



**Excel**

TECHNOLOGY

Excel Technology International Holdings Limited  
(Incorporated in Bermuda with limited liability)

**Interim Report 2003**

## **Characteristics of The Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (the “Exchange”)**

**GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.**

**Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.**

**The principal means of information dissemination on GEM is publication on the Internet website operated by the Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.**

*The Exchange takes no responsibility for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss however arising from or in reliance upon the whole or any part of the contents of this report.*

*This report, for which the directors (the “Directors”) of Excel Technology International Holdings Limited (the “Company”) collectively and individually accept full 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 (“GEM Listing Rules”) for the purpose of giving information with regard to the Company. 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

- For the six months ended 30 June 2003, turnover amounted to HK\$96,218,000, representing a growth of 27% when compared with the same period of 2002.
- China originated business achieved a significant growth of 223% to HK\$54,631,000, which was 56% of the Group's total turnover for the six months ended 30 June 2003.
- Hong Kong recorded a drop of 31% in turnover to HK\$40,110,000 reflecting the territory's poor economic environment and weak demand for IT products.
- The Group incurred a loss from operations of HK\$14,223,000 for the first half of 2003.
- Loss attributable to shareholders was narrowed by 9% to HK\$14,314,000 for the six months ended 30 June 2003.
- Loss attributable to shareholders for the second quarter of 2003 was HK\$6,214,000, an improvement of 23% over the first quarter of 2003.
- Loss per share was 1.45 cents for the six months ended 30 June 2003.

## INTERIM RESULTS ENDED 30 JUNE 2003

The Directors of the Company are pleased to present the condensed unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the three months and six months ended 30 June 2003, together with the comparative figures for the corresponding periods in 2002, as follows:

### CONDENSED CONSOLIDATED INCOME STATEMENTS

FOR THE THREE AND SIX MONTHS ENDED 30 JUNE 2003

		(Unaudited) Three months ended 30 June		(Unaudited) Six months ended 30 June	
	NOTES	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Turnover	3	36,234	46,648	96,218	75,788
Other operating income	5	221	409	906	358
Cost of sale of computer software and hardware		(11,651)	(19,774)	(49,961)	(25,761)
Cost of services rendered		(3,240)	(1,071)	(6,156)	(1,914)
Staff costs		(17,518)	(20,476)	(35,096)	(40,148)
Depreciation of property, plant and equipment		(2,207)	(2,326)	(4,345)	(4,716)
Other operating expenses		(5,957)	(6,689)	(13,007)	(12,716)
Amortisation of goodwill		(274)	(644)	(548)	(1,278)
Amortisation of development costs		(1,137)	(1,807)	(2,234)	(3,360)
Loss from operations		(5,529)	(5,730)	(14,223)	(13,747)
Finance costs		(96)	(1,326)	(278)	(3,095)
Share of results of associates		120	859	389	1,456
Loss before taxation		(5,505)	(6,197)	(14,112)	(15,386)
Taxation	6	126	(256)	71	(354)
Loss before minority interests		(5,379)	(6,453)	(14,041)	(15,740)
Minority interests		(835)	243	(273)	(21)
Loss attributable to shareholders		(6,214)	(6,210)	(14,314)	(15,761)
Loss per share - basic	8	(0.63) cents	(0.63) cents	(1.45) cents	(1.60) cents

**CONDENSED CONSOLIDATED BALANCE SHEET**

AT 30 JUNE 2003

	NOTES	(Unaudited) 30 June 2003 HK\$'000	(Audited) 31 December 2002 HK\$'000
Non-current assets			
Property, plant and equipment	9	18,555	22,708
Interests in associates		24,771	24,450
Goodwill		6,946	7,494
Development costs	10	6,043	5,094
Investment securities		6,243	3,903
		<u>62,558</u>	<u>63,649</u>
Current assets			
Inventories		23,724	23,090
Work in progress		13,856	17,184
Trade receivables	11	23,218	49,896
Bills receivable		—	19,520
Other receivables, deposits and prepayments		10,690	7,961
Investments in securities		3,588	3,057
Taxation recoverable		345	345
Pledged bank deposits		9,360	8,000
Bank balances and cash		29,835	24,514
		<u>114,616</u>	<u>153,567</u>
Current liabilities			
Trade payables	12	7,309	25,203
Bills payable		—	1,873
Other payables and accrued charges		15,820	16,031
Deferred income		9,692	15,785
Bank loans		5,828	5,828
		<u>38,649</u>	<u>64,720</u>
Net current assets		<u>75,967</u>	<u>88,847</u>
Total assets less current liabilities		138,525	152,496
Minority interests		3,534	3,191
Net assets		<u>134,991</u>	<u>149,305</u>
Capital and reserves			
Share capital	13	98,505	98,505
Reserves		36,486	50,800
		<u>134,991</u>	<u>149,305</u>

