



Orient Power Holdings Limited

(Incorporated in Bermuda with limited liability)

Interim Report 2003

ORITRON

INTERIM RESULTS

The board of directors (the “Board”) of Orient Power Holdings Limited (the “Company”) is pleased to announce the unaudited interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2003 (the “Period”), together with comparative figures for the corresponding period of 2002.

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

		For the six months ended 30 June	
	Notes	2003 (Unaudited) HK\$'000	Restated 2002 (Unaudited) HK\$'000
Turnover	2	1,893,562	1,872,632
Cost of sales		<u>(1,743,421)</u>	<u>(1,746,526)</u>
Gross profit		150,141	126,106
Other revenue	3	4,613	14,788
Selling and distribution costs		(40,212)	(39,341)
Administrative expenses		(65,039)	(66,335)
Other operating expenses		<u>(9,145)</u>	<u>(6,958)</u>
PROFIT FROM OPERATING ACTIVITIES	4	40,358	28,260
Finance costs	5	(10,203)	(10,508)
Share of profits of:			
Jointly-controlled entities		528	444
Associates		<u>3,997</u>	<u>3,702</u>
PROFIT BEFORE TAX		34,680	21,898
Tax	6	<u>(3,410)</u>	<u>(1,585)</u>
PROFIT BEFORE MINORITY INTERESTS		31,270	20,313
Minority interests		<u>634</u>	<u>506</u>
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		<u>31,904</u>	<u>20,819</u>
Proposed interim dividend	7	<u>4,448</u>	<u>2,224</u>
EARNINGS PER SHARE – HK cents	8		
Basic		<u>7.2</u>	<u>4.7</u>
Diluted		<u>N/A</u>	<u>N/A</u>

CONDENSED CONSOLIDATED BALANCE SHEET

		Restated 30 June 2002 (Unaudited) HK\$'000	Restated 31 December 2002 (Audited) HK\$'000
	Notes	30 June 2003 (Unaudited) HK\$'000	31 December 2002 (Audited) HK\$'000
NON-CURRENT ASSETS			
Fixed assets		287,915	284,175
Deferred product development costs		56,887	57,459
Interests in jointly-controlled entities		76,967	46,376
Interests in associates		46,370	42,801
Long term investment		–	–
Long term trade receivables		–	–
Long term deposits		33,937	23,986
Deferred tax assets		1,681	1,446
		503,757	456,243
CURRENT ASSETS			
Inventories		664,585	468,505
Bills receivable		–	340
Trade receivables	9	423,453	385,577
Prepayments, deposits and other receivables		29,907	34,758
Due from a minority shareholder of a subsidiary		–	1,308
Cash and cash equivalents		232,558	274,778
		1,350,503	1,165,266
CURRENT LIABILITIES			
Amount due to jointly-controlled entities		37,845	147,344
Trade payables	10	667,418	477,990
Other payables and accruals		80,854	69,724
Provisions for sales returns and warranty costs		16,198	13,274
Current tax liabilities		18,464	14,332
Declared dividend		8,896	–
Bank loans and other borrowings	11	261,953	71,394
Finance lease and hire purchase contract payables	12	2,590	3,235
		1,094,218	797,293
NET CURRENT ASSETS		256,285	367,973

CONDENSED CONSOLIDATED BALANCE SHEET (continued)

		Restated 30 June 2002 (Unaudited) HK\$'000	Restated 31 December 2002 (Audited) HK\$'000
TOTAL ASSETS LESS CURRENT LIABILITIES		760,042	617,197
NON-CURRENT LIABILITIES			
Bank loans and other borrowings	11	(157,143)	(71,428)
Finance lease and hire purchase contract payables	12	(24)	(2,615)
Deferred tax liabilities		(12,381)	(13,030)
		(169,548)	(83,695)
MINORITY INTERESTS		(545)	(1,178)
		589,949	528,980
CAPITAL AND RESERVES			
Issued capital		44,481	44,027
Reserves		541,020	482,729
Proposed dividend		4,448	2,224
		589,949	528,980

