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TONIC INDUSTRIES HOLDINGS LIMITED

Interim Report 2003

CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. LING Siu Man, Simon
(Chairman and Managing Director)
Mr. LEE Ka Yue, Peter
Mr. WONG Ki Cheung
Ms. LI Fung Ching, Catherine
Mr. AU Wai Man
Mr. LIU Hoi Keung, Gary

Non-executive Directors

Mr. WONG Wai Kwong, David
Mr. HO Fook Hong, Ferdinand*
Mr. PANG Hon Chung*

* Independent

REGISTERED OFFICE

P.O. Box 309 GT
Ugland House
South Church Street
George Town
Grand Cayman
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Unit B, 10th Floor
Summit Building
30 Man Yue Street
Hung Hom
Kowloon
Hong Kong

COMPANY SECRETARY

Mr. LIU Hoi Keung, Gary, MSc, FCCA, AHKSA

LEGAL ADVISORS

Richards Butler

AUDITORS

Ernst & Young

AUDIT COMMITTEE

Mr. WONG Wai Kwong, David (Chairman)
Mr. HO Fook Hong, Ferdinand
Mr. PANG Hon Chung

PRINCIPAL BANKERS

Hang Seng Bank Limited
The Hong Kong and Shanghai Banking
Corporation Limited
The Standard Chartered Bank Limited

SHARE REGISTRARS AND TRANSFER OFFICE

In Hong Kong
Tengis Limited
Ground Floor
Bank of East Asia Harbour View Centre
56 Gloucester Road
Wanchai, Hong Kong

In Cayman Islands
Bank of Butterfield International
(Cayman) Ltd.
Butterfield House
PO Box 705
George Town
Grand Cayman
Cayman Islands
British West Indies

WEBSITES

www.tonic.com.hk
www.irasia.com/listco/hk/tonic

STOCK CODE

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The Board of Directors (the "Directors") of Tonic Industries Holdings Limited (the "Company") is pleased to announce that the unaudited condensed consolidated financial statements of the Company and its subsidiaries (the "Group") for the six months ended 30 September 2003 (the "Period") together with the comparative figures for the previous corresponding period are as follows:

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

		For the six months ended 30 September	
		2003	2002
	<i>Notes</i>	Unaudited HK\$'000	Unaudited HK\$'000
Turnover	2	913,627	1,378,692
Cost of sales		(842,213)	(1,308,145)
Gross profit		71,414	70,547
Other revenue		1,403	3,066
Selling and distribution costs		(3,180)	(4,452)
Administrative expenses		(36,447)	(37,141)
Profit from operating activities		33,190	32,020
Finance costs		(4,632)	(5,892)
Share of loss of an associate		(100)	(200)
Profit before tax	3	28,458	25,928
Tax	4	(1,645)	(2,074)
Net Profit attributable to shareholders		26,813	23,854
Interim dividend		6,353	6,353
Interim dividend per share		1 cent	1 cent
Earnings per share	5		
– Basic		4.2 cents	3.8 cents
– Diluted		N/A	N/A

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	For the six months ended 30 September	
	2003	2002
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Total equity at 1 April	406,049	380,645
Exchange differences on translation of financial statements of overseas subsidiaries not recognised in the income statement	(30)	2,519
Net profit attributable to shareholders	26,813	23,854
Total equity at 30 September	432,832	407,018

