

The Board of Directors (the “Board”) of 139 Holdings Limited (the “Company”) announces the unaudited results of the Company and its subsidiaries (the “Group”) for the six months ended 30 September 2002 (the “Period”) together with comparative figures for the corresponding previous period as follows:-

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

		For the six months ended 30 September	
		2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000
	Notes		
Turnover	2a		
Continuing operations		8,241	16,102
Discontinuing operations	2b	53,243	44,290
		61,484	60,392
Cost of Sales		(46,699)	(42,206)
Gross Profit		14,785	18,186
Other revenue	3	3,438	3,952
Administrative expenses		(17,528)	(23,919)
Selling and distribution costs		(4,945)	(4,008)
Other operating expenses		(408)	(471)
Gain/(loss) on disposal of other securities		(1,520)	6,073
Unrealised loss on other securities		(21,016)	(7,430)
LOSS FROM OPERATING ACTIVITIES	4	(27,194)	(7,617)
Finance costs	5	(3,103)	(2,601)
PROFIT/(LOSS) BEFORE TAX			
Continuing operations		(32,125)	(14,424)
Discontinuing operations		1,828	4,206
		(30,297)	(10,218)

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT (continued)

	Notes	For the six months ended 30 September	
		2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000
Tax	6		
Continuing operations		–	–
Discontinuing operations		–	–
		–	–
LOSS BEFORE MINORITY INTERESTS		(30,297)	(10,218)
Minority interests		25	–
NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		(30,272)	(10,218)
DIVIDEND	7	–	–
LOSS PER SHARE – BASIC	8	0.35 cents	0.15 cents

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2002

Group

	Unaudited six months ended 30 September 2002							
	Issued Share Capital HK\$'000	Share Premium Account HK\$'000	Goodwill Reserve HK\$'000	Capital Redemption Reserve HK\$'000	Contributed Surplus HK\$'000	Exchange Fluctuation Reserve HK\$'000	Accumu- lated Losses HK\$'000	Total HK\$'000
As at 1 April 2002	86,194	259,399	(9,623)	556	449,820	(1,161)	(521,615)	263,570
Net loss for the Period							(30,272)	(30,272)
As at 30 September 2002	86,194	259,399	(9,623)	556	449,820	(1,161)	(551,887)	233,298
	Unaudited six months ended 30 September 2001							
	Issued Share Capital HK\$'000	Share Premium Account HK\$'000	Goodwill Reserve HK\$'000	Capital Redemption Reserve HK\$'000	Contributed Surplus HK\$'000	Exchange Fluctuation Reserve HK\$'000	Accumu- lated Losses HK\$'000	Total HK\$'000
As at 1 April 2001	59,858	215,866	(44,662)	556	449,820	(1,161)	(473,350)	206,927
Private Placing	26,336							26,336
Share issue expenses		(1,955)						(1,955)
Premium upon issue of shares		45,488						45,488
Net loss for the Period							(10,218)	(10,218)
As at 30 September 2001	86,194	259,399	(44,662)	556	449,820	(1,161)	(483,568)	266,578

CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	30 September 2002 (Unaudited) HK\$'000	31 March 2002 (Audited) HK\$'000
NON-CURRENT ASSETS			
Fixed assets		41,307	44,221
Construction in progress		3,192	1,202
Investment securities	9	8,160	8,160
Convertible note receivable		46,000	18,000
		98,659	71,583
CURRENT ASSETS			
Other securities	9	129,436	111,880
Convertible note receivable		–	50,000
Inventories	10	29,302	40,795
Trade receivables	11	70,982	66,006
Prepayments, deposits and other receivables		7,900	5,918
Pledged time deposits		15,603	13,082
Cash and cash equivalents		25,166	48,797
		278,389	336,478
CURRENT LIABILITIES			
Trade and bills payables	12	27,039	34,266
Tax payable		355	355
Other payables and accruals		19,926	16,796
Interest -bearing bank and other borrowings		96,244	92,964
		143,564	144,381
NET CURRENT ASSETS		134,825	192,097
TOTAL ASSETS LESS CURRENT LIABILITIES		233,484	263,680

