

BUSINESS REVIEW AND PROSPECTS

The following sets out the financial highlights of United Pacific Industries Limited (the "Company") and its subsidiaries and associated companies (the "Group") for the six-month period ended 30th September, 2002 with the comparative figures for the corresponding period in 2001.

	2002 HK\$'million	2001 HK\$'million	Change HK\$'million	Change %
Turnover	<u>177.8</u>	<u>202.6</u>	(24.8)	12%
Earning before interest, taxation, depreciation and amortization	10.2	12.0	(1.8)	15%
Depreciation and amortisation	(7.8)	(9.9)	2.1	21%
Net interest income	0.2	1.4	(1.2)	86%
Share of results of associates	(0.4)	(1.2)	0.8	67%
Other non-operating items	<u>(0.6)</u>	<u>(0.9)</u>	0.3	33%
Profit before taxation	1.6	1.4	0.2	14%
Taxation & minority interests	<u>—</u>	<u>(0.8)</u>	0.8	100%
Net profit for the period	<u>1.6</u>	<u>0.6</u>	1.0	167%
Dividend	<u>22.3</u>	<u>44.6</u>	(22.3)	50%

GROUP OVERVIEW

- For the Group's existing core business, turnover for the six-month period under review had decreased to HK\$177.8 million but net profit for the period (after taxation and minority interests) had increased to HK\$1.6 million.
- The Group's earnings before interest, taxation, depreciation and amortization ("EBITDA") for the period under review amounted to HK\$10.2 million.
- The financial position of the Group is still constant despite harsh economic conditions. On 30th September, 2002, the Group had a bank and cash balance of HK\$40.2 million, with a total bank debt of HK\$1.9 million (net cash of HK\$38.3 million with a net bank debt of nil balance), while the Group's net asset value was HK\$232.7 million, with a relatively healthy current ratio of 367.3% and a gearing ratio of nil balance (ratio of net bank debt to net asset value).
- The Board of Directors of the Company (the "Board") has resolved to declare an interim cash dividend of HK\$0.04 per share or HK\$22.3 million in aggregate that will be distributed to our shareholders on or before 31st January, 2003.

FINANCIAL AND OPERATIONS REVIEW

Voltage Converter and Rechargeable Battery Business Segment

- The financial performance of the Group has improved for the half-year period ended 30th September, 2002 compared to our results for the half-year period ended 30th September, 2001.
- For the six months ended 30th September, 2002, our turnover was uninspiring and represented a decrease of 12%. However, the Group's net profit increased to HK\$1.6 million for the period under review, an increase of 167% from our net profit for the same period last year. This was mainly due to your management's cost-cutting efforts and the operational restructuring exercise, both of which helped us improve the Group's profitability. The reasons for the decrease in turnover can be summarized as follows:
 - (a) the continued worldwide economic recession;
 - (b) a substantial drop in worldwide demand for our traditional linear adaptors and other traditional products; and
 - (c) pressure from our customers to reduce prices substantially.
- The worldwide economic recession had seen some of our major telecommunications customers sell their manufacturing operations to cut costs. This has resulted in a drastic drop in our profit margins as customers increasingly began to transfer overheads to suppliers like ourselves.
- As previously reported, the global electronics and telecommunications industry has experienced a changing trend in product demand. For the period under review, more and more customers have changed from linear to switch-mode power supply products. We are progressively enhancing our competitiveness in the field of switch-mode power supply products and are quite positive that we can effectively compete with the main suppliers of switch-mode power supply products in the near future.
- Expansion of our manufacturing scope to OEM manufacturing of electronic home and personal appliances for customers in Japan and increasing sales volume of our power-tools chargers and related products in the U.S., are also progressing positively.
- Despite the relatively gloomy business climate, your management has been able to keep the Group above water due to on-going cost-cutting and financial control measures, e.g. we have consolidated our key manufacturing operations in two main PRC centers, Songgang in Guangdong Province and Shanghai. We have also trimmed our staff and administrative overheads substantially by relocating almost all of our operations from Hong Kong to the PRC.

