

Hsin Chong Construction Group Ltd.

(Incorporated in Bermuda with Limited Liability)

2002/2003
INTERIM REPORT



QUALITY & SERVICE

SINCE 1939

VISION STATEMENT

A construction and integrated project development group engaged in the Hong Kong and Mainland China markets.

To be the “**Preferred Business Partner**” of public and private sector clients seeking high technology and value-added solutions in the infrastructure, health and environmental sectors.



CORPORATE INFORMATION

DIRECTORS

V-nee YEH (*Chairman*)
Rodney Gordon FRANKS
(*Managing Director*)
Siu-lun CHEUNG
Ming Joseph LAI
Wai-tai LAW

Ho-ming Herbert HUI*
Kin-fung Jeffrey LAM*
Kwok-kuen Peter LAU*
Richard Paul MARGOLIS*
Brian ROBERTSON*
Mou-chong David YEH**
Kok-foo James LEE

(*Alternate Director to Siu-lun CHEUNG*)
Shiu-chung Jacky POON
(*Alternate Director to Wai-tai LAW*)

* *Independent Non-Executive Director*

** *Non-Executive Director*

AUDIT COMMITTEE

Richard Paul MARGOLIS (*Chairman*)
Ho-ming Herbert HUI
Kin-fung Jeffrey LAM

COMPANY SECRETARY

Man-see Lisa MI

SOLICITORS

F. Zimmern & Company
Herbert Smith

AUDITORS

PricewaterhouseCoopers

PRINCIPAL BANKER

The Hongkong and Shanghai Banking
Corporation Limited

REFERENCE BANKS AND FINANCIAL INSTITUTIONS

Bank of China
Standard Chartered Bank
Hang Seng Bank Ltd
BNP Paribas

IntesaBci S.p.A.
CITIC Ka Wah Bank Ltd
UFJ Bank Ltd
Liu Chong Hing Bank Ltd
Dao Heng Bank Ltd
The Bank of East Asia, Ltd
HSBC Republic Bank (Suisse) SA

REGISTERED OFFICE

Clarendon House
Church Street
Hamilton
Bermuda

PRINCIPAL PLACE OF BUSINESS

Hsin Chong Center
107-109 Wai Yip Street
Kwun Tong
Kowloon
Hong Kong
Tel: 2579 8238

WEBSITES

<http://www.hsinchong.com>
<http://www.irasia.com/listco/hk/hsinchong>

SHARE REGISTRARS

Butterfield Fund Services (Bermuda)
Limited
Rosebank Centre
11 Bermudiana Road
Pembroke
Bermuda

BRANCH REGISTRARS IN HONG KONG

Computershare Hong Kong Investor
Services Limited
Rooms 1901-5
19th Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

STOCK CODE

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HSIN CHONG CONSTRUCTION GROUP LTD.

(Incorporated in Bermuda with Limited Liability)

The Directors of Hsin Chong Construction Group Ltd. ("Company") announce results of your Company and its subsidiaries (together, the "Group") for the six months ended 30th September, 2002. The consolidated results, consolidated cash flow statement and consolidated statement of changes in equity of the Group for the six months ended 30th September, 2002, and the consolidated balance sheet as at 30th September, 2002 of the Group, all of which are unaudited, along with explanatory notes, (all of which have been reviewed by the Audit Committee pursuant to Listing Rules of The Stock Exchange of Hong Kong Limited ("Stock Exchange") ("Listing Rules") and by the Company's auditors in accordance with Statement of Auditing Standards 700 issued by the Hong Kong Society of Accountants ("HKSA")) are set out in this report.

MANAGEMENT DISCUSSION AND ANALYSIS

Operating Results

Operating results for the six months ended 30th September, 2002 disclose a loss of HK\$32.5 million after tax and minorities (2001: HK\$6.4 million). The loss per share was HK5.1 cents versus HK1.0 cents for last year.

For the six months ended 30th September, 2002, the Group achieved a turnover of HK\$941.0 million and a gross profit of HK\$112.7 million (2001: HK\$1,222.2 million and HK\$140.8 million respectively). The decline in turnover and gross profit were mainly caused by the intensified competition and declining tender prices for public contracts as a result of the contraction of the construction market in Hong Kong. In such competitive operating environment, your Group has taken control measures to reduce the costs and overheads, including a substantial reduction in payroll cost, continuous process improvement and adoption of advance building methods, which collectively resulted in a 19.8% decrease in overheads and other operating expenses as compared with the last corresponding period before the effect of an "one-off" provision of HK\$10.0 million for accrued staff leave benefits in accordance with the Statement of Standard Accounting Practice 2.134, "Employee Benefits", issued by HKSA which is effected starting from this financial year ending 31st March, 2003. However, with the practical completion of several construction projects in 2001, a substantial amount of deferred income had been recognised in the last corresponding period. Accordingly, coupled with a loss of HK\$5.3 million from the associates, the Group reported a loss before taxation of HK\$2.8 million (2001: profit of HK\$43.7 million).

Segment Analysis

Turnover for the building and civil engineering division was HK\$924.6 million, a decrease of 23.2% compared with HK\$1,203.8 million in the last corresponding period. Profit after finance costs, however, decreased even more significantly by 76.6% to HK\$19.0 million over the last corresponding period. This was mainly due to squeezed margins of ongoing projects and the absence of a substantial amount of deferred income recognised upon the completion of several construction projects in the last corresponding period.

On 18th June, 2002, the board of directors of the foundation subsidiaries unanimously resolved to cease the foundation operations of the Group having regard to the current highly competitive and onerous contractual terms of such business. While the foundation segment has completed all of its orders on hand by the end of May 2002, your Group is actively disposing of its surplus plant and machinery at their current market value and target to complete the disposal by 31st March, 2003. Overall, foundation operations reported a loss of HK\$9.7 million (2001: HK\$18.3 million) including a net loss on disposal of plant and machinery for HK\$4.1 million, with turnover decreased by 38.9% to HK\$4.2 million. The details are set out in note 15 to the accounts.

No. 3 Lockhart Road was almost fully let with no significant lease expiry in the near term while new and renewal rentals in the period were in line with market rate. Total rental income (including rental income from Hsin Chong Center not occupied by the Group) has increased by 3.3% to HK\$10.6 million. Overall, rental income has been unable to cover mortgage interest incurred on Hsin Chong Center leading to a mild deficit of HK\$0.4 million (2001: HK\$2.2 million).