CONDENSED CONSOLIDATED BALANCE SHEET (continued)

	Notes	30 September 2002 (Unaudited) HK\$'000	31 March 2002 (Audited) HK\$'000
NON-CURRENT LIABILITIES			
Interest-bearing bank and other loans		–	–
Finance lease payables		101	–
		101	–
MINORITY INTERESTS			
		85	110
		233,298	263,570
CAPITAL AND RESERVES			
Issued capital	13	86,194	86,194
Reserves	14	147,104	177,376
		233,298	263,570

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	For the six months ended 30 September	
	2002 (Unaudited) HK\$'000	2001 (Restated) (Unaudited) HK\$'000
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES		
Continuing operations	(8,474)	1,231
Discontinuing operations	2,707	811
	(5,767)	2,042
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		
Continuing operations	(18,483)	(59,636)
Discontinuing operations	(2,520)	(349)
	(21,003)	(59,985)
NET CASH INFLOW/(OUTFLOW) FROM FINANCING ACTIVITIES		
Continuing operations	2,540	71,694
Discontinuing operations	(188)	(2,538)
	2,352	69,156
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(24,418)	11,213
Cash and cash equivalents at beginning of period	55,338	41,286
CASH AND CASH EQUIVALENTS AT END OF PERIOD	30,920	52,499
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	1,748	3,565
Non-pledged time deposits with original maturity of less than three months when acquired	23,418	33,080
Time deposits with original maturity of less than three months when acquired, pledged as security for bank facilities	15,603	20,514
Bank overdrafts	(9,849)	(4,660)
	30,920	52,499



NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1 Principal Accounting Policies

These consolidated interim financial statements have not been audited by the Company's Auditors but have been reviewed by the Company's Audit Committee.

The unaudited consolidated interim financial statements are prepared in accordance with Statement of Standard Accounting Practice ("SSAP") No. 25 "Interim Financial Reporting", issued by the Hong Kong Society of Accountants (the "HKSA") and Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The accounting policies and basis of preparation used in the preparation of these interim financial statements are same as those used in the preparation of the Company's audited consolidated financial statements for the year ended 31 March 2002 except the Group has adopted the following new and revised SSAPs issued by the HKSA which are effective for the accounting periods commencing on or after 1 January 2002.

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

Certain changes in presentation and additional disclosures have been made upon the adoption of SSAP 1 (Revised), SSAP 15 (Revised) and SSAP 33. The comparative figures have been restated and reclassified accordingly.

SSAP 1 (Revised) prescribes the basis for presentation of financial statements and sets out guidelines for their structure and minimum requirements for the content thereof. The main revision of 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 comparative figures have been presented in accordance with this revised SSAP.

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 flow during the period into operating, investing and financing activities. The condensed consolidated cash flow statement for the current interim period and comparative figures have been presented in accordance with this revised SSAP.

SSAP 33 prescribes the basis for reporting information about discontinuing/discontinued operations. The impact of this SSAP is the inclusion of significant additional disclosures which have been presented in note 2b and on the face of the condensed consolidated financial statements.

The adoption of the other and new revised SSAPs has no significant effect on the results of the Group in the current and prior periods.

2a Segmental information

(i) Primary reporting format – business segments

For the management purpose, the Group is currently organised into three operating divisions – garment, car audio and corporate & others. The following tables present unaudited revenue and results of the Group's discontinuing and continuing operations for the Period, together with comparative figures for the corresponding previous period:

Group	Discontinuing operations		Continuing operations				Consolidated	
	Garment		Car audio		Corporate & others			
	For the	For the	For the	For the	For the	For the	For the	For the
	six months	six months	six months	six months	six months	six months	six months	six months
ended 30	ended 30	ended 30	ended 30	ended 30	ended 30	ended 30	ended 30	
September	September	September	September	September	September	September	September	
2002	2001	2002	2001	2002	2001	2002	2001	
(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Segment revenue:								
Sales to external customers	53,243	44,290	8,200	16,102	41	–	61,484	60,392
Other revenue	29	1,369	–	–	6	20	35	1,389
Total	53,272	45,659	8,200	16,102	47	20	61,519	61,781
Segment results	4,701	6,518	(5,785)	(3,020)	1	(35)	(1,083)	3,463
Bank interest income, gains and unallocated revenue							3,403	2,563
Unallocated expenses							(29,514)	(13,643)
Loss from operating activities							(27,194)	(7,617)
Finance costs							(3,103)	(2,601)
Loss before tax							(30,297)	(10,218)
Tax							–	–
Loss before minority interests							(30,297)	(10,218)
Minority interests							25	–
Net loss from ordinary activities to shareholders							(30,272)	(10,218)