CONDENSED CONSOLIDATED BALANCE SHEET

		30 September 2003 Unaudited HK\$'000	31 March 2003 Audited HK\$'000	30 September 2002 Unaudited HK\$'000
	<i>Notes</i>			
NON-CURRENT ASSETS				
Fixed assets		461,714	465,426	479,000
Long term investments		18,592	19,447	22,076
Deposits for acquisition of fixed assets		18,091	21,338	19,460
Intangible assets		6,416	7,358	7,285
Other non-current assets		942	1,036	1,210
		<u>505,755</u>	<u>514,605</u>	<u>529,031</u>
CURRENT ASSETS				
Cash and bank balances		59,161	207,226	203,908
Accounts and other receivables	6	309,544	128,056	342,891
Inventories		324,927	273,888	451,759
		<u>693,632</u>	<u>609,170</u>	<u>998,558</u>
CURRENT LIABILITIES				
Accounts and other payables	7	450,269	305,888	775,931
Borrowings due within one year		237,619	331,801	272,175
Tax payable		13,406	12,161	4,751
		<u>701,294</u>	<u>649,850</u>	<u>1,052,857</u>
NET CURRENT LIABILITIES		<u>(7,662)</u>	<u>(40,680)</u>	<u>(54,299)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		498,093	473,925	474,732
NON-CURRENT LIABILITIES				
Long term borrowings		(55,653)	(58,268)	(58,106)
Deferred tax		(9,608)	(9,608)	(9,608)
		<u>(65,261)</u>	<u>(67,876)</u>	<u>(67,714)</u>
		<u>432,832</u>	<u>406,049</u>	<u>407,018</u>
CAPITAL AND RESERVES				
Share capital	8	63,526	63,526	63,526
Reserves	9	359,774	332,994	340,316
Proposed dividend		9,532	9,529	3,176
		<u>432,832</u>	<u>406,049</u>	<u>407,018</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	For the six months ended 30 September	
	2003	2002
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Net cash (outflow)/inflow from operating activities	(161,646)	155,247
Net cash outflow from investing activities	(23,153)	(48,240)
Net cash inflow/(outflow) from financing activities	35,383	(24,109)
Decrease/increase in cash and cash equivalents	(149,416)	82,898
Cash and cash equivalents at 1 April	207,226	121,122
Effect of foreign exchange rate changes, net	(48)	(1,190)
Cash and cash equivalents at 30 September	57,762	202,830
Analysis of balances of cash and cash equivalents		
Cash and bank balances	59,161	203,908
Bank overdrafts	(1,399)	(1,078)
	57,762	202,830

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Significant Accounting Policies

The unaudited condensed consolidated interim financial statements of the Group are prepared in accordance with Hong Kong Statement of Standard Accounting Practice ("SSAP") No. 25 "Interim financial reporting" and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The accounting policies adopted are consistent with those followed in the preparation of the Group's consolidated financial statements for the year ended 31 March 2003, except for the adoption of the SSAP12 (revised) Income taxes.

The adoption of this SSAP has no material effect on the unaudited accounts for the current or prior accounting periods.

2. Segmental Information

The principal activities of the Group are the sale and manufacture of consumer electronic products and components and home appliances products.

The following tables present unaudited revenue for the Group's geographical segments and business segments for the six months ended 30 September.

Geographical segments

United States of America		Europe		Asia Pacific countries		Consolidated	
2003	2002	2003	2002	2003	2002	2003	2002
HK\$000	HK\$000	HK\$000	HK\$000	HK\$000	HK\$000	HK\$000	HK\$000

Segment revenue:

Sales to external

customers	201,356	267,809	583,079	685,070	129,192	425,813	913,627	1,378,692
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Business segments

	Electronic products and components		Home appliance products		Corporate		Others		Consolidated	
	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002
	HK\$000	HK\$000	HK\$000	HK\$000	HK\$000	HK\$000	HK\$000	HK\$000	HK\$000	HK\$000
Segment revenue:										
Sales to external customers	824,399	1,310,696	89,228	66,503	-	-	-	1,493	913,627	1,378,692
Other revenue	1,978	270	74	48	-	-	-	2,436	2,052	2,754
Total	826,377	1,310,966	89,302	66,551	-	-	-	3,929	915,679	1,381,446
Segment results	32,311	36,375	1,239	3,447	(125)	(876)	-	917	33,425	39,863
Interest income and unallocated income									46	312
Unallocated expenses									(281)	(8,155)
Profit from operating activities									33,190	32,020
Finance costs									(4,632)	(5,892)
Share of loss of an associate									(100)	(200)
Profit before tax									28,458	25,928
Tax									(1,645)	(2,074)
Net profit attributable to shareholders									26,813	23,854

3. Profit before Tax

	For the six months ended 30 September	
	2003	2002
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Profit before tax is arrived at after charging/(crediting):		
Amortisation of trademarks	125	125
Amortisation of research and development costs	1,754	1,250
Depreciation	30,333	30,774
Interest on borrowings	4,632	5,892
Interest income	(73)	(308)

To accord with the presentation adopted in the audited financial statements for the year ended 31 March 2003, certain selling and distribution costs in prior period ended 30 September 2002 have been reclassified to cost of sales in the profit and loss account.

