a major business line of the Group and accordingly, the termination of the Other Operations did not constitute a discontinued operation.

Notes to Condensed Consolidated Financial Statements (Cont'd)**3. Profit From Operating Activities**

The Group's profit from operating activities is arrived at after charging/(crediting):

	(Unaudited)	
	For the six months ended 30 June	
	2002	2001
	HK\$'000	HK\$'000
Cost of inventories sold	168,399	153,571
Depreciation	43,276	56,754
Amortisation of reusable packaging materials	3,201	5,159
Value-added tax exemption	(16,447)	(18,585)
Interest income	(344)	(986)
	<u> </u>	<u> </u>

4. Finance Costs

	(Unaudited)	
	For the six months ended 30 June	
	2002	2001
	HK\$'000	HK\$'000
Interest on:		
Bank loans	-	4,065
Other loans wholly repayable within five years	-	1,346
	<u> </u>	<u> </u>
	-	5,411
	<u> </u>	<u> </u>

5. Tax

	(Unaudited)	
	For the six months ended 30 June	
	2002	2001
	HK\$'000	HK\$'000
Company and subsidiaries:		
Hong Kong	896	130
Mainland China	7,204	2,910
	<u> </u>	<u> </u>
	8,100	3,040
Associate:		
Mainland China	-	-
	<u> </u>	<u> </u>
	8,100	3,040
	<u> </u>	<u> </u>

Hong Kong profits tax has been provided at the rate of 16% (2001: 16%) on the estimated assessable profits arising in Hong Kong during the period.

Tax on assessable profits of subsidiaries of the Company in Mainland China has been calculated at the rates of tax applicable to those subsidiaries based on existing legislation, interpretations and practices in respect thereof.

Notes to Condensed Consolidated Financial Statements (Cont'd)**6. Dividend**

The Board of Directors has resolved to declare an interim dividend of 1.0 HK cent (2001: Nil) per share for the six months ended 30 June 2002.

7. Earnings Per Share

The calculation of the basic earnings per share is based on the unaudited net profit from ordinary activities attributable to shareholders for the six months ended 30 June 2002 of HK\$43,590,000 (2001: HK\$10,083,000) and on the weighted average number of 1,250,000,000 (2001: 1,250,000,000) shares in issue during the period.

Diluted earnings per share for the six months ended 30 June 2002 and 2001 reflecting the exercise of all outstanding share options is not presented because the impact is anti-dilutive.

8. Trade Receivables

The Group's trading terms with customers are either on cash basis or on credit. For those customers who trade on credit, invoices are normally payable within 30-180 days of issuance. Credit limits are set for customers. The Group seeks to maintain tight control over its outstanding receivables in order to minimise credit risk. Overdue balances are regularly reviewed by senior management.

The ageing analysis of trade receivables, based on payment due date, was as follows:

	(Unaudited) 30 June 2002 HK\$'000	(Audited) 31 December 2001 HK\$'000
Within 3 months	46,604	34,564
More than 3 months and less than 6 months	2,797	881
More than 6 months and less than 1 year	4,843	4,797
More than 1 year	7,117	13,612
	<u>61,361</u>	<u>53,854</u>
Less: Provision for doubtful debts	(10,380)	(16,527)
	<u><u>50,981</u></u>	<u><u>37,327</u></u>

9. Trade Payables

The ageing analysis of trade payables, based on invoice date, was as follows:

	(Unaudited) 30 June 2002 HK\$'000	(Audited) 31 December 2001 HK\$'000
Within 3 months	30,766	29,814
More than 3 months and less than 6 months	47	1,324
More than 6 months and less than 1 year	250	245
More than 1 year	4,545	4,572
	<u>35,608</u>	<u>35,955</u>

Notes to Condensed Consolidated Financial Statements (Cont'd)**10. Share Capital**

There were no changes to the carrying amount or the number of ordinary shares in issue during the six months ended 30 June 2002 and 2001.

11. Operating Lease Arrangements

The Group leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to two years.

