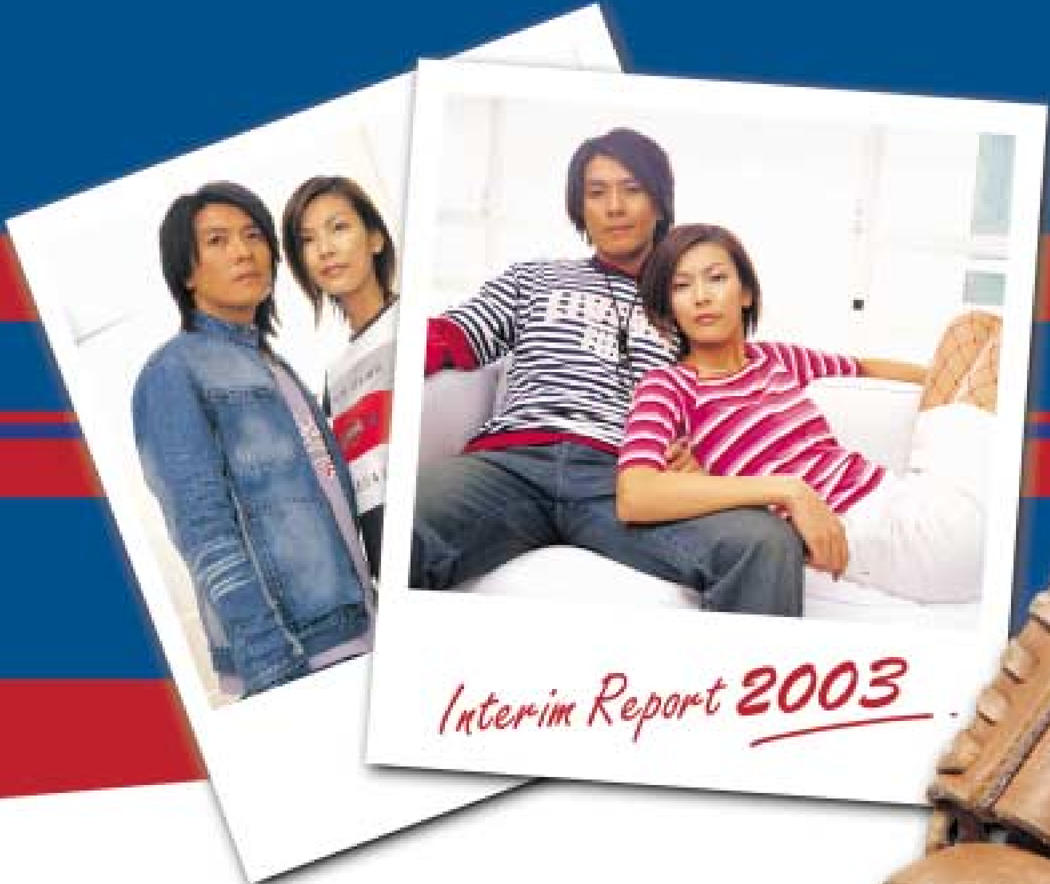
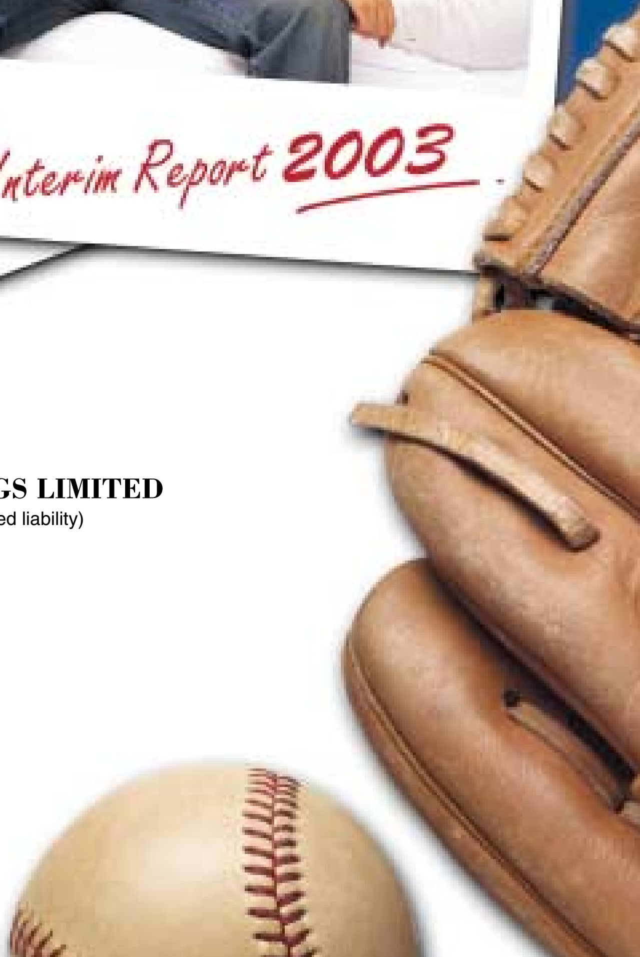