CONSOLIDATED CASH FLOW STATEMENT

	For the six months ended 30 June	
	2003 (Unaudited) HK\$'000	Restated 2002 (Unaudited) HK\$'000
Net cash outflow from operating activities	(43,150)	(28,688)
Net cash outflow from investing activities	(92,063)	(74,108)
Net cash inflow from financing activities	77,007	100,771
Net decrease in cash and cash equivalents	(58,206)	(2,025)
Cash and cash equivalents at beginning of period	272,374	218,318
Cash and cash equivalents at end of period	214,168	216,293

Analysis of balances of cash and cash equivalents

Cash and bank balances	220,858	207,193
Non-pledged time deposits with original maturity of less than three months when acquired	11,700	10,358
Bank overdrafts	(18,390)	(1,258)
	214,168	216,293

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Issued share capital (Unaudited) HK\$'000	Share premium account (Unaudited) HK\$'000	Property revaluation reserve (Unaudited) HK\$'000	Capital reserve/ (goodwill) on consolidation (Unaudited) HK\$'000	Exchange equalisation reserve (Unaudited) HK\$'000	Retained profits (Unaudited) HK\$'000	Proposed dividend (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
At 1 January 2003	44,481	159,058	2,899	(24,675)	(300)	374,322	8,896	564,681
Prior year adjustment in respect of deferred taxation (note 1)	-	-	-	-	-	1,446	-	1,446
Exchange realignment	-	-	-	-	814	-	-	814
Final 2002 dividend declared	-	-	-	-	-	-	(8,896)	(8,896)
Interim 2003 dividend proposed	-	-	-	-	-	(4,448)	4,448	-
Net profit for the period	-	-	-	-	-	31,904	-	31,904
At 30 June 2003	44,481	159,058	2,899	(24,675)	514	403,224	4,448	589,949
At 1 January 2002	44,085	157,818	3,360	(31,892)	270	330,119	6,613	510,373
Prior year adjustment in respect of deferred taxation (note 1)	-	-	-	-	-	5,002	-	5,002
Repurchase of shares	(58)	-	-	-	-	-	-	(58)
Premium paid on repurchase of shares	-	(122)	-	-	-	-	-	(122)
Exchange realignment	-	-	-	-	(421)	-	-	(421)
Final 2001 dividend declared	-	-	-	-	-	-	(6,613)	(6,613)
Interim 2002 dividend proposed	-	-	-	-	-	(2,224)	2,224	-
Net profit for the period after deferred taxation adjustment (note 1)	-	-	-	-	-	20,819	-	20,819
At 30 June 2002	44,027	157,696	3,360	(31,892)	(151)	353,716	2,224	528,980

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. PRINCIPAL ACCOUNTING POLICIES AND BASIS OF PREPARATION

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

The accounting policies adopted are consistent with those set out in the 2002 annual accounts, except the Group has adopted the revised SSAP 12 "Income Taxes" which became effective on 1 January 2003. In accordance with the revised SSAP 12 "Income Taxes", deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. In the absence of any specific transitional requirements in revised SSAP 12, the new accounting policy has been applied retrospectively and comparatives presented have been restated to conform to the changed policy. As a consequence, opening retained profits at 1 January 2002 and 2003 have increased by HK\$5,002,000 and HK\$1,446,000 respectively. The comparative figure in respect of taxation for the prior period has also been restated by an increase of HK\$1,430,000.

