

INTERIM REPORT 2002-2003

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CULTURECOM HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

CULTURECOM

2002



CHAIRMAN'S STATEMENT

Foreword

After four years of extensive research and development, the proprietary Chinese processing technology and related general products of Culturecom Group have gradually received comprehensive market recognition and significant attention of investors, as well as attracted cooperation of different commercial partners in investing jointly in the field of popularising Chinese information.

We are pleased with the Group's major breakthrough in Chinese single chip system technology of having successfully developed and built the first Chinese single chip of Culturecom 3210 CPU in collaboration with IBM. This will provide a total solution to the Chinese IA (Intelligent Appliance) products at low cost and accelerate the progress of popularising IA products in the Greater China region. The Chinese single chip system is believed as the Group's most treasured asset of technology and to bestow rich rewards for the Group.

As it transforms from a traditional publishing company into an innovative technology enterprise, the Group faces a high-risk market. Accordingly, while the management is strengthening its efforts in research and development and market expansion, it has also adopted different strategies in risk aversion. After four years of strenuous and tough operations, the Group's business is now matured and ready for reaping returns. The excellent comments given by the "EUROMONEY" magazine in respect of the corporate governance of the Group was a confirmation of the operating efforts of the Group's management in recent years.

Business Review

With the breakthrough in Chinese single chip system technology, the Group has total solutions in respect of Chinese processing technology, including Chinese single chip, Chinese Linux operating system and application software, Chinese online network technology and database Chinese processing technology that are ready for ongoing application in different IA products.

Culturecom 3210 CPU

Currently, Culturecom 3210 CPU is the unique Chinese single chip, on a worldwide basis, that adopts a 32-bit structure with Linux as its operating system. It will yield revolutionary effects on the IA product market in reducing hardware costs significantly and bring forth a new scenario for the IA industry. The Chinese single chip Culturecom 3210 CPU Luncheon Presentation held in mid-December this year received overwhelming responses and countless customer recognition and is expected to go into full commercial production in 2003.

CHAIRMAN'S STATEMENT (continued)

Chinese 2000 Linux

Coupled with its procurements by the government authorities of the PRC, the Chinese 2000 Linux software has established market reputation as well as widespread market recognition, with investors previewing good prospects for such technology product. Recently, the Group and a wholly-owned subsidiary of eForce Group entered into a conditional sale and purchase agreement for disposing 51% interest of a subsidiary that develops the Chinese 2000 Linux software for a consideration of HK\$38.25 million. It is expected that through closer cooperation with eForce Group, it can further strengthen the development of the Chinese 2000 Linux desktop operating system in the PRC market as well as striving the development of the applications of Chinese 2000 Linux on micro-cellular information products. In recent years, the growth rate of micro-cellular information products has far exceeded that of personal computers with ever increasing adoption of Linux operating system and application system in micro-cellular information products. The management considers that this business has immense development potential.

ePublishing

The ePublishing business with Culturecom 1610 CPU as the core processing technology has also been maturing. With close collaboration between the Group and the People's Education Press, the PEC eTextbook has commenced trial sales in a number of secondary schools in the PRC. Various primary and secondary textbooks, reference books and related supplementary teaching materials in the form of eTextbook cards have been launched in succession for the use of mainland students. In addition, with the successful development of highly functional personalised formatting and conversion software, the Group has launched a multi-functional cellular commercial eBook "Easyread" in December this year and received overwhelming responses in Hong Kong. Apart from providing the reading function, the eBook is a mobile information database and a mobile reader that facilitates enquiries of large volume of information anywhere at any time and is suitable for use by commercial and professional people of different levels.

To enhance further development in the ePublishing business, the Group is presently seeking strategic cooperation with partners that have competitive advantages in technology and market in order to attain the end results of sharing resources and complementing advantages.

CHAIRMAN'S STATEMENT (continued)

Chinese Online Network

The Chinese online network technology and the database Chinese processing technology will complement with the wireless fixed network technology in establishing an urban wireless broadband platform in PRC that will provide network computer and network services with contents at low cost. At present, the commercial tests in the base in Dongguan have been completed with a satisfactory result and entered into commercial trial runs.