The total future minimum lease payments under non-cancellable operating leases, in respect of land and buildings, falling due were as follow:

	(Unaudited) 30 June 2002 HK\$'000	(Audited) 31 December 2001 HK\$'000
Within one year	<u>198</u>	<u>596</u>

12. Commitments

In addition to the operating lease commitments detailed in note 11 above, the Group had the following commitments in respect of property, plant and equipment at the balance sheet date:

	(Unaudited) 30 June 2002 HK\$'000	(Audited) 31 December 2001 HK\$'000
Contracted for	1,347	1,112
Authorised, but not contracted for	<u>6,444</u>	<u>—</u>
	<u>7,791</u>	<u>1,112</u>

13. Related Party Transactions

The nature and terms of the material related party transactions are the same as those disclosed in the Company's audited financial statements for the year ended 31 December 2001. The magnitude of the transactions during the period are as follows:

		(Unaudited) For the six months ended 30 June 2002 HK\$'000	2001 HK\$'000
	Notes		
Purchase of malt from a fellow subsidiary, Guangzhou Malting Co., Ltd. ("GMCL")	(i)	23,350	21,272
Rental of office premises paid to a fellow subsidiary, Bateson Developments Ltd.		266	266
Interest expenses paid to the immediate holding company, Guangdong Investment Ltd. ("GDI")	(ii)	<u>—</u>	<u>1,346</u>

Notes to Condensed Consolidated Financial Statements *(Cont'd)*

13. Related Party Transactions *(Cont'd)*

Notes:

- (i) The amount due from GMCL of HK\$458,000 as at 30 June 2002 (31 December 2001: due to GMCL of HK\$8,612,000) is unsecured, interest-free and has no fixed terms of repayment.
- (ii) The loan from GDI was fully repaid during year 2001.

14. Post Balance Sheet Event

On 9 August 2002, the Group entered into a sale and purchase agreement to dispose of its entire interest in Central China (Asia) Investment Limited, a wholly-owned subsidiary of the Company which holds the Group's entire interest in Shandong Huazhong Amber Brewery Co., Ltd. (an associate of the Group), to an independent third party for a total consideration of HK\$40 million. The disposal has not completed up to the date of this report and there is no material gain or loss on the disposal for the Group.

15. Approval of the Interim Financial Report

These condensed interim financial statements were approved and authorised for issue by the Board of Directors on 18 September 2002.

INDEPENDENT AUDITORS' REVIEW REPORT

To The Board of Directors

Guangdong Brewery Holdings Limited

Introduction

We have been instructed by the Company to review the interim financial report set out on pages 3 to 12.

Directors' responsibilities

The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with Statement of Standard Accounting Practice 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants and the relevant provisions thereof. The interim financial report is the responsibility of, and has been approved by, the directors.

Review work performed

We conducted our review in accordance with Statement of Auditing Standards 700 "Engagements to Review Interim Financial Reports" issued by the Hong Kong Society of Accountants. A review consists principally of making enquiries of management and applying analytical procedures to the interim financial report and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the interim financial report.

Review conclusion

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the interim financial report for the six months ended 30 June 2002.

Ernst & Young

Certified Public Accountants

Hong Kong

18 September 2002

MANAGEMENT DISCUSSION AND ANALYSIS

Operating Results

The production and sale of Kingway beer continued to be the Group's core business during the first half of 2002. The Group's sales are principally conducted in the Guangdong Province, Mainland China. The total sales volume of Kingway beer for the first half of the year amounted to 95,000 tons, a rise of 31.9% over the same period of year 2001. The increase primarily resulted from the Group's ongoing pursuit of "precise market segmentation, sound distribution network, operational prudence and excellence, and target-based management". The Group has fully capitalized on the business opportunities arising from the 2002 FIFA World Cup. This allowed the Group to reach a breakthrough in sales following its growth philosophy of solidifying, strengthening and expanding the businesses, and based on the concerted efforts of both the Management and the staff.

