Incorporated in Bermuda
with limited liability

STARLITE

HOLDINGS LIMITED

星光集團有限公司

The Holding Company of Starlite Group

INTERIM REPORT

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2001

INTERIM RESULTS (UNAUDITED)

The Directors are pleased to announce that the unaudited consolidated income statement, condensed consolidated cash flow statement, and consolidated statement of recognised gains and losses of Starlite Holdings Limited (the "Company") and its subsidiaries (together the "Group") for the six months ended 30th September, 2001, together with the unaudited comparative figures for the six months ended 30th September, 2000, and the unaudited consolidated balance sheet as at 30th September, 2001 together with the audited comparative figures as at 31st March, 2001, are as follows:

Consolidated income statement

	Note	Unaudited Six months ended 30th September, 2001 HK$'000	2000 HK$'000
Turnover	2	**339,547**	326,211
Cost of sales		**(236,254)**	(235,882)
Gross profit		**103,293**	90,329
Distribution and selling expenses		**(16,485)**	(16,055)
General and administrative expenses		**(54,420)**	(43,548)
Loss relating to termination of certain licensing rights		**—**	(5,086)
Other operating (expense) income, net		**(1,307)**	1,478
Profit from operations		**31,081**	27,118
Interest expense		**(5,159)**	(7,111)
Interest income		**182**	247
Profit before taxation	3	**26,104**	20,254
Taxation	4	**(7,627)**	(4,834)
Profit after taxation but before minority interests		**18,477**	15,420
Minority interests		**—**	93
Profit attributable to shareholders	2	**18,477**	15,513
Interim dividend		**—**	—
Earnings per share	5		
— Basic		**4.60 cents**	3.86 cents
— Diluted		**4.59 cents**	3.86 cents

Consolidated balance sheet

	Note	Unaudited As at 30th September, 2001 HK$'000	Audited As at 31st March, 2001 HK$'000
NON-CURRENT ASSETS			
Properties, machinery and equipment	6	**250,099**	258,144
CURRENT ASSETS			
Inventories		**38,573**	41,765
Accounts receivable	7	**133,355**	82,533
Prepayments and deposits		**9,011**	7,044
Cash and bank deposits		**69,398**	36,869
Total current assets		**250,337**	168,211
CURRENT LIABILITIES			
Short-term bank borrowings		**(76,900)**	(90,248)
Finance lease obligations, current portion		**(21,486)**	(20,551)
Bills payable		**(5,816)**	(3,836)
Accounts payable	8	**(115,773)**	(60,948)
Accruals		**(56,113)**	(41,776)
Taxation payable		**(6,956)**	(4,838)
Advance from a director		**—**	(31)
Dividend payable		**(4,018)**	—
Total current liabilities		**(287,062)**	(222,228)
Net current liabilities		**(36,725)**	(54,017)
Total assets less current liabilities		**213,374**	204,127
NON-CURRENT LIABILITIES			
Finance lease obligations		**(32,016)**	(38,689)
Long-term bank loans		**(499)**	(578)
Deferred taxation		**(11,875)**	(11,530)
Total non-current liabilities		**(44,390)**	(50,797)
MINORITY INTERESTS		**6**	2
Net assets		**168,990**	153,332

	Note	Unaudited As at 30th September, 2001 HK$'000	Audited As at 31st March, 2001 HK$'000
Representing:			
SHARE CAPITAL		**40,180**	40,180
RESERVES	9	**94,918**	93,719
RETAINED PROFIT		**33,892**	15,415
PROPOSED DIVIDEND	9	**—**	4,018
Shareholders' equity		**168,990**	153,332