Comic Business

The comic business of the Group has diversified into multimedia development by means of cooperation with a number of large multimedia companies in launching movies, television dramas, animations, computer games, online and mobile games based on the Group's comics. The Group will continue to focus on comics for multimedia as its future direction for development as well as pinpoint the demands of the PRC market by creating more topics in comics. At present, the Group has capitalised on the comic production base in the PRC in rolling out a number of products, such as comics monthly to embark on the PRC new comics market.

Prospects

The Group has been persistent in its concept of developing a Chinese information infrastructure by striving in its un-relentless efforts to conduct research and development of technology and products and to explore the Greater China market during the past four years. In view of the existing difficult conditions faced by high-tech enterprises, the management will deploy the strategy of "spreading advantages, evading shortcomings, combining vertically and linking up" to focus its efforts in developing its own proprietary Chinese character generating technology and Chinese single chip system technology and consolidating its advantages in the field of Chinese information. Concurrently, the Group will strengthen its cooperation with strategic partners in capitalising jointly respective advantages in resources to inject new driving forces in the development of high technology.

INTERIM RESULTS

The Board of Directors (the "Directors") of Culturecom Holdings Limited (the "Company") are pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30th September, 2002 together with comparative figures for the corresponding period of 2001 are as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the period ended 30th September, 2002

	Note	Six months ended	
		30th September, 2002	30th September, 2001
		HK\$'000 (unaudited)	HK\$'000 (unaudited)
Turnover	2	31,517	28,923
Cost of sales		(27,640)	(20,524)
Gross profit		3,877	8,399
Other revenue		2,864	18,612
Administrative expenses		(42,383)	(39,185)
Amortisation of development costs		(8,910)	–
Allowances for other debtors and deposits		(1,390)	–
Unrealised loss on investments in securities		(6,851)	(2,000)
Amortisation of goodwill		(211)	(139)
Impairment loss recognised in respect of investments in securities		–	(36,029)
Impairment loss recognised in respect of goodwill arising on acquisition of subsidiaries		–	(8,000)
Loss from operations	3	(53,004)	(58,342)
Finance costs	4	(5)	(24)
Share of results of associates		(3,948)	(6,125)
Share of results of jointly controlled entity		(1,077)	–
Gain on deemed disposal of associates		–	1,659
Loss before taxation		(58,034)	(62,832)
Taxation	5	143	–
Net loss before minority interests		(57,891)	(62,832)
Minority interests		902	717
Net loss for the period		(56,989)	(62,115)
Loss per share – basic and diluted	6	(1.92 cents)	(2.29 cents)

CONDENSED CONSOLIDATED BALANCE SHEET

At 30th September, 2002

		30th September, 2002	31st March, 2002
		HK\$'000	HK\$'000
	Note	(unaudited)	(audited)
NON-CURRENT ASSETS			
Property, plant and equipment	7	85,682	86,272
Goodwill	8	4,718	3,055
Development costs	9	80,706	81,375
Interests in associates		93,226	87,045
Interests in jointly controlled entity		1,159	–
Investments in securities		4,585	3,385
Deposits for acquisition of investments		31,616	19,900
		301,692	281,032
CURRENT ASSETS			
Inventories		9,136	823
Trade debtors	10	16,042	15,499
Other debtors, deposits and prepayments		48,467	37,552
Amounts due from related companies		4,736	4,106
Tax recoverable		143	461
Investments in securities		30,592	40,925
Deposits with other financial institutions		–	19,635
Bank balances and cash		78,084	76,281
		187,200	195,282
CURRENT LIABILITIES			
Trade creditors	11	16,498	7,427
Other creditors and accrued charges		15,423	14,191
Obligation under finance lease		34	–
Amounts due to related companies		1,768	2,738
		33,723	24,356
NET CURRENT ASSETS		153,477	170,926
TOTAL ASSETS LESS LIABILITIES		455,169	451,958

CONDENSED CONSOLIDATED BALANCE SHEET (continued)

At 30th September, 2002

		30th September, 2002	31st March, 2002
		HK\$'000	HK\$'000
	Note	(unaudited)	(audited)
CAPITAL AND RESERVES			
Share capital	12	301,400	278,756
Reserves	13	153,152	171,754
TOTAL CAPITAL AND RESERVES		454,552	450,510
NON-CURRENT LIABILITIES			
Minority interests		517	1,448
Obligation under finance lease		100	–
		617	1,448
		455,169	451,958

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period ended 30th September, 2002

