



**深圳高速公路股份有限公司**  
**SHENZHEN EXPRESSWAY COMPANY LIMITED**

*(a joint stock limited company incorporated in the People's Republic of China with limited liability)*

**2002 Interim Results Announcement**

The Directors of Shenzhen Expressway Company Limited (the "Company") are pleased to announce the unaudited results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June, 2002 (the "Period"), prepared in accordance with generally accepted accounting principles in Hong Kong, together with the 2001 comparative figures as follows:

**INTERIM RESULTS**

During the Period, the Group's turnover amounted to RMB250,011,000, with an increase of 13.80% over that of 2001. Profit attributable to shareholders of the Group amounted to RMB199,118,000, with a slight drop of 1.42% as compared with the same period of 2001. Earnings per share were RMB0.0913.

**Condensed Consolidated Profit and Loss Account (unaudited)**

		<b>For the six months ended 30 June,</b>	
		<b>2002</b>	<b>Restated</b>
	<i>Notes</i>	<b>(RMB'000)</b>	<b>2001</b>
			<b>(RMB'000)</b>
Turnover	2	<b>250,011</b>	219,700
Other revenues		<b>37,974</b>	47,609
Depreciation and amortisation		<b>(44,939)</b>	(38,723)
Staff costs		<b>(20,719)</b>	(14,709)
Road maintenance expenses		<b>(8,527)</b>	(5,663)
Other operating expenses		<b>(19,612)</b>	(13,415)
		<hr/>	<hr/>
Operating profit		<b>194,188</b>	194,799
Finance costs		<b>(15,137)</b>	(18,483)
Share of profits less losses of jointly controlled entities		<b>31,194</b>	27,148
		<hr/>	<hr/>
Profit before taxation		<b>210,245</b>	203,464
Taxation	3	<b>(8,211)</b>	(96)
		<hr/>	<hr/>
Profit after taxation		<b>202,034</b>	203,368
Minority interests		<b>(2,916)</b>	(1,388)
		<hr/>	<hr/>
Profit attributable to shareholders		<b>199,118</b>	201,980
		<hr/>	<hr/>
Dividends		<b>218,070</b>	201,570
		<hr/>	<hr/>
Earnings per share	4	<b>RMB9.13 cents</b>	RMB10.02 cents

There are no other recognised gains or losses in the Period other than those included above.

Notes:

## 1. Principal accounting policies

These unaudited condensed consolidated interim accounts are prepared in accordance with Hong Kong Statement of Standard Accounting Practice (“SSAP”) 25: “Interim financial reporting”, issued by the Hong Kong Society of Accountants. This basis of accounting differs in certain material respects from that used in the preparation of the Group’s statutory accounts in the PRC. The PRC statutory accounts of the Group have been prepared in accordance with accounting principles and financial regulations applicable to joint stock limited companies in the PRC. Appropriate restatements have been made to the PRC statutory accounts to conform with the accounting principles generally accepted in Hong Kong (“HK GAAP”). Differences arising from the restatements are not incorporated in the Group’s accounting records.

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 31 December, 2001 except that the Group has changed certain of its accounting policies following its adoption of the following Statements of Standard Accounting Practice (SSAPs) issued by the Hong Kong Society of Accountants which are effective for accounting periods commencing on or after 1 January, 2002.

SSAP1 (revised):	Presentation of financial statements
SSAP11 (revised):	Foreign currency translation
SSAP15 (revised):	Cash flow statements
SSAP25 (revised):	Interim financial reporting
SSAP33:	Discontinuing operations
SSAP34:	Employee benefits

## 2. Turnover

	<b>For the six months ended 30 June,</b>	
	<b>2002</b>	<b>2001</b>
	<i>(RMB’000)</i>	<i>(RMB’000)</i>
Turnover		
Income from toll roads	<b>263,723</b>	231,754
Less: taxes related to toll income	<u><b>(13,712)</b></u>	<u>(12,054)</u>
	<u><b>250,011</b></u>	<u>219,700</u>

Turnover represents toll revenue from operations of toll roads, net of relevant business tax and surcharge. Turnover comprises turnover from wholly-owned toll roads namely National Highway 107 (Shenzhen Section), National Highway 205 (Shenzhen Section), Jihe Expressway (Western Section), Yanba Expressway (Section A) and the 95% held Meiguan Expressway.