(ii) *Secondary reporting format – geographical segments*

An analysis of the Group's unaudited turnover and results for the Period by geographical segments, together with comparative figures for the corresponding previous period are as follows:–

Group

	The People's Republic of China ("PRC") (including Hong Kong)		United States of America and Europe		Consolidated	
	For the six months ended 30 September 2002 (Unaudited) HK\$'000	For the six months ended 30 September 2001 (Unaudited) HK\$'000	For the six months ended 30 September 2002 (Unaudited) HK\$'000	For the six months ended 30 September 2001 (Unaudited) HK\$'000	For the six months ended 30 September 2002 (Unaudited) HK\$'000	For the six months ended 30 September 2001 (Unaudited) HK\$'000
Segment revenue:						
Sales to external customers	53,284	44,290	8,200	16,102	61,484	60,392
Other revenue	35	1,389	–	–	35	1,389
Total	53,319	45,679	8,200	16,102	61,519	61,781
Segment results	4,702	6,483	(5,785)	(3,020)	(1,083)	3,463

2b Discontinuing operations

On 16 September 2002, the Company entered into an agreement with Red Valley Finance Limited (the "Purchaser") in respect of the sale and purchase of the entire issued share capital in Chaifa Holdings (B.V.I.) Limited, a wholly owned subsidiary of the Company (the "Subsidiary") at a cash consideration of HK\$17 million. The Subsidiary and its subsidiaries are principally engaged in the manufacturing, trading and distribution of garments, shoes, leather goods and other merchandise. The consideration will be payable by the Purchaser in cash upon completion. The transaction will be completed on or before 14 December 2002 or such later date as the Company may agree.

During the Period, the discontinuing operations incurred total operating expenses of HK\$13.3 million (2001: HK\$13.1 million) and finance costs of HK\$2.9 million (2001: HK\$2.5 million). The carrying amounts of the total assets and liabilities relating to the discontinuing operations as at 30 September 2002 were HK\$138 million (at 31 March 2002: HK\$141 million) and HK\$436 million (at 31 March 2002: HK\$441 million) respectively.

3 Other revenue

	For the six months ended 30 September	
	2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000
Handling service fee	–	1,350
Interest income	2,350	2,563
Others	1,088	39
	3,438	3,952

4 Loss from operating activities

The Group's loss from operating activities is arrived at after charging:-

	For the six months ended 30 September	
	2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000
Depreciation:		
Owned fixed assets	3,913	4,325
Leased fixed assets	110	79
	4,023	4,404

5 Finance costs

	For the six months ended 30 September	
	2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000
Interest expenses on:		
Bank loans, overdraft and other loans wholly repayable within five years	3,092	2,574
Interest on finance lease	11	27
	3,103	2,601



6 Tax

No Hong Kong profits tax has been provided during the Period as the Group did not derive any assessable profits attributable to its operation in Hong Kong.

No provision for tax in the PRC has been made since no assessable profits have been generated by the subsidiaries operating in the PRC. The other overseas subsidiaries did not generate any profits subject to foreign taxes during the Period.

7 Dividend

The Board has resolved not to pay any interim dividend for the six months ended 30 September 2002 (2001: Nil).

8 Loss per share

The calculation of basic loss per share is based on the net loss from ordinary activities attributable to shareholders for the Period of HK\$30,272,000 (2001: net loss of HK\$10,218,000) and the weighted average of 8,619,360,478 (2001: weighted average of 6,976,146,493) ordinary shares in issue during the Period.

Diluted loss per share for the periods ended 30 September 2002 and 2001 respectively have not been shown as the share options outstanding during these periods had no dilutive effect on the basic loss per share for the periods.

