

## **CORPORATE INFORMATION**

### **BOARD OF DIRECTORS**

Chan Chung Yee, Hubert  
*(Chairman)*  
Chan Chung Yin, Roy  
Chan Man Min  
Yeh Yui Fong  
Tsui Hon Wing  
Kwok Cheuk Tim, Rockie  
Chan Ming Him, Denny  
Wu Kwok Lam AHKSA, FCCA  
Chu Chor Lup\*  
Chiu Ngar Wing\*  
FCCA, AHKSA, CPA

\* *Independent non-executive director*

### **COMPANY SECRETARY**

Wu Kwok Lam A.H.K.S.A., F.C.C.A

### **REGISTERED OFFICE**

Century Yard, Cricket Square  
Hutchins Drive  
P.O. Box 2681 GT  
George Town  
Grand Cayman, Cayman Islands  
British West Indies

### **PRINCIPAL OFFICE**

2nd Floor,  
Nos. 55 and 57 Hennessy Road  
Wanchai  
Hong Kong

### **PRINCIPAL REGISTRAR AND TRANSFER OFFICE**

Bank of Bermuda (Cayman) Limited  
36C Bermuda House  
3rd Floor, P.O. Box 513 GT  
Dr. Ray's Drive  
George Town, Grand Cayman  
Cayman Islands  
British West Indies

### **AUDITORS**

Deloitte Touche Tohmatsu  
Certified Public Accountants

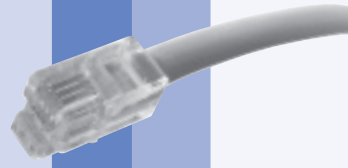
### **HONG KONG BRANCH REGISTRAR**

Standard Registrars Limited  
5th Floor, Wing On Centre  
111 Connaught Road Central  
Hong Kong

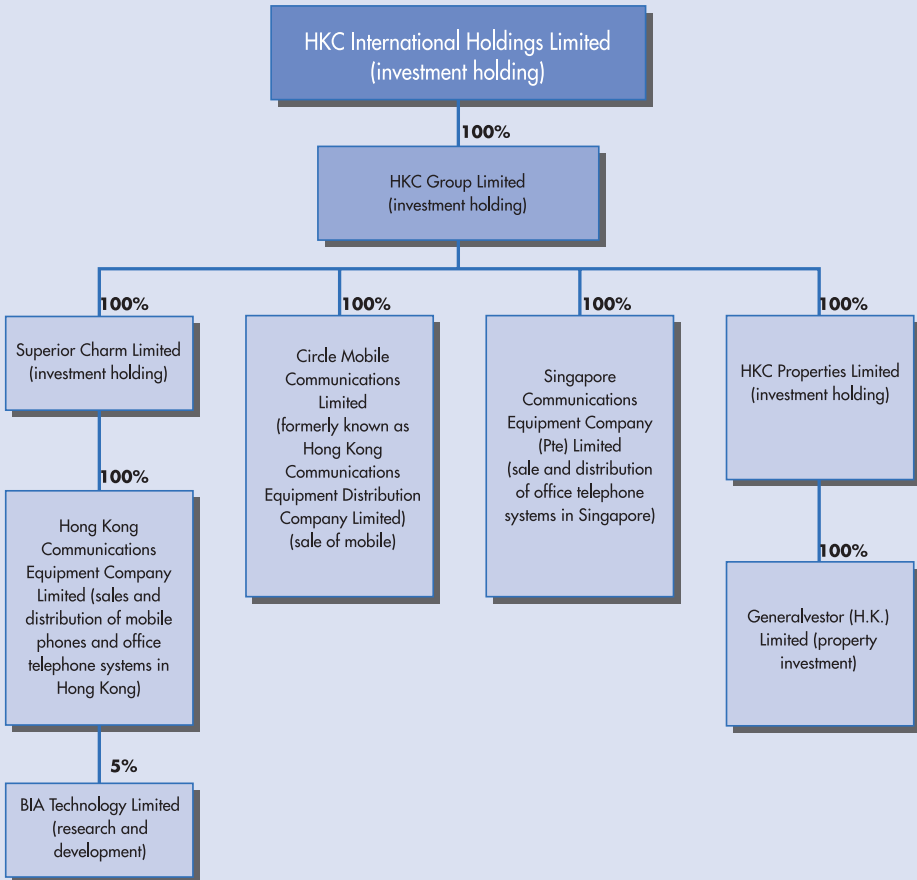
### **PRINCIPAL BANKERS**

The Hongkong and Shanghai  
Banking Corporation Limited  
1 Queen's Road Central  
Hong Kong