# Benefun

**INTERNATIONAL HOLDINGS LIMITED**

(Incorporated in the Cayman Islands with limited liability)



## FINANCIAL RESULTS

The Board of Directors (the "Board") of Benefun International Holdings Limited (the "Company") announces the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 31 December 2002 together with the comparative figures. These interim financial statements have not been audited, but have been reviewed by the Company's audit committee and the auditors, BDO International.

### Condensed consolidated income statement

*For the six months ended 31 December 2002*
(Expressed in Hong Kong dollars)

| | Notes | **Six months ended 31 December 2002 (Unaudited) $'000** | 2001 (Unaudited) *$'000* |
|---|---|---|---|
| **Turnover** | *2* | **81,689** | 68,163 |
| Cost of sales | | **(48,947)** | (48,960) |
| Gross profit | | **32,742** | 19,203 |
| Other revenue | *3* | **2,803** | 2,084 |
| Distribution costs | | **(20,518)** | (20,284) |
| Administrative expenses | | **(12,435)** | (10,713) |
| **Operating profit/(loss)** | | **2,592** | (9,710) |
| Finance costs | *4* | **(709)** | (1,093) |
| Impairment loss on goodwill | | **–** | (10,798) |
| Share of loss of an associate | | **–** | (26) |
| **Profit/(loss) from ordinary activities before taxation** | *4* | **1,883** | (21,627) |
| Taxation | *5* | **(241)** | (228) |
| **Net profit/(loss) attributable to shareholders** | | **1,642** | (21,855) |
| **Earnings/(loss) per share** | *7* | | |
| Basic | | **0.17 cents** | (2.73 cents) |
| Profit/(loss) attributable to shareholders is analysed as follows: | | | |
| By the Company and its subsidiaries | | **1,642** | (21,829) |
| By an associate | | **–** | (26) |
| | | **1,642** | (21,855) |

The notes on pages 5 to 11 form part of these interim financial statements.

## Condensed consolidated balance sheet

*As at 31 December 2002*

(Expressed in Hong Kong dollars)

| | Notes | **As at 31 December 2002 (Unaudited) *$'000*** | As at 30 June 2002 (Audited) *$'000* |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | | **69,152** | 71,149 |
| Construction in progress | | **15,311** | 8,258 |
| | | **84,463** | 79,407 |
| **Current assets** | | | |
| Inventories | | **10,373** | 11,897 |
| Trade and other receivables | *8* | **16,963** | 17,107 |
| Cash at banks and in hand | | **27,778** | 22,420 |
| | | **55,114** | 51,424 |
| **Current liabilities** | | | |
| Bank loans | *9* | **25,660** | 19,111 |
| Trade and other payables | *10* | **42,719** | 42,186 |
| | | **68,379** | 61,297 |
| **Net current liabilities** | | **(13,265)** | (9,873) |
| **Net assets** | | **71,198** | 69,534 |
| **Capital and reserves** | | | |
| Share capital | *11* | **9,619** | 9,619 |
| Reserves | *12* | **61,579** | 59,915 |
| | | **71,198** | 69,534 |

The notes on pages 5 to 11 form part of these interim financial statements.