4. Tax

Hong Kong profits tax has been provided at the applicable rate of 17.5% (2002: 16%) on the estimated assessable profits arising in Hong Kong during the Period. Taxes on profits assessable in the People's Republic of China ("PRC") have been provided at the rates of tax prevailing in the PRC based on existing legislations, interpretations and practices in respect thereof.

5. Earnings per share

The calculation of basic earnings per share for the Period is based on the net profit attributable to shareholders of HK\$26,813,000 (2002: HK\$23,854,000) and the weighted average of 635,259,975 shares (2002: 635,259,975 shares) in issue during the Period.

There is no diluted earnings per share for the Period since the Company has no dilutive potential ordinary share.

6. Accounts and other receivables

Included in accounts and other receivables are accounts receivable of HK\$298,124,000 (31 March 2003: HK\$116,555,000; 30 September 2002: HK\$331,226,000), the aging analysis of which is as follows:

	30 September 2003 Unaudited HK\$'000	31 March 2003 Audited HK\$'000	30 September 2002 Unaudited HK\$'000
0-30 days	221,895	41,383	231,562
31-60 days	25,426	11,143	83,390
Over 60 days	50,803	64,029	16,274
	<u>298,124</u>	<u>116,555</u>	<u>331,226</u>

The majority of the Group's sales are on terms of L/C at sight and the others on 60 days open account basis.

7. Accounts and other payables

Included in accounts and other payables are accounts payable of HK\$403,417,000 (31 March 2003: HK\$259,253,000; 30 September 2002: HK\$716,346,000), the aging analysis of which is as follows:

	30 September 2003 Unaudited HK\$'000	31 March 2003 Audited HK\$'000	30 September 2002 Unaudited HK\$'000
0-30 days	190,383	73,618	279,694
31-60 days	108,784	68,416	196,711
61-90 days	62,154	38,730	171,573
Over 90 days	42,096	78,489	68,368
	<u>403,417</u>	<u>259,253</u>	<u>716,346</u>

The majority of the Group's purchases are on 90 days open account basis.

8. Share capital

	30 September 2003 Unaudited HK\$'000	31 March 2003 Audited HK\$'000	30 September 2002 Unaudited HK\$'000
<i>Authorised:</i>			
1,200,000,000 ordinary shares of HK\$0.10 each	120,000	120,000	120,000
<i>Issued and fully paid:</i>			
635,259,975 (31 March 2003: 635,259,975) ordinary shares of HK\$0.10 each	63,526	63,526	63,526

9. Reserves

	Share premium HK\$'000	Contributed surplus HK\$'000	Exchange fluctuation reserve HK\$'000	Asset revaluation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
Balance at 1 April 2003	28,735	280	(6,898)	97,758	213,119	332,994
Exchange difference on translation of overseas subsidiaries' financial statements	-	-	(33)	-	-	(33)
Net profit for the period	-	-	-	-	26,813	26,813
Balance at 30 September 2003	28,735	280	(6,931)	97,758	239,932	359,774

10. Contingencies

- (a) Contingent liabilities in respect of bills discounted with recourse at 30 September 2003 was HK\$15,698,000 (31 March 2003: HK\$7,478,000; 30 September 2002: HK\$18,499,637).
- (b) The Hong Kong Inland Revenue Department challenged the appropriateness of the filling of tax returns by the Group on a consolidated basis, rather than on an individual company basis, starting from the years of assessment 1998/99 (the "Prior Years"). The final assessment of the Prior Years had not yet been issued, and the potential tax liabilities cannot be reliably estimated. However, based on information available at the date of this interim report, the Directors are of the opinion that there is no material unprovided tax at the balance sheet date.

