

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
 Fung Lewis Hung *
 Chu Chor Lup *
 Chiu Ngar Wing FCCA, AHKSA, CPA*

* *Independent non-executive director*

COMPANY SECRETARY

Wu Kwok Lam AHKSA, FCCA

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

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 2001 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2001

		Six months ended	
		30.9.2001	30.9.2000
	NOTES	HK\$'000	HK\$'000
		(unaudited)	(unaudited)
Turnover	3	371,283	378,350
Cost of sales		<u>(318,319)</u>	<u>(331,668)</u>
Gross profit		52,964	46,682
Gain on disposal of investment property		2,911	–
Other revenue	4	273	700
Selling and distribution costs		(6,466)	(9,976)
Administrative expenses		<u>(28,792)</u>	<u>(20,641)</u>
Profit from operations	5	20,890	16,765
Finance costs	6	<u>(52)</u>	<u>(41)</u>
Profit before taxation		20,838	16,724
Taxation	7	<u>(2,891)</u>	<u>(2,332)</u>
Profit before minority interests		17,947	14,392
Minority interest		<u>(1,232)</u>	<u>(1,644)</u>
Profit for period		<u>16,715</u>	<u>12,748</u>
Dividend	8	<u>30,000</u>	<u>16,770</u>
Earnings per share			
– basic (HK cents)	9	<u>5.2 cents</u>	<u>4.0 cents</u>

CONDENSED CONSOLIDATED BALANCE SHEET

AT 30 SEPTEMBER 2001

	NOTES	30.9.2001 HK\$'000 (unaudited)	(Restated) 31.3.2001 HK\$'000 (audited)
Non current assets			
Investment properties	10	29,790	41,454
Property and equipment	10	59,664	30,854
Club debentures		335	335
		<u>89,789</u>	<u>72,643</u>
Current assets			
Inventories		23,782	23,490
Debtors, deposits and prepayments	11	53,749	41,319
Amounts due from related companies		438	372
Taxation recoverable		–	20
Bank balances and cash		18,551	32,851
		<u>96,520</u>	<u>98,052</u>
Current liabilities			
Creditors and accrued charges	12	13,781	20,423
Bills payable		–	392
Amounts due to directors		4,836	7,367
Amounts due to related companies		420	1,036
Taxation		2,925	1,376
Obligations under hire purchase contracts		42	77
Bank borrowings – due within one year		59	897
		<u>22,063</u>	<u>31,568</u>
Net current assets		<u>74,457</u>	<u>66,484</u>
Total assets less current liabilities		<u>164,246</u>	<u>139,127</u>
Non current liabilities			
Obligations under hire purchase contracts		–	14
Bank borrowings – due after one year		444	428
		<u>444</u>	<u>442</u>
Minority interests		–	14,227
		<u>163,802</u>	<u>124,458</u>
Capital and reserves			
Share capital	13	200	2,257
Reserves	14	163,602	122,201
		<u>163,802</u>	<u>124,458</u>

CONDENSED CONSOLIDATED STATEMENT OF RECOGNISED GAINS AND LOSSES

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2001

	Six months ended	
	30.9.2001	30.9.2000
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Revaluation increase of investment properties	1,636	–
Revaluation increase of leasehold land and buildings	28,891	–
Exchange differences arising on translation of overseas operations	19	(18)
Net gains (losses) not recognised in the condensed income statement	30,546	(18)
Profit for the period	16,715	12,748
Total recognised gains	47,261	12,730
Prior year adjustment arising from the adoption of SSAP 9 (Revised)		
– increase in retained profits at 1 April 2000		11,000

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2001

	Six months ended	
	30.9.2001	30.9.2000
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Net cash (outflow) inflow from operating activities	(1,466)	6,898
Net cash outflow from returns on investments and servicing of finance	(7,515)	(5,171)
Net tax (paid) refunded	(1,322)	479
Net cash outflow from investing activities	(1,076)	(754)
Net cash (outflow) inflow before financing	(11,379)	1,452
Net cash (outflow) inflow from financing	(2,932)	399
(Decrease) increase in cash and cash equivalents	(14,311)	1,851
Cash and cash equivalents at beginning of the period	32,851	22,919
Effect of foreign exchange rate changes	11	7
Cash and cash equivalents at end of the period	18,551	24,777

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2001

1. BASIS OF PREPARATION

The Company was incorporated as an exempted company with limited liability on 9 April 2001 in the Cayman Islands under the Companies Laws of the Cayman Islands.

