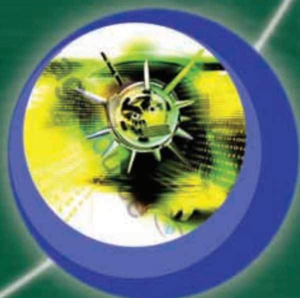
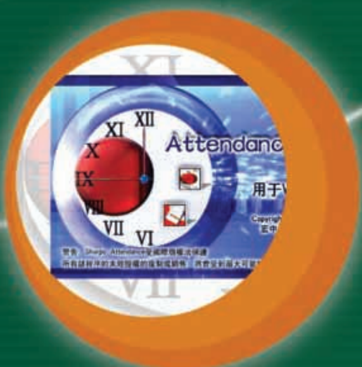
中洲控股有限公司

Central China Enterprises Limited





Interim Report 2002

INTERIM RESULTS

The board of directors (the "Board") of Central China Enterprises Limited (the "Company") is pleased to present the interim report and condensed financial statements of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2002. The consolidated results, consolidated cash flow statement and consolidated statement of movements in equity for the Group for the six months ended 30 June 2002, and the consolidated balance sheet as at 30 June 2002 of the Group, all of which are unaudited and condensed, along with selected explanatory notes, are set out on pages 1 to 14 of this report:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2002

		For the six months ended 30 June	
	Notes	**2002 *(unaudited)* HK$'000**	2001 *(unaudited)* HK$'000
Turnover	2	**637**	55,552
Cost of sales		**(475)**	(43,654)
Gross profit		**162**	11,898
Other revenue		**366**	80
Distribution costs		**(56)**	(1,496)
Administrative expenses		**(22,312)**	(18,385)
Other operating expenses		**(6,094)**	(6,700)
Loss from operations	3	**(27,934)**	(14,603)
Finance costs	4	**(926)**	(4,402)
Net investment gain (loss)	5	**(5,053)**	13,809
Share of results of associates		**(8,499)**	(6,006)
Share of results of jointly controlled entities		**—**	(164)
Loss before taxation		**(42,412)**	(11,366)
Taxation	6	**—**	(907)
Loss after taxation		**(42,412)**	(12,273)
Minority interests		**—**	(50)
Net loss for the period		**(42,412)**	(12,323)
Loss per share — Basic	8	**1.59 cents**	0.46 cents

CONDENSED CONSOLIDATED BALANCE SHEET

At 30 June 2002

	Notes	At 30 June 2002 *(unaudited)* HK$'000	At 31 December 2001 *(audited)* HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Goodwill	9	**71,934**	—
Property, plant and equipment	9	**6,098**	4,336
Interests in associates	10	**29,149**	74,933
Guaranteed income investments		**9,244**	9,496
Investments in securities, at cost less impairment loss		**13,969**	13,969
		130,394	102,734
Current assets			
Trade and other receivables	11	**32,460**	112,335
Refundable deposits	12	**7,800**	12,800
Investments in securities, at market value		**45,669**	7,465
Amount due from a former associate		**2,918**	4,318
Bank balances and cash		**11,145**	40,860
		99,992	177,778
Current liabilities			
Trade and other payables	13	**3,841**	4,553
Bank loans — due within one year	14	**27,828**	34,830
		31,669	39,383
Net current assets		**68,323**	138,395
Total assets less current liabilities		**198,717**	241,129
CAPITAL AND RESERVES			
Share capital	15	**532,674**	532,674
Reserves		**(333,957)**	(291,545)
		198,717	241,129

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2002

	For the six months ended 30 June	
	2002	2001
	(unaudited)	*(unaudited)*
	HK$'000	HK$'000
Net cash from operating activities	**58,759**	19,297
Net cash used in investing activities	**(80,546)**	(79,602)
Net cash used in financing activities	**(7,928)**	(7,178)
Net decrease in cash and cash equivalents	**(29,715)**	(67,483)
Cash and cash equivalents at beginning of period	**40,860**	114,715
Cash and cash equivalents at end of period	**11,145**	47,232
Analysis of balances of cash and cash equivalents		
Bank balances and cash	**11,145**	47,232