11. Commitments

- (a) Capital commitments in respect of fixed assets

	30 September 2003 Unaudited HK\$'000	31 March 2003 Audited HK\$'000	30 September 2002 Unaudited HK\$'000
Contracted for but not provided in the financial statements	7,943	12,174	9,651
Authorised but not contracted for	-	-	-
	<u>7,943</u>	<u>12,174</u>	<u>9,651</u>

- (b) Commitments to buy and sell foreign currencies amounted to HK\$77,950,000 and HK\$40,738,100 respectively (31 March 2003: HK\$nil and HK\$39,038,000 respectively; 30 September 2002: HK\$113,489,300 and HK\$nil respectively).

INTERIM DIVIDEND

The Directors have resolved to declare an interim dividend of HK1 cent per share (2002: HK1 cent per share) payable to shareholders whose names appear on the Company's Register of Members at the close of business on 7 January 2004. Dividend warrants will be sent to shareholders on or before 14 January 2004.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Monday, 5 January 2004 to Wednesday, 7 January 2004, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all transfer documents, accompanied by the relevant share certificates must be lodged with the Company's Branch Registrar in Hong Kong – Tengis Limited, Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not later than 4:00 p.m. on Friday, 2 January 2004.

BUSINESS REVIEW AND OUTLOOK

For the Period, the Group achieved a turnover of approximately HK\$913,627,000, as compared to a turnover of HK\$1,378,692,000 recorded in the corresponding period last year. EBITDA and profit attributable to shareholders were HK\$65,302,000 and HK\$26,813,000 respectively, representing a 2% and 12% increase as compared to the corresponding period.

The United States and Europe are the Group's major markets, and due to the uncertainty caused by the Iraqi war followed by the outbreak of SARS, orders were slowed down in the first quarter. Importers and retailers took a conservative view pending the outcome of events. They preferred to lower the stockholding level, instead of keeping more stock, risking a loss of price and stock obsolescence.

However, business has resumed rapidly in the second quarter. The impact of the Iraqi war and SARS to the economy was less harmful than expected. Customers placed many rush orders starting in July, in order to replenish the stockholdings and to make up for the loss of sales in the first quarter. Profit margins for these sales are very much higher than that of the first quarter and last year.

The Group's competencies have been strengthened through the continuous research and development of digital products. Our product and engineering departments in Hong Kong, Shenzhen and Dongguan work very closely with solution providers and component suppliers. As such, Tonic is committed to manufacturing competitive products with total quality and reliability, superb features and a trendy outlook.

During the Period, the Group purchased an office in Shenzhen for use as the research and development centre for new digital products. We also expect to recruit 40 additional software engineers for the centre. Backed up by the latest advanced manufacturing equipment and technical resources, these engineers will be available to develop more new and innovative products.

Business in the Home Appliance Division continued to grow steadily. The division concentrates on developing high-end home appliance products including steam stations, air purifiers, wine cellars, espresso/cappuccino makers, etc. In less than a year of operation, the two new marketing offices in Japan and the United States have started their contributions to the division.

Quick resumption of orders has filled the Group's order book in the second half of the year and we expect to see a solid performance for the second half of the financial year. Strong market demand for the Group's products, such as digital satellite receivers, DVD players and recorders, digital amplifiers, internet set top boxes and video phones have continued. While the worldwide economy gradually recovers and the consumer electronics rapidly transit to digital products, we are confident that demand will remain strong in the next few years. We are excited to see this trend and we are confident that the Group will achieve sustained growth.

FINANCIAL REVIEW

As at 30 September 2003, the Group had total borrowings of approximately HK\$293,272,000, of this HK\$278,132,000 was in bank borrowings and HK\$15,140,000 was for obligations under finance leases. Gearing ratio was 54%, from calculation based on net borrowings over shareholders funds. The Group's borrowings were denominated in Hong Kong dollars and bear interest mainly at floating rates. Bank balances and cash amounted to HK\$59,161,000 and were mainly denominated in Hong Kong dollars.

