



邁特科技集團有限公司

**MEDTECH GROUP COMPANY LIMITED**

*(Incorporated in Bermuda with limited liability)*

**2003**

**Interim Report**

## **CORPORATE INFORMATION**

### **BOARD OF DIRECTORS**

#### *Executive Directors*

Mr CHEUNG Lik Chung (*Chairman*)

Mr YAU Yat Biu

(*Deputy Managing Director*)

Ms WU Yun Yu

Mr CHU Yuk Kuen

Mr WONG Kui Tak

Mr ZUO Guang

#### *Independent Non-executive Directors*

Mr TAM Cheuk Ho

Mr SHUM Ka Hei

### **COMPANY SECRETARY**

Mr CHEUNG Man Yau, Timothy

### **REGISTERED OFFICE**

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

### **HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG**

Unit 1801-1802

18/F Shui On Centre

6-8 Harbour Road

Wanchai

Hong Kong

Telephone: (852) 3184 0874

Facsimile: (852) 3184 0498

### **PRINCIPAL REGISTRARS**

Butterfield Fund Services (Bermuda)

Limited

Rosebank Centre

11 Bermudiana Road

Pembroke

Bermuda

### **HONG KONG BRANCH SHARE REGISTRARS AND TRANSFER OFFICE**

Abacus Share Registrars Limited

G/F Bank of East Asia Harbour View

Centre

56 Gloucester Road

Wanchai

Hong Kong

## INTERIM RESULTS

The Board of Directors (the "Board") of Medtech Group Company Limited (the "Company") presents the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2003.

### Condensed Consolidated Profit and Loss Account

	Notes	Unaudited Six months ended 30 June	
		2003 HK\$'000	2002 HK\$'000
<b>Turnover</b>	3		
Continuing operation		<b>38,364</b>	47,519
Discontinued operation		–	9,445
		<u>38,364</u>	<u>56,964</u>
<b>Cost of sales</b>		<b>(30,670)</b>	(53,047)
		<u>6,694</u>	<u>3,917</u>
<b>Gross profit</b>		<b>6,694</b>	3,917
Distribution costs		<b>(333)</b>	(354)
Administrative expenses		<b>(6,596)</b>	(11,609)
Other operating expenses		–	(89)
Net other gains		<b>1,036</b>	8,412
		<u>1,801</u>	<u>724</u>
<b>Profit from operating activities</b>	4	<b>1,801</b>	724
Continuing operation		–	(447)
Discontinued operation		–	–
		<u>1,801</u>	<u>277</u>
<b>Finance cost</b>		<b>(626)</b>	(830)
		<u>1,175</u>	<u>(553)</u>
<b>Profit/(loss) before taxation</b>		<b>1,175</b>	(553)
<b>Taxation</b>	5	–	–
		<u>1,175</u>	<u>(553)</u>
<b>Profit/(loss) attributable to shareholders</b>		<b>1,175</b>	(553)
<b>Dividend</b>	6	<b>Nil</b>	Nil
<b>Earnings/(loss) per share</b>			
– Basic	7	<b>0.03 cents</b>	(0.02 cents)
– Diluted		<b>N/A</b>	N/A

## Condensed Consolidated Balance Sheet

		<b>Unaudited</b>	Audited
		<b>30 June</b>	31 December
		<b>2003</b>	2002
	<i>Note</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Non-current assets</b>			
Fixed assets		<b>20,755</b>	21,923
<b>Current assets</b>			
Inventories		<b>10,943</b>	10,492
Trade receivables	8	<b>8,128</b>	14,322
Securities investments		<b>4,723</b>	–
Prepayments and deposits		<b>1,702</b>	1,600
Other loan receivable		–	4,856
Cash and bank balances		<b>8,942</b>	749
		<b>34,438</b>	32,019
<b>Current liabilities</b>			
Trade payables	9	<b>10,673</b>	17,415
Other payables and accruals		<b>13,050</b>	16,389
Amounts due to directors		<b>44</b>	809
Amount due to a substantial shareholder		<b>33</b>	394
Other loan		<b>2,517</b>	2,500
Obligations under finance lease		<b>245</b>	448
Taxation		<b>1,590</b>	2,023
Bank overdrafts – unsecured		–	24
Bank loan – secured		<b>12,150</b>	–
		<b>40,302</b>	40,002
<b>Net current liabilities</b>		<b>(5,864)</b>	(7,983)
<b>Total assets less current liabilities</b>		<b>14,891</b>	13,940
<b>Capital and reserves</b>			
Issued capital	10	<b>48,471</b>	36,393
Reserves		<b>(33,580)</b>	(34,603)
Shareholders' funds		<b>14,891</b>	1,790
<b>Non-current liabilities</b>			
Bank loan – secured		–	12,150
		<b>14,891</b>	13,940

