



Compass Pacific Holdings Limited
圓通科技控股有限公司



Interim Report 2002

Compass Pacific Holdings Limited

Interim Report 2002

UNAUDITED INTERIM RESULTS

The board of directors (the "Board") of Compass Pacific Holdings Limited (the "Company") announces the unaudited condensed consolidated financial statements of the Company and its subsidiaries (the "Group") for the six-months ended 30th June 2002, together with the comparative figures for the six months ended 30th June 2001 as follows :

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30TH JUNE 2002

(Expressed in thousands of Hong Kong dollars except per share amount)

		For the six months ended 30th June	
	Note	2002 (Unaudited)	2001 (Unaudited) (Note 13)
Turnover	2	5,468	7,698
Cost of sales		<u>(1,297)</u>	<u>(1,520)</u>
Gross profit		4,171	6,178
Other revenues	2	1,265	4,706
Administrative expenses		<u>(33,778)</u>	<u>(21,257)</u>
Loss from operations		(28,342)	(10,373)
Finance costs		<u>(55)</u>	<u>(87)</u>
Loss before tax	4	(28,397)	(10,460)
Income tax expense	5	<u>-</u>	<u>-</u>
Loss after tax		(28,397)	(10,460)
Minority interests		<u>219</u>	<u>365</u>
Loss attributable to shareholders		<u>(28,178)</u>	<u>(10,095)</u>
Loss per share	7	<u>(2.23) cents</u>	<u>(0.80) cents</u>

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CONDENSED CONSOLIDATED BALANCE SHEET

AS AT 30TH JUNE 2002

(Expressed in thousands of Hong Kong dollars)

	Note	As at 30th June 2002 (Unaudited)	As at 31st December 2001 (Audited)
Assets			
Non-current assets			
Fixed assets, net	8	18,765	20,072
Rental, utilities and other deposits		2,157	1,130
		<u>20,922</u>	<u>21,202</u>
Current assets			
Inventories		814	1,027
Prepayments and deposits		686	433
Other receivables		3,233	3,045
Amount due from a related company	11	5,067	5,067
Pledged bank deposits		500	500
Cash and cash equivalents		162,290	189,144
		<u>172,590</u>	<u>199,216</u>
Total assets		<u>193,512</u>	<u>220,418</u>
Equity and liabilities			
Capital and reserves			
Share capital	9	126,363	126,363
Share premium		260,592	260,592
Reserves		(223,056)	(194,878)
		<u>163,899</u>	<u>192,077</u>
Shareholders' funds		<u>163,899</u>	<u>192,077</u>
Minority interests		<u>16,586</u>	<u>16,805</u>
Non-current liabilities			
Long-term borrowing	8	–	1,516
Current liabilities			
Accounts payable	10	547	689
Accruals and other payables		9,593	7,789
Provision for costs of redemption		1,024	1,024
Amount due to a related company	11	170	170
Current portion of long-term borrowing	8	1,693	348
		<u>13,027</u>	<u>10,020</u>
Total equity and liabilities		<u>193,512</u>	<u>220,418</u>

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CONDENSED CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30TH JUNE 2002

(Expressed in thousands of Hong Kong dollars)

	For the six months ended 30th June	
	2002 (Unaudited)	2001 (Unaudited) <i>(Note 13)</i>
Net cash (used in) generated from operating activities	(27,493)	5,780
Net cash generated from investing activities	891	3,637
Net cash used in financing activities	<u>(252)</u>	<u>(233)</u>
(Decrease) Increase in cash and cash equivalents	(26,854)	9,184
Cash and cash equivalents at beginning of the period	<u>189,144</u>	<u>200,713</u>
Cash and cash equivalents at the end of the period	<u><u>162,290</u></u>	<u><u>209,897</u></u>

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30TH JUNE 2002

(Expressed in thousands of Hong Kong dollars)

	Share capital HK\$'000	Share premium HK\$'000	Translation reserve HK\$'000	Accumulated deficit HK\$'000	Total HK\$'000
At 1st January 2002 (Audited)	126,363	260,592	(2,316)	(192,562)	192,077
Loss for the period (Unaudited)	—	—	—	(28,178)	(28,178)
At 30th June 2002 (Unaudited)	<u>126,363</u>	<u>260,592</u>	<u>(2,316)</u>	<u>(220,740)</u>	<u>163,899</u>
	Share Capital HK\$'000	Share premium HK\$'000	Translation reserve HK\$'000	Accumulated deficit HK\$'000	Total HK\$'000
At 1st January 2001 (Audited)	126,363	260,592	(2,316)	(157,452)	227,187
Loss for the period (Unaudited)	—	—	—	(10,095)	(10,095)
At 30th June 2001 (Unaudited)	<u>126,363</u>	<u>260,592</u>	<u>(2,316)</u>	<u>(167,547)</u>	<u>217,092</u>

