



**Tungda Innovative Lighting Holdings Limited**

**東大新材料照明控股有限公司**

(Incorporated in the Cayman Islands with limited liability)

**Interim Report 2002 ●**

## **CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

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*This report, for which the directors of Tungda Innovative Lighting Holdings Limited collectively and individually accept responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to Tungda Innovative Lighting Holdings Limited. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

## HIGHLIGHTS

Turnover for the six months ended 30th September, 2002 was approximately HK\$134 million representing approximately 207% increase as compared with that of the corresponding period in 2001.

Net profit from ordinary activities attributable to shareholders amounted to approximately HK\$34.9 million for the period under review.

To retain cash flow for future development, the Board of Tungda Innovative Lighting Holdings Limited does not recommend the payment of an interim dividend for the six months ended 30th September, 2002.

## INTERIM RESULTS

The board of directors (the “Board”) of Tungda Innovative Lighting Holdings Limited (the “Company”) presents the unaudited consolidated financial statements of the Company and its subsidiaries (collectively the “Group”) for the three months and six months ended 30th September, 2002 together with the comparative unaudited figures for the corresponding periods in 2001, as follows:

### UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

		For the six months ended 30th September,		For the three months ended 30th September,	
		2002	2001	2002	2001
	Notes	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	3	<b>133,932</b>	43,647	<b>62,256</b>	23,218
Cost of sales		<b>(84,659)</b>	(35,983)	<b>(39,991)</b>	(19,193)
Gross profit		<b>49,273</b>	7,664	<b>22,265</b>	4,025
Other income		<b>125</b>	5	<b>79</b>	1
Distribution costs		<b>(3,715)</b>	(323)	<b>(3,328)</b>	(185)
Administrative expenses		<b>(5,079)</b>	(2,148)	<b>(3,213)</b>	(986)
Research and development expenses		<b>(2,727)</b>	(142)	<b>(2,727)</b>	(142)
Profit from operations	5	<b>37,877</b>	5,056	<b>13,076</b>	2,713
Finance costs	6	<b>(161)</b>	(242)	<b>(62)</b>	(131)
Profit before taxation		<b>37,716</b>	4,814	<b>13,014</b>	2,582
Taxation	7	<b>(2,845)</b>	(776)	<b>(645)</b>	(348)
Net profit for the period		<b>34,871</b>	4,038	<b>12,369</b>	2,234
Earnings per share (HK cents)	8	<b>4.67</b>	0.61	<b>1.49</b>	0.34

# CONDENSED CONSOLIDATED BALANCE SHEET

		(Unaudited) As at 30th September, 2002 HK\$'000	(Audited) As at 31st March, 2002 HK\$'000
	<i>Notes</i>		
<b>Non-current assets</b>			
Property, plant and equipment	9	1,381	474
<b>Current assets</b>			
Inventories		6,606	5,375
Debtors, deposits and prepayments	10	17,552	9,538
Bank balances and cash		88,707	16,402
		112,865	31,315
<b>Current liabilities</b>			
Creditors and accrued charges	11	4,112	3,559
Amount due to ultimate holding company		184	2,108
Taxation payable		7,405	4,560
Bank overdraft – unsecured		–	39
		11,701	10,266
<b>Net current assets</b>		101,164	21,049
<b>Total net assets</b>		102,545	21,523
<b>Capital and reserves</b>			
Share capital	12	8,880	–
Reserves		93,665	21,523
		102,545	21,523

# **UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

	Share capital <i>HK\$'000</i>	General reserve fund <i>HK\$'000</i>	Special reserve <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Translation reserve <i>HK\$'000</i>	Accumulated (losses) profit <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1st April, 2001	–	–	–	–	9	(193)	(184)
Net profit for the period	–	–	–	–	–	4,038	4,038
At 30th September, 2001	–	–	–	–	9	3,845	3,854
At 1st April, 2002	–	126	–	–	9	21,388	21,523
New shares issued	4,000	–	(2,128)	–	–	–	1,872
New shares issued for private placing on 26th July, 2002	2,220	–	–	53,280	–	–	55,500
Capitalisation issue	2,660	–	–	(2,660)	–	–	–
Net profit for the period	–	–	–	–	–	34,871	34,871
Issue expenses in connection with private placing	–	–	–	(11,221)	–	–	(11,221)
At 30th September, 2002	8,880	126	(2,128)	39,399	9	56,259	102,545

## UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	<b>For the six months ended 30th September,</b>	
	<b>2002</b>	<b>2001</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Net cash generated from (used in) operating activities	<b>23,124</b>	(31)
Net cash generated from (used in) investing activities	<b>902</b>	(8)
Net cash generated from financing activities	<b>48,279</b>	—
Net increase (decrease) in cash and cash equivalents	<b>72,305</b>	(39)
Cash and cash equivalents at beginning of the period	<b>16,402</b>	264
Cash and cash equivalents at end of the period	<b>88,707</b>	225

### NOTES TO THE CONDENSED FINANCIAL STATEMENTS

#### 1. Group reorganisation and basis of preparation

The Company was incorporated as an exempted company with limited liability in the Cayman Islands under the Company Law (2001 Second Revision) of Cayman Islands on 17th December, 2001. Pursuant to a group reorganisation (the “Group Reorganisation”) to rationalise the group structure in preparation for the listing of the Company’s shares on the Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), the Company became the holding company of the Group upon completion of the Group Reorganisation on 10th July, 2002. Details of the Group Reorganisation are set out in the Company’s prospectus dated 19th July, 2002 (the “Prospectus”). The Company’s shares were listed on GEM on 26th July, 2002.

The Group resulting from the Group Reorganisation is regarded as a continuing entity. Accordingly, the unaudited consolidated financial statements of the Group for the six months ended 30th September, 2002 have been prepared as if the Company had always been the holding company of the Group in accordance with the Statement of Standard Accounting Practice No.27 “Accounting for group reconstructions” issued by the Hong Kong Society of Accountants. The unaudited consolidated results of the Group for the six months ended 30th September, 2001 has been prepared as if the Group Reorganisation had been effective since 1st April, 2001. The directors consider that this basis provides meaningful information for shareholders as regards the historical performance of the companies now comprising the Group.

#### 2. Principal accounting policies

The condensed consolidated financial statements have been prepared under the historical cost convention.

The interim report has 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 and the accounting policies adopted are consistent with those adopted the Group in the preparation of the Group’s audited consolidated financial statements for the year ended 31st March, 2002 as set out in Appendix I “Accountants’ report” of the Prospectus.

All significant intra-group transactions and balances have been eliminated on consolidation.

The unaudited consolidated financial statements have not been audited nor reviewed by the Company’s auditors, but have been reviewed by the Company’s audit committee.

#### 3. Turnover

The amount received and receivable for goods, net of returns, sales discounts, and value-added tax, where applicable, sold to customers during the three months and six months ended 30th September, 2002.

#### 4. Segmental information

##### *Business segments*

	(Unaudited) For the six months ended 30th September, 2002 HK\$'000		(Unaudited) For the three months ended 30th September, 2002 HK\$'000	
	2001 HK\$'000		2001 HK\$'000	
<b>Segment turnover</b>				
House brand lighting source products	55,102	5,112	24,731	4,336
Agency brand lighting source products	78,830	38,535	37,525	18,882
	<u>133,932</u>	<u>43,647</u>	<u>62,256</u>	<u>23,218</u>
<b>Segment results</b>				
House brand lighting source products	41,001	2,646	18,628	2,219
Agency brand lighting source products	8,272	5,018	3,637	1,806
	<u>49,273</u>	<u>7,664</u>	<u>22,265</u>	<u>4,025</u>
Unallocated net corporate expenses	(11,396)	(2,608)	(9,189)	(1,312)
	<u>37,877</u>	<u>5,056</u>	<u>13,076</u>	<u>2,713</u>
Finance costs	(161)	(242)	(62)	(131)
	<u>37,716</u>	<u>4,814</u>	<u>13,014</u>	<u>2,582</u>
Taxation	(2,845)	(776)	(645)	(348)
	<u>34,871</u>	<u>4,038</u>	<u>12,369</u>	<u>2,234</u>