CONDENSED CONSOLIDATED STATEMENT OF MOVEMENTS IN EQUITY

For the six months ended 30 June 2002

	Share Capital	**Reserves**				
	Paid-up share capital HK$'000 *(Note 15)*	**Share premium** HK$'000	**Translation reserve** HK$'000	**Deficit** HK$'000	**Total reserves** HK$'000	**Total shareholders' equity** HK$'000
At 1 January 2002	532,674	491,076	(16)	(782,605)	(291,545)	241,129
Net loss for the period	—	—	—	(42,412)	(42,412)	(42,412)
At 30 June 2002	**532,674**	**491,076**	**(16)**	**(825,017)**	**(333,957)**	**198,717**
At 1 January 2001	532,674	491,076	(16)	(706,303)	(215,243)	317,431
Net loss for the period	—	—	—	(12,323)	(12,323)	(12,323)
At 30 June 2001	532,674	491,076	(16)	(718,626)	(227,566)	305,108

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2002

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

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

These condensed financial statements should be read in conjunction with the 2001 annual financial statements.

The basis of preparation and principal accounting policies adopted in the preparation of the condensed interim financial statements are consistent with those used in the audited annual financial statements for the year ended 31 December 2001, except that the Group has changed certain of its accounting policies following its adoption of the following SSAPs issued by the HKSA which are effective for accounting periods commencing on or after 1 January 2002. The changes to the Group's accounting policies and the effect of adopting these new policies are set out below:

i. *SSAP 1 (revised): Presentation of financial statements*

SSAP 1 (revised) has introduced new format of presentation in reporting movements in equity. The presentation in the prior period's condensed financial statements has been restated in order to achieve a consistent presentation.

ii. *SSAP 15 (revised): Cash flow statements*

SSAP 15 (revised) has changed the classifications of cash flows in the cash flow statement and the definition of cash equivalents by excluding cash balances held for investment purposes and short-term loans that are financing in nature. The presentation in the prior period's condensed cash flow statement has been restated in accordance with the new format.

iii. *SSAP 34: Employee benefits*

SSAP 34 has introduced a formal framework for the recognition of liabilities and expenses in respect of employee benefits. The adoption of this new accounting standard has not resulted in any significant effects on the financial statements of the prior period and accordingly, no prior period adjustment has been recognised.

2. TURNOVER AND SEGMENTAL INFORMATION

The principal activities of the Group are provision of software design and development, provision of Internet software services, and guaranteed income investments in a power plant and a motor spare parts business in the People's Republic of China (the "PRC").

An analysis of the Group's turnover and contribution to gain (loss) from operations by business segments is as follows:

	Continuing operations				
	Software design and development	Internet software services	Power plant	Motor spare parts business	Consolidated
	HK$'000 *(Note 16)*	HK$'000	HK$'000 *(Note (ii))*	HK$'000 *(Note (ii))*	HK$'000
For the six months ended 30 June 2002 (unaudited)					
Turnover — External sales	281	356	—	—	637
Contribution to gain (loss) from operations	(4,488)	96	(252)	—	(4,644)
Unallocated expenses *(Note (iii))*					(23,290)
Loss from operations					(27,934)

2. TURNOVER AND SEGMENTAL INFORMATION (CONTINUED)

	Discontinuing operations		Continuing operations				
	Manufacture and sale of coke, coal gas, coal tar and benzene	Automobile repair and maintenance services	Software design and development	Internet software services	Power plant	Motor spare parts business	Consolidated
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
	(Note (i))	*(Note (i))*	*(Note 16)*		*(Note (ii))*	*(Note (ii))*	
For the six months ended 30 June 2001 (unaudited)							
Turnover							
— External sales	39,491	15,999	—	62	—	—	55,552
Contribution to gain (loss) from operations	5,310	1,465	—	(328)	(252)	—	6,195
Other revenue							80
Unallocated expenses *(Note (iii))*							(20,878)
Loss from operations							(14,603)

All the turnover of the Group arose from the PRC excluding the Hong Kong and Macau Special Administrative Regions.

Notes:

i. These operations were disposed of during the year ended 31 December 2001.

ii. No return has been recognised in both periods as the recoverability of the guaranteed return is considered by the directors to be uncertain.

iii. There were no sales or other transactions between the business segments. Unallocated expenses represent corporate expenses.

