



CHINA SCI-TECH HOLDINGS LIMITED

(Incorporated in Cayman Islands with limited liability)

Interim Report **2003**



UNAUDITED INTERIM RESULTS

The Board of Directors (the "Board") of China Sci-Tech Holdings Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 September 2003 with the comparative figures for the corresponding period in 2002 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2003 – Unaudited

| | | Six months ended | |
|---|--------------|---------------------------|----------------------|
| | | 30 September | |
| | | 2003 | 2002 |
| | <i>Notes</i> | HK\$'000 | <i>HK\$'000</i> |
| Turnover | 3 | 366 | 342 |
| Other operating income | | 348 | – |
| Unrealised gain on investments in securities | | 15,311 | – |
| Write back of impairment in value of investments in securities | | – | 302 |
| Administrative expenses and other operating expenses | | (3,370) | (5,227) |
| Deficit on revaluation of investment properties | | (2,880) | – |
| | | <hr/> | <hr/> |
| Profit (loss) from operations | 4 | 9,775 | (4,583) |
| Gain on disposal of interest in an associate | 5 | – | 38,442 |
| Loss on disposal of subsidiaries | 6 | (5,829) | – |
| Finance costs | 7 | (1,021) | (10,308) |
| Share of results of an associate | | – | (44,603) |
| | | <hr/> | <hr/> |
| Profit (loss) before taxation | | 2,925 | (21,052) |
| Taxation | 8 | (82) | – |
| | | <hr/> | <hr/> |
| Net profit (loss) for the period | | <u>2,843</u> | <u>(21,052)</u> |
| Earnings (loss) per share – basic | 9 | <u>HK0.05 cent</u> | <u>(HK0.36 cent)</u> |

CONDENSED CONSOLIDATED BALANCE SHEET

At 30 September 2003

| | | 30 September 2003 (Unaudited) HK\$'000 | 31 March 2003 (Audited) HK\$'000 |
|---------------------------------------|--------------|---|---|
| | <i>Notes</i> | | |
| Non-current assets | | | |
| Property, plant and equipment | 11 | 279 | 356 |
| Land held for development | | – | 53,000 |
| Investment properties | 12 | 25,000 | – |
| Investments in securities | 13 | 45,000 | – |
| | | 70,279 | 53,356 |
| Current assets | | | |
| Trade and other receivables | 14 | 512 | 1,707 |
| Taxation recoverable | | 3 | 3 |
| Investments in securities | 13 | 107,849 | 84,867 |
| Bank balances and cash | | 1,603 | 827 |
| | | 109,967 | 87,404 |
| Current liabilities | | | |
| Other payables and accrued charges | | 2,546 | 9,764 |
| Amount due to a director | | – | 670 |
| Taxation payable | | 979 | – |
| Other loans | 15 | 20,362 | – |
| | | 23,887 | 10,434 |
| Net current assets | | 86,080 | 76,970 |
| Total assets less current liabilities | | 156,359 | 130,326 |
| Non-current liabilities | | | |
| Amount due to a related company | | 5,816 | 5,626 |
| Net assets | | 150,543 | 124,700 |
| Capital and reserves | | | |
| Share capital | 16 | 69,568 | 58,068 |
| Reserves | | 80,975 | 66,632 |
| Shareholders' funds | | 150,543 | 124,700 |



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2003 – Unaudited

| | Share capital | Share premium | Capital reserve | Other capital reserve | Warrant reserve | Asset revaluation reserve | Translation reserve | Accumulated losses | Total |
|---|------------------|------------------|--------------------|-----------------------------|--------------------|---------------------------------|------------------------|-----------------------|----------------|
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Balance at 1 April 2002 | 58,068 | - | 7,700 | 396,347 | 31,010 | (51,777) | (137) | (291,080) | 150,131 |
| Share of reserve of an associate not recognised in income statement | - | - | - | - | - | (9,835) | - | - | (9,835) |
| Eliminated upon disposal of an associate | - | - | - | - | (31,010) | 61,612 | 137 | - | 30,739 |
| Net loss for the period | - | - | - | - | - | - | - | (21,052) | (21,052) |
| Balance at 30 September 2002 and 1 October 2002 | 58,068 | - | 7,700 | 396,347 | - | - | - | (312,132) | 149,983 |
| Net loss for the period | - | - | - | - | - | - | - | (25,283) | (25,283) |
| Balance at 31 March 2003 and 1 April 2003 | 58,068 | - | 7,700 | 396,347 | - | - | - | (337,415) | 124,700 |
| Issue of shares | 11,500 | 11,500 | - | - | - | - | - | - | 23,000 |
| Net profit for the period | - | - | - | - | - | - | - | 2,843 | 2,843 |
| Balance at 30 September 2003 | 69,568 | 11,500 | 7,700 | 396,347 | - | - | - | (334,572) | 150,543 |