##### *Geographical segments*

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

	(Unaudited) For the six months ended 30th September, 2002 HK\$'000		(Unaudited) For the three months ended 30th September, 2002 HK\$'000	
	2001 HK\$'000		2001 HK\$'000	
The PRC	74,920	33,611	35,549	16,445
Hong Kong	4,996	6,426	2,503	3,207
Europe	54,016	3,610	24,204	3,566
	<u>133,932</u>	<u>43,647</u>	<u>62,256</u>	<u>23,218</u>

## 5. Profit from operations

	(Unaudited) For the six months ended 30th September, 2002		(Unaudited) For the three months ended 30th September, 2002	
	HK\$'000	2001 HK\$'000	HK\$'000	2001 HK\$'000
Profit from operations has been arrived at after charging:				
Auditors remuneration	151	10	75	5
Depreciation	28	21	14	11
Cost of inventories recognized as an expense	84,659	35,983	39,991	19,193
Operating lease charges	265	186	133	93
Staff costs:				
Directors' remuneration	835	252	709	126
Other staff costs	1,153	922	568	470
	<u>1,988</u>	<u>1,174</u>	<u>1,277</u>	<u>596</u>

and after crediting:

Interest income	<u>78</u>	<u>5</u>	<u>77</u>	<u>1</u>
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## 6. Finance costs

	(Unaudited) For the six months ended 30th September, 2002		(Unaudited) For the three months ended 30th September, 2002	
	HK\$'000	2001 HK\$'000	HK\$'000	2001 HK\$'000
Interest charged by ultimate holding company	–	76	–	39
Reimbursement of interest paid by ultimate holding company on behalf of Tungda Electrical & Lighting Limited	161	166	62	92
	<u>161</u>	<u>242</u>	<u>62</u>	<u>131</u>

## 7. Taxation

Taxation charge represents Hong Kong Profits Tax calculated at the rate of 16% (for the six months ended 30th September, 2001: 16%) on the estimated assessable profit arising in Hong Kong. Light Power (Shenzhen) Co., Ltd ("Light Power"), a wholly-owned subsidiary of the Group established in Shenzhen, the PRC, is subject to PRC Enterprise Income Tax at the rate of 15% as it is a foreign invested enterprise established in the special economic zone in the PRC. Pursuant to the relevant laws and regulations in the PRC, Light Power is entitled to a full exemption of PRC Enterprise Income Tax



for a period of two years commencing from the first profitable year, which was commencing on 1st January, 2001, and a 50% reduction of PRC Enterprise Income Tax for the three years thereafter.

	(Unaudited) For the six months ended 30th September, 2002                      2001 HK\$'000                      HK\$'000		(Unaudited) For the three months ended 30th September, 2002                      2001 HK\$'000                      HK\$'000	
Hong Kong Profits Tax	2,845	776	645	348
PRC Enterprise Income Tax	—	—	—	—
	<u>2,845</u>	<u>776</u>	<u>645</u>	<u>348</u>

There is no significant unprovided deferred taxation for the periods.

## 8. Earnings per share

The calculations of the earnings per share is based on the following data:

	(Unaudited) For the six months ended 30th September, 2002                      2001 HK\$'000                      HK\$'000		(Unaudited) For the three months ended 30th September, 2002                      2001 HK\$'000                      HK\$'000	
Net profit for the period and earnings for the purpose of calculation of basic earnings per share	<u>34,871</u>	<u>4,038</u>	<u>12,369</u>	<u>2,234</u>
Weighted average number of shares for the purpose of calculation of basic earnings per share	<u>747,278,689</u>	<u>666,000,000</u>	<u>827,673,913</u>	<u>666,000,000</u>

The calculation of basic earnings per share is based on the assumption that the Group Reorganisation as described in note 1 had been completed on 1st April, 2001.

No diluted earnings per share have been presented as the Company did not have any dilutive potential ordinary shares during the three months and six months ended 30th September, 2002 and 2001.

## 9. Property, plant and equipment

During the six months ended 30th September, 2002, the Group spent approximately HK\$980,000 (six months ended 30th September, 2001: HK\$13,000) for the acquisition of property, plant and equipment.

