



K & P International Holdings Limited

(Incorporated in Bermuda with limited liability)



interim report 2003

UNAUDITED INTERIM RESULTS

The Board of Directors (the "Directors") of K & P International Holdings Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2003 together with the comparative figures for the previous period as follows:

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

		For the six months ended 30 June	
		2003	2002
		(Unaudited)	(Unaudited)
	<i>Notes</i>	HK\$	HK\$
Turnover		116,182,871	94,987,243
Cost of sales		(90,315,209)	(78,530,816)
Gross profit		25,867,662	16,456,427
Other revenue		810,106	1,016,743
Selling and distribution costs		(11,612,773)	(10,441,287)
Administrative expenses		(9,486,343)	(9,362,713)
Other operating income/(expenses), net	3	(654,462)	5,071,159
Profit from operating activities	4	4,924,190	2,740,329
Finance costs	5	(2,086,370)	(1,319,910)
Share of loss of an associate		(104,713)	–
Profit before tax		2,733,107	1,420,419
Tax	6	(366,733)	(229,018)
Net profit from ordinary activities attributable to shareholders		2,366,374	1,191,401
Dividends	7	Nil	Nil
Basic earnings per share	8	0.95 cents	0.48 cents

CONDENSED CONSOLIDATED BALANCE SHEET

		30 June 2003 (Unaudited) HK\$	31 December 2002 (Audited) HK\$
	Notes		
NON-CURRENT ASSETS			
Fixed assets		80,272,610	86,302,426
Intangible assets		3,344,107	2,080,572
Deposit paid for purchases of leasehold land		4,720,000	4,720,000
Investment in an associate		19,037,505	3,152,218
Long term investments		3,408,450	908,450
		110,782,672	97,163,666
CURRENT ASSETS			
Inventories		33,687,759	25,802,395
Prepayments, deposits and other receivables		17,738,866	9,093,835
Trade and bills receivables	9	42,601,415	30,798,552
Tax recoverable		206,409	548,489
Pledged time deposits		8,211,129	8,177,287
Cash and cash equivalents		23,292,211	15,944,237
		125,737,789	90,364,795
CURRENT LIABILITIES			
Interest-bearing bank borrowings		39,622,140	32,203,604
Trade payables	10	34,685,557	21,703,792
Current portion of finance lease payables		6,437,844	5,451,879
Accrued liabilities and other payables		20,803,540	17,214,638
Tax payable		250,041	251,363
		101,799,122	76,825,276
NET CURRENT ASSETS		23,938,667	13,539,519
TOTAL ASSETS LESS CURRENT LIABILITIES		134,721,339	110,703,185
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings		3,105,435	4,843,862
Long term portion of finance lease payables		7,144,000	3,650,628
Convertible loan notes and fixed rate loan notes		20,007,000	—
Deferred tax		900,000	900,000
		31,156,435	9,394,490
		103,564,904	101,308,695
CAPITAL AND RESERVES			
Issued capital		25,000,480	25,000,480
Reserves		78,564,424	76,308,215
		103,564,904	101,308,695

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2003

	Issued share capital HK\$	Share premium account HK\$	Warrant subscription reserve HK\$	Contributed surplus HK\$	Fixed asset revaluation reserve HK\$	Exchange fluctuation reserve HK\$	Retained profits HK\$	Total HK\$
At 1 January 2003	25,000,480	49,611,281	1,389,475	660,651	4,973,872	(528,991)	20,201,927	101,308,695
Exchange realignment	-	-	-	-	-	(110,165)	-	(110,165)
Net gains and losses not recognised in the profit and loss account	-	-	-	-	-	(110,165)	-	(110,165)
Net profit for the period	-	-	-	-	-	-	2,366,374	2,366,374
At 30 June 2003	25,000,480	49,611,281*	1,389,475*	660,651*	4,973,872*	(639,156)*	22,568,301*	103,564,904

For the six months ended 30 June 2002

At 1 January 2002	25,000,480	49,611,281	1,389,475	660,651	4,802,945	-	19,155,663	100,620,495
Net profit for the period	-	-	-	-	-	-	1,191,401	1,191,401
At 30 June 2002	25,000,480	49,611,281*	1,389,475*	660,651*	4,802,945*	-*	20,347,064*	101,811,896

