

The directors of Alco Holdings Limited (the “Company”) are pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30th September 2003, as follows:

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the six months ended 30th September 2003

		Unaudited Six months ended 30th September	
		2003	Restated 2002
	<i>Notes</i>	HK\$'000	<i>HK\$'000</i>
Turnover	2	1,732,586	2,390,002
Cost of sales		(1,572,947)	(2,234,086)
Gross profit		159,639	155,916
Other revenues		6,434	9,085
Selling expenses		(52,776)	(48,220)
Administrative expenses		(34,964)	(36,153)
Other operating expenses		(2,871)	(4,654)
Operating profit	3	75,462	75,974
Finance costs		(4,030)	(6,801)
Profit before taxation		71,432	69,173
Taxation	4	(9,269)	(15,148)
Profit after taxation		62,163	54,025
Minority interests		(726)	(4,222)
Profit attributable to shareholders		61,437	49,803
Interim dividend	5	15,856	10,228
Basic earnings per share	6	HK11.9 cents	HK9.7 cents
Diluted earnings per share	6	HK11.4 cents	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30th September 2003

		Unaudited 30th September 2003 HK\$'000	Unaudited and restated 30th September 2002 HK\$'000	Audited and restated 31st March 2003 HK\$'000
Fixed assets	7	467,202	529,843	449,272
Deferred development costs	7	25,443	32,987	20,175
Investments		42,399	1,934	42,299
Current assets				
Inventories		695,025	997,338	421,913
Trade receivables	8	663,093	699,089	203,786
Other receivables, prepayments and deposits		19,959	20,320	26,449
Bank balances and cash		394,608	362,766	407,524
		1,772,685	2,079,513	1,059,672
Current liabilities				
Trade payables	9	708,575	1,067,157	260,638
Other payables and accrued charges		148,826	141,438	122,083
Taxation payable		15,261	16,171	6,591
Trust receipt loans		199,532	278,458	43,912
Obligations under finance leases	10	4,036	10,800	6,795
Bank loans - current portion	11	69,643	58,750	22,500
		1,145,873	1,572,774	462,519
Net current assets		626,812	506,739	597,153
Total assets less current liabilities		1,161,856	1,071,503	1,108,899
Financed by:				
Share capital	12	52,852	51,138	51,138
Reserves		973,552	889,460	957,187
Shareholders' funds		1,026,404	940,598	1,008,325
Minority interests		19,835	19,580	19,109
Obligations under finance leases	10	1,221	5,264	3,025
Bank loans - long-term portion	11	82,857	73,438	47,500
Deferred taxation		31,539	32,623	30,940
		1,161,856	1,071,503	1,108,899

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30th September 2003

	Unaudited	
	Six months ended	
	30th September	
	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash used in operating activities	(137,550)	(23,855)
Net cash used in investing activities	(102,247)	(144,010)
Net cash generated from/(used in) financing activities	44,744	(44,638)
Decrease in cash and cash equivalents	(195,053)	(212,503)
Cash and cash equivalents at beginning of period	344,934	345,529
Cash and cash equivalents at end of period	149,881	133,026
Represented by:		
Bank balances and cash	394,608	362,766
Less: Bank balances with maturity more than three months	(64,600)	–
Trust receipt loans repayable within three months	(180,127)	(229,740)
	149,881	133,026

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th September 2003

	Unaudited					Retained earnings HK\$'000	Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Capital redemption reserve HK\$'000	Exchange reserve HK\$'000	Investment properties revaluation reserve HK\$'000		
At 1st April 2003, as previously reported	51,138	210,182	471	281	-	754,331	1,016,403
Change in accounting policy - provision for net deferred tax liabilities	-	-	-	-	-	(8,078)	(8,078)
Exercise of bonus warrants	1,714	15,080	-	-	-	-	16,794
Translation difference	-	-	-	(2,082)	-	-	(2,082)
Dividends	-	-	-	-	-	(58,070)	(58,070)
Net profit for the period	-	-	-	-	-	61,437	61,437
At 30th September 2003	<u>52,852</u>	<u>225,262</u>	<u>471</u>	<u>(1,801)</u>	<u>-</u>	<u>749,620</u>	<u>1,026,404</u>
At 1st April 2002, as previously reported	51,138	210,181	471	6	9,847	644,234	915,877
Change in accounting policy - provision for net deferred tax liabilities	-	-	-	-	-	(2,070)	(2,070)
Dividends	-	-	-	-	-	(23,012)	(23,012)
Net profit for the period	-	-	-	-	-	49,803	49,803
At 30th September 2002	<u>51,138</u>	<u>210,181</u>	<u>471</u>	<u>6</u>	<u>9,847</u>	<u>668,955</u>	<u>940,598</u>