Pursuant to a group reorganisation (the "Group Reorganisation") to rationalise the structure of the Company and its subsidiaries in preparation for the listing of the Company's shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company became the holding company of the Group on 12 September 2001. Details of the Group Reorganisation are set out in the prospectus issued by the Company on 30 October 2001.

The Group resulting from the Group Reorganisation is regarded as a continuing entity. Accordingly, in accordance with Statement of Standard Accounting Practice ("SSAP") No. 27 "Accounting for group reconstructions" issued by Hong Kong Society of Accountants, the financial statements of the Group for the six months ended 30 September 2001 have been prepared on the merger accounting basis as if the Company had always been the holding company of the Group.

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".

The condensed consolidated income statement for the six months ended 30 September 2000 and condensed consolidated balance sheet as at 31 March 2001 have been prepared on a combined basis as if the current structure had been in existence during these periods.

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies adopted are consistent with those followed in the preparation of the accountants' report set out in the prospectus issued by the Company dated 30 October 2001, except as described below.

In the current period, the Group has adopted, for the first time, the following new and revised SSAPs.

Dividends proposed or declared after the balance sheet date

In accordance with SSAP 9 (Revised) "Events after the balance sheet date", dividends proposed or declared after the balance sheet date are not recognised as a liability at the balance sheet date, but are disclosed in the notes to the financial statements. This change in accounting policy has been applied retrospectively, resulting in a prior period adjustment and the shareholders' funds at 31 March 2001 and 1 April 2000 have been increased by HK\$30,000,000 and HK\$11,000,000, respectively.

Provisions

In accordance with SSAP 28 “Provisions, contingent liabilities and contingent assets”, provisions are recognised when the Group has a present obligation as a result of a past event which it is probable will result in an outflow of economic benefits that can be reasonably estimated. The adoption of this standard has no material effect on the amounts reported in current or prior years.

Segment reporting

SSAP 26 “segment reporting”, which has been adopted for the first time in this interim reporting period, has established principles for reporting the segmental analysis of financial information. The details are set out in note 3.

Impairment of assets

SSAP 31 “Impairment of assets” has introduced a formal framework for the recognition of impairment losses in respect of the Group’s assets other than financial assets and investment properties. The adoption of this standard has no material effect on the amounts reported in current or prior years.

3. SEGMENT INFORMATION

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

By business segments:

For the six months ended 30 September 2001

	Sales of mobile phones and office telephone systems <i>HK\$'000</i>	Connection service <i>HK\$'000</i>	Others <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Turnover	<u>343,378</u>	<u>13,181</u>	<u>14,724</u>	<u>371,283</u>
Segment result	<u>10,389</u>	<u>3,869</u>	<u>3,721</u>	17,979
Gain on disposal of investment property				<u>2,911</u>
Profit from operations				<u>20,890</u>

For the six months ended 30 September 2000

	Sales of mobile phones and office telephone systems HK\$'000	Connection service HK\$'000	Others HK\$'000	Consolidated HK\$'000
Turnover	<u>356,137</u>	<u>11,929</u>	<u>10,284</u>	<u>378,350</u>
Segment result and profit from operations	<u>12,923</u>	<u>1,969</u>	<u>1,873</u>	<u>16,765</u>

By geographical segments:

For the six months ended 30 September 2001

	Hong Kong HK\$'000	Singapore HK\$'000	Consolidated HK\$'000
Turnover	<u>363,529</u>	<u>7,754</u>	<u>371,283</u>
Segment result	<u>17,791</u>	<u>188</u>	17,979
Gain on disposal of investment property			<u>2,911</u>
Profit from operations			<u>20,890</u>