2. SEGMENT INFORMATION

(a) *Business segments*

Group

Six months ended 30 June 2003

	Home entertainment HK\$'000	In-car electronics HK\$'000	Network information/ entertainment solution HK\$'000	Corporate and Others HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
REVENUE						
External sales	1,008,307	883,698	1,557	-	-	1,893,562
Inter-segment sales	63	2,333	-	-	(2,396)	-
Total revenue	<u>1,008,370</u>	<u>886,031</u>	<u>1,557</u>	<u>-</u>	<u>(2,396)</u>	<u>1,893,562</u>
SEGMENT RESULT	<u>6,692</u>	<u>43,800</u>	<u>(1,097)</u>	<u>271</u>	<u>-</u>	<u>49,666</u>
Unallocated corporate expenses						<u>(9,308)</u>
Profit from operating activities						<u>40,358</u>

2. SEGMENT INFORMATION (continued)

(a) Business segments (continued)

Six months ended 30 June 2002

	Home entertainment HK\$'000	In-car electronics HK\$'000	Network information/ entertainment solution HK\$'000	Corporate and Others HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
REVENUE						
External sales	1,228,328	640,275	4,029	–	–	1,872,632
Inter-segment sales	44,957	49,470	–	–	(94,427)	–
Total revenue	<u>1,273,285</u>	<u>689,745</u>	<u>4,029</u>	<u>–</u>	<u>(94,427)</u>	<u>1,872,632</u>
SEGMENT RESULT	<u>22,466</u>	<u>12,923</u>	<u>(682)</u>	<u>952</u>	<u>–</u>	<u>35,659</u>
Unallocated corporate expenses						<u>(7,399)</u>
Profit from operating activities						<u>28,260</u>

(b) Geographical segments

Group

Six months ended 30 June 2003

	United States of America HK\$'000	Europe HK\$'000	Asia HK\$'000	Central and South America HK\$'000	Canada HK\$'000	Others HK\$'000	Elimina- tions HK\$'000	Con- solidated HK\$'000
Segment revenue:								
External sales	<u>586,317</u>	<u>934,134</u>	<u>220,356</u>	<u>23,052</u>	<u>48,158</u>	<u>81,545</u>	<u>–</u>	<u>1,893,562</u>
Segment results	<u>14,129</u>	<u>26,528</u>	<u>2,604</u>	<u>716</u>	<u>1,613</u>	<u>4,076</u>	<u>–</u>	<u>49,666</u>

2. SEGMENT INFORMATION (continued)

(b) Geographical segments (continued)

Six months ended 30 June 2002

	United States of America HK\$'000	Europe HK\$'000	Asia HK\$'000	Central and South America HK\$'000	Canada HK\$'000	Others HK\$'000	Elimina- tions HK\$'000	Con- solidated HK\$'000
Segment revenue:								
External sales	<u>760,481</u>	<u>643,119</u>	<u>351,793</u>	<u>23,881</u>	<u>34,438</u>	<u>58,920</u>	<u>-</u>	<u>1,872,632</u>
Segment results	<u>6,852</u>	<u>16,949</u>	<u>7,411</u>	<u>564</u>	<u>1,077</u>	<u>2,806</u>	<u>-</u>	<u>35,659</u>

3. OTHER REVENUE

	For the six months ended 30 June	
	2003 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000
Tooling and repairing service income	1,360	7,307
Interest income	1,563	1,194
Rental income	558	558
Sales of scrap materials	303	296
Commission income	169	2,524
Others	660	2,909
	<u>4,613</u>	<u>14,788</u>

4. PROFIT FROM OPERATING ACTIVITIES

The Group's profit from operating activities is arrived at after charging:

	For the six months ended 30 June	
	2003 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000
Cost of inventories sold and services provided	1,743,421	1,746,526
Depreciation	42,263	41,957
Research and development costs:		
Deferred expenditure amortised	12,309	7,347
Current year's expenditure	6,152	4,975
	<u>18,461</u>	<u>12,322</u>

5. FINANCE COSTS

	For the six months ended 30 June	
	2003 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000
Interest on bank loans, overdrafts, and other borrowings wholly repayable within five years	10,097	10,304
Interest on finance leases and hire purchase contracts	106	204
	<u>10,203</u>	<u>10,508</u>

6. TAX

Hong Kong profits tax has been provided at the rate of 17.5% (2002: 16%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

Jointly-controlled entities operating in the People's Republic of China (the "PRC") are entitled to an exemption from PRC income tax for two years from their first year with assessable profits, and thereafter are entitled to a 50% exemption for a further three consecutive years. Tax provision has been made by the jointly-controlled entities for the period.