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30th September 2003

1. Basis of preparation and principal accounting policies

The unaudited condensed consolidated financial statements have been prepared in accordance with Hong Kong Statement 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 accounting policies and methods of computation used in the preparation of these condensed financial statements are consistent with those used in the annual accounts for the year ended 31st March 2003 except that the Group has adopted SSAP 12 (revised), “Income taxes”, which is effective for accounting period commencing on or after 1st January 2003.

Under SSAP 12 (revised), deferred taxation must be provided in full, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values in the financial statements. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

Prior to the adoption of SSAP 12 (revised), the Group’s accounting policy on deferred taxation was to account for it 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 SSAP 12 (revised) has been applied retrospectively and several comparatives presented have been restated to conform to the changed policy. Under the restatement, retained earnings at 1st April 2002 and 1st April 2003 have decreased by HK\$2,070,000 and HK\$8,078,000 respectively, and profits tax for the six months ended 30th September 2002 has increased by HK\$8,985,000.

2. Segment information

The Group is principally engaged in the design, manufacture and sale of consumer audio-visual, telecommunication and plastic products.

(a) Business segment

The Group mainly operates in the People’s Republic of China (the “PRC”) and Hong Kong in two main business segments:

- | | | |
|------------------------------|---|--------------------------------------------------------------------------------------|
| Consumer electronic products | – | Design, manufacture and sale of consumer audio-visual and telecommunication products |
| Plastic products | – | Manufacture and sale of plastic and packing products |

2. Segment information (continued)

(a) Business segment (continued)

	Six months ended 30th September					
	2003			2002		
	Consumer electronic products HK\$'000	Plastic products HK\$'000	Group HK\$'000	Consumer electronic products HK\$'000	Plastic products HK\$'000	Group HK\$'000
Turnover	<u>1,714,060</u>	<u>18,526</u>	<u>1,732,586</u>	<u>2,353,408</u>	<u>36,594</u>	<u>2,390,002</u>
Segment results	<u>74,972</u>	<u>490</u>	<u>75,462</u>	<u>71,983</u>	<u>3,991</u>	<u>75,974</u>

(b) Geographical segment

	Turnover	
	Six months ended 30th September	
	2003 HK\$'000	2002 HK\$'000
North America	1,137,700	1,491,525
Europe	372,332	502,755
Asia	189,252	236,163
Africa	19,215	19,092
Australia and New Zealand	10,481	30,433
South America	3,606	110,034
	<u>1,732,586</u>	<u>2,390,002</u>

The analysis of turnover by geographical segment is based on the destination to which the shipments are made. No analysis of the contribution by geographical segment has been presented as the ratios of profit to turnover achieved for the above geographical segments are not substantially out of line with the Group's overall ratio of profit to turnover.

3. Operating profit

Operating profit is stated after (crediting)/charging the following:

	Six months ended 30th September	
	2003	2002
	HK\$'000	HK\$'000
Interest income	(4,661)	(2,597)
Amortisation of deferred development costs	7,142	9,869
Depreciation	36,819	40,206
Staff costs	128,242	146,535

4. Taxation

Hong Kong profits tax has been provided at the rate of 17.5% (2002: 16%) on the estimated assessable profit of the Group for the period. Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

The amount of taxation charged to the condensed consolidated profit and loss account represents:

	Six months ended 30th September	
		Restated
	2003	2002
	HK\$'000	HK\$'000
Company and subsidiaries		
Hong Kong profits tax	8,670	6,163
Deferred taxation	599	8,985
	<u>9,269</u>	<u>15,148</u>

There was no share of taxation attributable to a jointly controlled entity for the six months ended 30th September 2003 (2002: nil). No overseas taxation has been provided as the Group's subsidiaries in Canada and the PRC have no estimated assessable profits for the six months ended 30th September 2003 (2002: nil).