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 September 2003 – Unaudited

| | Six months ended | |
|---|-------------------------|-------------|
| | 30 September | |
| | 2003 | 2002 |
| | HK\$'000 | HK\$'000 |
| Net cash used in operating activities | (3,833) | (28,814) |
| Net cash (used in) from investing activities | (37,732) | 218,350 |
| Net cash from (used in) financing activities | 42,341 | (186,820) |
| | <hr/> | <hr/> |
| Net increase in cash and cash equivalents | 776 | 2,716 |
| Cash and cash equivalents at the beginning of the period | 827 | 64 |
| | <hr/> | <hr/> |
| Cash and cash equivalents at the end of the period | 1,603 | 2,780 |
| | <hr/> <hr/> | <hr/> <hr/> |
| Analysis of the balances of cash and cash equivalents | | |
| Bank balances and cash | 1,603 | 2,780 |
| | <hr/> <hr/> | <hr/> <hr/> |



NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 September 2003

1. BASIS OF PREPARATION

The condensed financial statements have been prepared in accordance with the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with Statement of Standard Accounting Practice ("SSAP") 25 "Interim financial reporting" issued by the Hong Kong Society of Accountants.

2. ACCOUNTING POLICIES

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

In the current period, the Group has adopted the revised SSAP 12 "Income taxes" for the first time. This revised SSAP has introduced a new basis of accounting for income taxes (including both current tax and deferred tax) and additional disclosure requirements which have been adopted in the condensed financial statements.

The principal effect of the implementation of revised SSAP 12 is in relation to deferred tax. Revised SSAP 12 requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit, with limited exceptions. The adoption of SSAP 12 has had no significant effect on the results for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.

In addition, the Group acquired investment properties during the period. Investment properties are stated at their open market value at the balance sheet date. Any surplus or deficit arising on the revaluation of investment properties is credited or charged to the investment property revaluation reserve unless the balance on this reserve is insufficient to cover a deficit, in which case the excess of the deficit over the balance on the investment property revaluation reserve is charged to the income statement. Where a deficit has previously been charged to the income statement and a revaluation surplus subsequently arises, this surplus is credited to the income statement to the extent of the deficit previously charged. No depreciation is provided on investment properties except where the unexpired term, including the renewable period, of the relevant lease is 20 years or less.

Other than as described above, the accounting policies adopted are consistent with those followed in the preparation of the Group's annual audited financial statements for the year ended 31 March 2003.

3. SEGMENT INFORMATION

Geographical segments

The Group is engaged in the corporate and strategic investment holding. Corporate and strategic investment holding represents the investments in securities and investment in properties for investment potential. The directors of the Company consider the geographical segments by location of assets as source of the Group's risks and return.

A geographical breakdown of the Group's turnover and segment results by geographical market is as follows:

| | Six months ended 30 September | | | |
|--|--------------------------------------|------------|------------------------|-----------------|
| | Turnover | | Segment results | |
| | 2003 | 2002 | 2003 | 2002 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| The People's Republic of China (the "PRC") other than Hong Kong | 120 | – | 32 | – |
| Hong Kong | 246 | 342 | 9,743 | (4,583) |
| | <u>366</u> | <u>342</u> | | |
| Profit (loss) from operations | | | 9,775 | (4,583) |
| Gain on disposal of interest in an associate (<i>Note</i>) | | | – | 38,442 |
| Loss on disposal of subsidiaries | | | (5,829) | – |
| Finance costs | | | (1,021) | (10,308) |
| Share of results of an associate | | | – | (44,603) |
| Profit (loss) before taxation | | | <u>2,925</u> | <u>(21,052)</u> |

Note: The amount was arised from interest in an associate listed in Hong Kong.