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY***FOR THE SIX MONTHS ENDED 30 JUNE 2003*

	<b>Share capital</b> <i>HK\$'000</i>	<b>Share premium</b> <i>HK\$'000</i>	<b>Accumulated losses</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
At 1 January 2002	98,505	179,650	(60,029)	218,126
Net loss for the year	—	—	(68,821)	(68,821)
At 31 December 2002	98,505	179,650	(128,850)	149,305
Net loss for the period	—	—	(14,314)	(14,314)
At 30 June 2003	<u>98,505</u>	<u>179,650</u>	<u>(143,164)</u>	<u>134,991</u>
At 1 January 2002	98,505	179,650	(60,029)	218,126
Net loss for the period	—	—	(15,761)	(15,761)
At 30 June 2002	<u>98,505</u>	<u>179,650</u>	<u>(75,790)</u>	<u>202,365</u>

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT***FOR THE SIX MONTHS ENDED 30 JUNE 2003*

	<b>(Unaudited)</b>	
	<b>Six months ended</b>	
	<b>30 June</b>	
	<b>2003</b>	2002
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Net cash from (used in) operating activities	<b>12,709</b>	(23,994)
Net cash used in investing activities	<b>(7,110)</b>	(5,247)
Net cash (used in) from financing activities	<b>(278)</b>	2,192
Net increase (decrease) in cash and cash equivalents	<b>5,321</b>	(27,049)
Cash and cash equivalents at beginning of the period	<b>24,514</b>	65,937
Cash and cash equivalents at end of the period, representing bank balances and cash	<b>29,835</b>	38,888

## **NOTES TO THE CONDENSED FINANCIAL STATEMENTS**

*FOR THE SIX MONTHS ENDED 30 JUNE 2003*

### **1. BASIS OF PREPARATION**

The condensed financial statements have been prepared in accordance with the applicable disclosure requirements of Chapter 18 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited and the Statement of Standard Accounting Practice No. 25 “Interim financial reporting” issued by the Hong Kong Society of Accountants.

### **2. PRINCIPAL ACCOUNTING POLICIES**

The condensed financial statements have been prepared under the historical cost convention, as modified for the valuation of certain investments in securities.

In the current period, the Group has adopted, for the first time, the Statement of Standard Accounting Practice No. 12 (Revised) “Income taxes” (“SSAP 12 (Revised)”) issued by the Hong Kong Society of Accountants. SSAP 12 (Revised) has introduced a new basis of accounting for income taxes (including both current tax and deferred tax). The adoption of SSAP 12 (Revised) has had no significant effect on the results for the current or prior accounting periods.

Other than as described above, the accounting policies adopted in the preparation of the condensed financial statements are consistent with those followed in the preparation of the Group’s annual audited financial statements for the year ended 31 December 2002.



### 3. TURNOVER

An analysis of the Group's turnover by principal activities is as follows:

	Three months ended		Six months ended	
	30 June		30 June	
	2003	2002	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Sale of enterprise software products and custom development	<b>18,243</b>	17,829	<b>30,521</b>	28,718
Complementary hardware and software resale	<b>12,337</b>	21,560	<b>54,608</b>	28,382
Maintenance services	<b>2,137</b>	2,770	<b>4,692</b>	4,798
Consulting and systems integration services	<b>2,126</b>	2,979	<b>3,860</b>	11,300
Revenue from ASP business	<b>1,391</b>	1,510	<b>2,537</b>	2,590
	<b>36,234</b>	46,648	<b>96,218</b>	75,788

#### 4. SEGMENT INFORMATION

##### *Geographical segments*

Information relating to geographical segments based on the location of the provision of development of computer software, systems integrations, and maintenance and related services rendered to customers is chosen as the primary segment reporting format because this is considered by management to be more relevant to the Group in making operating and financial decisions. The Group's businesses can be subdivided into Hong Kong, other regions in the People's Republic of China (the "PRC") and other markets.