Wing Hang Bank, Limited  
161 Queen's Road Central  
Hong Kong



## GROUP STRUCTURE



## INTERIM REPORT

The Directors of HKC International Holdings Limited are pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 September 2002 as follows:

### CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2002

		Six months ended	
	NOTES	30.9.2002 HK\$'000 (unaudited)	30.9.2001 HK\$'000 (unaudited)
Turnover	3	393,192	371,283
Cost of sales		<u>(349,537)</u>	<u>(318,319)</u>
Gross profit		43,655	52,964
Gain on disposal of investment property		–	2,911
Other revenue	4	86	273
Selling and distribution costs		(3,801)	(6,466)
Administrative expenses		<u>(31,674)</u>	<u>(28,792)</u>
Profit from operations	5	8,266	20,890
Finance costs	6	<u>(18)</u>	<u>(52)</u>
Profit before taxation		8,248	20,838
Taxation	7	<u>(1,482)</u>	<u>(2,891)</u>
Profit before minority interests		6,766	17,947
Minority interests		<u>–</u>	<u>(1,232)</u>
Profit for the period		<u><u>6,766</u></u>	<u><u>16,715</u></u>
Dividend	8	<u>–</u>	<u>30,000</u>
Earnings per share – basic (HK cents)	9	<u><u>1.56 cents</u></u>	<u><u>5.24 cents</u></u>



## CONDENSED CONSOLIDATED BALANCE SHEET

AT 30 SEPTEMBER 2002

	NOTES	30.9.2002 HK\$'000 (unaudited)	31.3.2002 HK\$'000 (audited)
<b>Non current assets</b>			
Investment properties	10	32,760	32,760
Property and equipment	10	55,180	54,589
Investment		4,000	4,000
Club debentures		335	335
		<u>92,275</u>	<u>91,684</u>
<b>Current assets</b>			
Inventories		32,799	41,240
Debtors, deposits and prepayments	11	33,941	41,626
Amounts due from related companies		4,241	2,049
Taxation recoverable		3,361	4,619
Bank balances and cash		53,147	51,504
		<u>127,489</u>	<u>141,038</u>
<b>Current liabilities</b>			
Creditors and accrued charges	12	20,955	31,361
Bills payable		-	412
Taxation payable		742	664
Obligations under hire purchase contracts		60	14
Bank borrowings – due within one year		142	843
		<u>21,899</u>	<u>33,294</u>
<b>Net current assets</b>		<u>105,590</u>	<u>107,744</u>
<b>Total assets less current liabilities</b>		<u>197,865</u>	<u>199,428</u>
<b>Non current liabilities</b>			
Bank borrowings – due after one year		343	371
		<u>197,522</u>	<u>199,057</u>
<b>Capital and reserves</b>			
Share capital		4,348	4,330
Other reserves		152,012	153,565
Revaluation reserves		41,162	41,162
		<u>197,522</u>	<u>199,057</u>