Results from associated companies were unsatisfactory at a loss of HK\$5.3 million (2001: HK\$0.3 million). A provision for foreseeable loss of a residential property at 18A La Salle Road of HK\$2.2 million was made reflecting depressed market conditions. Due to the decline in turnover, profit generated from Hsin Chong Aster was insufficient to cover its overheads and resulted in a loss of HK\$1.8 million (2001: profit of HK\$0.8 million). Novotel Century Harbourview's average occupancy rate was about 83%. However, with lower room revenue, total hotel contribution remained unable to cover depreciation and financial charges with a loss of HK\$1.0 million (2001: HK\$1.3 million).

Overall, there was a loss of equity of 9.7% (2001: 1.8%) after deducting minority interests of HK\$29.7 million.

Financial Position

The Group maintains its policy of conservative capital management with gross debt to capitalization of 24% at the balance sheet date (2001 : 24%). Interest cover is at 0.1x (2001: 6.9x) with debt to cashflow cover of 11.5x (2001: 6.6x). The deterioration in coverage ratios is due to reduced profit contribution rather than increased debt level or debt-service levels. Balance sheet integrity remains strong. Total bank borrowing amounted to HK\$223.0 million (31st March, 2002: HK\$232.4 million), of which 25% (31st March, 2002: 81%) falls due after one year. The applicable interest rates for related borrowing, which are largely at a spread to HIBOR, averaged 3.5%. Up to 15th November, 2002, total credit facilities available to the Group amounted to HK\$553.6 million with an undrawn balance of HK\$375.0 million. Land and buildings with a net book value of HK\$199.5 million (31st March, 2002: HK\$203.6 million) have been pledged to secure the related mortgage loan. In respect of Guangzhou Wen Chang Square first phase development in which your Group has an effective interest of 42%, a project bank loan of RMB130 million has been arranged. The Group's other financing requirements for the coming year are expected to be met by available cash as at balance sheet date, cash generated by operations and bank credit facilities.

As of 30th September, 2002, net working capital amounted to HK\$230.8 million (31st March, 2002: HK\$333.5 million). Cash balances and short term investments are 1.2% lower at HK\$596.6 million compared with last year end (HK\$603.7 million) with 88% (31st March, 2002: 88%) as cash and cash equivalents.

Note: The methods for calculating the above ratios can be referred to in last year's annual report.

Financial Hedging And Other Off Balance Sheet Financial Instruments

With the Group's net borrowings and cash balances primarily denominated in Hong Kong and US dollars, the Group has no significant exposure to foreign currency fluctuations. In addition, your Group adopts hedging policies for mitigating interest rate risk and exchange rate risk associated with respective assets or liabilities, rights or obligations. Such policies ensure effective cost controls on construction cost as early as at the tendering stage and controllable borrowing cost for operation and investment needs.

Interest rate risk and exchange rate risk are risks to earnings or capital arising from movement of respective rates. The former mainly arises from bank borrowings by your Group and the latter comprises exposure due to currency needs from normal business operation for material procurements and services requirements. Your Group has established policies and procedures to the assessment, booking and monitoring of all such off balance sheet financial instruments under limits approved by the Finance Committee. Such policies and procedures have been reviewed by the

internal audit personnel and reported to the Audit Committee in June 1999. The controls and procedures governing such activities were overall considered adequate.

Gain or loss arising from relevant hedging transactions will be booked against profit and loss associated with underlying assets or liabilities. For example, any differential interest receipts and payments, arising from interest rate swap agreements are accrued so as to match the net income or cost of such agreement with the related finance expenses from the underlying borrowings.

To date, your Group's long-term borrowings have not been hedged by any interest swap agreement due to the easing of interest rate in light of the current or continuing slack economy. The Finance Committee pays close attention to financial markets and monitors market condition changes.

Operational Review On Contracts

Over the past six months, the building construction arm received HK\$783.2 million of new contracts with 75% derived from the Mainland China. The award of the RMB620.8 million (HK\$585.0 million) construction project to house the Headquarters of Huawei Technologies Co. Ltd. in Shenzhen is a reflection of your Group's new focus on Mainland China. Three residential development contracts from the private sector were awarded in Hong Kong, including No. 42 Island Road, 26 Belcher's Street, Kennedy Town and 31 Tin Hau Temple Road for a total contract sum of HK\$196.1 million. However, reduced nominated subcontractor works, fluctuation and contingency sum adjustments led to a net increment of HK\$565.4 million of building construction and civil engineering work.

Contracts totalling HK\$315.0 million were completed with HK\$297.2 million derived from the building construction arm mainly for the Redevelopment of Kwai Fong Estate Phase 7 for the Housing Authority. Other works completed included the bored pile works at 377 Prince Edward Road from the foundations arm and a civil engineering contract in respect of the slope remedial work for Shue Yan Secondary School.

Overall, consolidated orders on hand was improved to HK\$4,437.8 million, a 6.0% increase from last year end.

The breakdown of outstanding contracts of your Group's construction subsidiaries is as follows:

	<u>31/3/2002</u>	<u>Contracts Received</u>	<u>Contracts Completed</u>	<u>30/9/2002</u>
	<i>HK\$ Million</i>	<i>HK\$ Million</i>	<i>HK\$ Million</i>	<i>HK\$ Million</i>
Building Construction				
Hong Kong SAR	3,903.8	(19.9)	(297.2)	3,586.7
Mainland China	—	587.2	—	587.2
Civil Engineering	<u>271.7</u>	<u>(1.9)</u>	<u>(5.9)</u>	<u>263.9</u>
	4,175.5	565.4	(303.1)	4,437.8
Foundations	<u>12.0</u>	<u>(0.1)</u>	<u>(11.9)</u>	<u>—</u>
	<u><u>4,187.5</u></u>	<u><u>565.3</u></u>	<u><u>(315.0)</u></u>	<u><u>4,437.8</u></u>

The split of outstanding contracts at balance sheet date is as follows:

	<u>Amount</u>	<u>%</u>
	<i>HK\$ Million</i>	
Government	924.0	20.8
Housing Authority	950.5	21.4
Public, Charitable or Non-Profit Institutions	21.4	0.5
Private Developers	<u>2,541.9</u>	<u>57.3</u>
	<u><u>4,437.8</u></u>	<u><u>100.0</u></u>

Property development and building infrastructure activity in Hong Kong have slowed substantially. This means not only fewer tendering opportunities, but also lower margins, owing to intensified competitions. Your Group has therefore sought to shift its focus to the Mainland China and the civil engineering fields. Two new contracts obtained during the period/subsequent to the period end underscore this new focus:

- (a) a construction project to house the Headquarters of Huawei Technologies Co. Ltd. in Shenzhen with a contract sum of HK\$585.0 million in the period; and
- (b) a civil engineering contract in respect of the construction of the San Tin Eastern Main Drainage Channel for the Drainage Services Department with a contract sum of HK\$319.0 million subsequent to the period end.

