

The Directors are pleased to announce the unaudited consolidated results of China Agrotech Holdings Limited (the “Company”) and its subsidiaries (together the “Group”) for the six months ended 31st December, 2002. This interim report has been reviewed by the Company’s audit committee.

UNAUDITED ACCOUNTS

Consolidated Profit and Loss Account

		Six months ended	
		31st December,	
		2002	2001
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	2	207,200	123,086
Cost of sales		<u>(149,038)</u>	<u>(58,336)</u>
Gross profit		58,162	64,750
Other revenues		250	1,472
Selling and distribution expenses		(26,216)	(17,615)
General and administrative expenses		<u>(9,035)</u>	<u>(9,007)</u>
Operating profit		23,161	39,600
Finance costs		<u>(436)</u>	<u>(3,618)</u>
Profit before taxation	3	22,725	35,982
Taxation	4	<u>—</u>	<u>—</u>
Profit after taxation		22,725	35,982
Minority interests		<u>133</u>	<u>—</u>
Profit attributable to shareholders		<u>22,858</u>	<u>35,982</u>
Basic earnings per share	5	<u>HK6.5 cents</u>	<u>HK10.8 cents</u>

Consolidated Balance Sheet

		At 31st December, 2002	At 30th June, 2002
	Note	HK\$'000	HK\$'000
Intangible assets	6	108,400	46,749
Fixed assets		103,556	88,466
Deposit for purchase of machinery		—	11,314
Investment deposit		—	39,600
CURRENT ASSETS			
Inventories		39,066	30,616
Prepayments, deposits and other receivables		60,921	29,753
Trade receivable	7	32,276	44,138
Restricted bank deposits		13,984	9,054
Other cash and bank balances		19,081	35,545
Total current assets		<u>165,328</u>	<u>149,106</u>
CURRENT LIABILITIES			
Current portion of consideration payable for acquisition of businesses and technical know-how	8	(9,900)	(13,294)
Trade and bills payable	9	(64,668)	(46,269)
Accruals and other payables		(25,339)	(23,965)
Taxation payable		(4,258)	(4,258)
Total current liabilities		<u>(104,165)</u>	<u>(87,786)</u>
Net current assets		<u>61,163</u>	<u>61,320</u>
Total assets less current liabilities		<u>273,119</u>	<u>247,449</u>
Financed by :			
Share capital	10	35,156	27,043
Reserves		226,751	212,006
Shareholders' funds		261,907	239,049
Minority interests		3,198	2,271
Non-current liability			
Consideration payable for acquisition of businesses	8	8,014	6,129
		<u>273,119</u>	<u>247,449</u>

Consolidated Cash Flow Statement

	Six months ended	
	31st December,	
	2002	2001
	HK\$'000	HK\$'000
NET CASH INFLOW FROM OPERATING ACTIVITIES	23,271	17,756
INVESTING ACTIVITIES		
Interest received	136	1,472
Purchase of fixed assets	(8,080)	(20,317)
Payment for product development costs	(10,890)	(943)
Advances	—	(11,316)
Adjustment of goodwill	—	1,980
Purchase of businesses	(8,486)	—
Payment for technical know-how	(8,109)	—
Increase in restricted bank deposits	(4,930)	(1,135)
Translation adjustments	—	(49)
Net cash outflow from investing activities	(40,359)	(30,308)
Net cash outflow before financing	(17,088)	(12,552)
FINANCING		
Issue of new shares in respect of warrants exercised	—	28,200
New bank loans	—	2,728
Repayment of bank loans	—	(48,593)
Capital contribution from minority shareholders	1,060	538
Finance costs paid	(436)	(3,618)
Net cash inflow/(outflow) from financing	624	(20,745)
Decrease in cash and cash equivalents	(16,464)	(33,297)
Cash and cash equivalents, beginning of period	35,545	96,658
Cash and cash equivalents, end of period	19,081	63,361

Consolidated Statement of Changes in Shareholders' Equity

	Six months ended 31st December, 2002						Six months ended 31st December, 2001	
	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Statutory reserves <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Exchange reserve <i>HK\$'000</i>	Retained earnings <i>HK\$'000</i>	Total <i>HK\$'000</i>	Total <i>HK\$'000</i>
At beginning of period	27,043	79,581	8,006	1,188	447	122,784	239,049	121,639
Adjustment of goodwill	—	—	—	—	—	—	—	1,980
Issue of new shares	—	—	—	—	—	—	—	26,157
Capitalisation issue	8,113	(8,113)	—	—	—	—	—	—
Translation adjustments	—	—	—	—	—	—	—	(49)
Profit attributable to shareholders	—	—	—	—	—	22,858	22,858	35,982
At end of period	<u>35,156</u>	<u>71,468</u>	<u>8,006</u>	<u>1,188</u>	<u>447</u>	<u>145,642</u>	<u>261,907</u>	<u>185,709</u>

