

PLEDGE OF GROUP ASSETS

As at 31st December 2002, the Group's interest in land and building in Hong Kong with a carrying value of HK\$11.7 million (30th June 2002: HK\$11.8 million) has been pledged as security for the Group's bank overdraft facilities.

EMPLOYEES

As at 31st December 2002, the number of full time employees was 124 (30th June 2002: 132). There are no significant changes in the remuneration policies and benefits to the employees of the Group as disclosed in the annual report for the year ended 30th June 2002.

INTERIM DIVIDEND

The directors have declared an interim dividend of HK\$0.01 per share (2001: HK\$0.011) for the six months ended 31st December 2002. The interim dividend will be payable on Monday, 31st March 2003 to shareholders whose names appear on the Register of Members at the close of business on Monday, 24th March 2003.

PROPOSED BONUS ISSUE OF SHARES

The directors propose a bonus issue of new shares (the "Proposed Bonus Share Issue") to shareholders whose names appear on the Register of Members at the close of business on Monday, 24th March 2003.

The Proposed Bonus Share Issue will be made on the basis of 2 bonus shares for every 1 existing ordinary share. The bonus shares will be credited as fully paid at par and will rank pari passu with the existing ordinary shares in all respects, except that they will not rank for the interim dividend declared by the directors on 28th February 2003 and the Proposed Bonus Share Issue.

The proposal is subject to (i) the approval of the Company's shareholders at the Special General Meeting to be held on Tuesday, 25th March 2003; and (ii) the Listing Committee of the Stock Exchange granting the listing of and permission to deal in the bonus shares on the Stock Exchange.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Wednesday, 19th March 2003 to Monday, 24th March 2003, both days inclusive, during which period no transfers of shares will be effected. To determine entitlement to the interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrars, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:00 p.m. on Tuesday, 18th March 2003.

SHARE OPTIONS

As at 31st December 2002, the executive directors and employees of the Group had the following interests under the share option scheme (the "Scheme") approved by the shareholders of the Company on 23rd August 2000:

Exercise price per share	Date of share options granted	Exercise Period	At 1/7/2002	(Note) Granted during the period	Exercised during the period	Lapsed during the period	At 31/12/2002	Closing price of shares immediately before the date of options granted	Weighted average closing price of shares immediately before exercise of options
Directors:									
HK \$0.7	28/9/2000	29/3/2001 –8/10/2004	54,100,000	–	–	–	54,100,000	N/A	N/A
HK \$0.97	31/8/2001	1/3/2002 –31/8/2005	7,900,000	–	–	–	7,900,000	N/A	N/A
HK\$1.15	20/12/2002	2/12/2003 –1/6/2007	–	10,000,000	–	–	10,000,000	1.15	N/A
Employees:									
HK\$0.7	28/9/2000	28/3/2001 –27/3/2005	9,611,000	–	(320,000)	(95,000)	9,196,000	N/A	1.26
HK\$1.03	22/6/2001	22/12/2001 –21/12/2005	1,210,000	–	–	–	1,210,000	N/A	N/A
HK\$0.97	31/8/2001	1/3/2002 –28/2/2006	2,830,000	–	–	(450,000)	2,380,000	N/A	N/A
HK\$1.42	28/6/2002	29/12/2002 –28/12/2006	1,380,000	–	–	(600,000)	780,000	N/A	N/A
HK\$1.15	20/12/2002	2/10/2003 –1/4/2007	–	1,000,000	–	–	1,000,000	1.15	N/A
Total			77,031,000	11,000,000	(320,000)	(1,145,000)	86,566,000		

During the six months ended 31st December 2002, there were no options cancelled in accordance with the terms of the Scheme.

Note: The directors consider that the disclosure of the estimated value of options granted is not appropriate due to the uncertainty and subjectivity involved in pricing these options.

DIRECTORS' INTERESTS IN SHARES

As at 31st December 2002, the interests of the directors and their associates in the share capital of the Company and its associated corporations as recorded in the register maintained under Section 29 of the Hong Kong Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") or as notified to the Company were as follows:

(i) Interest in ordinary shares of the Company

Name of director	Type of interest	Number of ordinary shares in the Company (excluding options)
Mr. Jonathan Koon Shum Choi*	Corporate	773,075,109
Ms. Mary Yuk Sin Lam	Personal	2,500,000
Mr. Michael Wai Chung Wu	Personal	838,000

* Mr. Jonathan Koon Shum Choi is deemed to be interested in these 773,075,109 ordinary shares by virtue of the SDI Ordinance. Such interest in shares is also set out under the paragraph "Substantial Shareholders" shown on page 23.

