

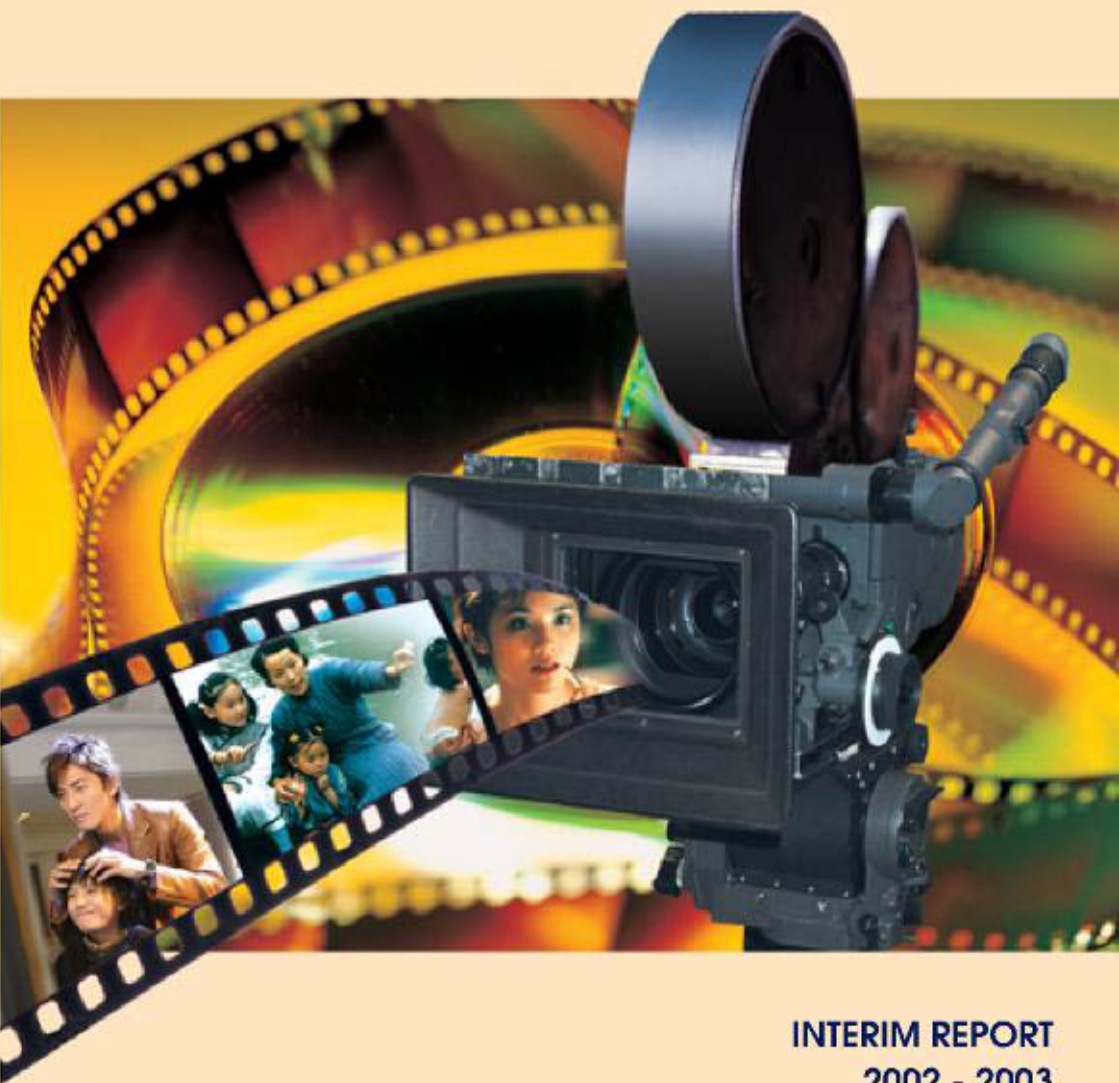


UNIVERSE INTERNATIONAL HOLDINGS LIMITED

寰宇國際控股有限公司

Incorporated in Bermuda with limited liability

於百慕達註冊成立之有限公司



INTERIM REPORT

2002 - 2003

中期報告

Corporate Information

Executive Directors

Lam Shiu Ming, Daneil (*Chairman*)
Chiu Suet Ying

Non-executive Directors

Ng Kwok Tung
Chiu Shin Koi

Company Secretary

Chan Hau Chuen

Authorised Representatives

Lam Shiu Ming, Daneil
Chan Hau Chuen

Principal Bankers

The Hongkong and Shanghai Banking Corporation Limited
Wing Hang Bank, Limited
Liu Chong Hing Bank Limited
Citic Ka Wah Bank Limited