Condensed consolidated cash flow statement

	Unaudited Six months ended 30th September, 2001 HK$'000	2000 HK$'000
Net cash inflow from operating activities	**70,893**	25,964
Net cash outflow from returns on investments and servicing of finance	**(4,977)**	(6,864)
Taxation paid	**(4,864)**	(769)
Net cash outflow from investing activities	**(4,432)**	(4,696)
Net cash inflow before financing	**56,620**	13,635
Net cash outflow from financing activities	**(10,724)**	(18,447)
Increase (Decrease) in cash and cash equivalents	**45,896**	(4,812)
Cash and cash equivalents, beginning of period	**(53,263)**	(29,980)
Cash and cash equivalents, end of period	**(7,367)**	(34,792)

Consolidated statement of recognised gains and losses

	Unaudited Six months ended 30th September, 2001 HK$'000	2000 HK$'000
Profit attributable to shareholders	**18,477**	15,513
Net gain (loss) not recognised in the consolidated income statement:		
Translation adjustments	**1,199**	(847)
Total recognised gains	**19,676**	14,666

Notes to the financial statements:

1. Basis of presentation and preparation

These unaudited interim financial statements of the Group for the six months ended 30th September, 2001 have been prepared in accordance with the principal accounting policies set out in the most recent published annual financial statements for the year ended 31st March, 2001 except for changes set out below, and comply with Statement of Standard Accounting Practice ("SSAP") 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants ("HKSA") and the disclosure requirements set out in Appendix 16 of the Listing Rules of The Stock Exchange of Hong Kong Limited.

Effective from 1st April, 2001, the Group has adopted the following SSAPs issued by the HKSA:

SSAP 9 (revised):	Events after the balance sheet date
SSAP 14 (revised):	Leases
SSAP 26:	Segment reporting
SSAP 28:	Provisions, contingent liabilities and contingent assets
SSAP 29:	Intangible assets
SSAP 31:	Impairment of assets
SSAP 32:	Consolidated financial statements and accounting for investments in subsidiaries

The changes to the Group's accounting policies and the effect of adopting these new policies are set out below:

a. *SSAP 9 (revised): Events after the balance sheet date*

In prior year, dividend proposed or declared after the balance sheet date in respect of an accounting period prior to the balance sheet date were recognised as a liability at the balance sheet date. In order to comply with SSAP 9 (revised) "Events after the balance sheet date", the Group recognises a liability for dividend in the accounting period in which it is declared or proposed. The new accounting policy has been adopted retrospectively, with the opening balance of retained profit and the comparative information adjusted for the amounts relating to prior periods.

1. **Basis of presentation and preparation** (Cont'd)

b. *SSAP 26: Segment reporting*

In Note 2 to the interim financial statements, the Group has disclosed segment revenue and results. The primary segment is defined according to major product and operational category, while secondary segment is defined according to geographical location of shipment of merchandise.

c. *SSAP 28: Provisions, contingent liabilities and contingent assets*

A provision is recognised when there is a present obligation, legal or constructive, as a result of a past event and it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed regularly and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

Contingent liabilities are not recognised in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognised in the financial statements but disclosed when an inflow of economic benefits is probable.

d. *SSAP 31: Impairment of assets*

Properties, machinery and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of one of these assets may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss representing the difference between the carrying amount and the recoverable amount of an asset, is recognised in the income statement. The recoverable amount is the higher of an asset's net selling price and value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction less the costs of the disposal, while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.

Reversal of an impairment loss of an asset recognised in prior years is recorded when there is an indication that the impairment loss recognised for the asset no longer exists or has decreased. The reversal is recorded in the income statement.

Except for the restatement of the opening balance of retained profit and the reclassification of comparative figures in the balance sheet in relation to the adoption of SSAP 9 (revised), the adoption of the above standards had no material effect on amounts reported in prior period.