The consolidated turnover was HK\$276 million, representing an increase of 8.9% over the same period of year 2001, and turnover for the sales of beer was increased by 10.7%. The sales in Mainland China contributed to 92.2% of the Group's turnover, and the remaining 7.8% represented sales in Hong Kong. While the average unit selling price has declined, the gross profit margin was maintained at the similar level as in the same period of year 2001 as a result of effective cost controls.

The unaudited consolidated profit attributable to shareholders was HK\$43.59 million, representing a significant increase of 332% over the same period of year 2001. Earnings per share were 3.5 cents and earnings before finance costs, tax, depreciation and amortisation (EBITDA) were HK\$101 million (2001: HK\$82 million).

Operating Expenses and Finance Costs

The Management has been dedicated to strict cost controls in recent years. This commitment led to a marked reduction in costs and expenses against the same period of year 2001. The unit costs of sales decreased by 16.0%, selling and distribution expenses dropped by 32.2%, and administrative expenses were reduced by 29.3%. These are results of the Group's efforts in reducing the costs for sourcing raw and packaging materials by centralizing tender, enhancing operational efficiency and adopting pervasive cost reduction programs. No finance cost was incurred for the period as the Group has no interest-bearing debt. Finance costs dropped by approximately HK\$5.41 million from the same period of 2001.

Assets, Debts and Cash Position

The Group had a total asset of HK\$1.39 billion at the balance sheet date, with current assets totalling HK\$264 million. The current ratio was 2.2 times and is considered healthy. The only debts of the Group outstanding at the moment are the amounts due to the minority shareholders of the subsidiaries totalling HK\$88.19 million, which are interest-free and have no fixed terms of repayment. The gearing ratio of the Group was only 7.7% (2001: 18.6%). None of the fixed assets of the Group were pledged to creditors and there were no contingent liabilities recorded at the balance sheet date.

MANAGEMENT DISCUSSION AND ANALYSIS *(Cont'd)*

Assets, Debts and Cash Position *(Cont'd)*

At 30 June 2002, the Group had cash and bank balances of HK\$142 million, of which 12.0% was in USD, 4.8% was in HKD and 83.2% was in RMB. The net cash inflow from operating activities for the first half of the year amounted to HK\$74.6 million.

Associate – Amber Brewery

On 9 August 2002, a sale and purchase agreement was entered into between the Group and a purchaser for the disposal of Central China (Asia) Investment Limited, the holding company which has a 50% interest in Amber Brewery, at a cash consideration of HK\$40 million. No significant profit or loss is expected from the disposal as the consideration equals roughly to the net asset value of Amber Brewery attributable to the Group. However, there will have positive impacts on the Group's profitability as the Group will not be required to share the loss of Amber Brewery following the completion of the disposal.

The sales volume of Amber Brewery for the period amounted to 100 thousand tons, representing a drop of 10 thousand tons against the same period of year 2001. An operating loss of approximately HK\$6 million was recorded for the period, representing a slight increase of 2.5%.

Employees

The Group has employed 861 staff with a total remuneration of HK\$24 million during the period. The Group places strong emphasis on raising the quality of its staff and their productivity. The Group organizes regular internal training programs to its staff and also encourages them to attend training programs organized by external professional bodies and participate in exchange programs with other breweries. The Group provides all the basic benefits to its staff and their year-end bonus scheme is directly linked to the Group's results and their own performance. The Company has adopted a new share option scheme in May 2002, and the purpose of which is to provide incentives to participants to contribute to the Group, to enable the Group to recruit and retain quality employees to serve the Group on a long-term basis.

Business Prospect

The Group started to benefit from its effective business policies during the first half of the year, though competition in the beer industry in Mainland China remained intense. Profit attributable to shareholders increased substantially as compared to the same period of year 2001. It demonstrates the healthy development of the Group's marketing and sale strategies after appropriate adjustments. The growth momentum gathered during the period is expected to continue into the second half of the year. The Group will strive to enhance the brand recognition of Kingway beer, and continue to expand further into areas beyond the Guangdong Province while consolidating its existing markets. The sales team in the Hong Kong market, one of the focal points for further development, has been strengthened during the period. We expect to see a further increase in the turnover in Hong Kong, Macau and Taiwan when looking into the second half of the year. The Board is confident in the business development prospects of the Group.