## 10. Debtors, deposits and prepayments

An aged analysis of the Group's trade debtors included in debtors, deposits and prepayments is as follows:

	(Unaudited) As at 30th September, 2002 HK\$'000	(Audited) As at 31st March, 2002 HK\$'000
Within three months	4,301	2,388
Four to six months	119	257
Seven to twelve months	42	122
More than one year	<u>2</u>	<u>10</u>
	<u>4,464</u>	<u>2,777</u>

The Group allows an average credit period ranging from 7 days to 90 days to its trade customers.

## 11. Creditors and accrued charges

An aged analysis of the Group's trade creditors included in the creditors and accrued charges is as follows:

	(Unaudited) As at 30th September, 2002 HK\$'000	(Audited) As at 31st March, 2002 HK\$'000
Within three months	2,545	2,033
Four to six months	181	26
Seven to twelve months	10	4
More than one year	–	148
	<u>2,736</u>	<u>2,211</u>

## 12. Share capital

	Notes	No. of shares	Amount HK\$'000
Shares of HK\$0.01 each			
<i>Authorised:</i>			
At date of incorporation on 17th December, 2001 and at 31st March, 2002	(a)	39,000,000	390
Increase in authorised share capital on 24th May, 2002	(b)	4,961,000,000	49,610
At 30th September, 2002		<u>5,000,000,000</u>	<u>50,000</u>
<i>Issued and fully paid:</i>			
Issued of shares at date of incorporation on 17th December, 2001 and at 31st March, 2002		1	–
Issue of shares upon Group Reorganisation	(c)	399,999,999	4,000
Issue of shares by capitalisation of the share premium account		266,000,000	2,660
Issue of shares upon private placing on 26th July, 2002	(d)	222,000,000	2,220
As 30th September, 2002		<u>888,000,000</u>	<u>8,880</u>

- (a) At date of incorporation, the authorised share capital of the Company was HK\$390,000 divided into 39,000,000 shares of HK\$0.01 each of which 1 share was allotted and issued as nil-paid and was transferred to Standard Exceed Limited on 19th December, 2001 and credited as fully paid on 19th December, 2001.
- (b) Pursuant to a written resolution dated 24th May, 2002, the authorised share capital of the Company was increased from HK\$390,000 to HK\$50,000,000 by creation of an additional 4,961,000,000 shares of HK\$0.01 each.
- (c) On 8th July, 2002, the Company entered into a sale and purchase agreement with Tungda Industrial Limited ("Tungda Industrial") and Mr. Chu Chien Tung, Mr. Chu Chick Kei (brother of Mr. Chu Chien Tung) and Mr. Chu Siu Chun (father of Mr. Chu Chien Tung), pursuant to which the Company issued 399,999,999 shares credited as fully paid to Tungda Industrial's nominee, which was Standard Exceed Limited, and crediting as fully paid at par the 1 Share issued nil paid by the Company on 19th December, 2001 and held by Standard Exceed Limited as the consideration for acquisition of the companies comprising the Group from Tungda Industrial, details of the Group Reorganisation are set out in the Appendix 4 of the Prospectus.
- (d) On 26th July, 2002, the Company allotted a total of 222,000,000 new shares of HK\$0.01 each at the price of HK\$0.25 per share.

### 13. Capital commitments

At the balance sheet date, the Group had no material outstanding capital commitments.

### 14. Lease commitments

At the balance sheet date, the Group had total future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	(Unaudited) 30th September, 2002 HK\$'000	(Audited) 31st March, 2002 HK\$'000
Within one year	895	214
Within second to fifth years	851	—
	<b>1,746</b>	<b>214</b>

### 15. Related party transactions

During the period, the Group entered into the following transactions with related parties:

	(Unaudited) For the six months ended 30th September, 2002 HK\$'000		(Unaudited) For the three months ended 30th September, 2002 HK\$'000	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Rental paid to Tungda Industrial	54	54	27	27
Interest paid to Tungda Industrial	—	76	—	39
Purchase of finished goods from Tungda Industrial	3,110	35,374	—	18,806
Purchase of materials for production from Tungda Industrial	2,897	425	—	270
Reimbursement of interest paid by Tungda Industrial on behalf of Tungda Electrical & Lighting Limited	161	166	62	92

Tungda Industrial is the ultimate holding company of the Company.