	Hong Kong		PRC		Others		Consolidated	
	Six months ended 30 June		Six months ended 30 June		Six months ended 30 June		Six months ended 30 June	
	2003	2002	2003	2002	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	<u>40,110</u>	<u>58,216</u>	<u>54,631</u>	<u>16,932</u>	<u>1,477</u>	<u>640</u>	<u>96,218</u>	<u>75,788</u>
Segment result	(10,292)	(9,122)	(2,786)	(2,949)	(1,145)	(1,676)	(14,223)	(13,747)
Finance costs	(4)	(2,916)	(274)	(164)	—	(15)	(278)	(3,095)
Share of results of associates	—	—	389	1,456	—	—	389	1,456
Loss before taxation	<u>(10,296)</u>	<u>(12,038)</u>	<u>(2,671)</u>	<u>(1,657)</u>	<u>(1,145)</u>	<u>(1,691)</u>	<u>(14,112)</u>	<u>(15,386)</u>
Taxation	—	—	71	(354)	—	—	71	(354)
Loss before minority interests	<u>(10,296)</u>	<u>(12,038)</u>	<u>(2,600)</u>	<u>(2,011)</u>	<u>(1,145)</u>	<u>(1,691)</u>	<u>(14,041)</u>	<u>(15,740)</u>
Minority interests	—	—	(273)	(21)	—	—	(273)	(21)
Loss attributable to shareholders	<u>(10,296)</u>	<u>(12,038)</u>	<u>(2,873)</u>	<u>(2,032)</u>	<u>(1,145)</u>	<u>(1,691)</u>	<u>(14,314)</u>	<u>(15,761)</u>

Certain comparative figures have been re-classified to conform with current period's presentation.

##### *Business segments*

An analysis of the Group's turnover by business segments is as follows:

	Six months ended 30 June	
	2003	2002
	HK\$'000	HK\$'000
Enterprise software development		
and distribution	89,821	61,898
IT consulting and e-Business solution	3,860	11,300
ASP services	<u>2,537</u>	<u>2,590</u>
	<u>96,218</u>	<u>75,788</u>

## 5. OTHER OPERATING INCOME

	Three months ended 30 June		Six months ended 30 June	
	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Included in other operating income is net investment income (loss) as follows:				
Interest income	37	376	89	796
Dividend income from investments in securities	53	24	53	24
Realised loss on investments in securities	—	—	—	(23)
Unrealised gain (loss) on investments in securities	105	(95)	531	(591)

## 6. TAXATION

	Three months ended 30 June		Six months ended 30 June	
	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
The (credit) charge comprises:				
Taxation in other jurisdictions				
Current year	—	112	—	126
Overprovision in prior years	(151)	—	(139)	—
Taxation attributable to the Company and its subsidiaries	(151)	112	(139)	126
Share of taxation attributable to associates	25	144	68	228
	(126)	256	(71)	354

No provision for Hong Kong Profits Tax has been made in the financial statements as the Company and its subsidiaries had no assessable profit for the respective periods.

Taxation in other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

## 7. INTERIM DIVIDEND

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2003 (six months ended 30 June 2002: nil).

## 8. LOSS PER SHARE

The calculation of the basic loss per share is based on the following data:

	Three months ended 30 June		Six months ended 30 June	
	2003	2002	2003	2002
Loss attributable to shareholders	<u><b>HK\$6,214,000</b></u>	<u>HK\$6,210,000</u>	<u><b>HK\$14,314,000</b></u>	<u>HK\$15,761,000</u>
Number of shares for the purposes of calculating basic loss per share	<u><b>985,050,000</b></u>	<u>985,050,000</u>	<u><b>985,050,000</b></u>	<u>985,050,000</u>

No diluted loss per share for the respective periods has been presented as the exercise price of the options was higher than the average market price per share. Thus no exercise of the Company's outstanding options is assumed.

## 9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2003, the Group spent HK\$424,000 (six months ended 30 June 2002: HK\$1,807,000) on acquisition of property, plant and equipment.

## 10. DEVELOPMENT COSTS

During the six months ended 30 June 2003, the Group incurred development costs of HK\$3,183,000 (six months ended 30 June 2002: HK\$3,103,000).

