

RESULTS

The directors of Ezcom Holdings Limited (the “Company”) announce that the unaudited interim results of the Company and its subsidiaries (the “Group”) for the six months ended 31 October 2002 as follows:–

CONSOLIDATED PROFIT & LOSS ACCOUNT

		Unaudited	
		Six months ended	
		31 October	
		2002	2001
	<i>Note</i>	HK\$'000	HK\$'000
Turnover – Sale of goods	2	1,576,819	342,376
Cost of sales		(1,473,241)	(236,340)
Gross profit		103,578	106,036
Other revenues		3,307	4,293
Distribution costs		(53,648)	(90,103)
Administrative expenses		(48,786)	(54,894)
Gain on disposal of subsidiaries	3	30,337	–
Loss on disposal of a property		–	(2,855)
Operating profit/(loss)	4, 5	34,788	(37,523)
Finance costs	6	(3,039)	(4,306)
Profit/(loss) before taxation		31,749	(41,829)
Taxation	7	(3,616)	–
Profit/(loss) after taxation		28,133	(41,829)
Minority interests		(1,540)	–
Profit/(loss) attributable to shareholders		26,593	(41,829)
Earnings/(loss) per share – Basic	8	0.52 cent	(1.03) cents

CONSOLIDATED BALANCE SHEET

		Unaudited 31 October 2002 HK\$'000	Audited 30 April 2002 HK\$'000
Goodwill	9	230,984	243,577
Fixed assets	9	14,895	166,990
Current assets			
Inventories		257,126	129,464
Accounts receivables	10	76,278	179,800
Prepayments, deposits and other receivables		60,518	25,885
Due from related companies	11(a)	322,725	178,804
Pledged bank deposit		59,500	50,867
Bank balances and cash		4,405	113,096
		<u>780,552</u>	<u>677,916</u>
Current liabilities			
Accounts payable and bills payable	12	321,762	294,308
Accrued charges and other payables		16,789	62,068
Due to a related company	11(b)	1,961	1,553
Sales deposits received		-	14,642
Taxation payable		16,556	13,728
Current portion of borrowings	13	37,086	97,262
		<u>394,154</u>	<u>483,561</u>
Net current assets		<u>386,398</u>	<u>194,355</u>
Total assets less current liabilities		<u>632,277</u>	<u>604,922</u>
Financed by:			
Share capital	14	509,556	509,556
Reserves		(60,868)	(87,370)
Shareholders' funds		448,688	422,186
Minority interests		18,645	17,105
Convertible notes		158,305	158,305
Non-current portion of borrowings	13	6,639	7,326
		<u>632,277</u>	<u>604,922</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Unaudited	
	Six months ended	
	31 October	
	2002	2001
	HK\$'000	Restated HK\$'000
Net cash (outflow)/inflow from operating activities	(43,838)	5,258
Net cash outflow from investing activities	(3,990)	(104,655)
Net cash (outflow)/inflow from financing	(60,863)	83,799
Decrease in cash and cash equivalents	(108,691)	(15,598)
Cash and cash equivalents at the beginning of the period	113,096	79,217
Cash and cash equivalents at the end of the period	<u>4,405</u>	<u>63,619</u>
Analysis of balances of cash and cash equivalents		
Bank balances and cash	4,405	68,443
Bank overdrafts	—	(4,824)
	<u>4,405</u>	<u>63,619</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Unaudited					
	Share capital HK\$'000	Share premium HK\$'000	Merger reserve on consideration HK\$'000	Exchange fluctuation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 May 2002	509,556	112,737	—	91	(200,198)	422,186
Disposal of subsidiaries	—	—	—	(91)	—	(91)
Profit for the period	—	—	—	—	26,593	26,593
At 31 October 2002	<u>509,556</u>	<u>112,737</u>	<u>—</u>	<u>—</u>	<u>(173,605)</u>	<u>448,688</u>
At 1 May 2001	383,156	112,473	1,000	109	35,804	532,542
Issue of shares	76,600	(768)	—	—	—	75,832
Loss for the period	—	—	—	—	(41,829)	(41,829)
At 31 October 2001	<u>459,756</u>	<u>111,705</u>	<u>1,000</u>	<u>109</u>	<u>(6,025)</u>	<u>566,545</u>

NOTES TO CONDENSED ACCOUNTS

1) BASIS OF PREPARATION AND ACCOUNTING POLICIES

These unaudited consolidated condensed accounts are prepared in accordance with Hong Kong Statement of Standard Accounting Practice ("SSAP") 25, Interim Financial Reporting, issued by the Hong Kong Society of Accountants (the "HKSA").

