

**Asia Logistics  
Technologies Limited**  
亞洲物流科技有限公司

*(Incorporated in the Cayman Islands with limited liability)*

Interim Report

**2002**

**Asia Logistics  
Technologies**  
亞洲物流科技



**INTERIM RESULTS**

The Board of Directors (the "Board") of Asia Logistics Technologies Limited (the "Company") announces that the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2002 together with the comparative figures for the corresponding period last year are as follows:

**Condensed Consolidated Income Statement**

		<b>For the six months ended 30 June</b>	
	Notes	<b>2002 (Unaudited) HK\$'000</b>	2001 (Unaudited) HK\$'000
<b>TURNOVER</b>			
Continuing operations		<b>18,700</b>	19,318
Discontinued operations		-	256
		<hr/>	<hr/>
Cost of sales	2	<b>18,700</b>	19,574
		<b>(18,797)</b>	(15,203)
		<hr/>	<hr/>
Gross profit/(loss)		<b>(97)</b>	4,371
Other revenue		<b>1,496</b>	3,476
Administrative and selling expenses		<b>(22,190)</b>	(8,604)
Gain on disposal of discontinued operations		-	2,695
Loss on deemed disposal of a subsidiary	3	<b>(696)</b>	-
Write off of fixed assets		<b>(1,013)</b>	-
Amortization of goodwill		<b>(2,209)</b>	-
Provision for impairments in value of long term listed investments		<b>(8,503)</b>	-
		<hr/>	<hr/>
<b>PROFIT/(LOSS) FROM OPERATING ACTIVITIES</b>			
Continuing operations		<b>(33,212)</b>	(765)
Discontinued operations		-	2,703
		<hr/>	<hr/>
	4	<b>(33,212)</b>	1,938
Finance costs	5	<b>(977)</b>	(74)
Share of results of associates		<b>(11,433)</b>	-
		<hr/>	<hr/>
<b>PROFIT/(LOSS) BEFORE TAX</b>		<b>(45,622)</b>	1,864
Tax	6	-	-
		<hr/>	<hr/>
<b>PROFIT/(LOSS) BEFORE MINORITY INTERESTS</b>		<b>(45,622)</b>	1,864
Minority Interests		<b>4,450</b>	-
		<hr/>	<hr/>
<b>NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS</b>		<b>(41,172)</b>	1,864
		<hr/>	<hr/>
Basic earnings/(loss) per share	7	<b>(HK 1.28) cent</b>	HK0.07 cent
		<hr/>	<hr/>

## Condensed Consolidated Balance Sheet

	Notes	30 June 2002 (unaudited) HK\$'000	31 Dec 2001 (audited) HK\$'000
<b>NON-CURRENT ASSETS</b>			
Fixed assets		<b>10,610</b>	16,251
Goodwill		<b>85,073</b>	17,404
Interest in associates		<b>97,544</b>	3,649
Long term listed investments		<b>5,720</b>	60,498
Exchangeable notes	8	–	75,560
		<b>198,947</b>	173,362
<b>CURRENT ASSETS</b>			
Inventories		–	1,131
Trade receivables	9	<b>1,863</b>	25,580
Prepayments, deposits and other receivables		<b>33,688</b>	30,350
Pledged time deposits		<b>14,904</b>	2,500
Cash and cash equivalents	10	<b>87,002</b>	130,548
		<b>137,457</b>	190,109
<b>CURRENT LIABILITIES</b>			
Trade payables	11	–	623
Tax payable		<b>183</b>	183
Other payables and accruals		<b>11,709</b>	15,324
Interest-bearing bank loans	12	<b>8,302</b>	–
Current portion of finance lease payable		<b>80</b>	–
Due to a related company		<b>331</b>	377
		<b>20,605</b>	16,507
<b>NET CURRENT ASSETS</b>		<b>116,852</b>	173,602
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>315,799</b>	346,964
<b>NON-CURRENT LIABILITY</b>			
Convertible bond		<b>39,286</b>	39,286
Non-current portion of finance lease payable		<b>268</b>	–
		<b>39,554</b>	39,286
<b>MINORITY INTERESTS</b>		<b>51</b>	11,506
		<b>276,194</b>	296,172
<b>CAPITAL AND RESERVES</b>			
Issued capital	13	<b>33,415</b>	31,824
Reserves		<b>242,779</b>	264,348
		<b>276,194</b>	296,172

