



NAM HING HOLDINGS LIMITED (incorporated in Bermuda with limited liability)



Interim Report 2003

UNAUDITED INTERIM RESULTS

The Board of Directors of Nam Hing Holdings Limited (the “Company”) announced as follows the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 September 2003 together with the comparative figures for the corresponding previous period. These interim results have not been audited/reviewed by the Company’s auditors, but have been reviewed by the Company’s Audit Committee.

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

		Six months ended 30 September	
		2003	2002
	Notes	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
TURNOVER	2	121,869	126,467
Cost of sales		<u>(111,483)</u>	<u>(104,106)</u>
Gross profit		10,386	22,361
Other revenue		743	337
Selling and distribution costs		(2,721)	(3,262)
Administrative expenses		(11,262)	(10,819)
Other operating expenses		<u>(3,531)</u>	<u>(1,195)</u>
PROFIT/(LOSS) FROM OPERATING ACTIVITIES	3	(6,385)	7,422
Finance costs		<u>(2,896)</u>	<u>(3,455)</u>
PROFIT/(LOSS) BEFORE TAX		(9,281)	3,967
Tax	4	<u>–</u>	<u>(140)</u>
NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		<u>(9,281)</u>	<u>3,827</u>
INTERIM DIVIDEND	5	<u>–</u>	<u>HK1 cent</u>
EARNINGS/(LOSS) PER SHARE	6		
– Basic		<u>(HK2.496 cents)</u>	<u>HK1.030 cents</u>
– Diluted		<u>–</u>	<u>HK1.029 cents</u>

CONDENSED CONSOLIDATED BALANCE SHEET

		30 September 2003 HK\$'000 (Unaudited)	31 March 2003 HK\$'000 (Audited)
NON-CURRENT ASSETS			
Fixed assets		192,367	192,380
Investment properties		4,330	4,330
Trademark		2,171	2,171
		<u>198,868</u>	<u>198,881</u>
CURRENT ASSETS			
Trade debtors	7	53,125	43,496
Other debtors, prepayments and deposits		4,595	4,231
Inventories		37,836	42,391
Properties held for resale		15,700	15,700
Other investments		2,210	1,131
Pledged fixed deposits		8,109	9,083
Cash and bank balances		6,393	5,745
		<u>127,968</u>	<u>121,777</u>
CURRENT LIABILITIES			
Trade creditors	8	33,537	25,950
Bills payable		5,419	5,487
Other creditors and accruals		13,911	12,353
Tax payable		319	163
Interest-bearing bank loans and other borrowings		69,603	64,156
Finance lease creditors		4,738	6,112
		<u>127,527</u>	<u>114,221</u>
NET CURRENT ASSETS		<u>441</u>	<u>7,556</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>199,309</u>	<u>206,437</u>

	30 September 2003 Notes HK\$'000 (Unaudited)	31 March 2003 HK\$'000 (Audited)
NON-CURRENT LIABILITIES		
Interest-bearing bank loans and other borrowings	7,675	10,025
Finance lease creditors	2,713	3,927
	10,388	13,952
	188,921	192,485
CAPITAL AND RESERVES		
Share capital	37,184	37,172
Reserves	151,737	155,313
	188,921	192,485

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Issued share capital HK\$'000 (Unaudited)	Share premium account HK\$'000 (Unaudited)	Contributed surplus HK\$'000 (Unaudited)	Exchange equalisation reserve HK\$'000 (Unaudited)	Capital redemption reserve HK\$'000 (Unaudited)	Retained profits HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
At 1 April 2002	37,185	120,339	2,031	(32,143)	330	77,789	205,531
Issue of shares	30	-	-	-	-	-	30
Repurchase of shares	(134)	(101)	-	-	134	(134)	(235)
Premium on shares issued	-	32	-	-	-	-	32
Exchange differences on translation of the financial statements of overseas subsidiaries	-	-	-	1,132	-	-	1,132
Net gains and losses not recognised in the profit and loss account	-	-	-	1,132	-	-	1,132
Net profit for the period	-	-	-	-	-	3,827	3,827
At 30 September 2002	<u>37,081</u>	<u>120,270</u>	<u>2,031</u>	<u>(31,011)</u>	<u>464</u>	<u>81,482</u>	<u>210,317</u>
At 1 April 2003	37,172	120,372	2,031	(31,518)	464	63,964	192,485
Issue of shares	12	-	-	-	-	-	12
Premium on shares issued	-	13	-	-	-	-	13
Exchange differences on translation of the financial statements of overseas subsidiaries	-	-	-	5,692	-	-	5,692
Net gains and losses not recognised in the profit and loss account	-	-	-	5,692	-	-	5,692
Net loss for the period	-	-	-	-	-	(9,281)	(9,281)
At 30 September 2003	<u>37,184</u>	<u>120,385</u>	<u>2,031</u>	<u>(25,826)</u>	<u>464</u>	<u>54,683</u>	<u>188,921</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six months ended 30 September	
	2003	2002
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net cash inflow from operating activities	7,459	13,347
Net cash outflow from investing activities	(4,834)	(10,988)
Net cash outflow from financing activities	(5,267)	(8,840)
	(2,642)	(6,481)
Net decrease in cash and cash equivalents	(2,642)	(6,481)
Cash and cash equivalents as at 1 April	(13,635)	(7,786)
Foreign exchange adjustments	1,998	236
	(14,279)	(14,031)
Cash and cash equivalents as at 30 September		
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	6,393	6,320
Bank overdrafts	(20,672)	(20,351)
	(14,279)	(14,031)