	Six months ended	
	30th September, 2002	30th September, 2001
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Balance at beginning of the period	450,510	595,208
Exchange difference arising on translation of overseas operation	(13)	(44)
Loss for the period	(56,989)	(62,115)
Issue of shares upon exercise of warrants	61,044	26,892
Issue of shares upon exercise of share options	–	1,320
Goodwill released on deemed disposal of associates	–	4,195
	<hr/>	<hr/>
Balance at end of the period	<u>454,552</u>	<u>565,456</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the period ended 30th September, 2002

	Six months ended	
	30th September, 2002	30th September, 2001
	HK\$'000 (unaudited)	HK\$'000 (unaudited)
Net cash inflow (outflow) from operating activities	(39,523)	32,363
Net cash outflow from investing activities	(39,311)	(88,503)
Net cash inflow from financing activities	<u>61,044</u>	<u>28,212</u>
Decrease in cash and cash equivalents	(17,790)	(27,928)
Effect of foreign exchange rate change	(42)	–
Cash and cash equivalents at the beginning of the period	<u>95,916</u>	<u>186,005</u>
Cash and cash equivalents at the end of the period	<u><u>78,084</u></u>	<u><u>158,077</u></u>

NOTES TO THE FINANCIAL STATEMENTS

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The condensed financial statements have been prepared in accordance with Statement of Standard Accounting Practice ("SSAP") No. 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants and with the disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited. The accounting policies and basis of preparation used in the preparation of the interim financial statements are the same as those used in the annual financial statements for the year ended 31st March 2002 excepts for the recently issued SSAPs that disclosed below.

SSAP 1 (revised)	:	Presentation of financial statements
SSAP 11 (revised)	:	Foreign currency translation
SSAP 15 (revised)	:	Cash flow statements
SSAP 34	:	Employees benefits

The adoption of the above SSAPs which are effective for the first time in the preparation of the current period's condensed consolidated financial statements has no impact to the financial results and the financial position of the Group.

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

2. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

Income statement for the period ended 30th September

	Publishing and related business	Chinese information infrastructure	Investment holding	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
2002				
Turnover	<u>29,632</u>	<u>1,885</u>	<u>–</u>	<u>31,517</u>
Segment results	<u>2,820</u>	<u>(30,683)</u>	<u>(8,649)</u>	<u>(36,512)</u>
Unallocated corporate expenses				<u>(16,492)</u>
Loss from operations				<u>(53,004)</u>
Finance costs				(5)
Share of result of associates				<u>(3,948)</u>
Share of result jointly controlled entity				<u>(1,077)</u>
Loss before tax				<u>(58,034)</u>
Taxation				<u>143</u>
Net loss before minority interests				<u>(57,891)</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Business segments (continued)

	Publishing and related business	Chinese information infrastructure	Investment holding	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
2001				
Turnover	27,994	–	929	28,923
Segment results	4,574	(14,307)	(45,740)	(55,473)
Unallocated corporate expenses				(2,869)
Loss from operations				(58,342)
Finance costs				(24)
Share of results of associates				(6,125)
Gain on deemed disposal of associates				1,659
Loss before tax				(62,832)
Taxation				–
Net loss before minority interests				(62,832)

Geographical segments

The Group's operations are located in Hong Kong and other regions in the People's Republic of China (the "PRC").

The following table provides an analysis of the Group's turnover and loss to operations by location of markets, irrespective of the origin of the goods/services:

	Turnover		Loss from operation	
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	30,661	28,923	(49,633)	(55,995)
PRC	856	–	(3,371)	(2,347)
	31,517	28,923	(53,004)	(58,342)

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. LOSS FROM OPERATIONS

	Six months ended	
	30th September, 2002	30th September, 2001
	HK\$'000	HK\$'000
Loss from operations has been arrived at after charging (crediting):		
Depreciation and amortisation of property, plant and equipment	4,639	4,536
Bank interest income	(546)	(2,432)
	<u>4,093</u>	<u>2,104</u>

4. FINANCE COSTS

The amount represents interest on finance lease on office equipments, which is fully repayable within five years.

5. TAXATION CREDIT

The taxation credit represents the overprovision of Hong Kong Profits Tax in previous years. No provision for Hong Kong Profits Tax has been made in the financial statements for the period ended 30th September, 2001.