NOTES TO THE FINANCIAL STATEMENTS

(Amounts expressed in Hong Kong dollars unless otherwise stated)

1. Basis of preparation and accounting policies

These consolidated condensed financial statements are prepared in accordance with Hong Kong Statements of Standard Accounting Practice 25, Interim Financial Reporting, issued by the Hong Kong Society of Accountants. The condensed consolidated financial statements are unaudited, but have been reviewed by the audit committee.

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

The accounting policies and methods of computation used in the preparation of these condensed financial statements are consistent with those used in the annual financial statements for the year ended 31st December 2001 except that the Group has changed certain of its accounting policies following its adoption of the following Statements of Standard Accounting Practice ("SSAPs") issued by the Hong Kong Society of Accountants which are effective for accounting periods commencing on or after 1st January 2002:

SSAP 1 (revised)	: Presentation of financial statements
SSAP 11 (revised)	: Foreign currency translation
SSAP 15 (revised)	: Cash flow statements
SSAP 25 (revised)	: Interim financial reporting
SSAP 34	: Employee benefits

Other than those disclosed in the respective notes to the condensed financial statements, the Group considers that the adoption of or the consequential changes made to the above SSAPs do not have a material impact on the financial statements of the Group.

2. Turnover and other revenues

Revenues recognised during the period were as follows:

	For the six months ended 30th June	
	2002	2001
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Turnover		
Revenues from games, rides and other amusement facilities	5,460	7,668
Sale of automobile components	8	30
	5,468	7,698
Other revenues		
Interest income	1,196	4,646
Miscellaneous	69	60
	1,265	4,706
Total revenues	6,733	12,404

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3. Segment information

(a) Business segments

The Group conducts the majority of its business activities in three areas: operation of indoor game centres, manufacture and sale of automobile axles and investment holding. An analysis by business segments is as follows:

	Operation of indoor game centres		Manufacture and sale of automobile axles		Investment holding		Total	
	Six months ended		Six months ended		Six months ended		Six months ended	
	30th June		30th June		30th June		30th June	
	2002	2001	2002	2001	2002	2001	2002	2001
(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Revenues								
Sales to external customers	<u>5,460</u>	<u>7,668</u>	<u>8</u>	<u>30</u>	<u>-</u>	<u>-</u>	<u>5,468</u>	<u>7,698</u>
Results								
Segment results	<u>(876)</u>	<u>(670)</u>	<u>(849)</u>	<u>(746)</u>	<u>(26,617)</u>	<u>(8,957)</u>	<u>(28,342)</u>	<u>(10,373)</u>
Finance costs							(55)	(87)
Income tax expense							-	-
Minority interests							<u>219</u>	<u>365</u>
Loss attributable to shareholders							<u>(28,178)</u>	<u>(10,095)</u>

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(b) *Geographical segments*

The Group's activities are conducted in Hong Kong and the PRC. An analysis by geographical segments is as follows:

	Hong Kong		The PRC		Total	
	Six months ended		Six months ended		Six months ended	
	30th June		30th June		30th June	
	2002	2001	2002	2001	2002	2001
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenues						
Sales to external customers	<u>-</u>	<u>-</u>	<u>5,468</u>	<u>7,698</u>	<u>5,468</u>	<u>7,698</u>
Results						
Segment results	<u>(26,617)</u>	<u>(8,957)</u>	<u>(1,725)</u>	<u>(1,416)</u>	<u>(28,342)</u>	<u>(10,373)</u>
Finance costs					(55)	(87)
Income tax expense					-	-
Minority interests					<u>219</u>	<u>365</u>
Loss attributable to shareholders					<u>(28,178)</u>	<u>(10,095)</u>

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4. Loss before tax

Loss before tax in the condensed consolidated income statement was determined after charging or crediting the following items:

	2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000
Charging:		
Staff costs (including directors' emoluments)	11,284	9,921
Depreciation of fixed assets (Note 8)	1,518	2,533
Impairment provision of fixed assets (Note 8)	113	–
Interest expense	55	87
Research and development cost	1,655	2,666
	<u>1,655</u>	<u>2,666</u>
Crediting:		
Interest income from bank deposits	1,196	4,248
Interest income from a related company	–	398
	<u>–</u>	<u>398</u>

5. Income tax expense

No provision for Hong Kong profits tax or overseas taxation has been made in the interim financial statements as the companies within the Group had no assessable profits for the period ended 30th June 2002 in the respective jurisdictions in which the entities operate.

