

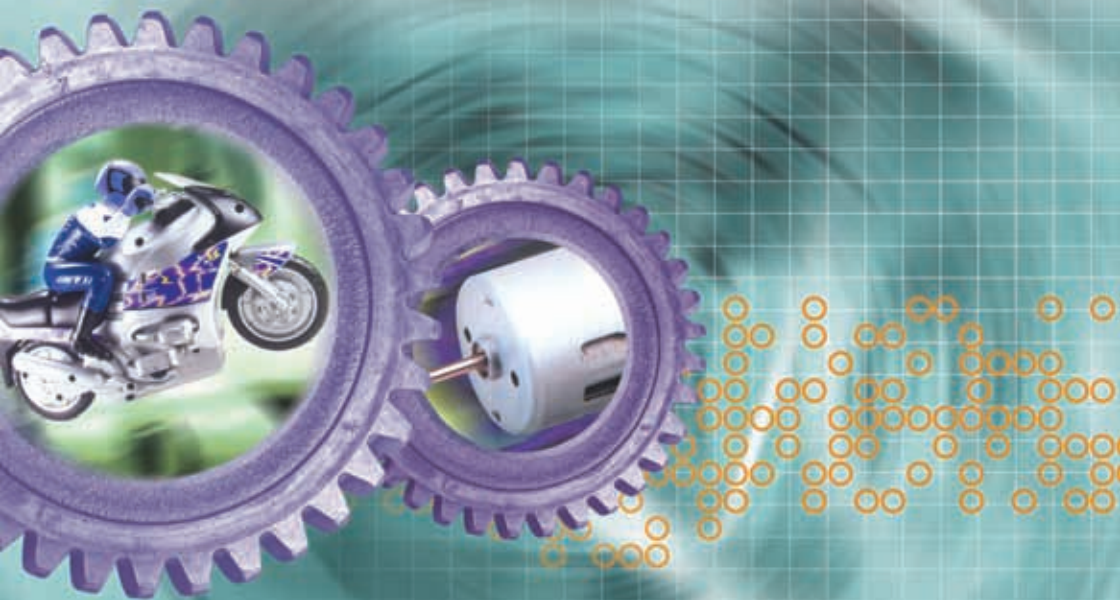


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KIN YAT HOLDINGS LIMITED

建溢集團有限公司

(Incorporated in Bermuda with limited liability)



**2002
Interim
Report**

The Board of Directors of Kin Yat Holdings Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 September 2002 together with the comparative figures for the corresponding period in 2001, were as follows:

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

	<i>Notes</i>	Unaudited Six months ended 30 September	
		2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
TURNOVER	2	444,916	487,835
Cost of sales		<u>(351,416)</u>	<u>(374,682)</u>
Gross profit		93,500	113,153
Other revenue		5,604	4,047
Selling and distribution expenses		(12,337)	(10,833)
Administrative expenses		<u>(33,379)</u>	<u>(28,117)</u>
PROFIT FROM OPERATING ACTIVITIES	3	53,388	78,250
Finance costs		<u>(106)</u>	<u>(1,059)</u>
PROFIT AFTER FINANCE COSTS		53,282	77,191
Share of profits less losses of associates		<u>(1,790)</u>	<u>(96)</u>
PROFIT BEFORE TAX		51,492	77,095
Tax	4	<u>(4,124)</u>	<u>(6,211)</u>
PROFIT BEFORE MINORITY INTERESTS		47,368	70,884
Minority interests		<u>(2,829)</u>	<u>(7,229)</u>
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		<u>44,539</u>	<u>63,655</u>
DIVIDENDS	5	<u>10,121</u>	<u>11,374</u>
EARNINGS PER SHARE	6		
Basic		<u>HK11.34 cents</u>	<u>HK16.79 cents</u>
Diluted		<u>HK11.30 cents</u>	<u>HK16.34 cents</u>