**Condensed Consolidated Cash Flow Statement**

	<b>For the six months ended</b>	
	<b>30 June</b>	
	<b>2002</b>	2001
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
NET CASH FROM OPERATING ACTIVITIES	<b>(6,615)</b>	(39,488)
NET CASH FROM INVESTING ACTIVITIES	<b>(61,578)</b>	(48,323)
NET CASH FROM FINANCING ACTIVITIES	<b>24,647</b>	86,870
NET DECREASE IN CASH AND CASH EQUIVALENTS	<b>(43,546)</b>	(941)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	<b>130,548</b>	197,587
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	<b>87,002</b>	196,646
ANALYSIS OF CASH AND CASH EQUIVALENTS Bank Balances and Cash	<b>87,002</b>	196,646

### Condensed Consolidated Statement of Changes in Equity

	For the six months ended	
	30 June	
	2002	2001
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Opening balance-Total equity	296,172	245,343
Placement of new shares	1,591	5,058
Premium on issue of shares	19,603	83,464
Share issue expenses	–	(1,653)
Discretionary surplus reserve realised in the profit and loss account on disposal of subsidiaries	–	(14,378)
PRC statutory surplus reserve realised in the profit and loss account on disposal of subsidiaries	–	(7,189)
Profit/(Loss) for the period	<u>(41,172)</u>	<u>1,864</u>
Closing balance-Total equity	<u><u>276,194</u></u>	<u><u>312,509</u></u>

## Notes to Condensed Consolidated Financial Statements

### 1. Basis of preparation

The unaudited condensed financial statements have been prepared in accordance with Statement of Standard Accounting Practice (“SSAP”) No.25 “Interim Financial Reporting” issued by the Hong Kong Society of Accountants and 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”).

The accounting policies used in these unaudited condensed financial statements are consistent with those used in the annual financial statements of the Group for the year ended 31 December 2001 except as described below.

During the period, the Group has adopted SSAP1 (Revised) “Presentation of financial statements” and SSAP 15 (Revised) “Cash flow statement” issued by the Hong Kong Society of Accountants. The revised standards have introduced revised disclosure requirements which have been adopted in these condensed financial statements

Certain comparative amounts have been reclassified to conform with the current period’s presentation.

### 2. Turnover and segment information

An analysis of turnover and contribution to profit/(loss) from operating activities of the Group by business and geographical segment is as follows:

#### *Business Segments*

	Continuing Operations Logistics Technologies		Discontinued Operations Bowling Recreations		Consolidated	
	Six months ended		Six months ended		Six months ended	
	30 June		30 June		30 June	
	2002	2001	2002	2001	2002	2001
	HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000
Segment Revenue	<u>18,700</u>	<u>19,318</u>	<u>-</u>	<u>256</u>	<u>18,700</u>	<u>19,574</u>
Segment Results	<u>(22,287)</u>	<u>(3,984)</u>	<u>-</u>	<u>2,703</u>	<u>(22,287)</u>	<u>(1,281)</u>
Other revenue					1,496	3,219
Unallocated expenses					<u>(12,421)</u>	<u>-</u>
Profit/(Loss) from operating activities					<u>(33,212)</u>	<u>1,938</u>
Finance costs					<u>(977)</u>	<u>(74)</u>
Share of results of associates					<u>(11,433)</u>	<u>-</u>
Profit/(Loss) before minority interests					<u>(45,622)</u>	<u>1,864</u>

## 2. Turnover and segment information (Con't)

### *Geographical Segments*

	Revenue by geographical markets Six months ended 30 June		Segment Results Six months ended 30 June	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Hong Kong	3,079	–	(9,861)	(3,531)
Elsewhere in the People's Republic of China ("PRC")	15,621	19,574	(12,426)	2,250
	<u>18,700</u>	<u>19,574</u>	<u>(22,287)</u>	<u>(1,281)</u>

Turnover represents the net invoiced value of goods sold, after allowances for returns and trade discounts; and the value of services rendered.