5. Interim dividend

At a meeting held on 9th December 2003, the directors declared an interim dividend of HK3.0 cents (2002: HK2.0 cents) per share for the six months ended 30th September 2003, amounting to HK\$15,856,000 (2002: HK\$10,228,000).

6. Earnings per share

The calculation of basic and diluted earnings per share is based on the Group's profit attributable to shareholders for the six months ended 30th September 2003 of HK\$61,437,000 (2002: HK\$49,803,000). The basic earnings per share is based on the weighted average of 515,999,575 (2002: 511,381,854) ordinary shares in issue during the period.

The diluted earnings per share is based on 539,827,130 (2002: no dilutive effect) ordinary shares which is the aggregate of the weighted average number of ordinary shares in issue during the period and the weighted average of 23,827,555 (2002: nil) ordinary shares deemed to be issued at no consideration if all bonus warrants had been exercised.

7. Capital expenditure

	Fixed assets HK\$'000	Deferred development costs HK\$'000
Opening net book value at 1st April 2003	449,272	20,175
Additions	55,290	12,410
Disposals	(541)	–
Depreciation/Amortisation	(36,819)	(7,142)
Closing net book value at 30th September 2003	<u>467,202</u>	<u>25,443</u>

8. Trade receivables

An ageing analysis of trade receivables based on invoiced date as at 30th September 2003 is as follows:

	30th September 2003 HK\$'000	31st March 2003 HK\$'000
0 - 30 days	603,729	139,436
31 - 60 days	55,297	57,513
61 - 90 days	1,081	4,619
Over 90 days	2,986	2,218
	<u>663,093</u>	<u>203,786</u>

The credit terms given vary and are generally based on the financial strengths of individual customers. In order to effectively manage the credit risks associated with trade receivables, credit evaluations of customers are performed periodically.

9. Trade payables

An ageing analysis of trade payables based on suppliers' invoice date as at 30th September 2003 is as follows:

	30th September 2003 HK\$'000	31st March 2003 HK\$'000
0 - 30 days	388,607	153,146
31 - 60 days	229,123	66,531
61 - 90 days	88,237	40,479
Over 90 days	2,608	482
	<u>708,575</u>	<u>260,638</u>

10. Obligations under finance leases

As at 30th September 2003, the Group's finance lease liabilities were payable as follows:

	30th September 2003 <i>HK\$'000</i>	31st March 2003 <i>HK\$'000</i>
Within one year	4,125	6,981
In the second year	1,232	2,857
In the third to fifth year	–	214
	<u>5,357</u>	<u>10,052</u>
Future finance charges on finance leases	(100)	(232)
Present value of finance lease liabilities	<u>5,257</u>	<u>9,820</u>

The present value of finance lease liabilities is as follows:

	30th September 2003 <i>HK\$'000</i>	31st March 2003 <i>HK\$'000</i>
Within one year	4,036	6,795
In the second year	1,221	2,812
In the third to fifth year	–	213
Present value of finance lease liabilities	<u>5,257</u>	<u>9,820</u>

11. Bank loans

	30th September 2003 <i>HK\$'000</i>	31st March 2003 <i>HK\$'000</i>
Bank loans – unsecured (<i>note</i>)	<u>152,500</u>	<u>70,000</u>

The above bank loans are repayable in the following periods:

	30th September 2003 <i>HK\$'000</i>	31st March 2003 <i>HK\$'000</i>
Within one year	69,643	22,500
In the second year	52,857	37,500
In the third to fifth year	30,000	10,000
	<u>152,500</u>	<u>70,000</u>

Note:

The unsecured bank loans are supported by corporate guarantees given by the Company.