9 Investment in securities

	At 30 September 2002 (Unaudited) HK\$'000	At 31 March 2002 (Audited) HK\$'000
Investment securities:		
Unlisted equity investments outside Hong Kong, at cost	90,160	90,160
Provision for impairment in value	(82,000)	(82,000)
	8,160	8,160
Other securities:		
Listed equity investments in Hong Kong, at market value	125,536	105,565
Unlisted investment fund	3,900	6,315
	129,436	111,880

10 Inventories

	At 30 September 2002 (Unaudited) HK\$'000	At 31 March 2002 (Audited) HK\$'000
Raw materials	4,707	5,330
Work in progress	373	7,041
Finished goods	24,222	28,424
	29,302	40,795

No inventories were carried at net realisable value at 30 September 2002 (2001: Nil).

11 Trade receivables

Ageing analysis:

	At 30 September 2002 (Unaudited) HK\$'000	At 31 March 2002 (Audited) HK\$'000
0 – 120 days	28,257	35,122
121 – 210 days	35,260	21,705
Over 210 days	7,465	9,179
Total	70,982	66,006

Trading terms with customers are largely on credit except for new customers where payment in advance is normally required.

12 Trade and bills payables

Ageing analysis:

	At 30 September 2002 (Unaudited) HK\$'000	At 31 March 2002 (Audited) HK\$'000
0 – 120 days	12,656	22,665
121 – 210 days	7,350	4,355
Over 210 days	7,033	7,246
Total	27,039	34,266

13 Share capital

	Number of Shares <i>'000</i>	Nominal Value <i>HK\$'000</i>
Authorised		
– ordinary shares of HK\$ 0.01 each		
As at 1 April 2002 and 30 September 2002	60,000,000	600,000
Issued and fully paid		
– ordinary shares of HK\$ 0.01 each		
As at 1 April 2002 and 30 September 2002	8,619,360	86,194

14 Reserves

Group	Share Premium Account	Goodwill Reserve	Capital Redemption Reserve	Contributed Surplus	Exchange Fluctuation Reserve	Accumu- lated Losses	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
As at 1 April 2002	259,399	(9,623)	556	449,820	(1,161)	(521,615)	177,376
Net loss for the Period						(30,272)	(30,272)
As at 30 September 2002	259,399	(9,623)	556	449,820	(1,161)	(551,887)	147,104

15 Related party transactions

During the Period, Mr. Chan Chun Tung John, a Director of the Company, executed personal guarantee to the extent of HK\$54,740,000 and pledged personal deposit for the banking facilities granted to certain subsidiaries of the Company at nil consideration.

During the Period, rental expense of HK\$212,000 related to office premises was paid to Mr. Chan Chun Tung, John, a Director of the Company. The amount of the rental paid was determined between the Group and Mr. Chan Chun Tung, John.

16 Contingent liabilities

At the balance sheet date, contingent liabilities not provided for in the financial statements were as follows:–

	Company	
	At 30 September 2002 (Unaudited) HK\$'000	At 31 March 2002 (Audited) HK\$'000
Guarantees given to banks in connection with facilities granted to subsidiaries	44,740	50,740

17 Commitments for the Purchase of Property, Plant and Equipment

The Group had no material commitments for the purchase of property, plant and equipment during the Period.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group's turnover for the Period marginally increased by HK\$1 million, or 1.8% to HK\$61 million. The loss attributable to shareholders for the Period increased by HK\$20 million to HK\$30 million. The Board does not recommend the payment of any interim dividend in respect of the Period (2001: nil).

During the Period, the Group has undergone a corporate restructuring by disposing of its garment, shoes and leather goods business. To face with the accelerating competitive intensity in car audio market, the Group has been under a great pressure to streamline its car audio operation so as to enhance its competitiveness in terms of lower manufacturing costs and the enhanced operational flexibility.