NOTES

1. Basis of preparation and impact of revised Statements of Standard Accounting Practice (“SSAPs”)

These unaudited condensed consolidated interim financial statements (“interim financial statements”) are prepared in accordance with the SSAP 25, “Interim Financial Reporting”, issued by the Hong Kong Society of Accountants and the disclosure requirements set out in the Appendix 16 of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

The interim financial statements should be read in conjunction with the Company’s audited consolidated financial statements for the year ended 31 March 2003 (the “AFS”).

The accounting policies and methods of computation used in the preparation of these interim financial statements are consistent with those used in the AFS except that the Group has adopted SSAP 12 (revised) “Income Taxes” which became effective for accounting periods commencing on or after 1 January 2003.

SSAP 12 prescribes the accounting for income taxes payable or recoverable, arising from the taxable profit or loss for the current period (“current tax”); and income taxes payable or recoverable in future periods, principally arising from taxable and deductible temporary differences and the carry forward of unused tax losses (“deferred tax”).

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous year. Deferred tax 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 financial statements.

The adoption of this accounting standard has had no significant impact on the Group's results for the current or prior accounting periods/years.

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 manufacture and sale of laminates segment is a supplier of industrial laminates mainly for use in the manufacture of telecommunications and computer-related products;
- (b) the manufacture and sale of printed circuit boards (“PCBs”) segment is a supplier of PCBs mainly for use in audio and visual household products; and
- (c) the manufacture and sale of copper foils segment is a supplier of copper foil mainly for use in the manufacture of industrial laminates and PCBs.

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

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

An analysis of the Group's revenues and results for the period by business segment is as follows:

	Six months ended 30 September 2003				
	Manufacture and sale of laminates HK\$'000 (Unaudited)	Manufacture and sale of PCBs HK\$'000 (Unaudited)	Manufacture and sale of copper foils HK\$'000 (Unaudited)	Eliminations HK\$'000 (Unaudited)	Consolidated HK\$'000 (Unaudited)
Segment revenue:					
Sale to external customers	81,767	38,215	1,887	-	121,869
Intersegment sales	13,803	-	22,414	(36,217)	-
Other revenue	573	131	39	-	743
Total	<u>96,143</u>	<u>38,346</u>	<u>24,340</u>	<u>(36,217)</u>	<u>122,612</u>
Segment results	<u>14,864</u>	<u>17,021</u>	<u>(3,639)</u>	<u>(34,056)</u>	<u>(5,810)</u>
Interest income					33
Unallocated expenses					<u>(608)</u>
Loss from operating activities					(6,385)
Finance costs					<u>(2,896)</u>
Loss before tax					(9,281)
Tax					<u>-</u>
Net loss from ordinary activities attributable to shareholders					<u>(9,281)</u>