No segment information is presented as all turnover of the Group is toll income derived from the PRC.

## 3. Taxation

- (a) The Company is subject to PRC enterprise income tax at a rate of 15%, the preferential tax rate for enterprises established in the Shenzhen Special Economic Zone, as compared with the standard rate of 33%. Pursuant to the approvals granted by relevant authorities, the Company, one of its subsidiaries and a jointly controlled entity are exempted from PRC enterprise income taxes for the five years in which they record assessable profits and a 50% reduction of the enterprise income taxes for the five consecutive years thereafter. Except that two branches of the Company namely (Shenzhen Jihe Expressway (Western Section) Company and Shenzhen Yanba Expressway Company) and the jointly controlled entity of the Company are still within the full PRC enterprise income tax exemption period, other branches and the subsidiary are subject to

PRC enterprise income tax with a 50% reduction. Provision for PRC enterprise income tax has been made at the rate of 7.5% on the estimated assessable profit for the Period in respect of these entities.

The PRC enterprise income taxes charged to the consolidated profit and loss account have been calculated on the assessable profits of the relevant companies for the Period at the rate of taxation applicable to these companies.

- (b) No provision for Hong Kong profits tax has been made for the Period in the accounts as the Group has no income assessable to Hong Kong profits tax.
- (c) No provision for deferred taxation has been made in the accounts as the effect of timing differences is not material to the Group.

#### **4. Earnings per share**

The calculation of earnings per share is based on the profit attributable to shareholders of RMB199,118,000 (2001: RMB201,980,000) and 2,180,700,000 (2001: 2,015,700,000) ordinary shares in issue during the Period.

#### **Reconciliation of Accounts**

The Group has prepared a separate set of accounts for the Period ended 30 June, 2002 in accordance with PRC accounting standards. The major difference between the accounts prepared under PRC and HK accounting standards are summarised as follows:

	<b>Profit attributable to shareholders for the six months ended 30 June, 2002 (RMB'000)</b>
As per PRC statutory accounts	<b>191,178</b>
Impact of HK GAAP adjustments:	
Amortisation of land use rights	<b>6,934</b>
Realised and unrealised gains on other investments	<b>1,006</b>
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As restated after HK GAAP adjustments	<b>199,118</b>
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#### **INTERIM DIVIDEND**

The Directors of the Company do not recommend the payment of an interim dividend for the six months ended 30 June, 2002 (2001: nil).

#### **MANAGEMENT DISCUSSION AND ANALYSIS**

During the Period, the Group has achieved a turnover of RMB250,011,000, with an increase of 13.80% as compared with the corresponding period of 2001. Profit attributable to shareholders amounted to RMB199,118,000, representing a slight decrease of 1.42% over the same period of 2001. Earnings per share for the Period were RMB0.0913.

The slight decrease in profit attributable to shareholders of the Company for the Period is attributable to factors such as the commencement of PRC enterprise income tax of the Company with effect from 2002 and the reduction in construction management service income.

