

STARLITE

STARLIGHT INTERNATIONAL HOLDINGS LTD.

(Incorporated in Bermuda with Limited Liability)



Interim Report **2002/2003**

FINANCIAL RESULTS

The Board of Directors of Starlight International Holdings Limited (the “Company”) is pleased to announce the unaudited condensed consolidated income statement of the Company for the six months ended 30th September, 2002 together with the comparative figures for the corresponding period in 2001 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2002

		Six months ended	
	<i>NOTES</i>	30.9.2002	30.9.2001
		<i>HK\$</i>	<i>HK\$</i>
		(unaudited)	(unaudited)
Turnover	3	734,581,089	474,250,346
Cost of sales		(620,205,076)	(443,544,910)
Gross profit		114,376,013	30,705,436
Other operating income		9,277,216	12,103,390
Distribution costs		(22,873,650)	(13,271,956)
Administration expenses		(42,923,206)	(41,179,701)
Unrealised holding loss on investments in securities		(16,001,572)	(17,370,409)
Impairment loss recognised in respect of investments in securities		(5,000,000)	–
Impairment loss recognised in respect of loan to an associate		(250,000)	–
Amortisation of goodwill arising on acquisition of subsidiaries		(828,748)	–
Profit (loss) from operations		35,776,053	(29,013,240)
Finance costs		(2,587,375)	(3,781,219)
Share of results of associates		(167,493)	(174,215)
Profit (loss) before taxation		33,021,185	(32,968,674)
Taxation	5	(975,680)	(735,197)
Profit (loss) before minority interests		32,045,505	(33,703,871)
Minority interests		(1,306,360)	(515,299)
Net profit (loss) for the period		30,739,145	(34,219,170)
Interim dividend	6	5,373,731	–
Earning (loss) per share	7		
– Basic		1.14 cents	(1.27) cents

CONDENSED CONSOLIDATED BALANCE SHEET
AT 30TH SEPTEMBER, 2002

		At 30.9.2002 HK\$ (unaudited)	At 30.3.2002 HK\$ (audited)
	<i>NOTES</i>		
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties		45,250,000	45,250,000
Property, plant and equipment	8	245,776,098	241,180,071
Properties under development		33,812,252	29,000,000
Goodwill	9	15,354,463	16,183,211
Negative goodwill		(3,844,449)	(3,844,449)
Interest in associates		2,245,351	2,662,844
Investments in securities	10	27,681,000	32,681,000
		<u>366,274,715</u>	<u>363,112,677</u>
Current assets			
Inventories		287,458,347	207,690,618
Debtors, deposits and prepayments	11	243,294,219	150,078,376
Taxation recoverable		–	352,304
Loan receivable		1,345,000	1,395,000
Investments in securities		44,958,131	52,232,178
Amounts due from associates		4,174,058	3,649,240
Bank balances and cash		49,171,409	23,179,670
		<u>630,401,164</u>	<u>438,577,386</u>
Current liabilities			
Creditors and accrued charges	12	302,449,948	203,025,851
Customers' deposits		300,498	307,707
Amount due to an associate		2,800,000	2,800,000
Taxation payable		599,226	–
Borrowings – amount due within one year		163,419,703	95,509,263
Obligations under a hire purchase contract – amount due within one year		56,811	53,260
		<u>469,626,186</u>	<u>301,696,081</u>
Net current assets		<u>160,774,978</u>	<u>136,881,305</u>
Total assets less current liabilities		<u>527,049,693</u>	<u>499,993,982</u>
Minority interests		<u>1,760,019</u>	<u>458,362</u>
Non-current liabilities			
Borrowings – amount due after one year		12,750,000	18,600,000
Obligations under a hire purchase contract – amount due after one year		92,636	121,930
		<u>12,842,636</u>	<u>18,721,930</u>
Net assets		<u>512,447,038</u>	<u>480,813,690</u>
CAPITAL AND RESERVES			
Share capital	13	268,686,540	269,322,540
Reserves		243,760,498	211,491,150
		<u>512,447,038</u>	<u>480,813,690</u>
Shareholders' funds		<u>512,447,038</u>	<u>480,813,690</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2002