Taking advantage of the low interest environment, the Group had on 3 December 2003 signed a three and a half year term loan facility agreement for HK\$245,000,000 with a syndicate of 11 international and local banks. The loan is on Hibor basis and repayable by installment one year after drawdown. The syndicated loan will primarily be used to refinance the Group's existing credit facility and to provide additional working capital. Therefore it is not expected that the Group's gearing ratio will be significantly increased. Under the terms of this agreement, Mr. Simon Ling is required to maintain at least 40% of the beneficial interests in shareholdings in the Company, be the single largest shareholder and be actively involved in the management and business of the Group, otherwise it will constitute as default.

The Group is not exposed to material currency fluctuation risks, as most of its receivables are in US dollars and payable in Hong Kong and US dollars. Except for a few customers whom we offer credit on an open account basis, we transact business with all other customers on letter of credit at sight basis.

EMPLOYEES

As at 30 September 2003, the Group had approximately 140 staff stationed in Hong Kong, Shengzhen, Japan and US offices and approximately 9,000 staff and workers working in the two PRC factories. Total salaries and wages amounted to approximately HK\$60 million for the Period. Salaries and wages are normally reviewed on an annual basis based on performance appraisals and market conditions. The Group provides year-end double pay, discretionary bonus, a provident fund, medical insurance and training.

DIRECTORS' INTERESTS IN SHARES

At 30 September 2003, the interests of the Directors of the Company in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of the SFO (including interests and short positions which the Director was deemed or taken to have under such provisions of the SFO) or which were required to be entered in the register maintained by the Company pursuant to Section 352 of SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules (the "Model Code") were as follows:-

(A) (i) Interests in ordinary shares of the Company

Name of Director	Nature of interests	Number of ordinary shares of the Company <i>(Note 3)</i>
Ling Siu Man, Simon	Interests held by a controlled corporation <i>(Note 1)</i>	317,886,782 (L)
Wong Ki Cheung	Beneficial owner	938,000 (L)
Li Fung Ching, Catherine	Beneficial owner	1,200,000 (L)
Liu Hoi Keung, Gary	Beneficial owner	3,920 (L)

Notes:

- (1) These shares were held by Success Forever Limited, a company incorporated in the British Virgin Islands, the entire issued share capital of which is beneficially owned by Ling Siu Man, Simon.
- (2) The letter "L" denotes a long position in the shares.
- (3) As defined in section 311 of the SFO, a reference to interest in shares comprised in the share capital of a listed corporation includes a reference to interests in shares so comprised, which are the underlying shares of equity derivatives (as defined in the SFO). These shares do not include underlying shares of equity derivatives which are separately disclosed below.

(ii) Interests in equity derivatives (as defined in the SFO) of the Company

Certain Directors were granted share options under the share option scheme dated 18 September 1997. The share options granted to the Directors to subscribe for ordinary shares of the Company which were outstanding at 30 September 2003 were as follows:

Name of Director	Number of underlying shares in respect of options granted	Nature of interests	Exercise period	Exercise price per share HK\$
Ling Siu Man, Simon	10,000,000 (L)	Beneficial owner	10-04-00 to 09-04-10	0.70
Lee Ka Yue, Peter	1,810,000 (L)	Beneficial owner	10-04-00 to 09-04-10	0.70
Wong Ki Cheung	1,810,000 (L)	Beneficial owner	10-04-00 to 09-04-10	0.70
Li Fung Ching, Catherine	1,810,000 (L)	Beneficial owner	10-04-00 to 09-04-10	0.70
Au Wai Man	1,810,000 (L)	Beneficial owner	10-04-00 to 09-04-10	0.70
Liu Hoi Keung, Gary	1,810,000 (L)	Beneficial owner	10-04-00 to 09-04-10	0.70

Note: The Letter "L" denotes a long position in the underlying shares.

(B) Interests in shares of the associated corporation of the Company

Tonic Electronics Limited (subsidiary of the Company)

Name of Director	Nature of interests	Number and class of shares held
Ling Siu Man	Beneficial owner	2,850 (L) non-voting deferred shares (representing 100% of its issued non-voting deferred shares)

Note: The letter "L" denotes a long position in the shares.