## Business Review

The steady performance of the Group's toll roads during the first half of 2002 has provided steadily increasing cash flow for the Group, which has laid a solid foundation for the Group's profit. The operating results of the Company's toll roads during the Period are set out as follows:

<b>Toll roads</b>	<b>Average daily mixed traffic volume</b>	<b>Year on year</b>	<b>Average daily toll income (RMB)</b>	<b>Year on year</b>
Meiguan Expressway	34,842	+23.65%	475,929	+19.19%
Jihe Expressway (Western Section)	20,162	+34.64%	359,903	+34.67%
Jihe Expressway (Eastern Section)	25,724	+9.65%	422,760	+6.61%
Changsha Ring Road (Northwestern Section)	2,064	+66.64%	27,963	+65.45%
National Highway 107 (Shenzhen Section)	24,199	+14.14%	242,095	+16.33%
National Highway 205 (Shenzhen Section)	41,541	-5.65%	344,481	-11.92%
Yanba Expressway (Section A)	5,194	N/A	34,626	N/A

In the first half of 2002, the Group's expressways sustained continuous growth. Meiguan Expressway and Jihe Expressway have become the main sources of the Group's profit. Meiguan Expressway still recorded a relatively high growth in the first half of 2002 after its strong growth of more than 40% in both traffic volume and toll income in 2001, with its average daily mixed traffic volume and average daily toll income for the Period increasing by 23.65% and 19.19%, respectively.

Jihe Expressway (Western Section) ("Jihe West") has entered the stage of strong growth, with its growth in average daily mixed traffic volume and average daily toll income amounting to 34.64% and 34.67%, respectively. Vehicles using the whole section of Jihe West increased remarkably. Its distance weighted average daily traffic volume for the Period amounted to 16,865, up 33.84% as compared with the same period of 2001. In the first half of 2002, the growth in traffic volume and toll income of Jihe Expressway (Eastern Section) ("Jihe East") slowed as a result of the traffic diversion caused by Shuiguan Expressway. Its respective growth in average daily traffic volume and average daily toll income are 9.65% and 6.61%.

The installation of non-stop toll collection system in Meiguan Expressway and Jihe Expressway by the Group was completed at the end of 2001, which has improved the passage conditions and promoted passage efficiency and toll collection efficiency on the above expressways.

In the first half of 2002, Changsha Ring Road (Northwestern Section) ("Changsha Ring Road") witnessed great improvements in traffic volume and toll income. Both its average daily mixed traffic volume and average daily toll income recorded a growth of more than 65% as compared with the same period of 2001, which are due to: 1) Changsha Shenchang Expressway Company Limited has strengthened its internal management; 2) Two more toll stations were opened from

February to April 2002; 3) Constructions at Wujialing in Changsha City commenced and the local transportation authority exercised traffic control, which has led much traffic to use Changsha Ring Road.

The toll income of Yanba Expressway (Section A) (“Yanba A”) is still at a low level because: 1) It is the first operational section of Yanba Expressway; 2) A road network has yet to be formed owing to its short length; and 3) Large vehicles constituted a minor proportion out of the total traffic volume.

The non-stop toll collection systems of National Highway 107 (Shenzhen Section) (“NH107”) and National Highway 205 (Shenzhen Section) (“NH205”) were put into use at the end of 2001, which has shortened toll collection period and improved toll collection efficiency. During the first half of 2002, NH107 witnessed a steady growth in average daily traffic volume and average daily toll income, which were up by 14.14% and 16.33%, respectively, as compared with the same period of 2001. As affected by the traffic diversion caused by Shuiguan Expressway, NH205’s average daily mixed traffic volume dropped by 5.65% as compared with the same period of 2001, while its average daily toll income recorded a decrease of 11.92% as compared with the same period of 2001.

## **Construction and Planning**

Yanba Expressway (Section B) (“Yanba B”) commenced construction in June 2001, and approximately 35.88% of the project has been completed. It is expected to be completed in July 2003. The total investment of Yanba B is estimated to be RMB655 million, which is mainly funded by the net proceeds raised from the issue of Renminbi-denominated ordinary shares (A Shares) in the PRC and the government advances of RMB150 million which the Shenzhen Municipal Government agreed to provide to the Company.

The Company is carrying out the feasibility studies or preparatory works of Yanpai Expressway and other planned expressways in Shenzhen. The feasibility study of Yanpai Expressway has been appraised by Guangdong Provincial Communications Department. The construction of Yanpai Expressway is expected to commence in late 2002 or early 2003. The Company plans to raise funds for Yanpai Expressway through such ways as bank loans.