## Condensed consolidated cash flow statement

*For the six months ended 31 December 2002*
(Expressed in Hong Kong dollars)

| | Six months ended 31 December | |
|---|---|---|
| | **2002** | 2001 |
| | **(Unaudited)** | (Unaudited) |
| | ***$'000*** | *$'000* |
| | | (Restated) |
| Net cash from operating activities | **9,234** | 2,506 |
| Net cash (used in)/from investing activities | **(10,425)** | 6,391 |
| Net cash from/(used in) financing activities | **6,549** | (10,198) |
| Increase/(decrease) in cash and cash equivalents | **5,358** | (1,301) |
| Cash and cash equivalents at 1 July | **22,420** | 14,718 |
| Cash and cash equivalents at 31 December | **27,778** | 13,417 |
| Analysis of balances of cash and cash equivalents: | | |
| Cash at banks and in hand | **27,778** | 13,417 |

The notes on pages 5 to 11 form part of these interim financial statements.

## Condensed consolidated statement of changes in equity

*For the six months ended 31 December 2002*

(Expressed in Hong Kong dollars)

| | | Six months ended 31 December | |
|---|---|---|---|
| | | **2002** | 2001 |
| | *Note* | ***$'000*** | *$'000* |
| Total shareholders' equity at 1 July **(Audited)** | | **69,534** | 87,014 |
| Exchange difference | *12* | **22** | 21 |
| Impairment loss on goodwill | *12* | **–** | 10,798 |
| Net profit/(loss) for the period | *12* | **1,642** | (21,855) |
| Total shareholders' equity at 31 December **(Unaudited)** | | **71,198** | 75,978 |

The notes on pages 5 to 11 form part of these interim financial statements.

## Notes to the condensed consolidated financial statements

(Expressed in Hong Kong dollars)

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

The unaudited condensed consolidated interim financial statements are prepared in accordance with Statement of Standard Accounting Practice ("SSAP") No. 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants. The accounting policies and basis of preparation used in the preparation of these interim financial statements are the same as those used in the preparation of the audited financial statements for the year ended 30 June 2002, except as disclosed below.

The following new and revised SSAPs have been adopted for the first time in the preparation of the current period's unaudited condensed consolidated interim financial statements:

| | | |
|---|---|---|
| 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" |

SSAP 1 (Revised) "Presentation of Financial Statements" has introduced a new format of presentation in reporting changes in equity. The presentation in the prior period's condensed financial statements has been restated in order to achieve a consistent presentation.

SSAP 15 (Revised) "Cash Flow Statements" has changed the classifications of cash flows in the cash flow statement and the definition of cash equivalents. The presentation in the prior period's condensed cash flow statement has been restated in accordance with the new format.

SSAP 34 "Employee Benefits" has introduced a formal framework for the recognition of liabilities and expenses in respect of employee benefits. The adoption of this new accounting standard has not resulted in any material effects on the financial statements of the current or prior period and accordingly, no prior period adjustment is required.

There is no impact to the financial results and the financial position of the Group by the adoption of SSAP 11 (Revised) and SSAP 25 (Revised).

### 2. Segment information

An analysis of the Group's revenue and results by business segment is not presented as the Group's revenue and results are predominantly derived from manufacturing, retailing and trading of apparel.