Associates

With contracts on hand of HK\$504.6 million, Hsin Chong Aster (the 50% owned electrical and mechanical installation associate) decreased its order book by 15.6% over last year's level. Electrical and mechanical installation contracts amounting to HK\$14.0 million were received with HK\$107.6 million completed. The principal awards included the fire service installation subcontract for the Asia Satellite Earth Station in Tai Po Industrial Estate and the subcontract for the upgrading of the electricity supply at Lady Lily Shaw Building for Hong Kong Baptist Hospital. Major completions included the electrical and mechanical installation works for the Student Hostels Phase 1 Development for the City University of Hong Kong, the Proposed Residential Development at TKOTL 51, Tseung Kwan O, Phase I & II and the Primary and Secondary Schools in Area 27 & 101 in Tin Shui Wai.

The breakdown of outstanding contracts of your Group's construction associate is as follows:

	<u>31/3/2002</u>	<u>Contracts Received</u>	<u>Contracts Completed</u>	<u>30/9/2002</u>
	<i>HK\$ Million</i>	<i>HK\$ Million</i>	<i>HK\$ Million</i>	<i>HK\$ Million</i>
Hsin Chong Aster	<u>598.2</u>	<u>14.0</u>	<u>(107.6)</u>	<u>504.6</u>

Note: The amounts shown above are gross figures and do not reflect your Group's net attributable share.

Construction Related Property Development

- (i) SuCasa Service Apartments, Kuala Lumpur, Malaysia
- (ii) Budi Ikhtiar, Kuala Lumpur, Malaysia
- (iii) No. 3 Lockhart Road, Wanchai, Hong Kong
- (iv) Novotel Century Harbourview, Sai Wan, Hong Kong

The status of the above four projects has not changed materially from the descriptions given in your Group's last annual report.

- (v) Guangzhou Wen Chang Square, Guangzhou City, PRC

A foundation contract of RMB28.2 million was signed on 1st August, 2002. Construction work will begin very soon.

- (vi) 18A La Salle Road, Kowloon Tong, Hong Kong

In August 2002, the Sapphire House with gross floor area of 6,499 square feet was leased out for one year. In October 2002, the Amber House with gross floor area of 6,518 square feet was sold for HK\$31.2 million, leaving three houses remained vacant and unsold.

Major Contracts And Projects Subsequent To Period End

(i) Consolidated

Subsequent to the period end, your Group received a civil engineering contract of HK\$319.0 million in respect of the construction of the San Tin Eastern Main Drainage Channel for the Drainage Services Department. Accordingly, outstanding contracts increased from HK\$4,437.8 million at period end to HK\$4,756.8 million as of 15th November, 2002.

(ii) Associates

No significant job was received or completed subsequent to the period end.

INTERIM DIVIDEND

Your Board of Directors does not recommend payment of interim dividend for the period ended 30th September, 2002. (2001: Nil)

CORPORATE GOVERNANCE

None of the directors of the Group is aware of any information that would reasonably indicate that the Group 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 the Listing Rules of the Stock Exchange. Your Group's adoption of a Code of Conduct in liaison with the Independent Commission Against Corruption has worked well and has become an integral part of your Group's culture.

In addition, the Audit Committee, comprising of Mr. Richard Paul Margolis as the Chairman, Messrs. Ho-ming Herbert Hui and Kin-fung Jeffrey Lam, all of them are the Independent Non-Executive Directors ("INEDs"), has conducted a review meeting and the Committee is satisfied with the adequacy of the internal controls of the Group.

The Board is pleased to report that the Group has again, in two consecutive years (2002 and 2001), won the Platinum Award (Non-Hang Seng Index Category) of Best Corporate Governance Disclosure Awards from the HKSA. The Judges commented favourably on the Company's 2001/02 Annual Report and corporate governance, particularly in the following areas:

- (1) It contains a frank and comprehensive overview of its operations and a clear presentation of its operating and financial position with well-integrated charts, tables and photographs.

- (2) It contains a thoughtful analysis of the Group's philosophy and practice on professional management, culture change and human capital investment, with a detailed terms of reference for the Audit Committee and good biographical data of the directors with extensive information on directors' interests.
- (3) The Company has separated the functions of a Chairman and Chief Executive Officer and the board contains more than the minimum number of the INEDs who are separately identified.

Since September 2002, the Board has had a total of 11 members including 5 Executive Directors, 1 Non-Executive Director and 5 INEDs. With a high percentage of INEDs in the Board, their views which play a check and balance role are able to carry significant weight in the Board's decision. The Audit Committee has also been enlarged and currently it composes of three members as noted above, all independents.

The Board and its management are appreciative of shareholders' support and will continue to enhance corporate governance and transparency.

REVIEW OF INTERIM FINANCIAL STATEMENTS

The unaudited interim consolidated financial statements have been reviewed by the Company's auditors, PricewaterhouseCoopers, and an unmodified review report has been received by the Board.

DIRECTORATE

Dr. Meou-tsen Geoffrey Yeh has retired from both the Chairmanship and the Board of the Company with effect from 24th August, 2002. Following the retirement of Dr. Yeh, Mr. V-nee Yeh, previously the Deputy Chairman of the Company has been appointed by the Board as the Chairman of the Company with effect from the same date. The Board, management and staff would like to express their deepest appreciation to Dr. Yeh's leadership and vision over the years, without which the Company would not have attained its industry position today.

Messrs. Kin-fung Jeffrey Lam, Kwok-kuen Peter Lau and Richard Paul Margolis were appointed as INEDs with effect from 24th August, 2002.

Mr. Jeffrey Lam is the managing director of Forward Winsome Industries Limited, a toys manufacturing company. He is also the deputy chairman of Federation of Hong Kong Industries and a general committee member of the Hong Kong General Chamber of Commerce. He also holds a number of other public positions including membership on Business Advisory Group and Transport Advisory Committee of The Hong Kong Special Administrative Region. Mr. Lam was awarded the Hong Kong Young Industrialists Award in 1989. He was also appointed as a member of the Audit Committee of the Company with effect from 20th September, 2002.

Mr. Peter Lau is the chairman of Giordano International Limited (“Giordano”), a listed company in Hong Kong. Mr. Lau is also an INED of Fairwood Holdings Limited. Prior to joining Giordano, he had over 12 years’ accounting experience in both the public and private sectors in Canada.

