



ABC Communications (Holdings) Limited

(Incorporated in Bermuda with limited liability)

Interim Report 2001/2002

The Directors are pleased to present the Group's interim report and condensed accounts for the six months ended 30th September 2001. The consolidated results, consolidated cash flow statement and consolidated statement of recognised gains and losses for the Group for the six months ended 30th September 2001, and the consolidated balance sheet as at 30th September 2001 of the Group, all of which are unaudited and condensed, along with selected explanatory notes, are set out on pages 1 to 15 of this report.

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2001

	Note	Unaudited Six months ended 30th September	
		2001 HK\$	2000 (Restated) HK\$
Turnover	2	22,744,834	30,647,366
Cost of sales		(13,214,210)	(16,320,355)
Gross profit		9,530,624	14,327,011
Other revenues		2,791,581	6,848,956
Other operating income		17,871	77,630
Selling and distribution costs		(1,812,534)	(1,216,776)
General and administrative expenses		(38,889,176)	(33,627,020)
Other operating expenses		(17,479,654)	(197,454,202)
Operating loss	3	(45,841,288)	(211,044,401)
Finance costs		(3,006,321)	(15,998)
Loss for the period		(48,847,609)	(211,060,399)
Minority interests		268,878	-
Loss attributable to shareholders	9	<u>(48,578,731)</u>	<u>(211,060,399)</u>
Dividend	5	<u>-</u>	<u>(4,668,860)</u>
Loss per share	6	<u>(10.40) cents</u>	<u>(45.21) cents</u>

**CONDENSED CONSOLIDATED BALANCE SHEETS
AS AT 30TH SEPTEMBER 2001 AND 31ST MARCH 2001**

		Unaudited 30th September 2001 HK\$	31st March 2001 HK\$
	<i>Note</i>		
Non-current assets			
Property, plant and equipment		67,045,417	75,810,457
Investment securities		197,874,499	209,426,475
		<u>264,919,916</u>	<u>285,236,932</u>
Current assets			
Other investments		1,969,380	4,261,236
Accounts receivable	7	3,025,836	5,330,162
Sundry debtors		3,795,796	5,006,357
Pledged deposits		99,920,040	107,262,880
Cash and bank balances		22,803,771	42,856,319
		<u>131,514,823</u>	<u>164,716,954</u>
Current liabilities			
Advance subscriptions and licence fees received		5,199,825	6,535,347
Trade and other payables	8	7,882,116	8,165,178
Sundry creditors		1,756,591	2,118,401
Bank loans, secured		126,762,001	129,608,500
		<u>141,600,533</u>	<u>146,427,426</u>
Net current (liabilities)/assets		<u>(10,085,710)</u>	<u>18,289,528</u>
Total assets less current liabilities		254,834,206	303,526,460
Minority interests		224,074	492,952
Net assets		<u>254,610,132</u>	<u>303,033,508</u>
Capital and reserves			
Share capital		46,688,600	46,688,600
Reserves	9	207,921,532	256,344,908
		<u>254,610,132</u>	<u>303,033,508</u>

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2001**

	Unaudited	
	Six months ended 30th September	
	2001	2000
	HK\$	HK\$
Net cash outflow from operating activities	(23,631,796)	(5,436,899)
Net cash outflow from returns on investments and servicing of finance	(115,491)	(2,680,353)
Total taxation refunded	21,321	87,526
Net cash outflow from investing activities	(4,050,851)	(36,008,915)
Net cash inflow/(outflow) from financing	386,379	(91,179)
	<hr/>	<hr/>
Decrease in cash and cash equivalents	(27,390,438)	(44,129,820)
Cash and cash equivalents at 1st April	56,021,699	230,188,852
Effect of foreign exchange rate changes	5,134,829	(41,831)
	<hr/>	<hr/>
Cash and cash equivalents at 30th September	<u>33,766,090</u>	<u>186,017,201</u>
Analysis of balances of cash and cash equivalents:		
Pledged deposits	99,920,040	-
Bank balances and cash	22,803,771	186,017,201
Bank loans	(88,957,721)	-
	<hr/>	<hr/>
	<u>33,766,090</u>	<u>186,017,201</u>

**CONDENSED CONSOLIDATED STATEMENT OF RECOGNISED GAINS AND LOSSES
FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2001**

