



YUE YUEN INDUSTRIAL (HOLDINGS) LIMITED
(incorporated in Bermuda with limited liability)

**UNAUDITED INTERIM RESULTS
FOR THE SIX MONTHS ENDED 31ST MARCH, 2002**

GROUP FINANCIAL HIGHLIGHTS

	For the six months ended 31st March,		Percentage increase/ (decrease)
	2002	2001	
Turnover (US\$'000)	909,199	896,087	1.46%
Profit from operations (US\$'000)	115,876	124,220	(6.72)%
Net profit for the period (US\$'000)	110,570	112,227	(1.48)%
Basic earnings per share (US cents)	15.7	15.9	(1.26)%
Interim dividend per share (HK dollars)	0.40	0.40	–

INTERIM RESULTS

The directors of Yue Yuen Industrial (Holdings) Limited (the “Company”) are pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 31st March, 2002 with comparative figures for the corresponding period in 2001 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

	For the six months ended 31st March,	
	2002	2001
	(unaudited)	(unaudited)
	<i>US\$'000</i>	<i>US\$'000</i>
Turnover (<i>Note 2</i>)	909,199	896,087
Cost of sales	<u>(666,457)</u>	<u>(659,412)</u>
Gross profit	242,742	236,675
Other revenue	26,927	29,599
Selling and distribution expenses	(30,269)	(27,262)
Administrative expenses	(85,153)	(79,154)
Other operating expenses (<i>Note 3</i>)	<u>(38,371)</u>	<u>(35,638)</u>
Profit from operations	115,876	124,220
Finance costs	(6,801)	(13,040)
Share of results of associates	(473)	665
Share of results of jointly controlled entities	<u>1,733</u>	<u>926</u>
Profit before taxation	110,335	112,771
Income tax expense (<i>Note 5</i>)	<u>(586)</u>	<u>(948)</u>
Profit before minority interests	109,749	111,823
Minority interests	<u>821</u>	<u>404</u>
Net profit for the period	<u><u>110,570</u></u>	<u><u>112,227</u></u>
Dividends (<i>Note 6</i>)	<u>36,525</u>	<u>36,263</u>
Earnings per share (<i>Note 7</i>)		
– Basic (US cents)	<u><u>15.7 cents</u></u>	<u><u>15.9 cents</u></u>
– Diluted (US cents)	<u><u>15.4 cents</u></u>	<u><u>15.3 cents</u></u>

CONDENSED CONSOLIDATED BALANCE SHEET

	At 31st March, 2002 (unaudited) US\$'000	At 30th September, 2001 (audited) (as restated) US\$'000
Non-current assets		
Investment properties	58,104	58,104
Property, plant and equipment	942,228	940,098
Interests in associates	26,756	25,361
Interest in jointly controlled entities	40,005	8,761
Investment securities	40,836	40,836
	<u>1,107,929</u>	<u>1,073,160</u>
Current assets		
Inventories	197,796	197,807
Trade and other receivables (<i>Note 9</i>)	292,890	240,381
Taxation recoverable	11,073	10,066
Other investments	2,110	2,110
Bank balances and cash	182,806	131,630
	<u>686,675</u>	<u>581,994</u>
Current liabilities		
Trade and other payables (<i>Note 10</i>)	205,118	191,326
Taxation payable	2,031	1,637
Short-term bank and other borrowings	140,902	323,933
	<u>348,051</u>	<u>516,896</u>
Net current assets	<u>338,624</u>	<u>65,098</u>
Total assets less current liabilities	<u>1,446,553</u>	<u>1,138,258</u>
Minority interests	<u>912</u>	<u>1,432</u>

CONDENSED CONSOLIDATED BALANCE SHEET (continued)

