

SKYNET (INTERNATIONAL GROUP)
HOLDINGS LIMITED



INTERIM REPORT
For the six months ended 30 September 2001

RESULTS

The board of directors (“Directors”) of Skynet (International Group) Holdings Limited (the “Company”) announces the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 September 2001. The interim results of the Group for the six months ended 30 September 2001 are unaudited and have been reviewed by the Company’s auditors.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2001

		Six months ended	
		30 September	
		2001	2000
		(Unaudited)	(Unaudited and restated)
	<i>Notes</i>	HK\$'000	HK\$'000
Turnover	4	27,569	251,808
Cost of sales		(27,944)	(229,565)
Gross (loss) profit		(375)	22,243
Other revenue		2,956	10,212
Selling expenses		(411)	(4,634)
Administrative expenses		(63,815)	(37,873)
Loss from operations		(61,645)	(10,052)
Finance costs		(1,938)	(1,239)
Gain on deemed partial disposal of an associate		6,872	37,437
Gain on deemed partial disposal of a subsidiary		–	13,729
Impairment of goodwill		(5,879)	(767)
(Loss) gain on disposal/partial disposal of subsidiaries		(2,866)	1,000
Share of results of associates		(19,685)	(18,665)
(Loss) profit before taxation	5	(85,141)	21,443
Taxation credit (charge)	6	1,033	(23)
(Loss) profit before minority interests		(84,108)	21,420
Minority interests		10,069	(1,672)
Net (loss) profit for the period		(74,039)	19,748
(Loss) earnings per share (<i>cents</i>)	7		
Basic		(1.76)	0.58
Diluted		N/A	0.57

CONDENSED CONSOLIDATED BALANCE SHEET

At 30 September 2001

	<i>Notes</i>	30 September 2001 (Unaudited) HK\$'000	31 March 2001 (Audited) HK\$'000
Non-current assets			
Property, plant and equipment	8	67,706	85,343
Interests in associates	9	31,201	26,063
		98,907	111,406
Current assets			
Inventories		52,451	93,286
Taxation recoverable		406	391
Amounts due from customers for contract work		–	4,216
Amounts due from associates		22,260	21,405
Trade debtors	10	1,477	28,734
Other debtors, deposits and prepayments		18,032	17,483
Bank balances and cash		11,402	6,739
		106,028	172,254
Current liabilities			
Amounts due to customers for contract work		–	8,296
Amounts due to associates		556	136
Bills payable and import loans		396	7,888
Trade creditors	11	3,569	6,313
Other creditors and accruals		29,967	22,802
Taxation		131	2,544
Short-term unsecured bank loan		22,500	22,500
Bank overdrafts		9,048	7,580
		66,167	78,059
Net current assets		39,861	94,195
		138,768	205,601
Capital and reserves			
Share capital	12	90,142	82,142
Reserves	13	16,601	81,365
		106,743	163,507
Minority interests		32,025	42,094
		138,768	205,601

CONDENSED CONSOLIDATED STATEMENT OF RECOGNISED GAINS AND LOSSES

For the six months ended 30 September 2001

	Six months ended	
	30 September	
	2001	2000
	(Unaudited)	(Unaudited and restated)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Exchange adjustment not recognised in the income statement	75	(281)
Net (loss) profit for the period	(74,039)	19,748
	<hr/>	<hr/>
Total recognised gains and losses	(73,964)	19,467
	<hr/> <hr/>	<hr/> <hr/>
Prior period adjustment arising from the effects of changes in accounting policies (see Note 3)		
– Decrease in accumulated profits	(41,997)	(63,276)
– Decrease in goodwill surplus	41,997	63,276
	<hr/>	<hr/>
	–	–
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CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 September 2001