Up to 15 June 2001, the Group has disposed of all the subsidiaries which are related to bowling recreation business. Accordingly, the segmental information of the bowling recreation business above represents the turnover and contribution of the discontinued operations of bowling recreation business during the relevant financial periods.

## 3. Loss on deemed disposal of a subsidiary

On 21 March 2002, the Company and Legend Group Limited ("Legend") entered into a conditional subscription agreement pursuant to which Legend agreed to subscribe (or procure its nominee to subscribe) for 2,550 new ordinary shares in Han International Consulting Company Limited ("Han") at a cash consideration of HK\$55 million, which would represent 51% of the entire issue share capital of Han immediately after completion of the subscription. As a result of this transaction, the Company's shareholding percentage in Han was reduced, by way of dilution, to 30%. As a result of the above transaction, Han ceased to be a subsidiary of the Company, and its results ceased to be consolidated in the Group's financial statements of the Company immediately following the issue of the new shares of Han. A loss on deemed disposal of approximately HK\$696,000 was charged to the profit and loss account.

**4. Profit/(loss) from operating activities**

The Group's profit and loss from operating activities is arrived at after charging:

	<b>30 June 2002</b>	30 June 2001
	<b>HK\$'000</b>	HK\$'000
Cost of inventories sold and services provided	<b>18,797</b>	15,203
Depreciation	<b>569</b>	165
Staff costs, excluding directors' remuneration:		
Salaries	<b>15,652</b>	3,555
Retirement benefits scheme contributions	<b>1,291</b>	312
	<u><b>16,943</b></u>	<u>3,867</u>
and after crediting:		
Bank interest income	<u><b>556</b></u>	<u>3,219</u>

Cost of inventories sold and services provided includes HK\$18,797,000 (2001: HK\$15,203,000) relating to staff costs, depreciation, operating lease rentals in respect of land and buildings and co-operation fee, which amount is also included in the respective total amounts disclosed separately above for each of these types of expenses.

**5. Finance costs**

	<b>30 June 2002</b>	30 June 2001
	<b>HK\$'000</b>	HK\$'000
Interest on bank loans wholly repayable within 1 year	<b>211</b>	74
Interest on a convertible bond	<b>584</b>	–
Hire charges	<b>7</b>	–
Other interest paid	<b>175</b>	–
	<u><b>977</b></u>	<u>74</u>



## 6. Taxation

No tax has been provided for the six months ended 30 June 2002 as the Group did not derive any assessable profits during the period (2001: Nil).

Deferred tax has not been provided for the Group and the Company as there were no significant timing differences giving rise to deferred tax liabilities at 30 June 2002 (2001: Nil).

## 7. Basic earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the net loss attributable to shareholders for the half year ended 30 June 2002 of HK\$41,172,000 (2001: profit of HK\$1,864,000), and the weighted average of 3,228,148,521 (2001: 2,652,046,000) ordinary shares in issue during the period.

Diluted loss per share for the period ended 30 June 2002 and diluted earnings per share for the period ended 30 June 2001 have not been shown, as the share option outstanding during these periods and the convertible bond outstanding during the period had anti-dilutive effect on the basic earnings/(loss) per share for these periods.

## 8. Exchangeable notes

On 3 January 2002, Funcapital Inc., a wholly-owned subsidiary of the Company, exercised all Exchangeable Notes amounting to HK\$75,560,000 for 100% of the issued capital of Cyber Pilot Limited, which thereafter became a wholly-owned subsidiary of the Company. Further details of the above Exchangeable Notes were set out in notes to financial statements of the Company's Annual Report 2001.

