

# *STARLITE*

STARLIGHT INTERNATIONAL HOLDINGS LTD.

(Incorporated in Bermuda with Limited Liability)

INTERIM REPORT

2003/2004

STARLIGHT



## FINANCIAL RESULTS

The Board of Directors of Starlight International Holdings Limited (the “Company”) is pleased to announce the unaudited condensed consolidated income statement of the Company for the six months ended 30th September, 2003 together with the comparative figures for the corresponding period in 2002 as follows:

### CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2003

		<b>01.04.2003</b>	01.04.2002
		<b>to</b>	to
	<i>Notes</i>	<b>30.09.2003</b>	30.09.2002
		<b>HK\$'000</b>	HK\$'000
		<b>(unaudited)</b>	(unaudited)
<b>Turnover</b>	2	<b>925,302</b>	734,581
<b>Cost of sales</b>		<b>(791,104)</b>	(620,205)
<b>Gross profit</b>		<b>134,198</b>	114,376
<b>Other operating income</b>		<b>16,123</b>	9,277
<b>Distribution costs</b>		<b>(34,986)</b>	(22,874)
<b>Administration expenses</b>		<b>(34,806)</b>	(42,923)
<b>Unrealised holding gain (loss) on investments in securities</b>		<b>5,190</b>	(16,001)
<b>Impairment loss recognised in respect of investment in securities</b>		–	(5,000)
<b>Impairment loss recognised in respect of loan to an associate</b>		–	(250)
<b>Amortisation of goodwill arising on acquisition of subsidiaries</b>		<b>(829)</b>	(829)
<b>Profit from operations</b>		<b>84,890</b>	35,776
<b>Finance costs</b>		<b>(1,347)</b>	(2,587)
<b>Share of results of associates</b>		<b>(272)</b>	(168)
<b>Profit from ordinary activities before taxation</b>		<b>83,271</b>	33,021
<b>Taxation</b>	4	<b>(2,367)</b>	(976)
<b>Profit before minority interests</b>		<b>80,904</b>	32,045
<b>Minority interests</b>		<b>(154)</b>	(1,306)
<b>Net profit for the period</b>		<b>80,750</b>	30,739
<b>Earnings per share</b>	5		
– Basic		<b>2.77 cents</b>	1.14 cents
– Diluted		<b>2.75 cents</b>	N/A
<b>Interim dividend per share</b>	6	<b>0.8 cent</b>	0.2 cent

**CONDENSED CONSOLIDATED BALANCE SHEET**  
**AT 30TH SEPTEMBER, 2003**

		At <b>30.9.2003</b> <i>HK\$'000</i> <b>(unaudited)</b>	At 31.3.2003 <i>HK\$'000</i> (audited)
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Investment properties		<b>43,960</b>	43,760
Property, plant and equipment	7	<b>253,723</b>	251,244
Properties under development		<b>40,173</b>	37,859
Goodwill	8	<b>13,697</b>	14,525
Negative goodwill	9	<b>(3,844)</b>	(3,844)
Interest in associates		<b>2,312</b>	2,384
Investments in securities		<b>26,181</b>	26,181
		<hr/> <b>376,202</b> <hr/>	<hr/> 372,109 <hr/>
<b>Current assets</b>			
Inventories		<b>266,458</b>	236,720
Debtors, deposits and prepayments	10	<b>401,606</b>	172,356
Taxation recoverable		<b>294</b>	254
Investments in securities		<b>37,783</b>	40,424
Investments in derivative instruments		<b>981</b>	–
Amounts due from associates		<b>3,000</b>	3,000
Bank balances and cash		<b>45,063</b>	55,853
		<hr/> <b>755,185</b> <hr/>	<hr/> 508,607 <hr/>
<b>Current liabilities</b>			
Creditors and accrued charges	11	<b>338,462</b>	202,790
Customers' deposits		<b>22,505</b>	14,917
Amount due to an associate		<b>2,800</b>	2,800
Taxation payable		<b>2,319</b>	659
Borrowings – amount due within one year		<b>84,051</b>	110,847
Obligations under a hire purchase contract – amount due within one year		<b>60</b>	60
		<hr/> <b>450,197</b> <hr/>	<hr/> 332,073 <hr/>
<b>Net current assets</b>		<b>304,988</b>	176,534
<b>Total assets less current liabilities</b>		<hr/> <b>681,190</b> <hr/>	<hr/> 548,643 <hr/>
<b>Minority interests</b>		<hr/> <b>702</b> <hr/>	<hr/> 547 <hr/>
<b>Non-current liabilities</b>			
Borrowings – amount due after one year		<b>8,750</b>	8,750
Obligations under a hire purchase contract – amount due after one year		<b>32</b>	62
		<hr/> <b>8,782</b> <hr/>	<hr/> 8,812 <hr/>
<b>Net assets</b>		<hr/> <b>671,706</b> <hr/>	<hr/> 539,284 <hr/>
<b>CAPITAL AND RESERVES</b>			
Share capital	12	<b>302,888</b>	268,742
Reserves		<b>368,818</b>	270,542
<b>Shareholders' funds</b>		<hr/> <b>671,706</b> <hr/>	<hr/> 539,284 <hr/>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th September, 2003