Save as disclosed above, and other than certain shares of the Company's subsidiaries held by certain Directors in trust for the Group solely for the purpose of complying with the minimum company membership requirement, none of the Directors had any interests in shares of the associated corporations of the Company pursuant to the disclosure requirement of SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Apart from the interests disclosed under the heading "Director's interests in shares" above and "Share option scheme" below, 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 spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, its holding company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

Save as disclosed above, as at 30 September 2003, none of the Directors or the Chief Executive of the Company had, under Divisions 7 and 8 of Part XV of the SFO, nor were they taken to or deemed to have under such provisions of the SFO, 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) or any interests which are required to be entered into the register kept by the Company pursuant to Section 352 of the SFO or any interests which are required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTION SCHEME

Under a Share Option Scheme adopted by the Company on 18 September 1997, the Directors of the Company may, at any time during ten years, grant share options to employees and executive directors of the Group to subscribe for shares of the Company.

The following share options were outstanding under the Share Option Scheme during the Period:

	At 1 April 2003	At 30 September 2003	Date of grant	Exercise period	Exercise price per share HK\$
Directors					
Ling Siu Man, Simon	10,000,000	10,000,000	07-04-00	10-04-00 to 09-04-10	0.70
Lee Ka Yue, Peter	1,810,000	1,810,000	07-04-00	10-04-00 to 09-04-10	0.70
Wong Ki Cheung	1,810,000	1,810,000	07-04-00	10-04-00 to 09-04-10	0.70
Li Fung Ching, Catherine	1,810,000	1,810,000	07-04-00	10-04-00 to 09-04-10	0.70
Au Wai Man	1,810,000	1,810,000	07-04-00	10-04-00 to 09-04-10	0.70
Liu Hoi Keung, Gary	1,810,000	1,810,000	07-04-00	10-04-00 to 09-04-10	0.70
	<hr/> 19,050,000	<hr/> 19,050,000			
Other employees					
In aggregate	29,200,000	29,200,000	07-04-00	10-04-00 to 09-04-10	0.70
	<hr/> 48,250,000	<hr/> 48,250,000			

No theoretical value of share options is disclosed as no share options were granted during the Period.

No options were granted, exercised, cancelled or lapsed during the Period.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

At 30 September 2003, the following parties were interested in more than 5% of the issued share capital of the Company according to the register kept by the Company pursuant to Section 336 of the SFO:

Name of substantial shareholder	Nature of interests	Number of ordinary shares of the Company	Percentage of the Company's issued share capital (%)
Success Forever Limited (<i>Note 1</i>)	Beneficial owner	317,886,782 (L)	50.04
Eco-Haru Mfr. Holdings Limited ("Eco-Haru") (<i>Note 2</i>)	Beneficial owner	121,100,869 (L)	19.06
Glorious Concept Limited ("Glorious Concept") (<i>Note 2</i>)	Beneficial owner	8,502,000 (L)	1.34
EganaGoldpfeil (Holdings) Limited ("EganaGoldpfeil") (<i>Note 2</i>)	Interests held by a controlled corporation	129,602,869 (L)	20.40
Peninsula International Limited ("Peninsula") (<i>Note 3</i>)	Interests held by a controlled corporation	129,602,869 (L)	20.40

Notes:

- (1) The entire issued share capital of Success Forever Limited is beneficially owned by Ling Siu Man, Simon as disclosed in "Directors' interests in shares" above.
- (2) The entire issued share capital of Eco-Haru and Glorious Concept is beneficially owned by EganaGoldpfeil.
- (3) The entire issued share capital of EganaGoldpfeil is held as to 39.54% by Peninsula.

Save as disclosed above, no persons had an interest or short position in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO Ordinance.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the Period, neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

AUDIT COMMITTEE

The Audit Committee has reviewed 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 financial statements with management.

CODE OF BEST PRACTICE

None of the Directors of the Company is aware of any information that would reasonably indicate that the Company had not been for any part of the accounting period ended 30 September 2003 covered by the interim report in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules.

On behalf of the Board
Liu Hoi Keung, Gary
Secretary and Director

Hong Kong, 16 December 2003