Auditors

PricewaterhouseCoopers
Certified Public Accountants

Share Registrar

Abacus Share Registrars Limited
G/F Bank of East Asia Harbour View Centre
56 Gloucester Road
Wanchai
Hong Kong

Audit Committee

Ng Kwok Tung
Chiu Shin Koi

Registered Office

Clarendon House
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Bermuda

Head Office and Principal Place of Business

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The Board of Directors of Universe International Holdings Limited (the “Company”) announces the unaudited condensed consolidated profit and loss account, the consolidated cash flow statement and the consolidated statement of changes in equity of the Company and its subsidiaries (the “Group”) for the six months ended 31st December 2002, and the unaudited condensed consolidated balance sheet as at 31st December 2002 as follows:—

Condensed Consolidated Profit and Loss Account

	Note	Unaudited For the six months ended 31st December	
		2002 HK\$'000	2001 HK\$'000
Turnover	2	158,444	160,440
Cost of sales		(134,615)	(114,716)
Gross profit		23,829	45,724
Other revenue		291	594
Other operating income		958	1,107
Selling expenses		(2,328)	(2,098)
Administrative expenses		(15,154)	(13,094)
Other operating expenses		(1,765)	(1,470)
Operating profit	3	5,831	30,763
Finance costs		(603)	(1,685)
Profit before taxation		5,228	29,078
Taxation	5(a)	(1,097)	(4,619)
Profit attributable to shareholders		4,131	24,459
Dividends	6	—	2,859
Basic earnings per share (HK cents)	7	0.43	2.57
Fully diluted earnings per share (HK cents)	7	N/A	2.33

Condensed Consolidated Balance Sheet

		Unaudited At 31st December 2002 <i>HK\$'000</i>	Audited At 30th June 2002 <i>HK\$'000</i>
	<i>Note</i>		
Fixed assets	8	103,969	101,102
Film rights and films in progress	8	91,417	124,823
Current assets			
Film deposits		15,129	21,931
Inventories		17,485	21,987
Accounts receivable	9	32,682	23,382
Deposits paid and prepayments		23,513	14,117
Pledged bank deposits		4,000	7,000
Bank balances and cash		59,395	91,623
		<u>152,204</u>	<u>180,040</u>
Current liabilities			
Accounts payable	10	16,467	14,243
Other payables, deposit received and accrued charges		31,823	39,506
Due to the ultimate holding company		82	212
Obligations under finance leases	12	8,726	9,496
Taxation payable	5(b)	2,717	7,620
Convertible notes	13	—	54,110
Secured bank loans	11	6,165	4,815
		<u>65,980</u>	<u>130,002</u>
Net current assets		<u>86,224</u>	<u>50,038</u>
		<u>281,610</u>	<u>275,963</u>
Financed by:			
Share capital	14	19,128	19,128
Reserves		233,946	229,815
Shareholders' fund		253,074	248,943
Non-current liabilities			
Other long-term liabilities	11	22,865	21,349
Deferred taxation		5,671	5,671
		<u>281,610</u>	<u>275,963</u>

Condensed Consolidated Cash Flow Statement

	Unaudited	
	Six months ended 31st December	
	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash inflow from operating activities	90,705	97,740
Net cash used in investing activities	(70,909)	(60,389)
Net cash used in financing activities	(52,024)	(12,277)
(Decrease)/increase in cash and cash equivalents	(32,228)	25,074
Cash and cash equivalents at 30th June	91,623	56,031
Cash and cash equivalents at 31st December	59,395	81,105