	Notes	Six months ended 30 September	
		2001 (Unaudited) HK\$'000	2000 (Unaudited) HK\$'000
NET CASH (OUTFLOW) INFLOW FROM OPERATING ACTIVITIES		<u>(8,602)</u>	<u>55,076</u>
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		118	2,722
Interest paid		(1,592)	(1,238)
NET CASH (OUTFLOW) INFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		<u>(1,474)</u>	<u>1,484</u>
TAXATION			
Hong Kong Profits Tax paid		(1,839)	(511)
Hong Kong Profits Tax refunded		365	–
TAX PAID		<u>(1,474)</u>	<u>(511)</u>
INVESTING ACTIVITIES			
Acquisition of an associate		(39)	–
Purchase of property, plant and equipment		(299)	(3,101)
Proceeds from disposal of property, plant and equipment		115	–
Proceeds from disposal of subsidiaries (net of cash and cash equivalents disposed of)	16	14,893	–
Expenditure on factory under construction		–	(360)
Increase in investment in securities		–	(9,710)
NET CASH INFLOW (OUTFLOW) FROM INVESTING ACTIVITIES		<u>14,670</u>	<u>(13,171)</u>
NET CASH INFLOW BEFORE FINANCING		<u>3,120</u>	<u>42,878</u>
FINANCING			
Issue of shares		–	304
Repayment of bank loans		–	(12,500)
NET CASH OUTFLOW FROM FINANCING		<u>–</u>	<u>(12,196)</u>
INCREASE IN CASH AND CASH EQUIVALENTS		<u>3,120</u>	<u>30,682</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD		<u>(23,341)</u>	<u>6,985</u>
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		<u>75</u>	<u>–</u>
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD		<u><u>(20,146)</u></u>	<u><u>37,667</u></u>
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS			
Bank balances and cash		11,402	37,667
Bank overdrafts		(9,048)	–
Short-term unsecured bank loan		(22,500)	–
		<u><u>(20,146)</u></u>	<u><u>37,667</u></u>

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 September 2001

1. Basis of preparation

The condensed financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and with Statement of Standard Accounting Practice 25 “Interim Financial Reporting” issued by the Hong Kong Society of Accountants.

In preparing the condensed financial statements, the Directors have given careful consideration to the future liquidity of the Group. The Group is currently in breach of a covenant in respect of certain banking facilities; the amount utilised was approximately HK\$49,731,000 as at 30 September 2001. As a result of the above, the Group is currently dependent on the support of its bankers.

2. Principal accounting policies

The condensed financial statements have been prepared under the historical cost convention.

The accounting policies adopted are consistent with those followed in the Group’s annual financial statements for the year ended 31 March 2001, except as disclosed below.

In the current period, the Group has adopted, for the first time, a number of new and revised Statements of Standard Accounting Practice issued by the Hong Kong Society of Accountants, which has resulted in the adoption of the following revised accounting policy.

Segment reporting

In the current period, the Group has changed the basis of identification of reportable segments to that required by SSAP 26 Segment Reporting. Segment disclosures for the six months ended 30 September 2000 have been amended so that they are presented on a consistent basis.

Goodwill

In the current period, the Group has adopted Statement of Standard Accounting Practice 30 “Business Combinations” (“SSAP 30”) and has elected not to restate goodwill previously eliminated against reserves. However, impairment losses in respect of goodwill that arose between the date of acquisition of the relevant subsidiaries and associates and the date of adoption of SSAP 30 have been recognised retrospectively (see Note 3).

Goodwill arising on acquisitions after 1 April 2001 is capitalised and amortised over its estimated useful life, i.e. over periods ranging from 5 to 20 years, as appropriate. Negative goodwill arising on acquisitions after 1 April 2001 is presented as a deduction from assets and will be released to the income statement based on an analysis of the circumstances from which the balance resulted.

3. Prior period adjustments

The effect of the adoption of SSAP 30 described in Note 2 is summarised below:–

	Accumulated profits (losses)	Goodwill surplus	Total
	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>
Balance at 1 April 2000			
As originally stated	127,815	(63,276)	64,539
Retrospective recognition of impairment of goodwill held in reserves	(63,276)	63,276	–
As restated	64,539	–	64,539

3. Prior period adjustments (continued)

The effect of these changes in accounting policies on the results for the current and prior periods is as follows:–

	6 months ended 30 September 2001 HK\$'000	12 months ended 31 March 2001 HK\$'000	6 months ended 30 September 2000 HK\$'000
Impairment of goodwill	<u>–</u>	<u>41,997</u>	<u>767</u>