## Operation Results and Financial Analysis

### Other revenues

	For the six months ended 30 June,		Change
	2002 (RMB'000)	2001 (RMB'000)	
Interest income from bank deposits	6,162	3,016	+104.31%
Interest income from a long-term loan	9,148	9,607	-4.78%
Government subsidies	18,109	8,771	+106.46%
Investment income from other investments	826	10,624	-92.23%
Income from construction management services	2,413	13,500	-82.13%
Other income	1,316	2,091	-37.06%
Total	<u>37,974</u>	<u>47,609</u>	-20.24%

The increase in the interest income from bank deposits is mainly attributable to the unused net proceeds from the issue of A Shares kept in the PRC banks during the Period, increasing the interest income for the Period.

Interest from a long-term loan represents interest charged at over five years' loan interest rate quoted by the People's Bank of China on the long-term loan of RMB306,000,000 advanced through a financial institution to Changsha Ring Road Construction and Development Co., Ltd., the joint venture partner of its jointly controlled entity namely Changsha Shenchang Expressway Company Limited.

Government subsidies represent government grants provided to the Company in relation to subsidies for compensation of toll revenue for Yanba A, as a result of insufficient traffic volume caused by the early construction of the expressway, which was requested by the Shenzhen Municipal Government. The operation period of Yanba A in the first half of 2002 was 3.5 months more than that of the same period of 2001 and the government subsidies recognised for the Period increased accordingly as compared with that of the first half of 2001.

Income from other investments represents income from the investments entrusted to securities companies in the PRC for management. During the Period, the entrusted investments were received gradually, thus the income from other investments decreased accordingly.

Income from construction management services represents income from the construction management services provided by the Company for the linkage project from Yantian Ports Section along Shenzhen Eastern Highway to Yanba Expressway, which is owned and developed by Shenzhen Municipal Government. The main part of the project was completed in 2001. During the

Period, the Company was mainly responsible for the management of its auxiliary project and the income from the construction management service decreased.

## Operating costs

	For the six months ended 30 June,		
	2002 (RMB'000)	2001 (RMB'000)	Change
Total operating costs	93,797	72,510	+29.36%
Included: Depreciation and amortisation	44,939	38,723	+16.05%
Staff costs	20,719	14,709	+40.86%
Road maintenance expenses	8,527	5,663	+50.57%
Other operating expenses	19,612	13,415	+46.19%

During the Period, operating costs of the Company increased as compared with the same period of 2001, mainly because:

1. As the traffic volume of each toll road of the Company grew, the depreciation of toll roads and land use rights calculated on the basis of traffic volume method increased accordingly.
2. Increase in staff costs for the Period is mainly due to the provision of RMB3,090,000 for the share appreciation rights scheme for the Period.
3. The Company increased the expenses for road maintenance such as small and medium road maintenance for the Period, with a view to maintaining the existing road conditions and improving the passage conditions of its toll roads.
4. The increase in other operating expenses for the Period is mainly due to the losses on other investments amounting to RMB2,319,000 and the provision of RMB5,650,000 for doubtful debts on the loans advanced to the Company's jointly controlled entity namely Shenzhen Wutongling Cableway Company Limited ("Wutongling").

## Liquidity

	As at 30 June, 2002	As at 31 December, 2001
Current ratio	1.43	3.13
Quick ratio	1.42	3.12

Though the liquidity indicators as at 30 June, 2002 dropped as compared with those as at 31 December, 2001 because of the proceeds applied to the construction of Yanba B, the increase in the Group's short-term bank borrowings and the repayment of long-term borrowings, the Group's liquidity still remained good. As a toll road operator, the Group has had relatively strong cash flow since its operation, with good assets liquidity, rational capital structure and strong repayment ability.