An analysis of the Group's revenue and results by geographical segment for the interim period ended 31 December 2002, together with the comparative figures for the corresponding period in 2001, is as follows:

| (Unaudited) | Hong Kong 2002 $'000 | Hong Kong 2001 $'000 | Elsewhere in the PRC 2002 $'000 | Elsewhere in the PRC 2001 $'000 | Consolidated 2002 $'000 | Consolidated 2001 $'000 |
|---|---|---|---|---|---|---|
| Segment revenue: | | | | | | |
| Sales to external customers | **–** | 482* | **81,689** | 67,681 | **81,689** | 68,163 |
| Other revenue | **42** | 129 | **2,761** | 1,955 | **2,803** | 2,084 |
| Total revenue | **42** | 611 | **84,450** | 69,636 | **84,492** | 70,247 |
| Segment results | **(1,829)** | (7,194) | **4,394** | (2,634) | **2,565** | (9,828) |
| Interest income | | | | | **27** | 118 |
| Profit/(loss) from operating activities | | | | | **2,592** | (9,710) |
| Finance costs | | | | | **(709)** | (1,093) |
| Impairment loss on goodwill | | | | | **–** | (10,798) |
| Share of loss of an associate | | | | | **–** | (26) |
| Profit/(loss) before taxation | | | | | **1,883** | (21,627) |
| Taxation | | | | | **(241)** | (228) |
| Net profit/(loss) from ordinary activities attributable to shareholders | | | | | **1,642** | (21,855) |

* Rental income of $482,000 was derived from the lease of investment properties for the corresponding six-months ended 31 December 2001.

## 3. Other revenue

| | Six months ended 31 December 2002 (Unaudited) $'000 | 2001 (Unaudited) $'000 |
|---|---|---|
| Interest income | **27** | 118 |
| Royalty income | **311** | — |
| Rental income | **264** | 489 |
| Sub-contracting fee income | **1,121** | 1,114 |
| Others | **1,080** | 363 |
| | **2,803** | 2,084 |

## 4. Profit/(loss) from ordinary activities before taxation

Profit/(loss) from ordinary activities before taxation is arrived at after charging:

| | Six months ended 31 December | |
|---|---|---|
| | **2002** | 2001 |
| | **(Unaudited)** | (Unaudited) |
| | ***$'000*** | *$'000* |
| Finance costs: | | |
| Interest on bank advances and other borrowings repayable within five years | **709** | 1,093 |
| Depreciation | **5,310** | 5,422 |

## 5. Taxation

Taxation in the condensed consolidated income statement represents:

| | Six months ended 31 December | |
|---|---|---|
| | **2002** | 2001 |
| | **(Unaudited)** | (Unaudited) |
| | ***$'000*** | *$'000* |
| Taxation outside Hong Kong | **241** | 228 |

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the interim period ended 31 December 2002 (2001: Nil).

Taxation for the Group's operations outside Hong Kong is provided at the applicable rates of taxation on the estimated assessable profits arising in the relevant jurisdiction during the period.

## 6. Dividends

No interim dividend has been declared in respect of the interim period ended 31 December 2002 (2001: Nil).

## 7. Basic earnings/(loss) per share

The calculation of basic earnings per share is based on the consolidated profit attributable to shareholders of $1,642,000 (2001: loss of $21,855,000) divided by the weighted average of 961,929,000 ordinary shares (2001: 801,929,000 ordinary shares) in issue during the period. Fully diluted figures are not shown as there is no potential dilutive effect for the interim periods ended 31 December 2001 and 2002.

## 8. Trade and other receivables

| | **As at 31 December 2002 (Unaudited) *$'000*** | As at 30 June 2002 (Audited) *$'000* |
|---|---|---|
| Accounts receivable | **9,801** | 7,265 |
| Prepayments, deposits and other receivables | **7,162** | 9,819 |
| Tax recoverable | **–** | 23 |
| | **16,963** | 17,107 |

All the trade and other receivables are expected to be recovered within one year.