The directors of the Company are of the opinion that the above transactions were carried out in the ordinary course of the Group's business based on normal commercial terms.

## INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30th September, 2002 (six months ended 30th September, 2001: nil).

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Turnover

For the six months ended 30th September, 2002, the Group's turnover was approximately HK\$134 million representing an increase of approximately by 2.1 times from HK\$43.6 million in the same period in 2001. This increase was resulted from the increased demand of PRC market of energy-saving lamp and continuous demand for induction lamps which was launched in November 2001.

## **Gross profit margin**

The gross profit margin for the period ended 30th September, 2002 was 36.8% compared to 17.6% from the same period in 2001. The high gross margin of the Group was attributable to the continuous market response of the Group's induction lamp which was launched in November 2001.

## **Other income**

The major component of other income is interest income which was approximately HK\$78,000 compared to HK\$5,000 for the same period in 2001. The increase represented a higher cash and bank balance in the Group.

## **Selling, general and administrative expenses**

During the period under review, the administrative and selling expenses accounted for the majorities of the operational expenses. The administrative expenses comprised primarily of entertainment, directors' and staff remuneration which increased to approximately HK\$5.1 million due to the employment of additional staff in line with the increased revenue compared to approximately HK\$2.1 million in the corresponding period in the previous year. The selling expenses amounted to approximately HK\$3.7 million as compared to approximately HK\$0.3 million in the corresponding period in the previous year, which were primarily comprised of advertising and business promotion expenses and travelling expenses.

## **Net profit**

As a results of the factors discussed above, the net profit attributable to shareholders for the six months ended 30th September, 2002 increased to approximately HK\$34.9 million from HK\$4 million for the same period in 2001.

## **Liquidity, financial resources and capital structure**

As at 30th September, 2002, the Group's shareholders' funds amounted to approximately HK\$102.5 million. Cash and bank balances was approximately HK\$88.7 million, compared to HK\$0.2 million as at 30th September, 2001. Increases in cash stemmed primarily from HK\$44.2 million net proceeds received from the placing of share of the Company in July 2002 and income generated from sales of induction lamps.

As at 30th September, 2002, the Group and the Company had no bank facilities in place and no bank borrowing outstanding. The Group's gearing ratio, defined as the Group's total borrowings to the shareholders' funds, was zero.

The Board believes that the Group has adequate funds to support its operations and capital expenditures.

There has not been any change to the capital structure of the Group during the relevant period.

## **Material acquisition and disposals**

There were neither significant investment held by the Group nor material acquisitions and disposals of subsidiaries and affiliated companies for the periods ended 30th September, 2002 and 2001.

## **Charges on group assets**

The Group had no charge on its assets as at both 30th September, 2002 and 2001.

## Details of future plans for material investment or capital assets

As at 30th September, 2002, the Group had no future plans for material investments except those capital assets to be purchased in accordance with the details set out in the section headed “Statement of Business Objectives” in the Prospectus.

## Foreign exchange exposure

The Group’s entire present operation is carried out in Hong Kong and the PRC. All its receipts and payments in relation to the operation are denominated in US\$, HK\$ and RMB. In this aspect, the Directors consider there is no currency mismatch in its operational cashflows and the Group is not exposed to any foreign currency exchange risk in its operation.

## Contingent liabilities

The Group had no contingent liabilities as at both 30th September, 2002 and 2001.

## Employee information

As at 30th September, 2002, the Group has 135 full time employees. The Group’s employees were remunerated according to the nature of their duty and market trend, with discretionary bonus and benefit of retirement scheme, share options and necessary training.

## Use of proceeds from the listing

The net proceeds raised from the listing of the Group on the GEM on 26th July, 2002 was approximately HK\$44.2 million.