		Unaudited	
		Six months ended 30th September	2000
		2001	(Restated)
	<i>Note</i>	HK\$	HK\$
Loss for the period			
– as previously reported		(48,578,731)	(43,453,701)
– effect of adopting SSAP 31	<i>1(e)</i>	<u>–</u>	<u>(167,606,698)</u>
– as restated		(48,578,731)	(211,060,399)
Exchange differences arising on translation of subsidiaries		<u>155,355</u>	<u>(41,831)</u>
Total recognised losses		(48,423,376)	(211,102,230)
Realisation of goodwill on deemed disposal of a subsidiary		–	4,491,770
Impairment of goodwill included in capital reserve now transferred from capital reserve to accumulated losses	<i>9</i>	–	172,098,468
Reversal of goodwill previously included in capital reserve realised on deemed disposal of a subsidiary	<i>1(e)</i>	<u>–</u>	<u>(4,491,770)</u>
		<u>(48,423,376)</u>	<u>(39,003,762)</u>
Prior period adjustments arising from the effects of changes in accounting policies	<i>1(e)</i>		
– increase in accumulated losses in 1st April 2001		168,040,187	–
– decrease in capital reserve at 1st April 2001		<u>168,040,187</u>	<u>–</u>
		<u>–</u>	<u>–</u>

NOTES TO CONDENSED INTERIM ACCOUNTS

1 Basis of preparation and accounting policies

These unaudited condensed consolidated interim accounts ("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.

These condensed interim accounts should be read in conjunction with the 2001 annual accounts for the year ended 31st March 2001.

The accounting policies and methods of computation used in the preparation of these interim accounts are consistent with those used in the annual accounts for the year ended 31st March 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 ("HKSA") which have become effective for accounting periods commencing on or after 1st January 2001:

SSAP 9 (revised)	Events after the balance sheet date
SSAP 14 (revised)	Leases (effective for periods commencing on or after 1st July 2000)
SSAP 26	Segment reporting
SSAP 28	Provisions, contingent liabilities and contingent assets
SSAP 29	Intangible assets
SSAP 30	Business combinations
SSAP 31	Impairment of assets
SSAP 32	Consolidated financial statements and accounting for investment 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 balance sheet date"

In accordance with the revised SSAP 9 to these interim accounts, the Group no longer recognises dividends proposed or declared after the balance sheet date as a liability at the balance sheet date. This change in accounting policy has been applied retrospectively so that the comparatives presented have been restated to conform to the changed policy.

As detailed in Note 9, opening retained earnings at 1st April 2000 have increased by HK\$9,337,720 which is the reversal of the provision for the 2000 proposed final dividend previously recorded as a liability as at 31st March 2000 although not declared until after balance sheet date.

1 Basis of preparation and accounting policies *(Continued)*

(b) SSAP 14 (revised) "Leases"

Note 10(b) of these interim accounts of the Group has disclosed lease commitments as defined under SSAP 14 (revised). The revised SSAP 14 requires the aggregate future minimum lease payments analysed into the following periods:

- (i) not later than one year
- (ii) later than one year and not later than five years
- (iii) later than five years

This is a change from previous SSAP 14 which only required disclosure of the minimum lease payments payable in the next twelve months, analysed into the periods in which the lease expires within that year, in the second to fifth year inclusive and over five years from the balance sheet date.

Comparative figures have been restated to conform with the current period's presentation.

(c) SSAP 26 "Segment Reporting"

In Note 2 to these interim accounts the Group has disclosed segment revenue and results as defined under SSAP 26. In accordance with the Group's internal financial reporting the Group has determined that business segments be presented as the primary reporting format and geographical as the secondary reporting format. Comparative information has been given.

(d) SSAP 30 "Business Combinations"

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiary/associated company at the date of acquisition. Goodwill on acquisitions occurring on or after 1st April 2001 is included in intangible assets and is amortised using the straight-line method over its estimated useful life. Goodwill on acquisitions that occurred prior to 1st April 2001 was written off against reserves. The Group has taken advantage of the transitional provisions in SSAP 30 and such goodwill has not been retroactively capitalised and amortised. However any impairment arising on such goodwill is accounted for in accordance with SSAP 31 "Impairment of Assets".

