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BUSINESS REVIEW AND PROSPECTS

The turnover for the period was HK\$96,856,000, representing an increase of 16% as compared to HK\$83,524,000 of the corresponding period in the last year.

An unaudited consolidated net profit from ordinary activities attributable to shareholders of HK\$53,858,000 was recorded for the six months ended 30 June 2002, whereas a loss of HK\$48,864,000 was recorded for the same period in 2001.

The consolidated net profit for the period mainly came from a profit from the disposal of shares in TCL International Holdings Limited (“TCL”) amounted to HK\$10,671,000 and an unrealized holding gain of the Group’s shares in TCL amounted to HK\$20,010,000. Besides, a release of reserves due to the disposal of the Groups’ shares in TCL and Shenzhen Huafa Electronics Co., Ltd. also contributed to a profit of HK\$27,482,000. Yet, the above-mentioned contributions were mostly non-recurring and should not be expected to recur in the second half of 2002 and forthcoming financial years.

The normal operating activities of the Group achieved a slim profit for the period with a net contribution of several millions of HK dollars. The cement plant in Vietnam contributed a net profit of HK\$17,489,000, whereas the Saigon Trade Centre together with other investment properties of the Group posted a loss of HK\$14,139,000.

In view of the Group having achieved a stable income and constant cash flow, the board of directors resolved to declare an interim dividend of HK\$0.04 per share to the shareholders.

Cement business

Sales of cement in Vietnam recorded a slight growth of 5% to 274,000 tonnes for the first half of 2002 when compared to the same period of 2001. Local demand for cement remained robust for the first half of the year. Since the production of the cement plant has almost reached its full capacity, further growth in sales will largely depend on the expansion of the production capacity to 800,000 tonnes per annum. The completion of the expansion is

Cement business (continued)

expected to take place on the first quarter of 2003. Besides, the production had suffered from an unstable power supply during the second quarter of 2002, which led to a decrease in production output for the period. The power supply was back to normal since the beginning of the third quarter of 2002. It is expected that the sales and production of cement for the second half of 2002 will remain steady and stable.

Saigon Trade Centre (“STC”)

The Group completed all procedures on its acquisition of the remaining 25% stake in the holding company of STC on the first half of 2002. As a result, the Group has formally obtained 100% control of STC. Although Vietnamese government had strived to attract foreign direct investments over the past few years, only small and medium size newly foreign-invested projects were notable. According to figures of the Ministry of Planning and Investment of Vietnam, the number of newly licensed projects increased 24% for the first seven months of 2002, yet registered value declined almost 48%. The lease out rate of STC as at 30 June 2002 was 53% and would remain flat for the second half of the year. However, the rental rate was seen to have increased and an average rental rate of 9% increase was recorded for the first half of 2002.

Other Investments

The Group has certain investment properties situated in Hong Kong and the PRC. Except for an industrial building in Hong Kong, most of the properties were substantially leased out. On January 2002, the Group acquired a 10% stake in a biotechnology company, Vigconic International Co., Ltd (“Vigconic”). Vigconic is currently developing several kinds of Chinese herbal medicines, which principally focus on curing and/or relieving pains in AIDS, cancer, Hepatitis B. Vigconic is also conducting research on a health product which is believed to have an anti-ageing function. Those products are under a clinical testing stage and most of them have an encouraging preliminary result. Vigconic has planned to launch some of the products for sales in the market starting from the second half of the year.

FINANCIAL REVIEW

Liquidity and Financial Resources

The Group's cash and bank balances as at 30 June 2002 amounted to HK\$65,612,000 (as at 31 December 2001: HK\$48,433,000). The Group's total borrowings amounted to HK\$70,604,000 (as at 31 December 2001: HK\$81,612,000), of which HK\$41,900,000 was repayable within 1 year. The percentage of the Group's borrowings denominated in HK\$ and Vietnamese Dong ("VND") were 23% and 77% respectively. Of the total borrowings, about 77% were at fixed interest rates.

The gearing ratio, expressed as the percentage of long-term debt to equity, was 3.5% as at 30 June 2002 (as at 31 December 2001: 3.2%).