During the period from 26th July, 2002 to 30th September, 2002, the Group had incurred the following amount to achieve the business objectives as set out in the Prospectus:

		Planned use of proceeds stated in the Prospectus up to 30th September, 2002 HK\$ million	Actual amount used up to 30th September, 2002 HK\$ million
	Notes		
Development and enhancement of new lighting source technologies products and strengthening of research and development collaboration with Fudan University	1	5.7	2.7
Expansion of manufacturing capacity and Capability	2	5.0	1.1
Establishment and expansion of sales and distribution network in the PRC and the oversea market	3	2.0	0.1
Enhancement of brand recognition and public awareness		2.0	2.1
		<u>14.7</u>	<u>6.0</u>

The unused proceeds have been deposited at banks to prepare for future use set out in the business development plan in the Prospectus.

*Notes:*

1. Owing to the re-organisation of Fudan University, the incorporation of the joint venture had been slightly delayed.
2. Owing to the late delivery of some specific plant and machinery.
3. It is due to the delayed incorporation of the Joint Venture with Fudan University in PRC.

**Prospect**

The Board remains positive about its business outlook. Sales of the Group's products is expected to continue growing in the years ahead with the introduction of more new products.

The Board is confident that customers will continuously use induction lamps with long life hours and energy efficiency to replace the traditional lamps due to its shorter life hours and high consumption power.

The Board expects the Group to continue achieve profitable results in the current year.

**BUSINESS OBJECTIVES REVIEW**

An analysis comparing the business objectives as stated in the Prospectus with the Group's actual business progress up to 30th September, 2002 is set out below.

**Business objectives as stated in the Prospectus**

**Actual business progress up to 30th September, 2002**

Development and enhancement of new lighting source technologies products

The Group is working closely with Fudan University in development of new products as planned in the Prospectus.

Strengthening of research and development collaboration with Fudan University

The PRC solicitor is presently processing the incorporation of the Joint Venture of the Company with Fudan University in PRC and expects to complete its set up at the end of this year. The Group had spent research and development expenses of approximately HK\$2.7 million on new products including low-wattage induction lamps, ceramic metal halide lamps and xenon lamps for automobile.

Expansion of manufacturing capacity and capability

The Group had rented additional premises which is used as additional office and production factory. The Group had acquired additional plant and machinery approximately amounted to HK\$0.9 million.

Establishment and expansion of sales and distribution network in the PRC and the oversea market

The Group is currently setting up representative office in Shanghai.

Enhancement of brand recognition and to promote its public awareness

The Group had spent substantial advertising and business promotion expenses of approximately HK\$2.1 million to promote its product.

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES

As at 30th September, 2002, the interests of the directors and chief executive of the Company in the shares of the Company and its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance")), as recorded in the register maintained by the Company pursuant to Section 29 of the SDI Ordinance or as required, pursuant to Rules 5.40 to 5.59 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Name of director	Personal Interests	No. of shares held		Other Interests
		Family Interests	Corporate Interests	
Mr. Chu Chien Tung	—	—	633,000,000	—

*Note:* The shares are registered in the name of Standard Exceed Limited, a wholly-owned subsidiary of Tungda Industrial Limited, which in turn is owned as to 33.3334% by Mr. Chu Chien Tung, as to 33.3333% by Mr. Chu Chick Kei and 33.3333% by Mr. Chu Siu Chun. Under the SDI Ordinance, Tungda Industrial Limited is deemed to be interested in the shares which Standard Exceed Limited has interests and Mr. Chu Chien Tung deemed to be interested in all the shares in which Tungda Industrial Limited is interested as he is entitled to exercise more than one-third of the voting power at general meeting of the Tungda Industrial Limited.

Save as disclosed above, as at 30th September, 2002, none of the directors and chief executive of the Company had any personal, family, corporate or other interests in the shares of the Company or any of its associated corporations as defined in the SDI Ordinance or which required, pursuant to Rules 5.40 to 5.59 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

## DIRECTORS' AND CHIEF EXECUTIVE'S RIGHTS TO ACQUIRE SHARES OR DEBT SECURITIES

As at 30th September, 2002, neither the Company nor any of its subsidiaries was a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debt securities, including debentures of the Company or any of its subsidiaries, and none of the directors and chief executive of the Company or their spouses or children under the age of 18 had any right to subscribe for the securities of the Company, or had exercised any such right.