INTERIM DIVIDEND

The Board of Directors has resolved to declare the payment of an interim dividend of 1 HK cents (2001: Nil) per share for the six months ended 30 June 2002. The interim dividend will be paid to the shareholders whose names appear on the Register of Members on Friday, 11 October 2002. The interim dividend will be paid on Friday, 18 October 2002.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed on Thursday, 10 October 2002 and Friday, 11 October 2002, during these two days no transfer of shares will be effected. In order to qualify for the interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrars in Hong Kong, Tengis Limited, of 4th Floor, Hutchison House, 10 Harcourt Road, Central, Hong Kong not later than 4:00 p.m. on Wednesday, 9 October 2002.

DIRECTORS' INTERESTS IN SECURITIES

As at 30 June 2002, the interests of the Directors in the share capital of the Company or its associated corporations, as recorded in the register maintained by the Company pursuant to Section 29 of the Hong Kong Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited ("Stock Exchange") pursuant to the Model Code for Securities Transactions by Director of Listed Companies under The Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

I. Shares

(i) The Company

Name of Director	Type of interest	Number of ordinary shares held
Ho Lam Lai Ping, Theresa	Personal	80,000

(ii) Guangdong Investment Limited

Name of Director	Type of interest	Number of ordinary shares held
Ho Lam Lai Ping, Theresa	Personal	250,000

(iii) Guangnan (Holdings) Limited

Name of Director	Type of interest	Number of ordinary shares held
Ye Xuquan	Personal	55,000,000

As at 30 June 2002, Mr. V-nee Yeh, a Director of the Company, held US\$450,000 in principal amount of the Guaranteed Floating Rate Bonds due 2005 (the "2005 Guaranteed Bonds"), issued by Guangdong Investment Finance (Cayman) Limited and guaranteed by Guangdong Investment Limited. The 2005 Guaranteed Bonds are listed on the Luxembourg Stock Exchange and would be due in 2005.

DIRECTORS' INTERESTS IN SECURITIES (Cont'd)**II. Options**(i) *The Company*

Name of Director	Number of options held on 01/01/2002	Options granted Jan-Jun 2002		Period during which option is exercisable	Price per share to be paid on exercise of option (HK\$)	Number of options exercised Jan-Jun 2002	Number of options held on 30/06/2002
		Date granted	Number granted				
Jiang Guoqiang	10,000,000	-	-	*11/04/2002-10/04/2007	0.383	-	10,000,000

* If the last day of the option period is not a business day in Hong Kong, the option period expires at 5:01 p.m. on the business day preceding that day (Hong Kong time).

No consideration has been paid by the Directors for the options granted by the Company.

DIRECTORS' INTERESTS IN SECURITIES (Cont'd)**II. Options** (Cont'd)(ii) *Guangdong Investment Limited*

Name of Director	Number of options held on 01/01/2002	Options granted Jan-Jun 2002 Date granted	Number granted	Period during which option is exercisable	Price per share to be paid on exercise of option (HK\$)	Number of options exercised Jan-Jun 2002	Number of options held on 30/06/2002
Ye Xuquan	12,000,000	-	-	*11/02/2002-10/02/2007	0.5312	-	12,000,000
	-	07/05/2002	9,000,000	*08/11/2002-07/11/2007	0.814	-	9,000,000
Jiang Guoqiang	1,500,000	-	-	*11/02/2002-10/02/2007	0.5312	1,500,000	-
Cheng Mo Chi, Moses	1,000,000	-	-	*02/05/2002-01/05/2007	0.74	-	1,000,000
	-	07/05/2002	1,000,000	*08/11/2002-07/11/2007	0.814	-	1,000,000
Zhang Yaping	12,000,000	-	-	*11/02/2002-10/02/2007	0.5312	-	12,000,000
	-	07/05/2002	9,000,000	*08/11/2002-07/11/2007	0.814	-	9,000,000
Wang Man Kwan, Paul	1,500,000	-	-	*11/02/2002-10/02/2007	0.5312	-	1,500,000
	-	07/05/2002	1,500,000	*08/11/2002-07/11/2007	0.814	-	1,500,000
Ho Lam Lai Ping, Theresa	500,000	-	-	*19/08/1998-18/08/2003	2.892	-	500,000
	1,200,000	-	-	*11/02/2002-10/02/2007	0.5312	-	1,200,000
	-	07/05/2002	1,200,000	*08/11/2002-07/11/2007	0.814	-	1,200,000