Employees and Remuneration Policy

As at 30 June 2002, the Group had approximately 750 employees. Most of them were working in Vietnam. The total staff cost including directors' remuneration was approximately HK\$9,161,000 for the period. There was no significant change on the Group's remuneration policy as compared to that disclosed on the Group's annual report for the year ended 31 December 2001.

Details of charges

As at 30 June 2002, the Group has pledged certain fixed assets at a net book value of approximately HK\$184,020,000 to secure banking facilities.

Exposure to fluctuations in exchange rates and related hedges

The Group's investments in Vietnam are subject to the exchange fluctuation, and especially that from the risk of devaluation of VND. As VND is a restricted currency, there is a lack of hedging instruments in the market. The Group's measures to minimize its exposure to the risk have not been changed from those disclosed on its annual report for the year ended 31 December 2001.

Details of contingent liabilities

As at 31 June 2002, the Group had no significant contingent liabilities (31 December 2001: Nil).

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the six months ended 30 June 2002

		For the six months ended 30 June	
	Notes	2002 HK\$'000 (Unaudited)	2001 HK\$'000 (Unaudited)
TURNOVER		96,856	83,524
Cost of sales		(54,003)	(48,123)
Gross profit		42,853	35,401
Other revenue	3	3,677	10,728
Gain/(loss) on disposal of other investment		9,074	(21,222)
Capital reserve, reserve fund and exchange fluctuation reserve release on disposal of other investments		27,482	1,059
Unrealised holding gain/(loss) for other investments		20,010	(19,039)
Distribution costs		(4,745)	(5,174)
Administrative expenses		(32,325)	(23,745)
Other operating expenses		(7,446)	(12,996)
PROFIT/(LOSS) FROM OPERATING ACTIVITIES	4	58,580	(34,988)
Finance costs	5	(2,641)	(3,477)
Share of profits less losses of:			
Jointly-controlled entities		–	(8,504)
Associates		–	(74)
PROFIT/(LOSS) BEFORE TAX		55,939	(47,043)
Tax	6	–	–
PROFIT/(LOSS) BEFORE MINORITY INTERESTS		55,939	(47,043)
Minority interests		(2,081)	(1,821)
NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		53,858	(48,864)

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT (continued)

For the six months ended 30 June 2002

	Notes	For the six months ended 30 June	
		2002 HK\$'000 (Unaudited)	2001 HK\$'000 (Unaudited)
DIVIDEND			
Interim	7	12,174	25,606
EARNINGS/(LOSS) PER SHARE	8		
Basic		17.4 cents	(14.7 cents)
Diluted		16.8 cents	N/A

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2002

	Share capital HK\$'000 (Unaudited)	Share premium HK\$'000 (Unaudited)	Contributed surplus HK\$'000 (Unaudited)	Capital reserve HK\$'000 (Unaudited)	Reserve funds HK\$'000 (Unaudited)	Investment property revaluation reserve HK\$'000 (Unaudited)	Exchange fluctuation reserve HK\$'000 (Unaudited)	Accumulated losses HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
At 1 January 2002	3,164	436	860,311	30,417	9,525	60,740	(79,737)	(74,054)	810,802
Exchange realignments	-	-	-	-	-	-	3,862	-	3,862
Arising from exercise on subscription rights:-									
Warrants	2	237	-	-	-	-	-	-	239
Share options	6	365	-	-	-	-	-	-	371
Share of reserve of jointly-controlled entities	-	-	-	-	-	-	19	-	19
Reversal on disposal of other investments	-	-	-	(18,848)	(9,047)	-	413	-	(27,482)
Arising from repurchase of shares	(114)	-	(11,227)	-	-	-	-	-	(11,341)
Proposed interim dividend	-	-	(12,174)	-	-	-	-	-	(12,174)
Net profit for the period	-	-	-	-	-	-	-	53,858	53,858
At 30 June 2002	3,058	1,038	836,910	11,569	478	60,740	(75,443)	(20,196)	818,154
At 1 January 2001	-	-	934,517	32,315	10,903	-	(84,695)	(110,516)	782,524
Exchange realignments	-	-	-	-	-	-	(1,448)	-	(1,448)
Arising from exercise on subscription rights:-									
Warrants	-	7	-	-	-	-	-	-	7
Shares issued as considered for the acquisition of the Luks Industrial Company Limited	3,261	-	-	-	-	-	-	-	3,261
Application of contributed surplus to paid up nil paid shares	100	-	-	-	-	-	-	-	100
Arising from repurchase of shares	(127)	-	(12,145)	-	-	-	-	-	(12,272)
Reversal on disposal of other investments	-	-	-	(1,101)	(832)	-	874	-	(1,059)
Share of reserve of jointly-controlled entities	-	-	-	-	-	-	278	-	278
Proposed interim dividend	-	-	(25,606)	-	-	-	-	-	(25,606)
Net loss for the period	-	-	-	-	-	-	-	(48,864)	(48,864)
At 30 June 2001	3,234	7	896,766	31,214	10,071	-	(84,991)	(159,380)	696,921