## SUBSTANTIAL SHAREHOLDERS

Other than the interest disclosed above in respect of the directors and chief executive of the Company or their respective associates, the register of substantial shareholders maintained under the Section 16(1) of the SDI Ordinance showed that as at 30th September, 2002, the Company had the following substantial shareholders' interests, being 10% or more of the Company's issued share capital:

Name	Number of shares	Percentage of shareholding
Standard Exceed Limited ( <i>Note 1</i> )	633,000,000	71.28%
Tungda Industrial Limited ( <i>Note 2</i> )	633,000,000	71.28%
Mr. Chu Chien Tung ( <i>Note 3</i> )	633,000,000	71.28%
Ms. Chan Pik Kam ( <i>Note 4</i> )	633,000,000	71.28%

### Notes:

1. Standard Exceed Limited is wholly and beneficially-owned by Tungda Industrial Limited which in turn is beneficially owned as to 33.3334% by Mr. Chu Chien Tung, as to 33.3333% by Mr. Chu Chick Kei and 33.3333% by Mr. Chu Siu Chun.
2. Tungda Industrial Limited is interested in the entire issued share capital of Standard Exceed Limited and is deemed to be interested in all the shares in which Standard Exceed Limited is interested in under the SDI Ordinance.
3. The shares are registered in the name of Standard Exceed Limited, under the SDI Ordinance, Mr. Chu Chien Tung is deemed to be interested in all the shares which Tungda Industrial Limited has interests as he is entitled to exercise more than one-third of the voting power at general meeting of Tungda Industrial Limited.
4. Ms. Chan Pik Kam is the wife of Mr. Chu Chien Tung. Under the SDI Ordinance, she is deemed to have interest in all the shares in which Mr. Chu Chien Tung is interested.

Save as disclosed above, the Company had not been notified of any other interests being 10% or more of the Company's issued share capital as at 30th September, 2002.

## SHARE OPTION SCHEME

The Company has conditionally adopted the share option scheme. A summary of the principal terms of the share option scheme is set out in paragraph headed "Share Option Scheme" in Appendix 4 to the Prospectus.

As at 30th September, 2002, no option has been granted by the Company pursuant to the Company's share option scheme adopted on 12th July, 2002.

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

The shares of the Company commenced trading on GEM on 26th July, 2002. Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities from 26th July, 2002 to 30th September, 2002.



## **SPONSOR'S INTEREST**

As updated and notified by the Company's sponsor, Core Pacific – Yamaichi Capital Limited (the "Sponsor"), neither of the Sponsor, nor any of its respective directors, employees or associates of the Company (as referred to in Note 3 to Rule 6.35 of the GEM Listing Rules) had any interests in the share capital of the Company as at 30th September, 2002.

Pursuant to the sponsor agreement dated 19th July, 2002 entered into between the Company and the Sponsor, the Sponsor is entitled to receive a fee for acting as the Company's retained sponsor for the period from 26th July, 2002 to 31st March, 2005 or until the sponsor agreement is terminated upon the terms and condition set out therein.

## **COMPETING INTERESTS**

None of the Directors or the management shareholders (as defined in the GEM Listing Rules) of the Company had any interest in a business which competes or may compete with the business of the Group or any other conflicts of interest which any such person has or may have with the Group.

## **AUDIT COMMITTEE**

The Company established an audit committee on 8th July, 2002 with written terms of reference in compliance with rules 5.23, 5.24 and 5.25 of the GEM Listing Rules. The audit committee currently comprises two independent non-executive Directors, namely Miss Chow Sau Fong, Fiona and Mr. Liu Juh, James, and an executive Director, Mr. Chu Chien Tung. The Group's unaudited interim results for the six months ended 30th September, 2002 have been reviewed by the audit committee, who was of the opinion that such results complied with the applicable accounting standards, the Stock Exchange and legal requirements, and that adequate disclosures had been made.

## **COMPLIANCE WITH RULES 5.28 TO 5.39 OF THE GEM LISTING RULES**

The Company has complied with the board practices and procedures as set out in Rules 5.28 to 5.39 of the GEM Listing rules during the period.

By Order of the Board  
**Chu Chien Tung**  
*Chairman*

Hong Kong, 13th November, 2002