2. **Principal activities and segmental information**

a. *Primary segment*

The Company is an investment holding company. Its subsidiaries are principally engaged in the printing and manufacturing of packaging materials, labels, children's pictures and novelty books, licensed products, environmentally friendly products, and other paper products. An analysis of the Group's results, depreciation and capital expenditures by business segment is as follows:

	Unaudited Six months ended 30th September,	
	2001	2000
	HK$'000	HK$'000
Turnover		
Packaging materials, labels, children's pictures and novelty books and other paper products	**330,744**	314,534
Environmentally friendly products	**7,390**	10,401
Licensed products	**1,413**	1,276
	339,547	326,211
Profit (loss) attributable to shareholders		
Packaging materials, labels, children's pictures and novelty books and other paper products	**24,632**	28,441
Environmentally friendly products	**(2,457)**	(2,361)
Licensed products	**(3,698)**	(10,567)
	18,477	15,513
Depreciation of properties, machinery and equipment		
Packaging materials, labels, children's pictures and novelty books and other paper products	**15,680**	15,028
Environmentally friendly products	**1,162**	1,100
Licensed products	**58**	260
	16,900	16,388
Capital expenditures		
Packaging materials, labels, children's pictures and novelty books and other paper products	**6,952**	29,015
Environmentally friendly products	**1,336**	388
Licensed products	**5**	47
	8,293	29,450

2. **Principal activities and segmental information** (Cont'd)

a. *Primary segment (Cont'd)*

An analysis of the Group's assets and liabilities by business segment is as follows:

	Unaudited As at 30th September, 2001 HK$'000	Audited As at 31st March, 2001 HK$'000
Assets		
Packaging materials, labels, children's pictures and novelty books and other paper products	**446.871**	376,350
Environmentally friendly products	**43,214**	38,332
Licensed products	**10,351**	11,673
	500,436	426,355
Liabilities		
Packaging materials, labels, children's pictures and novelty books and other paper products	**312,074**	255,040
Environmentally friendly products	**13,416**	11,555
Licensed products	**5,962**	6,430
	331,452	273,025

b. *Secondary segment*

An analysis of the Group's turnover by geographical location is as follows:

	Unaudited Six months ended 30th September, 2001 HK$'000	2000 HK$'000
Turnover*		
Hong Kong and Mainland China	**196,606**	194,233
Singapore and Malaysia	**43,490**	61,606
United States of America	**82,164**	55,882
Others	**17,287**	14,490
	339,547	326,211

* *Turnover by geographical location is determined on the basis of the destination of shipments of merchandise.*

No analysis of capital expenditure by geographical location is presented as majority of the Group's capital assets acquired during the period are located in Hong Kong and Mainland China.

2. **Principal activities and segmental information** (Cont'd)

b. *Secondary segment (Cont'd)*

An analysis of the Group's assets by geographical location is as follows:

	Unaudited As at 30th September, 2001 HK$'000	Audited As at 31st March, 2001 HK$'000
Hong Kong and Mainland China	**429,656**	354,737
Singapore and Malaysia	**70,780**	71,618
	500,436	426,355

3. **Profit before taxation**

Profit before taxation was determined after charging or crediting the following items:

	Unaudited Six months ended 30th September, 2001 HK$'000	2000 HK$'000
After charging:		
Employment costs (including directors' emoluments)	**50,813**	49,338
Depreciation of properties, machinery and equipment	**16,900**	16,388
Interest on borrowings	**5,159**	7,111
After crediting:		
Net gain on disposal of properties, machinery and equipment	**24**	491
Interest from bank deposits	**182**	247

4. Taxation

Taxation in the consolidated income statement consisted of:

	Unaudited Six months ended 30th September, 2001 HK$'000	2000 HK$'000
Current taxation		
Hong Kong profits tax		
— current period	**5,279**	1,030
— under-provision in prior period	**—**	1,920
Overseas taxation	**2,074**	2,524
	7,353	5,474
Deferred taxation		
Hong Kong profits tax		
— current period	**274**	1,280
— write-back of over-provision in prior period	**—**	(1,920)
	274	(640)
	7,627	4,834

The Company is exempt from taxation in Bermuda until 2016. Hong Kong profits tax has been provided at the rate of 16% (2000: 16%) on the estimated assessable profit arriving in or derived from Hong Kong.