3. LOSS FROM OPERATIONS

	For the six months ended 30 June	
	2002	2001
	(unaudited)	*(unaudited)*
	HK$'000	HK$'000
Loss from operations has been arrived at after crediting and charging the following:		
Crediting		
Net gain on disposal of property, plant and equipment	**50**	—
Charging		
Depreciation and amortisation of:		
— guaranteed income investments	**252**	252
— property, plant and equipment	**417**	3,686
— goodwill arising on acquisition of subsidiary	**3,825**	—
— goodwill arising on acquisition of associates	**2,269**	4,641
— goodwill arising on acquisition of jointly controlled entities	**—**	2,059
	6,763	10,638
Loss on disposal of property, plant and equipment	**—**	442

4. FINANCE COSTS

	For the six months ended 30 June	
	2002	2001
	(unaudited)	*(unaudited)*
	HK$'000	HK$'000
Interest on bank borrowings wholly repayable within five years	**926**	4,402

5. NET INVESTMENT GAIN (LOSS)

	For the six months ended 30 June	
	2002	2001
	(unaudited)	*(unaudited)*
	HK$'000	HK$'000
Unrealised holding gain (loss) on other investments	**(1,617)**	1,826
Gain (loss) on disposal of other investments	**(3,642)**	10,626
Interest income	**206**	1,357
	(5,053)	13,809

6. TAXATION

The charge represents PRC income tax on estimated assessable profit calculated at the prevailing rates. No provision for PRC income tax has been made in the financial statements as the companies operating in the PRC had no assessable profit during the six months ended 30 June 2002.

No provision for Hong Kong Profits Tax has been made in the financial statements as the companies operating in Hong Kong did not have any assessable profit in both periods.

7. DIVIDENDS

No dividends were paid or declared in both periods.

8. LOSS PER SHARE

The calculation of basic loss per share is based on net loss for the six months ended 30 June 2002 of approximately HK$42,412,000 (six months ended 30 June 2001: approximately HK$12,323,000) and on 2,663,370,147 shares (six months ended 30 June 2001: 2,663,370,147 shares) in issue during the period.

No diluted loss per share has been calculated as the exercise of the share options would result in a decrease in loss per share for both periods.

9. CAPITAL EXPENDITURE

	Goodwill *(unaudited)* HK$'000	Property, plant and equipment *(unaudited)* HK$'000
For the six months ended 30 June 2002		
Opening net book amount	—	4,336
Acquisition of subsidiary *(Note 16)*	40,899	675
Transferred from interests in associate	37,129	—
Other additions	—	1,572
Disposals	—	(68)
Amortisation/depreciation charge	(6,094)	(417)
Closing net book amount	71,934	6,098

10. INTERESTS IN ASSOCIATES

	30 June 2002 *(unaudited)* HK$'000	31 December 2001 *(audited)* HK$'000
Share of net assets	29,149	37,009
Goodwill recognised	—	46,411
Less: Amortisation for the period	—	(9,282)
Goodwill, net	—	37,129
Amounts due from associates	—	795
	29,149	74,933

11. TRADE AND OTHER RECEIVABLES

The Group allows an average credit period of 30 days to its trade customers. The aged analysis of trade receivables is as follows:

	30 June 2002 ***(unaudited)*** **HK$'000**	31 December 2001 *(audited)* HK$'000
Up to 30 days	**395**	—
31 to 60 days	**61**	—
61 to 90 days	**—**	—
91 days or above	**60**	—
Total trade receivables	**516**	—
Other receivables *(Note)*	**31,944**	112,335
	32,460	112,335

Note:

As of 30 June 2002, included in the other receivables are approximately HK$10,916,000 due from Buildnow Industries Limited and HK$15,000,000 due from Sunny Field Limited, representing remaining outstanding balances of purchase considerations as a result of the disposals of a subsidiary and an associate of the Group respectively during the year ended 31 December 2001. The directors of the Company are currently negotiating for the recovery of the amount due by Buildnow Industries Limited and the amount due by Sunny Field Limited is repayable within one year from the balance sheet date.

12. REFUNDABLE DEPOSITS

	30 June 2002 ***(unaudited)*** **HK$'000**	31 December 2001 *(audited)* HK$'000
Turnmile (Overseas) Limited	**7,800**	12,800

During 2001, the Group paid deposits of HK$12,800,000 in aggregate to Turnmile (Overseas) Limited with the intention of acquiring its telecommunication business. The directors finally decided to withdraw from this transaction and the deposit was refunded to the Group after the balance sheet date.

13. TRADE AND OTHER PAYABLES

	30 June 2002 *(unaudited)* HK$'000	31 December 2001 *(audited)* HK$'000
Trade payables *(Note)*	—	—
Other payables	3,841	4,553
	3,841	4,553

Note:

At 31 December 2001 and 30 June 2002, the Group did not have any trade payables.

