

CHANGE OF SUBSTANTIAL SHAREHOLDER

On 25th July, 2002, Taiwan International Capital (HK) Limited ("TIC"), a former substantial shareholder entered into a sale and purchase agreement ("Sale and Purchase Agreement") with Shen Gang Limited ("Shen Gang"), an independent third party. Shen Gang is an investment holding company mainly engages in making investments in the Greater China region. Pursuant to the Sale and Purchase Agreement, TIC agreed to sell all of its interest in the Company, equivalent to 19.29% of the entire issued capital of the Company, to Shen Gang at a cash consideration of HK\$15,343,480. The consideration of approximately HK\$0.32 per share represents a premium of 158% over the closing price per share at HK\$0.124 as quoted on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 25th July, 2002. The transaction was completed on 7th August, 2002. The Directors confirmed that the change of substantial shareholder as aforesaid would not have any material adverse impact on the operation and investment objectives and policies of the Company.

CONNECTED TRANSACTION

The Company entered into an agreement with TIC on 25th July, 2002 (the "Agreement"), pursuant to which the Company agreed to sell to TIC three listed investments and one unlisted investment (the "Investments") at a consideration of (i) for the shares in listed companies, the consideration would be the average closing price of the relevant shares as stated in the Stock Exchange's daily quotations sheet for the 20 business days prior to 1st August, 2002, and (ii) HK\$6,000,000 for the shares of the unlisted private company.

The Company has been holding the Investments (except for the shares of an unlisted private company) for one year and the Directors have been seeking opportunities to divest the Investments primarily for the purpose of increasing the Company's liquidity and enabling the Company to engage in new investment projects when opportunities arise.

The Agreement was reached between TIC and the Company after arm's length negotiation. The Directors considered that the terms of the Agreement were on normal commercial terms which were fair and reasonable so far as the shareholders of the Company were concerned. As TIC was a substantial shareholder of the Company, the Agreement constituted a connected transaction of the Company under the Rules Governing the Listing of Securities on the Stock Exchange and was subject to approval of independent shareholders. The aforesaid connected transaction was duly approved by independent shareholders at the Extraordinary General Meeting held on 26th September, 2002.

However, TIC served a notice of termination to the Company and exercised its right of termination under the Agreement, pursuant to which the Agreement was terminated with effect from 5th November, 2002. The Company is seeking opportunities to sell the Investments to independent third parties.

CAPITAL COMMITMENT AND CONTINGENT LIABILITIES

The Group did not have significant capital commitment nor contingent liabilities as at 30th September, 2002.

EMPLOYEES

As at 30th September, 2002, the Group has employed 7 employees and the total remuneration paid to staff was approximately HK\$643,000 during the period under review. The employees were remunerated based on their responsibilities and performance.

DIRECTORS' INTEREST IN SHARES

None of the directors or their associates had any interests in the share capital of the Company or any of its associated corporations as defined in the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance"), which was required to be recorded in the Register of Directors' Interests pursuant to Section 29 of the SDI Ordinance.

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DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBT SECURITIES

At no time during the six months ended 30th September, 2002 was the Company or its subsidiaries a party to any arrangement to enable the Directors or chief executives of the Company or their spouse or children under 18 years of age had any right to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

As at 30th September, 2002, the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance showed that the following shareholder had an interest of 10% or more in the share capital of the Company:

Name of shareholder	Number of ordinary shares held
Shen Gang Limited (<i>Note</i>)	70,568,000

Note: Mr. Wang Chun Lin, the Chairman of the Company, has 33% equity interest in Shen Gang Limited.

Other than as disclosed above, the Company had not been notified of any other interests representing 10% or more of the Company's issued share capital as at 30th September, 2002.

AUDIT COMMITTEE

The audit committee has reviewed with management the accounting principles and practice adopted by the Group and discussed internal controls and financial reporting matters, including a review of the unaudited interim financial report for the six months ended 30th September, 2002. In carrying out his review the audit committee has relied on the review of the Group's external auditors as well as obtaining explanations from management.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SHARES

During the period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares.

CORPORATE GOVERNANCE

None of the Directors of the Company is aware of any information that would reasonably indicate that the Company is not, or was not, during the six months ended 30th September, 2002 in compliance with 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 non-executive directors are not appointed for a specific term but are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company's Articles of Association.

By Order of the Board
Wang Chun Lin
Chairman

Hong Kong, 17th December, 2002