These condensed accounts should be read in conjunction with the 2002 annual accounts.

The accounting policies and methods of computation used in the preparation of these condensed accounts are consistent with those used in the annual accounts for the year ended 30 April 2002. The Group has presented its condensed consolidated cash flow statement with effective from 1 May 2002 based on SSAP 15 (revised): "Cash flow statements" issued by the HKSA which is effective for accounting periods commencing on or after 1 January 2002. The comparative figures have been reclassified accordingly. In addition, the following SSAPs issued by the HKSA became effective for accounting periods commencing on or after 1 January 2002 and are applicable to the Group:

SSAP 1 (revised):	Presentation of financial statements
SSAP 11 (revised):	Foreign currency translation
SSAP 25 (revised):	Interim financial reporting
SSAP 33:	Discontinuing operations
SSAP 34:	Employee benefits

The adoption of the above SSAPs has no material impact on the Group's prior year accounts.

2) SEGMENTAL INFORMATION

The Group is principally engaged in the trading of mobile phones, parts and components, manufacturing and trading of office furniture and building materials, together with supply of kitchen cabinets. An analysis of the Group's turnover and results for the period by business segment is as follows:

	Unaudited							
	Six months ended 31 October				2001			
	2002			Total HK\$'000	2001			Total HK\$'000
Office Furniture HK\$'000	Kitchen Cabinets HK\$'000	Mobile Phones HK\$'000	Office Furniture HK\$'000		Kitchen Cabinets HK\$'000	Mobile Phones HK\$'000		
By principal activity								
Turnover	<u>151,248</u>	<u>17,767</u>	<u>1,407,804</u>	<u>1,576,819</u>	<u>283,274</u>	<u>59,102</u>	<u>-</u>	<u>342,376</u>
Segment results	<u>(8,238)</u>	<u>(105)</u>	<u>12,157</u>	<u>3,814</u>	<u>(32,509)</u>	<u>(203)</u>	<u>-</u>	<u>(32,712)</u>
Unallocated income/costs								
Bank interest income				637				929
Others				-				(2,885)
Loss on disposal of property				-				(2,855)
Gain on disposal of subsidiaries				<u>30,337</u>				<u>-</u>
Operating profit/(loss)				<u>34,788</u>				<u>(37,523)</u>
Finance costs				<u>(3,039)</u>				<u>(4,306)</u>
Profit/(loss) before taxation				<u>31,749</u>				<u>(41,829)</u>
Taxation				<u>(3,616)</u>				<u>-</u>
Profit/(loss) after taxation				<u>28,133</u>				<u>(41,829)</u>
Minority interests				<u>(1,540)</u>				<u>-</u>
Profit/(loss) attributable to shareholders				<u>26,593</u>				<u>(41,829)</u>

	Unaudited				
	Six months ended 31 October				
	Turnover		Operating profit/(loss)		
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000	
BY GEOGRAPHICAL LOCATION					
Hong Kong		2,878	148,802	(6,876)	(22,370)
The People's Republic of China excluding Hong Kong ("PRC")		1,573,941	181,408	41,664	(15,332)
Overseas		-	12,166	-	179
		<u>1,576,819</u>	<u>342,376</u>	<u>34,788</u>	<u>(37,523)</u>

3) DISCONTINUING OPERATION

The Chairman of the Company has stated in his statement in the annual report of the Group for the financial year ended 30 April 2002 that, in view of the poor performance of the office furniture and kitchen cabinet business and the fact that the market condition is not expected to improve much in the coming years, the Board was considering different solutions to maximize the interests of the shareholders of the Company. During the current period, certain subsidiaries engaged in this business were disposed of to Mr. Kok Kin Hok, the chairman of the Company, for a consideration of HK\$2,000,000, resulting a gain of approximately HK\$30.34 million to the Group.