	At 31st March, 2002 (unaudited)	At 30th September, 2001 (audited) (as restated)
	<i>US\$'000</i>	<i>US\$'000</i>
Non-current liabilities		
Long-term bank loans	266,000	16,154
Other long-term loans	695	1,676
Loans from minority shareholders of subsidiaries	4,505	2,898
Deferred taxation	3,605	3,605
	<hr/>	<hr/>
	274,805	24,333
	<hr/>	<hr/>
	<u>1,170,836</u>	<u>1,112,493</u>
Capital and reserves		
Share capital (<i>Note 11</i>)	45,559	45,463
Reserves (<i>Note 12</i>)	1,125,277	1,067,030
	<hr/>	<hr/>
	<u>1,170,836</u>	<u>1,112,493</u>

CONDENSED CONSOLIDATED STATEMENT OF RECOGNISED GAINS AND LOSSES

	For the six months ended 31st March, 2002 (unaudited)	2001 (unaudited)
	<i>US\$'000</i>	<i>US\$'000</i>
Net profit for the period and total recognised gains	110,570	112,227
Negative goodwill arising on increasing the Group's interest in a subsidiary	—	1,327
	<hr/>	<hr/>
	<u>110,570</u>	<u>113,554</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	For the six months ended 31st March,	
	2002	2001
	(unaudited)	(unaudited)
	<i>US\$'000</i>	<i>US\$'000</i>
Net cash inflow from operating activities	119,923	91,754
Net cash outflow from returns on investments and servicing of finance	(57,507)	(58,872)
Net cash outflow from taxation	(1,019)	(2,198)
Net cash outflow from investing activities	<u>(79,174)</u>	<u>(105,632)</u>
Net cash outflow before financing activities	(17,777)	(74,948)
Net cash inflow from financing activities	<u>68,953</u>	<u>113,065</u>
Increase in cash and cash equivalents	51,176	38,117
Cash and cash equivalents brought forward	<u>131,630</u>	<u>117,317</u>
Cash and cash equivalents carried forward	<u><u>182,806</u></u>	<u><u>155,434</u></u>

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES

The condensed financial statements have been prepared in accordance with the Statement of Standard Accounting Practice (“SSAP(s)”) No. 25 “Interim financial reporting” issued by the Hong Kong Society of Accountants and the disclosure requirements set out in Appendix 16 of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. (“Listing Rules”).

In the opinion of the directors, the accounting policies adopted are consistent with those followed in the Group’s annual financial statements for the year ended 30th September, 2001, except that investment properties are not stated at their open market value based on independent professional valuations as at 31st March, 2002 and the Group has adopted the following accounting policies in accordance with a number of new and revised SSAPs.

Dividends proposed or declared after the balance sheet date

In accordance with SSAP 9 (Revised) “Events after the Balance Sheet Date”, dividends proposed or declared after the balance sheet date are not recognised as a liability at the balance sheet date, but are disclosed as a separate component of equity on the face of the balance sheet. This change in accounting policy has been applied retrospectively, resulting in a prior period adjustment. The effect of this change has been to increase the Group’s net assets at 1st October, 2000 and 2001 by US\$49,693,000 and US\$54,137,000 respectively.

Segment Reporting

The Group has disclosed segment revenue and results as defined under SSAP 26 “Segment Reporting”. In accordance with the Group’s internal financial reporting, the Group has determined that geographical segment be presented as the primary reporting format. Comparative figures of segment disclosures have been changed to conform with the current period’s presentation.

Goodwill

In the current period, the Group has adopted SSAP 30 “Business Combinations” and has elected not to restate goodwill (negative goodwill) previously eliminated against (credited to) reserves. Accordingly, goodwill arising on acquisitions prior to 1st October, 2001 is held in reserves and will be charged to the income statement at the time of disposal of the relevant subsidiary, associate or jointly controlled entity, or at such time as goodwill is determined to be impaired. Negative goodwill arising on acquisitions prior to 1st October, 2001 will be credited to income at the time of disposal of the relevant subsidiary, associate or jointly controlled entity.

Goodwill arising on acquisitions on or after 1st October, 2001 is capitalised and amortised over its estimated useful life. Negative goodwill arising on acquisitions on or after 1st October, 2001 is presented as a deduction from assets and will be released to income based on an analysis of the circumstances from which the balance resulted.

