

The directors of Alco Holdings Limited (the “Company”) are pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30th September 2002, as follows:

### CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the six months ended 30th September 2002

		<b>Unaudited</b>	
		<b>Six months ended</b>	
		<b>30th September</b>	
		<b>2002</b>	2001
	<i>Notes</i>	<b>HK\$'000</b>	<i>HK\$'000</i>
Turnover	2	<b>2,390,002</b>	1,739,638
Cost of sales		<b>(2,234,086)</b>	(1,614,513)
Gross profit		<b>155,916</b>	125,125
Other revenues		<b>9,085</b>	5,659
Selling expenses		<b>(48,220)</b>	(27,153)
Administrative expenses		<b>(36,153)</b>	(40,948)
Other operating expenses		<b>(4,654)</b>	(2,921)
Operating profit	3	<b>75,974</b>	59,762
Finance costs		<b>(6,801)</b>	(11,093)
Profit before taxation		<b>69,173</b>	48,669
Taxation	4	<b>(6,163)</b>	(4,273)
Profit after taxation		<b>63,010</b>	44,396
Minority interests		<b>(4,222)</b>	(2,340)
Profit attributable to shareholders		<b>58,788</b>	42,056
Proposed interim dividends	5	<b>10,228</b>	7,687
Basic earnings per share	6	<b>11.5 cents</b>	8.2 cents

## CONDENSED CONSOLIDATED BALANCE SHEET

As at 30th September 2002

		<b>Unaudited 30th September 2002 HK\$'000</b>	Unaudited 30th September 2001 HK\$'000	Audited 31st March 2002 HK\$'000
Fixed assets	7	<b>529,843</b>	490,662	439,768
Deferred development costs	7	<b>32,987</b>	42,696	29,368
Investments		<b>1,934</b>	2,934	1,934
Current assets				
Inventories		<b>997,338</b>	750,788	510,419
Trade receivables	8	<b>699,089</b>	457,699	347,793
Other receivables, prepayments and deposits		<b>20,320</b>	28,269	30,216
Bank balances and cash		<b>362,766</b>	179,979	425,077
		<b>2,079,513</b>	1,416,735	1,313,505
Current liabilities				
Trade payables	9	<b>1,067,157</b>	614,438	408,646
Other payables and accrued charges		<b>141,438</b>	65,258	114,999
Taxation payable		<b>16,171</b>	5,278	9,983
Trust receipt loans		<b>278,458</b>	123,294	89,717
Obligations under finance leases	10	<b>10,800</b>	17,358	15,060
Bank loans - current portion	11	<b>58,750</b>	64,832	65,769
		<b>1,572,774</b>	890,458	704,174
Net current assets		<b>506,739</b>	526,277	609,331
Total assets less current liabilities		<b>1,071,503</b>	1,062,569	1,080,401
Financed by:				
Share capital	12	<b>51,138</b>	51,246	51,138
Reserves		<b>900,515</b>	815,615	864,739
Shareholders' funds		<b>951,653</b>	866,861	915,877
Minority interests		<b>19,580</b>	14,702	15,358
Obligations under finance leases	10	<b>5,264</b>	16,285	9,829
Bank loans - long-term portion	11	<b>73,438</b>	143,153	117,769
Deferred taxation		<b>21,568</b>	21,568	21,568
		<b>1,071,503</b>	1,062,569	1,080,401

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30th September 2002

	<b>Unaudited</b>	
	<b>Six months ended</b>	
	<b>30th September</b>	
	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000
Net cash (used in)/generated from operating activities	<b>(23,855)</b>	42,306
Net cash used in investing activities	<b>(144,010)</b>	(77,434)
Net cash (used in)/generated from financing activities	<b>(44,638)</b>	7,714
Decrease in cash and cash equivalents	<b>(212,503)</b>	(27,414)
Cash and cash equivalents at beginning of period	<b>345,529</b>	105,891
Cash and cash equivalents at end of period	<b><u>133,026</u></b>	<b><u>78,477</u></b>
Represented by:		
Bank balances and cash	<b>362,766</b>	179,979
Trust receipt loans repayable within three months	<b>(229,740)</b>	(101,502)
	<b><u>133,026</u></b>	<b><u>78,477</u></b>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th September 2002