Included in trade and other receivables are accounts receivable with the following ageing analysis:

| | **As at 31 December 2002 (Unaudited) *$'000*** | As at 30 June 2002 (Audited) *$'000* |
|---|---|---|
| Within 1 month | **7,708** | 3,540 |
| 1 to 3 months | **2,722** | 3,311 |
| More than 3 months but less than 12 months | **1,354** | 964 |
| Over 12 months | **5,612** | 5,792 |
| Total accounts receivable before provision | **17,396** | 13,607 |
| Provision for doubtful debts | **(7,595)** | (6,342) |
| Net accounts receivable | **9,801** | 7,265 |

The credit terms given to the customers 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. Bank loans

The bank loans of the Group were repayable as follows:

| | **As at 31 December 2002 (Unaudited) *$'000*** | As at 30 June 2002 (Audited) *$'000* |
|---|---|---|
| Within 1 year or on demand | **25,660** | 19,111 |

The bank loans of the Group are secured by the Group's properties with an aggregate carrying value of approximately $43,772,000 at 31 December 2002 (30 June 2002: $45,317,000 and a director's personal properties in PRC).

## 10. Trade and other payables

| | **As at 31 December 2002 (Unaudited) *$'000*** | As at 30 June 2002 (Audited) *$'000* |
|---|---|---|
| Accounts payable | **12,487** | 15,240 |
| Other payables and accrued liabilities | **30,232** | 26,946 |
| | **42,719** | 42,186 |

All the trade and other payables are expected to be settled within one year.

Included in trade and other payables are accounts payable with the following ageing analysis:

| | **As at 31 December 2002 (Unaudited) *$'000*** | As at 30 June 2002 (Audited) *$'000* |
|---|---|---|
| Within 1 month or demand | **10,901** | 8,217 |
| 1 to 3 months | **213** | 558 |
| More than 3 months but within 6 months | **—** | — |
| Over 6 months | **1,373** | 6,465 |
| Total accounts payable | **12,487** | 15,240 |

## 11. Share capital

| | **As at 31 December 2002 (Unaudited)** | As at 30 June 2002 (Audited) |
|---|---|---|
| | ***$'000*** | *$'000* |
| *Authorised* | | |
| 10,000,000,000 ordinary shares of $0.01 each | 100,000 | 100,000 |
| *Issued and fully paid* | | |
| 961,929,000 ordinary shares of $0.01 each | 9,619 | 9,619 |

At 31 December 2002, the outstanding options are summarised as follows:

| **Date option granted** | **Exercisable period** | **Exercise price** | **Number of options outstanding at the period end** |
|---|---|---|---|
| 31 January 2001 | 1 August 2001 to 31 July 2004 | $0.16 | 11,200,000 |
| 23 February 2000 | 24 August 2000 to 23 August 2003 | $0.4496 | 19,833,000 |

No share options have been exercised during the period.

## 12. Reserves

| | Share premium $'000 | Legal reserve $'000 | Foreign exchange revaluation reserve $'000 | Revaluation reserve $'000 | Accumulated losses $'000 | Total $'000 |
|---|---|---|---|---|---|---|
| At 1 July 2002 **(Audited)** | 115,849 | 3,090 | 1,614 | 35,548 | (96,186) | 59,915 |
| Transfer between reserves | – | – | – | (1,360) | 1,360 | – |
| Exchange difference | – | – | 22 | – | – | 22 |
| Net profit for the period | – | – | – | – | 1,642 | 1,642 |
| At 31 December 2002 **(Unaudited)** | 115,849 | 3,090 | 1,636 | 34,188 | (93,184) | 61,579 |
| At 1 July 2001 **(Audited)** | 106,362 | 3,090 | 1,613 | 27,470 | (131,714) | 6,821 |
| Transfer between reserves | – | – | – | (1,360) | 1,360 | – |
| Exchange difference | – | – | 21 | – | – | 21 |
| Impairment loss on goodwill | – | – | – | 10,798 | – | 10,798 |
| Net loss for the period | – | – | – | – | (21,855) | (21,855) |
| At 31 December 2001 **(Unaudited)** | 106,362 | 3,090 | 1,634 | 36,908 | (152,209) | (4,215) |