2. SEGMENT INFORMATION

The following is an analysis of the Group's sales and results by geographical market, irrespective of the origin of the goods:

	Turnover for the six months ended 31st March,		Contribution to profit from operations for the six months ended 31st March,	
	2002	2001	2002	2001
	US\$'000	US\$'000	US\$'000	US\$'000
Geographical segment				
United States of America	471,180	480,182	48,024	51,874
Europe	244,407	248,337	24,911	26,828
Asia	125,142	113,012	12,755	12,209
Other areas	68,470	54,556	6,978	5,894
	<u>909,199</u>	<u>896,087</u>	92,668	96,805
Other revenue			26,927	29,599
Unallocated expenses			<u>(3,719)</u>	<u>(2,184)</u>
Profit from operations			<u>115,876</u>	<u>124,220</u>

The Group has only one principal activity, namely sales of footwear and shoe-related products. Accordingly, no segmental analysis by business activity is presented.

3. OTHER OPERATING EXPENSES

	For the six months ended 31st March,	
	2002	2001
	US\$'000	US\$'000
Other operating expenses comprise:		
Research and development expenditure	31,940	27,320
Allowance for bad and doubtful debts	<u>269</u>	<u>7,400</u>

4. DEPRECIATION

During the period, charged against profit from operations was depreciation and amortisation of approximately US\$41,416,000 (2001: approximately US\$35,825,000) in respect of the Group's property, plant and equipment.

5. INCOME TAX EXPENSE

	For the six months ended 31st March,	
	2002	2001
	US\$'000	US\$'000
The charge comprises:		
Hong Kong Profits Tax	20	44
Overseas taxation	274	803
Share of taxation of an associate	184	101
Share of taxation of a jointly controlled entity	108	–
	<u>586</u>	<u>948</u>

Hong Kong Profits Tax is calculated at 16% of the estimated assessable profit for the period.

A substantial portion of the Group's profits neither arose in, nor was derived from, Hong Kong and therefore was not subject to Hong Kong Profits Tax.

Overseas taxation is calculated at the rates prevailing in the respective jurisdictions.

The Group had no significant unprovided deferred taxation for the period.

6. DIVIDENDS

	For the six months ended 31st March,	
	2002	2001
	US\$'000	US\$'000
2001 final, paid, of HK\$0.60 (2000 final: HK\$0.55) per ordinary share (<i>Note (i)</i>)	<u>54,137</u>	<u>49,594</u>
2002 interim, proposed, of HK\$0.40 (2001 interim: HK\$0.40) per ordinary share (<i>Note (ii)</i>)	<u>36,525</u>	<u>36,263</u>

Notes:

- (i) The previously recorded final dividends proposed and declared after the balance sheet date but accrued in the financial statements for the years ended 30th September, 2000 and 2001 were US\$49,693,000 and US\$54,137,000 respectively. Under the Group's new accounting policy as described in note 1, these have been written back against opening reserves as at 1st October, 2000 and 2001 respectively and are now charged in the period in which they were proposed and declared.
- (ii) At a meeting on 21st June, 2002, the directors of the Company declared an interim dividend of HK\$0.40 (2001 interim dividend of HK\$0.40) per share. The interim dividend will be payable on 19th July, 2002 to shareholders whose names appear on the Register of Members of the Company on 12th July, 2002. This proposed dividend is not reflected as a dividend payable in these interim condensed financial statements, but will be reflected as an appropriation of the accumulated profits for the year ending 30th September, 2002.

7. EARNINGS PER SHARE

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

	For the six months ended 31st March,	
	2002	2001
Earnings:		
Net profit for the period and earnings for the purpose of basic and diluted earnings per share	<u>US\$110,570,000</u>	<u>US\$112,227,000</u>
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	703,763,371	704,870,294
Effect of dilutive potential ordinary share in respect of share options	<u>13,661,454</u>	<u>26,422,749</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>717,424,825</u>	<u>731,293,043</u>

8. MOVEMENTS IN INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT

The directors are of the opinion that the market value of the Group's investment properties as at 31st March, 2002 is not materially different from carrying value of the investment properties. Accordingly, no valuation movement has been recognised in respect of the Group's investment properties in the period.