Note:

1. Basis of presentation and principal accounting policies

The interim accounts are prepared in accordance with Hong Kong Statement of Standard Accounting Practice No. 25, "Interim Financial Reporting", issued by the Hong Kong Society of Accountants (as applicable to condensed interim accounts) and Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The principal accounting policies and methods of computation used in the preparation of these interim accounts are consistent with those used in the annual accounts for the year ended 30th June, 2002.

2. Segment information

a. Primary reporting format-business segments

The Group is organised into two major business segments: (i) manufacturing and selling of plant growth regulatory products (“the manufacturing operation”); and (ii) trading of fertilisers, pesticides and other agricultural products (“the trading operation”).

An analysis of the Group’s turnover and segment results is as follows:

(i) For the six months ended 31st December, 2002

	Manufacturing operation	Trading operation	Elimination	Group
	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>
Turnover				
External sales	70,269	136,931	—	207,200
Inter-segment sales	1,933	—	(1,933)	—
	<u>72,202</u>	<u>136,931</u>	<u>(1,933)</u>	<u>207,200</u>
Segment results	<u>36,731</u>	<u>(7,241)</u>		29,490
Unallocated costs				(6,340)
Interest income				11
Finance costs				(436)
Minority interests				133
Profit attributable to shareholders				<u>22,858</u>

(ii) For the six months ended 31st December, 2001

	Manufacturing operation	Trading operation	Elimination	Group
	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>
Turnover				
External sales	85,170	37,916	—	123,086
Inter-segment sales	3,223	—	(3,223)	—
	<u>88,393</u>	<u>37,916</u>	<u>(3,223)</u>	<u>123,086</u>
Segment results	<u>45,783</u>	<u>(852)</u>		44,931
Unallocated costs				(6,579)
Interest income				1,248
Finance costs				(3,618)
Profit attributable to shareholders				<u>35,982</u>

b. Secondary reporting format-geographical segments

No geographical analysis of the Group’s turnover and segment results is presented as all of the Group’s turnover is attributable to business conducted in Mainland China.

3. Operating profit

Operating profit is stated after charging and crediting the following items:

	Six months ended	
	31st December,	
	2002	2001
	HK\$'000	HK\$'000
<i>After charging:—</i>		
Staff costs (including directors' emoluments)	4,214	3,203
Research and development expenses	392	2,190
Amortisation of intangible assets		
— Goodwill	3,064	—
— Product development costs	861	934
Advertising and promotion expenses	12,899	6,067
Operating lease rentals of premises and motor vehicles	989	2,280
Finance costs		
— arrangement fee for a bank loan	—	2,500
— interest on bank loans and facilities	436	1,118
Depreciation of owned fixed assets	4,304	4,535
	<u> </u>	<u> </u>
<i>After crediting:—</i>		
Interest income from bank deposits	136	1,472
Net exchange gain	—	8
	<u> </u>	<u> </u>

4. Taxation

The Company is exempted from taxation in the Cayman Islands until 2019. No provision for Hong Kong profits tax was made as the Group had no assessable profit in Hong Kong.

No provision for Mainland China enterprise income tax was made for Mainland China subsidiaries as they were either in tax loss position or exempted from enterprise income tax during the six months ended 31st December, 2002 (2001: nil).

5. Earnings per share

The calculations of basic earnings per share for the six months ended 31st December, 2002 is based on the unaudited consolidated profit attributable to shareholders of approximately HK\$22,858,000 (2001: HK\$35,982,000) and the weighted average number of approximately 351,565,000 shares (as adjusted for the bonus issue of three new shares for every ten shares on 20th December, 2002) in issue during the six months ended 31st December, 2002 (2001: 333,808,000 shares, as adjusted for the bonus issue of three new shares for every ten shares on 20th December, 2002).

No information on diluted earnings per share is presented because there were no dilutive potential ordinary shares in existence during the six months ended 31st December, 2002 and the unlisted warrants outstanding during the six months ended 31st December, 2001 had anti-dilutive effect.

