

The board of directors (the “Board”) of 401 Holdings Limited (the “Company”) announces that the unaudited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 September 2002 together with comparative figures for the corresponding period in 2001 are as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		(Unaudited)	
		Six months ended	
		30 September	30 September
		2002	2001
	<i>Note</i>	HK\$'000	HK\$'000
Turnover	2	3,494	11,950
Cost of sales		(2,023)	(7,335)
Gross profit		1,471	4,615
Other revenues		6	438
Administrative expenses		(13,014)	(32,735)
Waiver of debts		–	94
Loss on disposal of subsidiaries		–	(9,379)
Operating loss	3	(11,537)	(36,967)
Finance costs		(1,258)	(1,987)
Shares of loss of associates		(86)	(213)
Loss before taxation		(12,881)	(39,167)
Taxation	4	(27)	(33)
Loss after taxation		(12,908)	(39,200)
Minority interests		–	3,014
Net loss for the period		(12,908)	(36,186)
Basic loss per share	6	0.08 cent	0.26 cent

CONDENSED CONSOLIDATED BALANCE SHEET

		(Unaudited) As at 30 September 2002 HK\$'000	(Audited) As at 31 March 2002 HK\$'000
Non-current assets			
Fixed assets		2,481	2,949
Interests in associates		(302)	(358)
Investment securities		250	250
		2,429	2,841
Current assets			
Properties for sale		45,590	29,809
Inventories		–	119
Accounts receivables	7	1,752	1,965
Prepayments, deposits and other receivables		3,149	3,038
Fixed deposits – pledged		–	480
Cash and bank balances		371	820
		50,862	36,231
Current liabilities			
Accounts payables	8	9,949	9,807
Amounts due to related companies		831	832
Amounts due to directors		1,258	923
Other payables and accruals		43,524	41,631
Taxation		1,175	1,175
Borrowings – due within one year		9,813	11,787
Convertible debts – due within one year		32,690	18,190
		99,240	84,345
Net current liabilities		(48,378)	(48,114)
Total assets less current liabilities		(45,949)	(45,273)
Non-current liabilities			
Borrowings – due after one year		10,957	3,225
Convertible debts – due after one year		–	1,500
		10,957	4,725
		(56,906)	(49,998)
Represented by:			
Capital and reserves			
Share capital	9	174,786	168,786
Deficit		(231,692)	(218,784)
Capital deficiency		(56,906)	(49,998)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital HK\$'000	Share premium account HK\$'000	Goodwill HK\$'000	Exchange fluctuation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
Balance as at 1 April 2001						
– as previously reported	135,514	756,610	(41,543)	357	(833,446)	17,492
– effect on adopting SSAP 31		–	41,543	–	(41,543)	–
– as restated	135,514	756,610	–	357	(874,989)	17,492
Issue of shares	21,500	600	–	–	–	22,100
Exchange realignment	–	–	–	2	–	2
Loss for the six months ended 30 September 2001	–	–	–	–	(36,186)	(36,186)
Balance as at 30 September 2001	157,014	757,210	–	359	(911,175)	3,408
Issue of shares	11,772	–	–	–	–	11,772
Loss for the six months ended 31 March 2002	–	–	–	–	(65,178)	(65,178)
Balance as at 31 March 2002 (audited)	168,786	757,210	–	359	(976,353)	(49,998)
Issue of shares	6,000	–	–	–	–	6,000
Loss for the six months ended 30 September 2002	–	–	–	–	(12,908)	(12,908)
Balance as at 30 September 2002 (unaudited)	174,786	757,210	–	359	(989,261)	(56,906)

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	(Unaudited)	
	Six months ended	
	30 September	30 September
	2002	2001
	HK\$'000	HK\$'000
Net cash used in operating activities	(13,541)	(4,987)
Net cash from/(used in) investing activities	8	(367)
Net cash from financing activities	13,095	3,846
Net decrease in cash and cash equivalents	(438)	(1,508)
Cash and cash equivalents at beginning of the period	809	(3,288)
Effect of foreign exchange rate changes	-	2
Cash and cash equivalents at end of the period	371	(4,794)
Analysis of the balance of cash and cash equivalents		
Cash and bank balance	371	445
Bank overdraft	-	(5,239)
	371	(4,794)