During the period, the Group spent approximately US\$47,722,000 on acquisition of property, plant and equipment.

9. TRADE AND OTHER RECEIVABLES

The Group has defined credit terms which are agreed with each of its trade customers.

Included in trade and other receivables are trade and bills receivables of US\$196,264,000 (30.9.2001: US\$161,252,000) and their aging analysis is as follows:

	At 31st March, 2002	At 30th September, 2001
	<i>US\$'000</i>	<i>US\$'000</i>
0 to 30 days	132,808	109,880
31 to 90 days	52,989	39,859
Over 90 days	<u>10,467</u>	<u>11,513</u>
	<u>196,264</u>	<u>161,252</u>

10. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade and bills payables of US\$121,845,000 (30.9.2001: US\$96,286,000) and their aging analysis is as follows:

	At 31st March, 2002	At 30th September, 2001
	<i>US\$'000</i>	<i>US\$'000</i>
0 to 30 days	89,848	67,347
31 to 90 days	20,488	17,012
Over 90 days	11,509	11,927
	<u>121,845</u>	<u>96,286</u>

11. SHARE CAPITAL

	No. of shares	Amounts expressed in thousands
<i>Authorised:</i>		
Ordinary shares of HK\$0.50 each		
– balance at 1st October, 2001 and 31st March, 2002	<u>1,000,000,000</u>	<u>HK\$500,000</u>
<i>Issued and fully paid:</i>		
Ordinary shares of HK\$0.50 each		
– balance at 1st October, 2001	703,680,953	HK\$351,840
– exercise of share options (<i>note</i>)	<u>1,500,000</u>	<u>HK\$750</u>
– balance at 31st March, 2002	<u>705,180,953</u>	<u>HK\$352,590</u>
Shown in the financial statements as at 31st March, 2002		<u>US\$ 45,559</u>
30th September, 2001		<u>US\$ 45,463</u>

Note: During the period, 1,500,000 share options were exercised at a subscription price of HK\$10.22 per share, resulting in the issue of 1,500,000 ordinary shares of HK\$0.50 each in the Company.

12. RESERVES

Movement of reserves are as follows:

	Share premium <i>US\$'000</i>	Investment properties revaluation reserve <i>US\$'000</i>	Goodwill reserve <i>US\$'000</i>	Special reserve <i>US\$'000</i>	Accumulated profits <i>US\$'000</i>	Total <i>US\$'000</i>
At 1st October, 2000 as						
– previously reported	363,740	14,750	(150,692)	(16,688)	692,097	903,207
– effect of adopting SSAP 9 (Revised) (<i>Note 1</i>)	–	–	–	–	49,693	49,693
– as restated	363,740	14,750	(150,692)	(16,688)	741,790	952,900
Surplus arising on revaluation of investment properties	–	677	–	–	–	677
Premium arising on issue of shares	5,775	–	–	–	–	5,775
Shares repurchased and cancelled	(20,656)	–	–	–	–	(20,656)
Share of post-acquisition reserve movement of associates	–	23	37	–	–	60
Released on partial disposal of interest in an associate	–	–	(4)	–	–	(4)
Share of reserve movement of a jointly controlled entity	–	–	5	–	–	5
Negative goodwill arising on increasing the Group's interest in a subsidiary	–	–	1,327	–	–	1,327
Net profit for the year	–	–	–	–	212,803	212,803
2000 final dividend paid	–	–	–	–	(49,594)	(49,594)
2001 interim dividend paid	–	–	–	–	(36,263)	(36,263)
At 30th September, 2001 before proposed dividend	348,859	15,450	(149,327)	(16,688)	868,736	1,067,030
Premium arising on issue of shares	1,869	–	–	–	–	1,869
Released on partial disposal of interest in an associate	–	(13)	(42)	–	–	(55)
Net profit for the period	–	–	–	–	110,570	110,570
2001 final dividend paid	–	–	–	–	(54,137)	(54,137)
At 31st March, 2002	<u>350,728</u>	<u>15,437</u>	<u>(149,369)</u>	<u>(16,688)</u>	<u>925,169</u>	<u>1,125,277</u>