Six months ended 30 September 2002

	Manufacture and sale of laminates HK\$'000 (Unaudited)	Manufacture and sale of PCBs HK\$'000 (Unaudited)	Manufacture and sale of copper foils HK\$'000 (Unaudited)	Eliminations HK\$'000 (Unaudited)	Consolidated HK\$'000 (Unaudited)
Segment revenue:					
Sale to external customers	80,954	44,497	1,016	-	126,467
Intersegment sales	14,841	-	19,923	(34,764)	-
Other revenue	1,169	195	62	(1,089)	337
Total	<u>96,964</u>	<u>44,692</u>	<u>21,001</u>	<u>(35,853)</u>	<u>126,804</u>
Segment results	<u>25,451</u>	<u>19,082</u>	<u>(1,164)</u>	<u>(35,356)</u>	8,013
Interest income					71
Unallocated expenses					<u>(662)</u>
Profit from operating activities					7,422
Finance costs					<u>(3,455)</u>
Profit before tax					3,967
Tax					<u>(140)</u>
Net profit from ordinary activities attributable to shareholders					<u>3,827</u>

An analysis of the Group's turnover and profit/(loss) from operating activities for the period by geographical segment is as follows:

	Turnover		Profit/(Loss) from operating activities	
	Six months ended 30 September		Six months ended 30 September	
	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
The People's Republic of China (the "PRC")				
Hong Kong	99,570	105,252	(5,216)	6,207
Mainland China	11,347	7,565	(595)	425
Overseas	10,952	13,650	(574)	790
	<u>121,869</u>	<u>126,467</u>	<u>(6,385)</u>	<u>7,422</u>

3. Profit/(Loss) from operating activities

Profit/(Loss) from operating activities is arrived at after charging:

	Six months ended 30 September	
	2003	2002
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Depreciation	10,080	8,101
Exchange losses	<u>2,076</u>	<u>968</u>

4. Tax

	Six months ended 30 September	
	2003	2002
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Provision for the period:		
Mainland China	-	120
Overseas	-	20
	<hr/>	<hr/>
	-	140
	<hr/>	<hr/>

No provision for taxation has been made as the Group has no assessable profits which were earned or derived during the current period.

No deferred tax has been provided by the Group as there was no significant temporary differences for the six months ended 30 September 2002 and 2003.

5. Interim dividend

The Board of Directors did not propose to declare a payment of interim dividend for the six months ended 30 September 2003 (2002: HK1 cent per ordinary share).

6. Earnings/(Loss) per share

(a) *Basic earnings/(loss) per share*

The calculation of basic loss per share for the six months ended 30 September 2003 is based on the net loss from ordinary activities attributable to shareholders for the said period of HK\$9,281,000 (2002: net profit from ordinary activities attributable to shareholders of HK\$3,827,000) and the weighted average of 371,783,062 (2002: 371,691,128) ordinary shares in issue during the period.

(b) *Diluted earnings/(loss) per share*

Diluted loss per share for the six months ended 30 September 2003 has not been disclosed, as the share options outstanding during the period had anti-dilutive effect on the basic loss per share.

The calculation of diluted earnings per share for the six months ended 30 September 2002 was based on the net profit from ordinary activities attributable to shareholders for the said period of HK\$3,827,000. The weighted average number of shares used in the calculation is the sum of 371,691,128 ordinary shares in issue during the period, as used in the basic earnings per share calculation, and the weighted average of 100,315 ordinary shares assumed to have been issued at no consideration on the deemed exercise of all share options outstanding during the period.

7. Trade debtors

An aged analysis of trade debtors at the balance sheet date is as follows:

	30 September 2003 HK\$'000 (Unaudited)	31 March 2003 HK\$'000 (Audited)
Within 3 months	36,577	29,210
4 to 6 months	14,943	10,225
Over 6 months	1,605	4,061
	53,125	43,496

The Group's credit terms given to the customers vary, and are generally around three months, and are granted based on the financial strengths of the individual customers. In order to effectively manage the credit risks associated with trade debtors, credit evaluations of customers are performed periodically by management.

8. Trade creditors

An aged analysis of trade creditors at the balance sheet date is as follows:

	30 September 2003 HK\$'000 (Unaudited)	31 March 2003 HK\$'000 (Audited)
Within 3 months	25,666	19,591
4 to 6 months	3,724	1,845
Over 6 months	4,147	4,514
	<u>33,537</u>	<u>25,950</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The period under review was another challenging period for the Group. The lingering effect of the war in Iraq continued to impair the global economy. The outbreak of SARS had further added to the burden on the electronics industry.

The Group's unaudited consolidated turnover for the six months ended 30 September 2003 recorded a slight decrease of 3.6% from HK\$126,467,000 to HK\$121,869,000. The overall gross profit margin dropped from 17.7% to 8.5%. The Group reported a loss attributable to shareholders amounted to HK\$9,281,000.