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements are 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, (as applicable to condensed interim financial statements) and Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

The Group has adopted the following SSAPs issued by Hong Kong Society of Accountants which are effective for accounting periods commencing on or after 1 January 2002. The new SSAPs relevant to the Group are:

SSAP 1 (revised)	Presentation of financial statements
SSAP 15 (revised)	Cash flow statements
SSAP 25 (revised)	Interim financial reporting
SSAP 34	Employee benefits

The adoption of the above new or revised accounting standards has no material effect on these interim financial statements other than presentation changes.

Save as above, the accounting policies and basis of preparation of these interim financial statements are consistent with those used in the annual financial statements for the year ended 31 March 2002 (“2002 Accounts”). Figures for the year ended 31 March 2002 are extracted from the Group’s 2002 Accounts. The interim financial statements should be read in conjunction with the Group’s 2002 Accounts.

2. SEGMENTAL INFORMATION

An analysis of the Group's turnover and results for the six months ended 30 September 2002, analysed by business segments is as follows:

	(Unaudited) Turnover		(Unaudited) Segment result	
	Six months ended		Six months ended	
	30 September 2002	30 September 2001	30 September 2002	30 September 2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
By principal activities:				
Sales and leasing of properties	1,295	5,392	(478)	(851)
Logistics and freight forwarding services	367	1,499	(2,742)	(7,515)
Property and household services	17	981	(631)	(5,963)
Internet related services	–	670	(15)	(1,702)
Financial services	–	411	–	398
Sales of goods	1,097	1,931	469	(286)
Consultancy, marketing and other services	718	1,066	353	(988)
	3,494	11,950	(3,044)	(16,907)
Interest income			–	196
Unallocated corporate expenses			(8,493)	(10,877)
Loss on disposal of subsidiaries			–	(9,379)
Loss from operations			(11,537)	(36,967)
Finance costs			(1,258)	(1,987)
Share of loss of associates			(86)	(213)
Loss before taxation			(12,881)	(39,167)
Taxation			(27)	(33)
Loss before minority interests			(12,908)	(39,200)

3. OPERATING LOSS

The operating loss is stated after charging / (crediting) the following:

	(Unaudited)	
	Six months ended	
	30 September	30 September
	2002	2001
	HK\$'000	HK\$'000
Depreciation of fixed assets	461	945
Provision for bad debt	469	–
Loss on disposal of fixed assets	–	381
Profit on sale of properties	–	(215)

4. TAXATION

No Hong Kong profits tax has been made as the Group had no assessable profits during the period and in prior period.

Overseas taxation was provided on the income of the overseas subsidiaries and branches in accordance with the tax laws of the countries in which these subsidiaries and branches operate.

5. DIVIDEND

The Board does not recommend an interim dividend for ordinary shares for the six months ended 30 September 2002 (2001 : nil).

6. LOSS PER SHARE

The calculation of basic loss per share is based on the following data:

	(Unaudited)	
	Six months ended	
	30 September 2002 HK\$'000	30 September 2001 HK\$'000
Loss		
Net loss for the period	12,908	36,186
Dividend for preference shares	319	319
Loss for the purpose of basic loss per share	13,227	36,505
Number of shares		
Weighted average number of shares for the purpose of basic loss per share	16,241,824,465	13,989,261,136
Loss per share		
Basic	0.08 cent	0.26 cent

Diluted loss per share for the period and in prior period has not been presented as the effect of any dilution is anti-dilutive.

7. ACCOUNTS RECEIVABLES

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

	(Unaudited)		(Audited)
	30 September 2002 HK\$'000		31 March 2002 HK\$'000
0 – 3 months	614		765
4 – 6 months	209		123
7 – 9 months	121		87
Over 9 months	808		990
	1,752		1,965

The Group maintains defined credit policies for the respective businesses and trade debtors are closely monitored in order to control credit risk associated with trade receivables.