The goodwill reserve comprises approximately US\$151,442,000 (year ended 30.9.2001: US\$151,442,000) in respect of goodwill and approximately US\$2,073,000 (year ended 30.9.2001: US\$2,115,000) in respect of negative goodwill.

13. CONTINGENCIES AND COMMITMENTS

	At 31st March, 2002 <i>US\$'000</i>	At 30th September, 2001 <i>US\$'000</i>
Export bills discounted with recourse	<u>–</u>	<u>10,794</u>
Guarantees given to banks in respect of credit facilities extended to jointly controlled entities	<u>207</u>	<u>339</u>
Capital expenditure contracted for but not provided in the financial statements in respect of		
– acquisition of property, plant and equipment	2,932	6,238
– amount committed for construction of buildings	5,064	8,479
– acquisition of an associate	<u>204</u>	<u>–</u>
	<u>8,200</u>	<u>14,717</u>

INTERIM DIVIDEND

The directors are pleased to declare an interim dividend of HK\$0.40 per share for the year ending 30th September, 2002 to shareholders whose names appear on the Register of Members on Friday, 12th July, 2002. The dividend will be paid on Friday, 19th July, 2002.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Monday, 8th July, 2002 to Friday, 12th July, 2002, both days inclusive, during which period no share transfer will be effected. In order to qualify for the interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrars in Hong Kong, Secretaries Limited, 5th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong for registration not later than 4:00 p.m. on Friday, 5th July, 2002.

BUSINESS REVIEW AND PROSPECTS

Results

The Group registered positive growth for the six months to 31st March, 2002. During this period, overall turnover reached US\$909 million, 1.5% higher than the previous corresponding period. The total number of shoes produced during the period was 61.1 million pairs, an increase of 7.2% against 2001.

Turnover growth in the period under review primarily reflected the impact of lingering customer concerns in late calendar year 2001 on orders for shipment in early calendar year 2002. Turnover growth in this latest period was also in contrast with the more robust business conditions that supported the Group's strong top-line performance in the corresponding period last year.

By product categories, athletic shoes accounted for 78.3% of overall turnover in 2002 compared with 75.0% in 2001. Casual and outdoor shoes, meanwhile, accounted for 15.2% compared with 17.3% in 2001. Sole and components sales accounted for 6.5% of total turnover in this period versus 7.7% in 2001.

As to global distribution during the six-month period, sales to the U.S. constituted 51.8% of Group turnover compared with 53.6% in 2001. Sales to Europe amounted to 26.9% compared with 27.7% in 2001. Sales to Asia accounted for 13.8% compared with 12.6% in 2001. Other markets collectively accounted for 7.5% of turnover versus 6.1% in 2001.

Net profit during the six-month period was US\$110.6 million, 1.5% less than the same period in 2001.

Operations

As of March 2002, the Group operated 237 production lines (March 2001: 224 lines) located in China, Indonesia and Vietnam. During the six-month period, 10 lines were added. The investment made in expanding the Group's production base and other facilities during this period totalled US\$48 million.

The Group continued to expand its retail chain store and wholesale distribution networks in the major cities in China to help boost footwear sales in the growing China market with population of 1.2 billion.

With Normal Trade Relations (NTR) between the U.S. and Vietnam well in place, Vietnam will become an even more important production center for the Group, while operations in China and Indonesia have continued to run smoothly.