CONDENSED CONSOLIDATED BALANCE SHEET

		Unaudited 30 September 2002 HK\$'000	Audited 31 March 2002 HK\$'000
	<i>Notes</i>		
NON-CURRENT ASSETS			
Fixed assets		291,882	267,131
Interests in associates		15,541	16,223
Deferred development costs		7,269	7,000
Goodwill		10,465	–
		325,157	290,354
CURRENT ASSETS			
Inventories		137,916	92,666
Accounts receivable	7	169,872	52,491
Prepayments, deposits and other receivables		15,259	13,205
Short term investments		1,718	4,932
Time deposits		40,397	127,678
Cash and bank balances		59,785	20,551
		424,947	311,523
CURRENT LIABILITIES			
Accounts payable, accrued liabilities and other payables	8	200,350	75,739
Interest-bearing bank borrowings	10	200	200
Tax payable		18,857	15,018
Proposed interim dividend		10,121	–
		229,528	90,957
NET CURRENT ASSETS			
		195,419	220,566
TOTAL ASSETS LESS CURRENT LIABILITIES			
		520,576	510,920
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	10	400	500
Deferred tax		6,497	6,497
		6,897	6,997
MINORITY INTERESTS			
		12,447	28,855
		501,232	475,068
CAPITAL AND RESERVES			
Share capital	9	40,482	37,912
Reserves		460,750	409,358
Proposed final dividend		–	27,798
		501,232	475,068

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2002 (Unaudited)

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Asset revaluation reserve <i>HK\$'000</i>	Capital reserve on consolidation <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2002	37,912	88,330	53,879	1,599	6,150	287,198	475,068
2001/2002 final dividend paid	-	-	-	-	-	(27,798)	(27,798)
Issue of shares	2,570	16,111	-	-	-	-	18,681
Acquisition of additional interests in subsidiaries	-	-	863	-	-	-	863
Net profit for the period	-	-	-	-	-	44,539	44,539
Interim dividend	-	-	-	-	-	(10,121)	(10,121)
At 30 September 2002	<u>40,482</u>	<u>104,441</u>	<u>54,742</u>	<u>1,599</u>	<u>6,150</u>	<u>293,818</u>	<u>501,232</u>

For the six months ended 30 September 2001 (Unaudited)

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Asset revaluation reserve <i>HK\$'000</i>	Capital reserve on consolidation <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2001	37,902	88,310	58,285	1,599	6,150	227,069	419,315
2000/2001 final dividend paid	-	-	-	-	-	(26,531)	(26,531)
Net profit for the period	-	-	-	-	-	63,655	63,655
Interim dividend	-	-	-	-	-	(11,374)	(11,374)
At 30 September 2001	<u>37,902</u>	<u>88,310</u>	<u>58,285</u>	<u>1,599</u>	<u>6,150</u>	<u>252,819</u>	<u>445,065</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

Unaudited
Six months ended
30 September

2002	2001
HK\$'000	HK\$'000

NET CASH INFLOW FROM OPERATING ACTIVITIES	2,900	40,255
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	(61,330)	(9,492)
NET CASH INFLOW/(OUTFLOW) FROM FINANCING ACTIVITIES	<u>18,581</u>	<u>(9,900)</u>
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(39,849)	20,863
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	<u>140,031</u>	<u>79,868</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>100,182</u>	<u>100,731</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	59,785	30,589
Time deposits with original maturity of less than three months when acquired	<u>40,397</u>	<u>70,142</u>
	<u>100,182</u>	<u>100,731</u>

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES

This interim financial report has been prepared in accordance with Hong Kong Statements of Standard Accounting Practice (“SSAP”) No. 25, “Interim Financial Reporting”, issued by the Hong Kong Society of Accountants (“HKSA”).

The accounting policies and basis of preparation adopted in the preparation of this interim financial report are consistent with those used in the Group’s annual financial statements for the year ended 31 March 2002.

The following relevant SSAPs issued by the HKSA are effective for accounting periods commencing on or after 1 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 33:	“Discontinuing Operations”
SSAP 34:	“Employee Benefits”

The main revision to SSAP 1 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 balances have been presented in accordance with this revised SSAP.

SSAP 11 (Revised) prescribes the basis for the translation of foreign currency transactions and financial statements. This revised SSAP has had no major impact on these condensed consolidated financial statements.

The main revision to SSAP 15 is to classify 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 balances have been presented in accordance with this revised SSAP.

SSAP 25 (Revised) prescribes the presentation and disclosures following changes in SSAP 1 (Revised) and SSAP 15 (Revised). The condensed consolidated financial statements for the current interim period and comparative balances have been presented in accordance with this revised SSAP.

SSAP 33 prescribes the basis for reporting information about discontinuing/discontinued operations. This SSAP has had no major impact on these condensed consolidated financial statements.