Negative goodwill represents the excess of the fair value of the Group's share of the net assets acquired over the cost of acquisition. For acquisitions after 1st April 2001, negative goodwill is presented in the same balance sheet classification as goodwill.

1 Basis of preparation and accounting policies *(Continued)*

(d) SSAP 30 "Business Combinations" *(Continued)*

To the extent that negative goodwill relates to expectations of future losses and expenses that are identified in the Group's plan for the acquisition and can be measured reliably, but which do not represent identifiable liabilities, that portion of negative goodwill is recognised in the income statement when the future losses and expenses are recognised. Any remaining negative goodwill, not exceeding the fair values of the non-monetary assets acquired, is recognised in the income statement over the remaining weighted average useful life of those assets; negative goodwill in excess of the fair values of those assets is recognised in the income statement immediately. For acquisitions prior to 1st April 2001, negative goodwill was taken directly to reserves on acquisition. The Group has taken advantage of the transitional provisions in SSAP 30 and such negative goodwill will not be restated.

The gain or loss on disposal of an entity includes the unamortised balance of goodwill relating to the entity disposed of or, for pre 1st April 2001 acquisitions, the related goodwill written off against reserves to the extent it has not previously been realised in the profit and loss account.

(e) SSAP 31 "Impairment of Assets"

SSAP 31 prescribes procedures to be applied to ensure that assets are carried at not more than their recoverable amounts. The recoverable amount of an asset is defined to be the higher of its net selling price and its value in use. The Group determines the value in use of its assets as the present value of estimated future cash flows expected to arise from the continuing use of an asset and from the disposal at the end of its useful life. The recoverable amounts of the assets are reviewed at each balance sheet date to assess whether there are any indications that assets may be impaired, and if there are such indications, the recoverable amount of the assets is to be determined. Any resulting impairment losses identified are recognized as an expense in the profit and loss account.

Under this new accounting standard, the Group is also required to assess any impairment in goodwill previously eliminated against reserves. This is a change in accounting policy and accordingly, the Group has retrospectively restated its previously reported loss attributable to shareholders for the six months period ended 30th September 2000 and for the year ended 31st March 2001 by HK\$172,098,468 and HK\$173,788,276 respectively, as shown in Note 9 to these interim accounts, in respect of the impairment of goodwill arising from the acquisition of certain subsidiaries previously eliminated against reserves.

As a result of the above adjustments, the relevant portion of such goodwill previously realised to the profit and loss account upon deemed disposal of the relevant subsidiary in prior year was also reversed. Consequently, loss attributable to shareholders for the six months period ended 30th September 2000 and for the year ended 31st March 2001 are reduced by HK\$4,491,770 and HK\$5,748,089 respectively.

2 Segment information

The Group is principally engaged in investment holdings and the provision of financial quotation, software licensing, facility management consultancy and solutions, and internet and related services.

Analyses of the Group's turnover and contribution to operating (loss)/profit for the period by business and geographical segments are as follows:

	Turnover		Operating (loss)/profit	
	six months ended 30th September		six months ended 30th September	
	2001	2000	2001	2000
	HK\$	HK\$	HK\$	HK\$
				(Restated)
Business segments:				
Financial quotation, software licensing and sales of related products	19,363,800	28,531,496	(20,484,555)	(9,733,585)
Internet and related services	2,355,729	2,369,070	(4,653,639)	(5,283,639)
Facility management consultancy and solutions	1,585,591	-	(806,714)	-
Wireless data applications	-	-	(2,804,028)	(676,773)
	23,305,120	30,900,566		
Inter-segment revenue	(560,286)	(253,200)		
	<u>22,744,834</u>	<u>30,647,366</u>		
Investment holdings:				
Interest income			2,610,560	6,640,956
Unrealised loss on other investments			(2,227,537)	(24,371,405)
Provision for diminution in value of investment securities			(12,136,047)	-
Impairment of goodwill previously included in capital reserve (Note 1 (e))			-	(172,098,468)
Others			(5,339,328)	(5,521,487)
			<u>(45,841,288)</u>	<u>(211,044,401)</u>