For the six months ended 30 September 2000

	Hong Kong HK\$'000	Singapore HK\$'000	Consolidated HK\$'000
Turnover	<u>367,452</u>	<u>10,898</u>	<u>378,350</u>
Segment result and profit from operations	<u>15,445</u>	<u>1,320</u>	<u>16,765</u>

4. OTHER REVENUE

	Six months ended	
	30.9.2001	30.9.2000
	HK\$'000	HK\$'000
Interest income from banks	237	370
Sundry income	36	330
	<u>273</u>	<u>700</u>

5. PROFIT FROM OPERATIONS

Profit from operations has been arrived at after charging

	Six months ended	
	30.9.2001	30.9.2000
	HK\$'000	HK\$'000
Depreciation and amortisation owned assets	1,170	1,530
assets under hire purchase contracts	20	37
	<u>1,190</u>	<u>1,567</u>

6. FINANCE COSTS

	Six months ended	
	30.9.2001	30.9.2000
	HK\$'000	HK\$'000
Interest on obligations under hire purchase contracts	16	9
Interest on bank borrowings wholly repayable within five years	36	32
	<u>52</u>	<u>41</u>

7. TAXATION

	Six months ended	
	30.9.2001	30.9.2000
	HK\$'000	HK\$'000
The charge comprises:		
Hong Kong Profits Tax	2,854	2,808
Singapore Income Tax	37	(476)
	<u>2,891</u>	<u>2,332</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

During the six months ended 30 September 2001 and 30 September 2000, the following subsidiaries of the Group paid dividends, to their then shareholders prior to the Group Reorganisation:

	Six months ended	
	30.9.2001	30.9.2000
	HK\$'000	HK\$'000
Generalvestor (H.K.) Limited	30,000	5,000
Hong Kong Communications Equipment Company Limited	-	11,000
Hong Kong Communications Equipment Distribution Company Limited	-	770
	<u>30,000</u>	<u>16,770</u>

The rates of dividends are not presented as the directors do not consider such information to be meaningful in the context of these condensed financial statements.

The directors do not recommend the payment of any interim dividend for the six months ended 30 September 2001.

9. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the net profit for the period of HK\$16,715,000 (six months ended 30 September 2000: HK\$12,748,000) and on the 318,829,600 shares (six months ended 30 September 2000: 318,829,600 shares) in issue and issuable during the period on the assumption that the issue of shares of the Company upon the Group Reorganisation and the Capitalisation Issue, other than those attributable to the acquisition of minority interests in certain subsidiaries, and details of which are set out in the prospectus issued by the Company on 30 October 2001, had been taken place on 1 April, 1998.

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 Group's investment properties and leasehold land and buildings were revalued as at 31 July 2001 on an open market basis by LCH (Asia Pacific) Surveyors Limited, an independent firm of professional property valuer. The resulting revaluation surplus of HK\$1,636,000 and HK\$28,891,000 respectively have been credited to the investment properties revaluation reserve and the other properties revaluation reserve.

The directors consider that the values of the investment properties and leasehold land and building as at 30 September 2001 would not be materially different from the professional valuation made as at 31 July 2001. Accordingly, no further revaluation surplus or deficit has been recognised for the period from 1 August 2001 to 30 September 2001.

During the period ended 30 September 2001, the Group disposed of an investment property at a consideration of HK\$13,300,000. The attributable revaluation reserve amounting to HK\$2,911,000 is credited to the condensed consolidated income statement.

In addition, the Company also acquired additional property and equipment of HK\$2,536,000 for its business operation and expansion.

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.