Financial Position

The Group maintains a satisfactory financial position derived from the steady growth of its business. As at 31st March, 2002, the Group had cash on hand of US\$182.8 million (March 2001: US\$155.4 million) and total borrowings of US\$407.6 million

(March 2001: US\$412.5 million). This represents a gearing ratio of 35% (March 2001: 39%) and a net debt to equity ratio of approximately 19% (March 2001: 24%). The gearing ratio is based on total borrowings to shareholders' equity and the net debt to equity ratio is based on total borrowings net of cash on hand to shareholders' equity.

In October 2001, the Group raised a five-year syndicated loan of US\$350 million, of which US\$252 million has been drawn down. Part of the fund from the loan has been used to refinance existing bank borrowings and the remaining will be used to finance future business expansion.

Growth Strategy

The Group has continued to actively execute its growth strategy through a combination of horizontal expansion and vertical integration.

Looking horizontally, the Group is expanding its customer base and broadening its product categories. During the period, the Group made a strategic investment, through a joint venture, in a footwear manufacturer, Symphony Holdings Limited. The Group is also increasing its business opportunities in Mainland China by expanding its retail and wholesale operations there.

Looking vertically, the Group will continue to focus on opportunities to strengthen its strategic positions in upstream material supplies and downstream logistics in order to enhance cost efficiency and establish closer ties with customers.

Corporate Social Responsibility

As an integral part of its manufacturing operations, the Group has been constantly reviewing and implementing its Corporate Social Responsibility Program (CSR). The Group is committed in being a responsible corporate citizen, both to its employees as well as the society in which it is a part of. During the period under review, the Group provided extensive educational and professional training programs to its employees, focusing on self-development and safety in and outside of the workplace. The Group firmly believes happy workers, being its most valuable assets, together with a safe and healthy working environment, will enhance work efficiency and eventually lead to higher productivity.

Looking Forward

With anticipation of the improved economy in general and the Group's horizontal and vertical development, the directors expect that the Group will continue to expand its core business and have positive growth in the second half.

DIRECTORS' INTERESTS IN SECURITIES

As at 31st March, 2002, the interests of directors in the ordinary shares of the Company as recorded in the register maintained by the Company pursuant to Section 29 of the Hong Kong's Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") were as follows:

Name of director	Number of ordinary shares held			
	Personal interest	Family interest	Corporate interest	Other interest
Tsai Chi Neng	–	–	–	–
David N.F. Tsai	–	–	–	–
Li I Nan, Steve	–	–	–	–
Kung Sung Yen	–	–	–	–
Lu Chin Chu	–	–	–	–
Kuo Tai Yu	–	–	–	–
Edward Y. Ku	–	–	–	–
Chan Lu Min	100,000	–	–	–
Choi Kwok Keung	–	–	–	21,020,560 (Note)
Shih Hung	–	–	–	–
John J.D. Sy	–	–	–	–

Note: 15,180,000, 2,920,280 and 2,920,280 ordinary shares were held by Hearty Choice Limited, Golden Path Company Limited and Grand Scope Company Limited respectively, all of which were ultimately held by HSBC International Trustee Limited as trustee for a discretionary trust. The discretionary objects of the trust include children of Mr. Choi Kwok Keung.

Save as disclosed above and other than certain nominee shares in subsidiaries held by Mr. Choi Kwok Keung in trust for the Group, none of the directors nor any of their associates had any interest as at 31st March, 2002 in the securities of the Company or any of its associated corporations as defined in the SDI Ordinance.

SUBSTANTIAL SHAREHOLDERS

As at 31st March, 2002, the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance showed that the following persons, in addition to the directors as stated under “Directors’ interests in securities”, are interested in 10% or more of the nominal value of the issued ordinary shares of the Company.