**Condensed Consolidated Cash Flow Statement**

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2003</b>	2002
	<b>HK\$'000</b>	HK\$'000
Net cash used in operating activities	<b>(3,545)</b>	(7,900)
Net cash from investing activities	–	15
Net cash from/(used in) financing activities	<b>11,738</b>	(102)
Net increase/(decrease) in cash and cash equivalents	<b>8,193</b>	(7,987)
Cash and cash equivalents at 1 January	<b>749</b>	8,277
Cash and cash equivalents at 30 June	<b><u>8,942</u></b>	<u>290</u>

**Condensed Consolidated Summary Statement of Changes in Equity**

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2003</b>	2002
	<b>HK\$'000</b>	HK\$'000
Total shareholders' funds at 1 January, as previously reported	<b>1,790</b>	24,159
Issue of new shares, net of expenses	<b>11,926</b>	467
Net profit/(loss) from ordinary activities attributable to shareholders	<b>1,175</b>	(553)
	<b><u>14,891</u></b>	<u>24,073</u>

## Notes to unaudited interim financial statements

### 1. Basis of preparation

The unaudited condensed interim financial statements of the Group for the six months ended 30 June 2003 have been prepared in accordance with the Statement of Standard Accounting Practice (“SSAP”) No. 25 “Interim financial reporting” issued by the Hong Kong Society of Accountants and with the applicable disclosure requirement of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

### 2. Principal accounting policies

The accounting policies used in the preparation of the unaudited condensed interim financial statements are consistent with those adopted by the Group in its financial statements for the year ended 31 December 2002 except adoption of the revised SSAP 12 “Income Taxes”, issued by the Hong Kong Society of Accountants which are effective for accounting periods commencing on or after 1 January 2003. The adoption of revised SSAP 12 has no material impact on the results for the current or prior accounting period. Accordingly, no prior period adjustment has been required.

### 3. Segment information

The principal activities of the Group are principally engaged in the manufacturing and trading of watches and watch components, investment and property holdings.

In accordance with the Group's internal financial reporting, the Group has determined that business segments be presented as the primary reporting format and geographical segments as the secondary reporting format.

The Group's turnover and contribution to operating profit/(loss) by business and geographical segments for the six months ended 30 June 2003 and 2002 are as follows:—

By Business Segment:—

	Manufacturing and selling of watches and watch components (Continuing operation)		Distribution of computer components (Discontinued operation) Six months ended 30 June		Consolidated	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Turnover						
External sales	<u>38,364</u>	<u>47,705</u>	<u>-</u>	<u>9,259</u>	<u>38,364</u>	<u>56,964</u>
Results						
Segment result	<u>1,867</u>	<u>2,552</u>	<u>-</u>	<u>(447)</u>	<u>1,867</u>	<u>2,105</u>
Unallocated corporate expenses					(1,102)	(10,240)
Net other gains					<u>1,036</u>	<u>8,412</u>
Profit from operations					<u>1,801</u>	<u>277</u>
Finance costs					<u>(626)</u>	<u>(830)</u>
Profit/(loss) before taxation					<u>1,175</u>	<u>(553)</u>
Taxation					<u>-</u>	<u>-</u>
Profit/(loss) for the period					<u>1,175</u>	<u>(553)</u>

By Geographical Segments:-

For the period ended 30 June 2003	Hong Kong & Mainland	Middle East	Canada	South America	United States of America	Europe	Africa	Asia and Pacific	Total
	China HK\$'000	East HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000