SSAP 34 prescribes the accounting treatment and disclosure requirements for employee benefits. Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for the annual leave as a result of services rendered by employees up to the balance sheet date.

In prior periods, no provision was made for employee annual leave entitlements. The SSAP 34 has been applied prospectively as the effect on profit for the six months ended 30 September 2001 and 2002 and retained earnings as at 1 April 2001 and 1 April 2002 is insignificant.

2. TURNOVER AND SEGMENT INFORMATION

Turnover represents the net invoiced value of goods sold, after allowance for returns and trade discounts but excluding intra-Group transactions.

(a) Business segments

The following table presents revenue and results for the Group's business segments.

	Unaudited six months ended 30 September									
	Toys and related products		Motors		Electrical household appliances		Eliminations		Consolidated	
	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:										
Sales to external customers	307,124	347,787	115,811	113,774	21,981	26,274	—	—	444,916	487,835
Inter-segment sales	—	—	9,801	3,197	—	—	(9,801)	(3,197)	—	—
Other revenue	1,278	1,141	883	968	16	343	—	—	2,177	2,452
Total	308,402	348,928	126,495	117,939	21,997	26,617	(9,801)	(3,197)	447,093	490,287
Segment results	25,148	52,461	30,715	27,841	472	796	—	—	56,335	81,098
Interest, dividend income and unallocated gains									3,427	1,595
Unallocated expenses									(6,374)	(4,443)
Profit from operating activities									53,388	78,250

(b) Geographical segments

The following table presents revenue and results for the Group's geographical segments.

	Unaudited six months ended 30 September											
	United States of America		Europe		Asia		Others		Eliminations		Consolidated	
	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:												
Sales to external customers	198,326	243,541	82,944	77,497	128,103	134,003	35,543	32,794	—	—	444,916	487,835
Segment results	16,104	36,186	5,965	9,715	31,646	30,607	2,620	4,590	—	—	56,335	81,098

3. PROFIT FROM OPERATING ACTIVITIES

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

	Unaudited Six months ended 30 September	
	2002	2001
	HK\$'000	HK\$'000
Depreciation	14,854	12,291
Amortisation of deferred development costs	2,662	2,644
Goodwill amortised for the period	1,161	–
Interest income	(864)	(1,715)
	<u>17,813</u>	<u>13,220</u>

4. TAX

Hong Kong profits tax has been provided at the rate of 16% (2001: 16%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable overseas have been calculated at the applicable rates of tax prevailing in the countries in which the subsidiaries operated during the period.

	Unaudited Six months ended 30 September	
	2002	2001
	HK\$'000	HK\$'000
Current period provision:		
Hong Kong	3,839	5,964
Overseas	233	227
	<u>4,072</u>	<u>6,191</u>
Share of tax attributable to an associate	52	20
	<u>4,124</u>	<u>6,211</u>

No deferred tax has been provided as there were no significant timing differences (2001: Nil).

5. DIVIDENDS

The directors have decided to pay an interim dividend of HK2.5 cents per share to the shareholders whose name appear on the register of members of the Company on 9 January 2003. The dividend will be paid on 15 January 2003.

Unaudited Six months ended 30 September	
2002	2001
HK\$'000	HK\$'000

Interim – HK2.5 cents (2001: HK3 cents)
per ordinary share

10,121	11,374
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6. EARNINGS PER SHARE

The calculation of earnings per share is based on the net profit from ordinary activities attributable to shareholders for the period of HK\$44,539,000 (2001: HK\$63,655,000) and the weighted average of 392,599,235 (2001: 379,020,000) ordinary shares in issue during the period.

The calculation of diluted earnings per share for the period is based on the net profit from ordinary activities attributable to shareholders for the period of HK\$44,539,000 (2001: HK\$63,655,000) and 394,103,909 (2001: 389,639,833) ordinary shares, being the weighted average number of shares outstanding during the period, adjusted for the effects of dilutive potential ordinary shares outstanding during the period.