* If the last day of the option period is not a business day in Hong Kong, the option period expires at 5:01 p.m. on the business day preceding that day (Hong Kong time).

No consideration has been paid by any of the Directors for the options granted by Guangdong Investment Limited.

Save as disclosed above, as at 30 June 2002, none of the Directors or their associates had any personal, family, corporate or other interests in the equity or debt securities of the Company or any of its associated corporations which were required to be notified to the Company and the Stock Exchange pursuant to Section 28 of the SDI Ordinance, including interests which they were deemed or taken to have under Section 31 or Part I of the Schedule to the SDI Ordinance, or which were required, pursuant to Section 29 of the SDI Ordinance, to be entered in the register referred to therein or as otherwise notified to the Company and the Stock Exchange pursuant to the Listing Rules.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

At no time during the period was the Company, its holding companies or any of its subsidiaries or associated corporation a party to any arrangements to enable the Directors of the Company or their spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2002, the following interests of 10% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 16(1) of SDI Ordinance.

Name of shareholder	Number of Shares Held	Percentage Holding
廣東粵港投資控股有限公司 (Guangdong Yue Gang Investment Holdings Company Limited)	900,000,000	72%
GDH Limited ("GDH")	900,000,000	72%
Guangdong Investment Limited ("GDI")	900,000,000	72%

Notes:

1. The attributable interest which 廣東粵港投資控股有限公司 (Guangdong Yue Gang Investment Holdings Company Limited) has in the Company is held through its 100% direct interests in GDH.
2. The attributable interest which GDH has in the Company is held through its subsidiary, GDI.

SHARE OPTION SCHEME

The following share options were outstanding under the share option scheme during the period:

Name or category of participant	Number of share options				Date of grant of share options *	Exercise period of share options#	Exercise	Price of
	At 1 January 2002	Granted during the period	Cancelled during the period	At 30 June 2002			price	Company's
							of share	shares at
							options**	grant
							options***	date of
							HK\$	HK\$
Director								
Jiang Guoqiang	10,000,000	–	–	10,000,000	10-10-2001	11-04-2002 to 10-04-2007#	0.383	0.38
Other employees								
In aggregate	3,850,000	–	(200,000)	3,650,000	20-08-1997	20-02-1998 to 19-02-2003#	2.1	2.725
	12,400,000	–	(5,000,000)	7,400,000	10-10-2001	11-04-2002 to 10-04-2007#	0.383	0.38
	16,250,000	–	(5,200,000)	11,050,000				
	26,250,000	–	(5,200,000)	21,050,000				

* The vesting period of the share options is from the date of the grant until the commencement of the exercise period.

** The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

*** The price of the Company's shares disclosed as at the date of the grant of the share options is the closing price on the Stock Exchange on the trading day on which the options were granted.

If the last day of the option period is not a business day in Hong Kong, the option period expires at 5:01p.m. on the business day preceding that day (Hong Kong time).

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period.

CORPORATE GOVERNANCE

The Company has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules of Stock Exchange throughout the Period except that the Non-Executive Directors are not appointed for a specific terms as they are subject to retirement by rotation in accordance with the Company's Bye-laws.

The Company has an audit committee which was established in accordance with the Code of Best Practice. The Audit Committee comprises the three independent non-executive directors and a non-executive director of the Company. The Audit Committee meets every six months mainly to consider the nature and scope of audit reviews, the effectiveness of the internal control systems and compliance with the relevant rules and regulations.

By order of the Board

Ye Xuquan

Chairman

Hong Kong, 18 September 2002