* These reserve accounts comprise the consolidated reserves of HK\$78,564,424 (2002: HK\$76,811,416) in the consolidated balance sheet.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	For the six months ended 30 June	
	2003 (Unaudited) HK\$	2002 (Unaudited) HK\$
Net cash inflow from operating activities	2,678,799	281,227
Net cash outflow from investing activities	(25,294,123)	(11,451,631)
Net cash inflow from financing activities	29,753,528	5,783,448
Increase/(decrease) in cash and cash equivalents	7,138,204	(5,386,956)
Cash and cash equivalents at beginning of period	14,554,390	16,245,240
Effect of foreign exchange rate changes, net	(203,149)	—
Cash and cash equivalents at end of period	21,489,445	10,858,284
Analysis of balances of cash and cash equivalents		
Cash and bank balances	15,165,183	11,603,856
Time deposits	8,127,028	4,106,391
Bank overdrafts	(1,802,766)	(4,851,963)
	21,489,445	10,858,284

NOTES TO FINANCIAL STATEMENTS

1. Accounting policies

These unaudited condensed consolidated interim financial statements are prepared in accordance with Hong Kong Statement of Standard Accounting Practice No. 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants ("HKSA"). The accounting policies and basis of presentation used in the preparation of the interim financial statements are consistent with those used in the Group's audited financial statements for the year ended 31 December 2002.

In addition, the Group has adopted SSAP 12 (Revised) "Income Taxes". SSAP 12 (Revised) principally prescribes the accounting treatment and disclosures for deferred tax. In prior periods, deferred tax is provided using the income statement liability method on all significant timing differences to the extent it is probable that the liability will be crystallised in the foreseeable future. A deferred tax asset is not recognised until its realisation is assured beyond reasonable doubt. SSAP 12 (Revised) requires the adoption of the balance sheet liability method, whereby deferred tax recognised in respect of all temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions. In the absence of any specific transitional requirements in SSAP 12 (Revised), the new accounting policy has been applied retrospectively.

The retrospective adoption of this new standard has not resulted in any significant effect on the financial statements in the prior periods, and, accordingly no prior period adjustment has been made.

2. Segment information

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of other business segments. Summary details of the business segments are as follows:

- (a) the electronic and related components and parts segment comprises the manufacture and sale of electronic and related components and parts;
- (b) the consumer electronic products segment comprises the manufacture and sale of consumer electronic products comprising electronic calculators, alarm clocks and liquid crystal display products; and
- (c) the corporate and others segment comprises the Group's long term investments, together with corporate income and expense items.

In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

2. Segment information (Continued)

Intersegment sales and transfers are transacted with reference to the cost of sales.

(a) Business segments

The following tables present revenue, profit/(loss) and certain expenditure information for the Group's business segments:

Group	For the six months ended 30 June 2003				
	Electronic and related components and parts	Consumer electronic products	Corporate and others	Eliminations	Consolidated
	(Unaudited) HK\$	(Unaudited) HK\$	(Unaudited) HK\$	(Unaudited) HK\$	(Unaudited) HK\$
Segment revenue:					
Sales to external customers	64,769,861	51,413,010	-	-	116,182,871
Intersegment sales	2,155,378	-	-	(2,155,378)	-
Other revenue	665,714	70,801	3,076	-	739,591
Total	<u>67,590,953</u>	<u>51,483,811</u>	<u>3,076</u>	<u>(2,155,378)</u>	<u>116,922,462</u>
Segment results	<u>282,713</u>	<u>5,865,676</u>	<u>(1,294,714)</u>		4,853,675
Interest income					70,515
Gain on sale of long term investments, net					-
Profit from operating activities					4,924,190
Finance costs					(2,086,370)
Share of loss of an associate					(104,713)
Profit before tax					2,733,107
Tax					(366,733)
Net profit from ordinary activities attributable to shareholders					<u>2,366,374</u>
Other segment information:					
Depreciation and amortisation	8,458,546	2,969,849	514,514	-	11,942,909
Capital expenditure	<u>3,260,430</u>	<u>2,423,285</u>	<u>4,644</u>	-	<u>5,688,359</u>