Unaudited

	Share capital	Share premium	Capital redemption reserve	Reserve on acquisition	Exchange reserve	Investment properties revaluation reserve	Retained earnings	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st April 2002	51,138	210,181	471	-	6	9,847	644,234	915,877
Dividends	-	-	-	-	-	-	(23,012)	(23,012)
Net profit for the period	-	-	-	-	-	-	58,788	58,788
At 30th September 2002	<u>51,138</u>	<u>210,181</u>	<u>471</u>	<u>-</u>	<u>6</u>	<u>9,847</u>	<u>680,010</u>	<u>951,653</u>
At 1st April 2001	51,370	211,142	239	9	-	9,435	568,640	840,835
Repurchase of ordinary shares	(124)	(513)	124	-	-	-	(124)	(637)
Negative goodwill recognised as income	-	-	-	(9)	-	-	-	(9)
Dividends	-	-	-	-	-	-	(15,384)	(15,384)
Net profit for the period	-	-	-	-	-	-	42,056	42,056
At 30th September 2001	<u>51,246</u>	<u>210,629</u>	<u>363</u>	<u>-</u>	<u>-</u>	<u>9,435</u>	<u>595,188</u>	<u>866,861</u>

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30th September 2002

### 1. Basis of preparation and principal accounting policies

The unaudited condensed consolidated financial statements have been 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.

The accounting policies and methods of computation used in the preparation of these condensed financial statements 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 new or revised SSAPs issued by the Hong Kong Society of Accountants which are effective for accounting periods commencing on or after 1st 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 34	:	Employee benefits

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

SSAP 11 (revised): Foreign currency translation - The balance sheet of a subsidiary is translated at the rates of exchange ruling at the balance sheet date whilst the profit and loss is translated at an average rate. Exchange differences are dealt with as a movement in reserves.

SSAP 15 (revised): Cash flow statements - As the headings “returns on investments and servicing of finance” and “taxation” are no longer used, interests paid, interests received, dividends paid and taxation paid are now classified as either operating, investing or financing activities as appropriate.

SSAP 34: Employee benefits - An enterprise should recognise a liability when an employee has provided service in exchange for employee benefits to be paid in the future and should recognise expenses when the enterprise consumes the economic benefit arising from service provided by an employee in exchange for employee benefits.

The adoption of the new or revised SSAPs has no material effects on the results for the current and prior periods, no prior period adjustment is required accordingly. However, certain comparative figures have been reclassified to conform with the current period’s presentation.

## 2. Segment information

The Group is principally engaged in the design, manufacture and sale of consumer audio-visual, telecommunication and plastic products.

### (a) Business segments

The Group operates in two main business segments:

- Consumer electronic products – Design, manufacture and sale of consumer audio-visual and telecommunication products
- Plastic products – Manufacture and sale of plastic and packing products

	Six months ended 30th September					
	2002			2001		
	Consumer electronic products	Plastic products	Group	Consumer electronic products	Plastic products	Group
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	<u>2,353,408</u>	<u>36,594</u>	<u>2,390,002</u>	<u>1,717,497</u>	<u>22,141</u>	<u>1,739,638</u>
Segment results	<u>71,983</u>	<u>3,991</u>	<u>75,974</u>	<u>57,902</u>	<u>1,860</u>	<u>59,762</u>

### (b) Geographical segments

	Turnover	
	Six months ended 30th September	
	2002	2001
	HK\$'000	HK\$'000
North America	<b>1,491,525</b>	1,044,903
Europe	<b>502,755</b>	421,044
Asia	<b>236,163</b>	196,640
South America	<b>110,034</b>	51,796
Australia and New Zealand	<b>30,433</b>	11,157
Africa	<b>19,092</b>	14,098
	<u><b>2,390,002</b></u>	<u>1,739,638</u>

The analysis of turnover by geographical segment is based on the country in which the customer is located. No analysis of the contribution by geographical segments has been presented as the ratios of profit to turnover achieved for the above geographical segments are not substantially out of line with the Group's overall ratio of profit to turnover. The Group mainly operates in the People's Republic of China (the "PRC") and Hong Kong.