- As previously reported in FY 2002, we had embarked on a shift in business focus to electrical/electronic manufacturing services ("EMS") and your management is pleased to say that we have recently been appointed by a major Japanese household brand to manufacture, assemble and supply their range of beauty/cosmetic and personal electrical appliances such as electric shavers, hair-straighteners and hair-brushes. This is definitely a positive step closer to our goal of eventually becoming a leading EMS provider for the international market.
- We are also pleased to add that, with our comprehensive engineering capabilities in the areas of tooling, moulding, plastic-mould injection, cable and fuse-making, and coil-winding, we are well-equipped to offer our customers a one-stop, complete manufacturing package that would enable our customers to have all components of their electrical/electronic products designed, assembled, quality-checked and packaged at our facilities, and then shipped directly to them.

Investment in Climax International Company Limited ("Climax")

Regarding our remaining 1.8% equity interest in Climax which we had written off completely in 1998, there was no impact on the Group from Climax's results from the accounting point of view, and your management will continue to monitor disposal opportunities as and when they arise.

THE YEAR FORWARD

- We will continue to focus on cost-cutting and financial control measures to ride out the effects of the global recession.
- We will also continue to expand our manufacturing scope and invest prudently on R&D technology to remain competitive in the long term.
- We do not foresee a rapid or substantial increase in profitability in the next financial year but your management will tirelessly try to minimize the impact of the global recession on the Group and our shareholders.
- We are confident that the Group will remain viable despite the dismal global economic climate and we expect to enter a new era of growth when the recovery of the world economy resumes.

By Order of the Board
Ho Che Kong
Chairman & Group Managing Director

Hong Kong, 16th December, 2002

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Touche
Tohmatsu**

INDEPENDENT REVIEW REPORT

TO THE BOARD OF DIRECTORS OF UNITED PACIFIC INDUSTRIES LIMITED

Introduction

We have been instructed by the directors of the Company to review the interim financial report set out on pages 5 to 17.

Directors' responsibilities

The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the Statement of Standard Accounting Practice No. 25 "Interim financial reporting" issued by the Hong Kong Society of Accountants and the relevant provisions thereof. The interim financial report is the responsibility of, and has been approved by, the directors.

Review work performed

We conducted our review in accordance with the Statement of Auditing Standards 700 "Engagements to review interim financial reports" issued by the Hong Kong Society of Accountants. A review consists principally of making enquiries of group management and applying analytical procedures to the interim financial report and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the interim financial report.

Review conclusion

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the interim financial report for the six months ended 30th September, 2002.

DELOITTE TOUCHE TOHMATSU

Certified Public Accountants

Hong Kong

16th December, 2002

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2002

		1.4.2002 to 30.9.2002 HK\$ (unaudited)	1.4.2001 to 30.9.2001 HK\$ (unaudited)
	NOTES		
Turnover		177,816,853	202,635,382
Cost of sales		(157,241,898)	(179,114,164)
Gross profit		20,574,955	23,521,218
Other income		1,751,867	1,968,695
Administrative expenses		(19,262,429)	(21,789,500)
Distribution costs		(1,105,614)	(296,743)
Factory relocation and closure expenses		—	(882,974)
Profit from operations		1,958,779	2,520,696
Finance costs		(9,169)	(36,697)
Share of results of associates		(352,706)	(1,160,959)
Profit before taxation		1,596,904	1,323,040
Taxation	4	—	(692,454)
Profit before minority interests		1,596,904	630,586
Minority interests		—	(59,653)
Net profit for the period		1,596,904	570,933
Dividend	5	22,282,336	44,603,072
Earnings per share			
– Basic	6	0.29 cents	0.10 cents
– Diluted	6	N/A	0.10 cents