(ii) Interest in common shares at par value of US\$0.04 each of Kingsway International Holdings Limited ("Kingsway International"), the ultimate holding company of the Company

Name of director	Personal interest	Family interest	Corporate interest	Other interest	Total number of common shares (excluding options)
Mr. Jonathan Koon Shum Choi **	10,101,596	–	26,828,055 (Note 1)	–	36,929,651
Mr. William Ka Chung Lam	8,534,250	–	–	6,338,995 (Note 2)	14,873,245
Ms. Mary Yuk Sin Lam	8,884,937	–	905,570 (Note 3)	–	9,790,507
Mr. Richard Yingneng Yin	1,749,999	–	–	–	1,749,999
Mr. Michael Koon Ming Choi	106,937	–	–	–	106,937
Mr. Douglas Ching Shan Hui	125,000	–	–	–	125,000

DIRECTORS' INTERESTS IN SHARES (Continued)

(ii) Interest in common shares at par value of US\$0.04 each of Kingsway International Holdings Limited ("Kingsway International"), the ultimate holding company of the Company (Continued)

** By virtue of his interest in Kingsway International, Mr. Jonathan Koon Shum Choi is deemed to be interested in the shares of the subsidiaries of Kingsway International under the SDI Ordinance.

Note 1: Of these, 12,750,000 shares are held by Sun Wah Capital Limited. Mr. Jonathan Koon Shum Choi is deemed to be interested in these shares as he is entitled to control the exercise or exercise of one third or more of the voting power at general meetings of Sun Wah Capital Limited.

The remaining 14,078,055 shares are held by Scarlet Red Limited. Mr. Jonathan Koon Shum Choi is deemed to be interested in these shares as he is entitled to control the exercise or exercise of one third or more of the voting power at general meetings of Scarlet Red Limited.

Note 2: These shares are held by Dynasty International Holdings Limited which is a wholly owned subsidiary of Global Fame Limited. Global Fame Limited is wholly owned by The WKC Lam Family Trust which is a discretionary trust with Mr. William Ka Chung Lam and his two children as the beneficiaries.

Note 3: These shares are held by Canadian Pioneer Consultants Limited. Ms. Mary Yuk Sin Lam is deemed to be interested in these shares as she is entitled to control the exercise or exercise of one third or more of the voting power at general meetings of Canadian Pioneer Consultants Limited.

(iii) Interest in ordinary shares at par value of US\$0.1 each of HK Weaver Group Limited, a fellow subsidiary of the Company

Name of director	Type of interest	Number of ordinary shares
Mr. William Ka Chung Lam	Personal	10,144
Mr. Richard Yingneng Yin	Personal	38,661
Ms. Mary Yuk Sin Lam	Personal	28,518
Mr. Michael Wai Chung Wu	Personal	39,474

DIRECTORS' INTERESTS IN SHARES (Continued)

(iv) Interest in options to acquire ordinary shares of the Company

Details of the movements of directors' interest in options during the period under the Scheme are as follows:

Name of director	Exercise price per share	Exercise period	Number of options held on 1/7/2002	Number of options granted during the period	Number of options held on 31/12/2002
Mr. Jonathan Koon Shum Choi	HK\$0.7	9/4/2001–8/10/2004	15,000,000	–	15,000,000
Mr. William Ka Chung Lam	HK\$0.7	29/3/2001–28/9/2004	15,000,000	–	15,000,000
Mr. Richard Yingneng Yin	HK\$0.7	29/3/2001–28/9/2004	13,600,000	–	13,600,000
	HK\$0.97	1/3/2002–31/8/2005	1,400,000	–	1,400,000
Ms. Mary Yuk Sin Lam	HK\$0.7	29/3/2001–28/9/2004	5,000,000	–	5,000,000
	HK\$0.97	1/3/2002–31/8/2005	6,000,000	–	6,000,000
Mr. Michael Koon Ming Choi	HK\$0.7	4/4/2001–3/10/2004	5,500,000	–	5,500,000
	HK\$0.97	1/3/2002–31/8/2005	500,000	–	500,000
Mr. Michael Wai Chung Wu	HK\$1.15	2/12/2003–1/6/2007	–	10,000,000	10,000,000

There were no options exercised by the directors during the period.