CONDENSED CONSOLIDATED BALANCE SHEET

30 June 2002

	Notes	30 June 2002 HK\$'000 (Unaudited)	31 December 2001 HK\$'000 (Audited)
NON-CURRENT ASSETS			
Fixed assets		352,203	363,607
Investment properties		467,148	433,450
Construction in progress		11,163	–
Goodwill		17,962	18,422
Interests in jointly-controlled entities		1,517	1,498
Properties under development		–	2,413
Investment security	9	29,078	546
Other investments	10	50,270	189,969
		929,341	1,009,905
CURRENT ASSETS			
Inventories		6,737	7,813
Trade receivables	11	18,725	10,869
Other receivables, prepayment and deposits		46,416	70,946
Cash and cash equivalents		65,612	48,433
		137,490	138,061
CURRENT LIABILITIES			
Trade payables	12	26,049	23,184
Tax payable		17,487	17,487
Other payables and accruals		104,316	115,424
Deposits received for disposal of certain other investments		–	51,800
Due to directors		12	1,535
Interest-bearing bank loans and borrowings		41,900	54,438
		189,764	263,868
NET CURRENT LIABILITIES		(52,274)	(125,807)
TOTAL ASSETS LESS CURRENT LIABILITIES		877,067	884,098

Interim Financial Statements

CONDENSED CONSOLIDATED BALANCE SHEET (continued)

30 June 2002

	30 June 2002 HK\$'000 (Unaudited)	31 December 2001 HK\$'000 (Audited)
NON-CURRENT LIABILITIES		
Interest-bearing bank loans	(28,055)	(26,381)
Rental deposits	(7,927)	(7,516)
Finance lease payables	(649)	(793)
Deferred tax	(597)	(597)
	(37,228)	(35,287)
Minority interests	(9,511)	(7,430)
	830,328	841,381
CAPITAL AND RESERVES		
Issued capital	3,058	3,164
Reserves	815,096	807,638
Proposed dividend	12,174	30,579
	830,328	841,381

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2002

	For the six months ended 30 June	
	2002 HK\$'000 (Unaudited)	2001 HK\$'000 (Unaudited)
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	9,987	(10,626)
NET CASH INFLOW/(OUTFLOW) FROM INVESTING ACTIVITIES	61,120	35,136
NET CASH OUTFLOW FROM FINANCING ACTIVITIES	(53,872)	(13,699)
INCREASE IN CASH AND CASH EQUIVALENTS	17,235	10,811
Cash and cash equivalents at beginning of period	48,433	25,622
Effects of foreign exchange rate changes, net	(56)	(75)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	65,612	36,358
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	51,572	5,158
Time deposits with original maturity of less than three months when required	14,040	31,200
	65,612	36,358

Notes to the Financial Statements

1. ACCOUNTING POLICIES

These unaudited condensed consolidated interim financial statements are prepared in accordance with Hong Kong Statements of Standard Accounting Practice (“SSAP”) No. 25 “Interim Financial Reporting” issued by the Hong Kong Society of Accountant (“HKSA”).