Segment revenue

Manufacturing and selling of watches and watch components

<u>7,433</u>	<u>7,284</u>	<u>-</u>	<u>18,439</u>	<u>2,600</u>	<u>1,708</u>	<u>28</u>	<u>872</u>	<u>38,364</u>
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For the period ended 30 June 2002	Hong Kong & Mainland	Middle East	Canada	South America	United States of America	Europe	Africa	Asia and Pacific	Total
	China HK\$'000	East HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000

Segment revenue

Manufacturing and selling of watches and watch components

19,391	10,045	-	13,863	412	2,966	144	884	47,705
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Distribution of computer components (discontinued operation)

<u>3,282</u>	<u>-</u>	<u>5,977</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,259</u>
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<u>22,673</u>	<u>10,045</u>	<u>5,977</u>	<u>13,863</u>	<u>412</u>	<u>2,966</u>	<u>144</u>	<u>884</u>	<u>56,964</u>
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4. Profit from operating activities

The profit from operating activities has been arrived at after charging and (crediting) the following:

	Six months ended 30 June	
	2003	2002
	HK\$'000	HK\$'000
Depreciation	1,168	2,097
Amortisation of goodwill	-	1,339
Recovery of provision for advances to a supplier	-	(8,337)
Loss on disposal of fixed assets	-	974
	<u>1,168</u>	<u>974</u>



## 5. Taxation

Hong Kong profits tax has been provided at the rate of 17.5% (2002: 16%) on the estimated assessable profit for the period.

No provision for deferred taxation has been made in the interim financial statements as there were no significant temporary differences arising from the period or at the balance sheet date.

## 6. Dividend

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2003 (2002: Nil).

## 7. Earnings/(loss) per share

The calculation of basic earnings per share is based on the unaudited profit attributable to shareholders for the six months ended 30 June 2003 of HK\$1,175,000 (2002: loss HK\$553,000). The basic earnings per share is based on the weighted average of 3,852,182,931 (2002: 3,369,278,942) shares in issue during the period.

The diluted earnings per share for the six months ended 30 June 2003 has not been presented as the effect of any dilution is anti-dilutive.

## 8. Trade receivables

The Group generally grants a credit period of 30 to 180 days to its trade customers.

The following is an ageing analysis of the trade receivables at the balance sheet date:

	<b>30 June 2003 HK\$'000</b>	31 December 2002 HK\$'000
0-3 months	<b>6,834</b>	12,950
4-6 months	<b>1,220</b>	1,339
7-12 months	<b>74</b>	28
Over 12 months	<b>0</b>	5
	<b><u>8,128</u></b>	<b><u>14,332</u></b>

## 9. Trade payables

	<b>30 June 2003 HK\$'000</b>	31 December 2002 HK\$'000
0-3 months	<b>2,455</b>	9,770
4-6 months	<b>1,874</b>	1,909
7-12 months	<b>1,431</b>	2,833
Over 12 months	<b>4,913</b>	2,903
	<b><u>10,673</u></b>	<u>17,415</u>

## 10. Share capital

	<b>Number of shares</b>	<b>Amount HK\$'000</b>
Ordinary shares of HK\$0.01 each		
<i>Authorised:</i>		
At 30 June 2003	<u>10,000,000,000</u>	<u>100,000</u>
<i>Issued and fully paid:</i>		
At 1 January 2003	3,639,278,942	36,392
Issued and Allotment of new shares <i>(Note 1)</i>	400,000,000	4,000
Issued and Allotment of new shares <i>(Note 2)</i>	<u>807,854,000</u>	<u>8,079</u>
At 30 June 2003	<u>4,847,132,942</u>	<u>48,471</u>

### Notes:

- On 25 March 2003, the Company entered into a placing agreement with Kingston Securities Limited ("KSL"), a placing agent, for placing up to a total of 400,000,000 new ordinary shares at a price of HK\$0.01 per share to the independent investors. The placing was completed on 8 April 2003. The net proceeds were used as working capital of the Group.
- On 9 June 2003, the Company entered into a placing agreement with KSL, a placing agent, for placing up to a total of 807,854,000 new ordinary shares at a price of HK\$0.01 per share to the independent investors. The placing was completed on 23 June 2003. The net proceeds were used as working capital of the Group.