Condensed Consolidated Statement of Changes in Equity

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Unaudited Exchange difference <i>HK\$'000</i>	Retained earnings <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1st July 2002	19,128	66,254	821	162,740	248,943
Profit for the period	—	—	—	4,131	4,131
At 31st December 2002	<u>19,128</u>	<u>66,254</u>	<u>821</u>	<u>166,871</u>	<u>253,074</u>
	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Unaudited Exchange difference <i>HK\$'000</i>	Retained earnings <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1st July 2001	19,060	64,568	821	155,572	240,021
Profit for the period	—	—	—	24,459	24,459
2001 Final Dividend declared	—	—	—	(2,859)	(2,859)
At 31st December 2001	<u>19,060</u>	<u>64,568</u>	<u>821</u>	<u>177,172</u>	<u>261,621</u>

1. Basis of preparation and principal accounting policies

These unaudited consolidated condensed financial statements 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 (“HKSA”).

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

The accounting policies and methods of computation used in the preparation of these condensed financial statements are consistent with those used in the annual financial statements for the year ended 30th June 2002 except that the Group has changed certain of its accounting policies following its adoption of the following Statements of Standard Accounting Practice (SSAPs) issued by the HKSA which are effective for accounting periods commencing on or after 1st January 2002:

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 SSAPs does not have a material effect on the Group’s financial statements except for the changes in presentation resulting from the adoption of SSAP 1 (revised), SSAP 15 (revised) and SSAP 25 (revised).

2. Segment information

The Group is principally engaged in the distribution of films in various videogram formats, licensing and sub-licensing of film rights, film exhibition and leasing of property and machinery for replication of optical discs.

The Group is organised into three segments:

- Distribution of films in various videogram formats and replication of optical discs
- Licensing, sub-licensing of film rights and film exhibition
- Leasing of property and machinery for replication of optical discs.

The Group's inter-segment transactions mainly consist of licensing of film rights, which are transferred at cost.

An analysis of the Group's turnover and results for the period by business segments is as follows:—

	Unaudited				
	6 months ended 31st December 2002				
	HK\$'000				
	Sale of goods and replication of optical discs	Licensing, sub-licensing of film rights and film exhibition	Rental income from property and machinery	Elimination	Group
Turnover					
External sales	117,963	39,139	1,342	—	158,444
Inter-segment sales	—	10,178	—	(10,178)	—
	<u>117,963</u>	<u>49,317</u>	<u>1,342</u>	<u>(10,178)</u>	<u>158,444</u>
Segment results	<u>3,758</u>	<u>1,813</u>	<u>(31)</u>		5,540
Other revenue					291
Finance costs					<u>(603)</u>
Profit before taxation					5,228
Taxation					<u>(1,097)</u>
Profit attributable to shareholders					<u>4,131</u>

Due to keen price competition within the industry of replication of optical discs, the Group disposed its replication business and leased its replication machinery and property to a third party starting from 1st December 2002, in order to achieve a better allocation of the Group's resources and secure a stable rental income.

	Unaudited				
	6 months ended 31st December 2001				
	HK\$'000				
	Sale of goods and replication of optical discs	Licensing, sub-licensing of film rights and film exhibition	Rental income from property and machinery	Elimination	Group
Turnover					
External sales	115,877	44,563	—	—	160,440
Inter-segment sales	—	4,001	—	(4,001)	—
	<u>115,877</u>	<u>48,564</u>	<u>—</u>	<u>(4,001)</u>	<u>160,440</u>
Segment results	<u>22,147</u>	<u>8,022</u>	<u>—</u>		30,169
Other revenue					594
Finance costs					(1,685)
Profit before taxation					29,078
Taxation					(4,619)
Profit attributable to shareholders					<u>24,459</u>

Distribution of films in various videogram formats, replication of optical discs and leasing of property and machinery are solely operated in Hong Kong and Macau, while the Group operates its licensing, sub-licensing of films and film exhibition in five main geographical areas.