4. Segment information

The Group's turnover and contribution to loss from operations, analysed by business and geographical segments are as follows:–

	Six months ended 30 September			
	2001 (Unaudited)	Contribution to loss from operations	2000 (Unaudited)	Contribution to loss from operations
	Turnover HK\$'000	HK\$'000	Turnover HK\$'000	HK\$'000
By business segments:–				
IT services	3,438	(6,484)	4,405	(13,763)
Provision of installation services	15,940	(1,547)	69,018	1,582
Wholesaling of marble and granite products and marble fittings	8,191	(53,614)	82,343	(291)
Proceeds from sale of trading securities	–	–	96,042	2,420
	<u>27,569</u>	<u>(61,645)</u>	251,808	(10,052)
Inter-segment sales:–				
Wholesaling of marble and granite products and marble fittings	4,845		173,174	
	<u>32,414</u>		424,982	
Eliminations	(4,845)		(173,174)	
Consolidated turnover	<u>27,569</u>		<u>251,808</u>	
Loss from operations		<u>(61,645)</u>		<u>(10,052)</u>
By geographical segments:–				
External sales:–				
Hong Kong	27,442	(47,040)	226,486	(6,432)
Other regions in the People's Republic of China ("PRC")	127	(14,605)	25,322	(3,620)
	<u>27,569</u>	<u>(61,645)</u>	251,808	(10,052)
Inter-segment sales:–				
Hong Kong	2,814		14,926	
PRC	2,031		158,248	
	<u>4,845</u>		173,174	
	<u>32,414</u>		424,982	
Eliminations	(4,845)		(173,174)	
Consolidated turnover	<u>27,569</u>		<u>251,808</u>	
Loss from operations		<u>(61,645)</u>		<u>(10,052)</u>

5. (Loss) profit before taxation

Six months ended 30 September	
2001 (Unaudited) HK\$'000	2000 (Unaudited) HK\$'000

(Loss) profit before taxation has been arrived at after charging:-

Depreciation	5,244	5,937
Interest on borrowings	<u>1,938</u>	<u>1,239</u>

6. Taxation credit (charge)

Six months ended 30 September	
2001 (Unaudited) HK\$'000	2000 (Unaudited) HK\$'000

The credit (charge) comprises:-

The Company and subsidiaries

Income tax for the period

Other jurisdictions

Prior periods:-

Hong Kong

-	(23)
<u>1,033</u>	-
<u>1,033</u>	<u>(23)</u>

Hong Kong Profits Tax is calculated at 16% (2000: 16%) of the estimated assessable profits for the period. Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

7. (Loss) earnings per share

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

Six months ended 30 September	
2001 (Unaudited) HK\$'000	2000 (Unaudited) HK\$'000

(Loss) earnings

Net (loss) profit for the period for the purpose of basic (loss) earnings per share

<u>(74,039)</u>	<u>19,748</u>
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Number of shares

Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share

<u>4,212,017,987</u>	3,429,789,126
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Effect of dilutive potential ordinary shares

Warrants

Share options

36,225,460
<u>280,633</u>

Weighted average number of ordinary shares for the purpose of diluted earnings per share

<u>3,466,295,219</u>

No diluted loss per share for the period ended 30 September 2001 has been presented as the exercise of the share options would result in a reduction in loss per share.

8. Movements in property, plant and equipment

During the period, the Group acquired property, plant and equipment at cost of approximately HK\$299,000.

In addition, the Group disposed of property, plant and equipment of approximately HK\$2,873,000 to an associate and wrote off property, plant and equipment of approximately HK\$9,096,000.

9. Interests in associates

	30 September 2001 (Unaudited) HK\$'000	31 March 2001 (Audited) HK\$'000
Share of net assets	8,506	26,063
Goodwill on acquisition	22,695	–
	<u>31,201</u>	<u>26,063</u>

10. Trade debtors

The Group does not define a fixed credit policy.