The remaining carrying amount of total assets and liabilities of the Group related to this business amounted to approximately HK\$79.13 million and HK\$128.26 million respectively, as at 31 October 2002.

4) OPERATING PROFIT/(LOSS)

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

	Unaudited	
	Six months ended	
	31 October	
	2002	2001
	HK\$'000	HK\$'000
Amortisation of goodwill	12,593	–
Cost of inventories sold	1,473,241	218,901
Depreciation:		
Owned fixed assets	10,192	13,537
Leased fixed assets	–	464
	<u> </u>	<u> </u>

5) STAFF COSTS

	Unaudited	
	Six months ended	
	31 October	
	2002	2001
	HK\$'000	HK\$'000
Salaries	38,947	88,260
Pension costs-defined contribution plan	625	1,273
	<u> </u>	<u> </u>
	39,572	89,533

6) FINANCE COSTS

	Unaudited	
	Six months ended	
	31 October	
	2002	2001
	HK\$'000	HK\$'000
Interest on bank loans and overdrafts wholly repayable within five years	2,964	3,144
Interest element of finance leases	–	137
Bank charges and other borrowing costs	75	1,025
	<u> </u>	<u> </u>
	3,039	4,306

7) TAXATION

	Unaudited	
	Six months ended	
	31 October	
	2002	2001
	HK\$'000	HK\$'000
Hong Kong profits tax	3,616	–

Hong Kong profits tax has been provided at the rates of 16% on the estimated assessable profit for the period (2001: Nil). No provision for PRC income tax is made as the PRC subsidiaries of the Company have no assessable profit for the period (2001: Nil).

8) EARNINGS/(LOSS) PER SHARE

The calculation of earnings/(loss) per share is based on the Group's earnings attributable to shareholders of HK\$26,593,000 (2001 loss: HK\$41,829,000) and the weighted average of 5,095,560,175 shares (2001: 4,043,875,392 shares) in issue during the period.

No diluted earnings/(loss) per share has been presented as the exercise of subscription rights attached to share options of the Company would be anti-dilutive (2001: Nil).

9) CAPITAL EXPENDITURE

	Unaudited	
	Goodwill	Fixed assets
	HK\$'000	HK\$'000
Six months ended 31 October 2002		
Opening net book amount	243,577	166,990
Additions	–	4,506
Disposals	–	(146,409)
Depreciation/amortisation change	(12,593)	(10,192)
	<u>230,984</u>	<u>14,895</u>
Closing net book amount	<u>230,984</u>	<u>14,895</u>

At 31 October 2002, the net book value of leasehold land and buildings pledged as security for the Group's bank loan and overdraft facilities amounted to HK\$13,831,000 (30 April 2002: HK\$60,475,000).

10) ACCOUNTS RECEIVABLE

A defined credit policy is maintained within the Group. The age analysis as at 31 October 2002 is as follows:

	Unaudited	Audited
	31 October 2002	30 April 2002
	HK\$'000	HK\$'000
0–60 days	74,513	116,418
61–120 days	–	49,009
121–180 days	81	4,467
>180 days	1,684	9,906
	<u>76,278</u>	<u>179,800</u>

11) DUE FROM/(TO) RELATED COMPANIES

(a)		Unaudited 31 October 2002 <i>HK\$'000</i>	Audited 30 April 2002 <i>HK\$'000</i>
Due from:			
China Kejian Corporation Limited	(i)	167,990	178,804
Lamex China Limited	(ii)	154,735	–
		<u>322,725</u>	<u>178,804</u>