An analysis of the Group's turnover and contribution to operating profit for the period by geographical segments is as follows:—

	Unaudited Turnover 6 months ended 31st December		Unaudited Operating profit 6 months ended 31st December	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Geographical segment :				
Hong Kong and Macau	149,832	143,837	4,485	26,590
Asia (other than Hong Kong and Macau)	7,347	8,568	854	2,434
North America	1,165	7,930	190	1,087
Others	100	105	11	58
	<u>158,444</u>	<u>160,440</u>	<u>5,540</u>	<u>30,169</u>
Other revenue			291	594
Operating profit			<u>5,831</u>	<u>30,763</u>

3. Operating profit

Operating profit is stated after crediting and charging the following:

	Unaudited 6 months ended 31st December	
	2002 HK\$'000	2001 HK\$'000
Crediting		
Interest income	<u>291</u>	<u>594</u>
Charging		
Depreciation:		
— owned fixed assets	6,452	6,452
— leased fixed assets	5,850	6,037
Cost of inventories sold	36,675	37,915
Write-off of film rights	260	—
Amortisation of film rights	88,389	70,623
Loss on disposal of fixed assets	<u>196</u>	<u>5</u>

4. Staff costs

	Unaudited 6 months ended 31st December	
	2002 HK\$'000	2001 HK\$'000
Wages and salaries	15,950	15,604
Pension costs - defined contribution plans	247	252
	<u>16,197</u>	<u>15,856</u>

5. Taxation

- (a) Hong Kong profits tax has been provided at the rate of 16% (2001: 16%) on the estimated assessable profits for the period.
- (b) Taxation in the consolidated balance sheet represents the amount of Hong Kong profits tax provided at the rate of 16% (2001: 16%) on the estimated assessable profit for the current period and previous years less the amount of provisional tax paid.

6. Dividends

	Unaudited 6 months ended 31st December	
	2002 HK\$'000	2001 HK\$'000
Final dividend, declared, of nil (2001: HK 0.3 cents) per ordinary share	<u>—</u>	<u>2,859</u>

7. Earnings per share

The calculation of basic earnings per share is based on the profit for the period attributable to shareholders of approximately HK\$4,131,000 (2001: HK\$24,459,000) and the weighted average of 956,403,580 (2001: 952,976,616) ordinary shares in issue during the period.

The diluted earnings per share for the period was not shown as there was no dilution effect after taking into account of all potential ordinary shares under the share option scheme.

8. Capital expenditure

	Unaudited 6 months ended 31st December 2002	
	Film rights and films in progress <i>HK\$'000</i>	Fixed assets <i>HK\$'000</i>
Opening net book amount	124,823	101,102
Additions	55,243	15,550
Disposals	—	(381)
Amortisation charge/depreciation (note 3)	(88,389)	(12,302)
Written off	(260)	—
	<u>91,417</u>	<u>103,969</u>

The Group purchased a property at a consideration of HK\$13,500,000 during the period.

9. Accounts receivable

At 31st December 2002, the ageing analysis of the accounts receivable was as follows:—

	Unaudited 31st December 2002 <i>HK\$'000</i>	Audited 30th June 2002 <i>HK\$'000</i>
Current to 90 days	25,713	16,660
90 to 180 days	3,730	556
Over 180 days	3,239	6,166
	<u>32,682</u>	<u>23,382</u>

Sales from licensing and sub-licensing of film rights and film exhibition are on open account terms. The sale of video products and other services are with credit terms of 7 days to 60 days.

10. Accounts payable

At 31st December 2002, the ageing analysis of the accounts payable was as follows:—

	Unaudited 31st December 2002 HK\$'000	Audited 30th June 2002 HK\$'000
Current to 90 days	7,624	5,688
90 to 180 days	1,250	1,638
Over 180 days	7,593	6,917
	<u>16,467</u>	<u>14,243</u>

11. Other long-term liabilities

	Unaudited 31st December 2002 HK\$'000	Audited 30th June 2002 HK\$'000
Secured bank loans	27,902	21,100
Obligations under finance leases (note 12)	9,854	14,560
	<u>37,756</u>	<u>35,660</u>
Current portion of long-term liabilities	(14,891)	(14,311)
	<u>22,865</u>	<u>21,349</u>

At 31st December 2002, the Group's bank loans (excluding obligations under finance leases) were repayable as follows:

	Bank loans	
	Unaudited 31st December 2002 HK\$'000	Audited 30th June 2002 HK\$'000
Within one year	6,165	4,815
In the second year	6,348	4,967
In the third to fifth year	12,848	11,318
After the fifth year	2,541	—
	<u>27,902</u>	<u>21,100</u>