	Share capital HK\$	Share premium HK\$	Merger reserve HK\$	Negative goodwill HK\$	Goodwill reserve HK\$	Other property revaluation reserve HK\$	Translation reserve HK\$	Accumulated profits HK\$	Dividend reserve HK\$	Capital redemption reserve HK\$	Other reserve HK\$	Total HK\$
For the year ended 31st March, 2002:												
At 1st April, 2001	269,319,667	50,195,822	37,137,987	11,570,932	(16,712,671)	1,682,040	1,992,673	125,714,045	-	41,203,800	-	522,104,295
Exchange difference arising on translation of operations outside Hong Kong	-	-	-	-	-	-	(1,207,120)	-	-	-	-	(1,207,120)
Minority shareholders' share of changes in reserves	-	-	-	-	-	-	(5,578)	-	-	-	-	(5,578)
Net gains and losses not recognised in the income statement	-	-	-	-	-	-	(1,212,698)	-	-	-	-	(1,212,698)
Issue of shares on exercise of warrants	3,366,873	1,010,062	-	-	-	-	-	-	-	-	-	4,376,935
Redemption of shares	(3,364,000)	-	-	-	-	-	-	-	-	-	-	(3,364,000)
Premium on redemption of shares	-	-	-	-	-	-	-	(1,258,540)	-	-	-	(1,258,540)
Capital redemption reserve arising from repurchase of shares	-	-	-	-	-	-	-	(3,364,000)	-	3,364,000	-	-
Net loss for the year	-	-	-	-	-	-	-	(39,832,302)	-	-	-	(39,832,302)
	2,873	1,010,062	-	-	-	-	-	(44,454,842)	-	3,364,000	-	(40,077,907)
At 31st March, 2002	269,322,540	51,205,884	37,137,987	11,570,932	(16,712,671)	1,682,040	779,975	81,259,203	-	44,567,800	-	480,813,690
For the six months ended 30th September, 2002:												
At 1st April, 2002	269,322,540	51,205,884	37,137,987	11,570,932	(16,712,671)	1,682,040	779,975	81,259,203	-	44,567,800	-	480,813,690
Exchange difference arising on translation of operations outside Hong Kong	-	-	-	-	-	-	1,177,320	-	-	-	-	1,177,320
Minority shareholders' share of changes in reserves	-	-	-	-	-	-	4,703	-	-	-	-	4,703
Net gains and losses not recognised in the income statement	-	-	-	-	-	-	1,182,023	-	-	-	-	1,182,023
Redemption of shares	(636,000)	-	-	-	-	-	-	-	-	-	-	(636,000)
Discount on redemption of shares	-	-	-	-	-	-	-	-	-	-	348,180	348,180
Capital redemption reserve arising from repurchase of shares	-	-	-	-	-	-	-	(636,000)	-	636,000	-	-
Net profit for the period	-	-	-	-	-	-	-	30,739,145	-	-	-	30,739,145
Interim dividend	-	-	-	-	-	-	-	(5,373,731)	5,373,731	-	-	-
	(636,000)	-	-	-	-	-	-	24,729,414	5,373,731	636,000	348,180	30,451,325
At 30th September, 2002	268,686,540	51,205,884	37,137,987	11,570,932	(16,712,671)	1,682,040	1,961,998	105,988,617	5,373,731	45,203,800	348,180	512,447,038

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

	Share capital	Share premium	Merger reserve	Negative goodwill	Goodwill reserve	Other property revaluation reserve	Translation reserve	Accumulated profits	Dividend reserve	Capital redemption reserve	Other reserve	Total
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
For the six months ended 30th September, 2001:												
At 1st April, 2001	269,319,667	50,195,822	37,137,987	11,570,932	(16,712,671)	1,682,040	1,992,673	125,714,045	-	41,203,800	-	522,104,295
Exchange difference arising on translation of operations outside Hong Kong	-	-	-	-	-	-	(132,766)	-	-	-	-	(132,766)
Minority shareholders' share of changes in reserves	-	-	-	-	-	-	325,396	-	-	-	-	325,396
Net gains and losses not recognised in the income statement	-	-	-	-	-	-	192,630	-	-	-	-	192,630
Issue of shares on exercise of warrants	3,366,873	1,010,062	-	-	-	-	-	-	-	-	-	4,376,935
Redemption of shares	(3,364,000)	-	-	-	-	-	-	-	-	-	-	(3,364,000)
Premium on redemption of shares	-	-	-	-	-	-	-	(1,258,540)	-	-	-	(1,258,540)
Capital redemption reserve arising from repurchase of shares	-	-	-	-	-	-	-	(3,364,000)	-	3,364,000	-	-
Net loss for the period	-	-	-	-	-	-	-	(34,219,170)	-	-	-	(34,219,170)
	<u>2,873</u>	<u>1,010,062</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(38,841,710)</u>	<u>-</u>	<u>3,364,000</u>	<u>-</u>	<u>(34,464,775)</u>
At 30th September, 2001	<u>269,322,540</u>	<u>51,205,884</u>	<u>37,137,987</u>	<u>11,570,932</u>	<u>(16,712,671)</u>	<u>1,682,040</u>	<u>2,185,303</u>	<u>86,872,335</u>	<u>-</u>	<u>44,567,800</u>	<u>-</u>	<u>487,832,150</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2002