The accounting policies and basis of presentation used in the preparation of these interim financial statements are the same as those used in the audited financial statements for the year ended 31 December 2001, except the following new/revised SSAPs have been adopted for the first time in the preparation of the current period’s condensed consolidated interim financial statements:

- SSAP 1 (Revised) : “Presentation of Financial Statements”
- SSAP 11 (Revised) : “Foreign Currency Translation”
- SSAP 15 (Revised) : “Cash Flow Statements”
- SSAP 34 : “Employee Benefits”

A summary of their major effects is as follows:

SSAP 1 (Revised) prescribes the basis for the presentation of financial statements and sets out guidelines for their structure and minimum requirements for the content thereof. The main revision to this SSAP is to change the requirements from presenting a statement of recognised gains and losses to a statement of changes in equity. The condensed consolidated statement of changes in equity for the current interim period and the comparative figures have been presented in accordance with the revised SSAP.

1. ACCOUNTING POLICIES (continued)

SSAP 11 (Revised) prescribes the basis for the translation of foreign currency transactions and financial statements. The principal impact of this revised SSAP on the condensed consolidated interim financial statements is that the profit and loss account of subsidiaries and associates operating in Mainland China and overseas are translated at an average rate for the period on consolidation, rather than translated at the applicable rates to exchange ruling at the balance sheet date as was previously required. This SSAP is required to be applied retrospectively. The Group has adopted the transitional provision of this SSAP that where the calculation of prior year adjustment is impractical, these changes in policy are applied only to current and future financial statements and the effect on the results of the current period is not significant.

SSAP 15 (Revised) prescribes the provision of information about the historical changes in cash and cash equivalents by means of a cash flow statement which classifies cash flows during the period into operating, investing and financing activities. The condensed consolidated cash flow statement for the current interim period and the comparative figures have been presented in accordance with the revised SSAP.

SSAP 34 prescribes the accounting treatment and disclosures for employee benefits. This SSAP has had no major impact on these condensed consolidated financial statements.

2. SEGMENTAL INFORMATION

An analysis of the Group's turnover and contribution to profit/(loss) from operating activities by principal activity and geographical area of operations are summarised as follows:

	For the six months ended 30 June			
	Turnover		Contribution to profit/(loss) from operating activities	
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
By activity:				
Manufacture and sale of electronic products	1,486	842	282	36
Manufacture and sale of plywood and other wood products	648	262	28	(2,969)
Manufacture and sale of cement	81,217	78,392	17,489	16,461
Property investment	13,505	4,028	(14,139)	(7,949)
Investment holding	–	–	54,920	(40,567)
	96,856	83,524	58,580	(34,988)
By geographical area:				
The People's Republic of China ("PRC"):				
Hong Kong	987	2,474	50,542	(38,781)
Elsewhere	4,091	2,396	(5,291)	484
	5,078	4,870	45,251	(38,297)
Vietnam	91,778	78,654	13,329	3,309
	96,856	83,524	58,580	(34,988)

3. OTHER REVENUE

	For the six months ended 30 June	
	2002 HK\$'000 (Unaudited)	2001 HK\$'000 (Unaudited)
Dividend income from other investment	735	2,416
Interest income	1,557	8,178
Others	1,385	134
	3,677	10,728

4. PROFIT/(LOSS) FROM OPERATING ACTIVITIES

The Group's profit/(loss) from operating activities is arrived at after charging/(crediting):

	For the six months ended 30 June	
	2002 HK\$'000 (Unaudited)	2001 HK\$'000 (Unaudited)
Depreciation	16,942	10,491
Amortisation of goodwill	460	–
Cost of inventories sold	54,003	48,123
Salary and wages expenses (include directors' remuneration)	9,161	8,220
Impairment of interests in associates	–	2,225
Impairment on an investment security	78	2,340
Net rental income	(12,613)	(3,622)

5. FINANCE COSTS

	For the six months ended 30 June	
	2002 HK\$'000 (Unaudited)	2001 HK\$'000 (Unaudited)
Interest expense on:		
Bank loans repayable within five years	2,462	3,278
Loans from directors repayable within five years	146	183
Finance leases	33	16
	2,641	3,477

6. TAX

No Hong Kong or overseas profits tax had been provided for either of the period ended 30 June 2002 and 2001 as the Group had no assessable profit arising in or derived from Hong Kong or elsewhere during these period.