### 3. Operating profit

Operating profit is stated after (crediting)/charging the following:

	Six months ended 30th September	
	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest income	<b>(2,597)</b>	(2,713)
Negative goodwill recognised as income	–	(1,648)
Amortisation of deferred development costs	<b>9,869</b>	13,207
Depreciation	<b>40,206</b>	44,694
Staff costs	<b>146,535</b>	110,438

### 4. Taxation

Hong Kong profits tax has been provided at the rate of 16% (2001: 16%) on the estimated assessable profit for the period.

There was no share of taxation attributable to a jointly controlled entity for the six months ended 30th September 2002 (2001: Nil).

### 5. Proposed interim dividends

At a meeting held on 5th December 2002, the directors declared an interim dividend of HK2.0 cents (2001: HK1.5 cents) per share for the six months ended 30th September 2002, amounting to HK\$10,228,000 (2001: HK\$7,687,000).

### 6. Earnings per share

The calculation of basic earnings per share is based on the Group's profit attributable to shareholders for the six months ended 30th September 2002 of HK\$58,788,000 (2001: HK\$42,056,000) and the weighted average of 511,381,854 (2001: 513,112,105) ordinary shares in issue during the period.

As the subscription price of warrants outstanding during the period ended 30th September 2002 was greater than the average market price of the Company's ordinary share, there was no dilutive effect on earnings per share.

## 7. Capital expenditure

	30th September 2002	
	Fixed assets <i>HK\$'000</i>	Deferred development costs <i>HK\$'000</i>
Opening net book value	439,768	29,368
Additions	130,811	13,488
Disposals	(530)	–
Depreciation/Amortisation	(40,206)	(9,869)
Closing net book value	<u>529,843</u>	<u>32,987</u>

## 8. Trade receivables

An ageing analysis of trade receivables as at 30th September 2002 is as follows:

	30th September 2002 <i>HK\$'000</i>	31st March 2002 <i>HK\$'000</i>
0 – 30 days	609,808	313,722
31 – 60 days	67,930	29,206
61 – 90 days	9,642	2,331
Over 90 days	11,709	2,534
	<u>699,089</u>	<u>347,793</u>

The credit terms given vary and are generally based on the financial strengths of individual customers. In order to effectively manage the credit risks associated with trade receivables, credit evaluations of customers are performed periodically.

## 9. Trade payables

An ageing analysis of trade payables as at 30th September 2002 is as follows:

	30th September 2002 <i>HK\$'000</i>	31st March 2002 <i>HK\$'000</i>
0 - 30 days	621,139	225,356
31 - 60 days	295,870	116,732
61 - 90 days	143,774	64,269
Over 90 days	6,374	2,289
	<u>1,067,157</u>	<u>408,646</u>



## 10. Obligations under finance leases

As at 30th September 2002, the Group's finance lease liabilities were payable as follows:

	<b>30th September 2002 HK\$'000</b>	31st March 2002 HK\$'000
Within one year	<b>11,174</b>	15,725
In the second year	<b>4,147</b>	7,014
In the third to fifth year	<b>1,241</b>	3,092
	<b>16,562</b>	25,831
Future finance charges on finance leases	<b>(498)</b>	(942)
Present value of finance lease liabilities	<b><u>16,064</u></b>	<b><u>24,889</u></b>

The present value of finance lease liabilities is as follows:

	<b>30th September 2002 HK\$'000</b>	31st March 2002 HK\$'000
Within one year	<b>10,800</b>	15,060
In the second year	<b>4,037</b>	6,793
In the third to fifth year	<b>1,227</b>	3,036
Present value of finance lease liabilities	<b><u>16,064</u></b>	<b><u>24,889</u></b>

## 11. Bank loans

	<b>30th September 2002 HK\$'000</b>	31st March 2002 HK\$'000
Bank loans – secured	–	11,052
– unsecured ( <i>Note</i> )	<b>132,188</b>	172,486
	<b><u>132,188</u></b>	<b><u>183,538</u></b>

## 11. Bank loans (continued)

The above bank loans are repayable in the following periods:

	<b>30th September 2002 HK\$'000</b>	31st March 2002 HK\$'000
Within one year	<b>58,750</b>	65,769
In the second year	<b>53,438</b>	98,028
In the third to fifth year	<b>20,000</b>	19,741
	<b><u>132,188</u></b>	<b><u>183,538</u></b>

*Note:*

The unsecured bank loans are supported by corporate guarantees given by the Company and certain of its subsidiaries.