8. ACCOUNTS PAYABLES

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

	(Unaudited) 30 September 2002 HK\$'000	(Audited) 31 March 2002 HK\$'000
0 – 3 months	329	399
4 – 6 months	441	343
7 – 9 months	128	309
Over 9 months	9,051	8,756
	9,949	9,807

9. SHARE CAPITAL

	(Unaudited) 30 September 2002 HK\$'000	(Audited) 31 March 2002 HK\$'000
Authorised:		
28,500,000,000 ordinary shares of HK\$0.01 each	285,000	285,000
1,500,000,000 6% convertible cumulative redeemable preference shares of HK\$0.01 each	15,000	15,000
	300,000	300,000
Issued and fully paid:		
16,769,693,317 (31 March 2002: 16,169,693,317) ordinary shares of HK\$0.01 each	167,697	161,697
708,908,975 (31 March 2002: 708,908,975) 6% convertible cumulative redeemable preference shares of HK\$0.01 each (Note b)	7,089	7,089
	174,786	168,786

Notes:

- (a) Details of the changes in the Company's share capital during the six months ended 30 September 2002 are as follows:

On 9 September 2002, 600,000,000 new ordinary shares at a price of HK\$0.01 each were issued to satisfy part of the consideration pursuant to the sale and purchase agreement entered into between the Company (as warrantor), Onelink Investment Limited, a wholly owned subsidiary of the Company (the "Purchaser"), and SIIC Finance Company Limited (the "Vendor") on 28 May 2002. Pursuant to the agreement, the Vendor agreed to sell and the Purchaser agreed to purchase certain properties for a total consideration of HK\$15,000,000. The remaining consideration of HK\$9,000,000 was satisfied by issue of convertible bonds of HK\$5,000,000 by the Company and payment of HK\$4,000,000 in cash by the Group.

- (b) According to the terms of the convertible preference shares, the Company shall redeem all the preference shares then in issue at a redemption price of 120% on the notional value which is HK\$0.015 each of the preference shares on 12 January 2003, the mandatory redemption date of the convertible preference shares. The Company is negotiating with the preference shareholders to reschedule the terms of the preference shares.
- (c) As stated under the heading of "Post Balance Sheet Date Events", a capital reorganization was approved by the Company's shareholders on 27 November 2002. Upon completion of the capital reorganization and before further issue of new consolidated shares, the Company's share capital becomes as follows:

	HK\$'000
Authorised:	
2,850,000,000 ordinary shares of HK\$0.10 each	285,000
150,000,000 6% convertible cumulative redeemable preference shares of HK\$0.10 each	15,000
Issued and fully paid:	
335,393,866 ordinary shares of HK\$0.10 each	33,539
14,178,179 6% convertible cumulative redeemable preference shares of HK\$0.10 each	1,418

10. PLEDGE OF ASSETS

As at balance sheet date, the following assets of the Group were pledged to secure convertible bonds, other loans and bank loans granted to the Group:

	(Unaudited)	(Audited)
	30 September	31 March
	2002	2002
	HK\$'000	HK\$'000
Properties for sales, carrying value	44,066	28,914

11. RELATED PARTY TRANSACTIONS

During the period, the Group entered into the following transactions with related parties in the ordinary course of business:

		(Unaudited)	
		Six months ended	
		30 September	30 September
		2002	2001
	<i>Note</i>	HK\$'000	HK\$'000
THL Management Company Limited	<i>a</i>		
Rental income from		–	60
Car rental expenses payable to		–	92
THL Engineering Company Limited	<i>a</i>		
Maintenance service charges payable to		2	1
Finnex Development Limited	<i>b</i>		
Car rental expenses payable to		–	93
Consultancy fee payable to		400	–
Po Kam Hi, John	<i>c</i>		
Car rental expenses payable to		–	54