Industrial Laminate Division

For the six months ended 30 September 2003, the sales of laminates recorded an increase of 1.0% to HK\$81,767,000 compared to HK\$80,954,000 of the same period in 2002. The result was the increase in sales volume after the outbreak of SARS. Selling prices of laminate had been increased by 2% to 3% during the period, but the surge in costs of raw materials further squeezed on our profit margin.

PCB Division

As buyers shied away from Hong Kong during the SARS outbreak, orders taken in that period was reduced. For the six months ended 30 September 2003, the PCB division recorded a drop in turnover of 14.1% to HK\$38,215,000 (six months ended 30 September 2002: HK\$44,497,000). The division's investment in drilling machines had reduced the cost of sub-contracting work by 91.6%, but fierce competition in pricing dragged on during the period.

Copper Foil Division

The copper foil plant in Thailand is a long-term strategic investment of the Group and a substantial portion of the products were supplied to our laminate division. This vertical integration can definitely maintain the competitive edge of our industrial laminate and PCB businesses. For the six months ended 30 September 2003, the copper foil business recorded an increase in sales to external customers of 85.7% from HK\$1,016,000 to HK\$1,887,000. To cope with the increasing demand of copper foil by our laminate division, the production volume had achieved a 15% growth as compared to the corresponding period.

Prospects

Fuelled by low interest rate, higher household dispensable income in the USA, and the strong economic growth in the PRC, the demand of consumer electronics products is picking up steadily.

With the positive signs on the demand side, the management awares that the costs of materials such as copper, chemicals and fuel are maintaining at a high level. Therefore, besides passing over the increase in cost to end-users by raising selling price, the management keeps on tightening the control over costs, streamlining business structure, strengthening credit risk management, and broadening product range and customers base.

The Group's second laminate production plant, located in Suzhou, the PRC, is expected to commence operation in early 2004, though there was a delay in progress caused by the outbreak of SARS. Upon completion, the Group is able to serve the customers in the North-eastern part of China. In addition, we are able to gradually increase the selling prices of laminates in November and December 2003 thus the adverse effect of costs increment will therefore be eliminated. Management is optimistic that the performance of the laminate division will be improved.

In order to cope with the keen competition of the PCB business, the Group is planning to expand its production capacity by setting up another PCB plant in Zhuhai, the PRC. This expansion project is in line with the Group's strategic move to increase economies scale of production.

Management decides to place continuous emphasis on the research and development activities of the copper foil plant and explore new markets for this product. These actions can further enhance the efficiency and yield of this high technological product.

With the Group's strong foundation and the management's expertise in the industry, the management believes that the Group is in a position to surmount all challenges and turn around into sound operation in the near future.

Liquidity and Financial Resources

The Group mainly relies upon internally generated funds as well as bank borrowings to finance its operations and expansion projects. As at 30 September 2003, the current ratio of the Group maintained at approximately 1.0 (31 March 2003: 1.1) and the net current assets were approximately HK\$0.4 million (31 March 2003: HK\$7.6 million). The Group's total cash and bank balances and pledged fixed deposits with banks amounted to HK\$14.5 million (31 March 2003: HK\$14.8 million).

Owing to the low market interest rates, management considered that it is advantageous for the Group to obtain additional, but not excessive, banking facilities for expanding its production capacity and improving efficiency. The total interest-bearing borrowings slightly increased from HK\$84.2 million as at 31 March 2003 to HK\$84.7 million as at 30 September 2003 and the Group's gearing ratio, which was calculated based on the total interest-bearing borrowings and the shareholders' equity, maintained at a comfortable and stable level of 44.8% (31 March 2003: 43.8%). Finance costs had successfully been reduced to HK\$2.9 million from HK\$3.5 million for the corresponding six months ended 30 September 2002.

The debt maturity profile of the Group is analysed as follows:

	30 September 2003 HK\$'000 (Unaudited)	31 March 2003 HK\$'000 (Audited)
Repayable within one year	74,341	70,268
Repayable in the second year	5,436	7,238
Repayable in the third to fifth years, inclusive	4,952	6,714
	84,729	84,220

To minimise exposure on foreign exchange fluctuations, the Group's borrowings and cash and bank balances are primarily denominated in Hong Kong and United States dollars and Renminbi. The Group has no significant exposure to foreign exchange rate fluctuation. Besides, the Group's medium-term borrowings have not been hedged by any interest rate financial instruments due to the easing of interest rates.