An aged analysis of trade debtors is as follows:

	30.9.2001	31.3.2001
	HK\$'000	HK\$'000
Within 30 days	30,629	28,344
Between 31 to 60 days	2,603	1,630
Between 61 to 90 days	746	823
Between 91 to 120 days	990	1,714
Over 120 days	4,767	865
	39,735	33,376
Other debtors, deposits and prepayments	14,014	7,943
	53,749	41,319

12. CREDITORS AND ACCRUED CHARGES

An aged analysis of trade creditors is as follows:

	30.9.2001	31.3.2001
	HK\$'000	HK\$'000
Within 30 days	8,551	15,632
Between 31 to 60 days	494	–
Between 61 to 90 days	68	–
Between 91 to 120 days	21	1,355
Over 120 days	267	–
	9,401	16,987
Other creditors and accrued charges	4,380	3,436
	13,781	20,423

13. SHARE CAPITAL

	Number of shares	Amount <i>HK\$'000</i>
Ordinary share of HK\$0.01 each		
Authorised:		
On the date of incorporation at HK\$0.1 each	1,000,000	100
Subdivision of shares	9,000,000	–
Increase during the period	1,990,000,000	19,900
At 30 September 2001	2,000,000,000	20,000
Issued and fully paid:		
Issued on the date of incorporation	1	–
Issued before subdivision of shares	999,999	100
Subdivision of shares	9,000,000	–
Issue of shares before Group Reorganisation	10,000,000	100
At 30 September 2001	20,000,000	200

The Company was incorporated on 9 April 2001 with an authorised share capital of HK\$100,000 divided into 1,000,000 shares of HK\$0.10 each and 1 share was issued nil paid on 20th April, 2001. On 27 July 2001, an aggregate of 999,999 shares of HK\$0.10 were allotted and issued nil paid.

Pursuant to resolutions in writing of all shareholders of the Company passed on 12 September 2001:

- (a) the then issued and unissued shares having a par value of HK\$0.10 each in the share capital of the Company were sub-divided into 10 shares, and the authorised share capital of the Company was increased to HK\$200,000 by the creation of a further 10,000,000 shares, which were on that date allotted and issued, credited as fully paid.
- (b) the authorised share capital was increased from HK\$200,000 to HK\$20,000,000 by the creation of a further 1,980,000,000 Shares.

The paid-up capital as at 31 March 2001 represented the aggregate amount of nominal values of the companies comprising the Group at that date.

14. RESERVES

	Other properties revaluation reserve <i>HK\$'000</i>	Investment properties revaluation reserve <i>HK\$'000</i>	Translation reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Total <i>HK\$'000</i>
THE GROUP						
At 1 April 2000						
– as originally stated	–	16,302	(13)	109,440	–	125,729
– prior period adjustment (see note 2)	–	–	–	11,000	–	11,000
	<u>–</u>	<u>–</u>	<u>–</u>	<u>11,000</u>	<u>–</u>	<u>11,000</u>
– as restated	–	16,302	(13)	120,440	–	136,729
	<u>–</u>	<u>16,302</u>	<u>(13)</u>	<u>120,440</u>	<u>–</u>	<u>136,729</u>
Revaluation decrease	–	(1,555)	–	–	–	(1,555)
Profit for the year	–	–	–	34,325	–	34,325
Dividends	–	–	–	(47,270)	–	(47,270)
Exchange differences on translation of overseas operations	–	–	(28)	–	–	(28)
	<u>–</u>	<u>–</u>	<u>(28)</u>	<u>–</u>	<u>–</u>	<u>(28)</u>
At 31 March 2001	–	14,747	(41)	107,495	–	122,201
Revaluation increase	28,891	1,636	–	–	–	30,527
Profit for the period	–	–	–	16,715	–	16,715
Realised on disposal of an investment property	–	(2,911)	–	–	–	(2,911)
Exchange differences on translation of overseas operations	–	–	19	–	–	19
Reserve arising from Group Reorganisation	–	–	–	–	27,051	27,051
Dividend	–	–	–	(30,000)	–	(30,000)
	<u>–</u>	<u>–</u>	<u>–</u>	<u>(30,000)</u>	<u>–</u>	<u>(30,000)</u>
At 30 September 2001	<u>28,891</u>	<u>13,472</u>	<u>(22)</u>	<u>94,210</u>	<u>27,051</u>	<u>163,602</u>