- (a) The companies in which Mr. Leung Tze Hang, David, the managing director of the Company, has a beneficial interest.
- (b) The company in which Mr. Chan Sing Fai, the former chairman of the Company, has a beneficial interest.
- (c) An executive director of the Company

On 28 May 2002, Onelink Investment Limited (the “Purchaser”), a wholly owned subsidiary of the Company, the Company (as warrantor) and SIIC Finance Company Limited (the “Vendor”) entered into a sale and purchase agreement in which the Vendor agreed to sell and the Purchaser agreed to purchase certain properties for investment purpose at a consideration of HK\$15,000,000. The Vendor and its beneficial owners are independent third parties of the Group. The transaction constitutes a connected transaction of the Company as a mortgage was created by the legal owner of the properties, Pacific System Development Limited, to secure a loan advanced to a company in which Mr. Leung Tze Hang, David is interested in 90% of its capital. The approval of the Company’s shareholders on this connected transaction was obtained on 12 August 2002 and the transaction was completed on 9 September 2002.

Except for the transactions disclosed above, the directors confirmed that there are no other related party transactions entered into by the Group for the six months ended 30 September 2002.

12. CONTINGENT LIABILITIES

- (a) The Company has provided corporate guarantees to certain bankers and creditors to secure general finance facilities granted to its subsidiaries. Such facilities utilized by the subsidiaries as at 30 September 2002 amounted to approximately HK\$14,470,000 (as at 31 March 2002: HK\$8,701,000) and the related liabilities have been fully recorded in the consolidated balance sheet.
- (b) As at 30 September 2002, 13 (as at 31 March 2002: 9) employees have completed the required number of years of service under the Hong Kong Employment Ordinance (the “Ordinance”) to be eligible for long service payments on termination of their employment. The Group is only liable to make such payments where the termination meets the circumstances specified in the Ordinance.

If the termination of all such employees meets the circumstances set out in the Ordinance, the Group’s liability as at 30 September 2002 would be approximately HK\$893,000 (as at 31 March 2002: HK\$648,000). No provision has been made for this amount in the accounts as it is not expected to be crystallised in the foreseeable future.

- (c) In the past year, the Inland Revenue Department (the “IRD”) has raised enquiries on the tax deductibility of certain expenses paid to Tran-Starting Inc., a former wholly-owned subsidiary of the Company, by AWT World Transport (Far East) Limited (“AWT Far East”), a wholly-owned subsidiary of the Company. On 7 March 2002, the IRD issued an assessment for 1995/96 to AWT Far East to disallow such expenses. AWT Far East has lodged objections against this assessment. Up to the report date, no final conclusion has been reached with the IRD in respect of the assessment. No provision is made in the accounts. Should the IRD disallow the expenses, an additional tax provision of approximately HK\$983,000 would have to be made in the accounts for the six months ended 30 September 2002 and for the year ended 31 March 2002.
- (d) According to rights and restrictions of the 6% convertible cumulative redeemable preference shares (“CP shares”) which were approved by the shareholders of the Company in a special general meeting held on 6 January 2000, the convertible preference shareholders of the Company are entitled to a fixed cumulative preferential dividend at the rate of 6 per cent per annum on the notional value of each preference share held from the date of issue to the date the preference shares are converted into ordinary shares or are redeemed. As at 30 September 2002, the shareholders of the preference shares had the rights for an accumulate dividend of approximately HK\$1,731,000 (as at 31 March 2002: HK\$1,412,000). Such dividend was not accrued in the accounts as the Company had no retained earnings lawfully available for distribution as at 30 September 2002 and 31 March 2002.

13. LITIGATIONS

- (a) At the report date, certain landlords issued writs and some also obtained judgements against the Group to claim for damages due to early termination of tenancy agreements and outstanding rental in arrears for a total amount of approximately HK\$3,977,000. Full provisions for these claims had been made in the accounts.
- (b) Certain employees of the Group have obtained Labour Tribunal’s orders against the Group for outstanding salaries and compensation due to them. At the report date, the outstanding amount under Labour Tribunal’s orders was approximately HK\$752,000. Adequate provision with respect to these outstanding salaries had been made in the accounts.
- (c) At the report date, other sundry creditors issued writs and some also obtained judgements against the Group for total outstanding debts of HK\$2,736,000 in respect of miscellaneous services rendered. Full provisions had been made in the accounts.