14. BANK LOANS

The maturity of the bank loans is as follows:

	30 June 2002 *(unaudited)* HK$'000	31 December 2001 *(audited)* HK$'000
Within one year and shown under current liabilities *(Note)*	27,828	34,830

Note:

At 30 June 2002, bank loan of the Group of approximately HK$27,828,000 was guaranteed by Henan Hongkong Finance Limited ("HHF"), a wholly owned subsidiary of Henan Hongkong Enterprises Limited ("HHE") without charge. In addition, the Group's guaranteed return in Henan Taiwu Electric Power Co., Ltd. was also pledged to the bank.

15. SHARE CAPITAL

	30 June 2002 *(unaudited)* HK$'000	31 December 2001 *(audited)* HK$'000
Authorised:		
— 6,000,000,000 ordinary shares of HK$0.20 each	1,200,000	1,200,000
Issued and fully paid:		
— 2,663,370,147 ordinary shares of HK$0.20 each	532,674	532,674

At the annual general meeting of the Company held on 27 May 2002, the existing share option scheme, which was adopted by the shareholders at general meeting on 24 July 1992, was terminated and a new share option scheme was approved and adopted.

16. ACQUISITION OF A SUBSIDIARY

On 25 March 2002, the Group acquired the remaining 55% issued share capital of Sharpo Holdings Limited and the shareholder's loan due from Sharpo Holdings Limited to the vendor, an independent third party, for an aggregate cash consideration of HK$41,000,000. Sharpo Holdings Limited and its subsidiaries are principally engaged in the e-commerce consultancy, software development, system integration, web design and sales of software. The fair value of the net identifiable assets of Sharpo Holdings Limited at the date of acquisition was approximately HK$857,000. The resulting goodwill of approximately HK$40,282,000 is amortised on a straight-line basis over 5 years. The acquired business contributed revenues of approximately HK$281,000 and operating loss of approximately HK$782,000 to the Group for the period from 25 March 2002 to 30 June 2002.

The assets and liabilities arising from the acquisition are as follows:

	HK$'000
Goodwill	617
Property, plant and equipment	675
Other assets less liabilities	(435)
Fair value of net assets	857
Interests in associate	(386)
Goodwill	40,282
Total purchase consideration	40,753

17. OPERATING LEASE COMMITMENTS

At the balance sheet dates, the total future minimum lease payments under non-cancellable operating leases in respect of office premises and staff quarter are payable as follows:

	30 June 2002 ***(unaudited)*** **HK$'000**	31 December 2001 *(audited)* HK$'000
Within one year	**2,080**	3,811
In the second to fifth year inclusive	**2,172**	7,188
	4,252	10,999

18. SUBSEQUENT EVENTS

Pursuant to the agreement dated 10 January 2002 (the "Agreement"), HHE and its wholly-owned subsidiary, Fulham Associates Limited ("Fulham"), together as the single largest shareholder of the Company, agreed to dispose all of their shareholdings of 370 million shares in the Company to Firstchoice Management Limited at a consideration of HK$60,000,000. The parties to the Agreement have subsequently entered into a supplemental agreement on 8 July 2002, whereby the completion of the Agreement has been postponed from 10 July 2002 to no later than 10 September 2002. On 10 September 2002, the parties have entered into a second supplemental agreement whereby the completion of the Agreement as amended by the supplemental agreement dated 8 July 2002 has been further postponed from 10 September 2002 to on or before 10 December 2002.

19. CONTINGENCIES

At 30 June 2002, the Group did not have any significant contingencies other than those disclosed in the audited annual financial statements for the year ended 31 December 2001.

INTERIM DIVIDEND

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2002 (2001: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The six-month period under review marked a fresh start for the Group as it concluded disposals of most of its industrial projects. At the same time, the management has pursued the establishment of a more solid portfolio as the Group's flagship in the telecommunications and technology industry, Sharpo Holdings Limited ("Sharpo") formally became a wholly-owned subsidiary. This strategic move demonstrates the Group's plans and commitment to invest in telecommunications and hi-tech related projects.

Despite its determination to improve performance, the Group shared the brunt of the economic uncertainties which prevailed in the aftermath of September 11 incident. In line with the Group's prudent expansion strategy, the management stayed on the sidelines with regard to new corporate ventures. This has had an inevitable effect on the Group's turnover which was reported at approximately HK$0.64 million as compared to approximately HK$55.6 million for the corresponding period last year. Gross profit was recorded at HK$0.16 million. However, the administrative expenses incurred to support daily operations have created an impact on the bottom line, resulting in a net loss attributable to shareholders of HK$42.4 million. Basic loss per share stood at 1.59 cents. The Board of Directors does not recommend the payment of an interim dividend.