## **11. Contingent Liabilities**

As at 30 June 2003, 28 (2002: 26) employees have completed the required number of years of service under the Hong Kong Employment Ordinance (the "Ordinance") to be eligible for long service payments on termination of their employment. The Company is only liable to make such payments where the termination meets the circumstances specified in the Ordinance.

If the termination of all such employees meet the circumstances set out in the Ordinance, the Company's liability as at 30 June 2003 would be approximately HK\$2.5 million (2002: HK\$3 million). No provision has been made in this respect.

## **12. Litigations**

On 22 May 2002, Synnex Canada Limited ("Synnex"), a supplier of 1024120 Ontario Limited ("Ontario"), a disposed subsidiary of the Company has issued a writ against the Company for trade debt of CAD\$466,472 (equivalent approximately to HK\$2,320,000) due by Ontario. As stated in the statement of claim, the Company has given a cross-corporate guarantee on 16 August 2001 in favour of Synnex for facilities granted to Ontario and since Ontario had defaulted in repayment of its debt, the Company, being the guarantor of the said facilities, were demanded to pay and settle the said debt. However, the Company has never given any such guarantee. The Company has taken legal action to clarify the case. Up to the date of this report, no further development in respect of the case, and no provision was made in the accounts.

## **13. Comparative figures**

Certain comparative figures have been reclassified to conform with the current period's presentation.

## **INTERIM DIVIDEND**

The Board has resolved not to declare the payment of any interim dividend for the six months ended 30 June 2003 (2002: Nil).

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Financial Results**

For the six months ended 30 June 2003, the turnover of the Group was approximately HK\$38.4 million representing a 33% decrease as compared to HK\$57 million of last corresponding period. Such decrease was due to the decrease in selling of watches and watches components. The Group's unaudited consolidated profit attributable to shareholders was approximately HK\$1.2 million (2002: loss HK\$0.55 million). Such increase was mainly due to the disposal of the computer components distribution business in last financial year, which was a loss-making business and stringent cost control. Profit per share for the period under review amounted to 0.03 cents (2002: loss per share 0.02 cents).

### **Liquidity and Capital Resources**

As at 30 June 2003, the Group had total borrowings amounted to approximately HK\$14.9 million (2002: HK\$15.1 million) of which HK\$2.5 million is secured by personal guarantee executed by a director of the Company and was subsequently settled after the balance sheet date, HK\$0.2 million (2002: HK\$0.45 million) represents obligations under finance leases and hire purchase contracts and the remaining balance of HK\$12.2 million (2002: HK\$12.2 million) represents a bank loan which is due on 16 May 2004 and is secured by the Group's leasehold land and buildings. As at 30 June 2003, the Group maintained a cash and bank balance of approximately HK\$8.9 million with a current ratio of about 0.85 (2002: 0.8).

As at the balance sheet date, the Group had net current liabilities about HK\$5.9 million (2002: HK\$8 million). The change was mainly due to the reclassification of the secured bank loan amounted to HK\$12.2 which is due on 16 May 2004 as current liabilities and the increase in cash and bank balance and settlements of debts and payables. The Group's current liquidity position is adequate to maintain its current operation and the Board will look into the debt or capital market for additional funding when the Board considers appropriate.

### **Capital Investments and Commitments**

The Group did not incur or commit any material investments or capital expenditures during the half year under review.

### **Capital Structure**

On 25 March 2003, the Company entered into a placing agreement with Kingston Securities Limited ("KSL"), for placing a total of 400,000,000 ordinary shares at a price of HK\$0.01 per share to independent investors, and the net proceeds were used as working capital for the Group.

On 9 June 2003, the Company entered into a placing agreement with KSL, for placing a total of 807,854,000 ordinary shares at a price of HK\$0.01 per share to the independent investors, and the net proceeds were used as working capital for the Group.