14. POST BALANCE SHEET DATE EVENTS

Pursuant to the Company's circular dated 4 November 2002, the Board proposed the following issues for the Company's shareholders' approvals which were obtained in a special general meeting held on 27 November 2002:

- (a) a capital reorganization (the "Capital Reorganization") which comprised the following:
 - (i) a share consolidation pursuant to which every fifty ordinary shares of HK\$0.01 each will be consolidated into one ordinary share of HK\$0.50 each in the capital of the Company (the "Consolidated Ordinary Share") and every fifty preference shares of HK\$0.01 each will be consolidated into one preference share of HK\$0.50 each (the "Consolidated Preference Share")
 - (ii) a capital reduction of HK\$139,828,818 under which the nominal value of each of the issued Consolidated Ordinary Shares and the issued Consolidated Preference Shares will be reduced from HK\$0.50 each to HK\$0.10 each by cancelling HK\$0.40 of the paid up capital on each issued Consolidated Ordinary Share and issued Consolidated Preference Share (the "Capital Reduction")
 - (iii) a share premium reduction pursuant to which an amount of approximately HK\$757,210,386 standing to the credit of the share premium account of the Company as at 31 March 2002 will be reduced (the "Share Premium Reduction")
 - (iv) a share subdivision under which every Consolidated Ordinary Share of HK\$0.50 each and Consolidated Preference Share of HK\$0.50 each in the authorised but unissued share capital will be respectively redesignated and subdivided into five Consolidated Ordinary Shares of HK\$0.10 each and five Consolidated Preference Shares of HK\$0.10 each; and
 - (v) based on the issued share capital of the Company as at 1 November 2002, the credit arising from the Capital Reduction and Share Premium Reduction in the amount of approximately HK\$897 million will be transferred to the contributed surplus account of the Company and the directors will be authorized to apply such amount in setting off against part of the accumulated losses of the Company as at 31 March 2002

- (b) The Company entered into two subscription agreements with 2 subscribers, namely Mr. Zhang Xiao Feng (“Mr. Zhang”) and Mr. Qian Zhen Hua (“Mr. Qian”), both are independent third parties of the Group, on 5 September 2002. Pursuant to the two subscription agreements, 31.5 million new Consolidated Ordinary Shares at a price of HK\$0.15 per share will be issued to each of Mr. Zhang and Mr. Qian. The proceeds of HK\$9.45 million will be used by the Group for general working capital purposes. On 4 December 2002, 31.5 million new Consolidated Ordinary Shares of HK\$0.10 each were issued to Mr. Zhang while the subscription agreement with Mr. Qian is yet to complete at the report date.
- (c) As described in the Company’s circular dated 16 August 2002, the Group proposed to acquire the entire interest in Sino Top Technology Limited which will hold 46.67% equity interest in 上海聯通實華移動信息網絡有限公司 (the “Sino Top Acquisition”) and will result in a strategic alliance with 上海華博科技有限公司. The directors proposed to adopt a new Company name in Chinese 上海華博控股有限公司 for identification purposes subject to the completion of Sino Top Acquisition and the passing of a special resolution by the ordinary shareholders at a special general meeting. The change of the Chinese name was not yet effective at the report date pending the completion of the Sino Top Acquisition.

15. COMPARATIVE FIGURES

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

BUSINESS AND FINANCIAL REVIEW

Business review

The global economy remains volatile for the year 2002. Coupled with poor economic performance and continued deflationary pressure in Hong Kong which shows little signs of economic recovery since the Asian economic crisis in 1997, the businesses of the Group generally fell short of expectations during the period under review. In such difficult business environment, the Company also encountered various difficulties in raising funds for working capital and for business development. Nevertheless, with strengthened company-wide cost control, streamlined operational structure and effective resources re-allocation, the loss of the Company was significantly reduced when compared with the corresponding period in the previous year.