	Six months ended	
	30.9.2003	30.9.2002
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Opening balances – Total equity	<u>539,284</u>	<u>480,814</u>
Exchange difference arising on translation of operations outside Hong Kong	(441)	1,177
Minority shareholders share of changes in reserves	<u>50</u>	<u>5</u>
Net gains (losses) not recognised in the consolidated income statement	<u>(391)</u>	<u>1,182</u>
Issue of shares upon exercise of share options	4,862	–
Issue of shares	30,000	–
Repurchase of shares	(716)	(636)
Discounts on repurchase of shares	5	348
Premium arising from issue of shares	33,056	–
2003 final dividend paid	(15,144)	–
Net profit for the period	<u>80,750</u>	<u>30,739</u>
	<u>132,813</u>	<u>30,451</u>
Closing balances – Total equity	<u>671,706</u>	<u>512,447</u>

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT**  
**FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2003**

	<b>Six months ended</b>	
	<b>30.9.2003</b>	30.9.2002
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
Net Cash used in Operating Activities	<b>(12,791)</b>	(8,664)
Net Cash used in Investing Activities	<b>(23,228)</b>	(27,086)
Net Cash inflow from Financing Activities	<b>25,229</b>	60,610
Net (Decrease)/Increase in Cash and Cash Equivalents	<b>(10,790)</b>	24,860
Cash and Cash Equivalents at the beginning of the period	<b>55,853</b>	21,662
Effect of Exchange Rate Changes	<b>–</b>	(6)
Cash and Cash Equivalents at end of the period	<b>45,063</b>	46,516

**NOTES TO THE INTERIM FINANCIAL STATEMENTS**

**1. ACCOUNTING POLICIES**

The condensed financial statements have been prepared under the historical cost convention, as modified for the revaluation of investment properties and investments in securities.

The interim report has been prepared in accordance with the Statement of Standard Accounting Practice No. 25 “Interim financial reporting” issued by the Hong Kong Society of Accountants.

The accounting policies adopted are consistent with those followed in the Group’s annual financial statements for the year ended 31st March, 2003, except that the group has adopted the revised SSAP12 “Income Taxes” issued by the HKSA which is effective for accounting period commencing on or after 1st January, 2003.

The change to the Group’s accounting policies and the effect of adopting this revised standard is set out below:

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. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

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.

Deferred taxation is provided on temporary differences arising on investments in subsidiaries and associated companies except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

In prior year, deferred taxation was accounted for at the current taxation rate in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or an asset was expected to be payable or recoverable in the foreseeable future. The adoption of the revised SSAP12 represents a change in accounting policy, which has been applied retrospectively. Since the adoption of this revised SSAP had no material impact on the Group’s accounts in prior periods/years or current period, comparative figures have not been restated.