## 13. Commitments

At the balance sheet date, the Group had capital commitment in respect of acquisition of land use rights as follows:

| | **As at 31 December 2002 (Unaudited) *$'000*** | As at 30 June 2002 (Audited) *$'000* |
|---|---|---|
| Contracted, but not provided for | **1,800** | – |

## 14. Outstanding litigation

A previous landlord of a subsidiary, Benefashion Limited ("Benefashion") disagreed with the early termination of an operating lease on a commercial property and has obtained a judgement against Benefashion. The previous landlord claimed compensation for early termination of approximately $7 million. The Company has not provided any undertaking or guarantee in respect of this lease. Benefashion is insolvent and is considering commencing winding up proceedings. Accordingly, no provision for the compensation claimed has been included in these interim financial statements.

## 15. Approval of the interim financial statements

The condensed consolidated interim financial statements were approved and authorised for issue by the Board on 21 March 2003.

## INDEPENDENT REVIEW REPORT TO THE BOARD OF DIRECTORS OF BENEFUN INTERNATIONAL HOLDINGS LIMITED

### INTRODUCTION

We have been instructed by the Company to review the interim financial report set out on pages 1 to 11.

### DIRECTORS' RESPONSIBILITIES

The Rules governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with Statement of Standard Accounting Practice 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants and the relevant provisions thereof. The interim financial report is the responsibility of, and has been approved by, the directors.

### REVIEW WORK PERFORMED

We conducted our review in accordance with Statement of Auditing Standards 700 "Engagements to Review Interim Financial Reports" issued by the Hong Kong Society of Accountants. A review consists principally of making enquiries of Group management and applying analytical procedures to the interim financial report and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the interim financial report.

### REVIEW CONCLUSION

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the interim financial report for the six months ended 31 December 2002.

**BDO International**
*Certified Public Accountants*
Hong Kong, 21 March 2003

## MANAGEMENT DISCUSSION AND ANALYSIS

### Review of Operation

The consolidated turnover of the Group for the six months ended 31 December 2002 was HK$81.7 million. This represented an increase of 19.8%, as compared to HK$68.2 million for the same period last year. The business performance was improved from a net loss of HK$21.9 million for the same period last year, to a net profit after tax of HK$1.6 million in the current period.

The Group was rightly optimistic of the fashion retailing industry in China. The PRC market we were in had enjoyed a solid and steady growth in the period, despite that the general economic condition was still poor globally.

The Group had consistently focused on apparel consumer market in China. We were committed to strengthening brand awareness and customer acceptability through selling quality and elegant casual wears only at competitive prices. There had been more frequent promotions to position "Fun" brand products sharply. In October 2002, the Group signed an advertising contract for two years with "A-do", one of the most popular singers in Greater China to promote our "Fun" brand. "A-do" music concerts and video shows with "Fun" presentation were launched nationwide in China.

The Group had been able to achieve higher turnover and profit margin in the period. The proportion of full price sales was higher during the period.

The growth in turnover was also partly fueled by expansion of the export business. Our export business was only a small percentage of the total turnover, but it registered a high percentage growth for the period. The accession of China to the W.T.O. and the imminent abolishment of the quota system by Year 2005 will boost demand for garment exports which will benefit our China factories.

Regarding our retail arm, there were 132 "Fun" shops throughout China at the end of the period. Out of the total, 69 shops were self-operated and 63 shops were operated on franchising basis. Total retail area was 10,800 square meters at the period end.

The manufacturing operation had been fully established. This had increased the economies of scales and had improved the speed of deliveries to the market.

The Group had participated in certain small-scale property development projects in Zhangzhou, Fujian, China in the period. The project was made subsequent to the Group's insight on the high demand for comfortable living place in China's 2nd tier cities.