CONDENSED CONSOLIDATED BALANCE SHEET

AT 30TH SEPTEMBER, 2002

	NOTES	30.9.2002 HK\$ (unaudited)	31.3.2002 HK\$ (audited)
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties		6,600,000	6,600,000
Property, plant and equipment	7	80,434,777	83,633,578
Investments in associates		4,663,146	5,005,852
		<u>91,697,923</u>	<u>95,239,430</u>
Current assets			
Inventories		39,091,986	43,486,166
Debtors and prepayments	8	115,167,595	92,319,064
Taxation recoverable		6,822,738	6,822,738
Bank balances, deposits and cash		40,187,315	60,686,742
		<u>201,269,634</u>	<u>203,314,710</u>
Current liabilities			
Creditors and accrued charges	9	52,923,409	60,918,003
Trust receipts and import loans – secured		1,868,741	964,534
		<u>54,792,150</u>	<u>61,882,537</u>
Net current assets		<u>146,477,484</u>	<u>141,432,173</u>
Total assets less current liabilities		238,175,407	236,671,603
Minority interests		1,475,526	1,475,526
Non-current liabilities			
Other borrowings		4,000,000	4,000,000
Net assets		<u>232,699,881</u>	<u>231,196,077</u>
CAPITAL AND RESERVES			
Share capital	10	55,705,840	55,753,840
Reserves		176,994,041	175,442,237
Shareholders' funds		<u>232,699,881</u>	<u>231,196,077</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2002

	Share capital HK\$	Share premium HK\$	Capital redemption reserve HK\$	Capital reserve HK\$	Goodwill reserve HK\$	Translation reserve HK\$	Accumulated profits HK\$	Dividend reserve HK\$	Total HK\$
At 1st April, 2001	55,753,840	13,572,024	1,394,200	22,019,257	(372,126)	27,445	198,528,927	27,876,920	318,800,487
Net profit for the period	—	—	—	—	—	—	570,933	—	570,933
Dividend paid	—	—	—	—	—	—	—	(27,876,920)	(27,876,920)
Interim dividend declared	—	—	—	—	—	—	(44,603,072)	44,603,072	—
At 30th September, 2001	55,753,840	13,572,024	1,394,200	22,019,257	(372,126)	27,445	154,496,788	44,603,072	291,494,500
Exchange difference on translation and net loss not recognised in the consolidated income statement	—	—	—	—	—	(6,023)	—	—	(6,023)
Capital reserves realised upon winding up of subsidiaries	—	—	—	(1,000,000)	—	—	—	—	(1,000,000)
Impairment losses recognised in respect of goodwill	—	—	—	—	372,126	—	—	—	372,126
Net loss for the period	—	—	—	—	—	—	(15,061,454)	—	(15,061,454)
Dividends paid	—	—	—	—	—	—	—	(44,603,072)	(44,603,072)
At 31st March, 2002	55,753,840	13,572,024	1,394,200	21,019,257	—	21,422	139,435,334	—	231,196,077
Premium paid on repurchase of shares	—	(45,100)	—	—	—	—	—	—	(45,100)
Repurchase of shares	(48,000)	—	48,000	—	—	—	(48,000)	—	(48,000)
Net profit for the period	—	—	—	—	—	—	1,596,904	—	1,596,904
Interim dividend declared	—	—	—	—	—	—	(22,282,336)	22,282,336	—
At 30th September, 2002	55,705,840	13,526,924	1,442,200	21,019,257	—	21,422	118,701,902	22,282,336	232,699,881

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2002

	1.4.2002 to 30.9.2002 HK\$ (unaudited)	1.4.2001 to 30.9.2001 HK\$ (unaudited)
NET CASH (USED IN) FROM OPERATING ACTIVITIES	(16,240,673)	50,797,179
NET CASH USED IN INVESTING ACTIVITIES	(5,069,861)	(4,174,958)
NET CASH FROM (USED IN) FINANCING	<u>811,107</u>	<u>(27,485,840)</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(20,499,427)	19,136,381
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	<u>60,686,742</u>	<u>87,275,080</u>
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	<u><u>40,187,315</u></u>	<u><u>106,411,461</u></u>

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2002

1. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies adopted are consistent with those followed in the Group's annual financial statements for the year ended 31st March, 2002, except as described below.

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 these 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 is required and the comparative amounts for the prior period have been restated in order to achieve a consistent presentation.