12. Obligations under finance leases

	Unaudited 31st December 2002 HK\$'000	Audited 30th June 2002 HK\$'000
Within one year	8,912	9,864
In the second year	988	4,862
In the third to fifth year	150	264
	<u>10,050</u>	<u>14,990</u>
Future finance charges on finance leases	(196)	(430)
	<u>9,854</u>	<u>14,560</u>
Present value of obligations under finance leases	<u>9,854</u>	<u>14,560</u>
The present value of obligations under finance leases is as follows:		
Within one year	8,726	9,496
In the second year	978	4,801
In the third to fifth year	150	263
	<u>9,854</u>	<u>14,560</u>

13. Convertible notes

On 26th July 2000, the Company issued unsecured convertible notes in the aggregate principal amount of US\$7,000,000 (the "Notes"). The Notes was issued by the Company to Multimedia Group Limited (a company wholly-owned by a fund under the management of HSBC Private Equity (Asia) Limited) (the "Noteholder") for cash amounting to US\$7,000,000. The Notes is interest-bearing at the rate of 2% per annum and can be converted into ordinary shares of HK\$0.02 each of the Company at the conversion price of HK\$0.51 per share during the period from 26th July 2000 to 25th July 2002.

On 25th July 2002, the Company had redeemed the Notes with funding from internal resources.

14. Share capital

	Authorised Ordinary shares	
	No. of shares	HK\$'000
At 1st July 2002 and 31st December 2002	5,000,000,000	100,000
	<u>5,000,000,000</u>	<u>100,000</u>
	Issued and fully paid Ordinary shares	
	No. of shares	HK\$'000
At 1st July 2002 and 31st December 2002	956,403,580	19,128
	<u>956,403,580</u>	<u>19,128</u>

15. Commitments

(a) *Commitments under operating leases*

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

	Unaudited 31st December 2002 HK\$'000	Audited 30th June 2002 HK\$'000
Within one year	120	108
In the second to fifth inclusive	—	72
	<u>120</u>	<u>180</u>

(b) *Other commitments*

At 31st December 2002, the Group had commitments contracted but not provided for in these accounts as follows:

	Unaudited 31st December 2002 HK\$'000	Audited 30th June 2002 HK\$'000
Purchase of film rights/film productions	28,591	44,482
	<u>28,591</u>	<u>44,482</u>

16. Contingent liabilities

Pending litigations

On 17th April 2002, a Writ of Summons was issued against Universe Entertainment Limited ("UEL"), a wholly owned subsidiary of the Company, by a third party alleging a breach of contract by UEL and the third party claimed that it had sustained economic loss as a result of UEL's breach.

On 30th April 2002, UEL issued a Writ of Summons against the third party above for the latter's wrongful exploitation of certain rights in a film co-owned by both parties. UEL claimed to recover loss and damages suffered by UEL as a result of the wrongful exploitation.

On 9th September 2002, Universe Laser & Video Co. Limited ("ULV"), a wholly owned subsidiary of the Company issued a Writ of Summons against the same third party for the latter's infringement of the licensed rights in the film above held by ULV. ULV claimed to recover all loss and damages suffered by ULV as a result of said infringement.

In the opinion of legal counsel, it is premature to predict the outcome of the above claims against UEL. However, the directors are of the opinion that even if the claims are to be upheld, there will be no material financial impact on the Group and consequently no provision has been made in these financial statements.

Save as above disclosed, the Group did not have material contingent liabilities as at 31st December 2002.

17. Related party transactions

There is no material related party transaction undertaken by the Group at any time of during the six months ended 31st December 2002.

Interim Dividend

The Board of Directors does not recommend the payment of an interim dividend in respect of the six months ended 31st December 2002 (2001: Nil).

Review of Operations

Overall Group results

The Group's unaudited consolidated turnover for the six months ended 31st December 2002 was approximately HK\$158.4 million, decreasing marginally by approximately 1.2% over the comparative period last year. Profit attributable to shareholders was approximately HK\$4.1 million, representing a reduction of 83.1% compared with the same period last year. Earnings per share for the period were HK0.43 cents compared with HK2.57 cents in 2001.