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2002

	Share capital HK\$'000	Share premium HK\$'000	Leasehold property revaluation reserve HK\$'000	Investment property revaluation reserve HK\$'000	Capital reserve HK\$'000	Translation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1.4.2001	2,257	-	-	14,747	-	(41)	107,495	124,458
Revaluation increase	-	-	28,891	1,636	-	-	-	30,527
Released on disposal of an investment property	-	-	-	(2,911)	-	-	-	(2,911)
Exchange difference on translation of overseas operation	-	-	-	-	-	19	-	19
Reserve arising from Group reorganisation	-	-	-	-	27,051	-	-	27,051
Change in share capital arising from Group reorganisation	(2,057)	-	-	-	-	-	-	(2,057)
Profit for the period	-	-	-	-	-	-	16,715	16,715
Dividend	-	-	-	-	-	-	(30,000)	(30,000)
At 30.9.2001	<u>200</u>	<u>-</u>	<u>28,891</u>	<u>13,472</u>	<u>27,051</u>	<u>(22)</u>	<u>94,210</u>	<u>163,802</u>
At 1.4.2002	4,330	26,900	27,856	13,306	28,325	(67)	98,407	199,057
Increase in share capital - scrip dividend	18	340	-	-	-	-	-	358
Exchange difference on translation of overseas operation	-	-	-	-	-	1	-	1
Profit for the period	-	-	-	-	-	-	6,766	6,766
Dividend	-	-	-	-	-	-	(8,660)	(8,660)
At 30.9.2002	<u>4,348</u>	<u>27,240</u>	<u>27,856</u>	<u>13,306</u>	<u>28,325</u>	<u>(66)</u>	<u>96,513</u>	<u>197,522</u>



## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2002

	Six months ended	
	30.9.2002 HK\$'000 (unaudited)	30.9.2001 HK\$'000 (unaudited)
Net cash from (used in) operating activities	12,708	(2,788)
Net cash used in investing activities	(2,082)	(1,076)
Net cash used in financing	<u>(8,984)</u>	<u>(10,447)</u>
Net increase (decrease) in cash and cash equivalents	1,642	(14,311)
Cash and cash equivalents at beginning of the period	51,504	32,851
Effect of foreign exchange rate changes	<u>1</u>	<u>11</u>
Cash and cash equivalents at end of the period	<u><u>53,147</u></u>	<u><u>18,551</u></u>

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2002

### 1. BASIS OF PREPARATION

The condensed financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") and with SSAP No. 25 "Interim financial reporting" issued by the Hong Kong Society of Accountants ("HKSA").

The condensed financial statements have been prepared under the historical cost convention, as modified for revaluation of certain properties.

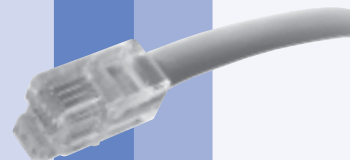
### 2. PRINCIPAL ACCOUNTING POLICIES

The accounting policies and basis of preparation used in the preparation of the unaudited condensed consolidated financial statements are the same as those used in the annual report for the year ended 31 March 2002, except the following new and revised SSAPs which have been adopted for the first time in preparation of the current period's consolidated financial statements.

In the current period, the Group has adopted, for the first time, the following new and revised SSAPs issued by the HKSA:

SSAP 1 (Revised)	Presentation of financial statements
SSAP 11 (Revised)	Foreign currency translation
SSAP 15 (Revised)	Cash flow statements
SSAP 34	Employee benefits

The adoption of the SSAPs has resulted in a change in the format of presentation of the cash flow statement and the statement of changes in equity, but has had no significant effect on the results for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.



### 3. SEGMENT INFORMATION

The turnover and contributions to profit from operations of the Group for the period, analysed by business segments are as follows:

For the six months ended 30 September 2002

	Sale of mobile phones HK\$'000	Sale of office telephone systems HK\$'000	Connection services HK\$'000	Property investments HK\$'000	Other activities HK\$'000	Elimination HK\$'000	Consolidated HK\$'000
Turnover	357,469	17,404	708	1,127	16,484	-	393,192
Inter-segment sales	-	-	-	870	-	(870)	-
	<u>357,469</u>	<u>17,404</u>	<u>708</u>	<u>1,997</u>	<u>16,484</u>	<u>(870)</u>	<u>393,192</u>
Segment results	<u>3,206</u>	<u>882</u>	<u>(262)</u>	<u>626</u>	<u>3,728</u>		8,180
Other revenue							<u>86</u>
Profit from operations							<u>8,266</u>

For the six months ended 30 September 2001

	Sale of mobile phones HK\$'000	Sale of office telephone systems HK\$'000	Connection services HK\$'000	Property investments HK\$'000	Other activities HK\$'000	Elimination HK\$'000	Consolidated HK\$'000
Turnover	323,388	19,990	13,181	1,717	13,007	-	371,283
Inter-segment sales	-	-	-	1,286	-	(1,286)	-
	<u>323,388</u>	<u>19,990</u>	<u>13,181</u>	<u>3,003</u>	<u>13,007</u>	<u>(1,286)</u>	<u>371,283</u>
Segments results	<u>7,615</u>	<u>2,774</u>	<u>3,869</u>	<u>1,239</u>	<u>2,209</u>		17,706
Gain on disposal of investment property							2,911
Other revenue							<u>273</u>
Profit from operations							<u>20,890</u>

Inter-segment sales are charged at prevailing market rates.