## Outlook

Looking ahead to the 2nd half of the financial year, we expect that the operating environment and consumer sentiment in China will continue to be positive, although the general worldwide economy will remain weak. Nevertheless, competition in the apparel market will continue to be tough. The management will work very hard to acquire higher market share and enhance productivity in order to sustain sales and profit margins.

The Group is confident in its expertise on apparel merchandise. It will continue to focus on garment business. We are committed to offering quality and lifestyle clothing products to our valued customers. Our retail market will continue to be in China, The promotional campaigns with "A-do" will be one of the major events in the coming year. With improved presentation through effective promotion programs, we will be able to enjoy more full price and higher store sales in the near future.

The Group is confident that its dedicated staff will contribute to a significant growth momentum and we will finish the financial year with better performance and financial results than the past few years.

## Financial Position

The Group maintained a stable net cash position during the period under review. Net cash inflow from operating activities was HK$9.2 million, compared with a net cash inflow of HK$2.5 million for the same period last year. Net cash balance at the period end was HK$27.8 million, compared with a balance of HK$13.4 million at the same period end last year.

The debt equity ratio as at 31 December 2002 was increased to 0.36, compared with 0.27 as at 30 June 2002.

The Group's current ratio as at 31 December 2002 was 0.81, compared with 0.84 as at 30 June 2002. The Group's quick ratio was 0.65 as at 31 December 2002, compared with 0.64 as at 30 June 2002.

## Employees

As at 31 December 2002, the Group had 1,866 employees of which 1,859 were employed in the PRC for the Group's retailing and manufacturing business.

The Group offers competitive remuneration packages to its employees, and provides benefits such as staff insurance, retirement scheme, discretionary bonus and option scheme, and also provides both in-house and external training programs to strengthen the Group's human resources.

## DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES

As at 31 December 2002, the interests of the directors and chief executive in the shares of the Company as recorded in the register maintained by the Company pursuant to section 29 of the Hong Kong Securities (Disclosure of Interest) Ordinance (the "SDI Ordinance") were as follows:

| | Number of shares | |
|---|---|---|
| | **Personal interest** | **Corporate interest** |
| Tan Sim Chew | 117,170,226 | 71,515,000* |
| Chen Miao Zhu | 6,500,000 | 71,515,000* |
| Fu Zi Cong | 574,000 | — |

* These 71,515,000 shares were owned by Crimson International Limited. Tan Sim Chew and Chen Miao Zhu are beneficial shareholders of 60% and 40% respectively of the issued share capital of Crimson International Limited.

A share option scheme for employees was approved on 5 May 1997 ("Share Option Scheme") and the directors may, at their discretion, invite any employees or directors of the Group, to take up options to subscribe for shares of the Company at a price to be determined by the Board which will not be less than 80 per cent of the average closing prices of the shares of the Company on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") for the five trading days immediately preceding the date of offer of the option or the nominal value of the shares, whichever is the higher. To comply with the relevant listing rules of the Stock Exchange, which came into effect from 1 September 2001, options will be granted in the future at a price determined by the Board which will be the higher of (i) the closing price of the shares of the Company as stated in the Stock Exchange's daily quotation sheet on the date of grant; and (ii) the average closing price of the shares of the Company as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant.

The maximum number of shares in respect of which options may be granted (together with shares in respect of which any options remain outstanding) under the Share Option Scheme of the Company may not exceed 10 per cent of the issued share capital of the Company from time to time, excluding for this purpose shares issued on exercise of options granted pursuant to the Share Option Scheme.

No option may be granted to any one employee which, if exercised in full, would results in such employee becoming entitled to subscribe for such number of shares as, when aggregated with the total number of shares already issued and remaining issuable to him or her under the Share Option Scheme, would exceed 25 per cent. of the aggregate number of Shares for the time being issued and are issuable under the Share Option Scheme. To comply with the said listing rules of Stock Exchange, unless approved by shareholders in the manner set out in the listing rules, the total number of shares issued and to be issued upon exercise of the options granted to each participant (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the shares of the Company in issue.