Business segment

The Group only engaged in the business of corporate and strategic investment holding during the period.



4. PROFIT (LOSS) FROM OPERATIONS

| | (Unaudited) | |
|---|------------------|-----------------|
| | Six months ended | |
| | 30 September | |
| | 2003 | 2002 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Profit (loss) from operations has been arrived at after charging: | | |
| Depreciation | 65 | 10 |
| and after crediting: | | |
| Interest income | - | 342 |
| Dividend income from investments in securities | <u>246</u> | <u>-</u> |

5. GAIN ON DISPOSAL OF INTEREST IN AN ASSOCIATE

During the six months ended 30 September 2002, the Group disposed of its interest in an associate through disposal of the entire share capital of a wholly owned subsidiary to an independent third party. The gain on disposal was computed as follows:

| | <i>HK\$'000</i> |
|---|-----------------------|
| Net assets disposed of: | |
| Interest in an associate | 217,039 |
| Investments in securities | <u>352</u> |
| | 217,391 |
| Reserves attributable to the Group and released upon disposal | <u>30,739</u> |
| | 248,130 |
| Gain on disposal of interest in an associate | <u>38,442</u> |
| | 286,572 |
| Cash consideration received | <u><u>286,572</u></u> |

6. LOSS ON DISPOSAL OF SUBSIDIARIES

During the period, the Group disposed its entire interests in certain subsidiaries which held the Group's land for development of a scientific park in the PRC. The loss on disposal of subsidiaries is computed as follows:

| | <i>HK\$'000</i> |
|------------------------------------|-----------------|
| Net assets disposed of: | |
| Property, plant and equipment | 12 |
| Land held for development | 53,000 |
| Trade and other receivables | 1,013 |
| Bank balances and cash | 34 |
| Other payables and accrued charges | (6,272) |
| | 47,787 |
| Loss on disposal of subsidiaries | (5,829) |
| | 41,958 |
| Cash consideration received | 41,958 |

7. FINANCE COSTS

| | (Unaudited) | |
|--|-------------------------|-----------------|
| | Six months ended | |
| | 30 September | |
| | 2003 | 2002 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Interest on borrowings wholly repayable within five years: | | |
| Other loans | (832) | (10,119) |
| Amount due to a related company | (189) | (189) |
| | (1,021) | (10,308) |
| | (1,021) | (10,308) |

8. TAXATION

The taxation charge for the period represents taxation in jurisdictions other than Hong Kong calculated at the rates prevailing in the PRC.

No provision for Hong Kong Profits Tax has been made in the condensed financial statements since the Company and its subsidiaries did not have any assessable profits arising in Hong Kong for the period.



9. EARNINGS (LOSS) PER SHARE

The calculation of basic earnings (loss) per share is based on the net profit for the period of approximately HK\$2,843,000 (2002: net loss of HK\$21,052,000) and on the weighted average number of shares of 6,290,649,785 (2002: 5,806,770,004) shares in issue during the period.

No diluted earnings (loss) per share for both periods are presented as the exercise price of the Company's warrants outstanding was higher than the average market value of the Company's shares during both periods.

10. INTERIM DIVIDEND

The Board of Directors has resolved not to declare any interim dividend for the six months ended 30 September 2003 (2002: Nil).

11. ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT

During the period, the Group did not acquire any property, plant and equipment (1.4.2002 to 31.3.2003: HK\$370,000).

12. INVESTMENT PROPERTIES

The Group's investment properties are situated in the PRC under medium term leases and are stated at the valuation estimated by the directors of the Company with reference to the market condition.

