

The Directors believes the issue of shares to the employees association was made for the long term benefit of Reigncom and the reduced equity interest does not change the strategic partnership between the Group and Reigncom in the development and the manufacture of the iMP products in the foreseeable future.

Liquidity and financial resources

The Group's financial position improved during the period under review.

The Group's gearing ratio as at 30 September 2001 reduced to 1.07 (31 March 2001: 1.21). The gearing ratio is calculated based on the Group's total borrowings, net of cash held at the balance sheet date, of HK\$201,527,000 (31 March 2001: HK\$223,674,000) and the Group's net tangible assets of HK\$188,550,000 (31 March 2001: HK\$184,828,000).

The improved gearing is achieved through conscientious management of the Group's working capital and consolidation after a period of rapid expansion in the prior year.

As at the balance sheet date, the Group has total banking facilities available from its bankers of HK\$451,963,000, of which HK\$258,944,000 remained unutilised.

DIRECTORS' INTERESTS IN SHARES

As at 30 September 2001, the interests of the directors in the equity securities of the Company and its associated corporations as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") were as follows:

Company

Name of director	Number of shares and nature of interests	
	Personal interests	Other interests
Mr. So Yuk Kwan	–	77,040,200 (<i>Note</i>)
Mr. So Wai Yin	275,000	–
Mr. So Chi On	–	77,040,200 (<i>Note</i>)

Note: B.K.S. Company Limited, which is a wholly-owned subsidiary of Credit Cash Limited, was the legal beneficial owner of 77,040,200 shares of HK\$0.10 each in the share capital of the Company. The entire issued share capital of Credit Cash Limited is held by Ansbacher (BVI) Limited, as trustee of a discretionary trust, the beneficiaries of which include Mr. So Chi On and other family members of Mr. So Yuk Kwan.

Save as disclosed above, none of the directors or their associates (as defined under the Listing Rules) had any personal, family, corporate or other interests in the equity securities of the Company or any of its associated corporations as defined in the SDI Ordinance.

At no time during the period under review was the Company or any of its subsidiaries a party to any arrangements to enable the Company's directors, their respective spouse or children under 18 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 30 September 2001, the following interests of 10% or more of the share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 16(1) of the SDI Ordinance:

Name	Number of shares held
B.K.S. Company Limited	77,040,200 (<i>Note</i>)
Credit Cash Limited	77,040,200 (<i>Note</i>)
Ansbacher (BVI) Limited	77,040,200 (<i>Note</i>)

Note: 77,040,200 shares in the Company were beneficially held by B.K.S. Company Limited which is a wholly-owned subsidiary of Credit Cash Limited. Credit Cash Limited is a company wholly-owned by Ansbacher (BVI) Limited which is the trustee of a discretionary trust the beneficiaries of which include Mr. So Chi On and other family members of Mr. So Yuk Kwan. Therefore, the shares in which B.K.S. Company Limited was shown as being interested duplicate those of Credit Cash Limited and Ansbacher (BVI) Limited.

Save as disclosed above, no person, other than the directors of the Company whose interests are set out above, had registered an interest in the share capital of the Company that was required to be recorded under Section 16(1) of the SDI Ordinance.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 September, 2001, the Group employed a total of 900 full time employees. Pay rates to staff are maintained at competitive levels and remunerations are rewarded on a performance related basis. In addition, the Group has adopted a share option scheme for eligible employees of the Group.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the period under review.

AUDIT COMMITTEE

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the unaudited interim financial report.

CODE OF BEST PRACTICE

None of the Directors of the Company 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 30 September 2001, in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules.

Non-executive directors of the Company are not appointed for a specific term as all of the directors, excluding the Managing Director, are subject to retirement by rotation and re-election at the Annual General Meeting in accordance with the Company's Articles of Association.

By Order of the Board
So Yuk Kwan
Chairman

Hong Kong, 3 December 2001