2. Segment information (Continued)

(a) Business segments (Continued)

Group	For the six months ended 30 June 2002				
	Electronic and related components and parts (Unaudited) HK\$	Consumer electronic products (Unaudited) HK\$	Corporate and others (Unaudited) HK\$	Eliminations (Unaudited) HK\$	Consolidated (Unaudited) HK\$
Segment revenue:					
Sales to external customers	54,624,619	40,362,624	-	-	94,987,243
Intersegment sales	2,276,056	-	-	(2,276,056)	-
Other revenue	816,895	85,964	730	-	903,589
Total	<u>57,717,570</u>	<u>40,448,588</u>	<u>730</u>	<u>(2,276,056)</u>	<u>95,890,832</u>
Segment results	<u>(2,700,721)</u>	<u>81,502</u>	<u>(550,976)</u>		(3,170,195)
Interest income					113,154
Gain on sale of long term investments, net					<u>5,797,370</u>
Profit from operating activities					2,740,329
Finance costs					(1,319,910)
Share of loss of an associate					<u>-</u>
Profit before tax					1,420,419
Tax					<u>(229,018)</u>
Net profit from ordinary activities attributable to shareholders					<u><u>1,191,401</u></u>
Other segment information:					
Depreciation and amortisation	9,095,048	2,331,292	639,205	-	12,065,545
Capital expenditure	<u>5,534,381</u>	<u>554,267</u>	<u>24,707</u>	<u>-</u>	<u>6,113,355</u>

2. Segment information (Continued)

(b) Geographical segments

The following table presents revenue, and certain expenditure information for the Group's geographical segments:

Group	Segment revenue	Other segment information		
	Sales to external customers	Capital expenditure		
	For the six months ended 30 June			
	2003 (Unaudited) HK\$	2002 (Unaudited) HK\$	2003 (Unaudited) HK\$	2002 (Unaudited) HK\$
Hong Kong	41,083,220	36,693,137	333,238	239,074
Mainland China	5,750,893	2,291,303	5,347,551	5,664,635
Total in the PRC	46,834,113	38,984,440	5,680,789	5,903,709
Japan	14,017,114	10,411,983	-	-
Other Asian countries*	6,792,886	5,035,795	7,570	209,646
Total in Asia	67,644,113	54,432,218	5,688,359	6,113,355
Germany	21,910,061	15,750,071	-	-
Other European countries **	22,909,268	18,977,818	-	-
Total in Europe	44,819,329	34,727,889	-	-
North America	1,928,009	3,099,027	-	-
Others***	1,791,420	2,728,109	-	-
Consolidated	116,182,871	94,987,243	5,688,359	6,113,355

* Other Asian countries mainly comprise Taiwan, Singapore, Malaysia, Thailand, Indonesia and Korea.

** Other European countries mainly comprise Italy, United Kingdom, France, Netherlands, Austria, Sweden and Spain.

*** Others mainly comprise South America, Australia and New Zealand.

3. Other operating income/(expenses), net

	For the six months ended 30 June	
	2003	2002
	(Unaudited)	(Unaudited)
	HK\$	HK\$
Gain on sale of long term investments, net	—	5,797,370
Others	(654,462)	(726,211)
	<u>(654,462)</u>	<u>5,071,159</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	2002
	(Unaudited)	(Unaudited)
	HK\$	HK\$
Depreciation:		
Owned fixed assets	9,437,456	10,239,466
Leased fixed assets	2,268,988	1,702,114
	<u>11,706,444</u>	<u>11,941,580</u>
Amortisation of intangible assets	236,465	123,965
Foreign exchange losses, net	249,324	336,470
and after crediting:		
Interest income	<u>70,515</u>	<u>113,154</u>

5. Finance costs

	For the six months ended 30 June	
	2003	2002
	(Unaudited)	(Unaudited)
	HK\$	HK\$
Interest expenses on bank loans and overdrafts		
wholly repayable within five years	1,109,275	826,567
Interest on finance leases	541,326	493,343
Interest on convertible loan notes and fixed rate loan notes	435,769	—
	<u>2,086,370</u>	<u>1,319,910</u>

6. Tax

	For the six months ended 30 June	
	2003 (Unaudited) HK\$	2002 (Unaudited) HK\$
Group:		
People's Republic of China:		
Hong Kong	366,733	229,018
Elsewhere	—	—
	<u>366,733</u>	<u>229,018</u>

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. Tax on profits assessable elsewhere have been calculated at the applicable rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

7. Dividends

At a meeting of the board of directors held on 26 September 2003, the directors resolved not to pay an interim dividend to shareholders (2002: Nil).