## 9. Trade receivables

Included in trade receivables are debtors with the following ageing analysis :

	<b>30 June 2002 HK\$'000</b>	31 December 2001 HK\$'000
Current to 90 days	<b>1,863</b>	24,229
91 to 180 days	–	1,351
	<b><u>1,863</u></b>	<b><u>25,580</u></b>

**10. Cash and cash equivalents**

	<b>30 June 2002 HK\$'000</b>	31 December 2001 HK\$'000
Cash and bank balances	44,775	4,426
Time deposits	42,227	126,122
	<u>87,002</u>	<u>130,548</u>

**11. Trade payables**

No trade payable balance was outstanding as at 30 June 2002, the trade payable balances as at 31 December 2001 was aged less than three months.

**12. Interest-bearing bank loans**

During the period, a subsidiary obtained short term bank loans amounting to HK\$8,302,000. Those loans were secured through pledged deposits of the Group, bear interest at market rates and are repayable within one year. Proceeds were used for general working capital of the subsidiary.

**13. Share capital**

	<b>No. of shares ( '000)</b>	<b>Amount HK\$'000</b>
Issued and fully paid:		
At 1 January 2002	3,182,434	31,824
Placement of new shares	159,122	1,591
	<u>3,341,556</u>	<u>33,415</u>

On 30 June 2002, the Company had 160,400,000 share options outstanding. The exercise in full of these share options would, under the present capital structure of the Company, result in the issue of 160,400,000 new ordinary shares of HK\$0.01 each.

**14. Commitments not provided for in the financial statements***(a) Capital commitments*

	<b>30 June 2002 HK\$'000</b>	31 December 2001 HK\$'000
Contracted for:		
Capital injection to a subsidiary in the PRC	<u><b>39,000</b></u>	<u>21,096</u>

*(b) Commitments under operating leases*

	<b>30 June 2002 HK\$'000</b>	31 December 2001 HK\$'000
Annual commitments payable in the following years under non-cancellable operating leases in respect of land and buildings expiring:		
Within one year:	<u><b>879</b></u>	<u>6,933</u>
2 to 5 years, inclusive	<u>–</u>	<u>6,600</u>

**15. Contingent liabilities**

The Group had no contingent liabilities as at 30 June 2002.

**16. Post balance sheet event**

Subsequent to the balance sheet date, the Company entered into a Sale and Purchase Agreement with Southern Victory Developments Limited, a company incorporated in the British Virgin Islands and wholly owned by Mr. Lam Yan Chit, Humfry (the "Vendor"), on 5 September 2002 pursuant to which the Company agreed to purchase 45,702 shares of US\$1.00 each representing 45.702% of the issued share capital of Fusion Tech Holding Limited ("Fusion Tech"), a company incorporated in the British Virgin Islands and currently owned as to 45.702% by the Vendor and as to 54.298% indirectly by the Company. The consideration will be satisfied by (i) as to HK\$400,000 in cash and (ii) as to the balance of HK\$45,000,000 by way of issue and allotment of 300,000,000 new ordinary shares of the Company ("Consideration Shares").

An extraordinary general meeting will be convened for the purpose of considering and approving, by the independent shareholders of the Company, the Sale and Purchase Agreement and the transactions contemplated therein and the granting of a specific mandate to the directors of the Company to issue and allot the Consideration Shares.

After completion of the above transaction, Fusion Tech will become an indirect wholly-owned subsidiary of the Company.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Operating Results**

For the six months ended 30 June 2002, the Group recorded a turnover of HK\$18.7 million which was derived from the logistics technologies business, representing a decrease of approximately 4% against HK\$19.6 million for the corresponding period in the previous year. Loss from operating activities amounted to HK\$33.2 million as compared to a profit of HK\$1.9 million for the same period last year. The unfavourable results for the period was mainly due to the increase in costs incurred by the Group for further expansion of its logistics technologies business.

### **Liquidity and Financial Resources**

On 10 April 2002, the Company, by using its internal resources of approximately HK\$44 million, increased its shareholding interest in New World CyberBase Limited ("NWCB") to 27.5% through subscription and underwriting of NWCB's rights shares. After this transaction, NWCB became an associated company of the Company.

