

PROSPECTS

Taking into account the impact of the tragic event on 11th September which has further dampened the world economy, the business environment in the second half of the year is expected to be highly competitive and more difficult. The Board believes that the Group's business will not be significantly improved in the near future, although the benefit from the enhanced production facilities will be steadily realized.

In view of this unprecedented difficult business environment, the Group will continuously focus in cutting costs, rationalizing its operations, pursuing a cautionary credit policy for its customers and improving product quality in order to achieve a better return for its shareholders.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30th September, 2001, the Group's shareholders' equity amounted to HK\$291,079,000, while total debts came to HK\$25,000. The ratio of total debts to shareholders' equity is immaterial and the current ratio is 3.1. Net cash on hand was approximately HK\$31,384,000. The Board believes that the Group's sound and healthy financial position will enable it to discharge its debts, finance its operation in such difficult and competitive business environment and explore other business development opportunities.

STAFF AND REMUNERATION POLICIES

As at 30th September, 2001, the Group had approximately 810 employees. The Group mainly determines staff remuneration in accordance with market terms and individual qualifications.

The Company maintains a share option scheme, pursuant to which share options are granted to selected eligible executives, with a view to provide senior management with an appropriate incentive interest in the growth of the Group.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

At 30th September, 2001, the interests of the directors and chief executives and their associates in the shares 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:

	Number of shares held	
	Personal interests	Other interests
Mr. Li Man Ching	—	682,310,000
Ms. Li Mei Lin	—	682,310,000
Mr. Li Man Shun	—	682,310,000
Mr. Li Man Tak	23,430,000	682,310,000

Note: Mr. Li Man Ching, Ms. Li Mei Lin, Mr. Li Man Shun and Mr. Li Man Tak beneficially own 24,300 shares, 22,500 shares, 21,600 shares and 21,600 shares, respectively, in Rayten Limited, representing 27 per cent, 25 per cent, 24 per cent and 24 per cent, respectively, of the issued share capital of Rayten Limited, which in turn owns 682,310,000 shares of HK\$0.10 each in the Company.

Other than as disclosed above, none of the directors and chief executives or their associates had any interests in any securities of the Company or any of its associated corporations as defined in the SDI Ordinance.

DIRECTORS' AND CHIEF EXECUTIVES' RIGHTS TO ACQUIRE SHARES

Other than the share option scheme of the Company, at no time during the six months ended 30th September, 2001 was the Company or any of its holding company, subsidiaries or fellow subsidiaries a party to any arrangement to enable the directors or chief executives of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the directors, chief executives or their spouses or children under the age of 18 had any right to subscribe for the securities of the Company, or had exercised any such right during the year.

SUBSTANTIAL SHAREHOLDERS

Other than the interest as disclosed above in respect of certain directors and their associates, the register required to be maintained under Section 16(1) of the SDI Ordinance shows that the Company had not been notified of the existence of any interest representing 10% or more of the issued share capital of the Company as at 30th September, 2001.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the six months ended 30th September, 2001, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

None of the directors is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the six months ended 30th September, 2001, in compliance with the "Code of Best Practice" as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

By Order of the Board
Li Man Ching
Chairman

Hong Kong, 28th December, 2001