2. SEGMENT INFORMATION

Business Segments

The Group's principal activities are manufacture and trading of voltage converters and coils and rechargeable battery products. These two business segments are the basis on which the Group reports its primary segment information. Segment information about these businesses is presented as below:

	Voltage converters and coils HK\$	Rechargeable battery products HK\$	Elimination HK\$	Consolidated HK\$
For the six months ended 30th September, 2002				
Turnover				
External sales	163,208,325	14,608,528	—	177,816,853
Inter-segment sales	4,639,551	—	(4,639,551)	—
	<u>167,847,876</u>	<u>14,608,528</u>	<u>(4,639,551)</u>	<u>177,816,853</u>

Inter-segment sales are carried out at cost.

Result

Segment result	<u>6,188,961</u>	<u>(1,176,141)</u>		5,012,820
Unallocated corporate expenses				(3,210,937)
Interest income				156,896
Finance costs				(9,169)
Share of results of associates				<u>(352,706)</u>
Net profit for the period				<u>1,596,904</u>

2. SEGMENT INFORMATION (Continued)

Business Segments (Continued)

	Voltage converters and coils HK\$	Rechargeable battery products HK\$	Consolidated HK\$
For the six months ended 30th September, 2001			
Turnover			
External sales	190,576,556	12,058,826	202,635,382
Result			
Segment result	9,472,813	(4,167,738)	5,305,075
Unallocated corporate expenses			(3,352,098)
Factory relocation and closure expenses	—	(882,974)	(882,974)
Interest income			1,450,693
Finance costs			(36,697)
Share of results of associates			(1,160,959)
Profit before taxation			1,323,040
Taxation			(692,454)
Profit before minority interests			630,586
Minority interests			(59,653)
Net profit for the period			570,933

2. SEGMENT INFORMATION (Continued)

Geographical Segments

The Group's operations are located in Mainland China and Hong Kong of the People's Republic of China (the "PRC"). The following table provides an analysis of the Group's turnover by geographical market, irrespective of the origin of the goods:

	Turnover by geographical market Six months ended 30th September,	
	2002 HK\$	2001 HK\$
The PRC		
Hong Kong	42,628,931	42,838,933
Mainland China	19,969,866	17,535,582
	62,598,797	60,374,515
United States of America,		
South America and Canada	45,235,316	46,548,902
Europe	41,322,685	35,472,950
Malaysia	18,882,720	19,011,056
Asia Pacific (excluding the PRC and Malaysia)	9,777,335	41,227,959
	177,816,853	202,635,382

Contribution to profit by geographical market has not been presented as the contribution to profit from each market is substantially in line with the overall group ratio of profit to turnover.

3. DEPRECIATION AND LOSS ON DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT

During the period, depreciation on property, plant and equipment and loss on disposal of property, plant and equipment of approximately HK\$7,773,000 and HK\$642,000 (HK\$9,917,000 and HK\$689,000 for the six months ended 30th September, 2001) respectively were charged to the consolidated income statement.

4. TAXATION

No tax is payable on the profit for the period arising in Hong Kong since the estimated assessable profit was wholly absorbed by the tax losses brought forward. The charge for the previous period represented Hong Kong Profits Tax calculated at 16% of the estimated assessable profit for that period.

In the opinion of the directors of the Company, a substantial portion of the Group's profit neither arises in, nor is derived from, Hong Kong and, accordingly, that portion of the Group's profit is not subject to Hong Kong Profits Tax. Furthermore, the subsidiaries of the Company that are operating in the PRC are currently not subject to income tax of the PRC as these companies either operate under assembly and processing arrangements in the PRC or are exempted from income tax for the first two profitable years of operations and, thereafter, are entitled to 50% relief from income tax for the next three years under the tax laws of the PRC.

5. DIVIDEND

	1.4.2002 to 30.9.2002 HK\$	1.4.2001 to 30.9.2001 HK\$
Interim dividend, proposed – 4 cents (8 cents per share for the six months ended 30th September, 2001)	<u>22,282,336</u>	<u>44,603,072</u>

6. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share for the periods ended 30th September, 2002 and 2001 is computed based on the following data:

	1.4.2002 to 30.9.2002 HK\$	1.4.2001 to 30.9.2001 HK\$
Earnings:		
Net profit for the period and earnings for the purposes of basic and diluted earnings per share	<u>1,596,904</u>	<u>570,933</u>
Number of shares:		
Weighted average number of shares for the purpose of basic earnings per share	<u>557,524,519</u>	557,538,400
Effect of dilutive potential shares:		
Share options		<u>53,656</u>
Weighted average number of shares for the purpose of diluted earnings per share		<u>557,592,056</u>

The share options have no dilutive effect for the six months ended 30th September, 2002 as the exercise price of the Company's outstanding share options was higher than the average market price of the Company's shares for the period.

7. ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately HK\$5,217,000 (HK\$5,762,000 for the six months ended 30th September, 2001) to acquire property, plant and equipment to expand its existing manufacturing capacity.

8. DEBTORS AND PREPAYMENTS

At 30th September, 2002, the balance of debtors and prepayments included trade debtors of HK\$111,018,102 (HK\$90,466,500 at 31st March, 2002). The aged analysis of trade debtors at the reporting date is as follows:

	30.9.2002 HK\$	31.3.2002 HK\$
0 - 60 days	45,995,622	46,990,929
61 - 90 days	16,971,594	15,290,306
> 90 days	48,050,886	28,185,265
	<u>111,018,102</u>	<u>90,466,500</u>

The Group allows credit periods ranging from 90 to 120 days (60 to 90 days at 31st March, 2002) to its trade customers.

9. CREDITORS AND ACCRUED CHARGES

At 30th September, 2002, the balance of creditors and accrued charges included trade creditors of HK\$36,862,633 (HK\$43,452,630 at 31st March, 2002). The aged analysis of trade creditors at the reporting date is as follows:

	30.9.2002 HK\$	31.3.2002 HK\$
0 - 60 days	21,819,910	25,239,305
61 - 90 days	5,697,431	8,790,323
> 90 days	9,345,292	9,423,002
	<u>36,862,633</u>	<u>43,452,630</u>

10. SHARE CAPITAL

30.9.2002
&
31.3.2002
HK\$

Authorised:

1,000,000,000 shares of HK\$0.10 each 100,000,000

Number of shares	Amount HK\$
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Issued and fully paid:

Shares of HK\$0.10 each:

Balance at 1st April, 2002	557,538,400	55,753,840
Repurchase of shares	(480,000)	(48,000)
Balance at 30th September, 2002	557,058,400	55,705,840

During the period, the Company repurchased its own shares on the Stock Exchange as follows:

Month of repurchase	Number of shares	Price per share		Aggregate price HK\$
		Highest HK\$	Lowest HK\$	
August 2002	480,000	0.22	0.18	93,100

The above shares were cancelled upon repurchase and accordingly the issued share capital of the Company was reduced by the nominal value of these shares. The premium payable on repurchase was charged against the share premium. An amount equivalent to the nominal value of the shares cancelled was transferred from accumulated profits to the capital redemption reserve.

11. RELATED PARTY TRANSACTIONS

- (a) In the previous period, the Group had the following transactions with a 50% associate of the Group:

		1.4.2002 to 30.9.2002 HK\$	1.4.2001 to 30.9.2001 HK\$
	Notes		
Sales of raw materials	(i)	—	3,718,389
Administration fee received	(ii)	—	270,000
		<u> </u>	<u> </u>

Notes:

- (i) The above transactions of sales of raw materials were carried out at market prices.
- (ii) The administration fee received from an associate represented an appropriate allocation of expenses incurred for the provision of managerial and administrative support to this associate and the reimbursement of expenses incurred by the Group which were paid on behalf of this associate.
- (b) The Group rented certain properties in an industrial estate in Songgang county, the PRC, and paid rent amounting to approximately HK\$1,363,000 (HK\$1,110,378 for the six months ended 30th September, 2001) during the period to 深圳市寶安區松崗鎮恒兆工業發展公區 Shenzhen City Baoan District Songgang County Heng Zhao Industrial Development Company ("Heng Zhao"). Heng Zhao has entered into an agreement with All Good Investments Limited ("All Good"), a company in which Messrs. Ho Che Kong and Leung Wai Chuen, the directors of the Company, have an interest of 24.5% and 12.2% respectively, for development of this industrial estate in Songgang county. Pursuant to this agreement, All Good is entitled to 54% of the profit derived from this industrial estate.