6. Interim Dividend

The directors do not recommend the payment of a dividend for the period ended 30th June 2002 (2001: Nil).

7. Loss per share

The calculation of loss per share is based on the Group's loss attributable to shareholders of HK\$28,178,000 (2001 : HK\$10,095,000) and on the weighted average number of 1,263,634,000 (2001 : 1,263,634,000) ordinary shares in issue during the period.

No diluted loss per share has been presented as the effect of the potential ordinary shares outstanding is anti-dilutive.

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8. Capital expenditure

6 months ended 30th June 2002	Fixed assets
	HK\$'000
Beginning net book amount (Audited)	20,072
Additions (Unaudited)	324
Depreciation charge (Note 4) (Unaudited)	(1,518)
Impairment provision (Note 4) (Unaudited)	(113)
	<hr/>
Ending net book amount (Unaudited)	<u>18,765</u>

Included in the fixed assets is an investment property with net book value of HK\$1,900,000 which is mortgaged as collateral for the long term borrowing of the Group.

9. Share capital

	As at 30th June 2002 (Unaudited)		As at 31st December 2001 (Audited)	
	Number of shares	Amount HK\$'000	Number of shares	Amount HK\$'000
Ordinary shares of HK\$0.10 each				
Authorised	<u>3,000,000,000</u>	<u>300,000</u>	<u>3,000,000,000</u>	<u>300,000</u>
Issued and fully paid	<u>1,263,634,000</u>	<u>126,363</u>	<u>1,263,634,000</u>	<u>126,363</u>

There was no movement of the Company's share capital during the period.

10. Accounts payable

As at 30th June 2002, the aging analysis of the accounts payable of the Group was as follows:

	As at 30th June 2002 (Unaudited)	As at 31st December 2001 (Audited)
0 – 90 days	85	227
Over 90 days	462	462
	<hr/>	<hr/>
	<u>547</u>	<u>689</u>

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11. Related party transactions

- (a) Amount due from and amount due to a related company are unsecured, non-interest bearing and have no fixed repayment terms.
- (b) A personal guarantee was provided by a director of a subsidiary to enable the subsidiary to obtain a mortgage loan from a third party.

12. Capital commitments

Capital commitments authorised and contracted for as at 30th June 2002 were approximately HK\$12,500,000 of which approximately HK\$3,400,000 is payable in the next twelve months. The commitment pertained to sponsorship of research conducted in the field of antigen/antibody microarrays for use in immunological diagnostic and functional genomic applications. The Company would have exclusive rights of the results of the said research.

The right of the Company to exercise early termination in the first eighteen months after the date the agreement was signed, which was 3rd January 2001, has expired on 3rd July 2002.

13. Comparative figures

The adoption of SSAP 15 (revised) by the Group has resulted in changes to the presentation of cash flow statement and the 2001 comparative figures have been restated accordingly.

In addition, certain of the 2001 comparative figures have been reclassified to conform to the current period's presentation.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30th June 2002 (2001: nil).

BUSINESS REVIEW

The year 2002 is still a difficult year for the Group. The Group has recorded an unaudited consolidated turnover and loss attributable to shareholders of approximately HK\$5,468,000 and HK\$28,178,000, respectively, for the six months ended 30th June 2002. Compared with the results of the Group for the six months ended 30th June 2001, turnover has been decreased by approximately 29% from HK\$7,698,000 to HK\$5,468,000. The loss attributable to shareholders has been increased by approximately 179% from HK\$10,095,000 to HK\$28,178,000.

During the period under review, the Group continued to operate six indoor family entertainment games centres (the "entertainment centres") in the People's Republic of China (the "PRC"), the performances of which were adversely affected by the weak consumer sentiment and discretionary spending patterns of the parents, resulting in a decrease in turnover as well as profit margins.

The joint venture (the "JV"), Shenyang Liao Hua Automobile Axles Company Ltd., which is engaged in the business of manufacturing and selling of automobile axles in the PRC, has suspended production in 2000, due to the restructuring of the production lines of its principal customer.