## **Financial resources**

As at 30 June, 2002, the Group has cash of RMB817,766,000 and short-term investments of RMB100,081,000. Its bank borrowings amounted to RMB494,418,000.

The Group has an aggregate of RMB1.9 billion secured banking facilities. As at 30 June, 2002, the Group had RMB1.43 billion banking facilities remaining unused.

In addition, the Shenzhen Municipal Government has agreed to provide a financial advance of RMB150 million for the construction of Yanba B. As at 30 June, 2002, the Group has received an aggregate of RMB50 million of government advances.

## **Treasury policies and objectives**

### *1. Cash management*

The proceeds from the issue of A Shares are under specific management, which is and will be specifically applied to the construction of Yanba B. The unused proceeds are mainly kept as fixed deposits in domestic banks. Other working capital for operation is mainly for the operation of the Group, repayment of due liabilities and investments. The idle fund is mainly kept in banks or used for repayment of bank borrowings.

### *2. Foreign exchange risk management*

The Group has HKD114,275,000 and USD292,000 in bank deposits, and loans of USD2,950,000. The Group terminated collecting toll fees in HKD with effect from 1 April, 2002. During the Period, the exchange rates for converting HKD and USD to RMB remained relatively stable, which did not have any significant impact on the Group's results.

### *3. Management on debts, borrowing terms and interest rates*

The Group is able to repay bank borrowings and other borrowings in due time. The terms of bank borrowings are determined on the basis of the Group's financial plans, capital liquidity, flexibility and risks as well as the interest rates of bank borrowings, so as to ensure that the Group is able to repay borrowings when due, to reduce repayment risks, to cut finance costs and to provide sufficient fund for the Company's current and future development.

The interest rates of the Group's bank borrowings are mainly floating interest rates, which are based on the prime interest rates quoted by the People's Bank of China. With its good reputation, the Group is able to obtain preferential interest rates lower than the prime rates for its bank borrowings.

## **Cash inflow and outflow**

### *1. Net cash inflow from operating activities*

The net cash inflow from operating activities of the Group for the first half of 2002 amounted to RMB198 million, which is mainly from relatively fast growing toll revenue of its toll roads.

### *2. Investing activities*

During the Period, the Group has withdrawn the investments of RMB240 million, which was entrusted in securities companies. Another investment of RMB50 million was withdrawn on 2 August, 2002.



### 3. *Principal financing*

#### *Government advances*

During the Period, the Group received RMB10 million of government advances granted for the construction of Yanba B.

#### *Bank financing*

During the Period, the Group repaid an aggregate of RMB890 million of bank borrowings, out of which short-term bank borrowings amounted to RMB240 million and long-term bank borrowings amounted to RMB650 million. During the Period, short-term borrowings increased by RMB610 million, and long-term borrowings increased by USD647,000 (approximately RMB5,357,000). As at 30 June, 2002, the Group has short-term borrowings of RMB470 million and USD2.95 million (approximately RMB24,418,000) of long-term borrowings with a term of 3 to 5 years.

### 4. *Capital expenditure*

The Group's capital expenditure for purchase of fixed assets including road constructions for the Period amounted to RMB183 million, which was mainly used to pay for the progress payment of Yanba A and the construction of Yanba B.

## Finance costs

The Group's finance costs dropped by 18.10% as compared with the same period of 2001, because the Group actively adopted various measures to reduce its finance costs and that the interest rates of bank borrowings quoted by the People's Bank of China dropped during the Period.

## Capital structure

The Group's equity-debt ratio is 16.39%. Its operation and capital structure have remained sound, with overall low gearing ratio and strong repayment capability, which is in conformity with the specific features of the toll road sector, i.e., substantial amount of investments with a long period of recovery.