13. INVESTMENTS IN SECURITIES

| | 30.9.2003 (Unaudited) HK\$'000 | 31.3.2003 (Audited) HK\$'000 |
|--|---|------------------------------------|
| Trading securities listed in Hong Kong and carried at market value | 107,849 | 84,867 |
| Unlisted non-trading securities and carried at fair value | 45,000 | – |
| | <u>152,849</u> | <u>84,867</u> |
| Carrying amount analysed for reporting purposes as: | | |
| Non-current | 45,000 | – |
| Current | 107,849 | 84,867 |
| | <u>152,849</u> | <u>84,867</u> |

14. **TRADE AND OTHER RECEIVABLES**

Included in trade and other receivable was an amount of trade receivable from its tenants of HK\$23,000 (31.3.2003: nil). The group allows an average credit period of 30 days to the tenants. The amount is aged within 30 days at the balance sheet date.

15. **OTHER LOANS**

Other loans bear interest at market prevailing rates and are payable within one year. Included in the amount is an amount of HK\$5,362,000 which is unsecured. The remaining balance is secured by the Group's 100% interests in its subsidiaries and the aggregate of the net assets of these subsidiaries amounted to approximately HK\$135 million at 30 September 2003.

16. **SHARE CAPITAL**

| | Number of ordinary shares | Issued and fully paid share capital HK\$'000 |
|----------------------------------|--|---|
| Ordinary shares of HK\$0.01 each | | |
| Balance as at 1 April 2003 | 5,806,770,004 | 58,068 |
| Issue of shares | <u>1,150,000,000</u> | <u>11,500</u> |
| Balance as at 30 September 2003 | <u><u>6,956,770,004</u></u> | <u><u>69,568</u></u> |

Pursuant to a subscription agreement dated 30 June 2003 entered into between the Company and Sunderland Properties Limited ("Sunderland"), Sunderland agreed to subscribe 1,150,000,000 ordinary shares in the Company at HK\$0.02 per share. General mandate was granted by shareholders of the Company to the directors of the Company on 28 August 2002 for the issue of shares. On 16 July 2003, 1,150,000,000 shares in the Company were issued to Sunderland. The net proceeds amounting to approximately HK\$22 million is for general working capital of the Group.



17. ACQUISITION OF SUBSIDIARIES

During the period, the Group acquired subsidiaries which are property holding companies.

HK\$'000

| | |
|------------------------------------|---------------|
| Net assets acquired: | |
| Investment properties | 27,880 |
| Other receivables | 135 |
| Bank balances and cash | 15 |
| Other payables and accrued charges | (133) |
| Taxation payable | (897) |
| | <hr/> |
| Cash consideration paid | <u>27,000</u> |

18. PENDING LITIGATION

- (a) On 1 September 1999, a former officer of the Company entered into a supply contract with an independent third party (the "Supplier") for the supply of 20,000 cable modems for a total consideration of US\$6,000,000 (approximately HK\$46,560,000), purportedly on behalf of the Company. On 8 September 1999, the Company announced that the supply contract was entered into without being properly authorised by the Company and, therefore, disputed the validity of the contract. On the same day, the Company issued a legal letter to the Supplier confirming that the Company would not recognise the supply contract and it should not be binding on the Company. The Supplier is claiming damages of a sum of US\$3.6 million (approximately HK\$28 million) in respect of the Group's failure to take delivery of the cable modems.

Having considered legal counsel's advice, the directors of the Company believe that the Group has a favourable defence against the claim. Accordingly, the directors of the Company consider that no provision for the claim is necessary.

- (b) On 6 December 1999, Mr. Yeung Kang Lam ("Mr. Yeung"), who was appointed and subsequently resigned as a director of the Company during the year ended 31 March 2000, filed a High Court proceeding against the Company for a sum of HK\$932,958 and damages, interest and costs arising from the termination of an alleged employment letter which was signed between Mr. Yeung and Mr. Chiu, a former director of the Company. The directors of the Company consider that since no board meeting was ever called to approve the alleged employment letter of Mr. Yeung and the alleged remuneration relating thereto, the Company disputes the validity of the alleged employment letter. On 23 February 2000, the Company filed its defence against the claim.