Video distribution

The turnover figure of video distribution achieved in the period under review is satisfactory in light of the current economic environment in Hong Kong. The turnover from video distribution has increased by 4.3% to HK\$117.9 million, as compared with the same period last year, accounting for approximately 74.4% of the Group's total turnover.

The local retail market has remained stagnant and sluggish during the period under review. Consumers' spending sentiment has been adversely affected by high unemployment rate. Undoubtedly these are negative factors affecting generally the retail and entertainment industry in which the Group is an active player. In view of this persistent deflationary economic downturn, the Group has implemented aggressive pricing policy, maintaining our market share while sacrificing profit margin to some extent.

Although the turnover generated from the video distribution business has been increased continuously, the gross profit of this business segment for the period has significantly decreased by 43.1%, compared with the same period last year. Apart from an aggressive pricing policy, escalating royalty costs for video distribution rights due to keen competition within the industry have also resulted in the reduction in the gross profit margin of the video distribution business for the six months period ended 31st December 2002. Amortisation of film rights for the video distribution business was approximately HK\$62.3 million, which is approximately HK\$18.9 million or 43.4% higher than the same period last year.

Review of Operations *(Continued)*

Film exhibition, film licensing and sub-licensing

During the period under review, the turnover from film exhibition, film licensing and sub-licensing decreased by 12.2% to HK\$39.1 million compared with same period last year.

In view of the overall contracted film exhibition business of Chinese language films, the Group has been adopting a more prudent approach in investing in film productions since early 2002, so that the number of films produced and available for film exhibition and film licensing has been reduced during the period under review, thus the turnover from this business segment was decreased.

Despite a decrease in the number of films produced and available for film exhibition and film licensing, we are encouraged to see the trend of the PRC market which showed growth. During the period under review, the turnover generated from the PRC was increased by approximately HK\$1.1 million compared with the same period last year.

Replication of optical discs and leasing of property and machinery

As the turnover and profitability of the replication of optical discs services have also been adversely affected by severe price competition within the industry during the period under review, the results of this business segment was significantly decreased. In view of the keen competition and uncertain outlook within the industry, the Group decided not to concentrate on the development of this business in order to achieve a better allocation of the Group's resources into areas of higher return and secure a stable rental income by leasing replication machinery and property to a third party starting from 1st December 2002.

Prospects

The management expects the difficult operating environment in Hong Kong to continue in the foreseeable future as deflationary threat persists. Price competition will probably remain keen affecting the profit margins of the Group. In such circumstances, the Group will continue to develop its business in a pragmatic and prudent approach so as to maintain its profitability.

The Group has realised its expansion plan and diversification strategy by setting up a joint venture company with a third party in Hong Kong for the production of television series in early 2003. The management is confident that this new division will generate positive contribution in the foreseeable future.

Prospects *(Continued)*

In view of the increasing demand for quality Chinese-language films from overseas markets and the PRC, particularly the latter in which there is still immense potential for further growth after its entry to the WTO, the Group plans to co-produce more films with PRC film production companies in the coming year. The management believes that such co-operation, coupled with our exceptional expertise and leading position in the industry will enable the Group to capture a considerable share of the market in the PRC.

Financial Resources / Liquidity and Capital Structure

As at 31st December 2002, the Group had cash balances and unutilised banking facilities of approximately HK\$63.4 million and HK\$65.0 million respectively.

As at 31st December 2002, the Group had total assets of approximately HK\$347.6 million, representing a decrease of HK\$58.4 million over that of 30th June 2002. Such reduction was mainly due to redemption of the convertible notes of approximately HK\$54.1 million on 25th July 2002.

The Group's gearing ratio as at 31st December 2002 was approximately 14.9% (30th June 2002: 14.3%), which was calculated on the basis of the Group's long term bank borrowings of approximately HK\$37.8 million and on the shareholders fund of approximately HK\$253.1 million.

Capital expenditure for the period under review has included the acquisition of a property amounted to HK\$13.5 million which was financed by a mortgage loan and internal cash of HK\$9.5 million and HK\$4 million respectively.