## 2. SEGMENT INFORMATION

### Business segments

For management purpose, the Group is currently organised into two operating divisions – design, manufacture and sale of electronic products and securities trading. These divisions are basis on which the Group reports its primary segment information.

Principal activities are as follows:

#### Six months ended 30th September, 2003

	Design, manufacture and sale of electronic products <i>HK\$'000</i>	Securities trading <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
REVENUE	<u>908,829</u>	<u>16,473</u>	<u>925,302</u>
SEGMENT RESULT	<u>75,541</u>	<u>9,902</u>	85,443
Interest income			81
Unallocated corporate expenses			<u>(634)</u>
Profit from operation			<u>84,890</u>

#### Six months ended 30th September, 2002

	Design, manufacture and sale of electronic products <i>HK\$'000</i>	Securities trading <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
REVENUE	<u>725,005</u>	<u>9,576</u>	<u>734,581</u>
SEGMENT RESULT	<u>57,988</u>	<u>(16,772)</u>	41,216
Interest income			62
Unallocated corporate expenses			(502)
Impairment loss recognised in respect of investment in securities			<u>(5,000)</u>
Profit from operation			<u>35,776</u>

## 3. DEPRECIATION

During the period, depreciation of approximately HK\$18,507,000 (HK\$17,726,000 for the six months ended 30th September, 2002) was charged to the consolidated income statement in respect of the Group's property, plant and equipment.

#### 4. TAXATION

	<b>Six months ended</b>	
	<b>30.09.2003</b>	30.09.2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
The charge comprises:		
Hong Kong Profits Tax calculated at 17.50% (2002: 16%) of the estimated assessable profit for the period	<b>1,523</b>	952
Taxation in other jurisdictions	<b>844</b>	24
Deferred taxation relating to the origination and reversal of temporary differences	–	–
Deferred taxation resulting from an increase in tax rate	–	–
	<u><b>2,367</b></u>	<u>976</u>

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

The taxation charge in Hong Kong during the period has been partly relieved by the tax losses brought forward from previous years.

No provision for deferred taxation has been made in the accounts for the current period (2002: nil) as the Group has net potential deferred tax asset at the balance sheet date. The deferred tax assets have not been recognized as it is not probable that sufficient taxable profit will be available to allow the related tax benefit to be utilized in the foreseeable future.

#### 5. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is computed based on the following data:

	<b>01.04.2003</b>	01.04.2002
	to	to
	<b>30.09.2003</b>	30.09.2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
<i>Earnings:</i>		
Net profit for the period and earnings for the purpose of basic earnings and diluted earnings per share	<u><b>80,750</b></u>	<u>30,739</u>
<i>Number of shares:</i>		
Weighted average number of shares for the purpose of basic earnings per share	<b>2,910,292,054</b>	2,692,199,992
<i>Effect of dilutive potential shares:</i>		
Share options	<u><b>28,270,074</b></u>	<u>Not applicable</u>
Weighted average number of shares for the purpose of diluted earnings per share	<u><b>2,938,562,128</b></u>	<u>Not applicable</u>

No diluted earnings per share for the prior period has been presented as the exercise prices of the Company's options were higher than the average market price for shares in the period.

#### 6. INTERIM DIVIDEND

The directors have determined that an interim dividend for the year ending 31st March, 2004 of HK0.8 cent per share (Year ended 31st March, 2003: HK 0.2 cent) should be paid to the shareholders of the Company whose names appear in the Register of Members on 8th December, 2003.

## 7. ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT

	<i>HK\$'000</i>
Net book values at 1st April, 2003	251,244
Currency realignment	–
Additions	21,275
Disposals	(289)
Depreciation	(18,507)
<b>Net book values at 30th September, 2003</b>	<b><u>253,723</u></b>

## 8. GOODWILL

	<i>HK\$'000</i>
<b>Cost</b>	
At the beginning of the period and at balance sheet date	<u>16,575</u>
<b>Amortisation</b>	
At the beginning of the period	2,049
Charge for the period	<u>829</u>
At balance sheet date	<u>2,878</u>
<b>Net book value</b>	
At balance sheet date	<b><u>13,697</u></b>

The amortisation period adopted for goodwill is 10 years.