8. Earnings per share

The calculation of basic earnings per share is based on the net profit attributable to shareholders for the period of HK\$2,366,374 (2002: HK\$1,191,401) and the weighted average of 250,004,800 ordinary shares in issue throughout the two periods.

Diluted earnings per share for the periods ended 30 June 2003 and 2002 have not been shown as the share options and warrants outstanding during these periods had an anti-dilutive effect on the basic earnings per share for these periods.

9. Trade and bills receivables

An aged analysis of the trade and bills receivables at the balance sheet date, based on invoice date and net of provision, is as follows:

	30 June 2003 (Unaudited) HK\$	Group 31 December 2002 (Audited) HK\$
Within 90 days	35,964,780	26,199,330
Between 91 to 180 days	5,244,879	3,441,343
Over 180 days	1,391,756	1,157,879
	<u>42,601,415</u>	<u>30,798,552</u>

The Group's trading terms with its customers are largely on credit. Invoices are normally payable within 60 days of issuance, except for certain well established customers, where the terms are extended from 60 to 90 days. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivable and has a credit control policy to minimize credit risk. Overdue balances are regularly reviewed by senior management.

10. Trade payables

An aged analysis of the accounts payable is as follows:

	30 June 2003 (Unaudited) HK\$	Group 31 December 2002 (Audited) HK\$
Within 90 days	31,039,853	20,616,641
Between 91 to 180 days	2,593,165	1,062,637
Over 180 days	1,052,539	24,514
	<u>34,685,557</u>	<u>21,703,792</u>

11. Contingent liabilities

	30 June 2003 (Unaudited) HK\$	Group 31 December 2002 (Audited) HK\$
Bills discounted with recourse	<u>15,032,613</u>	<u>4,482,063</u>

12. Comparative amounts

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

13. Approval of the financial statements

The financial statements were approved by the board of directors on 26 September 2003.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Results

The Group recorded a total turnover of approximately HK\$116.2 million for the six months ended 30 June 2003, representing an increase of 22.3% from the last corresponding period. Overall gross profit improved from approximately HK\$16.5 million in the previous period to HK\$25.9 million this period.

The Group has a net profit attributable to shareholders of approximately HK\$2.4 million (2002: HK\$1.2 million). Earnings per share for the period ended 30 June 2003 amounted to HK0.95 cents (2002: HK0.48 cents)

Business Review and Prospect

Electronic and related components and parts segment

The Group's electronic and related components and parts segment comprises manufacture and sale of keypads, synthetic rubber and plastic components and parts, and liquid crystal displays.

In the period under review, sales turnover of this segment increased by approximately 18.6% as compared with the previous financial period. The increase in sales turnover is mainly attributable to the increased sales of keypads. This has brought additional revenue of approximately HK\$10 million and improvement in the segmental operating results by approximately HK\$3 million to the segment as compared with the corresponding period.

The Group has faced with pressures from both customers and competitors in the market that lead to reduction in the gross profit margin. Therefore, the Group has been proactively in developing new production technology and keypad products with value added features so as to enhance this segment's gross profit margin. These new products, since launched into the market during the second quarter of this year, have been well accepted by our customers. The increasing sales of these new products would certainly enhance both the sales turnover and operating results of this segment.

Moreover, we have been continuing our strategy to become a global supplier of critical precision components and parts and are pleased to report that the Group has secured increased purchase orders from some multinational corporations. We anticipate that the overseas marketing offices could make contribution to the segment's profit in the near future.

Consumer electronic products segment

We are pleased to report that the consumer electronic products segment has achieved approximately 27% increase in sales turnover from the previous period. Besides the increased sales turnover, the operating results of this segment have also increased by approximately HK\$5.8 million.

The improvements in both sales turnover and operating results of this segment are due to the continuous efforts of the management in cost reduction and development of new products with value added features for customers' selection.