The Group's financial position remained solid following the acquisition of the remaining stake interest in Sharpo. As at 30 June 2002, cash and cash equivalents and investments in securities were in aggregate amounted to HK$56.8 million. The Group's balance sheet and operating cash flow also remained healthy which together form solid foundation for future growth.

Following the acquisition of the remaining stake interest in Sharpo in March, the Group made significant progress in supporting Sharpo's business growth by expanding its customer base and broadening its products categories. Complementing the rapid growth of the retail market in the PRC, resources were directed to strengthen Sharpo's product research and development team with a view to enhancing its capabilities to accommodate the customers' needs. At present, Sharpo's customer base includes certain leading retail chain operators from various industries such as apparel, pharmaceuticals, optical and other general trading sectors in the PRC. The Group's focused efforts in this area have resulted in the addition of several new customers. As the contribution from Sharpo was only partially reflected in this reporting period, the management is looking forward to realizing full contribution from this business in the coming year.

Prospects

Outlook for the global economy is expected to remain unpredictable with much depending on the speed and extent of the recovery of the U.S. economy. These uncertainties will ultimately cast an effect on the business environment across different industries. Under these conditions, the Group will continue to adopt a conservative growth strategy. To this end, enhancement of portfolio growth with strict adherence to the established core businesses will continue to be the primary focus.

The PRC market is recognized as a market of unlimited potential with a cited population of over 1.3 billion. Capitalizing on the growth of the retail sector, the Group will actively promote Sharpo's business to push for a nationwide customer base. To achieve this goal, the Group will carefully direct resources to facilitate Sharpo's expansion. Sharpo is positioned as a mass-market player with mainstream services and products. At the same time, its growth will be enhanced as a niche-market player through the provision of customized solutions. Leveraging its solid client base and established market presence, Sharpo is poised to become a leading web-based retail management solutions provider in the PRC.

With shareholders' interest as a prerequisite, the management is committed to constantly reviewing its investment portfolio through realizing gains when conditions for sale are optimal, and through making strategic investments with a promising outlook. Re-establishment of steady investment income will be a priority goal. Given a gradually improving market environment and with the Group's solid financial position, the management is looking forward to restoring performance in the near future.

Financial Review

Following the conclusion of several asset disposals, the Group's financial position remained healthy and steady. As at 30 June 2002, cash and cash equivalents and investments in securities were in aggregate recorded at HK$56.8 million. Net asset value was HK$198.7 million, resulting in net asset value per share of approximately 7.5 cents. The current ratio and quick ratio were reported at a comfortable level of 3.16 and 3.16 respectively as at the end of the reporting period. The Group's debt position as at 30 June 2002 was also improved by reducing its total borrowings to HK$27.8 million (as at 31 December 2001: HK$34.8 million). Accordingly, the finance costs for the period under review was amounted to HK$0.93 million as compared to HK$4.4 million incurred in the corresponding period last year. Further, the gearing ratio, calculated as total debts to total assets was at 0.16. In view of the Group's current financial position, there is no immediate need for fund raising. It is expected that the current robust financial position will form a solid base, allowing the Group to pursue its key objectives.

As at 30 June 2002, the Group has operating lease commitment of HK$4.3 million. This commitment represents the operating leases of the office premises and staff quarter of the Group with terms up to three years. Save as disclosed in 2001 annual report, the Group neither has other significant capital commitments nor contingent liabilities for any of its subsidiaries and associates. There were also no material changes in capital structure and pledge of assets of the Group during the period.

Employee and Remuneration Policy

For the six-month period ended 30 June 2002, total staff costs, excluding directors' remuneration were reported at HK$3.5 million, representing a substantial reduction from the same period last year as a result of certain asset disposals. As at the end of the period, total number of staff stood at 72, 58 of which were based in the PRC. Under the Group's remuneration policy, employees are rewarded by reasonable and competitive remuneration on a performance-related basis. In addition, the Group has share option schemes for senior executives and staff.