**4. OTHER REVENUE**

	Six months ended	
	30.9.2002 HK\$'000	30.9.2001 HK\$'000
Interest income from banks	55	237
Sundry income	31	36
	<u>86</u>	<u>273</u>

**5. PROFIT FROM OPERATIONS**

Profit from operations has been arrived at after charging:

	Six months ended	
	30.9.2002 HK\$'000	30.9.2001 HK\$'000
Depreciation and amortisation owned assets	1,478	1,170
assets under hire purchase contracts	13	20
	<u>1,491</u>	<u>1,190</u>

**6. FINANCE COSTS**

	Six months ended	
	30.9.2002 HK\$'000	30.9.2001 HK\$'000
Interest on obligations under hire purchase contracts	4	16
Interest on bank borrowings wholly repayable within five years	14	36
	<u>18</u>	<u>52</u>



## 7. TAXATION

### Six months ended

	30.9.2002 HK\$'000	30.9.2001 HK\$'000
The charge comprises:		
Hong Kong Profits Tax	1,384	2,854
Singapore Income Tax	98	37
	<u>1,482</u>	<u>2,891</u>

Hong Kong Profits Tax is calculated at 16% of the estimated assessable profit for the period.

Taxation arising in Singapore is calculated at the rates prevailing in the country.

The Group did not have any significant unprovided deferred taxation for the period.

## 8. DIVIDEND

The directors do not recommend the payment of any interim dividend for the six months ended 30 September 2002. The interim dividend of HK\$30,000,000 for the period ended 30 September 2001 was paid to the subsidiaries' shareholders prior to the listing.

## 9. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the net profit for the period of HK\$6,766,000 (1.4.2001 – 30.9.2001: HK\$16,715,000) and on the weighted average of 433,219,436 shares (1.4.2001 – 30.9.2001: 318,829,600 shares) ordinary shares in issue during the period.

Diluted earnings per share has not been calculated as no dilutive potential ordinary shares were in issue in either period.

## 10. INVESTMENT PROPERTIES, AND PROPERTY AND EQUIPMENT

The directors consider that the values of the investment properties and leasehold land and buildings as at 30 September 2002 would not be materially different from the professional valuation made as at 31 March 2002. Accordingly, no revaluation surplus or deficit has been recognised during the period.

**11. DEBTORS, DEPOSITS AND PREPAYMENTS**

The Group has a policy of allowing average credit period ranging from 2 weeks to one month to its trade customers.

In addition, for certain customers with long-established relationship and good past repayment histories, a longer credit period may be granted.

The following is an aged analysis of trade debtors is as follows:

	<b>30.9.2002</b> HK\$'000	31.3.2002 HK\$'000
Within 30 days	<b>16,969</b>	20,348
Between 31 to 60 days	<b>3,542</b>	3,335
Between 61 to 90 days	<b>2,849</b>	2,504
Between 91 to 120 days	<b>781</b>	859
Over 120 days	<b>6,437</b>	8,168
	<b>30,578</b>	35,214
Other debtors, deposits and prepayments	<b>3,363</b>	6,412
	<b>33,941</b>	41,626

**12. CREDITORS AND ACCRUED CHARGES**

The following is an aged analysis of trade creditors is as follows:

	<b>30.9.2002</b> HK\$'000	31.3.2002 HK\$'000
Within 30 days	<b>16,728</b>	24,774
Between 31 to 60 days	<b>180</b>	8
Between 61 to 90 days	<b>1</b>	5
	<b>16,909</b>	24,787
Other creditors and accrued charges	<b>4,046</b>	6,574
	<b>20,955</b>	31,361