2 Segment information (Continued)

	Turnover		Operating (loss)/profit	
	six months ended 30th September		six months ended 30th September	
	2001	2000	2001	2000 (Restated)
	HK\$	HK\$	HK\$	HK\$
Geographical segments:				
Hong Kong	21,823,501	29,879,212	(23,364,404)	(14,170,139)
South East Asia and Canada	921,333	768,154	(5,384,532)	(1,523,858)
	<u>22,744,834</u>	<u>30,647,366</u>		
Investment holdings:				
Interest income			2,610,560	6,640,956
Unrealised loss on other investments			(2,227,537)	(24,371,405)
Provision for diminution in value of investment securities			(12,136,047)	-
Impairment of goodwill previously included in capital reserve (Note 1 (e))			-	(172,098,468)
Others			(5,339,328)	(5,521,487)
			<u>(45,841,288)</u>	<u>(211,044,401)</u>

3 Operating loss

	Six months ended 30th September	
	2001	2000
	HK\$	HK\$
Operating loss is stated after charging the following:		
Depreciation		
Owned property, plant and equipment	6,039,648	4,030,295
Leased property, plant and equipment	53,429	123,163
Additional provision for depreciation on property, plant and equipment	2,840,218	-
Unrealised loss on revaluation of other investments	2,227,537	24,371,405
Provision for diminution in value of investment securities	12,136,047	-
Impairment of goodwill previously included in capital reserve (<i>Note 1 (e)</i>)	-	172,098,468
	<u>-</u>	<u>172,098,468</u>

4 Taxation

No provision for Hong Kong or overseas profits tax has been made as the Group has no estimated assessable profit for the period (2000: Nil).

5 Dividend

	Six months ended 30th September	
	2001	2000
	HK\$	HK\$
Interim, proposed, of nil cent (2000: 1 cent) per share	<u>-</u>	<u>4,668,860</u>

6 Loss per share

The calculation of loss per share is based on the Group's loss attributable to shareholders of HK\$48,578,731 (2000: HK\$211,060,399) and on the weighted average number of 466,886,000 (2000: 466,886,000) ordinary shares in issue during the period.

Diluted loss per share is not presented as the exercise of the outstanding share options of the Company would be anti-dilutive (2000: N/A).

7 Accounts receivable

The Group has granted credit to substantially all its trade debtors ranging from 14 to 90 days. The ageing analysis of accounts receivable is as follows:

	0-3 months HK\$	4-6 months HK\$	Over 6 months HK\$	Total HK\$
Balance at 30th September 2001	<u>2,722,780</u>	<u>238,291</u>	<u>64,765</u>	<u>3,025,836</u>
Balance at 31st March 2001	<u>4,367,678</u>	<u>302,299</u>	<u>660,185</u>	<u>5,330,162</u>

8 Trade and other payables

Included in trade and other payables are trade payables and their ageing analysis is as follows:

	0-3 months HK\$	4-6 months HK\$	Over 6 months HK\$	Total HK\$
Balance at 30th September 2001	<u>2,159,058</u>	<u>799,825</u>	<u>-</u>	<u>2,958,883</u>
Balance at 31st March 2001	<u>2,433,364</u>	<u>447,983</u>	<u>417,534</u>	<u>3,298,881</u>

9 Reserves

	General reserve HK\$	Asset replacement reserve HK\$	Property revaluation reserve HK\$
At 1st April 2000			
– as previously reported	2,000,000	5,150,000	514,758
– effect of adopting SSAP 9 (revised) (Note 1 (a))	–	–	–
– as restated	2,000,000	5,150,000	514,758
2000 final dividend paid	–	–	–
Goodwill on acquisition of subsidiaries	–	–	–
Realisation of goodwill on deemed disposal of a subsidiary	–	–	–
Loss for the year ended 31st March 2001			
– as previously reported	–	–	–
– effect of adopting SSAP 31 (Note 1 (e))	–	–	–
– as restated	–	–	–
Exchange differences arising on translation of subsidiaries	–	–	–
2001 interim dividend paid	–	–	–
At 31st March 2001	<u>2,000,000</u>	<u>5,150,000</u>	<u>514,758</u>
At 1st April 2001			
– as previously reported	2,000,000	5,150,000	514,758
– effect of adopting SSAP 31	–	–	–
– as restated	2,000,000	5,150,000	514,758
Loss for the period ended 30th September 2001	–	–	–
Exchange differences arising on translation of subsidiaries	–	–	–
At 30th September 2001	<u>2,000,000</u>	<u>5,150,000</u>	<u>514,758</u>