The exercisable period of an option should not exceed a period of three years commencing on the expiry of six months after the date of the option is accepted and expiring on the last day of such three year period.

The Share Option Scheme will remain in force for a period of 10 years commencing on 5 May 1997.

As at 31 December 2002, the following persons, being the directors and a senior executive, had the following personal interests in options to subscribe for shares of the Company which were granted at nominal consideration. Each share option entitles the holder to subscribe for one share of HK$0.01 each in the Company.

| Directors | Number of options outstanding at 1 July 2002 and 31 December 2002 | Date granted | Period during which options exercisable | Subscription price per share HK$ |
|---|---|---|---|---|
| Tan Sim Chew | 6,611,000 | 23 February 2000 | 24 August 2000 to 23 August 2003 | 0.4496 |
| | 2,700,000 | 31 January 2001 | 1 August 2001 to 31 July 2004 | 0.16 |
| Chen Miao Zhu | 6,611,000 | 23 February 2000 | 24 August 2000 to 23 August 2003 | 0.4496 |
| | 2,700,000 | 31 January 2001 | 1 August 2001 to 31 July 2004 | 0.16 |
| Lo King Fat, Lawrence | 1,900,000 | 31 January 2001 | 1 August 2001 to 31 July 2004 | 0.16 |
| Fu Zi Cong | 6,611,000 | 23 February 2000 | 24 August 2000 to 23 August 2003 | 0.4496 |
| | 2,500,000 | 31 January 2001 | 1 August 2001 to 31 July 2004 | 0.16 |

| Senior executive | Number of options outstanding at 1 July 2002 and 31 December 2002 | Date granted | Period during which options exercisable | Subscription price per share HK$ |
|---|---|---|---|---|
| Chan Yiu Kuen, Holfred | 1,400,000 | 31 January 2001 | 1 August 2001 to 31 July 2004 | 0.16 |

During the period, no share options were granted, exercised, cancelled or lapsed.

Save as disclosed herein and for shares in subsidiaries held by directors in trust for their immediate holding companies, as at 31 December 2002, none of the directors or chief executive of the Company had any interest in the equity or debt securities of the Company or any of its associated corporations (within the meaning of the SDI Ordinance) as recorded in the register required to be kept under section 29 of the SDI Ordinance).

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 or chief executive of the Company or any of their spouses or children under eighteen years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

## SUBSTANTIAL SHAREHOLDERS

As at 31 December 2002, according to the register of interests kept by the Company under section 16(1) of the SDI Ordinance, the persons who were interested in 10% or more of the share capital of the Company are as follows :

| | Ordinary shares held |
|---|---|
| Tan Sim Chew | 188,685,226 *(note)* |

*Note:* These shares include 71,515,000 shares owned by Crimson International Limited. Tan Sim Chew and Chen Miao Zhu are beneficial shareholders of 60% and 40% respectively of the issued share capital of Crimson International Limited.

## CORPORATE GOVERNANCE

None of the directors of the Company is aware of any information that would reasonably indicate that the Company is not, or was not in compliance with the Code of Best Practice as set out by the Stock Exchange in Appendix 14 to the Listing Rules at any time during the six months ended 31 December 2002.

## AUDIT COMMITTEE

To comply with the Code of Best Practice as set out in Appendix 14 of the Listing Rules of the Stock Exchange, the Company set up an audit committee with written terms of reference, for the purpose of reviewing and providing supervision on the financial reporting process and internal control of the Group. The audit committee comprises two independent non-executive directors.

## PURCHASE, SALES AND REDEMPTION OF THE COMPANY'S SHARES

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

By Order of the Board
**Tan Sim Chew**
*Chairman*

Hong Kong, 21 March 2003