The adoption of the newly revised SSAP 12 "Income Taxes" resulted in comparative figures in respect of taxation being restated by a net increase of HK\$1,430,000.

	For the six months ended 30 June	
	2003 (Unaudited) HK\$'000	Restated 2002 (Unaudited) HK\$'000
Group:		
Hong Kong	3,846	1,436
Deferred	(885)	(158)
	<u>2,961</u>	<u>1,278</u>
Share of tax attributable to:		
Associates	427	236
Jointly-controlled entities	22	71
	<u>449</u>	<u>307</u>
Tax charge for the period	<u>3,410</u>	<u>1,585</u>

7. PROPOSED INTERIM DIVIDEND

The directors have resolved to pay an interim dividend of HK1 cent per share for the six months ended 30 June 2003 (2002: HK0.5 cent)

8. EARNINGS PER SHARE

The bases on which basic and diluted earnings per share are calculated as follows:

	For the six months ended 30 June	
	2003	Restated 2002
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Earnings		
Net profit from ordinary activities attributable to shareholders used in basic and diluted earnings per share calculation	31,904	20,819
	31,904	20,819
	As at 30 June	
	2003	2002
	(Unaudited)	(Unaudited)
Shares		
Weighted average number of shares in issue during the period used in basic earnings per share calculation	444,805,968	440,337,343
Weighted average number of shares assumed issued at no consideration on deemed exercise of all share options outstanding during the period	—	—
Weighted average number of shares used in diluted earnings per share calculation	444,805,968	440,337,343

9. TRADE RECEIVABLE

	30 June 2003	30 June 2002	31 December 2002
	(Unaudited)	(Unaudited)	(Audited)
	HK\$'000	HK\$'000	HK\$'000
Current to 90 days	410,061	377,633	314,766
91 to 180 days	8,632	4,733	57,366
181 to 360 days	3,499	11,103	4,894
Over 360 days	1,261	7,621	8,551
	423,453	401,090	385,577

The Group offers a credit period of 30 to 240 days to certain trade debtors.

10. TRADE PAYABLE

	30 June 2003 (Unaudited) HK\$'000	30 June 2002 (Unaudited) HK\$'000	31 December 2002 (Audited) HK\$'000
Current to 90 days	546,527	652,722	362,795
91 to 180 days	111,647	60,967	111,606
181 to 360 days	8,036	8,425	3,372
Over 360 days	1,208	809	217
	<u>667,418</u>	<u>722,923</u>	<u>477,990</u>

11. BANK LOANS AND OTHER BORROWINGS

	30 June 2003 (Unaudited) HK\$'000	31 December 2002 (Audited) HK\$'000
Bank overdrafts, unsecured	18,390	2,404
Trust receipt loans, unsecured	108,054	–
Bank loans, unsecured	<u>292,652</u>	<u>311,847</u>
	419,096	314,251
Bank overdrafts repayable within one year or on demand	18,390	2,404
Trust receipt loans repayable within one year	108,054	–
Bank loans repayable:		
Within one year or on demand	135,509	68,990
In the second year	128,571	157,143
In the third to fifth years, inclusive	<u>28,572</u>	<u>85,714</u>
	<u>292,652</u>	<u>311,847</u>
	419,096	314,251
Portion classified as current liabilities	<u>(261,953)</u>	<u>(71,394)</u>
Long term portion	<u>157,143</u>	<u>242,857</u>

12. FINANCE LEASE AND HIRE PURCHASE CONTRACT PAYABLES

The Group leases certain of its plant and machinery for its business. These leases are classified as finance lease and hire purchase contract payables and have lease terms ranging from three to five years.