Contributed surplus HK\$	Share premium HK\$	Capital redemption reserve HK\$	Capital reserve HK\$	Exchange reserve HK\$	Retained profit/ (Accumulated) losses) HK\$	Total HK\$
23,211,664	241,220,697	176,000	(173,183,014)	-	239,142,695	338,232,800
-	-	-	-	-	9,337,720	9,337,720
23,211,664	241,220,697	176,000	(173,183,014)	-	248,480,415	347,570,520
-	-	-	-	-	(9,337,720)	(9,337,720)
-	-	-	(1,689,808)	-	-	(1,689,808)
-	-	-	5,748,089	-	-	5,748,089
-	-	-	-	-	(81,169,079)	(81,169,079)
-	-	-	168,040,187	-	(168,040,187)	-
-	-	-	168,040,187	-	(249,209,266)	(81,169,079)
-	-	-	-	(108,234)	-	(108,234)
-	-	-	-	-	(4,668,860)	(4,668,860)
<u>23,211,664</u>	<u>241,220,697</u>	<u>176,000</u>	<u>(1,084,546)</u>	<u>(108,234)</u>	<u>(14,735,431)</u>	<u>256,344,908</u>
23,211,664	241,220,697	176,000	(169,124,733)	(108,234)	153,304,756	256,344,908
-	-	-	168,040,187	-	(168,040,187)	-
23,211,664	241,220,697	176,000	(1,084,546)	(108,234)	(14,735,431)	256,344,908
-	-	-	-	-	(48,578,731)	(48,578,731)
-	-	-	-	155,355	-	155,355
<u>23,211,664</u>	<u>241,220,697</u>	<u>176,000</u>	<u>(1,084,546)</u>	<u>47,121</u>	<u>(63,314,162)</u>	<u>207,921,532</u>

10 Commitments

(a) Capital commitments

	30th September	31st March
	2001	2001
	HK\$	HK\$
Contracted but not provided for in respect of		
– investment in investment securities	<u>21,454,900</u>	<u>25,354,750</u>

(b) Commitments under operating leases

At 30th September 2001, the Group had total future aggregate minimum lease payments under non-cancellable operating leases as follows:

	30th September	Restated
	2001	31st March
	HK\$	HK\$
Land and buildings		
Within one year	2,403,215	2,280,941
In the second to fifth year inclusive	<u>1,420,117</u>	<u>1,898,173</u>
	<u>3,823,332</u>	<u>4,179,114</u>
Others		
Within one year	273,621	216,638
In the second to fifth year inclusive	<u>84,988</u>	<u>162,569</u>
	<u>358,609</u>	<u>379,207</u>

11 Related party transactions

Significant related party transactions, which were carried out in the normal course of the Group's business are as follows:

	Six months ended	
	30th September	
	2001	2000
	HK\$	HK\$
Royalty to a fellow subsidiary	<u>57,749</u>	<u>134,245</u>

12 Subsequent event

After the period end, the directors proposed that the share premium account of the Company be reduced by an amount of HK\$164.8 million ("the Capital Reduction"). The credit arising shall first be applied to reduce the accumulated losses account of the Company amounting to HK\$97.3 million as at 30 September 2001, while the remaining balance of HK\$67.5 million be credited to the Company's contributed surplus account. The Capital Reduction is conditional upon shareholders' approval.

INTERIM DIVIDENDS

The Directors do not recommend the payment of an interim dividend.

LIQUIDITY, CAPITAL STRUCTURE AND TREASURY MANAGEMENT

The Group maintains a conservative approach to cash management and risk controls. To achieve better risk controls and efficient fund management, the Group's treasury activities are centralised. More than 90 per cent of the Group's receipts and payments are in Hong Kong dollars. Cash and bank balance are mainly denominated in either Hong Kong dollars or United States dollars. As at 30th September 2001, the Group had cash and bank balance of HK\$123 million of which HK\$100 million had been pledged to secure a Taiwan dollar loan. The Group had banking facilities of HK\$40 million of which HK\$38 million had been utilised. The Group's total debts stood at HK\$127 million at the end of this period and the ratio of total debts to total capital employed was 33%. All bank loans outstanding at the period-end were denominated in foreign currencies to minimize our foreign exchange risk exposure over our investments in Taiwan and Japan respectively. The bank loans are repayable within one year and bear interest at prevailing market rates.