6. LOSS PER SHARE

The calculation of the basic loss per share is based on the net loss for the period of approximately HK\$56,989,000 (2001: HK\$62,115,000) and the weighted average number of 2,972,809,259 (2001: 2,714,879,861) ordinary shares in issue during the period.

The computation of diluted loss per share for the periods ended 30th September, 2002 and 2001 does not assume the exercise of the Company's outstanding share options and warrants since their exercise would reduce net loss per share.

Dilutive loss per share for the period is not shown as exercise of outstanding share options granted and warrants issued by the Company would have an anti-dilutive effect on the loss per share for the period.

7. ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired equipment amounting to approximately HK\$4,049,000 (2001: HK\$2,627,000).

NOTES TO THE FINANCIAL STATEMENTS (continued)

8. GOODWILL

	30th September, 2002	31st March, 2002
	HK\$'000	HK\$'000
COST		
Balance at the beginning of the period	11,333	–
Additions	1,874	11,333
Balance at the end of the period	13,207	11,333
AMORTISATION AND ACCUMULATED IMPAIRMENT LOSS		
Balance at the beginning of the period	8,278	–
Recognition of impairment loss	–	8,000
Charge for the period	211	278
Balance at the end of the period	8,489	8,278
NET BOOK VALUE	4,718	3,055

9. DEVELOPMENT COSTS

	30th September, 2002	31st March, 2002
	HK\$'000	HK\$'000
COST		
Balance at the beginning of the period	107,900	25,275
Additions	8,241	68,567
Transfer from property, plant and equipment	–	14,058
Balance at the end of the period	116,141	107,900
AMORTISATION		
Balance at the beginning of the period	26,525	–
Charge for the period	8,910	26,525
Balance at the end of the period	35,435	26,525
NET BOOK VALUE	80,706	81,375

Development costs represent expenditure incurred for the development of the Chinese information infrastructure. Such development costs are deferred and amortised over its estimated useful life range from two to five years from the date of commencement of commercial operations.

NOTES TO THE FINANCIAL STATEMENTS (continued)

10. TRADE DEBTORS

The Group allows an average credit period of 60 days to its trade customers. The following is an aged analysis of trade debtors at the balance sheet date:

	30th September, 2002	31st March, 2002
	HK\$'000	HK\$'000
0 – 60 days	10,130	9,578
61 – 90 days	689	1,768
Over 90 days	5,223	4,153
	<u>16,042</u>	<u>15,499</u>

11. TRADE CREDITORS

The following is an aged analysis of trade creditors at the balance sheet date:

	30th September, 2002	31st March, 2002
	HK\$'000	HK\$'000
0 – 60 days	13,189	6,075
61 – 90 days	949	390
Over 90 days	2,360	962
	<u>16,498</u>	<u>7,427</u>

12. SHARE CAPITAL

	Number of shares		Share capital	
	30th September, 2002	31st March, 2002	30th September, 2002	31st March, 2002
	'000	'000	HK\$'000	HK\$'000
Ordinary shares of HK\$0.10 each, issued and fully paid :				
At the beginning of the period	2,787,560	2,710,160	278,756	271,016
Exercise of share options	–	5,000	–	500
Exercise of warrants	226,440	72,400	22,644	7,240
At the end of the period	<u>3,014,000</u>	<u>2,787,560</u>	<u>301,400</u>	<u>278,756</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

13. RESERVES

	Share premium	Contribution surplus	Goodwill reserve	Other reserve	Capital redemption reserve	Translation reserve	Deficit	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st April, 2001, as restated	553,860	171,671	(67,143)	-	446	-	(334,642)	324,192
Net proceeds from issue of shares	12,992	-	-	-	-	-	-	12,992
Net proceeds from issue of warrants, net of expenses	-	-	-	24,763	-	-	-	24,763
Transfer from other reserve to share premium due to exercise of warrants	5,976	-	-	(5,976)	-	-	-	-
Exchange loss on translation of overseas subsidiaries	-	-	-	-	-	(325)	-	(325)
Goodwill released on deemed disposal of associates	-	-	4,195	-	-	-	-	4,195
Share of net proceeds from issue of warrants by an associate	-	-	-	1,500	-	-	-	1,500
Net loss for the year	-	-	-	-	-	-	(195,563)	(195,563)
At 31st March, 2002	572,828	171,671	(62,948)	20,287	446	(325)	(530,205)	171,754
Net proceeds from issue of shares	38,400	-	-	-	-	-	-	38,400
Exchange loss on translation of overseas subsidiaries	-	-	-	-	-	(13)	-	(13)
Net loss for the period	-	-	-	-	-	-	(56,989)	(56,989)
At 30th September, 2002	<u>611,228</u>	<u>171,671</u>	<u>(62,948)</u>	<u>20,287</u>	<u>446</u>	<u>(338)</u>	<u>(587,194)</u>	<u>153,152</u>