(v) Interest in options to acquire common shares of Kingsway International

Pursuant to a share option plan operated by Kingsway International, certain directors had been granted options to subscribe for the shares of Kingsway International as follows:

Name of director	Exercise price per share	Exercise period	Number of options held on 1/7/2002 and 31/12/2002
Mr. Jonathan Koon Shum Choi	C\$1.92	27/12/2000–26/12/2003	2,000,000
Mr. William Ka Chung Lam	C\$1.92	27/12/2000–26/12/2003	2,000,000
	C\$1.92	4/3/2002–1/3/2005	500,000
Mr. Richard Yingneng Yin	C\$1.92	27/12/2000–26/12/2003	2,000,000
Mr. Michael Koon Ming Choi	C\$0.8	17/12/1999–13/10/2003	250,000
Mr. Douglas Ching Shan Hui	C\$0.8	17/12/1999–13/10/2003	125,000

There were no options granted to or exercised by the directors during the period.

DIRECTORS' INTERESTS IN SHARES (Continued)

Save as disclosed above, as at 31st December 2002, none of the directors and chief executive had any interests in the shares of the Company and its associated corporations as defined in the SDI Ordinance, and none of the directors and chief executive or their spouses or children under 18 years of age had any rights to subscribe for the shares of the Company, or had exercised any such rights during the period.

Save as disclosed above, at no time during the period was the Company or any of its holding companies, subsidiaries and fellow subsidiaries a party to any arrangements 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 SHAREHOLDERS

As at 31st December 2002, the register of substantial shareholders, other than a director or chief executive of the Company, maintained under section 16(1) of the SDI Ordinance, shows that the Company has been notified of the following interest, being 10% or more of the Company's issued share capital:

Name of shareholders	Country of incorporation	Number of ordinary shares in the Company	
		Direct interest	Deemed interest
World Developments Limited	British Virgin Islands	773,075,109***	–
Innovation Assets Limited	British Virgin Islands	–	773,075,109 ***
Kingsway International Holdings Limited	Bermuda	–	773,075,109 ***

*** These shares represent the same interest and are therefore duplicated amongst World Developments Limited, Innovation Assets Limited and Kingsway International. World Developments Limited is a wholly owned subsidiary of Innovation Assets Limited whose entire issued share capital is beneficially owned by Kingsway International. Mr. Jonathan Koon Shum Choi beneficially owns or has control of approximately 48.18% of the issued share capital of Kingsway International and therefore is deemed (by virtue of the SDI ordinance) to be interested in these 773,075,109 shares.

Save as disclosed above, the Company has not been notified of any interests representing 10% or more of the issued share capital of the Company.



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

During the six months ended 31st December 2002, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

COMPLIANCE WITH THE 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 accounting period for the six months ended 31st December 2002, in compliance with the Code of Best Practice set out by The Stock Exchange of Hong Kong Limited in Appendix 14 of the Listing Rules, except that non-executive directors of the Company were not appointed for a specific term but are subject to retirement by rotation according to the provisions of the Company's Bye-Laws.

AUDIT COMMITTEE

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

AWARD AND ACCOMPLISHMENT

In November 2002, our Board of Directors was awarded the Directors Of The Year Award 2002 in the category of Listed Company Boards by The Hong Kong Institute of Directors for our full commitment to best practices in corporate governance and operating with transparency and a published statement on corporate governance. The panel also applauded the Legal and Compliance team as well as the Committees of the Board. "A strong legal and compliance team has been set up to review adherence to defined procedures and guidelines. Board committees include Nomination and Remuneration Committees involving the Non-Executive Directors." In addition, the panel of judges appreciated our commitment to social responsibility. "Its corporate giving spirit is assimilated into the Board and staff, as a designed percentage of profit is donated to charity."

On behalf of the Board
William, Ka Chung Lam
Chief Executive Officer

Hong Kong, 28th February 2003