On 10 May 2002, the Company placed 159,121,700 new shares to Legend, one of the China's largest IT corporation, at an issue price of HK\$0.1332 per share, which generated a net cash inflow of approximately HK\$21 million for the Company. The net proceeds have been used by the Group as general working capital.

During the period under review, the Group financed its business development by means of internal resources. As at 30 June 2002, unutilized cash and bank balances of the Group amounted to approximately HK\$87 million (31 December 2001: HK\$131 million). The Group's bank borrowings as at 30 June 2002 increased slightly to approximately HK\$8.3 million (31 December 2001: nil). Notwithstanding this, the gearing ratio of the Group as at 30 June 2002, dividing the outstanding bank borrowings plus outstanding amount of convertible bond by the shareholders' equity, was 0.17 (31 December 2001: 0.13).

As at 30 June 2002, the Group's time deposits amounting to HK\$14.9 million (31 December 2001: HK\$2.5 million) were pledged to secure an aggregate of approximately HK\$8.3 million bank borrowings for a subsidiary and for the letter of credit facilities of the Group.

## **BUSINESS REVIEW**

In line with our vision to become a leading logistics technology solutions and services provider, the Group has been very concentrating on the logistics industry. During the first half of 2002, the Group committed our major effort to offering best-fit supply chain and logistics technology management solutions and services, aiming to provide quality research and development, consultancy services, turnkey solutions and application implementations for eSupply Chain Management (eSCM) and eLogistics Management, as well as the Total Logistics Management Service Platform for customers.

### **Supply Chain and Logistics Consultancy Services**

By offering turnkey supply chain and logistics consultancy services spanning the total customer spectrum from high-end to low-end levels, and ranging from supply chain management and logistics consulting services to door-to-door integrated logistics services, the Group caters for the diversified needs of customers. Capitalizing on our extensive knowledge in the logistics industry and solid experience in supply chain and logistics consultancy services, the Group has been working on several potential projects in a number of provinces in China during the period for the provision of consultancy services on the establishment of logistics parks.

Apart from the pharmaceutical, tobacco and automobile industries, the Group is now extending its foothold into the manufacturing industry. During the six-month period, the Group received a major contract from a worldwide logistics service company in the UK to develop and implement its supply chain and logistics hub solution for one of the world's largest mobile phone manufacturers. Currently, the Group is implementing a custom built manufacturing logistics solution based on an offshore development model, helping the client to integrate all its processes from the procurement of raw materials to customs declarations and product clearance. The first phase, covering the provision of logistics consulting and solutions implementation for its internal work processes, has already been completed.

### **Integrated Fourth Party Logistics Services**

The Group, through its indirect subsidiary 北京金柏新幹線信息科技有限公司(“新幹線”), a leading fourth party logistics solutions provider in the PRC, offers a wide range of logistics value-added services. These include information collection, analysis, matching services, business management, risk control, etc. It provides customers with one-stop door-to-door integrated logistics services, which include logistics management consulting, warehousing, transportation, packaging, goods tracking systems and professional training, on a convenient, timely, economical, safe and reliable basis.

## **Strategic Investments**

During the six-month period, Legend invested in Han, currently an associated company of the Company, which specializes in providing professional consultancy services to enterprises in the reform of management models and business process re-engineering in the PRC. Leveraging Legend's leading position in the IT market and its strong customer network and the Company's expertise, Han is in a highly advantageously position, gaining increasing momentum in growing its iConsulting business through the provision of one-stop service solutions.

At the same time, Legend also invested in the Company. With Legend as a strategic shareholder, the Group will benefit from the advantages of Legend's leading position in the PRC market, its solid client base, sales network and competitive edge to enhance our own market coverage. By leveraging the strengths of the Group, Legend and Han, this cooperation will help the Group to establish a leading position in the IT management consulting business, creating a win-win-win situation for all.