	Six months ended	
	30.9.2002	30.9.2001
	<i>HK\$</i>	<i>HK\$</i>
	(unaudited)	(unaudited)
NET CASH (USED IN) FROM OPERATING ACTIVITIES	(8,663,510)	20,668,914
NET CASH USED IN INVESTING ACTIVITIES	(27,085,668)	(19,984,276)
NET CASH FROM FINANCING	60,609,419	4,420,212
NET INCREASE IN CASH AND CASH EQUIVALENTS	24,860,241	5,104,850
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	21,661,890	25,494,872
EFFECT OF EXCHANGE RATE CHANGES	(5,960)	3,117
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	46,516,171	30,602,839

NOTES TO THE CONDENSED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2002

1. BASIS OF PREPARATION

The condensed financial statements have been prepared in accordance with the Statement of Standard Accounting Practice No. 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants and with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed financial statements have been prepared under the historical cost convention, as modified in the revaluation of investment properties and investments in securities.

The accounting policies adopted are consistent with those followed in the Group's annual financial statements for the year ended 31st March, 2002, except as described below.

In the current period, the Group has adopted, for the first time, a number of new and revised Statements of Standard Accounting Practice ("SSAP"s) issued by the Hong Kong Society of Accountants, resulting in the adoption of the following new accounting policies.

SSAP 1 (Revised)	Presentation of Financial Statements
SSAP 11 (Revised)	Foreign Currency Translation
SSAP 15 (Revised)	Cash Flow Statements
SSAP 34	Employee Benefits

The new and revised SSAPs have introduced revised disclosure requirements which have been adopted in the condensed financial statements. The adoption of the above SSAPs has had no significant effect on the results for the current or prior accounting periods.

3. SEGMENT INFORMATION

Business segments

For management purpose, the Group is currently organised into two operating divisions – design, manufacture and sale of electronic products and securities trading. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

Six months ended 30th September, 2002

	Design, manufacture and sale of electronic products HK\$	Securities trading HK\$	Consolidated HK\$
REVENUE	<u>725,005,380</u>	<u>9,575,709</u>	<u>734,581,089</u>
SEGMENT RESULT	<u>57,988,120</u>	<u>(16,772,426)</u>	41,215,694
Interest income			62,162
Unallocated corporate expenses			(501,803)
Impairment loss recognised in respect of investments in securities			<u>(5,000,000)</u>
Profit from operations			<u>35,776,053</u>

Six months ended 30th September, 2001

	Design, manufacture and sale of electronic products HK\$	Securities trading HK\$	Consolidated HK\$
REVENUE	<u>447,953,057</u>	<u>26,297,289</u>	<u>474,250,346</u>
SEGMENT RESULT	<u>(10,279,623)</u>	<u>(19,044,708)</u>	(29,324,331)
Interest income			729,223
Unallocated corporate expenses			<u>(418,132)</u>
Loss from operations			<u>(29,013,240)</u>

4. DEPRECIATION

During the period, depreciation of approximately HK\$17,726,000 (HK\$17,541,000 for the six months ended 30th September, 2001) was charged to the condensed consolidated income statement in respect of the Group's property, plant and equipment.