## 12. Share capital

	<b>Number of shares</b>	<b>HK\$'000</b>
Authorised:		
Ordinary shares of HK\$0.10 each brought forward and carried forward	<b><u>800,000,000</u></b>	<b><u>80,000</u></b>
Issued and fully paid:		
Ordinary shares of HK\$0.10 each brought forward and carried forward	<b><u>511,381,854</u></b>	<b><u>51,138</u></b>

On 22nd August 2002, the Company resolved to issue bonus warrants to shareholders whose names appeared on the register of members of the Company on that date on the basis of one warrant for every ten ordinary shares of HK\$0.10 each in the issued share capital of the Company held. Accordingly, 51,138,185 bonus warrants were issued.

Each warrant entitles the holder thereof to subscribe in cash for one new ordinary share of HK\$0.10 at a subscription price of HK\$0.98, subject to adjustment, from 2nd September 2002 to 1st September 2005, both days inclusive.

During the period, no bonus warrants were exercised and there were 51,138,185 bonus warrants outstanding at 30th September 2002. If the bonus warrants are fully exercised, the company will be required to issue a further 51,138,185 ordinary shares of HK\$0.10 each.

### 13. Contingent liabilities

	Group		Company	
	30th September 2002 HK\$'000	31st March 2002 HK\$'000	30th September 2002 HK\$'000	31st March 2002 HK\$'000
Bills discounted with recourse to banks	146,473	-	-	-
Corporate guarantees given to banks in respect of utilised banking facilities	-	-	410,646	273,255
	<u>146,473</u>	<u>-</u>	<u>410,646</u>	<u>273,255</u>

### 14. Commitments

#### (a) Operating lease commitments

As at 30th September 2002, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	30th September 2002 HK\$'000	31st March 2002 HK\$'000
Not later than one year	33,801	25,034
Later than one year and not later than five years	108,928	37,339
Later than five years	27,095	31,974
	<u>169,824</u>	<u>94,347</u>

#### (b) Capital commitments

	30th September 2002 HK\$'000	31st March 2002 HK\$'000
Contracted but not provided for in respect of moulds, plant and machinery	4,434	30,673
Authorised but not contracted for in respect of moulds, plant and machinery	-	481
	<u>4,434</u>	<u>31,154</u>

## 15. Related party transactions

During the period and in the normal course of business, the Group had the following significant related party transactions with Venturer Electronics Inc. (“Venturer”) in which a son of a director of the Company has beneficial interests.

On 31st August 2002, all the beneficial interests of Venturer were disposed of by the son of the director to an independent third party. Since then, Venturer has ceased to be a related party.

	<b>Six months ended</b>	
	<b>30th September</b>	
	<b>2002</b>	2001
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Sales of goods to Venturer Electronics Inc.	<b><u>125,008</u></b>	<u>49,020</u>

As at 30th September 2002, an outstanding balance of HK\$44,944,000 (31st March 2002: HK\$41,221,000) with Venturer resulting from the above transactions was included in trade receivables classified under current assets in the condensed consolidated balance sheet and has been settled subsequent to the period end.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Group results

For the six months ended 30th September 2002, the Group recorded a turnover of HK\$2,390 million, a 37.4% increase over HK\$1,740 million for the same period last year. Profit attributable to shareholders rose from HK\$42 million to HK\$59 million, representing a growth of 39.8%.

### Liquidity and financial resources

Compared to last corresponding period, our inventory levels and trade receivables at 30th September 2002 increased by 33% and 53% respectively. Such increases were due to our high shipment levels especially during September and October. It is our practice to exercise stringent controls on inventories and receivables. Inventories are made according to orders on hand and trade credit is only granted to creditworthy customers on relatively short terms.

During the period under review, we invested HK\$75 million in Surface Mount Technology (“SMT”) facilities funded by our internal resources. As at 30th September 2002, cash balances stood at HK\$363 million. The ratio of net total borrowings to shareholders’ equity improved from 21% to 7% as compared with the previous period.