As mentioned above, the Company had increased its shareholding interest in NWCB to 27.5% in April this year. Through this investment, the Group will benefit from its well-established e-Business operations, specializing in the research and development and the implementation of e-Business products and services. As such, the Group's supply chain management and logistics solutions as well as its e-Business solutions and services were considerably enhanced, complementing its product offerings to customers.

## ***PROSPECTS***

### **Supply Chain and Logistics Consultancy Services**

In the next half year, the Group will focus on developing fourth party logistics services in the PRC. In addition to the existing 150 distribution service stations in the PRC, it is expected that an additional of 50 distribution service stations will be established by the end of 2002. This will provide the Group with extensive cross-province highway logistics network in the PRC.

On 5 September 2002, the Company announced the proposed purchase of the remaining interest in Fusion Tech Holding Limited, which owns a 100% interest in 新幹線. Upon completion of the transaction, 新幹線 will become an indirectly wholly-owned subsidiary of the Company. We believe that the increase in the shareholding interest in 新幹線 will enhance business co-operation and result in synergies that will bring favourable contributions to the Group.

With the full support and encouragement of the Chinese government, the development of the logistics industry is being fuelled by the increasing number of logistics parks in the country, which will provide a central focus for logistics operators for higher operating efficiencies and better coordination. The Company will be able to provide solid logistics consulting such as in-depth studies and comprehensive assessment and planning which are necessary and crucial to the establishment of logistics parks. Several projects with major provinces for the provision of logistics park consultancy services are currently under negotiation.

With the completion of the first phase of our project for one of the world's largest mobile phone manufacturers to develop and implement a supply chain and logistics hub solution, the second phase will soon be commencing. This phase will provide solutions to link work processes to custom declarations and product clearance. Upon the completion of the second phase, the solution can assist the customer to save operation time and costs as well as achieve better efficiencies in handling procurement to product clearance. Meanwhile, the Group has obtained a logistics contract from one of the most well-known and major home electrical appliance manufacturer in the PRC for the planning and implementation of distribution logistics across the PRC. The services include providing a logistics management platform, warehousing, transportation and one-stop door-to-door integrated logistics services, helping the customer to enhance logistics management standard and efficiencies as well as reducing the logistics cost.

## **Joint Venture**

HanZen Technologies Consulting (Zhuhai) Limited ("HanZen"), a Sino-Indian consulting and technology joint venture company being established in the PRC with its headquarter in Zhuhai. HanZen is a joint venture between the Group and ZenSar Technologies Limited, a leading software solutions provider from India with global operations. Its first offshore software development center in the PRC will be set up in Zhuhai.

Recognizing the emerging need for local and offshore IT development and support in China after its accession to WTO, this offshore software development center, which is expected to commence operations in the fourth quarter of 2002, will offer international standards software development and support services, catering to the needs of global customers in the PRC. Aiming to lift standards in the software industry in the PRC, the center also organizes training and seminars for local software companies, enabling them to understand the importance and the need to achieve the Software Engineering Institute's Capability Maturity Model (SEI-CMM) Level 5 standard.

## Research and Development

In addition to the Xian Research and Development Center which was established last year, the Group has signed an agreement with 北方交通大學現代物流研究所 for the establishment of 北方交大亞洲物流研究中心. This research center will specialize in scientific research in the logistics industry, planning and design, engineering consulting, personnel and business training. Through this center, the Group will be able to conduct in-depth studies on the logistics industry and analysis on specific logistics data/the characteristics of specific industries, complementing its supply chain and logistics consultancy services.

The Group will continue to enhance its solutions and services through investment and collaboration to enable it to stay ahead of the competition in the industry and to accelerate its business growth, strengthening its position as a total logistics technologies solutions and services provider in the Greater China region.

### **INTERIM DIVIDEND**

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2002 (2001: Nil).