Mr. Richard Margolis is a consultant to Merrill Lynch (Asia Pacific) Limited. He has 15 years’ experience in institutional stockbroking and investment banking business. Prior to joining the private sector in Hong Kong in 1986, he served in the British Diplomatic Service for over 13 years and was closely involved in Sino-British negotiations on Hong Kong’s future. He is an INED of China Oilfield Services Limited and a member of the Listing Committee of the Stock Exchange. He was a member of Hong Kong Securities and Futures Advisory Committee from 1992 to 1996. Mr. Margolis was appointed as the Chairman of the Audit Committee of the Company with effect from 20th September, 2002.

The Board would like to express a warm welcome to Messrs. Jeffrey Lam, Peter Lau and Richard Margolis for joining the Board.

Mr. David Wylie Gairns retired from the Board and the Chairman of the Audit Committee with effect from 1st September, 2002. During his tenure, Mr. Gairns has improved the risk management processes of the Group, which as a result has placed the Group in a stronger competitive position. The Board and senior management wish Mr. Gairns a happy retirement.

REWARDS AND TRAINING

Including the directors of the Group, as at 30th September, 2002, the Group employed a total of 756 full-time employees. Remuneration for executive directors and senior management of the Group are tied in a meaningful way to profitability. Your Board believes such incentive remuneration best motivates its staff, aligns management’s interests with shareholders’ and minimises fixed salary expenses. Remuneration packages include base salary, annual bonus, share options and retirement benefits, details of which were disclosed in the 2001/02 annual report. The Group also provides in-house and external training programmes for all staff.

SALE AND PURCHASE OF SHARES

During the period, the Company issued 404,423 shares under the Employee Share Subscription Scheme with a price at HK\$0.35 per share. Apart from this, there was no redemption, purchase, sale or cancellation of its shares made by the Company or any of its subsidiaries during the six months ended 30th September, 2002.

Changes in number of shares in issue are as follows:

<u>Date</u>	<u>Number of Shares</u>	<u>Notes</u>
31/3/2002	638,853,660	Shares in issue
9/7/2002	404,423	Shares issued under Employee Share Subscription Scheme at HK\$0.35 each
30/9/2002	<u>639,258,083</u>	Shares in issue

OUTLOOK

The Economy

The fundamentals impacting the Hong Kong economy have changed little over the past six months and the recent tragic events in Bali pose a further threat to the recovery of regional economics, most of which are heavily dependant upon the tourism industry. Hong Kong is no exception, with the improved direct links to Mainland destinations, we can anticipate reduced demand for development of the Hong Kong tourism infrastructure.

The high levels of corporate and consumer debts in the US and Europe suggest that we cannot expect a sustained upturn in global demand to deliver a recovery in the Hong Kong economy. Whichever way you look at it, we are facing a period of slower growth and the need to address domestic fiscal deficit issues from a long term strategic perspective is imperative.

The Mainland economy, although not without its own problems, is seemingly set for continued growth over the next five years and it is to this market that your Group has focused its strategy for the future.

The Industry

Recent public debate on the options available to Government in addressing our economic crisis has focused on the reduction of capital expenditure on infrastructure projects. This strikes at the foundations of our industry and is a cause of considerable concern to the whole subcontract, supplier, consultant and manufacturer skill base upon which we depend. We believe that a continuing industry shakeout is inevitable and as one of the market leaders, the Group seeks new markets and strategic partners to consolidate its position for the future.

The Group

Your Group has made prompt efforts to deal with the effects of this downturn. The Group completed a comprehensive valuation of its strategy and business structure in the first quarter of 2002. This has resulted in a change in sector and regional focus with the attendant re-assessment of our skill base and our procedures which control costs and the quality of our delivery to customers.

The interim results reflect the impact of reduced margins in current workload and the highly competitive and increasingly adversarial environment in which we trade. The management is committed to tight control of costs in the context of current and future business as we develop new markets and sector skills but we do not foresee the benefits arising from these initiatives impacting on the bottom line for another 12 to 18 months. However, the Group remains confident and committed to its strategy for 2010 anchored to growth through applied technology and the development of new sector capability in Hong Kong and the Mainland.

CONSOLIDATED PROFIT AND LOSS ACCOUNT
 FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2002

	Note	Unaudited 6 months ended 30th September		% Change
		2002 HK\$'000	2001 HK\$'000	
Turnover	2	940,961	1,222,233	-23.0
Cost of sales		<u>(828,290)</u>	<u>(1,081,416)</u>	-23.4
Gross profit		112,671	140,817	-20.0
Other income		11,062	19,607	-43.6
General and administrative expenses		(75,221)	(76,085)	-1.1
Other operating expenses		(31,073)	(43,973)	-29.3
Net transfer (to)/from deferred income		(7,314)	32,279	N/A
Net loss on disposal of plant and machinery from discontinuing operation	15	(4,123)	—	N/A
Impairment in value of stocks of properties		<u>—</u>	<u>(21,858)</u>	-100.0
Operating profit	3	6,002	50,787	-88.2
Finance costs		(3,566)	(6,806)	-47.6
Share of profits less losses/ (losses less profits) of				
— jointly controlled entity		66	(15)	N/A
— associated companies		<u>(5,300)</u>	<u>(251)</u>	20.1x
(Loss)/profit before taxation		(2,798)	43,715	N/A
Taxation	4	<u>(79)</u>	<u>(15,648)</u>	-99.5
(Loss)/profit after taxation		(2,877)	28,067	N/A
Minority interests		<u>(29,658)</u>	<u>(34,474)</u>	-14.0
Loss attributable to shareholders		<u><u>(32,535)</u></u>	<u><u>(6,407)</u></u>	407.8
Loss per share	6	<u><u>HK(5.1) cents</u></u>	<u><u>HK(1.0) cents</u></u>	410.0

CONSOLIDATED BALANCE SHEET

AS AT 30TH SEPTEMBER, 2002 AND 31ST MARCH, 2002

		Unaudited 30th September 2002	31st March 2002	% Change
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	
Fixed assets		384,913	428,183	-10.1
Associated companies		121,456	128,652	-5.6
Jointly controlled entity		79	14	464.3
Other investments		2,325	2,325	0.0
Properties under development		90,638	86,853	4.4
Current assets				
Stocks and contracting work-in-progress		256,449	238,683	7.4
Receivables and prepayments	7	386,814	356,132	8.6
Short term investments		35,005	37,581	-6.9
Deposits, cash and bank balances				
— restricted		33,807	35,607	-5.1
— unrestricted		527,835	530,536	-0.5
		1,239,910	1,198,539	3.5
Current liabilities				
Current portion of long term bank loans	9	(167,541)	(44,280)	278.4
Creditors and accruals	8	(827,386)	(800,554)	3.4
Taxation payable		(14,181)	(20,252)	-30.0
		(1,009,108)	(865,086)	16.6
Net current assets		230,802	333,453	-30.8
Deferred taxation		(9,708)	(10,144)	-4.3
Deferred income		(51,595)	(44,281)	16.5
Long term bank loans	9	(55,428)	(188,103)	-70.5
		713,482	736,952	-3.2
Financed by:				
Share capital	10	63,925	63,885	0.1
Reserves	11	590,742	623,177	-5.2
Shareholders' funds		654,667	687,062	-4.7
Minority interests		58,815	49,890	17.9
		713,482	736,952	-3.2

CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2002

	Unaudited		% Change
	6 months ended 30th September		
	2002	2001	
	HK\$'000	HK\$'000	
Operating activities			
Net cash generated from operations	19,561	36,591	-46.5
Interest received	4,224	13,349	-68.4
Interest paid	(4,083)	(7,434)	-45.1
Dividend received from listed investment	26	—	N/A
Dividend received from unlisted investment	5	—	N/A
Tax paid	(6,692)	(4,187)	59.8
	<u>13,041</u>	<u>38,319</u>	
Net cash generated from operating activities	----- 13,041 -----	----- 38,319 -----	-66.0
Investing activities			
Purchase of subsidiaries	—	598	-100.0
Increase in properties under development	(3,761)	(6,046)	-37.8
Purchase of fixed assets	(461)	(4,275)	-89.2
Disposal of fixed assets	14,684	215	67.3x
Dividends received from associated companies	1,888	1,440	31.1
Liquidation of associated companies	—	239	-100.0
Decrease in net advance/loans to associated companies	114	670	-83.0
	<u>12,464</u>	<u>(7,159)</u>	
Net cash generated from/(used in) investing activities	----- 12,464 -----	----- (7,159) -----	N/A
Financing activities			
Repayment of bank loans			
— secured	(8,836)	(7,140)	23.8
— unsecured	(20,000)	—	N/A
Increase in bank loans			
— secured	9,422	1,696	455.5
— unsecured	10,000	—	N/A
Issue of shares	141	376	-62.5
Repurchase of shares	—	(1,658)	-100.0
Repayment to minority shareholders	(20,717)	(14,422)	43.6
Capital injection from minority shareholders	—	3,524	-100.0
Dividend paid	—	(15,868)	-100.0
Dividends paid to minority shareholders of subsidiaries	(16)	(34,240)	-99.9
Release/(pledge) of restricted fixed deposits	1,800	(1,800)	N/A
	<u>(28,206)</u>	<u>(69,532)</u>	
Net cash used in financing activities	----- (28,206) -----	----- (69,532) -----	-59.4
Decrease in cash and cash equivalents	(2,701)	(38,372)	-93.0
Cash and cash equivalents at 1st April	530,536	723,589	-26.7
	<u>527,835</u>	<u>685,217</u>	
Cash and cash equivalents at 30th September	===== 527,835 =====	===== 685,217 =====	-23.0
Analysis of the balances of cash and cash equivalents			
Deposits, cash and bank balances	===== 527,835 =====	===== 685,217 =====	-23.0

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2002

	Unaudited		
	6 months ended		
	30th September		
	2002	2001	% Change
	<i>HK\$'000</i>	<i>HK\$'000</i>	
At 1st April	687,062	707,264	-2.9
Exchange differences arising on translation of the accounts of overseas operations	<u>—</u>	<u>13</u>	-100.0
Net gain not recognised in the consolidated profit and loss account	—	13	-100.0
Loss for the period	(32,535)	(6,407)	407.8
Dividend	—	(15,868)	-100.0
Shares issued/(shares cancelled upon repurchase)	40	(265)	N/A
Premium arising from issue of shares	101	289	-65.1
Shares repurchased	—	(1,305)	-100.0
Adjustment for negative goodwill arising on acquisition prior to 1st April, 2001	<u>(1)</u>	<u>—</u>	N/A
At 30th September	<u>654,667</u>	<u>683,721</u>	-4.2

NOTES TO INTERIM ACCOUNTS

1. Accounting policies

These unaudited consolidated interim accounts (“interim accounts”) are prepared in accordance with Hong Kong Statement of Standard Accounting Practice (“SSAP”) No. 25, “Interim Financial Reporting”, issued by the Hong Kong Society of Accountants (“HKSA”), and Appendix 16 of the Listing Rules of the Stock Exchange.

The accounting policies and methods of computation used in the preparation of these interim accounts are consistent with those used in the annual accounts for the year ended 31st March, 2002 except that the Group has changed certain of its accounting policies following its adoption of the following applicable SSAPs issued by HKSA which are effective starting from this financial year ended 31st March, 2003:

SSAP 1 (revised)	:	Presentation of financial statements
SSAP 15 (revised)	:	Cash flow statement
SSAP 33	:	Discontinuing operations
SSAP 34	:	Employee benefits

1. Accounting policies (continued)

The changes to the Group's accounting policies and the effect of adopting these new policies are set out below:

(a) *SSAP 1 (revised): Presentation of financial statements*

In order to comply with the revised requirements of SSAP 1 (revised), the Group adopts the new statement 'Consolidated Statement of Changes in Equity' which replaces the 'Consolidated Statement of Recognised Gains and Losses' included in previous accounts. The new statement reconciles the movement of key components of the shareholders' fund, including share capital, reserves and retained earnings, from the beginning to the end of the period.

(b) *SSAP 15 (revised): Cash flow statement*

In accordance with SSAP 15 (revised), cash flows are classified according to operating, investing and financing, rather than the previous five headings. Dividends received from associated companies and dividends paid to shareholders, which were previously presented under a separate heading, are classified as investing and financing cash flows. Cash flows arising from taxes on income are classified as operating activities, unless they can be separately identified with investing or financing activities. The consolidated cash flow statement for the six months ended 30th September, 2001 has been presented on a consistent basis.

(c) *SSAP 33: Discontinuing operations*

Financial information relating to the discontinuing operations of the Group has been separately disclosed in note 15 to the accounts.

(d) *SSAP 34: Employee benefits*

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date. Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

2. Segment information

Primary reporting format: business segments

The Group is organised into six major business segments, being building construction and civil engineering, piling and foundations (discontinuing operations), property development, rental property, electrical and mechanical installation and hotel operation.