## 9. NEGATIVE GOODWILL

	<i>HK\$'000</i>
<b>Gross amount</b>	
At the beginning of the period and at balance sheet date	<u>6,999</u>
<b>Released to income</b>	
At the beginning of the period	(3,155)
Released during the period	<u>–</u>
<b>At balance sheet date</b>	<b><u>(3,155)</u></b>
<b>Carrying amount</b>	<b><u>3,844</u></b>

The negative goodwill arose on the Group's acquisition of additional interest in a subsidiary, 番禺富臨花園房地產有限公司, in last year. At the date of acquisition, HK\$3,155,000 of the negative goodwill was identified as relating to the impairment loss in respect of the properties under development held by the subsidiary and accordingly an equivalent amount of the negative goodwill was released to income in the last year. The remaining balance of the negative goodwill will be released to income based on an analysis of the circumstances from which the balance resulted.



## 10. DEBTORS, DEPOSITS AND PREPAYMENTS

At 30th September, 2003, the balance of debtors, deposits and prepayments included trade debtors of approximately HK\$364,305,000 (HK\$149,521,000 at 31st March, 2003). The aging analysis of trade debtors at the balance sheet date is as follows:

	<b>30.9.2003</b> <i>HK\$'000</i>	31.3.2003 <i>HK\$'000</i>
0 – 30 days	<b>293,307</b>	109,150
31 – 60 days	<b>42,387</b>	22,425
61 – 90 days	<b>3,785</b>	1,016
Over 90 days	<b>24,826</b>	16,930
	<b><u>364,305</u></b>	<b><u>149,521</u></b>

The Group allows an average credit period ranging from 30 days to 90 days to its trade customers.

## 11. CREDITORS AND ACCRUED CHARGES

At 30th September, 2003, the balance of creditors and accrued charges included trade creditors of approximately HK\$281,806,000 (HK\$169,861,000 at 31st March, 2003). The aging analysis of trade creditors at the balance sheet date is as follows:

	<b>30.9.2003</b> <i>HK\$'000</i>	31.3.2003 <i>HK\$'000</i>
0 – 30 days	<b>129,968</b>	77,631
31 – 60 days	<b>73,747</b>	34,105
61 – 90 days	<b>40,269</b>	15,031
Over 90 days	<b>37,822</b>	43,094
	<b><u>281,806</u></b>	<b><u>169,861</u></b>

## 12. SHARE CAPITAL

	<b>Number of shares</b>	<b>Issued and fully paid share capital</b> <i>HK\$'000</i>
Balance at 1st April, 2003	2,687,415,402	268,742
Issue of shares upon exercise of share options	48,624,528	4,862
Issue of shares	300,000,000	30,000
Repurchase of shares	<u>(7,160,000)</u>	<u>(716)</u>
<b>Balance at 30th September, 2003</b>	<b><u>3,028,879,930</u></b>	<b><u>302,888</u></b>

Details of the changes in the issued share capital of the Company during the period are as follows:

- (a) In July 2003, 48,624,528 shares of HK\$0.10 each were issued at HK\$0.10 per share as a result of the exercise of the certain share options of the Company by their holders.
- (b) In August 2003, 300,000,000 shares of HK\$0.10 each were issued at HK\$0.22 per share as a result of the placing of existing shares and subscription of new shares.

- (c) The Company repurchased its own shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") as follows:

Month	Number of Shares	Price per share		Aggregate Consideration HK\$
		Lowest HK\$	Highest HK\$	
April 2003	2,630,000	0.089	0.100	250,100
May 2003	4,530,000	0.098	0.104	461,060
	<u>7,160,000</u>			<u>711,160</u>

The above shares were cancelled upon repurchase and accordingly the issued share capital of the Company was reduced by the nominal value of these shares. The discount on repurchase was credited to capital reserve. An amount equivalent to the nominal value of the shares cancelled was transferred from accumulated profits to the capital redemption reserve.

All shares issued rank pari passu with the then existing shares in issue in all respects.