Garment, shoes and leather goods business

During the Period, the trading environment of garment and shoes retail market has been difficult in terms of the downward price pressures and intensified market competition. To react to these market difficulties, the Group has made a great deal of efforts in containing operating costs, trimming down the scale of operations and exploring export markets. However, all these remedial actions were not able to turnaround the garment and shoes business of the Group. In the light of these unfavorable factors, the Board believes that the garment, shoes and leather goods business in the PRC will become more and more competitive. In addition, although the garment, shoes and leather goods business of the Group has generated small operating profits for the Group for the last 18 months, the Group has suffered significant loss as a result of provisions for doubtful debts and inventory obsolescence for a number of years before then. The aggregate operating profits and losses for the Group in respect of such business for the last 18 months and the three years ended 31 March 2001 amounted to approximately HK\$7 million and HK\$352 million respectively. As such, the Group has decided to restructure its existing business operations by disposing of its garment, shoes and leather goods business.



On 16 September 2002, the Group entered into a disposal agreement to dispose of the entire garment, shoes and leather goods business. The details of which have been provided in the Company's announcement dated 17 September 2002. The Board considers that it is in the interests of the Group and the shareholders to dispose of its garment, shoes and leather business and focus on the diversification of its existing new business.

Car audio business

The sales of car audio products for the Period fell by 49% to HK\$8.2 million. This reflected the challenging and increasingly difficult market situations for the car audio business as a whole. The decrease was due primarily to the crumbling sales performance and the deteriorating creditworthiness of certain major customers in the United States market. Amid the economic uncertainties and unfavorable consumer sentiment, importers and distributors in the United States continued to reduce their inventory holdings and delay to pay their bills. To avoid a stretching out of receivables and incidence of bad debts, the Group has tightened its credit control by accepting less risk sales orders. Due to the sluggish sales and the falling profit margin, the car audio business segment of the Group recorded a loss from operation of approximately HK\$5.8 million for the Period.

Prospects

After the disposal of the garment, shoes and leather goods business, the Group will reduce its financial exposure in its declining business and better utilize its resources to develop its new business in the year to come.

The car audio business will continue to face major challenges in terms of severe market competition in the second half of the financial year. The Group will continue to keep tight control over operating costs, explore opportunities for new trading items and strengthen new products range.

Financial Review

The loss attributable to shareholders for the Period increased by HK\$20 million to HK\$30 million as compared that of the corresponding period of last year. As at 30 September 2002, the Group's net asset value stood at HK\$233 million (at 31 March 2002: HK\$264 million). The Group's current ratio was 1.9 times (at 31 March 2002: 2.3 times).

Liquidity and Financial Resources

During the Period, the Group generally financed its operation with internally generated cash flow, banking facilities. The Group's bank and short-term deposits as at 30 September 2002 amounted to HK\$25 million.

As at 30 September 2002, the total interest-bearing bank and other loan of the Group was maintained at HK\$96 million (at 31 March 2002: HK\$93 million) which are repayable within one year.

As at 30 September 2002, the Group's current ratio was 1.9 times (at 31 March 2002: 2.3 times) based on current assets of HK\$278 million (at 31 March 2002: HK\$336 million) and current liabilities of HK\$144 million (at 31 March 2002: HK\$144 million).

As at 30 September 2002, the Group had contingent liabilities in relation to guarantees given to banks in connection with facilities to its subsidiaries was HK\$45 million (at 31 March 2002: HK\$51 million). The bank facilities were utilised to the extent of approximately HK\$25 million (at 31 March 2002: HK\$30 million).

Capital Structure

As at 30 September 2002, the Group's gearing ratio was 25% (at 31 March 2002: 22%) based on short term and long term interest-bearing bank loans and other loans of HK\$59 million (at 31 March 2002: HK\$57 million) and net worth of HK\$233 million (at 31 March 2002: HK\$264 million).

The Group's bank deposits and borrowings are mainly denominated in Hong Kong dollars. Most of the Group's sales and purchases are made in United States dollars and Hong Kong dollars. Therefore, the exchange risks exposed to the Group is minimal.



Details of Charge on Assets

At 30 September 2002, certain leasehold land and buildings and land use right, with a net book value of approximately HK\$26 million, and fixed deposit of HK\$16 million were pledged to secure banking facilities granted to the Group.