**11. TRADE RECEIVABLES**

Trade receivables are due within 30 days from the date of billing. Debtors with balances, that are more than 3 months overdue, are requested to settle all outstanding balances before any further credit is granted.

The following is an aged analysis of the Group's trade receivables at the reporting date:

	<b>30 June 2003 HK\$'000</b>	<b>31 December 2002 HK\$'000</b>
Current	<b>14,363</b>	34,593
Overdue for 1 to 3 months	<b>4,557</b>	12,049
Overdue more than 3 months but less than 12 months	<b>4,298</b>	3,254
	<b><u>23,218</u></b>	<b><u>49,896</u></b>

**12. TRADE PAYABLES**

The following is an aged analysis of the Group's trade payables at the reporting date:

	<b>30 June 2003 HK\$'000</b>	<b>31 December 2002 HK\$'000</b>
Due within 1 month	<b><u>7,309</u></b>	<b><u>25,203</u></b>

**13. SHARE CAPITAL**

	<b>30 June 2003 &amp; 31 December 2002</b>	
	<b>Number of shares</b>	<b>Amount HK\$'000</b>
Authorised:		
Shares of HK\$0.10 each	<b><u>5,000,000,000</u></b>	<b><u>500,000</u></b>
Issued and fully paid:		
Shares of HK\$0.10 each	<b><u>985,050,000</u></b>	<b><u>98,505</u></b>

#### 14. RELATED PARTY TRANSACTIONS

During the period, the Group had the following significant transactions with related parties:

	Six months ended 30 June	
	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Purchases of hardware from a minority shareholder	<b>14,866</b>	—
Rental income from a related company	<b>192</b>	200
Management fee income from a related company	<b>90</b>	162
Design fee paid to a related company	<b>96</b>	—

Ms. Zee Chan Mei Chu, Peggy, a director of the Company, has beneficial interests in the related company.

The purchase transactions were carried out at market price.

The rental income is calculated based on the percentage of floor space occupied by the related company.

The management fee income is calculated with reference to the estimated staff costs and overheads incurred by the Group.

The design fee is calculated based on an agreement entered into between the related company and the Group on 1 June 2002.

#### 15. COMMITMENTS

At 30 June 2003, the Group was committed to invest HK\$1,560,000 (31 December 2002: HK\$3,900,000) in respect of the investment securities.

## CHAIRMAN'S STATEMENT

I am delighted to report that the total turnover of the Group for the six-month period ended 30 June 2003 increased by 27% to HK\$96,218,000 and over 56% of the total turnover was contributed by the China operation. It reflects that the Group's China strategy continues to reap result.

Since the Group embarked on localizing its software products for the Mainland China market two years ago, our work has almost been completed by now and our Chinese customers start to gain the benefits of using our systems to improve business efficiency and productivity.

For instance, the Group had installed the Retail Loans Processing & Management System ("LOANS") for a commercial bank in the Mainland China. Since then, this customer has witnessed a visible and significant increase in mortgage loan business. The improved efficiency with LOANS enables the bank to complete their loan processing within 24 hours from origination to fund transfer to its banking customers, an achievement much ahead of its competitors. LOANS has been in use by Hong Kong banks and is proven to be an important contributor to enhance business productivity. Such experience and rich features can now be enjoyed by the Mainland Chinese banks. Excel has successfully introduced the best practices in loan management through the use of technology from Hong Kong to Mainland China. Projects of such nature had given the Group significant branding within the Mainland China financial community. The Group will continue to build this bridge to create technology transformation in banks and financial institutions in Mainland China to cope with the increasingly competitive local market.

The new China Integrated Securities Trading & Settlement System (“InterTrade”) (centralized stock trading system) is expected to go live in the third quarter of 2003. This new product is built on a unique technology platform designed for processing high volume real time transactions. Again, we expect this new system will become the customer’s leading competitive edge in China’s securities industry for centralized trading. The China InterTrade is a combined effort of the teams in Hong Kong and Shenzhen. The Group will continue to transfer its know-how and technology to our Mainland China offices.

We anticipate more consolidation plays in the Hong Kong’s banking sector and thus will delay individual IT project decisions but create opportunities for system consolidation. With Closer Economic Partnership Agreement (“CEPA”), we also expect more and more Hong Kong banks will look to do business in China or participate in RMB business. The Group will focus on major projects that pilot financial technology innovation and can enhance the Group’s branding and product competitiveness. The development of Modular Banking-Treasury System (“MBS”), a modular banking and treasury management system, is nearing completion with the first live installation.