Save as disclosed above, there was no purchase, sale or redemption by the Company or any of its subsidiaries of its listed securities during the period.

### 13. CAPITAL COMMITMENTS

	<b>30.9.2003</b> <b>HK\$'000</b>	31.3.2003 HK\$'000
Capital expenditure contracted for but not provided in the financial statements		
– property, plant and equipment	<u>11,525</u>	<u>7,819</u>

At the balance sheet date, the Company did not have any capital commitments.

### 14. CONTINGENT LIABILITIES

	<b>30.9.2003</b> <b>HK\$'000</b>	31.3.2003 HK\$'000
Bills discounted with recourse	<u>37,444</u>	<u>5,884</u>
Guarantee given to banks in respect of mortgage loans of the buyers of the property under developments	<u>8,950</u>	<u>5,680</u>

### 15. RELATED PARTY TRANSACTIONS

There were no significant related party transactions undertaken by the Group at any time during the six-months period.

## INTERIM DIVIDEND

The Directors have declared an interim dividend of HK0.8 cent per share of HK\$0.10 each (equivalent to HK3.2 cents per consolidated share of HK\$0.40 each if the consolidation of four existing shares of HK\$0.10 each into one consolidated share of HK\$0.40 each is approved at the special general meeting held on 13th November, 2003) for the year ending 31st March, 2004 (Year ended 31st March, 2003: 0.2 cent per share) to shareholders on the register of members on 8th December, 2003. Dividend warrants will be sent to the shareholders on or about 19th December, 2003.

## **CLOSING OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from Monday, 8th December, 2003 to Friday, 12th December, 2003, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the entitlement of the interim dividend, all outstanding transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Share Registrars, Secretaries Limited, G/F., Bank of East Asia Harbour View Centre, 56 Gloucester Road, Hong Kong not later than 4:00 p.m. on Friday, 5th December, 2003.

## **BUSINESS REVIEW**

The Group's turnover for the six months ended 30th September, 2003 was HK\$925,302,000, an increase of 26% as compared with the same period last year. The profit attributable to shareholders amounted to HK\$80,750,000 which increased significantly by 163% as compared with the same period last year.

### **Electronics Division**

During the first quarter of the financial year, the Group's core business, the Electronics Division, was affected by the outbreak of Severe Acute Respiratory Syndrome (SARS) such that no significant increase in sales was recorded. Since the beginning of second quarter, demand for consumer electronic products was strong. The Group's products, that include its unique slim and multi-function featured audio products, and multi-function combo video products such as DVD/TV combos, have obtained an increased orders and driven a satisfactory growth in sales maintained.

During the period under review, the increase in sales was mainly from the sale of ODM and own brand products. The profit margin from the sale of ODM and own brand products was slightly higher than the profit margin in OEM sales. Additionally, the increase in production volume enhanced the production efficiency of the Group. Thus the overall profit margin for the Group's electronic products has continued to improve.

The Group's sales to North America increased steadily. However, the increase in sales to Europe has shown an encouraging significant growth rate of approximately 100%.

The Group's subsidiary, Cosmo Communications Corp. recorded a rapid growth in business operation. Sales increased by 115% as compared to the same period last year. Additionally, a promising revenue in commission income from acting as a sales agent for a famous brand was also reported.

### **Securities Trading**

As at balance sheet date, the Group's investment portfolio reduced to approximately of market value HK\$37.7 million.

## **PROSPECTS**

The global economy has started to show signs of recovery and overall consumer confidence has risen. Demand for electronic products is strong and the Group is confident that sales will continue to increase in the foreseeable future. As the Group's production is currently running at full capacity, following a comparison in respect of production costs for the selection of factory sites, the Group has purchased a piece of land in Panyu, China next to the existing factory for

the expansion of production capacity in the next few years. It is expected the first phase of the factory will be completed in December 2004 and will increase the Group's production capacity by about 20% or more. To relieve the production demand, the Group will consolidate warehousing in a new rented premises in Panyu and will further increase production capacity by at least 20% by converting existing warehouse into production lines in 4th quarter, 2003.