Overseas taxation was provided by subsidiaries with operations in Singapore and Mainland China, based on their estimated assessable profits at the rates of taxation applicable in those countries. A wholly-owned subsidiary established and operated in Mainland China is subject to Mainland China enterprise income tax at a rate of 15%. The other subsidiaries established in Mainland China were either loss making or inactive during the six months ended 30th September, 2001.

5. Earnings per share

The calculation of basic and diluted earnings per share is based on the following data:

	Unaudited Six months ended 30th September, 2001 HK$'000	2000 HK$'000
Profit for the period	**18,477**	15,513
	'000	*'000*
Weighted average number of ordinary shares used in calculating basic earnings per share	**401,801**	401,801
Adjustment for potential dilutive effect in respect of employee share options	**478**	196
Weighted average number of ordinary shares used in calculating diluted earnings per share	**402,279**	401,997

6. Properties, machinery and equipment

Movements of properties, machinery and equipment were:

	Unaudited Six months ended 30th September, 2001 HK$'000
Net book value as at 1st April, 2001	**258,144**
Additions	**8,293**
Disposals	**(75)**
Depreciation	**(16,900)**
Translation adjustments	**637**
Net book value as at 30th September, 2001	**250,099**

7. Accounts receivable

Credit is offered to customers following financial assessment and an established payment record. Credit limits are set for all customers. In the event credit limits are exceeded, approval from senior officers must be obtained. Transactions with customers who will expose the Group to higher credit risk are carried out on a cash basis. Professional staff monitor accounts receivable and follow up collections. The Group usually grants a credit period of approximately 30 days to 90 days to its customers.

An aging analysis of accounts receivable as at 30th September, 2001 is as follows:

	Unaudited As at 30th September, 2001 HK$'000	Audited As at 31st March, 2001 HK$'000
0 to 90 days	**132,388**	76,614
91 to 180 days	**11,052**	11,813
181 to 365 days	**2,063**	2,509
Over 365 days	**4,751**	4,570
	150,254	95,506
Less: Provision for bad and doubtful debts	**(16,899)**	(12,973)
	133,355	82,533

8. Accounts payable

An aging analysis of accounts payable as at 30th September, 2001 is as follows:

	Unaudited As at 30th September, 2001 HK$'000	Audited As at 31st March, 2001 HK$'000
0 to 90 days	**109,602**	53,375
91 to 180 days	**2,326**	3,155
181 to 365 days	**1,306**	2,076
Over 365 days	**2,539**	2,342
	115,773	60,948

9. **Reserves and proposed dividend**

Movements of reserves and proposed dividend were:

	Share premium HK$'000	Capital reserve HK$'000	Cumulative translation adjustments HK$'000	Total HK$'000	Proposed dividend HK$'000
As at 1st April, 2001					
— As previously reported	96,362	1,169	(3,812)	93,719	—
— Prior period adjustment	—	—	—	—	4,018
— As restated	96,362	1,169	(3,812)	93,719	4,018
Translation adjustments	—	—	1,199	1,199	—
Final dividend for the year ended 31st March, 2001	—	—	—	—	(4,018)
Interim dividend for the six months ended 30th September, 2001	—	—	—	—	—
As at 30th September, 2001	96,362	1,169	(2,613)	94,918	—

10. **Related party transactions**

The Group had the following transactions with related parties:

	Unaudited Six months ended 30th September, 2001 HK$'000	2000 HK$'000
Operating lease rentals charged by related parties:		
— Dayspring Enterprises Limited (i)	**228**	312
— Megastar Enterprises Limited (ii)	**236**	450
— Chrysty Trading Company Limited (ii)	**234**	479
— Ms. Yeung Chui, a director of the Company	**22**	22
	720	1,263

Notes:

(i) Dayspring Enterprises Limited is beneficially owned by, among others, Mr. Lam Kwong Yu and Ms. Yeung Chui, directors of the Company.