The Group remains cautious of the market outlook in SE Asia. Even though Singapore recorded healthy growth in software revenue with a major Singaporean bank, several sizable projects had taken longer to nurture. But we anticipate positive results to mature soon.

In this tough market, the Group made a loss of HK\$14,314,000 for the 6 months’ period ended 30 June 2003, a slight improvement of 9% comparing with the same period of 2002. The loss of the second quarter 2003 was HK\$6,214,000, a satisfactory improvement of 23% over the first quarter 2003.

The Group remains focused as a financial technology provider, priding as a value-added partner who not only deliver leading and cost-efficient technologies in the financial industry, but also helping the customers to achieve significant business efficiency and productivity through our systems. The path to success lies in the industry know-how accumulated over a number of years and the advantage of the maturity and sophistication of the Hong Kong financial industry.



## MANAGEMENT DISCUSSION AND ANALYSIS

### Financial Performance

For the six-month period ended 30 June 2003, the Group recorded an increase of 27% in turnover to HK\$96,218,000 (2002 : HK\$75,788,000). The increase continued to be fueled by the Mainland China operation. Excel China contributed HK\$54,631,000 (2002 : HK\$16,932,000) in turnover, representing a growth of 223%. The sales in Mainland China during this six-month period has already taken over Excel's Hong Kong operation by contributing more than 56% (2002 : 22%) to the Group's total turnover.

Excel Hong Kong, recorded a drop of 31% in turnover to HK\$40,110,000 (2002 : HK\$58,216,000). This is a direct reflection of the poor economic environment in the territory and the cautious attitude with the Hong Kong banking and financial institutions towards IT spending.

Excel Singapore recorded a growth of 130% in turnover to HK\$1,477,000 comparing with the same period of last year (2002: HK\$640,000) and constituted 1.5% of the total turnover.

The Group's ASP business is stabilized at the current level with the human resources management service (called "EZ-Pay" and "EZ-Pay Online") having recruited more than 5,000 paid subscribers in Hong Kong.

The Group made an operating loss of HK\$7,096,000 (2002 : loss of HK\$4,393,000) before depreciation and amortization charges. Loss attributable to shareholders for the six months ended 30 June 2003 was narrowed to HK\$14,314,000 (2002: HK\$15,761,000), at an improvement of 9%. Management will continue to implement measures to improve the results.

## **Operations**

Staff cost dropped by 13% while other operating expenses increased slightly by 2%. The increase in other operating expenses was mainly the result of expansion of the operations in Mainland China.

## **Liquidity and Financial Resources**

The Group has an outstanding capital commitment to a private equity investment fund for US\$200,000 as of 30 June 2003. This commitment will be fulfilled in the third quarter of 2003. Apart from that, the Group has no other capital commitment outstanding.

The Group has maintained a bank borrowing of HK\$5,828,000 for funding the working capital needs of the operations in Mainland China.

Trade receivables and bills receivable were significantly reduced to HK\$23,218,000 and zero respectively (31 December 2002: HK\$49,896,000 and HK\$19,520,000).

As of 30 June 2003, the Group had cash and cash equivalents amounted to HK\$29,835,000 plus holding in marketable securities of HK\$3,588,000.

## **Capital Structure**

As at 30 June 2003 the Group's outstanding issued shares were 985,050,000. There has not been any change to the capital structure of the Company during the reporting period.

## **New Product & Services**

The Shenzhen ASP service for electronic submission of customs declaration was affected by SARS as marketing activities came to a complete standstill during the second quarter of 2003. The marketing activities have just been revived in July 2003 but progress remained slow. The first batch of ASP customers will be using the ASP service starting from September 2003.

The China InterTrade is expected to go live in the third quarter in Shenzhen. The MBS has been in production use by the customer in Hong Kong since July 2003.

Localization of the LOANS product for China was completed and the first installation for a major Chinese commercial bank was a success. The customer has experienced a surge in loan mortgage applications after the implementation of the LOANS. The system enabled the customer to process loan applications at a record speed of 24 hours, which is hitherto unsurpassed by other Chinese banks.