At the present moment, European market is still the major market of our consumer electronic products segment. The strengthening of Euro has brought more demand in our products from the European customers. On the other hand, we have also increased our sales to Asian region in particular Japan successfully. During the period under review, the value of consumer electronic products sold to each of European and Asian markets increased by more than 30% as compared with the previous period. In order to expand our revenue sources, we are currently exploring opportunities for expanding our sales of consumer electronic products to other markets.

Due to the demand from our customers, we are strengthening our product development capability further so as to increase the number of new products for the market in the near future. We are confident that the performance of the consumer electronic products segment would be better in the coming year.

Investment in an associate

As at 30 June 2003, we have made capital injection of approximately HK\$19 million into the associate YOUEAL TTI Limited. Subsequent to the period under review, the associated company has completed the set up of a manufacturing plant in Tianjin, the PRC. The manufacturing facility is for the manufacture and sale of mobile phone keypads and is scheduled to commence commercial production in the second half of 2003. This investment would bring return to the Group in the near future.

Liquidity and Financial Resources

The Group generally finances its operations with internally generated cashflow and banking facilities provided by its principal bankers and other financial institutions in Hong Kong.

The Group currently has aggregate composite banking facilities of approximately HK\$83.8 million with various banks and financial institutions. The total borrowings from banks and financial institutions include long term loans, finance leases, overdrafts, import and export loans, amounted to approximately HK\$56.3 million as at 30 June 2003, of which HK\$46.1 million is repayable in the next twelve months.

The Group's borrowings are mainly on a floating rate basis and are denominated in either Hong Kong dollars or United States dollars. These match with the principal currencies in which the Group conducts its business. Therefore, the Group does not have any significant foreign exchange risk.

The gearing ratio on the basis of total debts to total assets as at 30 June 2003 is 56.2% (31 December 2002: 46.0%).

Charge on the Group Assets

Certain bank borrowings are secured by fixed charges over the Group's medium term leasehold land and buildings with a net book value of HK\$23.0 million and bank deposits amounting to approximately HK\$8.2 million.

Contingent Liabilities

Except for corporate guarantee given to banks and other financial institutions in relation to facilities granted to the subsidiaries, the Company has no other contingent liabilities as at the balance sheet date.

Capital Structure

As at 30 June 2003, the Company had approximately 250 million shares in issue with total shareholders' fund of the Group amounting to approximately HK\$103.6 million.

The 30 million warrants, which were issued by the Company on 16 March 2001 to several independent investors, had not been exercised. During the period under review, all of these warrants were lapsed and cancelled on the expiry date on 15 March 2003.

Pursuant to the share option scheme of the Company, the Board of Directors granted share options to certain senior executives and employees of the Group. The exercise in full of these share options would result in the issue of 15.5 million additional shares and proceeds of approximately HK\$2.48 million.

Fund Raising

During the period on 3 March 2003, the Company entered into separate subscription agreements with several independent investors, pursuant to which these investors agreed to subscribe for unlisted convertible loan notes issued by the Company with principal amount aggregating US\$1,282,500 (equivalent to approximately HK\$10,003,500). These convertible loan notes bear interest at 2% per annum and are convertible into shares of the Company at an initial conversion price of HK\$0.4 per share, subject to adjustment, during the period commencing from the date falling 24 months after the date of issue of the convertible loan notes on 17 March 2003, up to and including the day immediately prior to the maturity date of the convertible loan notes.

Under the same agreements, the investors have also agreed to subscribe for unlisted fixed rate loan notes issued by the Company with principal amount aggregating US\$1,282,500 (equivalent to approximately HK\$10,003,500). These loan notes bear interest at 5% per annum, but are not convertible into shares of the Company.

The net proceeds of US\$2,529,744 (equivalent to approximately HK\$19,732,000) from the issue of these notes have been used to finance the Group's investment in the associate YQUEAL TTI Limited.

The maturity dates of these convertible loan notes and fixed rate loan notes are 27 months and 24 months, respectively, from the date of issue on 17 March 2003. The outstanding convertible loan notes and fixed rate loan notes, if any, will be redeemed at maturity by the Company at 132.25% and 114%, respectively.