The Group continues to carry out research for the development of new products with advanced technology and functions in order to meet the market demand. New audio and video products, such as DVD/VCR combos, TV/DVD/VCR combos and DVD+RW, have been launched and were well received by customers. DVD+RW with HDD, HDD MP3 jukeboxes and TV/DVD+RW recorder combos are now under development and will be launched in the market soon. It is expected that the new series of products will increase the Group's sales.

In view of the mentioned factors, the Group is very optimistic about its future performance.

## **CAPITAL STRUCTURE**

During the period, 300,000,000 shares of the Company of HK\$0.10 each were issued at HK\$0.22 per share as a result of the placing and subscription arrangement. The net proceeds of approximately HK\$63 million from the subscription of 300,000,000 new shares will be used as approximately HK\$40 million for the construction of the first phase of a new factory and the balance of approximately HK\$23 million for general working capital of the Group.

48,624,528 of the Company's shares of HK\$0.10 each were issued at HK\$0.10 per share as a result of the exercise of certain share options of the Company by their holders. The Company also repurchased 7,160,000 of the Company's shares on The Stock Exchange of Hong Kong Limited for an aggregate consideration of HK\$711,160.

## **FINANCIAL**

During the period, cash inflow of approximately HK\$67.8 million was received through the placing and subscription of 300,000,000 shares of the Company and issue of 48,624,528 shares of the Company upon exercise of certain share options.

As at 30th September, 2003, the Group's gearing ratio based on total liabilities to shareholders' funds was 68% (31st March, 2003: 63%) and gearing ratio based on net bank borrowings to shareholders' funds was 7% (31st March, 2003: 12%). The increase in the gearing ratios reflected the seasonal effect of the business activities as well as the increase of the group's turnover during the period. The Group's financial position is sound.

The Group's transactions were mostly denominated in US dollars and Hong Kong dollars. The exposure to foreign exchange risk was minimal.

## **STAFF**

As at 30th September, 2003, the Group had a total staff of 8,725 of which 8,615 were employed in the PRC for the Group's manufacturing and distribution businesses.

The Group provides employee benefits such as staff insurance, retirement scheme, discretionary bonus and share option scheme and also provides in-house training programmes and external training sponsorship.

## DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As at 30th September, 2003, the interests and short positions of the directors of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "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 and short positions which the directors and the chief executive of the Company were deemed or taken to have under such provisions of the SFO) or which were required to be and were recorded in the register required to be kept pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

	Personal Interest	Number of shares of HK\$0.10 each		Total	% of total issued shares
		Corporate Interest	Other Interest		
<i>Executive directors:</i>					
Lau Sak Hong, Philip	223,386,288	12,072,360 (a) 40,401,660 (b)	671,096,202 (c)	946,956,510	31.26%
Lau Sak Kai, Anthony	149,063,718	12,072,360 (a) 40,401,660 (b)		201,537,738	6.65%
Lau Sak Yuk, Andy	140,236,431	12,072,360 (a) 40,401,660 (b)		192,710,451	6.36%

### *Independent non-executive directors:*

Hon Sheung Tin, Peter	778,580	-	-	778,580	0.03%
Ho Hau Chong, Norman	-	-	-	-	-

### *Notes:*

- (a) These shares are held by K.K. Nominees Limited, a company which is wholly owned by Lau Sak Hong, Philip, Lau Sak Kai, Anthony, and Lau Sak Yuk, Andy (hereinafter collectively with other family members referred to as the "Lau family"). Accordingly, Lau family is deemed to be interested in the shares held by K.K. Nominees Limited.
- (b) These shares are held by Wincard Management Services Limited, a company which is wholly owned by the Lau family. Accordingly, Lau family is deemed to be interested in the shares held by Wincard Management Services Limited.
- (c) These shares are wholly owned by Philip Lau Holding Corporation, a company wholly owned by a discretionary trust, the discretionary objects of which include Lau Sak Hong, Philip and his associate. Accordingly, Lau Sak Hong, Philip is deemed to be interested in the shares held by Philip Lau Holding Corporation.