## **Segmental Performances**

Hong Kong's turnover was HK\$40,110,000 with operating loss of HK\$10,296,000.

The PRC operation recorded a total turnover was HK\$54,631,000 with operating loss of HK\$2,873,000.

Singapore recorded a turnover of HK\$1,477,000 with operating loss of HK\$1,145,000.

## **Employees**

During the period, the Group continues to transfer software development skills from HK to Mainland China as the Group had established more customers in the north. Over 50% of our staff are now based or mainly providing services in Mainland China.

## **Exposure to Foreign Exchange Risk**

The Group received renminbi income from sales in Mainland China. The renminbi income was fully applied to working capital need in Mainland China.

## **Outlook for the Second Half of 2003**

The Group will continue to invest resources into the Mainland China market while at the same time closely monitor its strategy in Hong Kong and SE Asia. Nonetheless, the Group remains committed to Hong Kong as the cradle for nurturing best practices in banking technology applications. We believe in the long term our investment in transferring banking technology into Mainland China will give our shareholders a reasonable return.

## **DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES**

As at 30 June 2003, the interests or short positions of the Directors and the chief executives of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they have taken or deemed to have taken under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, or which were required, pursuant to Rules 5.40 to 5.58 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:—

**I. Long positions in the shares of the Company**

Name of Director	Number of ordinary shares held			
	Personal	Family	Corporate	Other
Zee Chan Mei Chu, Peggy	1,538,000	—	563,679,197 *	—
Fung Din Chung, Rickie	24,559,498	—	—	—
Leung Lucy, Michele	—	—	24,559,498 #	—
Wen Pei Sung, Dennis	2,328,847	—	—	—
Ip Kim Kuen	2,403,400	—	—	—
Wong Mee Chun	40,000	382,000	—	—

\* These shares were held by Passion Investment (BVI) Limited, a company incorporated in the British Virgin Islands and is wholly-owned by Zee Chan Mei Chu, Peggy.

# These shares were held by Mossell Green Limited, a company incorporated in the British Virgin Islands and is wholly-owned by Leung Lucy, Michele.

**II. Long positions in underlying shares of equity derivatives of the Company**

Pursuant to the share option scheme for employees which was adopted on 16 June 2000 and amended on 18 April 2001 (the “Old Scheme”), the Directors may at their discretion grant options to full-time employees and executive directors of the Group to subscribe for ordinary shares in the Company subject to the terms and conditions stipulated in the Old Scheme. The maximum number of ordinary shares in respect of which options may be granted under the Old Scheme shall not exceed 30% of the issued share capital of the Company from time to time. At the special general meeting of the Company held on 23 April 2002, a new share option scheme (“New Scheme”) was adopted and approved in substitution for the Old Scheme. Upon adoption of the New Scheme, no further options will be granted under the Old Scheme but in all other respects, the provisions of the Old Scheme shall remain in force and all options granted prior thereto shall continue to be valid and exercisable in accordance with the provisions of the Old Scheme.

The following directors were granted share options under the Old Scheme for nominal consideration to subscribe for shares in the Company, details of which are as follows:

Name of Directors	Number of options granted on 1 September 2000 at exercise price of HK\$0.90 per share	Balance of options as at 30 June 2003
Fung Din Chung, Rickie	8,000,000	8,000,000
Leung Lucy, Michele	8,000,000	8,000,000
Ip Kim Kuen	8,000,000	8,000,000

The options at the exercise price of HK\$0.90 per share with the option period from 1 September 2000 to 31 August 2005 (both dates inclusive) are subject to the following vesting period:—

- (i) 20% of the options commencing on 1 March 2001;
- (ii) 20% of the options commencing on 1 September 2001;
- (iii) 15% of the options commencing on 1 March 2002;
- (iv) 15% of the options commencing on 1 September 2002;
- (v) 15% of the options commencing on 1 March 2003; and
- (vi) the remaining 15% of the options commencing on 1 September 2003.

Save as disclosed above and other than certain nominee shares in subsidiaries held by a director in trust for the Group, as at 30 June 2003, none of the directors or chief executive or their respective spouses or children under 18 years of age had any right to subscribe for the shares of the Company or its associated corporations.

### III. Short positions in the shares and underlying shares of equity derivatives of the Company

Save as disclosed herein above, as at 30 June 2003, none of the Directors has short positions in shares or underlying share of equity derivatives of the Company.