Having considered legal counsel's advice, the directors of the Company believe that the Company has a favourable defence to the allegation. Accordingly, the directors of the Company consider that no provision for the claim alleged by Mr. Yeung is necessary.

19. CONTINGENT LIABILITIES

The Company has given guarantee of HK\$50 million to a financial institution for credit facilities granted to a subsidiary. The extent of such facilities utilised by the subsidiary at 30 September 2003 amounted to approximately HK\$5,362,000.

20. RELATED PARTY TRANSACTIONS

During the period, the Group entered into the following transactions with related parties:

| | Six months ended | |
|---|-------------------------|--------------|
| | 30 September | |
| | 2003 | 2002 |
| | HK\$'000 | HK\$'000 |
| Interest expenses payable to a related company | 189 | 189 |
| Reimbursement of expenses from a former associate | <u>-</u> | <u>2,500</u> |

The above transactions were carried out after negotiations between the Group and the related parties with reference to the estimated market rates and actual costs incurred.

21. POST BALANCE SHEET EVENT

Pursuant to a placing agreement dated 6 October 2003 and a supplement agreement dated 10 December 2003 entered into between the Company and Chung Nam Securities Limited ("Chung Nam"), the Company agreed to place 1,391,354,000 new shares at HK\$0.015 per share to independent investors, subject to the approval of the Listing Committee of The Stock Exchange of Hong Kong Limited. General mandate was granted by shareholders of the Company to the directors of the Company on 25 September 2003 for the issue of shares. The estimated net proceeds amounting to approximately HK\$20.5 million is for general working capital of the Group.



MANAGEMENT DISCUSSION AND ANALYSIS

The Group's turnover for the six months ended 30 September 2003 (the "Period") increased by 7% as compared to the corresponding period in 2002. Most of the turnover was derived from the dividend income from investments in securities which accounted for 67% of the total turnover. The unrealized gain on investments in securities which amounted to HK\$15,311,000 (2002: Nil) was due to the improvement of market sentiment during the Period. The total administrative and other operating expenses were reduced approximately 36% to HK\$3,370,000. The reduction of these expenses mainly attributed to the effective cost control by the management during the Period. For the corresponding period in 2002, the Group shared HK\$44,603,000 loss of China Online (Bermuda) Limited (the "China Online") in the Group's consolidated income statement. Disposal of the Group's investment in China Online in August of 2002 (as reported in the 2003 annual report) lessened the burden of the Group in financial performance. Part of the proceeds from such disposal was used to settle outstanding loans at that time and that explained why the finance cost of the Group decreased over 90% to HK\$1,021,000 during the Period. The Group had a revaluation deficit of investment properties amounted to HK\$2,880,000 for the Period. As a result, the net profit for the Period amounted to HK\$2,843,000 as compared to the loss of HK\$21,052,000 for the corresponding period in 2002. Although the sentiment of the market seems to be improving, the Company has a conservative outlook to the recovery pace of the market in future as the direction of the market is still blurring.

As at 30 September 2003 the Group had cash and bank balance of HK\$1,603,000 and total investments in securities of HK\$152,849,000 at fair value. There were two outstanding loans as at 30 September 2003 in aggregate of HK\$20,362,000 (2002: Nil). The first loan which amounted to HK\$15,000,000 as at 30 September 2003 is a one year secured loan and bears an annual interest rate of three percent above the Hong Kong prime rate. The second loan which amounted to HK\$5,362,000 as at 30 September 2003 is margin facilities and bears an annual interest rate of three percent above the Hong Kong prime rate. The limit of this margin facilities is HK\$50,000,000 and secured by the Company's guarantee. The total of the outstanding loans represents approximately 14% of the shareholders' equity. During the Period, the Group acquired certain commercial properties in Shanghai and Shenzhen for investment purpose and the properties had rental contribution to the turnover of the Group during the Period. The Company expects the properties will have more contribution to the Group's turnover in the coming future. As at 30 September 2003, these properties amounted to HK\$25,000,000 on the balance sheet.