Material acquisitions and disposals

During the Period, the Company entered into the Agreement with Red Valley Finance Limited (the "Purchaser") in respect of the sale and purchased of the entire issued shares capital in Chaifa Holdings (B.V.I.) Limited, a wholly owned subsidiary of the Company (the "Subsidiary") at a cash consideration of HK\$17 million. The Subsidiary and its subsidiaries are principally engaged in the manufacturing, trading and distribution of garments, shoes, leather goods and other merchandise. The consideration will be payable by the Purchaser in cash upon completion. The transaction will be completed on or before 14 December 2002 or such later date as the Company may agree.

There was no material acquisition of subsidiaries and associates during the Period.

Employment, Training and Development

At 30 September 2002, the Group has a total of 1,011 employees of which 47 are based in Hong Kong and 964 based in the PRC. The Group has committed itself to its staff training and development and structured training programs for all employees.

Remuneration packages are maintained at competitive level and reviewed on a periodic basis. Bonus and share options are awarded to certain employees according to the assessment of individual performance and industry practice.

DIRECTORS' INTERESTS IN SHARES

At 30 September 2002, the interests of the Directors of the Company in the share capital of the Company, as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance"), were as follows:

Name of Director	Nature of interest	Number of ordinary shares of the Company
Chan Chun Tung, John	Personal	<u>13,000,000</u>

The interests of the Directors in the share options of the Company are separately disclosed in the section "Share Option Scheme".

In addition to the above, Messrs. Wong Howard, Wong Yat Fai and Chan Chun Tung, John hold shares in certain subsidiaries of the Company in a non-beneficial capacity, solely for the purpose of complying the minimum company membership requirements.

Save as disclosed above, none of the Directors of the Company or their associates has any personal, family, corporate or other interests in the equity securities of the Company or any of its associated corporations as defined in SDI Ordinance or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Apart from as disclosed under the heading "Share Option Scheme" below, at no time during the Period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

SHARE OPTION SCHEME

Under a share option scheme ("Scheme") adopted by the Company on 22 February 1994, the directors of the Company may, on or before 21 February 2004, grant options to employees and Directors of the Company or any of its subsidiaries, to subscribe for shares in the Company. The maximum number of shares which can be granted under the Scheme may not exceed 10% of the issued share capital of the Company from time to time.

Details of the share options under the Scheme during the Period were as follows:

Name or category of participant	Number of share options			Date of grant of share options	Exercise period of share options	Exercise price of each share option
	At 1 April 2002	Granted/ Exercised/ Lapsed/ Cancelled during the Period	At 30 September 2002			
Directors						
Chan Chun Tung, John	2,400,000	-	2,400,000	29-9-1997	27-3-2000 to 21-2-2004	0.1888
Wong Howard	212,990,000	-	212,990,000	17-8-2001	21-8-2001 to 21-2-2004	0.0215
Wong Yat Fai	212,990,000	-	212,990,000	17-8-2001	21-8-2001 to 21-2-2004	0.0215
Wu Qing	212,990,000	-	212,990,000	17-8-2001	21-8-2001 to 21-2-2004	0.0215
	641,370,000	-	641,370,000			
Other employees						
In aggregate	80,500,000	(200,000)*	80,300,000	17-8-2001	21-8-2001 to 21-2-2004	0.0215
	721,870,000	(200,000)	721,670,000			

* Lapsed

No theoretical value of share options is disclosed as no share options were granted during the Period.

SUBSTANTIAL SHAREHOLDERS

The Company has not been notified of any interest in the Company's issued share capital at 30 September 2002 amounting to 10% or more of the Company's ordinary shares in issue, which is required to be recorded in the register required to be kept under section 16 (1) of the SDI Ordinance.

CODE OF BEST PRACTICE

None of the Directors of the Company is aware of information that would reasonably indicate that the Company is not, or was not for any part of the Period, in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules.

PURCHASE, SALE OR 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.

AUDIT COMMITTEE

The Audit Committee has reviewed the Group's financial reporting process and internal controls including the review of the unaudited interim financial statements for the Period.

On behalf of the Board

Wong Howard

Executive Director

Hong Kong, 12 December 2002