As 30 June 2003, the total future minimum lease payments under finance leases and hire purchase contract payables and their present values, were as follows:

	Minimum lease payments 30 June 2003 (Unaudited) HK\$'000	Minimum lease payments 31 December 2002 (Audited) HK\$'000	Present value of minimum lease payments 30 June 2003 (Unaudited) HK\$'000	Present value of minimum lease payments 31 December 2002 (Audited) HK\$'000
Amounts payable:				
Within one year	2,661	3,398	2,590	3,235
In the second year	25	1,034	24	1,018
In the third to fifth years, inclusive	–	6	–	6
Total minimum finance lease payments	2,686	4,438	2,614	4,259
Future finance charges	(72)	(179)		
Total net finance lease payables	2,614	4,259		
Portion classified as current liabilities	(2,590)	(3,235)		
Long term portion	24	1,024		

13. CONTINGENT LIABILITIES

- (a) At the balance sheet date, contingent liabilities not provided for in the financial statements were as follows:

	Group		Company	
	30 June 2003 (Unaudited) HK\$'000	31 December 2002 (Audited) HK\$'000	30 June 2003 (Unaudited) HK\$'000	31 December 2002 (Audited) HK\$'000
Bills discounted with recourse	118,055	228,735	–	–
Guarantees given to banks in connection with facilities granted to: subsidiaries	–	–	1,674,914	1,694,145
jointly-controlled entities	75,660	103,114	75,660	103,114
	193,715	331,849	1,750,574	1,797,259

The above discounted bills were settled subsequent to the balance sheet date.

As at 30 June 2003, the guarantees given to banks by the Company in connection with banking facilities granted to subsidiaries were utilized to the extent of approximately HK\$370,284,000 (31 December 2002: HK\$519,132,000), and banking facilities guaranteed by the Group to the jointly-controlled entities were utilized to the extent of approximately HK\$55,401,000 (31 December 2002: HK\$82,914,000).

13. CONTINGENT LIABILITIES (continued)

- (b) Counter indemnities have been given by the Company to the controlling shareholder of an associate to the extent of approximately HK\$59,143,000 (31 December 2002: HK\$59,143,000) for the controlling shareholders' acting as a guarantor in respect of banking facilities granted to the associate.
- (c) The Group has a contingent liability in respect of possible future long service payments to employees under the Hong Kong Employment Ordinance, with a maximum possible amount of HK\$8,113,000 as at 30 June 2003 (31 December 2002: HK\$7,837,000). The contingent liability has arisen as a number of current employees have achieved the required number of years of service to the Group, at the balance sheet date, in order to be eligible for long service payments under the Employee Ordinance if their employment is terminated under certain circumstances. A provision has not been recognized in respect of such possible payments, as it is not considered probable that the situation will result in a material future outflow of resources from the Group.

14. RELATED PARTY TRANSACTIONS

The Group had the following material transactions with related parties during the period:

	Notes	For the six months ended 30 June	
		2003 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000
Purchases of goods from jointly-controlled entities	(i)	223,858	151,510
Sales of raw materials to jointly-controlled entities	(ii)	32,172	1,383
Rental income from associates	(iii)	108	108
Interest expenses paid to a jointly-controlled entity	(iv)	674	–

Notes:

- (i) The goods were charged by the jointly-controlled entities at cost to cost plus a margin of 3% (six month ended 30 June 2002: cost to cost plus a margin of 3%). The balances due to these jointly-controlled entities at 30 June 2003 were HK\$37,845,000 (31 December 2002: HK\$147,344,000).
- (ii) The raw materials sold to jointly-controlled entities were made at cost (six month ended 30 June 2002: at cost).
- (iii) The directors considered that the rental charged was similar to fair market rates.
- (iv) The interest expense paid to a jointly-controlled entity arose from advances therefrom at a rate of 5% per annum.

As disclosed in note 13(b), the Company has executed counter indemnity in favor of the controlling shareholder of an associate, in proportion to its interests therein, for which no charge was made.

In addition to the above, the Company had executed guarantees in favour of banks to non-wholly owned subsidiary and jointly-controlled entities, as disclosed in note 13(a).