(ii) Megastar Enterprises Limited and Chrysty Trading Company Limited are beneficially owned by Ms. Yeung Chui, a director of the Company.

In the opinion of the Directors of the Company, the above transactions were carried out in the usual course of business and on normal commercial terms.

RESULTS

The global economy has deteriorated since the beginning of 2001. In the United States and most European and Asian countries, the decline in corporate and consumer spending has affected almost all industries.

Against this background, the Group managed to maintain growth in the six months ended 30th September, 2001. Turnover increased by 4.1% to HK$339.5 million in comparison with the same period last year, whereas profit attributable to shareholders grew by 19.1% to HK$18.5 million. The higher growth in the Group's bottom line reflected the Group's tightened cost control and improved production efficiency. However, both the turnover and profit growth rates have dropped in comparison with previous periods as a result of the unfavourable economic environment. The impact was most significant on the Group's Singapore operations which suffered a decline in sales.

In terms of product, there was a continued strong growth in the sales of children's pictorial books, calendars, albums and other paper products. Sales of environmentally friendly products were depressed down by the weakened interior packaging business despite an improvement in the sales of "Greenworks" products. As for the licensed products, their sales remained subdued owing to the sluggish consumer demand in the Asia-Pacific region.

BUSINESS REVIEW AND PROSPECTS

Packaging materials, labels, children's pictures and novelty books and other paper products

Hong Kong/Mainland China operations

During the period under review, the Group's printing and packaging businesses in Hong Kong/Mainland China achieved a growth in turnover despite a highly competitive market environment. This growth can be attributed to the Group's continuous efforts in upgrading product quality, production efficiency and customer service. Strong growth was recorded in the sales of children's pictorial books, calendars, albums and other paper products, which was supported by an expanded product range, innovative design, good workmanship and aggressive marketing. In view of the resilience shown by this product line to date in weathering the economic downturn, the Group intends to further capitalise on this resilience by actively seeking for more customers and the opportunities to engage in the distribution of these products.

In August 2001, Starlite Printers Limited, the Group's principal subsidiary for the printing and packaging businesses, was granted the "2001 Trade and Industry Department Quality Award" by the Hong Kong Trade and Industry Department in recognition of the subsidiary's supreme quality performance. Moreover, Starlite

Development (China) Limited, another wholly-owned subsidiary of the Group engaging in the marketing of children's pictures, novelty books and other paper products, was granted the "2001 Trade Development Council Export Marketing Award" by the Hong Kong Trade Development Council in September 2001.

Singapore operations

The downturn of the Singapore economy, caused mainly by the slowdown of the United States economy and the protracted downturn in the global electronics industry, has restrained Starlite Printers (Far East) Pte. Ltd., a wholly-owned subsidiary of the Group in Singapore, from sustaining another period of growth in turnover and profit. It is widely believed that the Singapore economy has slipped into recession and a rapid turnaround remains remote.

Besides stepping up its cost control, marketing and corporate management, the subsidiary is exploring the feasibility of investing in Eastern China as part of the means to resume its growth momentum. While this is in line with the so-called "7-hour" hinterland concept advocated by the Singapore Government — which suggests that Singaporean companies should consider the Greater China region as their market and seek opportunities there, particularly in view of China's recent entry into the World Trade Organisation ("WTO") — the subsidiary will nevertheless exercise caution when considering new investments and will utilise the Group's experience and expertise in China to gauge any opportunities.

Licensed products

The sluggish consumer demand across the Asia-Pacific region continued to affect the performance of the licensing division. Following careful evaluation, the Group plans to shift the focus of this division from being a licensee to becoming a licensor by capitalising mainly on the Group's own brand "Robbi the bunny".

The Group's website acoolc.com, launched in April 2000 for the Group's licensed products, has recorded an increase in both the number of registered members and the monthly hit rate. However, the transactions made through the website have remained low. Having reconsidered the market conditions for e-commerce and drawn on the experience of the dotcom companies, the Group intends to terminate the website in the second half of this financial year.

