

SUBSTANTIAL SHAREHOLDERS

As at 30 September, 2002, the following interests of 10% or more of the issued share capital of the Company were recorded in the register of interests that is required to be kept by the Company, pursuant to Section 16(1) of the SDI Ordinance:

Name	Number of ordinary shares held	Percentage of holding in the Company's issued share capital
Harmony Link Corporation	226,056,500	54.1

On 28 February, 2002, Harmony Link Corporation made an unconditional mandatory cash offers to acquire all the shares in issue of the Company at HK\$0.24 in cash per share and to cancel all the share options outstanding under the Old Scheme not already owned by Harmony Link Corporation and parties acting in concert with it at HK0.01 cent in cash under Rule 26 of the Hong Kong Code on Takeovers and Mergers (the "General Offer"). Details of the General Offer is set out in the circular to the shareholders of the Company dated 8 April, 2002.

Pursuant to the closing of the General Offer, the number of ordinary shares held by Harmony Link Corporation increased to 226,056,500, representing 54.1% of the Company's issued share capital.

Save as disclosed above, no person, other than the directors of the Company, whose interests are set out under the heading "DIRECTORS' INTERESTS IN SHARES" above, had registered an interest in the issued share capital of the Company that was required to be recorded under Section 16(1) of the SDI Ordinance.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

For the six months ended 30 September, 2002, neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

CONTINGENT LIABILITIES AND CHARGE ON ASSETS

As at 30 September, 2002, corporate guarantees amounting to HK\$46.0 million were given to banks by the Company for the provision of general banking facilities granted to the Group's subsidiaries, which were secured by legal charges on certain properties owned by the Group with a total net book value of approximately HK\$11.5 million.

EXCHANGE RATE EXPOSURE

Most of the transactions of the Group were made in Hong Kong dollars, Renminbi and US dollars. During the six months ended 30 September, 2002, the Group was not exposed to any material exchange risk as the exchange rate of Hong Kong dollars, Renminbi and US dollars were relatively stable and no hedging for foreign currency transactions has been carried out.

EMPLOYMENT AND REMUNERATION POLICIES

During the period under review, the Group had an average available workforce of approximately 1,500, of which approximately 1,350 were based in the People's Republic of China.

Remuneration packages are generally structured by reference to market terms and individual merits. Salaries are normally reviewed on an annual basis and bonuses paid, if any, will also be based on performance appraisals and other relevant factors. Staff benefit plans maintained by the Group include mandatory provident fund scheme, share option scheme and medical insurance.

REVIEW OF INTERIM RESULTS

The unaudited interim results of the Group for the six months ended 30 September 2002 has been reviewed by the Audit Committee of the Company and the Group's auditors, Ernst & Young.

CODE OF BEST PRACTICE

None of the directors is aware of information that would reasonably indicate that the Company is not, or was not for any part of the six months ended 30 September, 2002, in compliance with Appendix 14 of the Listing Rules of the Stock Exchange, except that the independent non-executive directors were not appointed for specific terms.

By Order of the Board

Lui Chi

Chairman

Hong Kong, 17 December, 2002