### 13. RELATED PARTY TRANSACTIONS

During the period, the Group had the following transactions, which were conducted in the ordinary course of the Group's business, with its related companies:

Name	Notes	Nature of transactions	Six months ended	
			30.9.2002 HK\$'000	30.9.2001 HK\$'000
Hong Kong Communications Industrial Company Limited	(i)	Sales to	-	21
	(i)	Purchase from	-	301
Hong Kong Communications Computer Company Limited	(i)	Sales to	-	7
	(i)	Computer software maintenance fee paid and purchase from	521	433
	(ii)	Rental income received	124	120
HKC Intown Limited	(i)	Sales to	-	4
	(ii)	Rental income received	13	30
	(i)	Internet access fee paid	35	-
HKC eFinance28 Limited	(ii)	Rental income received	-	54
In Publishing Limited	(ii)	Rental income received	-	10
Webradio Limited	(ii)	Rental income received	54	54
BIA Technology Ltd	(i)	Sales to	144	-
	(i)	Purchase from	129	-
	(ii)	Rental income received	305	-

Notes:

- (i) Sales, purchases and other expenses paid are based on cost plus a percentage of profit mark-up.
- (ii) Rentals income was charged based on the area used, which management considered to be appropriate basis of allocation.

**14. CONTINGENT LIABILITIES**

The Company has provided corporate guarantees of HK\$48 million to secure the banking facilities granted to subsidiary companies.

**15. PLEDGES OF ASSETS**

At 30 September 2002, certain leasehold land and buildings and investment properties with aggregate carrying values of HK\$ 4,340,000 and HK\$7,200,000 respectively were pledged to banks to secure banking facilities granted to the Group.

**16. POST BALANCE SHEET EVENTS**

- (i) As mentioned in our circular dated 4 November 2002, a property situated at No. 51-53 Hennessy Road, Wanchai, Hong Kong has been acquired at a consideration of HK\$48,200,000 and the transaction will be completed on 30 December 2002. The acquisition will be funded through a combination of internal resources and banking financing, in a proportion of 30% and 70% respectively.
- (ii) A joint venture company, 80% owned by us, has been formed in Shanghai, the PRC in November 2002 for provision of system integration services. Our investment is HK\$5 million. The joint venture company will commence business in January 2003.



## BUSINESS REVIEW

For the six months ended 30 September 2002, the Group's net profit was HK\$6.7 million (1.4.2001 – 30.9.2001: HK\$16.7 million) and the basic earnings per share was HK1.56 cents (1.4.2001 – 30.9.2001: HK5.24 cents).

### Sale of mobile phones

Although the turnover has increased by approximately 11% for this segment, the profit has decreased from HK\$ 7.6 million to HK\$ 3.2 million. Due to the keen market competition, we had to lower the selling prices in order to maintain the market share. As a result, the gross profit margin was squeezed. As mentioned in our last Annual Report, we have set up a retail chain for sales of mobile phones and related products under the trading name of "Circle" in various MTR stations since February 2002. Up to 30 September 2002, eight shops have been opened. The start-up costs and low turnover during the initial period of the operation have further eroded the profit.

### Sale of office telephone systems

During the reporting period, the economic conditions did not have any sign for improvement. The corporate was reluctant to spend or expand. This led to the drop in both turnover and profit.

### Connection services

This relates to the referral of customers to network operators for subscription of their network services. The Group will receive commission for such referrals. Due to the saturation of the market, the number of subscribers has significantly decreased. In addition, the commission rates paid by the network operators have been greatly reduced. All these factors rendered us to incur a loss of HK\$0.2 million.

### Property investment

Due to the sale of a property last year and the decrease in overall rental, the profit from this segment has been decreased by approximately 50% to HK\$0.6 million (1.4.2001 – 30.9.2001: HK\$1.2 million).

### Other activities

These included the repairs and maintenance services and the provision of consultancy services. The profit from these operations has grown by approximately 70% to HK\$3.7 million. The reluctance of the customers to replace the existing equipment led to the increase in demand of the repairs and maintenance services.