Employees

As at 30 June 2003, the Group available to it a total workforce of approximately 2,830 of which approximately 65 were based in Hong Kong, approximately 15 were based in Singapore and approximately 2,750 were based in the PRC.

The Group remunerates its employees largely based on the prevailing industry practice and labor laws. Since December 1996, the Company has adopted a share option scheme whereby employees of the Group may be granted options, at the Board of Directors' discretion, to acquire shares in the Company.

Moreover, under the Mandatory Provident Fund Scheme Ordinance of Hong Kong, the Group has operates a defined contribution Mandatory Provident Fund retirement benefits scheme for all its Hong Kong employees. For overseas and PRC employees, the Group is required to contribute a certain percentage of its payroll costs to the central pension scheme operated by the respective local government.

DIRECTORS' INTERESTS

As at 30 June 2003, the interests of the directors in the shares and underlying shares of the Company or any of its associated corporations as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Future Ordinance ("SFO"), or notified to the Company pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") were as follows:

Interests in shares

Name of director	Nature of interest	Number of ordinary shares
Lai Pei Wor	Other*	97,242,000
	Personal	—
Chan Yau Wah	Personal	5,200,000
Chung Yik Cheung, Raymond	Personal	152,000

* Details of Lai Pei Wor's other interests are set out in the "Substantial shareholders" section below.

Interests in underlying shares

As at 30 June 2003, certain Directors have outstanding share options granted pursuant to the Company's Share Option Scheme, details of which were as follows:

Name of Director	Number of share options at beginning of period	Number of share options outstanding at end of period	Exercise period of share options	Exercise price of share options
Lai Pei Wor	2,500,000	2,500,000	12 July 2001 to 11 July 2004	HK\$0.160
Chan Yau Wah	2,500,000	2,500,000	12 July 2001 to 11 July 2004	HK\$0.160
Chung Yik Cheung, Raymond	2,500,000	2,500,000	12 July 2001 to 11 July 2004	HK\$0.160

Save as disclosed herein, none of the directors or their respective associates had any interests or short position in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning 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 pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 30 June 2003, according to the register of interest in shares and short positions required to be kept by the Company under section 336 of the SFO, the Company has been notified that the following shareholders were interested in 5% or more of the share capital of the Company.

Name	Number of shares	% of Interest
Celaya Limited (<i>Note a</i>)	97,242,000	38.90
Ansbacher (BVI) Limited (<i>Note b</i>)	97,242,000	38.90
MC Capital B.V.	24,222,666	9.69
Lai Yiu Chun (<i>Note c</i>)	23,316,000	9.33
Lam Lin Chu, Winnie (<i>Note c</i>)	23,316,000	9.33

Notes:

- (a) Celaya Limited holds 97,242,000 shares in its capacity as trustee of The Lai Family Unit Trust, of which all units are held by Ansbacher (BVI) Limited in its capacity as trustee of The Lai Family Trust, a discretionary trust of which Lai Pak Hung and Lai Yee Man (both children of Lai Pei Wor and under the age of 18) and Chan Yuk Lin (wife of Lai Pei Wor) are discretionary objects.
- (b) The shares referred to herein relate to the same parcel of shares referred to in note (a) above.
- (c) Lam Lin Chu, Winnie is the wife of Lai Yiu Chun, who is a brother of Lai Pei Wor. Both Lam Lin Chu, Winnie and Lai Yiu Chun are declaring interests in the same parcel of shares.

Save as disclosed above, the directors of the Company are not aware of any person who is directly or indirectly, interested in 5% or more of the issued share capital of the Company, has short positions in the shares or underlying shares or has any rights to subscribe for shares in respect of such capital.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 June 2003.

CODE OF BEST PRACTICE

In the opinion of the directors, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules of the Stock Exchange throughout the accounting period for the six months ended 30 June 2003, except that the independent non-executive directors of the Company are not appointed for specific terms. Independent non-executive directors are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provisions of the Company's bye-laws.

AUDIT COMMITTEE

The members of the audit committee of the Company comprise of Mr. Tsao Kwang Yung, Peter and Mr. Kung Fan Cheong, both being Independent Non-Executive Directors of the Company.

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

Lai Pei Wor
Chairman

Hong Kong, 26 September 2003