Six months ended 30th September, 2002	Building construction and civil engineering HK\$'000	Piling and foundations HK\$'000 (Note 15)	Property development HK\$'000	Rental property HK\$'000	Electrical and mechanical installation HK\$'000	Hotel operation HK\$'000	Other operation HK\$'000	Group HK\$'000
Turnover	924,605	4,220	1,503	10,633	—	—	—	940,961
Segment results	22,020	*(9,657)	1,168	133	—	—	—	13,664
Financial and securities income								(820)
Unallocated corporate expenses								(6,842)
Operating profit								6,002
Finance costs	(2,990)	—	—	(576)	—	—	—	(3,566)
Share of results of								
— Jointly controlled entity	66	—	—	—	—	—	—	66
— Associated companies	—	—	(2,629)	—	(1,793)	(994)	116	(5,300)
Loss before taxation								(2,798)
Taxation								(79)
Loss after taxation								(2,877)
Minority interests								(29,658)
Loss attributable to shareholders								(32,535)
Six months ended 30th September, 2001								
Turnover	1,205,568	6,912	1,178	10,296	—	—	—	1,223,954
Elimination of inter- segment sales	(1,721)	—	—	—	—	—	—	(1,721)
	1,203,847	6,912	1,178	10,296	—	—	—	1,222,233
Segment results	86,037	(18,278)	*(21,515)	14	—	—	—	46,258
Financial and securities income								6,527
Unallocated corporate expenses								(1,998)
Operating profit								50,787
Finance costs	(4,568)	—	—	(2,238)	—	—	—	(6,806)
Share of results of								
— Jointly controlled entity	(15)	—	—	—	—	—	—	(15)
— Associated companies	—	—	(805)	—	818	(1,346)	1,082	(251)
Profit before taxation								43,715
Taxation								(15,648)
Profit after taxation								28,067
Minority interests								(34,474)
Loss attributable to shareholders								(6,407)

Includes a net loss of HK\$4.1 million on disposal of plant and machinery.

* Includes an impairment in value of HK\$21.9 million in the unsold stock of carpark property of a completed Private Sector Participation Scheme project in Tuen Mun, Hong Kong.

2. Segment information (continued)

Secondary reporting format: geographical segments

Over 90% of the Group's revenue and results during the period were derived from Hong Kong and accordingly, a geographical analysis is not presented.

3. Operating profit

Operating profit is stated after charging the following:

	6 months ended 30th September	
	2002	2001
	HK\$'000	HK\$'000
Depreciation		
— investment property	5,195	5,598
— building on long term leasehold land	4,072	4,100
— owned fixed assets	16,637	24,120
Amortisation of goodwill	—	486
Loss on disposal of short term investments	476	—
Unrealised loss on short term investments	1,942	1,034
Impairment of plant and machinery	11,000	—
	<u>11,000</u>	<u>—</u>

4. Taxation

Hong Kong profits tax has been provided at the rate of 16% (2001: 16%) on the estimated assessable profits for the period after application of available tax losses brought forward. Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

	6 months ended 30th September	
	2002	2001
	HK\$'000	HK\$'000
Company and subsidiaries		
— Hong Kong profits tax	344	14,461
— Overseas taxation	277	305
— Deferred taxation	(436)	436
	<u>185</u>	<u>15,202</u>
Associated companies		
— Hong Kong profits tax	(106)	446
	<u>(106)</u>	<u>446</u>
	<u>79</u>	<u>15,648</u>

The Company and subsidiaries' balance includes the Group's share of the profits tax of a jointly controlled entity which amounts to HK\$9,000 (2001: share of profits tax credit HK\$7,000) as the amount is taxable under the name of a subsidiary.

5. **Dividends**

6 months ended 30th September

	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>

Dividend paid

Final dividend: Nil (2001: HK2.5 cents) per share	<u>—</u>	<u>15,868</u>
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The Board of Directors does not recommend payment of interim dividend for the period ended 30th September, 2002 (2001: Nil).

6. **Loss per share**

The calculation of loss per share is based on the loss attributable to shareholders of HK\$32,535,000 (2001: HK\$6,407,000) and the weighted average number of 639,039,000 shares (2001: 634,643,000 shares) in issue during the period. Diluted loss per share for the periods ended 30th September, 2002 and 2001 have not been calculated as no diluting events existed during these periods.

7. **Receivables and prepayments**

Included in receivables and prepayments are trade debtors and their ageing analysis is as follows:

Not yet due	1 to 30 days	31 to 90 days	91 to 180 days	Over 180 days	Total
<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>

Balance at

30th September, 2002	<u>291,751</u>	<u>1,422</u>	<u>20,281</u>	<u>6,929</u>	<u>35,718</u>	<u>356,101</u>
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Balance at

31st March, 2002	<u>275,254</u>	<u>3,194</u>	<u>7,852</u>	<u>181</u>	<u>43,641</u>	<u>330,122</u>
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Interim application for progress payments in construction contracts are normally on a monthly basis and settled within one month with retention monies withheld but released on the issuance of relevant maintenance certificates. Rental income is billed in advance of the rental period.

8. Creditors and accruals

Included in creditors and accruals are trade payables and their ageing analysis is as follows:

	Not yet due	1 to 30 days	31 to 90 days	91 to 180 days	Over 180 days	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at						
30th September, 2002	<u>725,125</u>	<u>6,413</u>	<u>651</u>	<u>6</u>	<u>4,199</u>	<u>736,394</u>
Balance at						
31st March, 2002	<u>719,005</u>	<u>1,732</u>	<u>1,283</u>	<u>51</u>	<u>4,408</u>	<u>726,479</u>

9. Long term bank loans

	30th September 2002	31st March 2002
	HK\$'000	HK\$'000
Bank loans, wholly payable within five years		
— secured	172,969	172,383
— unsecured	<u>50,000</u>	<u>60,000</u>
	222,969	232,383
Amounts due within one year included under current liabilities	<u>(167,541)</u>	<u>(44,280)</u>
	<u>55,428</u>	<u>188,103</u>
The repayment schedule of long term bank loans is as follows:		
— within one year	167,541	44,280
— in the second year	51,818	177,353
— in the third to fifth years, inclusive	<u>3,610</u>	<u>10,750</u>
	<u>222,969</u>	<u>232,383</u>

10. Share capital

	30th September 2002	31st March 2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
<i>Authorised:</i>		
1,000,000,000 (31st March, 2002: 1,000,000,000) shares of HK\$0.10 each	<u><u>100,000</u></u>	<u><u>100,000</u></u>
<i>Issued and fully paid:</i>		
639,258,083 (31st March, 2002: 638,853,660) shares of HK\$0.10 each	<u><u>63,925</u></u>	<u><u>63,885</u></u>

The movements of the issued share capital of the Company are summarised below:

	<i>Number of shares</i>	<i>HK\$'000</i>
At 31st March, 2002	638,853,660	63,885
Employee Share Subscription Scheme	<u>404,423</u>	<u>40</u>
At 30th September, 2002	<u><u>639,258,083</u></u>	<u><u>63,925</u></u>

During the period, 404,423 new shares of HK\$0.10 each in the Company were issued pursuant to the Employee Share Subscription Scheme ("Subscription Scheme") with a price HK\$0.35 for cash at an aggregate amount of HK\$141,548. As at 30th September, 2002, no subscription monies has been received from qualifying employees as no qualifying employee has accepted offers to subscribe for shares of the Company under the Subscription Scheme in respect of the current operating period (1st July, 2002 to 31st December, 2002). No shares will be allotted upon the expiration of the operating period.