6. Intangible assets

	Goodwill (a)	Product development costs	Technical know-how (b)	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Cost:				
At 1st July, 2002	30,643	15,390	7,166	53,199
Goodwill on acquisition	9,429	—	—	9,429
Payment for development costs	—	10,890	—	10,890
Cost of acquisition	—	—	45,257	45,257
	<u>40,072</u>	<u>26,280</u>	<u>52,423</u>	<u>118,775</u>
Accumulated amortisation:				
At 1st July, 2002	1,604	4,846	—	6,450
Amortisation charge	3,064	861	—	3,925
	<u>4,668</u>	<u>5,707</u>	<u>—</u>	<u>10,375</u>
Net book value:				
At 31st December, 2002	<u>35,404</u>	<u>20,573</u>	<u>52,423</u>	<u>108,400</u>
At 30th June, 2002	<u>29,039</u>	<u>10,544</u>	<u>7,166</u>	<u>46,749</u>

(a) Goodwill

The Group entered into arrangements with separate agricultural resources trading companies whereby the agricultural resources trading companies agreed to form joint ventures with the Group in carrying out trading operation of pesticides, fertilisers and other agricultural products. In connection with these arrangements, the agricultural resources trading companies transferred their businesses, which primarily consisted of customer base, into the joint ventures for an agreed consideration payable by the Group. The aggregate consideration was recorded as goodwill.

(b) Technical know-how

In August, 2002, the Group acquired the technical know-how relating to the production of a bio-pesticide (called BtA) from an agricultural bio-technology research centre in Mainland China for an aggregate consideration of approximately HK\$45,257,000, of which approximately HK\$39,600,000 was paid as investment deposit as at 30th June, 2002.

7. Trade receivable

The Group generally requires its customers to pay a deposit shortly before delivery of merchandise, with the balance of the sales amount payable within credit periods ranging from 30 to 120 days. Aging analysis of trade receivable is as follows:

	At 31st December, 2002	At 30th June, 2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 to 30 days	14,160	22,697
31 to 60 days	8,920	15,903
61-90 days	1,331	6,521
91-180 days	10,358	1,510
	<hr/>	<hr/>
	34,769	46,631
Less: Provision for bad and doubtful debts	(2,493)	(2,493)
	<hr/>	<hr/>
	32,276	44,138
	<hr/> <hr/>	<hr/> <hr/>

8. Consideration payable for acquisition of businesses and technical know-how

	At 31st December, 2002	At 30th June, 2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Consideration payable for:		
Acquisition of businesses	17,914	16,972
Acquisition of technical know-how	—	2,451
	<hr/>	<hr/>
	17,914	19,423
Current portion of consideration payable for acquisition of businesses and technical know-how	(9,900)	(13,294)
	<hr/>	<hr/>
	8,014	6,129
	<hr/> <hr/>	<hr/> <hr/>

9. Trade and bills payable

Aging analysis of trade and bills payable is as follows:

	At 31st December, 2002	At 30th June, 2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 to 30 days	2,289	14,708
31 to 60 days	4,867	9,739
61 to 90 days	9,122	9,893
91 to 180 days	48,390	11,929
	<hr/>	<hr/>
	64,668	46,269
	<hr/> <hr/>	<hr/> <hr/>

10. Share capital

	Number of shares '000	Nominal value HK\$'000
Ordinary shares of HK\$0.10 each		
Authorised:		
At 30th June, and 31st December, 2002	500,000	50,000
Issued and fully paid:		
At 30th June, 2002	270,435	27,043
Bonus issue (<i>note</i>)	81,130	8,113
At 31st December, 2002	351,565	35,156

Note: On 20th December, 2002, a bonus issue of three new shares for every ten shares was distributed as fully paid by capitalisation of the share premium account.