12. Share capital

	Company	
	<i>Number of shares</i>	<i>HK\$'000</i>
Authorised:		
Ordinary shares of HK\$0.10 each		
Brought forward and carried forward	<u>800,000,000</u>	<u>80,000</u>
Issued and fully paid:		
Ordinary shares of HK\$0.10 each		
At 1st April 2002 and 30th September 2002	511,381,854	51,138
Exercise of bonus warrants	<u>880</u>	<u>–</u>
At 31st March 2003 and 1st April 2003	511,382,734	51,138
Exercise of bonus warrants	<u>17,136,934</u>	<u>1,714</u>
At 30th September 2003	<u>528,519,668</u>	<u>52,852</u>

During the six months ended 30th September 2003, 17,136,934 (2002: nil) ordinary shares of HK\$0.10 each of the Company were issued at a subscription price of HK\$0.98 per share to bonus warrant holders on the exercise of their bonus warrants for a total cash consideration of HK\$16,794,195 (2002: nil).

Details of the movement and outstanding bonus warrants as at 30th September 2003 are as follows:

Subscription price per share	Number of bonus warrants outstanding as at 1st April 2003	Number of bonus warrants exercised during the period	Number of bonus warrants outstanding as at 30th September 2003
HK\$0.98	51,137,305	17,136,934	34,000,371

13. Contingent liabilities

	Company	
	30th September 2003 HK\$'000	31st March 2003 HK\$'000
Corporate guarantees given to banks in respect of utilised banking facilities	<u>352,032</u>	<u>113,912</u>

14. Commitments

(a) Operating lease commitments

As at 30th September 2003, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	30th September 2003 HK\$'000	31st March 2003 HK\$'000
Not later than one year	33,596	34,797
Later than one year and not later than five years	78,281	94,664
Later than five years	23,968	25,531
	<u>135,845</u>	<u>154,992</u>

(b) Capital commitments

	30th September 2003 HK\$'000	31st March 2003 HK\$'000
Contracted but not provided for in respect of moulds, plant and machinery	8,018	11,620
Authorised but not contracted for in respect of moulds, plant and machinery	–	648
	<u>8,018</u>	<u>12,268</u>

15. Related party transactions

Venturer Electronics Inc. (“Venturer”) was a related party to the Group in which a son of a director had beneficial interest in Venturer. On 31st August 2002, all the beneficial interests of Venturer were disposed of by the son of the director to an independent third party. Since then, Venturer had ceased to be a related party to the Group.

16. Comparative figures

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

MANAGEMENT DISCUSSION AND ANALYSIS

Group results

For the six months ended 30th September 2003, the Group recorded a turnover of HK\$1,733 million (2002: HK\$2,390 million). Profit attributable to shareholders was HK\$61.4 million (2002: HK\$49.8 million).

Liquidity and financial resources

As at 30th September 2003, cash balances stood at HK\$395 million. After deducting interest bearing debts, we had a net surplus cash of HK\$37 million.

The Group's foreign exchange exposure is well managed, as nearly all the Group's sales and purchases are transacted in US and HK dollar denominations.

Employees

As at 30th September 2003, the Group had approximately 17,000 employees in Hong Kong and the PRC. Remuneration packages are generally structured by reference to market terms and individual qualifications. Salaries and wages are normally reviewed on an annual basis based on performance appraisals and other relevant factors. We also provide other benefits including medical insurance, provident fund and education subsidies to all eligible staff.

REVIEW OF OPERATIONS

During the period under review, demand for consumer electronic products reverted to more normal levels than had been the case in 2002. Audio-visual products represent the Group's major revenue source, and enable it to maintain a substantial market share in Europe and North America. The Group's 5-CD Home Audio Systems and DVD products, which include Home Theatre Systems incorporating DVD players with built-in amplifier capabilities, DVD+VCR Combo players/recorders, and LCD-TVs with DVD players, continued to be favorably received in the market, generating steady income across the period under review. However, shortages of LCD panels of 15 inches and above this year led to delays in shipments of some LCD-related products for Christmas 2003.