## PROSPECTS

### Sale of mobile phones

Due to the keen competition, we expect that the profit margin will be continuously reduced. We hope that the increase in sales volume will compensate for part of it and the new features of the mobile phones such as integrated digital camera and multimedia messaging services will stimulate the consumer consumption. The set up of the "Circle" retail chain is a great challenge to the management. We have streamlined its operations and expect that the advantages of economic of scale of operations and the increasing popularity of the brand name of "Circle" will come into effect in the second half of the year.

### Sale of office telephone systems

We expect that the demand of office telephone systems is unlikely to improve due to the sluggish market situation and uncertain economic conditions in commercial sector. We will tighten our cost control and broaden the product varieties.

### Connection services

We have already trimmed this operation to a minimal scale and transferred the manpower and other resources to run Circle's operations.

### Property investment

As disclosed in our circular dated 4 November 2002, a property adjacent to one of our existing investment properties has been purchased. This will not only strengthen our property portfolio to increase the rental income, but also cater for an opportunity to redevelop the properties should the market situation and return justify.

### Other activities

We expect that the income from this segment will be stable in the second half of the year.

### Research and development

A bluetooth handsfree car kit, a first product developed by our research and development team, is expected to be launched in the USA market at the beginning of next year. Other new products are now under development and will be launched next year.



### **Joint Venture Company in Shanghai, the PRC**

A joint venture company, 80% owned by us, has been formed in Shanghai, the PRC for provision of system integration services. The company is expected to commence business in January 2003. This gives us a foothold to explore the China market.

All of above actions have been made towards our goals as mentioned in the prospectus. Some of the investments as mentioned above will inevitably have some adverse impact on the Group's profit in the short run. However, we believe that these moves are necessary for the Group's long term prospects and development.

Finally, we would like to extend our sincere gratitude to all the staff members of the Group for their contribution and continued support during the period, especially under such severe economic conditions.

## **LIQUIDITY AND FINANCIAL RESOURCES**

The Group continues to maintain a strong financial position. As at 30 September 2002, the cash and bank balances amounted to approximately HK\$53.1 million (31 March 2002: HK\$51.5 million) while the bank borrowing was HK\$0.5 million (31 March 2002: HK\$1.2 million). The gearing ratio was 0.3% (31 March 2002: 0.6%). The gearing ratio is expressed as a percentage of total borrowings to shareholders' funds.

As substantial portion of transactions are dominated in Hong Kong Dollar, the Group's exposure to exchange fluctuation is low.



## USE OF PROCEEDS OF NEW ISSUE

Up to 30 September 2002, the use of the listing proceeds are analysed as follows:

	<b>Forecast</b> HK\$'000	<b>Actual</b> HK\$'000
Repackaging and expanding the existing stores	5,000	4,000
Setting up sales and distribution network in United Kingdom and the United States	4,000	0
Expanding the distribution channel in PRC	4,000	0
Establishing a joint venture in Shanghai, the PRC for provision of systems integration services	2,000	0
Research and development	8,000	4,000
General working capital	7,500	0
	<u>30,500</u>	<u>8,000</u>

The unused balance of approximately HK\$20.5 million has been placed into short-term bank deposits.

## EMPLOYEES

As at 30 September 2002, the total number of employees of the Group was approximately 230 (30.9.2001: 200) and the remuneration of employees (excluding directors' emoluments) amounted to approximately HK\$18 million for the period (1.4.2001 – 30.9.2001: HK\$16 million) The remuneration and bonus packages are based on the individual merits and performance and are reviewed at least annually. The Group maintains a good relationship with its employees.