	As at 30 June, 2002		As at 31 December, 2001	
	Amount (RMB'000)	Percentage	Amount (RMB'000)	Percentage
Fixed rate liabilities	24,418	0.38%	19,060	0.28%
Floating rate liabilities	470,000	7.28%	750,000	11.06%
Interest-free liabilities	563,119	8.72%	601,890	8.87%
Shareholders' funds	5,344,440	82.81%	5,363,392	79.06%
Minority interests	52,260	0.81%	49,343	0.73%
Total	<u>6,454,237</u>	<u>100%</u>	<u>6,783,685</u>	<u>100%</u>

Fixed rate liabilities represent the loans of USD2,950,000 from the Spanish Government, out of which the interest rate of USD1,475,000 is 1.8% per annum and the interest rate of the remaining USD1,475,000 is 7.17% per annum.

Floating rate liabilities are all borrowings denominated in Renminbi, with the interest rate of 4.536% per annum.

Interest-free liabilities represent general payables and minority shareholders' advances, which are mainly payments for road maintenance and construction, and will be repaid in due time.

## **Gearing Ratio**

As at 30 June, 2002, the Group's gearing ratio (total liabilities as at 30 June, 2002/ shareholders' funds as at 30 June, 2002) was 19.79%, which was relatively low as compared with other toll road operators, showing that the Group has strong capital base and ample capability for further fund raising.

## **Other investments**

As at 30 June, 2002, other investments of the Company amounted to RMB100,081,000, representing investments of RMB50,000,000 entrusted in a security company, China Eagle Securities Co., Ltd which has relevant approved licences of securities and entrusted financing business in the PRC, and investments managed by the Company of RMB50,081,000. Such other investments comprised government bonds and equity securities listed on the Shanghai Stock Exchange and the Shenzhen Stock Exchange of the PRC. The Company withdrew the investments entrusted in China Eagle Securities Co., Ltd on 2 August, 2002 ahead of schedule.

## **Contingent liabilities**

During the Period, the Group had not any material contingent liabilities.

## **Use of Proceeds from the Issue of A Shares**

In strict compliance with the promises stated in the Prospectus of A Shares, the Group applies the net proceeds of RMB604 million from the issue of A Shares to the construction of Yanba B. Yanba B is expected to be completed in 2003, the total investment of which is estimated to be RMB655 million. Approximately RMB321 million will be injected into Yanba B in 2002. As at 30 June, 2002, approximately 35.88% of the project has been completed. Up till now, approximately RMB152,048,749 out of the proceeds from the issue of A Shares has been injected into the project.

As at 30 June, 2002, the unused proceeds from the issue of A Shares of the Group amounted to RMB452,079,251, which are kept as bank deposits in domestic commercial banks.

## Charges on the Group's Assets

To obtain bank loans or banking facilities, the Group has pledged the following operating rights of its toll roads to banks:

Secured assets	Banks	Maximum amount secured	Validity
Operating rights of NH107	The Industrial and Commercial Bank of China	RMB900 million	9 February, 1999 to 9 February, 2004
Operating rights of NH205	China Merchants Bank	RMB1,000 million	11 February, 1999 to 11 February, 2004

## Performance of Guarantee Obligation

In January 2002, the Company repaid the principal of bank loans of RMB25 million and the interest of RMB195,000 accrued thereon to perform its guarantee obligation for Wutongling.

## Project Management

The Company is responsible for the development, construction and maintenance of its toll roads. The Company selects contractors through tendering system for the construction of its new road projects, so as to ensure the effective control of costs.

To capitalise on the Company's expertise in project management, the Company proposed to establish Shenzhen Expressway Engineering Consulting Company Limited, with a view to enhancing its competitiveness in project management and engineering consultation.

## Prospects

Looking forward, the Group's core business is expected to develop steadily. The expressways operated by the Group will remain as the profit base of the Company. The traffic volume and toll income of Meiguan Expressway and Jihe Expressway are expected to continue increasing at a relatively high pace. However, the impact of traffic diversion caused by Shuiguan Expressway on Jihe East and NH205 will continue, which will have certain effect on the Group's toll revenue.