To maintain product range diversity in the face of constantly altering market demands, the Group launched a number of new audio-visual products into the European and North American markets during the period under review. These included 20-CD Home Audio Systems, portable DVD players and DVD recorders, some of them sold under private labels and some of them for OEM customers. Response from the market to these new products has been positive, with additional income having been generated for the Group.

The Group has enhanced its ability to develop and manufacture high-end sophisticated products through the creation of 'clean zone' facilities and the establishment of a lead-free soldering environment within its production facilities. These initiatives, together with its continued investment in Surface Mount Technology ("SMT") facilities, have enabled the Group to develop a number of new DVD-Drives and new LCD-related products, further diversifying its product range and provoking interest from potential new OEM customers.

REVIEW OF OPERATIONS *(continued)*

During the period under review, in addition to the Digital Enhanced Cordless Telecommunications (“DECT”) phones launched in the European market, the Group also launched its newly developed 2.4GHz digital cordless phones in North America, a development which has further expanded its product portfolio.

PROSPECTS

To increase competitiveness, the Group plans to focus on developing high-end and high value audio-visual products, in particular DVD and LCD-related products which have strong market potential. The supply of LCD panels of 15 inches and above is expected to stabilise in 2004, and the Group expects to launch its large-size LCD-related products by first half of 2004.

Consolidation of existing markets in Europe and North America will continue, while simultaneously the Group will work to capture new business opportunities in potential markets such as the PRC. The Group’s operations at its Shenzhen office have continued to run smoothly. As part of ongoing cost control measures, plans are being drafted to further increase the utilisation of this office in the longer term.

This year, the Group is celebrating the 35th anniversary of its establishment. Management would like to extend its thanks to shareholders, customers and suppliers for their long-term support over the years, and to staff for their ongoing commitment and loyalty. The Group is determined to maintain its reputation for offering high quality products and services, and at the same time keeping pace with an ever-changing market by continuing to develop new, high-value products with strong market potential.

INTERIM DIVIDEND

The Directors have resolved to declare an interim dividend of HK3.0 cents (2002: HK2.0 cents) per share for the six months ended 30th September 2003 to the shareholders whose names are on the register of members of the Company on 31st December 2003. The dividend warrants are expected to be despatched on 15th January 2004.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 29th December 2003 to Wednesday, 31st December 2003, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the interim dividend, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company’s share registrars in Hong Kong, Abacus Share Registrars Limited at G/F, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not later than 4:00 p.m. on Wednesday, 24th December 2003.

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30th September 2003, the interests of the Directors in the shares and underlying shares of the Company, as recorded in the register required to be kept by the Company under Section 352 of the Securities and Futures Ordinance (the "SFO"), or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") were as follows:

	Number of ordinary shares			
	Personal interests	Corporate interests	Family interests	Total interests
Mr LEUNG Kai Ching, Kimen	17,200,000	35,356,000 <i>(note a)</i>	170,018,000 <i>(note b)</i>	222,574,000
Mr LEUNG Wai Sing, Wilson	42,400,000	–	170,018,000 <i>(note b)</i>	212,418,000
Mr KUOK Kun Man, Andrew	280,000	–	–	280,000

	Number of bonus warrants			
	Personal interests	Corporate interests	Family interests	Total interests
Mr LEUNG Kai Ching, Kimen	1,000,000	3,535,600 <i>(note a)</i>	17,001,800 <i>(note b)</i>	21,537,400
Mr LEUNG Wai Sing, Wilson	4,240,000	–	17,001,800 <i>(note b)</i>	21,241,800

Note:

- (a) These shares and bonus warrants were owned by Shundeau Investments Limited, a company incorporated in the British Virgin Islands with limited liability, of which Mr LEUNG Kai Ching, Kimen is the sole shareholder.
- (b) These shares and bonus warrants were owned by Kimen Leung UT Limited, a company incorporated in the British Virgin Islands as the trustee of The Kimen Leung Unit Trust which is beneficially owned by The Kimen Leung Family Trust. Mr LEUNG Wai Sing, Wilson and other family members of Mr LEUNG Kai Ching, Kimen are the beneficiaries of The Kimen Leung Family Trust which is a discretionary trust.