	30th September 2001		31st March 2001	
	HK\$	%	HK\$	%
Bank loans	126,762,001	33	129,608,500	30
Shareholders' equity	254,610,132	67	303,033,508	70
Total capital employed	<u>381,372,133</u>	<u>100</u>	<u>432,642,008</u>	<u>100</u>

PLEDGE OF ASSETS

As at 30th September 2001, a property in Hong Kong with carrying value of HK\$42 million has been pledged to secure general banking facilities of HK\$40 million granted to the Group.

EMPLOYEE REMUNERATION POLICY

As at 30th September 2001, the Group had 175 employees. Total salaries and related costs incurred for the period ended 30th September 2001 amounted to HK\$24 million. The Group's remuneration policies are in line with prevailing market practices and formulated on the basis of the performance and experience of individual employees.

BUSINESS REVIEW AND PROSPECTS

The period under review, underscored by the global economic slowdown, was indeed a testing period for all the operating subsidiaries of our Group. Turnover of the Group, amounting to HK\$22.7 million, showed a decline of 25% as compared to the corresponding period of the previous year.

QuotePower International Limited, our 96.66% subsidiary in financial quotation services and on-line trading platform, generated the largest share of the Group's revenue during the period. While QuotePower's turnover for the period has contracted as compared to the corresponding period in the previous year, its subscriber number for Web-based information services still registered a growth despite the doldrums of the domestic equity market. We believe that with a more stringent cost control and a re-focus on existing core products, QuotePower should be able to turn around within a very short time. Towards this goal, we have since October 2001 restructured QuotePower substantially and closed our overseas development centres conceived for developing new high-end financial software products. We aim to achieve savings of over HK\$1.5 million a month as a result of the measures implemented in recent months.

Due to the slowdown in corporate technology spending, ABC NET's revenue for the period was flat as compared to the same period of the previous year. Its losses have been reduced as a result of cost-control exercises. Further cost-cutting measures are being implemented to contain our cash outflow.

The slow roll-out of wireless data networks worldwide has been a grave disappointment to ABC QuickSilver Limited, a technology company focused on the development of wireless data solutions. We however are gratified to see the market beginning to pick up in recent weeks, with ABC QuickSilver having secured a sales order for one of its products from a local University and in the process of negotiations for several others.

BUSINESS REVIEW AND PROSPECTS *(Continued)*

The negative market sentiment towards telecommunications investments has impacted on the performance of our Group during the period under review. An unrealised loss of HK\$2.2 million was provided in respect of our investments in EasyCall. For the sake of prudence, a further provision of HK\$12 million was also made in respect of our investments in Taiwan's SaveCom Limited, a paging and Internet operation.

Our investments in Taiwan's leading cellular operator, Far Eastone, are meanwhile beginning to mature. We believe the listing of Far Eastone's shares this month in Taiwan should allow the intrinsic value of our Group's assets to be more fully reflected in our share price.

ANALYSIS OF GROUP PERFORMANCE

Except for those discussed above, matters set out in Appendix 16 Paragraph 32 of the Rule Governing the Listing of Securities have not changed materially from the information disclosed in the most recently published annual report.

PURCHASE, SALE OR REDEMPTION OF SHARES

The company has not redeemed any of its shares during the period. Neither the company nor any of its subsidiaries has purchased or sold any of the company's shares during the period.

DIRECTORS' INTERESTS

At 30th September 2001, the interests of the directors in the shares and options of the company and its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance"), as recorded in the register maintained by the company under Section 29 of the Securities (Disclosure of Interests) Ordinance or as notified to the company were as follows:

Name	Personal interests	Number of Ordinary Shares			Total interests
		Corporate interests	Family interests		
George Ho	14,222,000	263,025,600	-	-	277,247,600
Michael Tse Chi Hung	12,160,006	-	-	-	12,160,006
Patricia Yeung Shuk Kwan	4,950,400	-	-	-	4,950,400
Leung Kwok Kit	1,906,600	-	1,400,000	-	3,306,600
George Joseph Ho	3,336,000	-	-	-	3,336,000