## DIRECTORS' INTERESTS IN SHARES

At 30 September 2002, the interests of the Directors in the issued share capital of the Company or its associated corporations as recorded in the register maintained by the Company pursuant to Section 29 of the Hong Kong's Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") were set out below:

Name of director	Personal interest	Number of ordinary shares held	
		Family interest	Corporate interest
Chan Chung Yee Hubert	–	205,252,200(a)	4,000,000(a)
Chan Chung Yin Roy	–	68,417,400(b)	–
Chan Man Min	–	–	24,709,650(c)
Yeh Yui Fong	–	–	2,681,550(d)
Tsui Hon Wing	–	–	1,939,200(e)
Kwok Cheuk Tim Rockie	–	–	–
Chan Ming Him Denny	–	–	–
Wu Kwok Lam	–	–	–
Chu Chor Lup	–	–	–
Chiu Ngar Wing	–	–	–

### Notes:

- (a) 205,252,200 shares were held by Matrix World Group Limited, a company wholly-owned by Newcourt Trustees Limited as the trustee of the Mr. Chan Chung Yee Hubert's family trust. 4,000,000 shares were held by Light Emotion Limited, a company wholly-owned by Matrix World Group Limited.
- (b) 68,417,400 shares were held by Star Global International Limited, a company wholly-owned by Newcourt Trustees Limited as the trustee of the Mr. Chan Chung Yin Roy's family trust.
- (c) 24,709,650 shares were held by Ocean Hope Group Limited which was wholly owned by Mr. Chan Man Min.
- (d) 2,681,550 shares were held by Ocean Castle Developments Limited which was wholly owned by Mr. Yeh Yui Fong.
- (e) 1,939,200 shares were held by Total Portfolio Limited which was wholly owned by Mr. Tsui Hon Wing.

## SHARE OPTIONS

The share options were granted on 23 November 2001 at an exercise price of HK\$0.38 per share, exercisable for the period from 23 May 2002 to 30 June 2003 (both days inclusive).

At 30 September 2002, the number of shares in respect of which options had been granted under the scheme was 22,400,000, representing approximately 5% of share of the Company in issue at that date.

The details of the share options outstanding as at 30 September 2002 are as follows:

### 1. Directors

Chan Chung Yee Hubert	4,300,000
Chan Chung Yin Roy	1,800,000
Chan Man Min	1,000,000
Yeh Yui Fong	1,000,000
Tsui Hon Wing	1,000,000
Kwok Cheuk Tim Rockie	1,000,000
Chan Ming Him Denny	1,000,000
Wu Kwok Lam	1,000,000
Chu Chor Lup	–
Chiu Ngar Wing	–
	<hr/>
	12,100,000

**2. Employees** 3,800,000

**3. Customers** 6,500,000

---

22,400,000

No share options have been granted, exercised, cancelled or lapsed during the period.



## DIRECTORS' RIGHTS TO ACQUIRE SHARES

At no time during the period was the Company or its holding company or any of its 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 corporate and none of the directors, their spouses or children under the age of 18, had any rights to subscribe for securities of the Company, or had exercised any such rights.

A share scheme was adopted by the Company on 23 October 2001, under which the directors of the Company may be granted options to subscribe for shares in the Company. No option was granted to any of the directors of the Company or its subsidiaries during the period.

## SUBSTANTIAL SHAREHOLDERS

At 30 September 2002, the following interests of 10% or more of the share capital of the Company were recorded in the register of interests in shares required to be kept by the Company pursuant to Section 16(1) of the SDI Ordinance:

<u>Name</u>	<u>Number of shares held</u>	<u>Percentage of holding</u>
Matrix World Group Limited	205,252,200	47.20%
Light Emotion Limited (note 1)	4,000,000	0.92%
Star Global International Limited	68,417,400	15.73%
Newcourt Trustees Limited (note 2)	277,669,600	63.85%

Notes:

1. Matrix World Group Limited owns 100% of Light Emotion Limited.
2. New Court Trustees owns 100% of Matrix World Group Limited and Star Global International Limited and is accordingly deemed by the SDI Ordinance to be interested in the shares of the Company beneficially owned by Matrix World Group Limited, Star Global International Limited and Light Emotion Limited.

The shareholdings are duplicated in the directors' interests in shares disclosed above.

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

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

During the six months ended 30 September 2002, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## **AUDIT COMMITTEE**

The audit committee has reviewed with management the accounting policies adopted by the Group and discussed auditing, internal control, and financial reporting matters, including the review of interim financial statements which have not been audited.

## **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 six months ended 30 September 2002, in compliance with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

On behalf of the Board  
**Chan Chung Yee Hubert**  
*Chairman*

Hong Kong, 17 December 2002