5. TAXATION

Six months ended	
30.9.2002	30.9.2001
<i>HK\$</i>	<i>HK\$</i>

The charge comprises:

Hong Kong Profits Tax calculated at 16% of the estimated assessable profit for the period
Taxation in other jurisdictions

951,530	–
24,150	735,197
<u>975,680</u>	<u>735,197</u>

Taxation in other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

6. INTERIM DIVIDEND

The directors have determined that an interim dividend of HK 0.2 cent per share (Year ended 31st March, 2002: Nil) should be paid to the shareholders of the Company whose names appear in the Register of Members on 21st January, 2003.

7. EARNING (LOSS) PER SHARE

The earning (loss) per share is calculated based on the net profit for the period of HK\$30,739,145 (loss of HK\$34,219,170 for the six months ended 30th September, 2001) and the weighted average of 2,692,199,992 shares (2,696,644,323 shares for the six months ended 30th September, 2001) in issue.

No diluted earning per share has been presented as the exercise prices of the Company's options were higher than the average market price for shares in the current period.

The computation of diluted loss per share for the prior period has not been presented as the exercise of the outstanding options would result in a decrease in the loss per share.

8. ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT

	<i>HK\$</i>
Net book values at 1st April, 2002	241,180,071
Currency realignment	(12,450)
Additions	23,069,717
Disposals	(735,249)
Depreciation	(17,725,991)
Net book values at 30th September, 2002	<u>245,776,098</u>

9. GOODWILL

	<i>HK\$</i>
COST	
At 1st April, 2002 and 30th September, 2002	16,574,965
AMORTISATION	
At 1st April, 2002	391,754
Charge for the period	828,748
At 30th September, 2002	<u>1,220,502</u>
NET BOOK VALUE	
At 30th September, 2002	<u>15,354,463</u>
At 31st March, 2002	<u>16,183,211</u>

10. INVESTMENTS IN SECURITIES

An impairment loss of HK\$5,000,000 is recognised with reference to the estimated discounted net future cash flows, taking into account the bank borrowing rate, from the investees.

11. DEBTORS, DEPOSITS AND PREPAYMENTS

At 30th September, 2002, the balance of debtors, deposits and prepayments included trade debtors of HK\$220,104,488 (HK\$121,858,126 at 31st March, 2002). The aging analysis of trade debtors at the reporting dates is as follows:

	30.9.2002	31.3.2002
	<i>HK\$</i>	<i>HK\$</i>
0 – 30 days	179,185,078	64,597,954
31 – 60 days	28,268,007	20,655,668
61-90 days	2,110,690	16,489,644
> 90 days	10,540,713	20,114,860
	<u>220,104,488</u>	<u>121,858,126</u>

The Group allows an average credit period ranged from 30 days to 90 days to its trade customers.

12. CREDITORS AND ACCRUED CHARGES

At 30th September, 2002, the balance of creditors and accrued charges included trade creditors of HK\$253,814,905 (HK\$168,158,991 at 31st March, 2002). The aging analysis of trade creditors at the reporting dates is as follows:

	30.9.2002	31.3.2002
	<i>HK\$</i>	<i>HK\$</i>
0 – 30 days	87,710,518	77,091,325
31 – 60 days	69,747,002	29,300,848
61-90 days	43,395,571	26,537,366
> 90 days	52,961,814	35,229,452
	<u>253,814,905</u>	<u>168,158,991</u>

13. SHARE CAPITAL

	Number of shares	Issued and fully paid share capital <i>HK\$</i>
Ordinary shares of HK\$0.1 each:		
Balance at 1st April, 2002	2,693,225,402	269,322,540
Repurchase of shares	<u>(6,360,000)</u>	<u>(636,000)</u>
Balance at 30th September, 2002	<u>2,686,865,402</u>	<u>268,686,540</u>

During the period, the Company repurchased its own shares on The Stock Exchange of Hong Kong Limited as follows:

Month	Number of Shares	Price per share		Aggregate consideration HK\$
		Lowest HK\$	Highest HK\$	
August 2002	2,120,000	0.045	0.049	97,790
September 2002	4,240,000	0.041	0.047	190,030
	<u>6,360,000</u>			<u>287,820</u>

The above shares were cancelled upon repurchase and accordingly the issued share capital of the Company was reduced by the nominal value of these shares. The discount on repurchase was credited to other reserve. An amount equivalent to the nominal value of the shares cancelled was transferred from accumulated profits to the capital redemption reserve.