14. CONTINGENT LIABILITIES

At 30th September, 2002, the Company was cited as defendant in a court case in respect of claims amounting to approximately HK\$11,967,000 (2001: HK\$11,967,000) in relation to a guarantee given to the plaintiff. Based on the advice of its legal adviser, the directors are of the view that the Company has reasonable grounds to defence. Accordingly, no provision for this amount has been provided in the financial statements.

15. CAPITAL COMMITMENT

	30th September, 2002	31st March, 2002
	HK\$'000	HK\$'000
Capital expenditure in respect of a jointly controlled entity	<u>5,654</u>	<u>9,434</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Results

The Group's overall turnover for the six months period ended 30th September, 2002 increased by 9% to approximately HK\$31,517,000 over the corresponding period of last year, of which approximately HK\$29,632,000 and HK\$1,885,000 (2001: HK\$27,994,000 and HK\$ nil) was attributable to our business of comics publication and Chinese information infrastructure respectively.

For the six months period ended 30th September, 2002, the Group's consolidated net loss attributable to shareholders decreased by 8% to approximately HK\$56,989,000 as compared to that of the corresponding period of last year. The loss per share for the period was HK1.92 cents (2001: HK2.29 cents). The loss for the period was mainly due to approximately 8% increase in the Group's administrative expenses over the corresponding period of last year, amortisation of development costs of approximately HK\$8,910,000 and unrealised loss on investments in securities of approximately HK\$6,851,000. The Directors believe that the losses for the consecutive financial years will be improved once when the revenue from the Group's technology projects is generated in the forthcoming years.

At 30th September, 2002, the Group's net asset value was approximately HK\$454,552,000 and net asset value per weighted average number of 2,972,809,259 shares of the Company was approximately HK\$0.15 (2001: HK\$0.21).

Liquidity and Financial Resources

As at 30th September, 2002, the Group had bank and cash balances in aggregate of approximately HK\$78,084,000 and marketable securities of approximately HK\$16,888,000. The Group has no significant exposure to foreign exchange rate fluctuations.

During the period under review, 226,440,000 warrants conferring rights to subscribe up to HK\$61,138,800 in aggregate in cash for shares of HK\$0.10 each in share capital of the Company at an initial subscription price of HK\$0.27 per share were exercised prior to the expiring date of the warrants.

As at 30th September, 2002, the Group's total liabilities amounted to approximately HK\$33,823,000 and represented approximately 7% to the shareholders' equity.

In view of the Group's financial conditions, the Directors believe that the Group has sufficient resources to meet its working capital requirements and any commitments for future expansion should the opportunities arise.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Development Costs of I.T. Projects

During the six months period ended 30th September, 2002, costs incurred for the development of Chinese language computer operating system, Chinese character database chip, Chinese electronic books and other application software amounted to approximately HK\$8,241,000 (2001: HK\$68,468,000). Net book value of the development costs as at 30th September, 2002 amounted to approximately HK\$80,706,000 (2001: HK\$107,801,000). These development costs are deferred and written off over its estimated useful life range from two to five years from the date of commencement of commercial operations. For the six months period ended 30th September, 2002, the amortisation of development costs amounted to approximately HK\$8,910,000 (2001: Nil).

Employment and Remuneration Policies

As at 30th September, 2002, the Group had a total of 207 employees of which 140 are based in Hong Kong, 48 based in Macau and 19 based in PRC. Total staff costs incurred during the six months period ended 30th September, 2002 amounted to approximately HK\$18,324,000 (2001: HK\$18,819,000). Remuneration packages are maintained at competitive level and reviewed by the management on a periodical basis. Discretionary bonuses and incentive share options are awarded to certain directors and employees according to the assessment of individual merit and performance. The Group has also committed itself to its staff training and development and structured training programs for all employees.