The USA West Coast port work strike which occurred during the third quarter of 2002 inevitably affected the freight forwarding and logistics businesses of the Group to a considerable extent. Such negative effect, however, could only be slightly offset by the increased demand immediately after the strike. In order to develop logistics related information and technology business, the Group entered into an agreement in July 2002 to eventually acquire a 46.67% interest in Shanghai Liantongshihua Mobile Information and Network Co. Ltd. of which principal businesses include the design and sale of intelligent transport systems and technologies integrating the internet, GSM, GPS and FLEX platforms. The acquisition represents a unique opportunity for the Company to leverage on its existing logistics business in Hong Kong and will result in the strategic alliance with Shanghai Huabo Technology Company Limited, a leading emerging technology company in Shanghai. Subject to the completion of the acquisition, which is expected to take place by the end of December 2002, a new Chinese name 上海華博控股有限公司 will be adopted by the Company.

With a view to enhancing the overall capital value and rental income of certain properties at Hunghom Commercial Centre owned by the Group, the Group acquired another property at the same building, which is situated at a more prominent location and provides access to these properties, in September 2002. The Group has launched various promotional activities and provided value added services for the entire shopping arcade, successfully improving the pedestrian traffic and attracting more tenants to these properties.

In order to comply with the request made by the Stock Exchange of Hong Kong Limited, the Company has put forward a capital reorganization proposal involving, inter alia, share consolidation and capital reduction for shareholders' approval on 27 November 2002. The successful implementation of the capital reorganisation will allow the Group to have a greater flexibility to issue new shares and facilitate fund raising in the future.

Financial review

For the six months ended 30 September 2002, the Group recorded a turnover of HK\$3.5 million, representing a 71% decrease from HK\$11.9 million for the same period in the previous year. The decrease in turnover was mainly due to drop in sales of properties and cessation of the internet related businesses.

During the period, the Group had a loss attributable to shareholders of HK\$12.9 million as compared to HK\$36.2 million for the same period in last year and accordingly the basic loss per share was greatly reduced from HKCent 0.26 in last period to HKCent 0.08 in this period. The decrease in loss is partly due to a decrease of HK\$19.7 million in administrative expenses resulting from tighter cost control and streamlining operation scale with a reduction in manpower and rental expenses.

During the period, the Group raised a total of HK\$8.6 million from banks secured by mortgage of the Group's properties while HK\$2.8 had been repaid to banks. The Company raised another HK\$8 million by issue of convertible bonds and the proceeds were used to finance working capital and to repay debts of the Group.

As at 30 September 2002, the Group had net liabilities of HK\$56.9 million. The Group currently has been maintaining a variety of credit facilities to meet its working capital requirements. As at the balance sheet date, the Group's total borrowings which were all denominated in Hong Kong dollars amounted to about HK\$53.5 million with some HK\$42.5 million repayable within one year and some HK\$11 million repayable after one year. The borrowings due within one year mainly comprise convertible bonds and other loans. The Group is negotiating with the bondholders and loan creditors to vary the terms of these bonds and loans, including an extension of the maturity. Around 22% of the Group's total borrowings were at fixed interest rates. No calculation of gearing ratio as at 30 September 2002 has been made as the shareholders' funds were negative as at 30 September 2002.

FUTURE OUTLOOK AND PROSPECTS

Subsequent to its capital reorganisation, the Company is now better placed to focus on investment holding business mainly seeking strategic investment opportunities in the areas of distressed assets, undervalued companies and PRC domestic enterprises.

China has continued to achieve strong growth in the midst of a sluggish world economy and entry to the WTO has opened China's domestic markets further, speeding up its economic development and creating enormous business and investment opportunities. With Hong Kong's strategic location as a gateway to China, the Company is well positioned to capitalize on such advantage and will identify more valuable and profitable investments in the PRC.