The reconciliation of weighted average number of shares used in calculating basic and diluted earnings per share is as follows:

Unaudited Six months ended 30 September	
2002	2001

Weighted average number of ordinary shares used
in calculating basic earnings per share

392,599,235	379,020,000
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Weighted average number of ordinary shares
assumed to have been issued at no consideration
on deemed exercise of all options outstanding
during the period

1,504,674	10,619,833
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Weighted average number of ordinary shares
used in calculating diluted earnings per share

394,103,909	389,639,833
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7. ACCOUNTS RECEIVABLE

Trading terms with customers are largely on credit, except for new customers where cash on sale or payment in advance is normally required. Invoices are normally payable within 60 days of issuance, except for certain well-established customers, for whom the credit terms are extended to 90 days. The ageing of the Group's accounts receivable as at 30 September 2002 is analysed as follows:

	Unaudited 30 September 2002 HK\$'000	Audited 31 March 2002 HK\$'000
0-30 days	107,453	29,714
31-60 days	44,166	6,808
61-90 days	12,344	9,864
Over 90 days	5,909	6,105
	<hr/>	<hr/>
Total	169,872	52,491

The substantial increase in the accounts receivable is owing to the seasonal factor where September (30 September 2001: HK\$150,993,000) is the high season and March (31 March 2001: HK\$49,230,000) is the low season. The Group considered such balances are normal and healthy.

8. ACCOUNTS PAYABLE, ACCRUED LIABILITIES AND OTHER PAYABLES

The ageing of the Group's accounts payable as at 30 September 2002 is analysed as follows:

	Unaudited 30 September 2002 HK\$'000	Audited 31 March 2002 HK\$'000
0-30 days	76,635	31,114
31-60 days	57,585	10,571
61-90 days	28,410	4,971
Over 90 days	6,159	6,907
	<hr/>	<hr/>
Accounts payable	168,789	53,563
Accrued liabilities and other payables	31,561	22,176
	<hr/>	<hr/>
Total	200,350	75,739

The substantial increase in the accounts payable is owing to the seasonal factor where September (30 September 2001: HK\$130,731,000) is the high season and March (31 March 2001: HK\$65,776,000) is the low season. The Group considered such balances are normal and healthy.

9. SHARE CAPITAL Shares

	Unaudited Ordinary shares of HK\$0.10 each	
	Number of shares	HK\$'000
<i>Authorised:</i>		
At 1 April 2002 and 30 September 2002	<u>1,000,000,000</u>	<u>100,000</u>
<i>Issued and fully paid:</i>		
At 1 April 2002	379,120,000	37,912
Exercise of share options	<u>25,700,000</u>	<u>2,570</u>
At 30 September 2002	<u>404,820,000</u>	<u>40,482</u>

The subscription rights attaching to 19,210,000 and 6,490,000 share options were exercised during the period at the subscription price of HK\$0.87 per share and HK\$0.3032 per share, respectively, resulting in the issue of 25,700,000 shares of HK\$0.10 each for a total cash consideration of approximately HK\$18,681,000.

Share options

The Company operates a share option scheme (the "Scheme"), further details of which are also set out under the heading "Share option scheme" in this report.

At the beginning of the period, there were 19,210,000 and 9,250,000 share options outstanding under the Scheme, which entitled the holders to subscribe for shares of the Company at any time during periods ranging from 7 July 1997 to 7 April 2007 and from 6 November 1998 to 5 November 2008, at exercise prices of HK\$0.87 per share and HK\$0.3032 per share, respectively.

A total of 19,210,000 and 6,490,000 share options were exercised during the period at exercise price of HK\$0.87 per share and HK\$0.3032 per share, respectively. 1,000,000 share options with an exercise price of HK\$0.3032 per share lapsed and were cancelled during the period.

At the balance sheet date, the Company had 1,760,000 share options outstanding under the Scheme at exercise prices of HK\$0.3032 per share. The exercise in full of these share options would, under the present capital structure of the Company, result in the issue of 1,760,000 additional shares of HK\$0.10 each and proceeds, of approximately HK\$534,000.

10. INTEREST-BEARING BANK BORROWINGS

The Group's banking facilities as at 30 September 2002 were secured by corporate guarantees given by the Company and certain subsidiaries of the Company.

11. CONTINGENT LIABILITIES

At the balance sheet date, the Company had provided guarantees of HK\$127,000,000 (31 March 2002: HK\$97,000,000) and HK\$15,000,000 (31 March 2002: HK\$15,000,000) in respect of banking facilities granted to certain subsidiaries and an associate, of which HK\$540,000 (31 March 2002: HK\$700,000) and HK\$12,562,000 (31 March 2002: HK\$470,000) had been utilised as at the balance sheet date, respectively.