During the period, one option holder under Executive Share Option Scheme left the Company and accordingly, his options to subscribe for an aggregate number of 252,000 shares in the Company lapsed and determined. No option holders exercised their options to subscribe for shares of HK\$0.10 each in the Company during the period. The option holders are entitled to exercise their options at a price of HK\$0.80 per share. At 30th September, 2002, 7,242,000 (31st March, 2002: 7,494,000) options exercisable before 24th September, 2009 were outstanding.

No options to subscribe for shares in the Company have been granted pursuant to the Executive Share Option Scheme for the period ended 30th September, 2002.

11. Reserves

	Exchange reserve	Share premium	Capital redemption reserve	Capital reserve	General reserve	Retained profit	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 31st March, 2001	36	143,685	3,950	1	121,110	374,762	643,544
Premium arising from issue of shares	—	289	—	—	—	—	289
Loss sustained for the period	—	—	—	—	—	(6,407)	(6,407)
2001 final dividend	—	—	—	—	—	(15,868)	(15,868)
Shares repurchased	—	—	353	—	—	(1,658)	(1,305)
Exchange translation	13	—	—	—	—	—	13
At 30th September, 2001	49	143,974	4,303	1	121,110	350,829	620,266
At 31st March, 2002	83	148,156	4,354	1	121,110	349,473	623,177
Premium arising from issue of shares	—	101	—	—	—	—	101
Loss sustained for the period	—	—	—	—	—	(32,535)	(32,535)
Goodwill arising on acquisition prior to 1st April, 2001	—	—	—	(1)	—	—	(1)
At 30th September, 2002	83	148,257	4,354	—	121,110	316,938	590,742

12. Contingent liabilities

30th September	31st March
2002	2002
<i>HK\$'000</i>	<i>HK\$'000</i>

Guarantees given to banks for facilities granted to
associated companies

69,222	71,594
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Besides, the directors consider that adequate provisions have been made in the accounts for any contingent liabilities that may arise out of contractual issues.

13. Commitments

- (a) At 30th September, 2002, the outstanding commitments in respect of properties under development were as follows:

30th September	31st March
2002	2002
<i>HK\$'000</i>	<i>HK\$'000</i>

Company and subsidiaries

Contracted but not provided for

26,503	8,546
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Authorised but not contracted for

99,137	140,059
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125,640	148,605
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13. Commitments (continued)

(b) Commitments under operating leases

At 30th September, 2002, the Group had future aggregate minimum lease payments payable under non-cancellable operating leases as follows:

	30th September 2002	31st March 2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Land and buildings		
— not later than one year	1,729	1,632
— later than one year but not later than five years	2,899	1,527
— later than five years	919	1,060
	<u>5,547</u>	<u>4,219</u>

At 30th September, 2002, the Group had future aggregate minimum lease payments receivable under non-cancellable operating leases, which were typically run for a period of one to three years, as follows:

	30th September 2002	31st March 2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Land and buildings		
— not later than one year	14,314	12,402
— later than one year but not later than five years	14,088	15,243
	<u>28,402</u>	<u>27,645</u>

14. Related party transactions

(a) Details of material transactions between certain companies of the Group and its associated companies and related companies are as follows:

	6 months ended 30th September	
	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Billing of contracts to an associated company	—	449
Billing of contracts from an associated company	(6,577)	(217)
Billing of contracts from related companies	(2,160)	(1,821)
Management fee paid to a related company	(1,200)	(1,200)
Service centre charges received from a related company	2,617	4,624
Secretarial and accountancy fee received from an associated company	1,050	1,165
Insurance premiums paid to a related company	(12,604)	(26,290)
Rental received from related companies	1,187	890
Rental paid to a related company	(702)	(702)

(b) Receivables and prepayments of the Group included trade receivable from associated companies and related companies of HK\$996,000 (31st March, 2002: HK\$2,034,000).

15. Discontinuing operations

On 18th June, 2002, the board of directors of the foundation subsidiaries unanimously resolved to cease the foundation operations of the Group having regard to the current highly competitive and onerous contractual terms of such business. While the foundation segment has completed all of its orders on hand by the end of May 2002, it is actively disposing of its surplus plant and machinery at their current market value and target to complete the disposal by 31st March, 2003. In April and May 2002, the foundation segment has disposed of its plant and machinery with a net book value of HK\$3,573,000 for HK\$10,450,000 at a profit of HK\$6,877,000. In September 2002, a contract was entered into to sell its plant and machinery with a net book value of HK\$39,000,000 for HK\$28,000,000 and accordingly, an impairment loss of HK\$11,000,000 has been made in the accounts for writing down the plant and machinery as at 30th September, 2002 to their recoverable amount. The sales and results of the foundation segment were as follows:

	6 months ended 30th September	
	2002	2001
	HK\$'000	HK\$'000
Turnover	4,220	6,912
Other revenue	7,576	1,419
Depreciation	(7,039)	(10,047)
Impairment of plant and machinery	(11,000)	—
Other expenses	<u>(3,414)</u>	<u>(16,562)</u>
Loss before taxation	(9,657)	(18,278)
Taxation	<u>436</u>	<u>(3,489)</u>
Loss after taxation	<u><u>(9,221)</u></u>	<u><u>(21,767)</u></u>

16. Pending litigation

Subsequent to period end, a creditor of a foundation subsidiary has commenced legal proceedings claiming a debt due of HK\$18.0 million. Pending the outcome of the court's decision, in the opinion of the directors, there will not be any significant adverse financial impact on the financial position of the Group.