The Company has entered into a collaboration agreement with the Trustee of Columbia University in the City of New York (the "Columbia") on 3rd January 2001. Pursuant to the agreement, the Company is given access to invention disclosure reports and research information reports regarding researches of antigen and antibody-based biochips for the use of immunological diagnostic and functional genomic applications and an option to enter into exclusive licence agreement with the Columbia in respect of each invention disclosure or researched information. Revenues will be in the form of license fees, sub-license fees and royalties of the licensed products developed from technology transfer activities. At present, the research findings cannot be commercialized for production, sale and distribution.

MANAGEMENT DISCUSSION AND ANALYSIS

The decrease in turnover was attributable to the weak market conditions. As the PRC regulatory authorities continue to rationalize the relevant laws and regulations regulating the entertainment centres business, the Board is on the outlook for any policy or rule changes and is acting cautiously in formulating any expansion or investment plan.

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The management of the JV continues to review and re-assess the situation with the principal client with a view to resuming production. The Company has contemplated to improve and upgrade the production facilities of the JV in event of resumption of production.

Despite the unfavourable operating results, the Group's liquidity and financial resources remain strong. The Group had cash and bank balances of approximately HK\$163 million (31st December 2001: HK\$190 million) together with a mortgage loan of approximately HK\$1.69 million (31st December 2001: HK\$1.86 million) as at 30th June 2002. Subsequently, the mortgage loan was fully repaid in August 2002. The Group will continue to reinforce its strong financial position so that the Company is fully prepared to seize new and attractive investment opportunities whenever the appropriate opportunities emerge. The Board believes that prudent financial management will maintain a balance between growth and risk control. The Board is extremely cautious in determining whether the investment projects will create value for shareholders and refrain from deploying capital resources in such manner where the levels of risk are out of proportion with projected returns to shareholders.

PROSPECTS

As the existing businesses of the Group continued to be operated at a loss, the Board has been considering the feasibility of expanding the Group's operations into other areas, such as hi-tech and e-commerce projects, so that the Group will be well positioned to benefit from opportunities arising out of changes in Hong Kong's and the PRC's economy, in particular, the business opportunities arising out of the entry of the World Trade Organization by China. This is in line with management policy to look for new investment opportunities so as to broaden the assets and income bases of the Group and to return the Group to profitability.

Given the recent volatilities in global hi-tech industries, it will remain difficult to locate good investment targets at reasonable and reliable valuations. Hence, it remains the Company's strategy to be highly selective in investing in the hi-tech areas or businesses with foreseeable revenue streams. The shareholders' interest is the primary concern of the Board in choosing the investments, which will be made at the right time and at the right price, and when long term potential of the market for value creation is sustainable.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE SHARE CAPITAL OF THE COMPANY

As at 30th June 2002, the register of substantial shareholders maintained under Section 16(1) of the Securities (Disclosure of Interests) Ordinance (Cap.396) of the laws of Hong Kong (the "SDI Ordinance") showed that each of the following persons had an interest of 10% or more in the share capital of the Company:

Name	<i>Note</i>	Number of shares beneficially held	Percent. of shareholding
Pure Shine Limited ("Pure Shine")		162,951,000	12.90
Brilliance China Automotive Holdings Limited ("CBA")	1	162,951,000	12.90
Daiweldo Group Limited ("DWD")		630,304,400	49.88
Daiweldo Foundation Limited	2	630,304,400	49.88

Notes:

1. Pure Shine is a wholly-owned subsidiary of CBA. Therefore CBA, by virtue of its interest in Pure Shine, is deemed to be interested in those shares which Pure Shine is interested. The controlling shareholder of CBA is the Chinese Financial Education Development Foundation, a PRC non-governmental non-profit making organization.
2. DWD is a wholly-owned subsidiary of Daiweldo Foundation Limited. Therefore Daiweldo Foundation Limited, by virtue of its interest in DWD, is deemed to be interested in those shares which DWD is interested.

Save as disclosed above, no other party was recorded in the register required to be kept by the SDI Ordinance as having an interest of 10% or more of the shares of the Company as at 30th June 2002.