15. COMPARATIVE FIGURES

Certain comparative figures have been restated to conform with changes in SSAP set out in note 1.

BUSINESS REVIEW

During the period, the Group strategically directed its resources toward higher quality business, therefore boosting overall margins by selective business growth.

Business captured significant growth in the in-car sector. Business for the home sector moderated which brought about consolidation in sales revenue for both audio and video products when taken into account the soft product prices. As a whole, the demand for digital video products industry-wide remains steady while that of general audio products has declined. Cutthroat competitions by Mainland China manufacturers continue to be the source of pressure on profit margin in some products.

New products introduced this year, such as video products for in-car and the network devices linking the personal computer to the television, received good response from consumers and are well positioned as the market develops further next year.

We are making progress in improving our operational efficiency. Necessary management adjustment is underway after our staff size expanded in the midst of a significant increase in business volume during 2002. The enterprise resource planning (ERP) project in collaboration with Chinese University of Hong Kong was launched in April and progress has met with our expectation. We take a long-term view in our investment in operational efficiency. While it may not yield immediate impact, the tools and practices we are now putting in place are expected to be a prerequisite for growth in the long term.

The Group continued its efforts in investor relations to promote the corporation in the investment community. We have also rebuilt our website to enhance corporate communication.

PROSPECT

The Group believes the current economic climate of low interest rates will continue in the near future. As in the past, low interest rates will support consumers' purchase of homes and cars, which will result in demand for our products.

We are committed to building our leadership position in the China market for home and in-car AV products in light of China being the only major economy enjoying substantial growth.

For established markets the Group will implement necessary steps to further expand our customer base of world class customers. We have already added car manufacturers, international retailers and online retailers to our list.

In the product area, our stream of new products will continue to place us in a competitive position. Concerted efforts at both corporate and divisional level have led to strategic alliances with pioneers in technology partnerships to speed up new product developments.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group's net profit for the first half of 2003 increased by a remarkable 53% to HK\$31.9 million compared to the same period last year. The improvement in results was mainly attributable to the rapid growth and higher margins of in-car electronics business. Net profit margin rose to 1.68% from 1.11%. Sales turnover was 1.1% higher, to HK\$1.9 billion, than the comparable period last year.

The home entertainment segment, a division formed from the merger of our audio and video divisions, faced severe competition in the market resulting in lower profitability. The merge of the divisions reflects the Group's plan to synergize the two divisions to boost operational efficiency.

In-car division achieved growth both in sales turnover and profit margin. The growth was a result of enhanced customer base and the launch of well-received new products.

The networking information division continues to face short term challenges but its longer-term outlook is positive. The Group's investment in jointly controlled entities and an associate company brought positive contribution to the Group's results.

LIQUIDITY AND FINANCIAL RESOURCES

As normal in the consumer electronics industry, the Group experiences a low season during the first half of the year and a high season in the second half. The result is a higher use of financial resources at the interim balance sheet date vis-à-vis that at the end of the financial year. Total borrowings rose 14.8% in comparison to the same period last year. The Group takes advantage of the low interest rate environment to extend its average duration in borrowings and enhance the Group's liquidity. The gearing ratio, calculated by total borrowings from banks and financial institutions net of cash divided by tangible net worth, was 35.5%. Working capital increased by 65% and is expected to further strengthen with the draw down of a HK\$350 million syndication loan in the subsequent period. The Group views its financial resources adequate for its ongoing business activities.

The Group's order book shows that mild growth in sales turnover will continue. The Group constantly reviews its capacity utilization and expects to add machinery to support business growth from time to time.

The Group mainly borrows in US Dollars and Hong Kong Dollars on floating interest rates. Details on maturity profile of these borrowings and contingent liabilities are set out in note 11, 12 and 13 to the financial statements. The Group has no assets pledged at the balance sheet date.

All other information pertaining to those matters set out in paragraph 32 of Appendix 16 of the Listing Rules has not changed materially from the information disclosed in the most recent published annual report.