12. CONTINGENT LIABILITIES

	30.9.2002 HK\$	31.3.2002 HK\$
Bills discounted with recourse	<u> </u>	<u>590,397</u>

13. POST BALANCE SHEET EVENT

Subsequent to the balance sheet date, the Group disposed of a 10% equity interest in a subsidiary to an independent third party at a consideration of HK\$2 million.

INTERIM CASH DIVIDEND

The Board has resolved to declare an interim cash dividend for the six months ended 30th September, 2002 of HK\$0.04 per share that will be distributed to our shareholders on or before 31st January, 2003.

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from 20th January, 2003 to 23rd January, 2003, both days inclusive, during which period no transfer of shares will be registered. In order to determine the identity of members who are entitled to any dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrars in Hong Kong, Secretaries Limited, at 5th Floor, Wing On Centre, 111 Connaught Road, Central, Hong Kong (at G/F, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong, with effect from 13th January, 2003) not later than 4:00p.m. on 17th January, 2003.

DIRECTORS' INTERESTS IN SECURITIES

As at 30th September, 2002, the interests of the directors in the shares of the Company as recorded in the register maintained under Section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") were as follows:

Name of director	Number of shares held	
	Personal interest	Corporate interest
Mr. Ho Che Kong	64,484,000	—
Mr. Leung Wai Chuen	33,628,000	—
Mr. Simon N. Hsu	—	8,565,158*
Mr. Brian C. Beazer	400,000	—

- * These shares were owned by Strategic Planning Assets Limited, a company in which Mr. Simon N. Hsu has a controlling interest.

No director held an interest in the securities of the subsidiaries of the Company or any of its associated corporations as defined in the SDI Ordinance as at 31st March, 2002 except for the following:

- (a) Certain nominee shares in subsidiaries held by directors in trust for the Group; and
- (b) Messrs. Ho Che Kong and Leung Wai Chuen own the following non-voting deferred shares in the following subsidiaries of the Company:

Name of subsidiary	Name of owner	Number of non-voting deferred shares
Pantene Industrial Co. Limited	Mr. Ho Che Kong	2,112
	Mr. Leung Wai Chuen	1,056

SUBSTANTIAL SHAREHOLDERS

As at 30th September, 2002, the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance showed that, other than the interests disclosed above in respect of the directors, the Company has been notified of the following shareholders with interests representing 10% or more of the Company's issued share capital:

Name of shareholder	Number of shares held
Strategic Industries, LLC*	130,000,800
SILLC Asia, LLC	130,000,800
Asian Corporate Finance Fund, L.P. **	130,000,400
Payawal Capital Limited	65,000,400
Investor AB ***	74,836,000
Investor (Guernsey) II Ltd.	74,836,000

* These shares were held indirectly by Strategic Industries, LLC., through its beneficial holding of the entire issued capital of SILLC Asia, LLC.

** These shares were held indirectly by Asian Corporate Finance Fund, L.P., through its beneficial holding of the entire issued capital of Payawal Capital Limited

*** These shares were held indirectly by Investor AB through its beneficial holding of the entire issued capital of Investor (Guernsey) II Ltd..

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Pursuant to the Company's employee share option scheme (the "SOS"), certain directors had been granted options to subscribe for shares in the Company the details of which had been duly reported in the Company's annual report for the year ended 31st March, 2002 and which are set out again in note 27 to the financial statements.

The number of options granted under the SOS to directors of the Company and which remain outstanding on 30th September, 2002 are as follows:

Name of director	Date of grant	Exercise price HK\$	Number of Options outstanding at 30 Sept 2002
Mr. Ho Che Kong	28.8.2000	0.62	2,000,000
Mr. Leung Wai Chuen	28.8.2000	0.62	2,000,000
Mr. Kan Yuk Chuen	28.8.2000	0.62	2,000,000

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

During the six months ended 30th September, 2002, the Company repurchased a total of 480,000 shares on the Stock Exchange at an aggregate price of HK\$93,100.

CORPORATE GOVERNANCE

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 30th September, 2002, in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules, except that non-executive directors are not appointed for specific term but are subject to retirement by rotation and re-election at annual general meetings of the Company in accordance with the Company's Bye-laws.