Post Balance Sheet Event

On 18th November 2002, the Group entered into a conditional sale and purchase agreement with Successful Mode Investments Limited (a wholly-owned subsidiary of eForce Holdings Limited) for disposal of 51% equity interest in Chinese 2000 Holdings Limited at share consideration of HK\$38,250,000. The consideration shall be satisfied by allotment of 170,000,000 shares in eForce Holdings Limited at HK\$0.225.

INTERIM DIVIDEND

The Board of Directors of the Company has resolved not to declare an interim dividend for the six months ended 30th September, 2002 (2001: nil).

REPURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor its subsidiaries have purchased, sold or redeemed any of the listed securities in the Company during the six months ended 30th September, 2002.

SHARE OPTION SCHEME

The Company has terminated its share option scheme adopted on 15th June, 1993 (the “1993 Scheme”) and adopted a new share option scheme (the “2002 Scheme”) on its 2002 Annual General Meeting held on 21st August, 2002. Details of the 2002 Scheme were set out in the circulars to shareholders dated 26th July, 2002. No share option has been granted under the 2002 Scheme since its adoption.

Subsequent to the termination of the 1993 Scheme, no further options can be granted thereunder but in all other respects, the provisions of the 1993 Scheme shall remain in force and all options granted prior to such termination shall continue to be valid and exercisable in accordance therewith.

Details of the movement of the share options granted to the Directors and employees of the Company under the 1993 Scheme during the six months ended 30th September, 2002 are as follows:

	Date of Grant	At 1st April, 2002	Number of share options			At 30th September, 2002	Exercise price per share HK\$	Exercise Period
			Granted/ Exercised/ Lapsed/ Cancelled during the period	Transfer from other category during the period	Transfer to other category during the period			
(a) Directors								
Mr. Cheung Wai Tung	3rd March, 2000	4,565,000	-	-	-	4,565,000	1.680	3rd March, 2000 to 2nd March, 2010
Mr. Chu Bong Foo	(i) 27th August, 1999	10,000,000	-	-	-	10,000,000	0.264	27th August, 1999 to 26th August, 2009
	(ii) 3rd March, 2000	2,000,000	-	-	-	2,000,000	1.680	3rd March, 2000 to 2nd March, 2010
Mr. Cheung Kam Shing, Terry	3rd March, 2000	3,000,000	-	-	-	3,000,000	1.680	3rd March, 2000 to 2nd March, 2010
Mr. Henry Chang Manayan	(i) 27th August, 1999	2,000,000	-	-	-	2,000,000	0.264	27th August, 1999 to 26th August, 2009
	(ii) 3rd March, 2000	500,000	-	-	-	500,000	1.680	3rd March, 2000 to 2nd March, 2010
Mr. Wan Xiaolin	3rd March, 2000	-	-	1,000,000 (note 1)	-	1,000,000	1.680	3rd March, 2000 to 2nd March, 2010
(b) Employees	3rd March, 2000	28,535,000	-	-	1,000,000 (note 1)	27,535,000	1.680	3rd March, 2000 to 2nd March, 2010

Note:

- Mr. Wan Xiaolin joined the Group as General Manager in January 2000 and was granted options by the Company on 3rd March, 2000. He was appointed as Executive Director of the Company on 1st July, 2002 and his options were accordingly re-classified in the category of “Directors” during the period.

DISCLOSURE OF DIRECTORS' INTERESTS IN SECURITIES AS AT 30TH SEPTEMBER, 2002

- (A) As at 30th September, 2002, the interests of Directors in the shares of the Company as recorded in the register maintained under section 29 of the Securities (Disclosure of Interests) Ordinance were as follows:

THE COMPANY

Name of Director	Personal Interests	Corporate Interests	Total Number of Shares held
Mr. Cheung Wai Tung	10,000,000	–	10,000,000
Mr. Chu Bong Foo	194,628,000	122,872,000 (note 1)	317,500,000
Mr. Henry Chang Manayan	1,000,000	–	1,000,000
Mr. Wan Xiaolin	500,000	–	500,000

Note:

1. 122,872,000 shares were held by Bay-Club Enterprises Inc., which was beneficially owned by Mr. Chu Bong Foo.