Name of shareholder	<i>Notes</i>	Number of ordinary shares beneficially held
Pou Chen Corporation (“PCC”)	(a)	292,240,350
Wealthplus Holdings Limited (“Wealthplus”)	(a)	266,231,581
Max Creation Industrial Limited (“Max Creation”)	(b)	174,682,750
Quicksilver Profits Limited (“Quicksilver”)	(b)	89,747,411
Red Hot Investments Limited (“Red Hot”)	(b)	76,233,720
World Future Investments Limited (“World Future”)	(c)	174,682,750
Mr. Tsai Chi Jui	(c)	174,682,750

Notes:

- (a) Of the 292,240,350 ordinary shares beneficially owned by PCC, 266,231,581 ordinary shares were held by Wealthplus as listed above, 23,911,169 ordinary shares were held by Win Fortune Investments Limited (“Win Fortune”) and 2,097,600 ordinary shares were held by Top Score Investments Limited (“Top Score”). Both Wealthplus and Win Fortune are wholly-owned subsidiaries of PCC and Top Score is a 97.63% owned subsidiary of PCC.
- (b) Of the 174,682,750 ordinary shares beneficially owned by Max Creation, 89,747,411 ordinary shares were held by Quicksilver, 76,233,720 ordinary shares were held by Red Hot (both are listed above) and 8,701,619 ordinary shares were held by Moby Dick Enterprises Limited (“Moby Dick”). Quicksilver, Red Hot and Moby Dick are wholly owned subsidiaries of Max Creation.
- (c) World Future is deemed to be interested in 174,682,750 ordinary shares under section 8(3) of the SDI Ordinance by virtue of its interest in more than one third of the voting shares in Max Creation. Mr. Tsai Chi Jui is also deemed to be interested in 174,682,750 ordinary shares under the same section as he holds 100% of the issued share capital in World Future.

Other than the interests disclosed above, the Company has not been notified of any other interests as at 31st March, 2002 representing 10% or more of the issued share capital of the Company.

SHARE OPTION SCHEME

Share options are granted to the directors and employees under the Share Option Scheme of the Company adopted on 9th June, 1992.

The following shows the particulars of the share options of the Company granted to the directors and employees of the Group that are required to be disclosed pursuant to Rule 17.07 of Chapter 17 and sub-paragraph 13(1)(b) of Appendix 16 of the Listing Rules.

Directors/ Employees	Date of grant (D/M/Y)	Exercise price per share HK\$	Exercisable period (D/M/Y)	Outstanding	Exercised during the period (Note)	Outstanding
				at the beginning of the period		at the end of the period
David N. F. Tsai (Director)	12/12/1996	10.22	12/12/1996 to 11/12/2006	6,000,000	–	6,000,000
Li I Nan, Steve (Director)	28/4/1993	6.35	28/4/1993 to 27/4/2003	1,466,666	–	1,466,666
Kung Sung Yen (Director)	12/12/1996	10.22	12/12/1996 to 11/12/2006	2,500,000	–	2,500,000
Lu Chin Chu (Director)	12/12/1996	10.22	12/12/1996 to 11/12/2006	2,500,000	–	2,500,000
Kuo Tai Yu (Director)	12/12/1996	10.22	12/12/1996 to 11/12/2006	2,500,000	–	2,500,000
All other employees	12/12/1996	10.22	12/12/1996 to 11/12/2006	18,500,000	1,500,000	17,000,000

Note: The closing price of the Company's ordinary shares immediately before the date on which the options were exercised was HK\$20.95.

No options were granted, cancelled and lapsed during the period.

Save as disclosed above, at no time during the period was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of, the Company or any other body corporate. Similarly, none of the spouses or children under the age of 18 of the directors had any rights to subscribe for securities of the Company or had exercised any such rights during the period.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 31st March, 2002.

AUDIT COMMITTEE

The Audit Committee has reviewed with management and the external auditors the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters including the review of the unaudited interim financial statements.

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, was not for any part of the six months ended 31st March, 2002 in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules.

ACKNOWLEDGEMENT

I would like to take this opportunity to express our sincere appreciation of the support from our customers, suppliers and shareholders. I would also like to thank my fellow directors for their valuable contribution and the staff members of the Group for their commitment and dedicated services throughout the period.

By order of the Board
Tsai Chi Neng
Chairman

Hong Kong, 21st June, 2002

Website: www.yueyuen.com