Contingent liabilities

	30 September 2003 HK\$'000 (Unaudited)	31 March 2003 HK\$'000 (Audited)
Debts factored with recourse	36,574	36,177

As at 30 September 2003, the Company had guarantees given to banks in connection with facilities granted to its subsidiaries to the extent of approximately HK\$113.6 million (31 March 2003: HK\$113.3 million), of which HK\$76.8 million (31 March 2003: HK\$73.4 million) had been utilised.

The Group has a contingent liability in respect of possible future long service payments to employees under the Hong Kong Employment Ordinance (the "Ordinance"), with a maximum possible amount of HK\$0.7 million as at 30 September 2003 (31 March 2003: HK\$0.7 million). The contingent liability has arisen because, at the balance sheet date, a number of current employees have achieved the required number of years of service to the Group in order to be eligible for long service payments under the Ordinance if their employment is terminated under certain circumstances. A provision has not been recognised in respect of such possible payments, as it is not considered probable that the situation will result in a significant future outflow of resources from the Group.

Pledge of assets

As at 30 September 2003, the amount of the Group's assets pledged as security for banking facilities was approximately HK\$64.6 million (31 March 2003: HK\$63.9 million).

Employment, Training and Remuneration Policy

During the period under review, the Group continued to adopt a series of measures towards the size of workforce and commit to staff development and training programs. The Group has approximately 1,199 employees as at 30 September 2003 (30 September 2002: 1,163). Eligible employees are offered with discretionary bonuses and share options on individual and the Group's performance.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

DIRECTORS' INTERESTS IN THE SHARES OF THE COMPANY

As at 30 September 2003, the interests/short positions of the directors of the Company in the shares of the Company which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance (the "SFO") (including interests and short positions which he was deemed or taken to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, to be notified to the Company and the Stock Exchange were as follows:

Name of director	Long/ Short position	Capacity	Note	Number of shares of the Company interested	Percentage of issued share capital
Mr Lau Kwai	Long	Beneficial owner		1,500,000	0.41%
	Long	Founder of a discretionary trust	(a)	87,696,000	23.59%
	Long	Founder of a discretionary trust	(b)	42,078,400	11.31%
	Long	Founder of a discretionary trust	(c)	15,851,200	4.26%
Mr Lau Chung Yim	Long	Beneficial owner		25,662,000	6.90%
	Long	Beneficiary of a trust	(b)	42,078,400	11.31%
Mr Lau Chung Hung	Long	Beneficial owner		16,300,000	4.38%
Mr Lau Hing Hai	Long	Beneficiary of a trust	(c)	15,851,200	4.26%
Ms Lau May Wah	Long	Beneficial owner		19,039,200	5.12%
Mr Chan Wai Nam	Long	Beneficial owner		1,100,000	0.29%

Notes:

- (a) The shares were held by Woohai Inc. as trustee of The Woohai Unit Trust, all the units (other than one unit which was beneficially owned by Mr Lau Kwai's spouse, Ms Fong Shun Yum) of which were beneficially owned by The Lau Kwai Trust, a discretionary trust, the beneficiaries of which included the family members of Mr Lau Kwai.
- (b) The shares were held by Dragon Power Inc. as trustee of The Dragon Power Unit Trust, all the units (other than one unit which was beneficially owned by Mr Lau Chung Yim's spouse, Ms Tam Wai Ling, Josephine) of which were beneficially owned by The Jopat Trust, a discretionary trust, the beneficiaries of which included Mr Lau Chung Yim, his spouse and issue.

- (c) The shares were held by Inland Inc. as trustee of The Inland Unit Trust, all the units (other than one unit which was beneficially owned by Mr Lau Hing Hai's spouse, Ms Chan Ka Lam) of which were beneficially owned by The Hingka Trust, a discretionary trust, the beneficiaries of which included Mr Lau Hing Hai, his spouse and issue.

In addition to the above, as at 30 September 2003, certain directors of the Company held shares in certain subsidiaries of the Company in a non-beneficial capacity, solely for the purpose of complying with the minimum company membership requirements.