- (B) As at 30th September, 2002, the interests of Directors in options of the Company under the 1993 Scheme as recorded in the register maintained under section 29 of the Securities (Disclosure of Interests) Ordinance were as follows:

THE COMPANY

Name of Director		Number of Options	Exercise Price per Share HK\$	Exercise Period
Mr. Cheung Wai Tung	(i)	4,565,000 (note 1)	1.680	3rd March, 2000 to 2nd March, 2010
Mr. Chu Bong Foo	(i)	10,000,000 (note 2)	0.264	27th August, 1999 to 26th August, 2009
	(ii)	2,000,000 (note 2)	1.680	3rd March, 2000 to 2nd March, 2010
Mr. Cheung Kam Shing, Terry	(i)	3,000,000 (note 3)	1.680	3rd March, 2000 to 2nd March, 2010
Mr. Henry Chang Manayan	(i)	2,000,000 (note 4)	0.264	27th August, 1999 to 26th August, 2009
	(ii)	500,000 (note 4)	1.680	3rd March, 2000 to 2nd March, 2010
Mr. Wan Xiaolin	(i)	1,000,000 (note 5)	1.680	3rd March, 2000 to 2nd March, 2010

DISCLOSURE OF DIRECTORS' INTERESTS IN SECURITIES AS AT 30TH SEPTEMBER, 2002 (continued)

Notes:

1. Pursuant to the 1993 Scheme, Mr. Cheung Wai Tung was granted options by the Company on 3rd March, 2000 to subscribe for 4,565,000 shares at the exercise price of HK\$1.680 per share for the exercise period from 3rd March, 2000 to 2nd March, 2010.
2. Pursuant to the 1993 Scheme, Mr. Chu Bong Foo was granted options by the Company (i) on 27th August, 1999 to subscribe for 10,000,000 shares at the exercise price of HK\$0.264 per share for the exercise period from 27th August, 1999 to 26th August, 2009; and (ii) on 3rd March, 2000 to subscribe for 2,000,000 shares at the exercise price of HK\$1.680 per share for the exercise period from 3rd March, 2000 to 2nd March, 2010.
3. Pursuant to the 1993 Scheme, Mr. Cheung Kam Shing, Terry was granted options by the Company to subscribe for 3,000,000 shares at the exercise price of HK\$1.680 per share for the exercise period from 3rd March, 2000 to 2nd March, 2010 upon his appointment as Managing Director of the Company on 1st April, 2000.
4. Pursuant to the 1993 Scheme, Mr. Henry Chang Manayan was granted options by the Company (i) on 27th August, 1999 to subscribe for 3,000,000 shares at the exercise price of HK\$0.264 per share for the exercise period from 27th August, 1999 to 26th August, 2009; and (ii) on 3rd March, 2000 to subscribe for 500,000 shares at the exercise price of HK\$1.680 per share for the exercise period from 3rd March, 2000 to 2nd March, 2010. Mr. Henry Chang Manayan exercised his options to subscribe for 1,000,000 shares of the Company at the exercise price of HK\$0.264 on 18th February, 2000.
5. Pursuant to the 1993 Scheme, Mr. Wan Xiaolin was granted options by the Company to subscribe for 1,000,000 shares at the exercise price of HK\$1.680 per share for the exercise period from 3rd March, 2000 to 2nd March, 2010.

Save as disclosed above, no Directors had exercised their options during the period and none of the Company's Directors or their associates had any personal, corporate or other interests in any securities of the Company as defined in the Securities (Disclosure of Interests) Ordinance, and none of the Directors or their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the period.

SUBSTANTIAL SHAREHOLDERS' INTEREST

According to the register required to be kept under section 16(1) of the Securities (Disclosure of Interests) Ordinance, the following shareholder had an interest of 10% or more in the issued share capital of the Company as at 30th September, 2002:

Name	Number of Shares held
Mr. Chu Bong Foo (<i>note 1</i>)	317,500,000

Note:

1. 122,872,000 shares out of the total 317,500,000 shares were held by Bay-Club Enterprises Inc., which was beneficially owned by Mr. Chu Bong Foo.

AUDIT COMMITTEE

The Audit Committee has reviewed the unaudited interim results for the six months ended 30th September, 2002.

CODE OF BEST PRACTICE

The Company has complied throughout the six months ended 30th September, 2002 with those paragraph of the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited except that the Independent Non-Executive Directors of the Company were appointed without specific term as they were subject to retirement by rotation in accordance with the Bye-laws of the Company.

By Order of the Board
Cheung Wai Tung
Chairman

Hong Kong, 17th December, 2002