Save as disclosed herein, as at 30th September, 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 Transactions by Directors of Listed Companies.

## **DIRECTORS' RIGHT TO ACQUIRE SHARES**

Under the Company's share option scheme ("Old Scheme") which was approved on 7th April, 1997, certain directors were granted options to subscribe for shares in the Company within a period of five years commencing from the date of grant of the options. The Old Scheme was expired on 6th April, 2001. Options granted under the Old Scheme prior to its cessation which have not been fully exercised remain valid until such time that such options are fully exercised or have lapsed. No directors have exercised share options or have outstanding share options under the Old Scheme during the period.

Under the Company's share option scheme ("New Scheme") which was approved and adopted at the special general meeting of the Company held on 12th September, 2002 for a period of 5 years, the directors may grant options to any participant, including directors of the Company and its subsidiaries to subscribe for shares in the Company. The subscription price of the option shares is the higher of the nominal value of the shares, the closing price of the shares on the offer date and the average of the closing prices of the shares for the five trading days immediately preceding the Offer Day. No share option were granted to Directors since the adoption of the New Scheme.

Save as aforesaid, at no time during the period was the Company or its holding company or any of its subsidiaries a party to any arrangement to enable a director of the Company to acquire benefits by means of the acquisition of shares in the Company or any other body corporate.

Save as disclosed above, none of the directors or their associates had any interests in any securities of the Company or any of its associated corporations as defined in the SFO and none of the directors, or their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the period.

## **SHARE OPTION SCHEMES**

Information disclosed in accordance with the Listing Rules in relation to the share options is as follows:-

### **1. Options granted under the Old Scheme**

<b>Name</b>	<b>Number of options</b>		
	<b>As at 01.04.2003</b>	<b>Exercised during the period</b>	<b>As at 30.09.2003</b>
Aggregate total of employees	43,645,056	21,822,528	21,822,528

*Notes:*

- (1) The above options were granted on 2nd July, 1999 at an exercise price of HK\$0.10 per share for an exercise period of five years from the date of grant of the options.
- (2) No option was granted, lapsed or cancelled during the period.
- (3) The weighted average closing price per share immediately before the date on which the options were exercised was HK\$0.201.

## 2. Options granted under the New Scheme

Name	As at 01.04.2003	Number of options Granted during the period	Exercised during the period	As at 30.09.2003
Aggregate total of employees	–	53,604,000	26,802,000	26,802,000

### Notes:

- (1) The above options were granted on 2nd May, 2003 at an exercise price of HK\$0.10 per share for an exercise period of five years from the date of grant of the options.
- (2) No options was lapsed or cancelled during the period.
- (3) The Directors consider it inappropriate to value the options granted during the period as a number of factors critical for the valuation cannot be determined accurately. Any valuation of the options based on various speculative assumptions would be meaningless and could be misleading to the shareholders.
- (4) The weighted average closing price per share immediately before the date on which the options were exercised was HK\$0.201.

## SUBSTANTIAL SHAREHOLDERS

As at 30th September, 2003, the following person, other than the interest disclosed above in respect of the directors, interest in 5% or more in the shares and underlying shares of the Company have been notified to the Company and recorded in the register of substantial shareholder' interests in shares and short positions required to be kept under Section 336 of Part XV of the SFO:

Name	Number of Ordinary Shares in which interested	% of total issued shares
Lee Yu Chiang	168,563,515	5.56%

Save as mentioned above, as at 30th September, 2003, the register maintained by the Company pursuant to section 336 of the SFO recorded no other interests or short positions in shares of the Company.

## CODE OF BEST PRACTICE

None of the directors is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the accounting period covered by the interim report, in compliance with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange.

## AUDIT COMMITTEE

The interim report for the six months ended 30th September, 2003 has been reviewed by the audit committee of the Company which has been established for review and supervision of the Group's financial reporting process and internal controls.

By Order of the Board  
**Lau Sak Hong, Philip**  
Chairman

Hong Kong, 11th November, 2003