DISCLOSURE OF INTERESTS

i. Directors' Interests in Securities

As at 30 June 2002, the interest of the directors and chief executives had interests in the securities of the Company and its associated corporations (as defined in the Securities (Disclosure of Interest) Ordinance (the "SDI Ordinance")) as recorded in the register required to be kept under section 29 of the SDI Ordinance were as follows:

	Number of ordinary shares			
Name of director	**Personal interests**	**Family interests**	**Corporate interests**	**Other interests**
Chan Chi Keung, Victor	—	—	180,000,000 *(Note)*	—
Chung Chi Shing	—	—	180,000,000 *(Note)*	—
Lin Hoi Kwong	20,000	—	—	—

Note:

The shares were held by Smart House Investments Limited, a company beneficially owned by both Mr. Chan Chi Keung, Victor and Mr. Chung Chi Shing.

Save as disclosed above and other than certain nominee shares in subsidiaries held by directors in trust for the Group, as at 30 June 2002, none of the directors and chief executive had any interests in the securities of the Company and its associated corporations as defined in the SDI Ordinance.

ii. Substantial Shareholder's Interests

As at 30 June 2002, the interests of 10% or more of the share capital of the Company as recorded in the register of interests required to be kept by the Company pursuant to section 16(1) of the SDI Ordinance were as follows:

Name of shareholder	Number of shares held
HHE *(Note)*	370,000,000
Fulham	369,856,000

Note:

Fulham is wholly-owned by HHE. The interests disclosed under HHE represent the aggregate of its direct interests in the Company of 144,000 shares together with its deemed interests in the shares of the Company by virtue of its interests in Fulham. HHE is wholly-owned by Henan Provincial Government.

Save as disclosed above, the Company has not been notified of any other interests representing 10% or more of the Company's issued share capital as at 30 June 2002.

iii. Share Option Scheme

The Company had adopted a share option scheme on 24 July 1992 (the "1992 Share Option Scheme"). Pursuant to which, share options were granted to certain eligible employees of the Group to subscribe for ordinary shares in the Company. On 27 May 2002, a new share option scheme (the "2002 Share Option Scheme") was adopted and the 1992 Share Option Scheme was terminated by the shareholders of the Company. Accordingly, no further share options can be granted under the 1992 Share Option Scheme.

The following table shows the movements of the Company's share options under the 1992 Share Option Scheme during the period.

1992 Share Option Scheme

Category	Date of grant	Exercisable period	Exercise Price per share HK$	Number of share options Outstanding at 1 January 2002	Exercised during the period	Cancelled during the period	Outstanding at 30 June 2002
Eligible Employees	26.1.2000	26.1.2001 to 25.1.2010	0.3300	19,500,000	–	–	19,500,000
	3.2.2000	3.2.2001 to 2.2.2010	0.3648	10,000,000	–	–	10,000,000
	6.4.2000	6.4.2001 to 5.4.2010	0.4968	5,000,000	–	–	5,000,000
	19.6.2000	19.6.2001 to 18.6.2010	0.3152	4,000,000	–	(1,000,000)	3,000,000
	28.7.2000	28.7.2001 to 27.7.2010	0.2784	9,000,000	–	–	9,000,000
	31.7.2000	31.7.2001 to 30.7.2010	0.2784	12,000,000	–	(12,000,000)	–
Total				59,500,000	–	(13,000,000)	46,500,000

No options were granted, cancelled, exercised and lapsed under the 2002 Share Option Scheme during the period.

Save as disclosed above, none of the directors or chief executives, nor 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 period. Similarly, at no time during the period was the Company or any of its subsidiaries, its holding company or a subsidiary of its holding company a party to any arrangement to enable a director of the Company to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

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

There was no purchase, sale, redemption or cancellation of the Company's listed securities by the Company or any of its subsidiaries during the period.

AUDIT COMMITTEE

The Audit Committee consisting of two independent non-executive directors, namely, Mr. Lee Yu Leung and Mr. Lo Ka Lok, Steve, has reviewed with management the areas in respect of the Group's accounting policies, auditing, internal control and financial reporting. The unaudited interim financial statements for the six months ended 30 June 2002 have been reviewed by the Audit Committee.

CODE OF BEST PRACTICE

In the opinion of the directors, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules throughout the accounting period covered by the interim report save and except that independent non-executive directors are not appointed for specific terms but are 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.

ACKNOWLEDGEMENT

Taking this opportunity, I would like to express our sincere appreciation of the support from all of our business partners, shareholders and customers. I would also like to thank my fellow directors for their valuable contribution and the staff members for their commitments and dedicated work throughout the period.

On behalf of the Board
Chan Chi Keung, Victor
Chairman

Hong Kong, 24 September 2002