Environmentally friendly products

The period under review saw a decline in the sales of the Group's environmentally friendly products for interior packaging usage, which was mainly due to increased price competition.

Sales of the Group's "Greenworks" brand products, comprising children's activity kits and arts and crafts products, continued to improve during the period. Efforts were spent to promote these products in local and overseas markets, including the engagement of overseas marketing consultants, participation in major trade shows and advertising in international trade magazines. The Group is hopeful that the sales of "Greenworks" products will continue to improve.

Liquidity and Financial Resources

The Group's sources of funding include cash generated from operations and banking facilities provided by banks mainly in Hong Kong and Mainland China. As at 30th September, 2001, the Group's cash and bank balances amounted to approximately HK$69.4 million.

As at 30th September, 2001, the Group's working capital position further improved by HK$17.3 million when compared to 31st March, 2001. The Group's debt-to-equity ratio as at 30th September, 2001 was 71% (31st March, 2001: 77%), based on short-term and long-term bank borrowings and other borrowings (excluding trade related debts and borrowings) of approximately HK$120 million (31st March, 2001: HK$118 million), and shareholders' funds of approximately HK$169 million (31st March, 2001: HK$153 million). These bank borrowings were secured by mortgages over the Group's land and buildings with a net book value of approximately HK$64 million (31st March, 2001: HK$65 million). The drop in debt-to-equity ratio was mainly attributable to the continued improvements in the operating results of the Group.

Prospects

The terrorist attacks on the United States on 11th September, 2001 have added uncertainty to the consumer confidence in the United States, which may restrain the global economy from attaining a quick recovery. On the bright side, the recent successful entry of China to the WTO raises hopes that the world's largest populated country with a strong growing economy will provide a large marketplace with promising returns. There are also signs that foreign enterprises are stepping up their investments in China to take advantage of the country's major development projects such as those for the development of the western provinces.

Facing this challenging environment, the Group is taking active measures to increase its competitiveness and to seek for new growth opportunities. As can be expected, orders from customers have slowed down in recent months, and the search for orders is putting extra pressure on product prices. While the Group is further tightening its cost control and strengthening its marketing efforts in order to secure more orders, equal emphasis is placed on expanding the Group's source of revenue. The plan to engage in the distribution of children's pictorial books and related items, which have proved to be more resilient to the economic downturn, and the exploring of business opportunities in China, are part of this strategy. With a solid foundation and the strong experience in dealing with challenges, I am confident that the Group can ride out the difficult times and enjoy long-term prosperity.

DISCLOSURE OF INTERESTS

Directors' Interests in Share and Share Options

As at 30th September, 2001, the directors of the Company had or were deemed to have interests under the provision of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance"), as recorded in the Register of Directors' Interests required to be kept by the Company pursuant to Section 29 of the SDI Ordinance:

Name	Number of shares	Number of employee share options
Mr. Lam Kwong Yu *(Notes a, b, c, d and e)*	206,072,174	12,438,000
Ms. Yeung Chui *(Notes a, b, c, d and e)*	206,072,174	12,438,000
Mr. Tai Tzu Shi, Angus *(Notes f and g)*	18,000	830,000
Mr. Cheung Chi Shing, Charles *(Note h)*	—	1,900,000

Notes:

a. Best Grade Consultants Limited held 172,897,200 shares of the Company. The entire issued share capital of Best Grade Consultants Limited is held by Super Mark Enterprises Limited as trustee of the Super Star Unit Trust. All units in the Super Star Unit Trust are beneficially owned by two discretionary trusts, the discretionary objects of which include Mr. Lam Kwong Yu and Ms. Yeung Chui. These interests of Mr. Lam Kwong Yu and Ms. Yeung Chui in such shares are accordingly "other interests" as described in Practice Note 5 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

b. Starlite Printers (Cook Islands) Limited held 16,198,704 shares of the Company. The entire issued share capital of Starlite Printers (Cook Islands) Limited is beneficially owned and controlled by Mr. Lam Kwong Yu and Ms. Yeung Chui. These interests of Mr. Lam Kwong Yu and Ms. Yeung Chui in such shares are accordingly "other interests" as described in Practice Note 5 of the Listing Rules.