- (i) The amount represented trade receivable from China Kejian Corporation Limited, a company in which Mr. Hou Ziqiang and Mr. Kok Kin Hok, directors of the Company, are the chairman and the managing director respectively. They have significant control on the day to day operations of this company. The amount due is unsecured, interest-free and has a 90 days credit term.
- (ii) The amount represented loan receivable from Lamex China Limited, a company acquired by Mr. Kok Kin Hok from the Group in October 2002, which is unsecured, interest bearing at 2% over the prime rate from time to time quoted by The Hong Kong and Shanghai Banking Corporation Limited per annum and repayable in August 2003. The maximum balance outstanding during the period amounted to HK\$154,735,000.
- (b) The amount due to a related company represented trade payable to Ezze Mobile Tech Inc., a company in which Mr. Kok Kin Hok and Mr. Lam Bing Sum, directors of the Company, held an indirect 33.98% and a direct 6.80% equity interest respectively as at 31 October 2002. The amount due is unsecured, interest-free and has a 90 days credit term.

12) ACCOUNTS PAYABLE AND BILLS PAYABLE

The age analysis as at 31 October 2002 is as follows:

	Unaudited 31 October 2002 <i>HK\$'000</i>	Audited 30 April 2002 <i>HK\$'000</i>
0–60 days	282,238	227,698
61–120 days	38,199	60,692
121–180 days	4	3,655
>180 days	1,321	2,263
	<u>321,762</u>	<u>294,308</u>

13) BORROWINGS

	Unaudited 31 October 2002 <i>HK\$'000</i>	Audited 30 April 2002 <i>HK\$'000</i>
Borrowings – Secured:		
Trust receipt loans	35,731	41,808
Bank loans	7,994	62,780
	<u>43,725</u>	104,588
Current portion of borrowings	<u>(37,086)</u>	<u>(97,262)</u>
Non-current portion of borrowings	<u>6,639</u>	<u>7,326</u>

At 31 October 2002, the Group's bank loans and overdrafts were repayable as follows:

	Trust receipts loans, bank overdrafts and bank loans	
	Unaudited 31 October 2002 HK\$'000	Audited 30 April 2002 HK\$'000
Within one year	37,086	97,262
In the second year	6,639	7,326
	<u>43,725</u>	<u>104,588</u>

14) SHARE CAPITAL

	No. of Shares	HK\$'000
<i>Authorised:</i>		
8,000,000,000 ordinary shares of HK\$0.10 each at 31 October 2002 and 30 April 2002	<u>8,000,000,000</u>	<u>800,000</u>
<i>Issued and fully paid ordinary shares of HK\$0.10 each:</i>		
At 1 May 2001	3,831,560,175	383,156
Issue of new shares (Note (a) & (b))	1,216,000,000	121,600
Exercise of Share options	48,000,000	4,800
At 31 October 2002 and 30 April 2002	<u>5,095,560,175</u>	<u>509,556</u>

Note (a): On 11 September 2001, the Company issued a total of 766,000,000 ordinary shares of HK\$0.10 each to independent third parties at HK\$0.10 per share.

(b): On 14 November 2001, 450,000,000 shares of ordinary shares of HK\$0.10 each were issued at par as part of consideration for the acquisition of certain subsidiaries.

15) COMMITMENTS

(a) Capital commitments for property, plant and equipment

	Unaudited 31 October 2002 HK\$'000	Audited 30 April 2002 HK\$'000
Authorised by the directors but not contracted for	—	121
	<u>—</u>	<u>121</u>

(b) Commitments under operating leases

As at 31 October 2002, the Group had total future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	Unaudited 31 October 2002 HK\$'000	Audited 30 April 2002 HK\$'000
Within one year	711	6,955
In the second to fifth years inclusive	901	5,887
Later than five years	–	1,691
	<u>1,612</u>	<u>14,533</u>

16) CONVERTIBLE NOTES

Convertible notes of HK\$76,914,000 and HK\$81,391,000 were issued by the Company as consideration for acquisition of 19% and 20% beneficial interest in Ezcom Technology Limited from Mr. Kok Kin Hok, the Chairman and a shareholder of the Company, and Mr. Li Tung Wai, a director of Ezcom Technology Limited, respectively, on 28 March 2002. The convertible notes are unsecured, interest-free and repayable on or before 27 March 2004.

The noteholders have the right to convert any part of the principal amount of the convertible notes into ordinary issued shares of HK\$0.10 each of the Company at the price of HK\$0.10 each per share, subject to adjustment, at any time on or before the expiry date of the notes.