12. COMPARATIVE AMOUNTS

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

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 6 January 2003 to 9 January 2003, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the interim dividend, all transfer of shares, accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Branch Registrars, Tengis Limited, at 4th Floor Hutchison House, 10 Harcourt Road, Central, Hong Kong not later than 4:00 p.m. on Friday, 3 January 2003.

RESULTS

The first half of fiscal 2002/03 had been a period of exceptional challenge to the Group in its history of operation. Demand and consumer sentiments declined to new troughs in the already weak global economy since the September 11 attacks in America without any signs of meaningful and sustainable recovery in sight.

The Group had taken decisive yet appropriate measures to keep deployment of capital and other resources under tight control in this tough operating environment. Meanwhile, we had been keeping a close scrutiny for opportunities in new products and business areas.

During the first half, the Group recorded a decline in turnover to approximately HK\$444,916,000, down from HK\$487,835,000 for the last corresponding period. Net profit from ordinary activities attributable to shareholders retreated 30% to approximately HK\$44,539,000 for the period under review, from HK\$63,655,000 in the previous corresponding period.

REVIEW OF OPERATIONS

Toys

The September 11 attacks in America had undoubtedly dealt a serious blow to the already-weak global consumer confidence, inflicting changes to pattern that retailers placed their orders. They became increasingly conservative and postponed release of orders to manufacturers more often than ever. This shortened the lead-time available to manufacturers, posing a stern challenge for the already tightly packed production schedules during this peak season.

Anticipating an across-the-board shrinkage in demand, retailers attempted to expand the range of models available in order to appeal to the often-neglected niche tastes that might create new demand. This mounted additional pressure to our research and development division to churn out more new models. Reflecting a general retraction in appetite for luxuries, retailers concentrated more of their merchandising effort on mid-priced items. This continued to exert price reduction pressure on the manufacturers.

These changes posed additional challenges to the struggling manufacturers. Notwithstanding these stresses met this year, the Group remained in reasonably good shape due to sustained efforts taken in the previous years in production, financial and logistics management optimization. Turnover for the division declined 12% to HK\$307,124,000, albeit on a high level of orders on hand.

The strikes initiated by dockworkers in the West Coast of the United States in September had led to postponement and cancellation of certain orders. The Group also incurred additional airfreight expenses to meet the severely squeezed delivery schedules as a result of the strike.

The volume of orders postponed as a result of the strike and shrinking consumer confidence had been significant, supporting our optimism for this division in the second half of our fiscal year 2002/03.

Our management and capital resources will focus on expansion and upgrading of our production facilities, following efforts made over the previous years in constructing a larger manufacturing base.

We aspire to improve and enhance performance of this division through our ongoing progress made in diversifying the Group's customer portfolio and implementing business and product development initiatives. We shall continue to explore the potential of high-end toy products that appeal to niche tastes and command better price and margins.

Motors

Dragged by the subdued performance in the toys division, the motors division achieved a marginal 7% growth in turnover year on year to HK\$125,612,000. Segmented contribution from this division to Group profits grew a mild 10% to HK\$30,715,000 from a year ago.

We expect the motors division to continue to grow in modest pace as demand in toys across the globe continues to slow down and orders for production of motor-powered personal care devices have not been advancing as quickly as we originally anticipated.

Our edge in manufacturing high quality products at competitive prices had correctly addressed manufacturers' concern about costs, especially when the economy was in a tailspin. We continued to be able to impress our potential customers with our price offerings and quality delivery.

The diversification into the personal care product segment, despite still in an early stage of development, has proven to be a strategically correct move to harness future growth. The Group will continue to explore opportunities in new market segments of motor-powered devices and develop new models to accommodate this expansion drive.

Backed by our firm belief of the prospect of this division, we shall continue to invest in expansion of our production capacity, despite the near-term uncertainties that surround the market.

CDRs

We are pleased to report that after a lengthy approval process in China, our 50%-owned CDR production arm, Concord, had successfully relocated its facilities to the mainland. Six production lines had been installed into the new premise and commercial production had commenced in August.

It will take some time for the relocation and production line expansion to reap benefits. Meanwhile, Concord had recorded a loss from its insufficient scale and cost inefficiency in Hong Kong before the relocation. One-off relocation expenses were also included in the results of this operation.

With application of our expertise in building scalability and controlling costs, and improvement in the market environment after the consolidation resulting from last year's price war, we expect Concord to be able to contribute to the Group's bottom line profit by the year 2003/04.