There were no significant potential deferred tax liabilities for which provision had not been made.

7. DIVIDEND

The Board has resolved to declare an interim dividend of 4 cents per ordinary share in issue in respect of the six months ended 30 June 2002 (2001: 8 cents) payable on or before 23 October 2002 to shareholders where names are on the Registers of Members on 16 October 2002.

8. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share is based on the net profit from ordinary activities attributable to shareholders for the period of HK\$53,858,000 (2001: net loss of HK\$48,864,000) and the weighted average of 309,372,562 (2001: 332,580,740) ordinary shares in issue during the period.

8. EARNINGS/(LOSS) PER SHARE (continued)

The calculation of diluted earnings per share for the period ended 30 June 2002 is based on the net profit from ordinary activities attributable to shareholders of HK\$53,858,000. The weighted average number of ordinary shares used with calculation is the 309,372,562 ordinary shares in issue during the period, as used in the basic earnings per share calculation; the weighted average of 6,781,406 ordinary shares assumed to have been issued at no consolidation on the deemed exercise of all warrants outstanding during the period; and the weighted average of 5,118,017 ordinary shares assumed to have been issued at no consideration on the deemed exercise of all share options during the period.

A diluted loss per share amount for the six months period ended 30 June 2001 has not been disclosed, as the warrants outstanding during that period had an anti-dilutive effect on the basic loss per share for that period.

9. INVESTMENT SECURITIES

	30 June 2002 HK\$'000 (Unaudited)	31 December 2001 HK\$'000 (Audited)
At cost:		
Equity investment listed overseas	23,878	23,878
Provision for impairment	(23,410)	(23,332)
	468	546
Unlisted equity investment	28,610	–
	29,078	546

10. OTHER INVESTMENTS

	30 June 2002 HK\$'000 (Unaudited)	31 December 2001 HK\$'000 (Audited)
At fair value:		
Listed equity investments in PRC:		
Hong Kong	50,270	52,520
Elsewhere	–	137,449
	50,270	189,969

The market value of the other investments listed in Hong Kong at the date of approval of these condensed interim financial statements was approximately HK\$47,414,000.

11. TRADE RECEIVABLES

An aged analysis of the trade receivables are as follows:

	30 June 2002 HK\$'000 (Unaudited)	31 December 2001 HK\$'000 (Audited)
0 – 30 days	5,529	8,649
31 – 60 days	4,576	1,073
61 – 90 days	2,123	143
Over 120 days	6,470	1,002
Over 1 year	27	2
	18,725	10,869

11. TRADE RECEIVABLES (continued)

Trading terms with customers are largely on credit, except for new customers, where payment in advance is normally required. Invoices are normally payable within 60 days of issuance. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are regularly reviewed by senior management.

12. TRADE PAYABLES

An aged analysis of trade payables are as follows:

	30 June	31 December
	2002	2001
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
0 – 30 days	8,238	5,978
31 – 60 days	867	948
61 – 90 days	105	143
Over 120 days	792	436
Over 1 year	16,047	15,679
	26,049	23,184

13. OPERATING LEASE ARRANGEMENTS

The Group leases its investment properties under operating lease arrangements, with leases negotiated for terms ranging from 1 to 5 years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

13. OPERATING LEASE ARRANGEMENTS (continued)

At 30 June 2002, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	30 June 2002 HK\$'000 (Unaudited)	31 December 2001 HK\$'000 (Audited)
Within one year	18,225	21,957
In the second to fifth years, inclusive	28,228	36,763
	46,453	58,720

14. COMMITMENTS

The Group had the following capital commitments at the balance sheet date:

	30 June 2002 HK\$'000 (Unaudited)	31 December 2001 HK\$'000 (Audited)
Capital contributions to:		
Associates	2,282	2,282

15. RELATED PARTY TRANSACTIONS

The Group had the following transactions with related parties during the period:

		For the six months ended 30 June	
Notes		2002 HK\$'000 (Unaudited)	2001 HK\$'000 (Unaudited)
Jointly-controlled entity:			
Interest income	(i)	–	7,042
Investee companies:			
Sales of raw materials	(ii)	73	117
Purchases of finished goods	(iii)	789	590
Directors:			
Interest expense	(iv)	159	183

Notes:

- (i) Interest income was charged on a loan advance to a jointly-controlled entity at 7% per annum.
- (ii) Sales of raw materials to investee companies were charged at cost plus a margin.
- (iii) Purchases of finished goods from investee companies was made according to the prices negotiated between the parties.
- (iv) Interest expense was paid to the directors on the amounts due to them at the rate of 1% (2001: 1.5%) over the Hong Kong prime rate.

16. COMPARATIVE AMOUNTS

The presentation and classification of rental income has been reclassified from other revenue to turnover to conform with the current period's presentation.

17. APPROVAL OF THE CONDENSED INTERIM FINANCIAL STATEMENTS

These condensed interim financial statements were approved by the board of directors on 24 September 2002.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from Tuesday, 15 October 2002 to Wednesday, 16 October 2002, both dates inclusive, during which period no transfer of shares will be effected. In order to qualify for the interim dividend, all transfer documents, accompanied by the relevant share certificates, must be lodged with the Company's Share Registrars, Tengis Limited, at 4th Floor, Hutchison House, 10 Harcourt Road, Central, Hong Kong not later than 4:00 p.m. on Friday, 11 October 2002. Cheques for interim dividends will be delivered on or before 23 October 2002.

REVIEW BY AUDIT COMMITTEE

The Group has an audit committee comprising of the two independent non-executive directors of the Company. The Group's audit committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters.

The interim figures and financial statements for the six months ended 30 June 2002 have not been audited but have been reviewed by the Audit Committee.

WARRANTS

During the period, 266,602 warrants were exercised for the subscription of 266,602 shares of HK\$0.01 each at the exercise price of HK\$0.9 per share. As at 30 June 2002, the Company had 64,652,798 warrants outstanding, and the exercise in full of such warrants would under the present capital structure of the Company, result in the issue of 64,652,798 additional shares of HK\$0.01 each.

DIRECTORS' INTEREST IN SHARES AND WARRANTS

As at 30 June 2002, the interests of the directors in the ordinary shares and warrants of the Company as recorded in the register (the "Register") maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") or notified to the Company, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as set out below:

	Notes	Nature of interest	Number of shares held	Number of warrants held
Luk King Tin		Personal	38,983,261	7,796,652
	(a)	Corporate	47,688,393	9,537,678
Cheng Cheung		Personal	10,430,000	2,086,000
	(b)	Corporate	31,574,819	6,314,963
Wong Hoi Wah		Personal	702,400	140,480
Luk Yan		Personal	309,000	61,800
	(c)	Family	45,000	9,000
Fan Chiu Tat, Martin		Personal	500,000	–
Lo Kai Yiu, Anthony	(d)	Personal	130,000	26,000

Notes:

- (a) Such shares and warrants were held by KT (Holdings) Limited which was wholly-owned by Mr. Luk King Tin and thus he was deemed to have beneficial interests in all these shares and warrants.
- (b) Such shares and warrants were held by CC (Holdings) Limited which was wholly-owned by Mdm. Cheng Cheung and thus she was deemed to have beneficial interests in all these shares and warrants.
- (c) Such shares and warrants were held by the wife of Mr. Luk Yan who was therefore deemed to have beneficial interest in all these shares and warrants.
- (d) Mr. Lo has resigned from the independent non-executive director of the Company on 28 March 2002.

DIRECTORS' INTEREST IN SHARES AND WARRANTS (continued)

The interests of the directors in the share options of the Company are separately disclosed in the section “SHARE OPTION SCHEME” below.