The shares to be issued upon conversion shall rank pari passu in all respect with all other existing shares in issue at the date of the conversion and be entitled to all dividends and other distributions the record date of which falls on a date or after the date of the conversion.

17) RELATED PARTY TRANSACTIONS

Saved as disclosed in note 11(a)(ii) above, the Group entered into the following related party transactions during the current period in the normal course of business at terms mutually agreed with the counter parties:

		Unaudited Six months ended 31 October 2002 HK\$'000	2001 HK\$'000
Sales to China Kejian Corporation Limited	(a)	1,085,103	–
Service income from China Kejian Corporation Limited	(a)	1,014	–
Purchases from Ezze Mobile Tech. Inc.	(b)	92,800	–
Disposal of subsidiaries to Mr. Kok Kin Hok	3	2,000	–

- (a) China Kejian Corporation Limited is a company in which Mr. Hou Ziqiang and Mr. Kok Kin Hok, directors of the Company, are the Chairman and the managing director respectively. They have significant control on the day to day operations of this company.
- (b) As at 31 October, 2002, Ezze Mobile Tech Inc. was a company in which Mr. Kok Kin Hok and Mr. Lam Bing Sum held an indirect 33.98% and a direct 6.80% equity interest respectively.

18) SUBSEQUENT EVENTS

In November 2002, the Company acquired the entire issued share capital of Global Direction Limited, a company holding 100% equity interest in Scom (Holdings) Limited which in turn held 33.98% equity in Ezze Mobile Tech., Inc. ("Ezze Mobile") from Mr. Kok Kin Hok, the Chairman, for a consideration of approximately HK\$88,000,000 by the issue of a convertible note with an aggregate equivalent amount.

The convertible note is unsecured, interest-free and repayable on or before 7 November 2004. The noteholder has the right to convert any part of the principal amount of the convertible note into ordinary issued shares of HK\$0.10 each of the Company at the price of HK\$0.10 each per share, subject to adjustment, at any time on or before the expiry date of the note.

The shares to be issued upon conversion shall rank *pari passu* in all respect with all other existing shares in issue at the date of the conversion and be entitled to all dividends and other distributions the record date of which falls on a date or after the date of the conversion.

INTERIM DIVIDEND

The board of directors has resolved not to declare any interim dividend for the six months ended 31 October 2002 (2001: Nil).

BUSINESS REVIEW

The Group's consolidated turnover for the six months ended 31 October 2002 was HK\$1,576.8 million (2001: HK\$342.4 million). In line with the Group's repositioning of its in business focus to mobile telecommunications, distribution of mobile handsets accounted for a significant share of 89.28% of the Group turnover in the current period, while contribution from office furniture, kitchen cabinets supply and installation to the Group's turnover was only 10.72%.

The Group's profit before taxation for the six months ended 31 October 2002 was HK\$31.75 million (2001 loss: HK\$41.83 million). Profit per share amounted to HK0.52 cents, compared to a loss per share of HK1.03 cents in the same period last year.

During the period under review the Group completed the disposal of its entire interests in the loss-making Lamex China Limited ("Lamex China") to Chairman Mr Kok Kin Hok for a consideration of HK\$2 million in cash. Lamex China will repay a HK\$123.6 million loan to the Group in August 2003 in accordance with the agreement thereon. It improved the overall financial performance of the Group

after bringing a HK\$30.34 million gain. It also leaves the Group a clean slate to pursue a more promising future in the mobile telecommunications industry.

The Group considers the transaction as one of its milestone developments after taking into consideration the fact that Lamex China, which engages in manufacturing and trading of office furniture and building materials, had experienced three consecutive years of operating losses with the outlook remaining bleak. And more important of all, the transaction allows the Group to better deploy its corporate resources to develop mobile telecommunication business.

Thanks to the effort ploughed by the management, the Group's distribution network of mobile handsets in China had reached 37 major cities with support from more than 30 distributors and 2,500 retailers by the end of the six months under review. This extensive network contributed to a sales volume of 1,430,000 GSM and CDMA handsets in the current period, representing a 68% increase from the average sales volume made by the Group in the year ended 30 April 2002.