14. CAPITAL COMMITMENTS

	30.9.2002	31.3.2002
	HK\$	HK\$
Capital expenditure contracted for but not provided in the financial statements in respect of property, plant and equipment	1,576,448	3,384,422
Capital expenditure contracted for but not provided in the financial statements in respect of property development project	-	4,672,897
	<u>1,576,448</u>	<u>8,057,319</u>

15. CONTINGENT LIABILITIES

	30.9.2002	31.3.2002
	HK\$	HK\$
Bills discounted with recourse	<u>5,504,140</u>	<u>3,828,669</u>

INTERIM DIVIDEND

The directors have declared an interim dividend of HK 0.2 cent per share for the year ending 31st March, 2003 (Year ended 31st March, 2002: Nil) to shareholders on the register of members on 21st January, 2003. Dividend warrants will be sent to the shareholders on or about 10th February, 2003.

CLOSING OF REGISTER OF MEMBERS

The registers of members of the Company will be closed from Tuesday, 21st January, 2003 to Friday, 24th January, 2003, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the entitlement of the interim dividend, all outstanding transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Share Registrars, Secretaries Limited at 5th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong (with effect from 13th January, 2003, at G/F., Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong) not later than 4:00 p.m. on Monday, 20th January, 2003.

BUSINESS REVIEW

The Group's turnover for the six months ended 30th September, 2002 was HK\$734,581,089, a significant increase of 55% as compared with the same period last year. The profit attributable to shareholders amounted to HK\$30,739,145 which represents a great improvement as compared to the loss of HK\$34,219,170 for the last period.

Electronics Division

Under the unfavourable economic conditions and the competitive market environment, the Group's core business, Electronics Division, still achieved a satisfactory performance of an operating profit of HK\$57,988,120 (as compared with an operating loss of HK\$10,279,623 in last period). These were mainly attributable to the following factors:

- The demand from the market in USA for the Group's products increased steadily as the consumer sentiment in USA improved slowly.
- The Group has successfully designed a series of product lines accepted by the market. The 6 CD changers, visual products, MP3 and CDRW products have received satisfactory orders during the period.
- The increase in turnover was mainly from the demand for the Group's own brand "Audiologic" products which provided a higher margin than OEM products. With a better balance of sales for own brand products, a relatively higher margin has been obtained.
- Demand from the market in Europe also increased due to stronger Euro.
- During the period under review, interest rate was low and the Group's financial costs decreased significantly.
- Through our subsidiary, Cosmo Communications Corporation, contribution from the sales to North America has increased.
- The Group has strengthened its marketing team so that a broader customer base and new potential customers were obtained.
- Through vertical integration, a significant portion of the operating profit was coming from the components manufacturing business.
- Continuing cost control and production efficiency resulting from the increase in production scale also became the main factors accounting for the improvement in the operating results for the Electronics Division.

Securities Trading

During the period, world-wide stock market was affected by the poor global economic conditions. Although no active trading operation recorded, the Group still has to make a provision for diminution in value in securities for HK\$16,001,572.

PROSPECTS

Global economic development remain unclear and keen competition in consumer electronic business continues. Under such difficult environment, the Group has adopted a policy of developing new technology products to meet market demands. We have increased the production for digital related products, like 8 speed CDRW Units and MP3 solid state products. On the other hand, we have strengthened our existing product lines so that growth in turnover can continue. Consequently, returns from consumer electronic business through better cost control, production efficiency and vertical integration can be maintained. The Group has started sourcing activities through Cosmo Communications Corporation to North America for the sales of consumer electronic products not manufactured by the Group. With the Group's experience in product sourcing and quality control, trading business will provide another source of contribution.

We anticipate the orders for next year is quite promising despite uncertain economic condition. The Group plans to increase production facilities of about 120,000 sq. ft. to cater for the anticipated growth in turnover.

FINANCIAL

As at 30th September, 2002, the Group's gearing ratio based on total liabilities to shareholders' funds was 94% (31st March, 2002: 67%) and gearing ratio based on net bank borrowings to shareholders' funds was 25% (31st March, 2002: 19%). The increase in the gearing ratios reflected the seasonal effect of the business activities as well as the increase of the group's turnover during the period. The Group's financial position is sound.