## SUBSTANTIAL SHAREHOLDERS

So far as is known to any Director or chief executive of the Company, as at 30 June 2003, persons who have an interest or a short position in the shares or underlying shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO or be interested in, directly or indirectly, 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any member of the Group were as follows:—

### I. Long position in the shares of the Company

Name of shareholders	No. of shares held	Percentage of total issued shares
Ms. Zee Chan Mei Chu, Peggy ( <i>Note 1</i> )	565,217,197	57.38%
Passion Investment (BVI) Limited ( <i>Note 1</i> )	563,679,197	57.22%
Cheung Kong (Holdings) Limited ( <i>Note 2</i> )	143,233,151	14.54%
Li Ka-Shing Unity Trustee Company Limited ( <i>Note 2</i> ) (as trustee of The Li Ka-Shing Unity Trust)	143,233,151	14.54%
Li Ka-Shing Unity Trustcorp Limited ( <i>Note 2</i> ) (as trustee of another discretionary trust)	143,233,151	14.54%
Li Ka-Shing Unity Trustee Corporation Limited ( <i>Note 2</i> ) (as trustee of The Li Ka-Shing Unity Discretionary Trust)	143,233,151	14.54%
Mr. Li Ka-shing ( <i>Note 2</i> )	143,233,151	14.54%
Alps Mountain Agent Limited	71,969,151	7.31%
iBusiness Corporation Limited	67,264,000	6.83%

*Notes:*

1. These shares have been disclosed as the corporate interest of the director in the paragraph "Directors' and chief executive's interests in securities".
2. Mr. Li Ka-shing is the settlor of each of The Li Ka-Shing Unity Discretionary Trust ("DT1") and another discretionary trust ("DT2"). Each of Li Ka-Shing Unity Trustee Corporation Limited ("TDT1", which is the trustee of DT1) and Li Ka-Shing Unity Trustcorp Limited ("TDT2", which is the trustee of DT2) holds units in The Li Ka-Shing Unity Trust ("UT1") but is not entitled to any interest or share in any particular property comprising the trust assets of the said unit trust. The discretionary beneficiaries of each of DT1 and DT2 are, inter alia, Mr. Li Tzar Kuoi, Victor, his wife and children and Mr. Li Tzar Kai, Richard. Li Ka-Shing Unity Trustee Company Limited ("TUT1") as trustee of UT1 together with certain companies which TUT1 as trustee of UT1 is entitled to exercise or control the exercise of one-third or more of the voting power at their general meetings hold more than one-third of the issued share capital of Cheung Kong (Holdings) Limited ("CKH").

The entire issued share capital of each of TUT1, TDT1 and TDT2 are owned by Li Ka-Shing Unity Holdings Limited ("Unity Holdco"). Each of Mr. Li Ka-shing, Mr. Li Tzar Kuoi, Victor and Mr. Li Tzar Kai, Richard is interested in one-third of the entire issued share capital of Unity Holdco. TUT1 is only interested in the shares of CKH by reason only of its obligation and power to hold interests in those shares in its ordinary course of business as trustee and, when performing its functions as trustee, exercises its power to hold interests in the shares of CKH independently without any reference to Unity Holdco or any of Mr. Li Ka-shing, Mr. Li Tzar Kuoi, Victor and Mr. Li Tzar Kai, Richard as a holder of the shares of Unity Holdco as aforesaid.

Mr. Li Ka-shing may be regarded as a founder of each of DT1 and DT2 for the purpose of the Securities and Futures Ordinance.

Other than disclosed above, the Company has not been notified of any long position in the shares or underlying shares of equity derivatives representing 5% or more of the Company's issued share capital as at 30 June 2003.



## **II. Short positions in shares and underlying shares of equity derivatives of the Company**

So far as the Directors are aware, saved as disclosed herein, no persons have short positions in the shares or underlying shares of equity derivatives of the Company.

## **BOARD PRACTICES AND PROCEDURES**

During the six months ended 30 June 2003, the Company was compliance with Board Practices and Procedures as set out in Rules 5.28 to 5.39 of the GEM Listing Rules.

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

During the six months period under review, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

By Order of the Board  
**Zee Chan Mei Chu, Peggy**  
*Chairman*

Hong Kong, 11 August 2003