DIRECTORS' INTERESTS IN THE SHARE CAPITAL OF THE COMPANY

As at 30th June 2002, the interests of the directors, chief executives and their associates in the share capital of the Company or any of its associated corporations (within the meaning of the SDI Ordinance) which require notification to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Section 28 of the SDI Ordinance (including interests which are taken or deemed to have under Section 31 or Part 1 of the Schedule of the SDI Ordinance)

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or which will be required, pursuant to Section 29 of the SDI Ordinance, to be entered into the register referred to therein, or which are required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

Name	<i>Note</i>	Nature of interests	Number of shares held
Yung Yeung	1	Corporate	630,304,400

Note:

1. Daiweldo Foundation Limited is owned as to 80% by Mr. Yung Yeung and as to 5% by each of Mr. Siu On Ng, Mr. Keung So, Mr. Xing Hong and Mr. To Ho, all of whom are directors of the Company. The aforementioned 630,304,400 shares are registered in the name of DWD, which is a wholly-owned subsidiary of Daiweldo Foundation Limited. Up to the date of this report, DWD is interested in 630,304,400 shares of the Company, representing 49.88% of the issued share capital of the Company. Therefore Mr. Yung Yeung, by virtue of his interest in Daiweldo Foundation Limited, is deemed to be interested in those shares which DWD is interested.

DIRECTORS' RIGHTS TO SUBSCRIBE FOR SHARES

Save as disclosed under the heading "Share Option Scheme" below, at no time during the six months ended 30th June 2002 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 or debentures of the Company or any other body corporate.

SHARE OPTION SCHEME

On 15th March 1995, a share option scheme was adopted by the shareholders of the Company (the "Scheme"), under which the Board, may, at its discretion, grant options (the "Share Options") to the employees of the Group to subscribe for shares of HK\$0.10 each in the share capital of the Company (the "Shares"), subject to the terms and conditions stipulated therein.

The purpose of the Scheme is to provide incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include executive directors and employees of the Company and its wholly owned subsidiaries. Unless otherwise terminated or amended, the Scheme will remain in force for 10 years from the date of adoption. Pursuant to the Scheme, the Board shall be entitled at any time within 10 years or such period as the Board may from time to time determine subject to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") applicable for the time being, to offer the grant of Share Option to any participant as the Board may in its absolute discretion select. The maximum number of Shares in respect of which Share Options may be granted under the Scheme (including Share Options exercised and Share Options then outstanding) shall not exceed 10% of the issued share capital of the Company from time to time. The maximum number of Shares in respect of which Share Options may be granted to any grantee shall not exceed 25% of the maximum aggregate number of Shares in the capital of the Company in respect of which Share Options may be granted at that time under the Scheme, which includes the total number of Shares already issued or issuable to him under all the Share Options previously granted to him and the said Share Option, or such other percentage as the Board may from time to time determine subject to the Listing Rules applicable for the time being. The offer of the grant of Share Options shall be accepted within 28 days from the date of offer upon payment of a nominal consideration of HK\$1.00 by the grantee. As the Board did not make any specification to the minimum period for which Share Options had to be held before it could be exercised, Share Options might be exercised by the grantee at any time after Share Options were granted and accepted. The subscription price of the Shares in respect of Share Options were granted shall be 80% of the average of the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet for the 5 business days immediately preceding the date of the offer on which there were dealings in Shares on the Stock Exchange or such amount as the Board may from time to time determine subject to the Listing Rules applicable for the time being or the nominal amount of the Share (whichever is the highest). The remaining life of the Scheme is about two and a half years.

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The Board had granted Share Options to subscribe for 40,000,000 and 86,300,000 Shares to certain directors and employees of the Company on 16th February and 2nd November 2000, respectively. The following Share Options were outstanding under the Scheme:

Name or Category of Participant	At 1st January 2002	Number of Share Options granted		At 30th June 2002	Date of Grant	Exercise Price	Exercise Period	Closing price of the Company's shares
		Granted during the six months ended 30th June 2002	Lapsed during the six months ended 30th June 2002					
Directors								
Yung Yeung	10,000,000	-	-	10,000,000	Note 1	Note 1	Note 1	Note 3
	21,570,000	-	-	21,570,000	Note 2	Note 2	Note 2	Note 4
	<u>31,570,000</u>			<u>31,570,000</u>				
Siu On Ng	8,000,000	-	-	8,000,000	Note 1	Note 1	Note 1	Note 3
	11,130,000	-	-	11,130,000	Note 2	Note 2	Note 2	Note 4
	<u>19,130,000</u>			<u>19,130,000</u>				
Jun Li	5,400,000	-	-	5,400,000	Note 2	Note 2	Note 2	Note 4
	<u>5,400,000</u>			<u>5,400,000</u>				
Chunhua Huang	5,400,000	-	-	5,400,000	Note 2	Note 2	Note 2	Note 4
	<u>5,400,000</u>			<u>5,400,000</u>				
Keung So	4,000,000	-	-	4,000,000	Note 1	Note 1	Note 1	Note 3
	5,400,000	-	-	5,400,000	Note 2	Note 2	Note 2	Note 4
	<u>9,400,000</u>			<u>9,400,000</u>				
Xing Hong	4,000,000	-	-	4,000,000	Note 1	Note 1	Note 1	Note 3
	5,400,000	-	-	5,400,000	Note 2	Note 2	Note 2	Note 4
	<u>9,400,000</u>			<u>9,400,000</u>				
To Ho	4,000,000	-	-	4,000,000	Note 1	Note 1	Note 1	Note 3
	5,400,000	-	-	5,400,000	Note 2	Note 2	Note 2	Note 4
	<u>9,400,000</u>			<u>9,400,000</u>				
Maozeng Yang	4,000,000	-	-	4,000,000	Note 1	Note 1	Note 1	Note 3
	5,400,000	-	-	5,400,000	Note 2	Note 2	Note 2	Note 4
	<u>9,400,000</u>			<u>9,400,000</u>				
Tung Sun	5,400,000	-	-	5,400,000	Note 2	Note 2	Note 2	Note 4
	<u>5,400,000</u>			<u>5,400,000</u>				
Employees								
(in aggregate)	6,000,000	-	-	6,000,000	Note 1	Note 1	Note 1	Note 3
	15,800,000	-	-	15,800,000	Note 2	Note 2	Note 2	Note 4
	<u>21,800,000</u>			<u>21,800,000</u>				

Notes:

1. The Share Options granted on 16th February, 2000 are exercisable at the subscription price of HK\$0.69 per Share at any time during the period of 10 years from 16th February 2000 to 15th February 2010.
2. The Share Options granted on 2nd November 2000 are exercisable at the subscription price of HK\$0.382 per Share at any time during the period of 10 years from 2nd November 2000 to 1st November 2010.
3. The closing price of the Shares immediately before the date on which an aggregate of 40,000,000 Share Options were granted (i.e. 15th February 2000) was HK\$1.85.
4. The closing price of the Shares immediately before the date on which an aggregate of 86,300,000 Share Options were granted (i.e. 1st November 2000) was HK\$0.455.

Up to 30th June 2002, none of the Share Options had been exercised. Accordingly, the weighted average closing price of the Shares immediately before the dates on which the Share Options were exercised are not disclosed herein.

On 1st September 2001, Chapter 17 of the Listing Rules was amended whereby if the Company intends to continue to grant Share Options under the Scheme on or after 1st September 2001, it must strictly comply with the requirements set out therein.

The Scheme may not comply with certain requirements of Chapter 17 of the Listing Rules. The Board does not intend to grant further Share Options under the Scheme until it has been duly amended in compliance with all the requirements of Chapter 17 of the Listing Rules. However, all the outstanding Share Options granted under the Scheme prior to 1st September 2001 will remain in full force and effect until the expiry of the exercise period.

The Board does not consider it appropriate to disclose a theoretical value of the Share Options granted to the directors and employees in the previous years because a number of factors crucial for valuation cannot be determined; such factors include the exercise period and the conditions that a share option is subject to. Accordingly, any valuation of the Share Options based on the various speculative assumptions would not be meaningful and could be misleading to the shareholders.

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PURCHASE, SALE OR REDEMPTION OF SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's securities during the six months.

CORPORATE GOVERNANCE

The Company complies with the Code of Best Practice as set out in Appendix 14 of the Listing Rules (the "Code"), except that the independent non-executive directors were not appointed for specific terms but appointed to their offices for such terms and subject to retirement in accordance with clause 87 of the by-laws of the Company.

AUDIT COMMITTEE

In compliance with the Code, the Company has established an Audit Committee and has adopted the terms of reference governing the authority and duties of the Audit Committee. The Audit Committee has reviewed and discussed with the management of the Company the accounting principles and practices adopted by the Group, internal controls and financial reporting matters, including a review of the unaudited condensed consolidated financial statements for the six months ended 30th June 2002.

On behalf of the Board

Jun Li

Director

Hong Kong, 26th September 2002