The Group's transactions were mostly denominated in US dollars and Hong Kong dollars. The exposure to foreign exchange risk was minimal.

STAFF

As at 30th September, 2002, the Group had a total staff of 7,937 of which 7,834 were employed in the PRC for the Group's manufacturing and distribution business.

The Group provides employee benefits such as staff insurance, retirement scheme, discretionary bonus and share option scheme and also provides in-house training programmes and external training sponsorship.

DIRECTORS' INTEREST IN SECURITIES

As at 30th September, 2002, the interests of directors in the shares of the Company as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") were as follows:

	Personal Interest	Number of shares Corporate Interest	Other Interests
<i>Executive directors:</i>			
Lau Sak Hong, Philip	191,636,288	12,072,360 (a) 40,401,660 (b)	670,546,202 (c)
Lau Sak Kai, Anthony	146,063,718	12,072,360 (a) 40,401,660 (b)	
Lau Sak Yuk, Andy	137,236,431	12,072,360 (a) 40,401,660 (b)	

Independent non-executive directors:

Hon Sheung Tin, Peter	778,580	–	–
Ho Hau Chong, Norman	–	–	–

Notes:

- (a) These shares are held through K.K. Nominees Limited, a company which is beneficially owned by Lau Sak Hong, Philip, Lau Sak Kai, Anthony, and Lau Sak Yuk, Andy (hereinafter collectively with other family members referred to as the "Lau family").
- (b) These shares are held through Wincard Management Services Limited, a company which is beneficially owned by the Lau family.
- (c) These shares are beneficially owned directly or indirectly by Philip Lau Holding Corporation, a company beneficially owned by a discretionary trust, the discretionary objects of which include Lau Sak Hong, Philip and his associates.

In addition, other members of the Lau family held an aggregate of 33,215,592 shares.

Save as disclosed above and other than certain nominee shares in subsidiaries held by directors in trust for the Company or its subsidiaries, no director held any interest in the securities of the Company or any of its associated corporations as defined in the SDI Ordinance.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Pursuant to the share option scheme ("Old Scheme") of the Company approved on 7th April, 1997, certain directors were granted options to subscribe for shares in the Company within a period of five years commencing from the date of grant of the options. The Old Scheme was expired on 6th April, 2001. Options granted under the Old Scheme prior to its cessation which have not been fully exercised remain valid until such time that such options are fully exercised or have lapsed. No option were exercised during the period. A summary of the movement of options during the period is as follows:

Name of director	Date of Grant	Number of Exercise price HK\$	Number of Option shares		
			At 01.04.2002	Lapsed during the period	At 30.09.2002
Lau Sak Hong, Philip	21.08.1997	0.12244	33,750,000	33,750,000	-
	01.04.1998	0.1	5,200,000	-	5,200,000
Lau Sak Kai, Anthony	01.04.1998	0.1	17,200,000	-	17,200,000
Lau Sak Yuk, Andy	01.04.1998	0.1	17,200,000	-	17,200,000

Under the Company's share option scheme ("New Scheme") which was approved and adopted at the special general meeting of the Company held on 12th September, 2002 for a period of 5 years, the directors may grant options to any participant, including directors of the Company and its subsidiaries to subscribe for shares in the Company. The subscription price of the option shares is the higher of the nominal value of the shares, the closing price of the shares on the offer date and the average of the closing prices of the shares for the five trading days immediately preceding the Offer Day.

No share options were granted since the adoption of New Scheme.

Save as aforesaid, at no time during the period was the Company or any of its subsidiaries a party to any arrangement to enable a director of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Save as disclosed above, none of the directors or their associates had any interests in any securities of the Company or any of its associated corporations as defined in the SDI 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

As at 30th September, 2002, the register of substantial shareholders maintained by the Company pursuant to Section 16(1) of the SDI Ordinance shows that, other than the interest disclosed above in respect of the directors, the Company has not been notified of any interests representing 10% or more of the Company's issued share capital.

CODE OF BEST PRACTICE

None of the directors is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the accounting period covered by the interim report, 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.

AUDIT COMMITTEE

The interim report for the six months ended 30th September, 2002 has been reviewed by the audit committee which has been established for review and supervision of the Group's financial reporting process and internal controls.

By Order of the Board
Lau Sak Hong, Philip
Chairman

Hong Kong, 19th December, 2002