The Group’s foreign exchange exposure is well managed, as nearly all the Group’s sales and purchases are transacted in US and HK dollar denominations.

## Employees

As at 30th September 2002, the Group had approximately 18,000 employees both in the PRC and Hong Kong. Remuneration packages are generally structured with reference to market terms and individual qualifications. Salaries and wages are reviewed on an annual basis based on performance appraisals and other relevant factors. We also provide other benefits including medical insurance, provident fund and education subsidies to eligible staff.

## REVIEW OF OPERATIONS

Audio-visual products continued as the primary revenue source for the Group during the period under review. Although the global economy continues to be uncertain, both the American and European markets have maintained a strong demand for sophisticated yet affordable consumer electronic products.

Adapting to changing trends, we have introduced our Home Theatre Systems incorporating DVD players with built-in amplifier capabilities to the European and American markets, sold under private labels. The wide range of high quality, competitively priced audio-visual products has enabled us to sustain solid market share, and to maintain strong business relationships with the world's largest retailers. Our patented 5-CD Home Audio Systems continued to be ongoing and stable income contributors during the period under review.

In addition to our existing range of audio-visual products, we have diversified into a number of new and emerging product categories, including DVD+VCR Combo players/recorders, computer peripheral products, and LCD-TVs with DVD players. Our involvement with these new product categories is opening up valuable potential markets, and demonstrating our ability to keep pace with the ever-changing world of digital electronics.

Orders from our OEM customers have been growing steadily, but the intense competition has meant that our margins in OEM business have been under considerable pressure and difficult to keep track with the increase in business volume. Our bottom line has, however, been given a healthy boost thanks to the popularity of our private label audio-visual products.

In response to an increase in the demand, we made strategic changes to our production arrangement by operating two shifts during peak seasons. Further investment was also made in additional SMT facilities. We expect to be able to meet projected longer-term growth targets by efficiently utilising resources already in place.

## PROSPECTS

Looking ahead, we plan to continue our focus on developing and enhancing the Group's audio-visual product line. At the same time, we intend to further diversify our product range by developing more sophisticated high-end products, a move which will help us consolidate our existing market share in America and Europe and capture business opportunities in new markets like China.

The relocation of several administrative departments to Shenzhen has proceeded smoothly, and has contributed to a significant reduction in expenses. The Group is planning to expand the scale of its R&D resources in China, both to maintain stringent cost controls and to better utilise talented caliber in China.

## **PROSPECTS** *(continued)*

In view of the current highly competitive telecommunications industry environment, we are approaching the marketing of our Digital Enhanced Cordless Telecommunications (“DECT”) phones and the newly developed 2.4GHz digital cordless phones with caution. We believe, however, that capability in telecommunications engineering will be critical for the future implementation of wireless systems.

We are continuing steadily towards our target of achieving ISO9000:2000 certification by mid 2003. This internationally recognized certification will provide the best possible evidence of our stringent quality controls and our ability to consistently deliver the highest quality products.

Besides our quality standards, we are also committed to maintaining responsible environmental standards, a commitment exemplified in our adoption of lead-free soldering. Many renowned European and Japanese electronics manufacturers have already implemented lead-free soldering. We have also joined this trend towards creating a lead-free environment, a move which is contributing to better and safer recycling of our products. In addition, we are investing in facilities to monitor levels of certain environmentally harmful substances in incoming parts and raw materials. As a responsible corporate citizen, we are committed to responding to EU regulations governing the disposal of electronic waste, and to playing our part in helping to protect the environment.

With both the European and American economies still looking uncertain in the near future, and the electronics manufacturing market remaining intensely competitive, we believe that the Group’s margins are likely to remain under some pressure in the near future. Our solid foundations and strong manufacturing capabilities, however, provide us with the resilience we need as we focus our efforts on minimising any impact on the Group.

This year, the Group is celebrating the 10th anniversary of its listing on the Stock Exchange of Hong Kong Limited. The management would like to take this opportunity to thank customers, suppliers and shareholders for their long-term support, and staff for their dedicated efforts over the years. We remain fully committed to a mission of offering our customers quality products and services, and of generating for our shareholders even better long-term returns.