The following is an aged analysis of trade debtors at the reporting date:–

	30 September 2001 (Unaudited) HK\$'000	31 March 2001 (Audited) HK\$'000
Within 60 days	45	11,994
61 - 90 days	89	7,933
Over 90 days	1,343	8,807
	<u>1,477</u>	<u>28,734</u>

11. Trade creditors

The following is an aged analysis of trade creditors at the reporting date:–

	30 September 2001 (Unaudited) HK\$'000	31 March 2001 (Audited) HK\$'000
Within 60 days	–	3,763
61 - 90 days	–	2,012
Over 90 days	3,569	538
	<u>3,569</u>	<u>6,313</u>

12. Share capital

	Number of shares	Amount HK\$'000
Issued and fully paid ordinary shares of HK\$0.02 each:–		
At 1 April 2000	3,428,914,945	68,578
Issue of shares	676,909,722	13,538
Exercise of share options	1,275,000	26
	4,107,099,667	82,142
At 31 March 2001	4,107,099,667	82,142
Issue of shares at HK\$0.043 per share	400,000,000	8,000
Exercise of warrants at an exercise price of HK\$0.14 per share	290	–
	4,507,099,957	90,142
At 30 September 2001	4,507,099,957	90,142

13. Reserves

	Exchange reserve HK\$'000	Share premium account HK\$'000	Contributed surplus HK\$'000	Capital redemption reserve HK\$'000	Goodwill surplus HK\$'000	Accumulated profits (losses) HK\$'000	Total HK\$'000
At 1 April 2000							
– as originally stated	812	390,683	180,801	255	(63,276)	127,815	637,090
– prior period adjustment (Note 3)	–	–	–	–	63,276	(63,276)	–
	812	390,683	180,801	255	–	64,539	637,090
Shares issued at premium	–	91,471	–	–	–	–	91,471
Share issue expenses	–	(2,711)	–	–	–	–	(2,711)
Goodwill on acquisition of additional interest of a subsidiary	–	–	–	–	(34,036)	–	(34,036)
Goodwill on acquisition of a subsidiary	–	–	–	–	(4,546)	–	(4,546)
Goodwill on acquisition of associates	–	–	–	–	(4,182)	–	(4,182)
Impairment of goodwill	–	–	–	–	767	–	767
Net loss for the year	–	–	–	–	–	(602,696)	(602,696)
Exchange differences on translation of overseas subsidiary	208	–	–	–	–	–	208
	1,020	479,443	180,801	255	(41,997)	(538,157)	81,365
At 31 March 2001	1,020	479,443	180,801	255	(41,997)	(538,157)	81,365
Prior period adjustment (Note 3)	–	–	–	–	41,997	(41,997)	–
	1,020	479,443	180,801	255	–	(580,154)	81,365
Shares issued at premium	–	9,200	–	–	–	–	9,200
Net loss for the period	–	–	–	–	–	(74,039)	(74,039)
Exchange differences on translation of overseas subsidiary	75	–	–	–	–	–	75
	75	–	–	–	–	–	75
At 30 September 2001	1,095	488,643	180,801	255	–	(654,193)	16,601

14. Contingent liabilities

	30 September 2001 (Unaudited) HK\$'000	31 March 2001 (Audited) HK\$'000
Outstanding performance bonds in respect of contract works	19,510	20,466
Discounted bills with recourse	–	1,318
Corporate guarantee in lieu of utility deposit	978	–
	<u>20,488</u>	<u>21,784</u>

15. Capital commitments

	30 September 2001 (Unaudited) HK\$'000	31 March 2001 (Audited) HK\$'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the financial statements	–	479

16. Disposal of subsidiaries

During the period, the Group disposed of 100% interests in the issued share capital of Perfect Marble Company Limited and Stone Haven Group Limited for an aggregate cash consideration of approximately HK\$23,000,000.