11. Commitments

a. Capital commitments:

Capital commitments contracted but not provided for in the accounts are analysed as follows:

	At 31st December, 2002 HK\$'000	At 30th June, 2002 HK\$'000
Fixed assets	—	7,404
System development costs	—	660
Research and development costs	5,035	13,096
Promotion and advertising expenses	6,600	7,543
	<u>11,635</u>	<u>28,703</u>

b. Operating lease commitments:

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

	At 31st December, 2002 HK\$'000	At 30th June, 2002 HK\$'000
Within one year	745	939
In the second to fifth year inclusive	373	473
After the fifth year	—	137
	<u>1,118</u>	<u>1,549</u>

12. Connected transactions

The Group entered into the following transactions with a connected party:

	Six months ended	
	31st December	
	2002	2001
	HK\$'000	HK\$'000
福建錦溪集團有限公司 (Fujian Jinxi)		
—Sale of agricultural resources products	—	1,420

- (i) Fujian Jinxi is a substantial shareholder holding 10% of 平和縣超大浩倫錦溪生產資料有限公司, a subsidiary owned as to 90% by the Group.
- (ii) The directors are of the opinion that these transactions were conducted on normal commercial terms in the normal course of business.

DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 31st December, 2002 (2001: nil).

BUSINESS REVIEW AND OUTLOOK

Overall Results

For the six months ended 31st December, 2002, the Group achieved a consolidated turnover of approximately HK\$207,200,000 (2001: HK\$123,086,000) and a consolidated net profit attributable to shareholders of approximately HK\$22,858,000 (2001: HK\$35,982,000), representing an increase of approximately 68% and a decrease of approximately 36% respectively over the corresponding period of the previous financial year. A summary of the turnover, gross profit, gross profit margin and segment results by scope of business, production and sale of PGRs and trading of agricultural resources products, is as follows:

	Production & sale of PGRs		Trading of agricultural resources products		Total	
	Six months ended 31st December,		Six months ended 31st December,		Six months ended 31st December,	
	2002	2001	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	70,269	85,170	136,931	37,916	207,200	123,086
Gross profit	51,481	62,234	6,681	2,516	58,162	64,750
Gross profit margin	73%	73%	5%	7%	28%	53%
Segment results	36,731	45,783	(7,241)	(852)	29,490	44,931

Plant Growth Regulators

In June 2002, the Group added one production line for PGR for corn after the completion of R&D. Therefore, at present, the Group has a total of nine production lines, comprising one line for vegetable, two for fruits, two for rice, one for tobacco, one for flowers, one for edible fungi and one for corn.

For the six months ended 31st December, 2002, turnover and operating profit derived from PGR business were approximately HK\$70,269,000 (2001: HK\$85,170,000) and HK\$36,731,000 (2001: HK\$45,783,000), representing a decrease of 17% and 20% respectively as compared to the corresponding period of 2001. The decrease was mainly due to the dividing and integration of the circulation channels of agricultural resources which affected wholesale dealers; the emergence of similar products which resulted in intensified competitions; the continued rainy season and draught in some of the sales districts had affected the application of pesticides; reduction in the price of agricultural produces weakened the keenness of farmers in growing crops; and the structural change in the cultivation of crops, in particular the change in the the number of crops of rice in many provinces from two crops a year to once a year in the period under review. As a result, the sales of PGRs for vegetable, fruits, flowers and edible fungi declined by 14% to 21% and the sales of PGR for rice declined by 41%.

For the six months ended 31st December, 2002, the Group's sales volume of PGRs was 616 tonnes (2001: 727 tonnes), a decrease of approximately 15% over the corresponding period of the previous financial year. A summary of the sales volume of various types of PGRs and their percentage over total sales volume is as follows:

	Six months ended 31st December,			
	2002		2001	
	<i>tonnes</i>	<i>%</i>	<i>tonnes</i>	<i>%</i>
PGR for vegetable	99	16%	125	17%
PGR for fruits	192	31%	223	31%
PGR for rice	89	15%	152	21%
PGR for tobacco	72	12%	72	10%
PGR for flowers	70	11%	81	11%
PGR for edible fungi	58	9%	74	10%
PGR for corns	36	6%	—	—
	<u>616</u>	<u>100%</u>	<u>727</u>	<u>100%</u>

In respect of new PGR products, the Group's cooperation with several different research institutes for the R&D of PGR for tea, cotton, Chinese herbs, soya beans, high oil-yield corn and corn for fresh consumption has been progressing smoothly. It is expected that the PGR for soya beans will be launched in mid-2003 and the R&D of other new PGRs will also be completed successively from 2003 to 2004 and be put into commercial production thereafter. At the same time, the Group will also make adjustments to its sales channel and market strategies, and will step up its efforts to consolidate its market shares.