The Government of Hong Kong Special Administrative Region has recently promulgated various measures to bolster up the economy and stabilise the property market. With the extensive experience of the management team in the property market which is anticipated to gradually improve as a result of such boost from the Government, the Group will strengthen its property portfolio by identifying undervalued distressed properties and turning them around for capital appreciation.

Notwithstanding the prevailing adverse economic conditions of Hong Kong, the Group will strive to foster its business growth by strengthening its competitiveness through streamlining its business structure to enhance cost efficiency and cost effectiveness and introducing more value-added services as well as capitalizing on the current investment opportunities in order to achieve better returns for its shareholders.

Our management team, diligent employees, and excellent professional advisors are valuable intangible assets of the Group and the driving force of its growth. On behalf of the Board, we take this opportunity to extend our sincere thanks to all staff for their hard work and loyal services and to the professional advisors for their precious advice.

SHARE OPTION SCHEME

On 12 August 2002, the shareholders of the Company approved the adoption of a new share option scheme (the “New Option Scheme”) to comply with the new requirement of Chapter 17 of the Listing Rules. No options has been granted under the New Option Scheme since its adoption.

The old share option scheme which was adopted by the Company on 13 August 1998 (the “Old Option Scheme”) had expired on 13 August 2001. Upon the expiration of the Old Option Scheme, no further options could be granted thereunder but in all other respects, the provisions of the Old Option Scheme shall remain in force. All outstanding options, which were granted under the Old Option Scheme, to subscribe for shares of the Company prior to the expiration shall continue to be valid and exercisable in accordance therewith.

No share options under the Old Option Scheme were exercised by the directors and the employees of the Group during the six months ended 30 September 2002.

Details of the share options granted under the Old Option Scheme during the six months ended 30 September 2002 are as follows:

	Date of grant (Note 2)	Exercisable period	Exercise price	Balance at 1 April 2002	Lapsed and cancelled during the period	Balance at 30 September 2002
Directors						
Leung Tze Hang, David	5 June 2000	6 September 2000 to 4 June 2003	HK\$0.046	130,000,000	–	130,000,000
	8 June 2001	9 September 2001 to 7 June 2004	HK\$0.010	35,000,000	–	35,000,000
Law Chuen Lam, Edward	5 June 2000	6 September 2000 to 4 June 2003	HK\$0.046	90,000,000	–	90,000,000
	8 June 2001	9 September 2001 to 7 June 2004	HK\$0.010	25,000,000	–	25,000,000
Au-Yeung Yok Cho	5 June 2000	6 September 2000 to 4 June 2003	HK\$0.046	50,000,000	–	50,000,000
	8 June 2001	9 September 2001 to 7 June 2004	HK\$0.010	25,000,000	–	25,000,000
Po Kam Hi, John	8 June 2001	9 September 2001 to 7 June 2004	HK\$0.010	25,000,000	–	25,000,000
Lau Cheuk Hung, Terence	17 August 2000	18 November 2000 to 16 August 2003	HK\$0.031	6,000,000	–	6,000,000
	8 June 2001	9 September 2001 to 7 June 2004	HK\$0.010	15,000,000	–	15,000,000
Lee Ying Wah, Alfred Augustine (Note 1)	21 January 2000	22 April 2000 to 20 January 2003	HK\$0.188	4,000,000	–	4,000,000
	27 April 2000	28 July 2000 to 26 April 2003	HK\$0.054	6,000,000	–	6,000,000
	8 June 2001	9 September 2001 to 7 June 2004	HK\$0.010	15,000,000	–	15,000,000
Employees						
	21 January 2000	22 April 2000 to 20 January 2003	HK\$0.188	82,800,000	51,200,000	31,600,000
	27 April 2000	28 July 2000 to 26 April 2003	HK\$0.054	126,000,000	46,000,000	80,000,000
	3 May 2000	4 August 2000 to 2 May 2003	HK\$0.058	2,000,000	2,000,000	–
	5 June 2000	6 September 2000 to 4 June 2003	HK\$0.046	202,000,000	200,000,000	2,000,000
	17 August 2000	18 November 2000 to 16 August 2003	HK\$0.031	20,000,000	4,000,000	16,000,000
	8 June 2001	9 September 2001 to 7 June 2004	HK\$0.010	210,000,000	125,000,000	85,000,000
				1,068,800,000	428,200,000	640,600,000