The effect of the disposal is summarised as follows:–

	<i>HK\$'000</i>
Net assets disposed of	<u>25,866</u>
Consideration	
– Cash received	17,500
– Consideration receivable at 30 September 2001 and included in other debtors	<u>5,500</u>
	<u><u>23,000</u></u>
Net cash inflow arising on disposal	
– Cash consideration received	17,500
– Bank balances and cash disposed of	<u>(2,607)</u>
	<u><u>14,893</u></u>

德勤·關黃陳方會計師行

Certified Public Accountants
26/F, Wing On Centre
111 Connaught Road Central
Hong Kong

香港中環干諾道中111號
永安中心26樓

**Deloitte
Touche
Tohmatsu**

INDEPENDENT REVIEW REPORT

TO THE BOARD OF DIRECTORS OF SKYNET (INTERNATIONAL GROUP) HOLDINGS LIMITED

Introduction

We have been instructed by the Company to review the interim financial report set out on pages 1 to 10.

Directors' responsibilities

The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with Statement of Standard Accounting Practice 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants and the relevant provisions thereof. The interim financial report is the responsibility of, and has been approved by, the directors.

Review work performed

We conducted our review in accordance with Statement of Auditing Standards 700 "Engagements to Review Interim Financial Reports" issued by the Hong Kong Society of Accountants. A review consists principally of making enquiries of group management and applying analytical procedures to the interim financial report and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the interim financial report.

Review conclusion

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the interim financial report for the six months ended 30 September 2001.

Deloitte Touche Tohmatsu
Certified Public Accountants

21 December 2001

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 September 2001 (2000: HK\$Nil per share).

MANAGEMENT DISCUSSION AND ANALYSIS**Business review**

For the six months ended 30 September 2001, the Group recorded a consolidated turnover of HK\$27.6 million, representing a drop of 89.1% from the corresponding period last year, and a net loss of HK\$74.0 million.

During the period, the Group's marble and granite business continued to suffer from the sluggish local property market and the adverse effects brought about by the slowdown of the United States economy. Despite the consecutive cuts in interest rates, consumer and investor confidence has not recovered, and the demand for residential units remained stagnant. Severe competition in the construction industry put considerable strain on the profit margin of the Group. Turnover from wholesaling of marble and granite products and marble fittings reduced from HK\$82.3 million to HK\$8.2 million, while turnover from provision of installation services decreased from HK\$69.0 million to HK\$15.9 million. In addition to the unfavourable property market conditions, this decline in the turnover from wholesaling, marble fittings and provision of installation services was also attributable to the sale in September 2001 of the entire interests in Perfect Marble Company Limited and Stone Haven Group Limited, the Group's wholly owned subsidiaries engaged in trading of marble and granite slabs and marble fitting construction work, at a consideration of HK\$23.0 million. In addition, the Group recorded an increase in administrative expenses during the period, which was mainly due to the making of a provision for inventories HK\$33.4 million.

Confronted with these challenges, the Group carried out a series of cost saving measures including cutting workforce and reducing overhead expenses in order to enhance its competitiveness. The Group also streamlined its operation by consolidating all the cutting operations in its marble and granite processing factory in Chashan in the PRC. The factory in Qixing will cease operation by the end of this year.

The operating environment of the Internet industry remained difficult following the burst of the technology boom in 2000. Revenue from information technology services during the period amounted to HK\$3.4 million. Share of loss of associates for the period was HK\$19.7 million, representing the Group's share of loss from three Internet websites, namely www.hkcyber.com, www.hkstock.com.hk and www.gameplayers.com.hk. However, the Group expects that the acquisition in August 2001 of a 50% interest in StockOnLine Corporation Limited, a leading financial information provider, at a consideration of HK\$17.2 million by the issue of 400,000,000 new shares of the Company would provide synergy to the Group's Internet business.

Liquidity and financial resources

As at 30 September 2001, the Group had a net current asset balance of HK\$39.9 million (31 March 2001: HK\$94.2 million) and a current ratio of 1.6 (31 March 2001: 2.2). Cash and bank balances as at 30 September 2001 were HK\$11.4 million (31 March 2001: HK\$6.7 million). Gearing ratio which is expressed as a ratio of total liabilities and minority interests to shareholders' funds was 0.9 (31 March 2001: 0.7).