INTERIM DIVIDEND

The board of directors has resolved to pay an interim dividend of HK1 cent per share for the six months ended 30 June 2003 (2002: HK0.5 cent) to the shareholders whose names appear on the register of members of the Company on 15 October 2003. The interim dividend will be paid on or before 23 October 2003.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 9 October 2003 to 15 October 2003, both days inclusive, during which period no share transfers will be effected.

To qualify for the interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Share Registrars in Hong Kong, Standard Registrars Limited, G/F., Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not later than 4:00 p.m. on 8 October 2003.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

At 30 June 2003, the interests of the directors and chief executive of the Company in the share capital of the Company as recorded in the register required to be kept under section 352 of the Securities and Futures Ordinance (the "SFO"), or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transaction by Directors of Listed Companies were as follows :

Name	Number of shares	Nature of interest	Percentage of shareholding
Mr. Poon Ka Hung (Note 1)	161,870,103	Corporate	36.39%
Mr. Wu Lai Ping (Note 1)	161,870,103	Corporate	36.39%
Mr. Leung Chun Pong	103,842	Personal	0.02%
Mr. Lin Hoo Fun (Note 2)	48,850,327	Corporate	10.98%

Notes:

- (1) These shares were held by High Rate Investments Limited, a company beneficially owned as to 50% by Mr. Poon Ka Hung and the balance of 50% by family discretionary trusts of which Mr. Wu Lai Ping and his family members are beneficiaries. Both Mr. Poon Ka Hung and Mr. Wu Lai Ping are directors of High Rate Investments Limited.
- (2) These shares were held by Newray Int'l Limited, a company beneficially owned by Mr. Lin Hoo Fun and in which he is a director.

Save as disclosed herein, as at 30 June 2003, none of the directors or chief executive of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transaction by Directors of Listed Companies.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2003, the following companies and person (other than a director or chief executive of the Company) had interests in the share capital of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO:

Name	Number of shares	Nature of interest	Percentage of shareholding
High Rate Investments Limited	161,870,103	Beneficial Owner	36.39%
Powerix Engineering Limited	80,935,051	Interests of corporation controlled by Fidelitycorp Limited	18.20%
Fidelitycorp Limited	80,935,051	Trustee of family discretionary trusts for Wu Lai Ping and his family members	18.20%
Newray Int'l Limited	48,850,327	Beneficial Owner	10.98%
Chan Tit Sang, Peter	33,738,524	Beneficial owner (Note)	7.58%

Note: 18,221,211 shares were held by Chan Tit Sang, Peter as beneficial owner and the remaining 15,517,313 shares were held by Strong Luck Limited, a corporation controlled by Chan Tit Sang, Peter.

Save as disclosed herein, as at 30 June 2003, according to the register of interests required to be kept by the Company under section 336 of the SFO, there was no person, other than the directors and the chief executives of the Company, whose interests are set out in the section headed "Directors' and chief executives' interests in shares" above, who had any interest or short position in the shares or underlying shares of the Company.

SHARE OPTION SCHEME

On 29 May 2002, the Company adopted a share option scheme under which it may grant options to eligible persons, including employees and directors of the Group, to subscribe for shares of the Company.

The Company did not grant any right to subscribe for equity or debt securities of the Company to any director or chief executive of the Company or to the spouse or children under 18 years of age of any such director or chief executive under the share option scheme or otherwise as at 30 June 2003.

PURCHASE, SALE OR REDEMPTION OF SHARE IN THE COMPANY

There was no purchase, sale or redemption of the Company's listed shares by the Company or any of its subsidiaries during the period.

AUDIT COMMITTEE

The audit committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the unaudited interim results for the six months ended 30 June 2003.

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 at any time during the six months ended 30 June 2003, in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules, except that the non-executive directors of the Company are not appointed for a specific terms as required by paragraph 7 of the Code, but are subject to retirement by rotation in accordance with the Company's bye-laws.

On behalf of the Board

Poon Ka Hung

Chairman

Hong Kong, 4 September 2003