OVERALL OUTLOOK

The remarkable rebound of Hong Kong's exports and re-exports has pointed to a fact that despite a near-term recovery in global economy is yet to be in sight, there is a limited scope for further correction. Global consumption for toy products and other motor-powered devices can be maintained at present levels and may have room to advance modestly.

The imminent war against Iraq remains to be the greatest uncertainty in the global economy. It will inflict impact on our operations in form of rising oil prices that will drive up the cost of plastic, one of our major raw materials.

Nonetheless, most indicators suggest cautious optimism can be warranted. The US economy is recovering, albeit at a very slow pace and the anticipated interest rate reductions will pedal Europe's growth.

Kin Yat has achieved notable progresses in capitalizing in the industry's downturn over the last few years to re-engineer its production, business development and logistics management and at the same time striking replicable successes in diversifying into new market segments and expanding revenue and clientele bases.

Our Group's inclusion by Forbes Global in its list of "The World's Best 200 Small Companies" in 2002 came as a great encouragement to our management and staff, in particular amidst such difficult times. We will remain focused and committed to achieving sustainable development and safeguarding our shareholders' interest.

These efforts made the Group better prepared to take full advantage of forthcoming recoveries, to ride on the upswings, to survive the corrections and to maintain longer-term sustainable growth.

LIQUIDITY AND FINANCIAL POSITION

The Group primarily used its internally generated cash flow and banking facilities to finance its operations and business development during the period. The Group adopts a prudent and conservative policy in its financial management. At the end of the financial period, the Group's aggregated fixed deposits and cash balances amounted to HK\$100 million (31 March 2002: HK\$148 million). In addition, the Group currently maintains aggregate composite banking facilities of approximately HK\$128 million (31 March 2002: HK\$113 million) with various banks, of which HK\$0.6 million (31 March 2002: HK\$0.7 million) has been utilized as at 30 September 2002.

The Group continues to enjoy healthy financial position. As at 30 September 2002, the current ratio (current assets divided by current liabilities) was 1.9 times (31 March 2002: 3.4 times; 30 September 2001: 2.1 times) and the gearing ratio (long term liabilities divided by shareholder funds) was 1.4% (31 March 2002: 1.5%; 30 September 2001: 2.9%).

EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2002, the Group employed some 11,000 full time employees, of which approximately 60 were based in Hong Kong with the remainder in China.

The Group remunerates its employees largely in accordance with prevailing industry standards. In Hong Kong, the Group's employee benefits include staff retirement scheme, medical scheme and performance bonus. In China, the Group provides its employees staff welfare and allowances in accordance with prevailing labour law. The Group has also put in place a share option scheme to motivate and reward performing staff. At the discretion of the Board of Directors, the Group's employees will be granted options, the amount of which is determined by performance and rank of individual employees.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Apart from as disclosed under the headings "Share option scheme" and "Directors' interests in shares" below, at no time during the period were rights to acquire benefits by means of the acquisition of shares in 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, its holding companies, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

SHARE OPTION SCHEME

The Company had a share option scheme approved on 8 April 1997 ("Old Scheme") under which the directors might grant options to directors and employees of the Group to subscribe up to 10% of the nominal amount of the issued share capital of the Company. After the adoption of the amended Chapter 17 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") with effect from 1 September 2001, certain terms of the Old Scheme require amendment in order to comply with the new requirements under Chapter 17 of the Listing Rules. In Annual General Meeting of the Company held on 20 August 2002, resolutions were passed to terminate the Old Scheme and a new share option scheme was adopted.

The share options granted by the Company under the Old Scheme will not be affected by the new share option scheme. As at 30 September 2002, no options were granted under the new scheme to directors and employees. All of the share options granted to directors in prior years under the Old Scheme were exercised during the period. The details of share options granted to directors and employees under Old Scheme which remained outstanding as at 30 September 2002 were as follows:

	Date of share options granted	Number of share options				At 30 September 2002	Exercise period	Exercise price per share HK\$
		At 1 April 2002	Exercised during the period	Lapsed/ cancelled during the period				
Directors								
Cheng Chor Kit	7/7/1997	6,000,000	(6,000,000)	-	-	7/7/1997-7/4/2007	0.8700	
	6/11/1998	1,500,000	(1,500,000)	-	-	6/11/1998-5/11/2008	0.3032	
Cheng Chor Chiu	7/7/1997	4,500,000	(4,500,000)	-	-	7/7/1997-7/4/2007	0.8700	
	6/11/1998	1,000,000	(1,000,000)	-	-	6/11/1998-5/11/2008	0.3032	
Cheng Chor Yip	7/7/1997	3,000,000	(3,000,000)	-	-	7/7/1997-7/4/2007	0.8700	
	6/11/1998	1,000,000	(1,000,000)	-	-	6/11/1998-5/11/2008	0.3032	
Wong Kin Chung	7/7/1997	1,500,000	(1,500,000)	-	-	7/7/1997-7/4/2007	0.8700	
Chui Pak Shing	7/7/1997	150,000	(150,000)	-	-	7/7/1997-7/4/2007	0.8700	
	6/11/1998	1,000,000	(1,000,000)	-	-	6/11/1998-5/11/2008	0.3032	
Other employees								
In aggregate	7/7/1997	4,060,000	(4,060,000)	-	-	7/7/1997-7/4/2007	0.8700	
	6/11/1998	4,750,000	(1,990,000)	(1,000,000)	1,760,000	6/11/1998-5/11/2008	0.3032	

Included in the aggregate share options granted to other employees, 200,000 share options were granted to Tsang Yuk Wan, the spouse of Cheng Chor Kit, on 6 November 1998, which was exercised during the period.

Summary details of the Company's share option scheme are also set out in note 9 to this report.

DIRECTORS' INTERESTS IN SHARES

At 30 September 2002, the interests of the directors and their associates in the share capital of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance"), were as follows:

Director	Number of issued ordinary shares of HK\$0.10 each in the Company	
	Personal interests	Corporate interests
Cheng Chor Kit (<i>note</i>)	–	269,676,000
Cheng Chor Yip (<i>note</i>)	–	269,676,000
Wong Kin Chung	3,050,000	–

Note:

These shares are held by Resplendent Global Limited ("RG") (amounting to around 66.62% of the total issued share capital of the Company), a company incorporated in the British Virgin Islands. Padora Global Inc. ("Padora") and Shannon Global Limited ("Shannon") are the beneficial owners of approximately 70% and 30%, respectively, of the issued share capital of RG. Padora is a company incorporated in the British Virgin Islands and is wholly owned by Polo Asset Holdings Limited which is wholly owned by the trustees of a discretionary trust established by Cheng Chor Kit for his family. Shannon is a company incorporated in the British Virgin Islands which is owned by Cheng Chor Chiu, Cheng Chor Yip and Cheng Chor Kei, a brother of Cheng Chor Kit, in the ratios of approximately 57.75%, 21.125% and 21.125%, respectively.

Pursuant to a share transfer agreement dated 25 July 2002 entered into between Shannon, Padora, Cheng Chor Chiu, Cheng Chor Yip, Cheng Chor Kei and Cheng Chor Kit whereby Shannon agreed to transfer a total of 23.4% interests in RG to Padora by different phases but the transfers will complete not later than 26 January 2004. As at 30 September 2002, 10.5% interests in RG had been transferred.

The directors' interests in the Company's share options are disclosed above in the section "Share option scheme".

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

SUBSTANTIAL SHAREHOLDERS

At 30 September 2002, other than Resplendent Global Limited as set out in the section “Directors’ interests in shares” above, no person had registered an interest in 10% or more of the issued share capital of the Company in the register of interests that is required to be kept by the Company pursuant to Section 16(1) of the SDI Ordinance.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company’s listed securities during the period.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

In the opinion of the directors, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules throughout the period covered by the interim report.

The independent non-executive directors are not appointed for a specific term as all of the directors, excluding the executive chairman, and without limitation to the non-executive directors, are subject to retirement by rotation and re-election at the annual general meeting in accordance with the bye-laws of the Company.

AUDIT COMMITTEE

The Company established an Audit Committee (the “Committee”) in 1999 in compliance with the requirements of the Code of Best Practice as set out in Appendix 14 of the Listing Rules. The Committee was established with written terms of reference, for the purpose of reviewing and providing supervision over the financial reporting process and internal control of the Group. The Committee comprises two independent non-executive directors. The work of the Committee has covered the financial period ended 30 September 2002.

On behalf of the Board
Cheng Chor Kit
Chairman

Hong Kong, 9 December 2002