Excellent relationship had been maintained with the Samsung, the world's third largest manufacturer of mobile phones and the largest manufacturer of CDMA mobile handsets. Gross margins were maintained at the healthy 10% level because the models the Group exclusively distributed in China belonged to the niche upper brackets.

While GSM mobile handsets continued to be the mainstay of the Group's mobile telecommunication business, parallel effort had also been spared to develop the CDMA market segment. Powered by technology and product innovations from Samsung and the manufacturing capacity and capabilities of China Kejian Corporation, the Group supplied about 300,000 CDMA handsets in China under the Kejian-Samsung co-branded label during the period. The Group will seek to develop healthier and more balanced revenue streams from the distribution of handsets in these two mainstream formats.

In November 2002, the Group also completed acquisition of a 33.98% interest in Ezze Mobile from Chairman Mr Kok Kin Hok. Established in 2000, Ezze Mobile is a Korea-based mobile telecommunications solutions provider and equipment manufacturer. It posted revenues of 58 billion Korean Won (HK\$355 million) and net profits of 3.6 billion Korean Won (HK\$21.95 million) for the year ended 31 December 2001. A funding exercise from institutional investors in May last year valued Ezze Mobile at HK\$394.8 million.

Ezze Mobile complemented the Group's vision to become a full mobile telecommunications solutions provider with premium-value-added services possessing unsurpassed strengths in areas of mobile technology solutions, product designs, production support, quality control, procurement, logistics, distribution network, marketing promotion, market intelligence and provision of after-sale services.

The Group continued to be able to sustain its sound financial position. At 31 October 2002, the Group's total cash on hand and total bank borrowings aggregated to HK\$4.4 million and HK\$43.73 million (30 April 2002: HK\$113.1 million and HK\$104.59 million) respectively. The bank borrowings were secured by bank deposits of HK\$59.5 million (30 April 2002: HK\$50.86 million) and legal charges on the properties of the Group with an aggregate net book value of HK\$13.83 million (30 April 2002: HK\$60.47 million).

The Group's business transactions, assets and liabilities are mainly denominated in Hong Kong Dollars, Renminbi and United States Dollars. It is the Group's treasury policy to manage its foreign currency exposure whenever its financial impact is material to the Group. The Group's major source of funds was cash flow generated from its operating activities and financing from banks and share issuance. The Group does not engage in foreign currency speculative activities.

Shareholders' funds were maintained at a level of HK\$448.69 million as at 31 October 2002. The gearing ratio as measured by total bank borrowings to capitalization was 9.75% during the period under review.

PROSPECTS

The disposal of the entire interests in Lamex China and acquisition of a 33.98% interest in Ezze Mobile benchmarked completion of the Group's crucial transition into a full-service mobile telecommunications solutions provider from the previous role as an office furniture manufacturer and distributor.

Stable high growth in revenue and profits from distribution of mobile handsets in China and supply of mobile phone parts and technology to China Kejian Corporation will enable the Group to achieve healthier organic growth.

The Group has been identifying opportunities to acquire distribution rights for more high-end models from Samsung, for handsets from other branded manufacturers, and to engage in more mobile telecommunications technology consultancy business. A new model of ladies' phone, Samsung T508, featuring chic outlook design, and a number of new GSM and CDMA models with colour LCDs are in the pipeline for launch in China.

Given the highly competitive market environment, the acquisition of interests in Ezze Mobile brings the Group closer to cutting edge developments in the mobile telecommunications industry, including multi-media messaging, mobile high-speed data transmission via GPRS, 3G or other platforms; telecommunications making use of mobile Internet Protocol, and mobile Java technologies.

The transaction equips the Group with the muscle to evolve into a one-stop mobile telecommunications solutions provider. This one-stop approach enables very cost-effective origination, planning, implementation, customization and post-installation maintenance of systems, transmission networks and even down to the

level of handset design, manufacturing and distribution. This approach generates solutions that are particularly valuable for major and remote cities in Mainland China and other Asian countries that require very sophisticated customization to accommodate territory-specific usage habits and applications. It helps service carriers in these markets keep in pace with latest technological development without the hassle of owning and managing expensive in-house technical research and service teams.