### **Pledge of Assets**

The Group's leasehold land and buildings in the PRC with a market value of approximately HK\$19.9 million (2002: HK\$22.1 million) were pledged to a bank for banking facilities granted to the Group amounted to approximately HK\$12.2 million (2002: 12.2 million).

### **Contingent liability**

As at 30 June 2003, the Group had 28 (2002: 26) employees eligible for long service payment on termination of their employment amounted to approximately HK\$2.5 million (2002: HK\$3 million) and had no contingent liability in respect of guarantee facilities.

### **Foreign exchange and interest rate exposure**

As the Group's sales are mostly based on United States dollar ("USD"), having considered the exchange rate of USD is fairly stable, no foreign exchange and interest rate risk management or related hedges were made at present. Proper policy will be in place when the Board considers appropriate.

### **Employees and the remuneration policy**

As at 30 June 2003, the Group employed a total of approximately 1,900 employees (2002: 2,100) among which 28 employees (2002: 30) were working in Hong Kong. The Group remunerates its employees based on their performance, experience and the prevailing industry practice.

## **BUSINESS REVIEW AND PROSPECT**

After the disposal of the business of distribution of computer components in last financial year, selling and manufacturing of watches became the major business of the Group. For the half year ended 30 June 2003, the turnover of the Group's watch business was approximately HK\$38.4 million (2002: HK\$47.7 million), representing a decrease of 19.6% over the same period last year. The decrease in turnover was primarily resulted from deteriorated sales performance in Hong Kong, whereas Hong Kong's economy, especially retailing and consumption sentiment, was severely affected by the outbreak of Severe Acute Respiratory Syndrome ("SARS"). Turnover of Hong Kong segment was approximately HK\$7.4 million as at 30 June 2003 (2002: HK\$19.4 million) dropped by 62% over the same period last year.

Hong Kong, Middle East and South America are the Group's primary markets, of which turnover of South America alone accounting for 48% of the Group's total turnover, and recorded a turnover of HK\$18.4 million for the half year under review, representing an increase of 33% over the last corresponding period (2002: HK\$13.9 million). The increase was mainly due to the enhanced marketing effort made in this segment this year.

Despite the adverse economic environment in Hong Kong and sluggish recovery of global economies, the Board anticipates that Hong Kong's economy will be gradually recovered and directly benefited by the recent signing of the Closer Economic Partnership Arrangement (the "CEPA") and the relaxation of the PRC's policy in granting visa to PRC citizens traveling to Hong Kong. For the Group's watch business, more emphasis will be put onto the PRC market, and the Group will also work on ways to expand the customer base.

Looking ahead, the Group will actively search for other investment opportunities for diversification. The Board will focus on PRC market for business opportunities as the Board believes that there are enormous opportunities in the PRC following the entry of the PRC into the WTO and high growth continues shown in the PRC economy.

### CHANGE OF THE BOARD

Mr CHAU Oi Ching, Samuel was appointed as Executive Director of the Company on 19 March 2003 and resigned with effect from 18 June 2003. Mr WONG Kui Tak and Mr ZUO Guang were appointed as Executive Directors of the Company with effect from 6 June 2003 and 13 June 2003 respectively.

### DIRECTORS' INTERESTS IN EQUITY OR DEBT SECURITIES

At 30 June 2003, the interests and short positions of the directors and the chief executives of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("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 of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") as contained in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

#### 1. Shares

Name of Director	Number of Ordinary Shares of HK\$0.01 each	
	Personal Interest	Corporate Interest
Mr CHEUNG Lik Chung <sup>(Note)</sup>	–	1,346,448,000
Mr WONG Kui Tak	170,000,000	–

*Note:* The shares under "Corporate Interest" were held by Huge China Developments Limited, a company incorporated in the British Virgin Islands, which is wholly-owned by Mr CHEUNG Lik Chung.

Save as disclosed above and other than certain shares in subsidiaries held in trust for the Group by certain directors in the capacity as bare trustees, as at 30 June 2003, none of the directors, chief executives of the Company or their respective associates had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or any associated corporation (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.

