

DIRECTORS' INTERESTS IN CONTRACTS

No director had a beneficial interest in any contract of significance to the business of the Group to which the Company, its holding company or any of its subsidiaries was a party during the period.

SUBSTANTIAL SHAREHOLDERS

As at 30 September, 2003, the persons or corporations, other than the directors or chief executive of the Company, who had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO or as otherwise notified to the Company, were as follows:

Name of shareholder	Long/short position	Capacity	Number of ordinary shares/ underlying shares held	Percentage of issued capital
Ng Sze Mui	Long	Interest of spouse and founder of a discretionary trust	472,481,058 (Note 1)	109.29%
Leung Mei Han	Long	Interest of spouse	239,053,029 (Note 2)	55.29%
Poon Shui Wan	Long	Interest of spouse	237,803,029 (Note 3)	55.00%
Ng Shuk Fong, Aman	Long	Beneficial owner and interest of spouse	239,053,029 (Note 4)	55.29%
Harmony Link Corporation	Long	Beneficial owner	234,678,029	54.28%
The Lui Family Company Limited	Long	Trustee	234,678,029 (Note 5)	54.28%
Ansbacher (BVI) Limited	Long	Trustee	234,678,029 (Note 5)	54.28%
Tsim Wing Kong	Long	Beneficial owner	22,452,000	5.19%

Notes:

- (1) The number of shares held by Madam Ng Sze Mui includes deemed interests of 237,803,029 shares through interest of her spouse, Mr. Lui Chi and direct interests of 234,678,029 shares in the capacity of a founder of a discretionary trust, the details of which have also been disclosed in Note (1) under the section "Directors' interests in shares – Long position in the shares of the Company" above.
- (2) Madam Leung Mei Han is deemed to be interested by virtue of the interest of her spouse, Mr. Lui Shing Ming, Brian.

SUBSTANTIAL SHAREHOLDERS (Continued)

- (3) Madam Poon Shui Wan is deemed to be interested by virtue of the interest of her spouse, Mr. Lui Shing Cheong.
- (4) The interests of Madam Ng Shuk Fong, Aman include direct interests of 625,000 shares and 625,000 share options and deemed interests of 237,803,029 shares through interest of her spouse, Mr. Lui Shing Chung, Victor.
- (5) The two references to 234,678,029 shares relate to the same block of shares in the Company. Each of The Lui Family Company Limited as trustee of The Lui Unit Trust and Ansbacher (BVI) Limited as trustee of a discretionary trust is taken to have a duty of disclosure in relation to the interests of Harmony Link Corporation in the said shares of the Company as described in Note (2) under the section "Directors' interests in shares – Long position in the shares of the Company" above.

Save as disclosed above, as at 30 September 2003, the Company has not been notified by any other person or corporation, other than the directors of the Company whose interests are set out above, having interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of the SFO, or as recorded in the register required to be kept under Section 336 of the SFO.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

For the six months ended 30 September, 2003, neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

CONTINGENT LIABILITIES AND CHARGE ON ASSETS

As at 30 September 2003, corporate guarantees amounting to HK\$44.9 million were given to banks by the Company for the provision of general banking facilities granted to the Group's subsidiaries, which were secured by legal charges on certain properties owned by the Group with a total net book value of approximately HK\$10.2 million.

EXCHANGE RATE EXPOSURE

Most of the transactions of the Group were made in Hong Kong dollars, Renminbi and US dollars. During the six months ended 30 September, 2003, the Group was not exposed to any material exchange risk as the exchange rate of Hong Kong dollars, Renminbi and US dollars were relatively stable and no hedging for foreign currency transactions has been carried out.

CHANGE OF AUDITORS

Messrs. Ernst & Young, Certified Public Accountants, has tendered their resignation as auditors of the Company with effect from 25 November, 2003. Their resignation was due to the fact that Messrs. Ernst & Young, Certified Public Accountants, and the Board have not been able to reach a consensus on the audit fee for the year ending 31 March, 2004. In their resignation letter, Messrs. Ernst & Young, Certified Public Accountants, confirmed that there are no circumstances connected with their resignation which they consider should be brought to the attention of the members or creditors of the Company and its subsidiaries.

CHANGE OF AUDITORS (Continued)

The Board has proposed to appoint Messrs. Grant Thornton, Certified Public Accountants, as the new auditors of the Company to fill the casual vacancy occasioned by the resignation of Messrs. Ernst & Young, Certified Public Accountants, with the expectation that the audit fee of the Company for the year ended 31 March, 2004 will be reduced by the range of 30%. Pursuant to Bye-law 157 of the Company's Bye-laws, a special general meeting was convened on 15 December, 2003 to fill the said vacancy. At the special general meeting, the ordinary resolution to approve the appointment of Messrs. Grant Thornton, Certified Public Accountants, as the auditors of the Company was duly passed with immediate effect.

EMPLOYMENT AND REMUNERATION POLICIES

During the period under review, the Group had an average available workforce of approximately 2,700, of which approximately 2,550 were based in the People's Republic of China.

Remuneration packages are generally structured by reference to market terms and individual merits. Salaries are normally reviewed on an annual basis and bonuses paid, if any, will also be based on performance appraisals and other relevant factors. Staff benefit plans maintained by the Group include mandatory provident fund scheme, share option scheme and medical insurance.

REVIEW OF INTERIM RESULTS

The unaudited interim results of the Group for the six months ended 30 September, 2003 have been reviewed by the Audit Committee of the Company and the Group's auditors, Messrs. Grant Thornton, Certified Public Accountants.

CODE OF BEST PRACTICE

None of the directors is aware of information that would reasonably indicate that the Company is not, or was not for any part of the six months ended 30 September, 2003, in compliance with Appendix 14 of the Listing Rules of the Stock Exchange, except that the independent non-executive directors were not appointed for specific terms.

By Order of the Board

Lui Chi
Chairman

Hong Kong, 23 December, 2003