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

SHARE OPTION SCHEME

The Company operates a share option scheme (the “Scheme”) for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include the Company's executive directors and other employees of the Group. The Scheme remains in force for the period from 4 April 2001 to 11 August 2004.

The subscription price will be the higher of 80% of the average of the official closing prices of the Company's shares on the Hong Kong Stock Exchange for the five trading days immediately preceding the date of the grant of the option and the nominal value of the shares. The consideration for the grant of an option is HK\$1.00 in total and will entitle the holder of such option to subscribe for the Company's share.

The maximum number of shares in respect of which options may be granted under the new share option scheme may not exceed, in nominal amount, 10% of the issued share capital of the Company from time to time. The maximum number of shares in respect of which options may be granted to any one employee or director may not exceed 25% of the aggregate number of shares in respect of which options are issued and issuable under the new share option scheme.

SHARE OPTION SCHEME (continued)

According to the Scheme, the outstanding options during the period were as set out below:

Name or category of participant	Number of share options			Date of grant of share options	Exercise period of share options	Exercise price of share options ** HK\$	Price of Company's shares*	
	At 1 January 2002	Exercised during the period	At 30 June 2002				At grant date of options HK\$	At exercise date of options HK\$
Directors								
Luk King Tin	6,700,000	-	6,700,000	4 April 2001	4 April 2001 to 11 August 2004	0.65	0.68	-
Luk Yan	3,000,000	-	3,000,000	4 April 2001	4 April 2001 to 11 August 2004	0.65	0.68	-
Fan Chiu Tat, Martin	500,000	500,000	-	4 April 2001	4 April 2001 to 11 August 2004	0.65	0.68	1.14
	<u>10,200,000</u>	<u>500,000</u>	<u>9,700,000</u>					
Other employees								
In aggregate	5,800,000	-	5,800,000	4 April 2001	4 April 2001 to 11 August 2004	0.98	0.68	-
	3,960,000	70,000	3,890,000	4 April 2001	4 April 2001 to 11 August 2004	0.65	0.68	1.14
	<u>9,760,000</u>	<u>70,000</u>	<u>9,690,000</u>					
	<u><u>19,960,000</u></u>	<u><u>570,000</u></u>	<u><u>19,390,000</u></u>					

SHARE OPTION SCHEME (continued)

- * The price of the Company's shares disclosed as at the date of the grant of the share options is the Hong Kong Stock Exchange closing price on the trading day immediately prior to the date of the grant of the options. The price of the Company's shares disclosed as at the date of the exercise of the share options is the weighted average of the Hong Kong Stock Exchange closing prices over all of the exercises of options within the disclosure category.
- ** The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

DIRECTORS' RIGHTS TO ACQUIRE SHARES AND DEBENTURES

Save as disclosed in the section "SHARE OPTION SCHEME" above, at no time during the period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company and 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

As at 30 June 2002, no person other than a director or chief executive of the Company (for interests of directors or chief executive, please refer to the section "DIRECTORS' INTEREST IN SHARES AND WARRANTS") has an interest in 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.

PURCHASE, SALE AND REDEMPTION OF SHARES

During the period, the Company repurchased 11,400,000 ordinary shares of HK\$0.01 each of the Company on the Stock Exchange of Hong Kong as follows:

Month	Number of Shares	Price per share		Total price paid HK\$'000
		Highest HK\$	Lowest HK\$	
January 2002	2,366,000	1.02	0.86	2,331,200
February 2002	5,982,000	1.01	0.98	5,967,040
March 2002	2,318,000	1.00	0.96	2,275,420
June 2002	734,000	0.97	0.93	693,220
	<u>11,400,000</u>			<u>11,266,880</u>

Save as disclosed above, neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the period.

CODE OF BEST PRACTICE

None of the Directors of the Company is aware of any information that would reasonably indicate that the Company is not, or was not, any time during the six months ended 30 June 2002, in compliance with Appendix 14 of the Listing Rules.

By Order of the Board

Luk King Tin

Chairman

Hong Kong, 24 September, 2002