## 2. Share Options

Pursuant to the share option scheme of the Company, certain directors of the Company were granted share options to subscribe for shares of the Company, and details of which as at 30 June 2003 are as follows:

Name of Directors	Date of Grant	Exercise Price HK\$	Exercise Period	Closing Price	As at 1.1.2003	Movement of Option Shares during the period			As at 30.6.2003
				Before Date of Grant HK\$		Granted	Exercised	Lapsed	
Mr CHEUNG Lik Chung	3.3.2000	0.18	2.9.2000- 1.9.2003	0.22	67,500,000	-	-	-	67,500,000
Mr YAU Yat Biu	3.3.2000	0.18	2.9.2000- 1.9.2003	0.22	20,000,000	-	-	-	20,000,000
Mr YUNG Kin Hang (resigned on 11 March 2003)	3.3.2000	0.18	2.9.2000- 1.9.2003	0.22	52,500,000	-	-	52,500,000	-

Save as disclosed above, at no time during the period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any directors or their respective spouses or children under the age of 18, or were any such rights exercised by them; or was the Company, any of its holding company, subsidiaries or fellow subsidiaries a party to any arrangement to enable the directors of the Company to acquire such rights in any other body corporate.

No share options were exercised by the directors of the Company during the period.

## SUBSTANTIAL SHAREHOLDER

As at 30 June 2003, so far as is known to the directors of the Company, the following person (other than the directors or the chief executives of the Company) who had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name of shareholder	No. of shares held	Percentage of Issued Shares
Huge China Developments Limited <i>(Note)</i>	1,346,448,000	27.77%

*Note:* The interests disclosed herein were also included as the Corporate Interest of Mr CHEUNG Lik Chung, a director, in the Company as disclosed under the section headed "DIRECTORS' INTERESTS IN EQUITY OR DEBT SECURITIES".

Save as disclosed above, no other person (other than the directors or chief executives of the Company) had an interest or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period under review.

## SHARE OPTION SCHEME

The Company adopted a share option scheme (the "Scheme") on 4 July 1996 for the primary purpose of providing incentives to directors and eligible employees and the Scheme will expire on 3 July 2006.

Category	Date of Grant	Exercise Price HK\$	Exercise Period	Closing Price Before Date of Grant HK\$	Movement of Option Shares during the period				As at 30.6.2003
					As at 1.1.2003	Granted	Exercised	Lapsed	
Directors	3.3.2000	0.18	2.9.2000- 1.9.2003	0.22	140,000,000	-	-	52,500,000	87,500,000
Employee	3.3.2000	0.18	2.9.2000- 1.9.2003	0.22	10,000,000	-	-	-	10,000,000
								Total	<u>97,500,000</u>



Details of the share options held by directors and chief executive of the Company are shown in the preceding section under the sub-heading "Share Options" of "Directors' Interests in Equity or Debt Securities".

There were no share options granted nor exercised during the period.

Subsequent to the end of the reporting period, options to subscribe for a total of 97,500,000 shares lapsed upon the expiry date of the exercise period.

#### **AUDIT COMMITTEE**

The Audit Committee comprises two independent non-executive directors of the Company. Mr CHIU Kin and Mr YANG Keming, being members of the Audit Committee, resigned on 17 March 2003 and were replaced by Mr TAM Cheuk Ho and Mr SHUM Ka Hei on the same date. The Audit Committee has reviewed the Interim Financial Statements for the six months ended 30 June 2003.

#### **COMPLIANCE WITH THE CODE OF BEST PRACTICE OF THE LISTING RULES**

None of the directors of the Company is aware of information that would reasonably indicate that the Company is not, or was not for any part of the six months ended 30 June 2003, in compliance with the Code of Best Practice as set out in Appendix 14 to the Listing Rules, with the exception that the non-executive directors of the Company have no fixed term of office but are subject to retirement and re-election at the Annual General Meeting of the Company in accordance with the Bye-laws of the Company.

#### **PUBLICATION OF FURTHER INFORMATION ON THE STOCK EXCHANGE'S WEBSITE**

All information required by paragraphs 46(1) to 46(6) of Appendix 16 of the Listing Rules will be published on the Stock Exchange's website in due course.

By Order of the Board  
**CHEUNG Lik Chung**  
*Chairman*

Hong Kong, 25 September 2003