The Group is expected to achieve a turnover of RMB277 million for the second half of 2002. The Group will further enhance its management on toll roads and perfect its costs and budget control, so as to ensure the accomplishment of its operating goal for 2002.

## OTHER MAJOR EVENTS

### Litigation

In May 2002, the Company filed a writ to Shenzhen Intermediate People's Court against Wutongling for enforcement of the recovery of RMB43,000,000 plus interests accrued thereon, representing settlement of bank loans on behalf of Wutongling. The Company also filed a writ to Shenzhen Intermediate People's Court against Shenzhen Zhongmin Investment Service Company

(“Zhongmin Company”), the joint venture partner of Wutongling, in relation to a claim of RMB9,900,000 plus interests accrued thereon, representing the portion of bank loans of Wutongling that was guaranteed by Zhongmin Company, but was repaid by the Company. Upon the request of the Company, Zhongmin Company’s 55% equity interests in Wutongling have been frozen by the court. As at the date of the announcement of these interim accounts, the court proceedings of the case has not yet been commenced.

As at 30 June, 2002, the Company has made a provision of RMB9,284,000 for the doubtful debts on such repayables.

## **Acquisition, Merger and Assets Restructuring**

During the Period, the Group had no acquisitions, mergers or assets restructuring.

## **Major Connected Transactions**

During the Period, the Group had not entered into any material connected transactions.

## **Employees and Remuneration Policies**

As at 30 June, 2002, the Company has 1,170 employees, 89 out of whom work at the headquarters of the Company. The salaries and welfare of employees are linked with their positions and performance.

The rights exercisable under the Shares Appreciation Rights Scheme for the year 2002 to 2003 amount to 4,601,250 units. As at 30 June, 2002, rights for which applications for exercise have been made amounted to 2,491,200 units. A provision of RMB3,090,000 has been made for such rights proposed to be exercised.

The Company emphasises on the employees’ training. The employees’ training system has been established and specific training programs have been carried out according to the development of the Company each year.

## **Directors’, Supervisors and Senior Management’s Interests in Securities and Rights to Acquire Securities**

As at 30 June, 2002, none of the directors, supervisors, chief executives or their associates had any beneficial interests in the share capital of the Company of any of its associated corporations as defined in the Securities (Disclosure of Interests) Ordinance and to be recorded in the register required to be maintained pursuant to Section 29 thereof or as otherwise notified to the Company and the Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”) pursuant to the Model Code for Securities Transaction by Directors of Listed Companies of the Hong Kong Stock Exchange.

At no time during the Period was the Company, its subsidiaries and its jointly controlled entities a party to any arrangements to enable the directors, supervisors, chief executives or their associates to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate. No rights to subscribe for equity or debt securities of the Company has been granted by the Company to, nor have any such rights been exercised by, any person during the Period ended 30 June, 2002 and up to the date of this report.

## **Compliance with the Code of Best Practice**

The Directors of the Company consider that during the Period, the Company was in compliance with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities of the Hong Kong Stock Exchange.

## **Purchase, Sale or Redemption of Shares**

During the Period, no shares of the Company were purchased, sold or redeemed by the Company, any of its subsidiaries or any of its jointly controlled entities.

## **Audit Committee**

During the Period, the Audit Committee of the Company convened two meetings, reviewing the Group's 2001 annual report and financial report, the interim report and the condensed unaudited interim accounts for the six months ended 30 June, 2002. It also reviewed the internal controls on the short-term investments and other issues related to internal controls of the Company.

By order of the Board  
**Chen Chao**  
*Chairman*

Shenzhen, the PRC, 9 August, 2002

*A detailed interim results announcement containing all the information required by paragraph 46(1) to 46(6) of Appendix 16 to the Listing Rules will be subsequently published on The Stock Exchange of Hong Kong Limited's website at <http://www.hkex.com.hk> in due courses.*

*Please also refer to the published version of this announcement in the (**The Standard**)*