Agricultural Resources Trading Business

The Group commenced the business of trading of agricultural resources products since March 2001 in Fujian Province of the Mainland China. Since 2002, the business was expanded into four other provinces in the Mainland China through the setting up of joint venture companies with local agricultural resources wholesale dealers in Shanxi, Jiangxi, Hunan and Jiangsu provinces. During the period under review, the business was further strengthened in Fujian and Jiangsu provinces through setting up of joint venture companies in selected regions.

For the six months ended 31st December, 2002, turnover from the trading business amounted to approximately HK\$136,931,000 (2001: HK\$37,916,000), representing an increase of approximately 261% from the last financial period and contributed to 66% (2001: 31%) of the consolidated turnover of the Group, hence demonstrating the rapid growth of the trading business and its role as an important contribution to the Group.

An analysis of turnover of the trading business by provinces of the Mainland China is as follows:

	Six months ended 31st December			
	2002		2001	
	HK\$'000	%	HK\$'000	%
Fujian province	40,881	30%	37,916	100%
Shanxi province	19,901	15%	—	—
Jiangxi province	25,164	18%	—	—
Hunan province	14,792	11%	—	—
Jiangsu province	36,193	26%	—	—
	<u>136,931</u>	<u>100%</u>	<u>37,916</u>	<u>100%</u>

As the business was still at the initial expanding stage, the Group signed contracts with different agricultural products testing and promotion institutes in each of the five provinces, say, Fujian, Shanxi, Jiangxi, Hunan and Jiangsu. These institutes are responsible for doing testing and demonstration works on agricultural resources products such as fertilizers and pesticides as selected and instructed by the Group from time to time, as well as arranging site visits for farmers and agricultural resources dealers. The total contract sums for the testing and demonstration works in year 2002 in the five provinces amounted to approximately HK\$12 million, of which approximately HK\$6 million was expensed during the six months ended 31st December, 2002 (2001: nil).

As mentioned above, the business needs considerable amount of advertising and promotion expenses and the business was quantity-driven with a relatively low gross profit margin of approximately 5%, the business recorded an operating loss of approximately HK\$7,241,000 during the six months ended 31st December, 2002 (2001: loss of HK\$852,000). The increase in loss was mainly due to the aforesaid testing and promotion expenses incurred in year 2002. However, the testing and promotion expenses in 2002 have achieved the purpose of enhancing the Group's brand-name, and therefore, similar expenses will not be required in the year to come.

The Group expects that when the trading business in the five provinces are gradually put on track, the upstream and downstream customer networks will become more strengthened and enlarged and the synergetic effect will then be more pronounced. Moreover, the Group has started the trading business in Hainan province since 2003. In the years to come, the Group will identify suitable provinces and regions for further business expansion; and secure more product exclusive distribution rights. As such, the business will contribute a remarkable profit for the Group in the near future and become a core business of the Group.

Investment in a Biological Pesticide

In August 2002, the Group entered into an agreement with the Biotechnology Research Centre of the Fujian Agricultural School for the acquisition of the intellectual property rights in relation to a biological pesticide (called BtA) for a total consideration of approximately HK\$45,257,000.

The installation of machinery for the production of BtA and test runs were completed in early 2003 and it is expected that commercial production will be commenced and products will be launched in March 2003.

Plant protection technical services

Following China's accession to the WTO, exports of agricultural produces in the Mainland China are coming up with more room for development, and in the meantime coming up with the technical barrier of more stringent residual pesticide inspections. Food safety has become the focus of worldwide concern, and accordingly, market demand for the provision of professional and comprehensive plant protection technical services in the planting and production of agricultural produces and the ensuring of safety agricultural resources are stronger, thus providing plenty of opportunities for the business.

The Group has started to provide comprehensive plant protection technical services to many agricultural produce exporters in the coastal provinces since 2003, and at the same time, the operation is helpful to the establishment of the Group's agricultural resources terminal networks as well as international cooperation.

Overall Operating Policy and Objective

China Agrotech Holdings Limited is looking forward to fully leveraging on its strengths such as brand name, capital, technology and operational management, given the rare and invaluable opportunity of the Mainland China accession to the WTO and the consequent reform of the free circulation system of agricultural resources. We plan to further develop the Group into a vertically integrated provider of agricultural resources products by establishing agricultural resources supermarket stores and distribution networks in selected regions in the Mainland China.

LIQUIDITY AND FINANCIAL RESOURCES

Financial resources

The Group generally finances its operations with internally generated cashflow and bank facilities for its capital expenditures and other capital requirements.