### **DIRECTORS' INTERESTS IN SHARES**

At 30 June 2002, the interests of certain directors and their associates 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:

<b>Director</b>	<b>Number of shares held</b>	
	<b>Corporate interests</b>	<b>Other interests</b>
Lo Lin Shing, Simon	1,129,758,000 (a)	-
Chan Ki	274,120,000 (b)	-

Notes:

- (a) These shares are beneficially owned by Golden Infinity Co., Ltd., a company incorporated in the British Virgin Islands whose entire issued share capital is legally and beneficially owned by Mr. Lo Lin Shing, Simon.
- (b) These shares are beneficially owned by Silver Valley Limited, a company incorporated in the British Virgin Islands whose entire issued share capital is legally and beneficially owned by Mr. Chan Ki.



Save as disclosed above, none of the directors or their associates had any personal, family, corporate or other interest in any securities of the Company or any of its associated corporations, as defined in the SDI Ordinance.

### ***DIRECTORS' RIGHTS TO ACQUIRE SHARES***

Save as disclosed under the section headed "SHARE OPTION SCHEME" below, at no time during the period was the Company or any of its subsidiaries a party to any arrangement to enable the Company's directors, their respective spouse, or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

### ***SUBSTANTIAL SHAREHOLDERS***

Other than the shares held by Golden Infinity Co., Ltd., as disclosed in the section headed "DIRECTORS' INTERESTS IN SHARES" above, which represented approximately 33.81% of the Company's issued share capital, no other person had registered an interest of 10% or more in the issued share capital of the Company that was required to be recorded in the register of interests pursuant to Section 16(1) of the SDI Ordinance.

### ***SHARE OPTION SCHEME***

At an extraordinary general meeting of the Company held on 28 May 2002, the shareholders of the Company approved the termination of the share option scheme adopted by the Company on 11 September 1998 (the "1998 Share Option Scheme") and the adoption of a new share option scheme (the "2002 Share Option Scheme"). The 2002 Share Option Scheme is designed to reward and provide incentives to employees and other stakeholders for their contributions to the Group.

During the period, a total of 50,300,000 share options were granted to the directors and employees of the Group under the 1998 Share Option Scheme and a total of 160,400,000 share options were remain outstanding as at 30 June 2002. No share options have been granted under the 2002 Share Option Scheme.

Movements of the share options during the period are as follows:

Name or category of participant	Number of share options				Date of grant	Exercise price	Exercise period	Closing price of the Company's shares preceding the date of grant
	At 1 January 2002	Granted during the period	Lapsed during the period	At 30 June 2002				
Lo Lin Shing, Simon	57,000,000	-	-	57,000,000	14.8.2000	HK\$0.284	15.8.2000 to 14.8.2003	HK\$0.380
	-	20,000,000	-	20,000,000	8.2.2002	HK\$0.150	9.2.2002 to 8.2.2008	HK\$0.148
Chan Ki	57,000,000	-	-	57,000,000	14.8.2000	HK\$0.284	15.8.2000 to 14.8.2003	HK\$0.380
Chan Wai Keung, Ringo	-	10,000,000	-	10,000,000	8.2.2002	HK\$0.150	9.2.2002 to 8.2.2008	HK\$0.148
Yu Ansheng, Ben	-	10,000,000	-	10,000,000	8.2.2002	HK\$0.150	9.2.2002 to 8.2.2008	HK\$0.148
Employees	-	10,300,000	3,900,000	6,400,000	8.2.2002	HK\$0.150	9.2.2002 to 8.2.2008	HK\$0.148
	<u>114,000,000</u>	<u>50,300,000</u>	<u>3,900,000</u>	<u>160,400,000</u>				

### **AUDIT COMMITTEE**

The audit committee, which comprises of two independent non-executive directors of the Company, has reviewed the unaudited financial statements of the Group for the six months ended 30 June 2002.

### ***CODE OF BEST PRACTICE***

None of the directors of the Company is aware of information that would reasonably indicate that the Company is not, or was not for any part of the accounting period covered by the interim report, in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules. The non-executive directors and independent non-executive directors of the Company are appointed subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provisions of the Company's articles of association.

### ***PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SHARES***

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares during the six months ended 30 June 2002.

By Order of the Board

**Lo Lin Shing, Simon**

*Chairman*

Hong Kong, 20 September 2002