Save as disclosed above, as at 30th September 2003, other than one ordinary share each in the Hong Kong incorporated subsidiaries of the Company held in trust for the Group by Mr LEUNG Kai Ching, Kimen, none of the directors of the Company had any interests or short positions 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 Hong Kong Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

On the special general meeting which was held on 21st August 2003, shareholders of the Company approved the termination of the share option scheme adopted by the Company on 6th November 1992 which expired on 5th November 2002 and approved the adoption of a new share option scheme (the "New Share Option Scheme").

As at 30th September 2003, no share options were granted under the New Share Option Scheme.

Save as aforesaid, at no time during the period was the Company or any of its subsidiaries a party to any arrangements to enable the directors or the chief executives or their spouses or children under 18 years of age to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

As at 30th September 2003, the interests and short positions of those persons (other than the Directors) in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO were as follows:

Name	Capacity in which shares were held	Number of shares			Approximate shareholding percentage
		Long position	Lending pool	Total	
Shundeans Investments Limited	Beneficial owner	225,911,400	–	225,911,400 <i>(note a)</i>	42.74%
HSBC International Trustee Limited	Trustee	187,719,800	–	187,719,800 <i>(note b)</i>	35.52%
Kimen Leung UT Limited	Trustee	187,019,800	–	187,019,800 <i>(note c)</i>	35.39%
J.P. Morgan Chase & Co.	Investment manager	52,550,000	7,250,000	59,800,000	11.31%
Leung Wai Lap, David	Beneficial owner	32,972,190	–	32,972,190	6.24%
Webb David Michael	Beneficial owner	28,129,400	–	28,129,400	5.32%

Note:

- (a) 35,356,000 ordinary shares and 3,535,600 bonus warrants were held by Shundeans Investments Limited, a company incorporated in the British Virgin Islands with limited liability, of which Mr LEUNG Kai Ching, Kimen is the sole shareholder; and 170,018,000 ordinary shares and 17,001,800 bonus warrants were held by Kimen Leung UT Limited, a company incorporated in the British Virgin Islands as the trustee of The Kimen Leung Unit Trust which is beneficially owned by The Kimen Leung Family Trust. Mr LEUNG Wai Sing, Wilson and other family members of Mr LEUNG Kai Ching, Kimen are the beneficiaries of The Kimen Leung Family Trust which is a discretionary trust.

SUBSTANTIAL SHAREHOLDERS *(continued)*

- (b) Among the referenced shares, 170,018,000 ordinary shares and 17,001,800 bonus warrants were held for Kimen Leung UT Limited.
- (c) 170,018,000 ordinary shares and 17,001,800 bonus warrants were held by Kimen Leung UT Limited, a company incorporated in the British Virgin Islands as the trustee of The Kimen Leung Unit Trust which is beneficially owned by The Kimen Leung Family Trust. Mr LEUNG Wai Sing, Wilson and other family members of Mr LEUNG Kai Ching, Kimen are the beneficiaries of The Kimen Leung Family Trust which is a discretionary trust.

Save as disclosed above, as at 30th September 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 of the Company, whose interests are set out in the section headed "Directors' interests in shares and underlying shares" above, who had any interest or short position in the shares or underlying shares of the Company.

PURCHASE, SALE OR REDEMPTION OF SHARES

For the six months ended 30th September 2003, neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed shares of the Company.

COMPLIANCE WITH THE CODE OF BEST PRACTICE OF THE LISTING RULES

The Company has complied with the Code of Best Practice except that independent non-executive directors are not appointed for a specific term as recommended under Appendix 14 of the Listing Rules. According to the Bye-laws of the Company, independent non-executive directors of the Company will retire by rotation every year and their appointments will be reviewed when they are due for re-election. In the opinion of the Company, this meets the same objective as the Code of Best Practice.

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 accounts for the six months ended 30th September 2003.

On behalf of the Board
LEUNG Kai Ching, Kimen
Chairman

Hong Kong, 9th December 2003