Notes:

1. Mr. Lee Ying Wah, Alfred Augustine has ceased employment with effective from 1 April 2002 and has resigned as alternate director of Mr. Law Chuen Lam, Edward with effective from 17 May 2002. These options were lapsed and cancelled on 1 October 2002 which is the date of the expiration of six months after the date of cessation.
2. The corresponding closing market prices of the Company's shares immediately before the date of grant are as follows:

Date of grant	Closing market price of the Company's shares immediately before the date of grant (HK\$ per share)
21 January 2000	0.245
27 April 2000	0.071
3 May 2000	0.079
5 June 2000	0.063
17 August 2000	0.036
8 June 2001	0.010

PARTICULARS OF SHARES HELD BY DIRECTORS AND CHIEF EXECUTIVES AND ASSOCIATES

As at 30 September 2002, the directors, chief executives and their associates had the following interests in the share capital of the Company or any of its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance")) which require notification pursuant to Section 28 of the SDI Ordinance or the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") or as recorded in the register maintained pursuant to Section 29 of the SDI Ordinance:

(a) The Company

	Number of ordinary shares beneficially held		
	Personal interest	Corporate interest	Family interest
Leung Tze Hang, David	308,386,435	–	–
Law Chuen Lam, Edward	61,437,865	–	–
Au-Yeung Yok Cho	11,573,125	–	–
Po Kam Hi, John	161,935,000	–	–
Lau Cheuk Hung, Terence	88,673	–	–

(b) Total Logistics Services Limited

	Number of ordinary shares beneficially held	
	Personal interest	Corporate interest
Po Kam Hi, John	–	4,004,800
		<i>(Note 1)</i>

Note :

1. Total Logistics Services Limited is an associated corporation, within the meaning of the SDI Ordinance, of the Company. These shares are registered in the name of New Mileage Limited which is wholly owned by Mr. Po Kam Hi, John.

Save as disclosed above, 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 corporation required to be disclosed pursuant to the SDI Ordinance and the Model Code.

DIRECTORS' AND CHIEF EXECUTIVES' BENEFITS FROM RIGHTS TO ACQUIRE SHARES OR DEBENTURES

As at 30 September 2002, the interests of the directors in options to subscribe for shares in the Company granted under the share option schemes of the Company as recorded in the register kept by the Company under Section 29 of the SDI Ordinance were disclosed in the section under the heading of "Share Option Scheme".

Save as otherwise disclosed in this report, at no time during the period was the Company or any of its subsidiaries a party to any arrangement to enable the directors, chief executives or their spouse or children under the age of 18 to acquire benefits by means in the acquisition of shares in or debentures of the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE SHARE CAPITAL OF THE COMPANY

The register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance shows that no shareholders were interested in 10% or more of the issued share capital of the Company as at 30 September 2002.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

NUMBER OF EMPLOYEES AND REMUNERATION POLICIES

Including the directors of the Company, as at 30 September 2002, the Group employed a total of 27 full-time employees. Remuneration packages comprised salary and year-end bonuses based on individual merits.

As disclosed in the section under the heading of "Share Option Scheme", the Company has adopted share option schemes which enable the directors and employees of the Group to subscribe for shares in the Company granted under the share option schemes at corresponding exercise prices.

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 financial statements for the six months ended 30 September 2002.

COMPLIANCE WITH THE CODE OF BEST PRACTICE OF THE LISTING RULES

During the six months ended 30 September 2002, the Code of Best Practice has been complied with by the Company except that 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, 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 directors, this meets the same objectives of the Code of Best Practice.

By Order of the Board

Ding Zhiming

Chairman

Leung Tze Hang, David

Managing Director

Hong Kong, 20 December 2002