Save as disclosed herein, as at 30 September 2003, none of the directors or chief executive of the Company had any interest/short position in the shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which were required to be 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 he was deemed or taken to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, to be notified to the Company and the Stock Exchange.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the six months ended 30 September 2003 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the Company's directors, or their associates, to acquire such benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

SHARE OPTION SCHEMES

On 12 January 1994, the Company adopted a share option scheme (the "Old Scheme"), which was the first share option scheme of the Company, for the purpose of providing incentives and rewards to employees (including directors) of the Group who contribute to the success of the Group's operations. The Old Scheme was terminated and replaced by a new share option scheme (the "New Scheme") at the annual general meeting of the Company held on 23 August 2002. Upon termination of the Old Scheme, no further options can be granted thereunder but in all other respects, the provisions of the Old Scheme shall remain in force and any options granted prior to such termination shall continue to be valid and exercisable in accordance therewith.

The following table showed the movement of share options during the period:

Name or category of participant	Number of share options outstanding at 1 April 2003	Number of share options exercised during the period	Number of share options lapsed during the period	Number of share options cancelled during the period	Number of share options outstanding at 30 September 2003	Date of grant of share options	Exercise period of share options	Exercise price of share options ***
Employees								
In aggregate	200,000*	(40,000)**	(40,000)	-	120,000	22 May 2000	From 22 November 2000 to 21 November 2003	0.2104
	200,000*	(40,000)**	(40,000)	-	120,000	22 May 2000	From 22 November 2001 to 21 November 2003	0.2104
	240,000*	(40,000)**	(40,000)	-	160,000	22 May 2000	From 22 November 2002 to 21 November 2003	0.2104
	<u>640,000</u>	<u>(120,000)</u>	<u>(120,000)</u>	<u>-</u>	<u>400,000</u>			

* These share options were granted under the Old Scheme.

** The weighted average closing price of the shares immediately before the date on which the options were exercised is HK\$0.265.

*** The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

During the period, no options to subscribe for ordinary shares in the Company have been granted under the New Scheme to any eligible participants.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 30 September 2003, the following persons, not being a director or chief executive of the Company, had an interest in the shares of the Company, as recorded in the register required to be kept under section 336 of the SFO or as the directions are aware:

Name of substantial shareholder	Long/ Short position	Capacity	Note	Number of shares of the Company interested	Percentage of issued share capital
Ms Fong Shun Yum	Long	Interest of spouse	(a)	147,125,600	39.57%
Ms Tam Wai Ling Josephine	Long	Interest of spouse	(b)	67,740,400	18.21%
Mr Lo Tin Yuen	Long	Interest of spouse	(c)	19,039,200	5.12%
Woohei Inc.	Long	Trustee	(d)	87,696,000	23.59%
Dragon Power Inc.	Long	Trustee	(d)	42,078,400	11.31%
MeesPierson Trust (Asia) Limited	Long	Trustee	(d)	145,625,600	39.16%

Notes:

- (a) Ms Fong Shun Yum was deemed to be interested in 147,125,600 shares of the Company through interest of her spouse, Mr Lau Kwai.
- (b) Ms Tam Wai Ling Josephine was deemed to be interested in 66,472,400 shares of the Company through interest of her spouse, Mr Lau Chung Yim.
- (c) Mr Lo Tin Yuen was deemed to be interested in 19,039,200 shares of the Company through interest of his spouse, Ms Lau May Wah.
- (d) These interests have also been disclosed as the interests of Mr Lau Kwai/Mr Lau Chung Yim/Mr Lau Hing Hai in the section headed "Directors' interests in the shares of the Company" above.

Save as disclosed herein, as at 30 September 2003, no person, other than the directors of the Company whose interests are set out in the section headed "Directors' interests in the shares of the Company" above, had an interest or a 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.

CODE OF BEST PRACTICE

None of the directors of the Company is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the accounting period for the six months ended 30 September 2003, in compliance with the Code of Best Practice (the “Code”) as set out in Appendix 14 of the Listing Rules, except that the independent non-executive directors of the Company were not appointed for specific terms as required by paragraph 7 of the Code but are subject to rotation and re-election at the annual general meeting of the Company in accordance with the bye-laws of the Company.

AUDIT COMMITTEE

The Company has an audit committee which was established in accordance with the requirements of the Code, for the purposes of reviewing and providing supervision over the Group’s financial reporting process and internal controls. The audit committee, which comprises the two independent non-executive directors of the Company, has reviewed and approved the interim financial statements for the six months ended 30 September 2003.

On behalf of the Board

Lau Kwai

Chairman

Hong Kong, 12 December 2003