15. 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	
			30.9.2001 HK\$'000	30.9.2000 HK\$'000
BTL System (HK) Limited	(i)	Sales to	–	3
	(i)	Purchase from	–	670
Hong Kong Communications Industrial Company Limited	(i)	Sales to	21	1
	(i)	Purchase from	301	1
Koywa HKC Company Limited	(i)	Sales to	–	9
	(i)	Purchase from	–	–
Hong Kong Communications Computer Company Limited	(i)	Sales to	7	2
	(i)	Computer software maintenance fee paid and purchase from	433	402
	(ii)	Rental income received	120	120
HKC Intown Limited	(i)	Sales to	4	6
	(ii)	Rental income received	30	60
	(i)	Internet access fee paid	–	6
HKC eFinance28 Limited	(ii)	Rental income received	54	–
In Publishing Limited	(ii)	Rental income received	10	60
Webradio Limited	(ii)	Rental income received	54	9

Notes:

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

16. POST BALANCE SHEET EVENTS

Subsequent to 30 September 2001, the Group completed its Group Reorganisation and the dealings in the Company's shares on the Stock Exchange commenced on 9 November 2001.

BUSINESS REVIEW

For the six months ended 30 September 2001, the Group's turnover decreased by 2% to HK\$371 million in comparison with the same period last year. By excluding the gain on disposal of investment property of HK\$2.9 million, the growth in net profit was 8%. The increase in administrative expenses from HK\$20.6 million to HK\$28.7 million was mainly due to the commencement of operations of two "Nokia Professional Centre" in December 2000 and June 2001 respectively. These two "Centre" have already been contributing profit to the Group. The basis earnings per share was 5.2 cents (six months ended 30 September 2000: HK\$4.0 cents).

Sale of mobile phones and office telephone systems

The drop of turnover was attributable to the decline in corporate and consumer spending due to depressive economic conditions and high unemployment rate. In order to maintain the market share, we had to lower the selling prices. Subsequently, the gross profit margins were squeezed.

Connection service

This relates to the referral of customers to network operators for subscription of their network services. The Group will receive commission for such referrals. There was steady growth of profit during the period under review. However, the growth may be curtailed due to the saturation of mobile phone subscription.

Others

These include the rental income, income from provision of consultancy services to telecommunications companies in PRC, repairs and maintenance services. The profit from these operations have been doubled when compared with the corresponding period last year. We expect that the growth will be sustained.

PROSPECTS

More new models of mobile phones are anticipated to be launched in the second half of the year. We hope this will stimulate the consumer spending and help to boost up our gross profit margin.

The success entry of PRC to WTO will cater for opportunity for our business growth. It is expected that many foreign enterprises will step up their investments and set up offices in Hong Kong and PRC. With our extensive experience in systems integration services, we are in a good position and are well prepared to expand our client base.

The company's shares were listed on Stock Exchange on 9 November 2001. Net proceeds approximately HK\$30.5 million have been raised. This further enhances the Group's capital base and provides funding for the expansion. Facing the prolonged economic downturn, the Group will tighten its cost control to increase the competitiveness and will strengthen its marketing efforts to maintain business growth.

LIQUIDITY AND FINANCIAL RESOURCES

The Group maintains a strong financial position. As at 30 September 2001, the Group's cash and bank balances amounted to approximately HK\$18.5 million (31 March 2001: HK\$32.8 million) while the bank borrowing was HK\$0.5 million (31 March 2001: HK\$1.4 million). The gearing ratio was 0.3% (31 March 2001: 0.8%).

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

EMPLOYEES

As at 30 September 2001, the total number of employees of the Group was approximately 200. 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

Subsequent to the balance sheet date, on 9 November 2001, the Company was listed on the Stock Exchange. Accordingly, at the date of this interim report, 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 Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") were set out below:

Name of director	Number of ordinary shares held			
	Personal interest	Family interest	Corporate interest	Other interest
Chan Chung Yee, Hubert	—	—	—	205,252,200 (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)	—

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.
- (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 Development 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.

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 the date of this interim report, 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:

Name	Number of shares held	Percentage of holding
Matrix World Group Limited	205,252,200	47.40%
Star Global International Limited	68,417,400	15.80%

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 interests 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

The Company's shares were listed on the Stock Exchange on 9 November 2001, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities since that date.

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 2001, 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, 27 December 2001