The blending of Ezze Mobile's systems, network and handset design capabilities with Samsung's technology support and China Kejian's manufacturing strength will provide the Group with a unique edge over its competitive peers in implementing solutions from conceptualization to completion.

Ezze Mobile is planning a listing on the stock exchange in South Korea. The Group believes this move will provide further impetus to pursue deeper understanding and profitable development in mobile telecommunications research and solutions provision.

EMPLOYEES

The Group's remuneration policies are revised on a regular basis and remuneration packages are in line with market practices. As at 31 October 2002, the Group had approximately 30 staff in Hong Kong and had approximately 40 employees in Mainland China.

PARTICULARS OF SHARE HELD BY DIRECTORS, CHIEF EXECUTIVES AND ASSOCIATES

As at 31 October 2002, the interests of the directors and chief executives in the shares of the Company and its associated corporations, as recorded in the register maintained by the Company under Section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") or as notified to the Company were as follows:

Shares of the Company

Name of directors		Number of shares	
		Corporate interest	Personal interest
Kok Kin Hok	<i>Note</i>	1,699,092,000	Nil
Lian Song Qing		Nil	20,000,000

Note: These shares are beneficially owned by Anglo Express Group Limited, a company incorporated in the British Virgin Islands whose entire issued share capital is legally and beneficially owned by Mr. Kok Kin Hok.

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

Pursuant to the Company's share option schemes adopted on 4 November 1992 and 25 February 1999 (the "Old Option Schemes"), the Company may grant options to employees (including directors) of the Group to subscribe for shares in the Company, subject to a maximum of 10% of the issued share capital of the Company. The options granted by the share option schemes are exercisable within four to ten years from the date of grant.

The Old Option Schemes were terminated by the Company on 13 March 2002. Upon the termination, no further options can be granted thereunder but in all other respects, the provisions of the Old Options Schemes shall remain in force and all options granted prior to such termination shall continue to be valid and exercisable in accordance therewith.

A new share option scheme (the "New Option Scheme") was adopted by the Company on 13 March 2002. No options was granted under the New Option Scheme as at 31 October 2002.

As at 31 October 2002, details of the outstanding share options granted by the company to the directors of the Company were set out below;

Name of director	Date of grant	Exercise price per share	Options outstanding at 31 October 2002	Exercisable period
Lam Ching Wah, Clement (<i>Note</i>)	3 January 2000	HK\$0.1055	32,100,000	3 January 2000 to 2 January 2004
	3 July 1997	HK\$0.2619	50,400,000	3 July 1997 to 2 July 2007
Kok Kin Hok	31 August 2001	HK\$0.10	30,000,000	1 September 2001 to 31 August 2005
Lam Bing Sum	31 August 2001	HK\$0.10	20,000,000	1 September 2001 to 31 August 2005

Note: Lam Ching Wah, Clement resigned as a director of the Company with effect from 14 November 2002 and has undertaken he would not exercise his share options.

Apart from the foregoing, at no time during the period was the Company or any of its subsidiaries a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

As at 31 October 2002, the following interests of 10% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 16(1) of the SDI Ordinance:

Name of shareholder of the Company	Number of shares	Percentage of issued share capital
Anglo Express Group Limited (<i>Note</i>)	1,699,092,000	33.3%

Note: The interest was also disclosed as an interest of Mr. Kok Kin Hok in the section "Directors' Interests" Section of this report.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months period ended 31 October 2002, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

AUDIT COMMITTEE

This interim report has been reviewed by the Audit Committee of the Board which comprises two Independent Non-Executive Directors.

CODE OF BEST PRACTICE

None of the Directors of the Company is aware of information that would reasonably indicate that the Company is not, or was not for any part of the six months ended 31 October 2002, in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules. The Independent Non-Executive Directors of the Company are appointed subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Bye-laws of the Company.

By Order of the Board
Kok Kin Hok
Chairman

Hong Kong, 17 January 2003