DIRECTORS' INTERESTS (Continued)

Rights in respect of which options are held/exercisable under the Company's Employee Share Option Scheme:

Name of Director	Outstanding Options	Exercise Price	Exercise Period
Patricia Yeung Shuk Kwan	1,000,000	\$1.41	23 March 2000 to 22 February 2010
	1,000,000	\$1.41	23 February 2001 to 22 February 2010
George Joseph Ho	250,000	\$1.41	23 March 2000 to 22 February 2010
	250,000	\$1.41	23 February 2001 to 22 February 2010

Notes:

- (i) H.C.B.C. Communications (International) Limited and its parent, H.C.B.C. Enterprises Limited, together held 263,025,600 shares of the Company, Mr. George Ho is deemed to be interested in the voting shares of H.C.B.C. Communications (International) Limited and H.C.B.C. Enterprises Limited as a result of his holdings in H.C.B.C. Enterprises (BVI) Limited, the ultimate holding company of H.C.B.C. Enterprises Limited.

As at 30th September 2001, the directors' interests in associated corporations of the Company (within the meaning of the "SDI Ordinance") were as follows:

- (a) Mr. George Ho held 18,112 non-voting "B" shares in H.C.B.C. Communications (International) Limited. H.C.B.C. Enterprises Limited held all the issued 312,000 "A" voting shares and 11,474 non-voting "B" shares in H.C.B.C. Communications (International) Limited.
- (b) Mr. George Ho was beneficially interested in 100,000 Management Shares and 795,600 Ordinary Shares, in H.C.B.C. Enterprises (BVI) Limited. Mr. George Ho was beneficially interested in 32.40 per cent in the issued share capital of Goddard & Company Limited. Goddard & Company Limited held 5,000 Management Shares and 933,250 Ordinary Shares of H.C.B.C. Enterprises (BVI) Limited. H.C.B.C. Enterprises (BVI) Limited held all the issued share capital of H.C.B.C. Enterprises Limited.

DIRECTORS' INTERESTS *(Continued)*

- (c) Those directors set out below were personally interested in the following numbers of non-voting Deferred Shares in the capital of ABC Communications Limited, a subsidiary of the Company:

Name	Number of Deferred Shares
George Ho	10,605(i)
Michael Tse Chi Hung	11,642
Patricia Yeung Shuk Kwan	4,000
Leung Kwok Kit	5,900

Note:

- (i) Mr. George Ho also held corporate interests through H.C.B.C. Enterprises Limited in 190,690 non-voting Deferred Shares in the capital of ABC Communications Limited.

Save as disclosed in the above paragraphs, as at 30th September 2001 none of the directors or any chief executive of the Company or any of their spouse or children under the age of 18 years had any (nor was deemed under the "SDI Ordinance" to have any) interests in the securities of the Company or any associated corporation (within the meaning of the "SDI Ordinance") which were required to be entered in the register kept by the Company pursuant to the "SDI Ordinance".

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE COMPANY

As at 30th September 2001, the only person (other than the directors and the chief executive of the Company) having an interest of more than 10 per cent in the issued capital of the Company as recorded in the register kept by the Company pursuant to Section 16(1) of the "SDI Ordinance" was as follows:

Name	Number of Ordinary Shares held
H.C.B.C. Enterprises (BVI) Limited	263,025,600

Save as disclosed herein, there is no person known to the directors who, as at 30th September 2001, was directly or indirectly interested in 10 per cent or more of the nominal value of any class of share capital of the Company which are required to be recorded in the register kept under section 16(1) of the SDI Ordinance.

COMPLIANCE WITH CODE OF BEST PRACTICE

None of the Directors of the Company is aware of information which would indicate that the Group is not, or was not, in compliance with the code of Best Practice as set out in Appendix 14 of the Listing Rules of The Stock Exchange of Hong Kong Limited at any time during the six months ended 30th September 2001 except that non-executive Directors are not appointed for a specific term because they are subject to rotation at Annual General Meetings in accordance with Article 103 of the Articles of Association.

AUDIT COMMITTEE

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters including a review of the unaudited interim accounts for the six months ended 30th September 2001 with the directors.

By Order of the Board
Patricia Yeung Shuk Kwan
Managing Director

Hong Kong, 17th December 2001