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from 27th December 2002 to 31st December 2002, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed interim dividend, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company’s share registrars in Hong Kong, Abacus Share Registrars Limited at 5th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong not later than 4:00 p.m. on 24th December 2002. Dividend warrants are expected to be despatched on 9th January 2003.

## DIRECTORS' INTERESTS IN SHARES

As at 30th September 2002, the directors, chief executives and their associates had the following interests in the shares or warrants of the Company or any of its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance")) as recorded in the register required to be kept under Section 29 of the SDI Ordinance:

	<b>Number of ordinary shares beneficially held</b>			
	<b>Personal interest</b>	<b>Corporate interest</b>	<b>Family interest</b>	<b>Total interest</b>
Mr LEUNG Kai Ching, Kimen	17,200,000	35,356,000 <i>(Note a)</i>	–	52,556,000
Mr LEUNG Wai Sing, Wilson	42,400,000	–	170,018,000 <i>(Note b)</i>	212,418,000
Mr KUOK Kun Man, Andrew	4,292,000	–	–	4,292,000

	<b>Number of warrants beneficially held</b>			
	<b>Personal interest</b>	<b>Corporate interest</b>	<b>Family interest</b>	<b>Total interest</b>
Mr LEUNG Kai Ching, Kimen	1,000,000	3,535,600 <i>(Note a)</i>	–	4,535,600
Mr LEUNG Wai Sing, Wilson	4,240,000	–	17,001,800 <i>(Note b)</i>	21,241,800
Mr KUOK Kun Man, Andrew	429,200	–	–	429,200

*Note:*

- (a) These shares and warrants are owned by Shunde Investments Limited, a company incorporated in the British Virgin Islands with limited liability, of which Mr LEUNG Kai Ching, Kimen is the sole shareholder.
- (b) These shares and warrants are owned by Kimen Leung UT Limited, a company incorporated in the British Virgin Islands as the trustee of The Kimen Leung Unit Trust which is beneficially owned by The Kimen Leung Family Trust. Mr LEUNG Wai Sing, Wilson and other family members of Mr LEUNG Kai Ching, Kimen are the beneficiaries of The Kimen Leung Family Trust which is a discretionary trust.

Save as disclosed above and other than one ordinary share each in the Hong Kong incorporated subsidiaries of the Company held in trust for the Group by Mr LEUNG Kai Ching, Kimen, none of the directors, chief executives or their associates had any beneficial or non-beneficial interests in the share capital of the Company or its associated corporations required to be disclosed pursuant to the SDI Ordinance.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Share options were granted to directors and employees under the Share Options Scheme (the "Scheme") approved by shareholders at a Special General Meeting on 6th November 1992. No share options were granted to any directors under the Scheme during the period and there were no outstanding options as at 30th September 2002 and 31st March 2002. The Scheme lapsed on 5th November 2002.

Save as aforesaid, at no time during the period was the Company or any of its subsidiaries a party to any arrangements to enable the directors or the chief executives or their spouses or children under 18 years of age to acquire benefits by means of acquisition of shares in, or 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 Company had been notified of the following substantial shareholders' interests, being 10% or more of the Company's issued share capital:

<b>Name</b>	<b>Number of shares beneficially held</b>	<b>Number of warrants beneficially held</b>
Kimen Leung UT Limited	170,018,000	17,001,800

## PURCHASE, SALE OR REDEMPTION OF SHARES

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

## COMPLIANCE WITH THE CODE OF BEST PRACTICE OF THE LISTING RULES

The Company has complied with the Code of Best Practice except that independent non-executive directors are not appointed for a specific term as recommended under Appendix 14 of the Listing Rules. According to the bye-laws of the Company, independent non-executive directors of the Company will retire by rotation every year and their appointments will be reviewed when they are due for re-election. In the opinion of the Company, this meets the same objective as the Code of Best Practice.

## AUDIT COMMITTEE

The audit committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the unaudited interim accounts for the six months ended 30th September 2002.

On behalf of the Board  
**LEUNG Kai Ching, Kimen**  
*Chairman*

Hong Kong, 5th December 2002