As at 31st December, 2002, the cash and cash equivalents balance of HK\$19,081,000 included HK\$372,000 which was denominated in Hong Kong dollars and HK\$18,709,000 which was denominated in Renminbi.

With respect to foreign exchange exposure, as the Group's earnings is primarily denominated in Renminbi, it has no significant exposure to foreign exchange rate fluctuations. During the period under review, the Group had not used any financial instruments for hedging purposes.

Borrowings and banking facilities

As at 31st December, 2002, the Group had no bank borrowings. As at 31st December, 2002, the Group had bills payable of HK\$46,236,000 which was denominated in Renminbi and the entire amount was secured by pledged bank deposits of the Group of HK\$13,984,000 which was also denominated in Renminbi.

The Group had zero debt balance and hence zero gearing ratio as at 31st December, 2002.

Commitments

As at 31st December, 2002, the Group had outstanding contracted capital commitments of approximately HK\$11,635,000 (note11), as well as operating lease commitments of approximately HK\$1,118,000.

Contingent liabilities

As at 31st December, 2002, the Group had no material contingent liabilities.

Net current assets

As at 31st December, 2002, the Group had net current assets of approximately HK\$61.2 million. Current assets comprised restricted bank deposits of approximately HK\$14.0 million, other cash and bank balances of approximately HK\$19.1 million, inventories of approximately HK\$39.0 million, prepayments, deposits and other receivables of approximately HK\$60.9 million and trade receivable of approximately HK\$32.3 million. Current liabilities comprised current portion of consideration payable for acquisition of businesses of approximately HK\$9.9 million, trade and bills payable of approximately HK\$64.7 million, accruals and other payables of approximately HK\$25.3 million and taxation payable of approximately HK\$4.2 million.

Remuneration Policies and Share Option Scheme

The Group incurred total salaries and other remunerations of approximately HK\$4,214,000 with a total number of about 350 staff during the six months ended 31st December, 2002.

Remuneration packages comprised salary, mandatory provident fund and year-ended bonus based on individual merits. A share option scheme was adopted by the Company, pursuant to which the directors may offer to any eligible employees (including executive directors) of the Company and any of its subsidiaries options to subscribe for shares in the Company in accordance with the terms of the share option scheme. However, no options were granted, exercised or outstanding during the six months ended 31st December, 2002.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN EQUITY OR DEBT SECURITIES

As at 31st December, 2002, the interests of the Directors and Chief Executives of the Company in the equity and debt securities of the Company or any of its associated corporations (within the meaning of the Securities (Disclosure of Interest) Ordinance (the "SDI Ordinance")) as recorded in the register kept by the Company under Section 29 of the SDI Ordinance or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

The Company

Name of director	Personal interests	Number of shares			Total	Percentage of interests
		Family interests	Corporate interests	Other interests		
Wu Shaoning	182,000,000	Nil	Nil	Nil	182,000,000	51.77%

The Company did not grant any right to subscribe for equity or debt securities of the Company to any director or chief executive of the Company or to the spouse or children under 18 years of age of any such director or chief executive as at 31st December, 2002.

SUBSTANTIAL SHAREHOLDERS

As at 31st December, 2002, except the director of the Company as disclosed in the Directors' and Chief Executives' Interests in Equity or Debt Securities section of this interim report, the following person was beneficially interested in 10% or more of the nominal value of the issued share capital of the Company as recorded in the register required to be kept under Section 16(1) of the SDI Ordinance.

Name of shareholder	Number of shares	Percentage of interests
Tung Fai	36,400,000	10.35%

Save as disclosed above, the Company had not been notified of any other interests representing 10% or more of the Company's issued share capital as at 31st December, 2002.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

The Company did not redeem any of its listed securities during the six months ended 31st December, 2002. Neither the Company nor any of its subsidiaries purchased or sold any of the Company's listed securities during the six months ended 31st December, 2002.

AUDIT COMMITTEE

The Audit Committee comprises two independent non-executive directors of the Company. The Audit Committee has reviewed with the Company's management the accounting principles and practices adopted by the Group and discussed with the management the auditing practices, internal controls and financial reporting. In addition, the Audit Committee has reviewed the unaudited interim accounts for the six months period ended 31st December, 2002.

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 for the six months ended 31st December, 2002, in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules.

By Order of the Board
Wu Shaoning
Chairman

Hong Kong, 26th March, 2003