In light of the fact that most of the Group's transactions were denominated in Hong Kong Dollars and US Dollars, the management considered the Group's exposure to fluctuation in exchange rates was minimal and no financial instruments for hedging purposes were used by the Group.

Finance costs have been reduced by 64.2%, mainly due to a drop in interest expenses as a result of the redemption of interest bearing convertible notes on 25th July 2002 and the Group's reduced borrowings and lowered interest rates.

The Pledge of Group Assets

As at 31st December 2002, certain assets of the Group with aggregate carrying value of approximately HK\$72.4 million (30th June 2002: HK\$76.5 million) were pledged to secure banking facilities utilised by its subsidiaries.

Employees and Remuneration Policies

As at 31st December 2002, the Group had 153 employees. Remuneration is reviewed annually and certain staff members are entitled to commission. In addition to basic salaries, staff benefits include discretionary bonus, medical insurance scheme and mandatory provident fund. The Group also adopts a share options scheme for its employees.

Share Option

Details of the share options outstanding as at 31st December 2002 which have been granted under the scheme are as follows:

	Options held at 1st July and 31st December 2002 '000	Exercise price HK\$	Grant date	Exercisable from	Exercisable until
Director :					
Mr. Lam Shiu Ming, Daneil	22,500	0.4	19th June 2000	19th June 2000	18th June 2005
Ms Chiu Suet Ying	22,500	0.4	19th June 2000	19th June 2000	18th June 2005
Continuous contract employees	3,000	0.5	19th June 2000	19th December 2000	18th June 2005
	3,000	0.5	19th June 2000	19th December 2001	18th June 2005

There was no options granted, exercised or lapsed during the six months ended 31st December 2002.

Directors' Interest in Equity or Debt Securities

As at 31st December 2002, none of the Directors, chief executives and their associates had any interest in the share capital, apart from share options as described below, of the Company and its associated corporations (within the meaning of the Securities (Disclosure of interests) Ordinance ("SDI Ordinance")), as recorded in the register maintained by the Company under Section 29 of the SDI Ordinance.

Directors' Interest in Equity or Debt Securities *(Continued)*

Under a share option scheme approved by the shareholders of the Company on 28th June 1999, the directors of the Company may, at their discretion, invite employees, including executive directors of the Group, to take up options to subscribe for shares in the Company subject to the terms and conditions stipulated therein. On 19th June 2000, the following options were granted to certain directors of the Company:—

Name	Number of options granted under the scheme	Exercise price HK\$	Options held as at 31st December 2002	Exercisable until
Mr. Lam Shiu Ming, Daneil	22,500,000	0.4	22,500,000	18th June 2005
Ms. Chiu Suet Ying	22,500,000	0.4	22,500,000	18th June 2005

These share options are exercisable from 19th June 2000 to 18th June 2005. As at 31st December 2002, none of the above options have been exercised.

Apart from the share option scheme mentioned above, none of the directors (including their spouse and children under 18 years of age) had been granted, or exercised, any rights to subscribe for shares of the Company.

In addition, apart from the aforesaid, at no time during the year was the Company, its holding company, its subsidiaries or its fellow subsidiaries a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Substantial Shareholder

At 31st December 2002, the register of substantial shareholder maintained under Section 16(1) of the SDI Ordinance shows that the Company had been notified of the following substantial shareholders' interests, being 10% or more of the Company's issued share capital.

Name of shareholder	Shareholding	Number of ordinary shares
Globalcrest Enterprises Limited	60.3%	576,754,470

Globalcrest Enterprises Limited is a company directly held by the trustee of a discretionary trust under which certain immediate family members of Mr. Lam Shiu Ming, Daneil and Ms Chiu Suet Ying are discretionary objects.

Management Contract

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the period.

Purchase, Sale or Redemption of the Company's Listed Securities

The Company has not redeemed any of its shares during the period. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed securities during the period.

Audit Committee

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the unaudited condensed financial statements for the six months ended 31st December 2002 with the management.

Compliance with the Code of Best Practice of the Listing Rules

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 in Appendix 14 of in the Listing Rules of The Stock Exchange of Hong Kong Limited for the six months ended 31st December 2002.

By the Order of the Board
Lam Shiu Ming, Daneil
Chairman and Managing Director

Hong Kong, 24th March 2003



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