The Group's short term unsecured bank loan as at 30 September 2001 amounted to HK\$22.5 million (31 March 2001: HK\$22.5 million) and bore floating interest rates while bank overdraft amounted to HK\$9.0 million (31 March 2001: HK\$7.6 million), all of which were denominated in Hong Kong dollars. Cash and cash equivalents were held mainly in Hong Kong dollars and Renminbi. The Group had no significant exposure to exchange rate fluctuation.

The Group is in breach of a covenant in respect of certain banking facilities. The amount of such banking facilities utilised was HK\$49.7 million as at 30 September 2001. The Group is currently negotiating with the bank to restructure these borrowings.

Contingent liabilities

As at 30 September 2001, the Group's contingent liabilities were HK\$20.5 million (31 March 2001: HK\$21.8 million), representing outstanding performance bonds in respect of contract works of HK\$19.5 million and corporate guarantee in lieu of utility deposit of HK\$1.0 million.

Employees and remuneration policies

The Group had approximately 270 employees as at 30 September 2001. The Group's remuneration policies are in line with prevailing market practices and formulated on the basis of performance and experience of the employees. Training is also provided to improve the calibre of the staff.

The Company maintains a share option scheme and no share options were granted or exercised during the period.

Prospects

The Group expects that the local property market will remain volatile and highly competitive. Local unemployment rate is on the rise and reached 5.8% for the quarter ended November 2001. The September 11 terrorist attacks in the United States accelerated the downturn of the local economy and undermined market sentiment, and market demand is unlikely to make a remarkable rebound in the near future. The implementation of the ten-month moratorium on the sale of Home Ownership Scheme flats and the subsequent ceiling on sales at not more than 9,000 flats a year up to 2005-06 will reduce tendering opportunities in the short run. The Group will continue to consolidate its business and maintain prudent control on costs.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES AND OPTIONS

(i) Shares

At 30 September 2001, the interests of the Directors and chief executives 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 (the "SDI Ordinance") were as follows:–

Name of Director	Number of ordinary shares held Personal interest
Li Sau Lin	209,780

(ii) Shares in an associate

At 30 September 2001, the following Director held interests in the shares of hkcyber.com (Holdings) Limited, a 27.50% owned associate of the Company, as follows:–

Name of Director	Number of ordinary shares held
Lo Chi Ho, William	31,250,000

(iii) Options

The following Director had personal interests in share options to subscribe for shares in the Company at exercise prices and exercisable periods as follows:–

Name of Director	Exercise price per share HK\$	Exercisable period	At 1.4.2001	Number of share options			At 30.9.2001
				Granted during the period	Exercised during the period	Lapsed during the period	
Lo Chi Ho, William	0.304	1.3.2000 to 28.2.2003	45,000,000	–	–	–	45,000,000
	0.039	15.2.2001 to 14.2.2004	50,000,000	–	–	–	50,000,000

Save as disclosed above, at no time during the period was the Company, or any of its subsidiaries, a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDER

At 30 September 2001, the register of substantial shareholders maintained by the Company pursuant to Section 16(1) of the SDI Ordinance showed that the following entity had an interest of 10% or more in the issued share capital of the Company:–

Name	Number of shares held	%
Companion Building Material (Holdings) Limited (“CBM”)	1,966,896,735 (<i>Note</i>)	43.64

Note: CBM has mortgaged 1,964,446,735 shares of the Company to Bestar Investment Limited (“Bestar”). Bestar is wholly owned by Mr. Wong Chun Mo.

Save as disclosed above, the Company has not been notified of any other interest representing 10% or more of the Company’s issued share capital at 30 September 2001.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

There was no purchase, redemption or sale of shares of the Company by the Company or any of its subsidiaries during the period.

CODE OF BEST PRACTICE

The Company has only one independent non-executive Director since 30 April 2001, which is non-compliance with Chapter 3.10 of the Listing Rules. No audit committee has been formed since that date.

Save as disclosed above and apart from the fact that the non-executive Directors are not appointed for a specific term as they are subject to retirement by rotation at the annual general meeting in accordance with the Company’s Bye-laws, none of the Directors is aware of any information that would reasonably indicate that the Company is not, or was not during the six months ended 30 September 2001, in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules.

By Order of the Board
Leung Kwok Kui
Chairman

Hong Kong, 21 December 2001