c. Mr. Lam Kwong Yu held 12,830,270 shares of the Company and options to subscribe for an aggregate of 6,512,000 shares in the Company at prices ranging from $0.152 to $0.69 per share exercisable during the period from 29th December, 1995 to 3rd November, 2007. These interests of Mr. Lam Kwong Yu and, accordingly, his wife, Ms. Yeung Chui, are "personal interests" as described in Practice Note 5 of the Listing Rules.

d. Ms. Yeung Chui held 3,396,000 shares of the Company and options to subscribe for an aggregate of 5,926,000 shares in the Company at prices ranging from $0.152 to $0.69 per share exercisable during the period from 29th December, 1995 to 3rd November, 2007. These interests of Ms. Yeung Chui and, accordingly, her husband, Mr. Lam Kwong Yu, are "personal interests" as described in Practice Note 5 of the Listing Rules.

e. Dayspring Enterprises Limited held 750,000 shares of the Company. The entire issued share capital of Dayspring Enterprises Limited is beneficially owned and controlled by Mr. Lam Kwong Yu and Ms. Yeung Chui. These interests of Mr. Lam Kwong Yu and Ms. Yeung Chui in such shares are accordingly "other interests" as described in Practice Note 5 of the Listing Rules.

f. Mr. Tai Tzu Shi, Angus held options to subscribe for an aggregate of 830,000 shares in the Company at prices ranging from $0.152 to $1.44 per share exercisable during the period from 9th October, 1994 to 27th August, 2006. These interests are "personal interests" as described in Practice Note 5 of the Listing Rules.

g. Ms. Mak Yuen Wah, wife of Mr. Tai Tzu Shi, Angus, held 18,000 shares of the Company. These interests of Mr. Tai Tzu Shi, Augus in these shares are "family interests" as described in Practice Note 5 of the Listing Rules.

h. Mr. Cheung Chi Shing, Charles held options to subscribe for an aggregate of 1,900,000 shares in the Company at prices ranging from $0.152 to $0.34 per share exercisable during the period from 30th April, 1998 to 27th August, 2006. These interests are "personal interests" as described in Practice Note 5 of the Listing Rules.

Save as disclosed above, the Company had no notice of any interests required to be recorded under Section 29 of the SDI Ordinance as at 30th September, 2001.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in the preceding paragraph and note 10 to the accompanying financial statements, no contract of significance in relation to the Group's business to which the Company or any of its subsidiaries or holding companies was a party and in which any of the Company's directors or members of its management had a material interest, whether directly or indirectly, subsisted at the end of the period or at any time during the period.

SUBSTANTIAL SHAREHOLDERS

As at 30th September, 2001, the following entity had or was deemed to have interests in the Company under the provisions of the SDI Ordinance as recorded in the register kept by the Company under Section 16(1) of the SDI Ordinance:

Name	Number of issued shares	Percentage holding
Best Grade Consultants Limited	172,897,200	43%

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

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30th September, 2001 (2000: Nil).

AUDIT COMMITTEE

The audit committee has reviewed with management the accounting policies adopted by the Group and discussed auditing, internal control, and financial reporting matters, including the review of interim financial statements which have not been audited.

PURCHASE, SALE OR REDEMPTION OF SHARES

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

CODE OF BEST PRACTICE

None of the Directors of the Company is aware of any information that would reasonably indicate that the Company has not complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules throughout the six months ended 30th September, 2001 covered by this interim report, except that the non-executive directors are not appointed for a specific term as they are subject to retirement by rotation and re-election at annual general meeting in accordance with the Bye-laws of the Company.

On behalf of the Board of Directors
LAM KWONG YU
Chairman

Hong Kong, 7th December, 2001