DISCLOSURE PURSUANT TO PRACTICE NOTE 19 OF THE LISTING RULES

The Group had amounts due from and loans to certain affiliated companies in a total sum of HK\$168.3 million and guarantees given to banks for facilities granted of HK\$69.2 million totalling HK\$237.5 million as at 30th September, 2002 which exceeds 25% of the Group's net assets. A proforma combined balance sheet of certain affiliated companies to which the Group provide major financial assistance and the Group's attributable interest in these affiliated companies are presented below:

	Pro-forma combined balance sheet	Group's attributable interest
	<i>HK\$'000</i>	<i>HK\$'000</i>
Fixed assets	551,933	124,510
Associated companies	30,055	10,018
Jointly controlled entities	3,983	1,991
Properties for sale	267,220	66,805
Current assets	130,833	64,141
Current liabilities	(172,790)	(62,457)
Deferred income	(912)	(456)
Long term bank loans	(97,200)	(21,870)
Shareholders' advances	(707,447)	(167,652)
Provision for impairment losses on properties	<u>(345,951)</u>	<u>(80,554)</u>
Net Liabilities	<u><u>(340,276)</u></u>	<u><u>(65,524)</u></u>

DIRECTORS' INTERESTS

- (i) As at 30th September, 2002, the Directors and Alternate Director of the Company listed below had the following beneficial interests in the share capital of the Company as recorded in the register of directors' interests required to be kept by the Company under Section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance"):

	Number of Shares Held				
	Personal Interests	Family Interests	Corporate Interests	Other Interests	Grant of Right*
V-nee YEH	15,676,843	—	—	116,354,423 (Note 1)	768,000
Siu-lun CHEUNG	221,983	—	—	—	—
Wai-tai LAW	1,907,716	421,000	—	—	560,000
Mou-chong David YEH	831,959	—	—	75,075,776 (Note 2)	—
Kok-foo James LEE (Alternate to Siu-lun CHEUNG)	197,556	—	—	—	958,000

* Options to subscribe for shares in the Company under the Company's Executive Share Option Scheme.

Note 1: The share interests are held by GHY Company Limited acting as trustee of a trust in which Mr. V-nee YEH has a beneficial interest.

Note 2: The share interests are held by Howay Investment Ltd. which is wholly owned by a trust in which Mr. Mou-chong David YEH has a beneficial interest.

- (ii) Save as disclosed above, none of the other Directors and Alternate Directors of the Company had any beneficial interests, as defined in Paragraph (i) above, in the share capital of the Company and its associated corporations as at 30th September, 2002.

SUBSTANTIAL SHAREHOLDERS

As recorded in the register of substantial shareholders' interests required to be kept by the Company under Section 16(1) of the SDI Ordinance, the following shareholders were, directly and indirectly, interested in 10% or more of the issued share capital of the Company as at 30th September, 2002:

<u>Shareholder Name</u>	<u>Number of Shares Held</u>
Meou-tsen Geoffrey YEH	186,866,064 (Note 1)
Hsin Chong International Holdings Limited	183,130,508
V-nee YEH	132,031,266 (Note 2)
GHY Company Limited	116,354,423
Mou-chong David YEH	75,907,735 (Note 3)
Howay Investment Ltd.	75,075,776

Note 1: These share interests include 183,130,508 shares held by Hsin Chong International Holdings Limited in which Dr. Meou-tsen Geoffrey YEH has a corporate interest pursuant to the SDI Ordinance.

Note 2: These share interests include 116,354,423 shares held by GHY Company Limited acting as trustee of a trust in which Mr. V-nee YEH has a beneficial interest.

Note 3: These share interests include 75,075,776 shares held by Howay Investment Ltd. which is wholly owned by a trust in which Mr. Mou-chong David YEH has a beneficial interest.

EXECUTIVE SHARE OPTION AND EMPLOYEE SHARE SUBSCRIPTION SCHEMES

The Company operates an Executive Share Option Scheme (“ESOS”) and an Employee Share Subscription Scheme (“ESSS”). During the period, movements of the options granted under the ESOS and shares allotted under ESSS are set out below:

ESOS

Name of participant	Date of grant	Options held as at 1/4/2002	Changes during the period				Options held as at 30/9/2002	Exercise price (HK\$)	Exercisable period
			Lapsed	Granted	Exercised	Cancelled			
Director and Substantial Shareholder									
Meou-tsen Geoffrey YEH	25/9/1996	694,000	—	—	—	—	694,000	0.80	25/9/1998 – 24/9/2008
	25/9/1996	692,000	—	—	—	—	692,000	0.80	25/9/1999 – 24/9/2009
V-nee YEH	25/9/1996	384,000	—	—	—	—	384,000	0.80	25/9/1998 – 24/9/2008
	25/9/1996	384,000	—	—	—	—	384,000	0.80	25/9/1999 – 24/9/2009
Director									
Wai-tai LAW	25/9/1996	280,000	—	—	—	—	280,000	0.80	25/9/1998 – 24/9/2008
	25/9/1996	280,000	—	—	—	—	280,000	0.80	25/9/1999 – 24/9/2009
Alternate Director									
Kok-foo James LEE	25/9/1996	178,000	—	—	—	—	178,000	0.80	25/9/1997 – 24/9/2007
	25/9/1996	390,000	—	—	—	—	390,000	0.80	25/9/1998 – 24/9/2008
	25/9/1996	390,000	—	—	—	—	390,000	0.80	25/9/1999 – 24/9/2009
Employees (in aggregate)									
	25/9/1996	188,000	—	—	—	—	188,000	0.80	25/9/1997 – 24/9/2007
	25/9/1996	1,820,000	126,000	—	—	—	1,694,000	0.80	25/9/1998 – 24/9/2008
	25/9/1996	1,814,000	126,000	—	—	—	1,688,000	0.80	25/9/1999 – 24/9/2009
		<u>7,494,000</u>	<u>252,000</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>7,242,000</u>		

ESSS

Name of participant	Date of allotment	Changes during the period			Subscription price (HK\$)	Closing price (on the date of allotment) Operating period (HK\$)	
		Allotted	Lapsed	Cancelled			
Director and Substantial Shareholder							
Meou-tsen Geoffrey YEH	9/7/2002	217,030	—	—	0.350	0.350	1/1/2002 – 30/6/2002
V-nee YEH	9/7/2002	187,393	—	—	0.350	0.350	1/1/2002 – 30/6/2002
		<u>404,423</u>	<u>—</u>	<u>—</u>			

Save as disclosed above, at no time during the period was the Company or its subsidiaries, a party to any other arrangements to enable the Directors or Chief Executive or any of their spouses or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company, its subsidiaries or any other body corporate.

V-nee YEH
Chairman

Hong Kong SAR, 6th December, 2002