The Group had 3 staff as at 30 September 2003. The staff costs (excluding directors' emoluments) amounted to approximately HK\$485,000 for the Period. Staff remuneration packages are normally reviewed annually. The Group operates a Mandatory Provident Fund Scheme under the Hong Kong Mandatory Provident Fund Scheme Ordinance. Additionally, the Group provides other staff benefits which include double pay, share option scheme, and medical benefits. No share option had been granted or exercised during the Period. As at the date hereof, there is no outstanding share option.

During the Period, the Company disposed two wholly owned subsidiaries named Dragon Hunter Investment Limited and Harbour Jade Limited (the "Disposed Companies") to an independent third party for the aggregate consideration of HK\$42,000,000. The Disposed Companies indirectly held the land development project in Jiangsu Province of the People's Republic of China through their wholly owned subsidiaries. The disposal was completed on 30 August 2003. The Group recorded a loss of HK\$5,829,000 on this disposal. Details of the disposal were disclosed in the Company's announcement dated 3 September 2003.

On 30 June 2003, the Company entered into a conditional subscription agreement with Sunderland Properties Limited (an independent third party) to place 1,150,000,000 new ordinary shares of HK\$0.01 each in the capital of the Company at HK\$0.02 subscription price per share, equivalent to the market closing price per share on 30 June 2003. Details of the subscription were disclosed in the Company's announcement dated 30 June 2003. The subscription was completed on 16 July 2003. The net proceeds of approximately HK\$22,000,000 was used as to (1) approximately HK\$11,000,000 for repayment of loans; (2) approximately HK\$10,000,000 for investment in an on-line financial data services provider; and (3) the remaining to finance the daily operations of the Group. Subsequent to the completion of the subscription and as the date hereof, the Company has total 6,956,770,004 issued ordinary shares.

On 6 October 2003, the Company entered into a conditional placing agreement (the "Placing Agreement") with Chung Nam Securities Limited as placing agent (the "Placing Agent") and CU Corporate Finance Limited as financial adviser (the "Financial Adviser") on a best effort basis to place 1,391,354,000 new ordinary shares of HK\$0.01 each in the capital of the Company at a price of HK\$0.022 per share (the "Placing"). The proceeds will be used as general working capital of the Company. The long stop date for the Placing would be 6 January 2004. Details of the Placing were disclosed in the Company's announcement dated 6 October 2003 (the "Announcement"). As the share price of the Company had plunged approximately



35% from HK\$0.023 as quoted on the Stock Exchange of Hong Kong Limited on 6 October 2003, the date of the Announcement, to HK\$0.015 on 10 December 2003, the original placing price under the Placing Agreement was considered to be not attractive. The Company entered into a supplemental agreement on 10 December 2003 (the "Supplemental Agreement") with the Placing Agent and the Financial Adviser to adjust the placing price from HK\$0.022 per share to HK\$0.015 per share and to extend the long stop date of the Placing from 6 January 2004 to 31 March 2004. Other terms of the Placing Agreement remain unchanged. Details of the Supplemental Agreement were disclosed in the Company's announcement dated 10 December 2003.

DIRECTORS AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 September 2003, none of the directors and chief executive of the Company had interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which are required (a) to be recorded in the register required to be kept under section 352 of the SFO; or (b) to be notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

During the period, 13,050,000 outstanding share options which were granted to Mr. Chiu Tao, the former chairman and director of the Company who resigned on 27 June 2003, was expired on 22 April 2003. There is no outstanding share option as at 30 September 2003.

SUBSTANTIAL SHAREHOLDERS

As at 30 September 2003, the interests or short positions of the persons, other than a director or chief executive of the Company, 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 | Number of shares | Percentage holding |
|--|-------------------------|---------------------------|
| Sunderland Properties Limited (Note 1) | 1,150,000,000 | 16.53% |
| Dr. Ho Hung Sun, Stanley | 935,750,000 | 13.45% |
| Collier Assets Limited (Note 2) | 700,000,000 | 10.06% |



Note 1: Sunderland Properties Limited is ultimately and beneficially owned by Mr. Engene Chuang Yue-chien

Note 2: Collier Assets Limited is ultimately and beneficially owned by Ms. Lo Ki Yan Karen.

All the interest stated above represented long positions in the shares of the Company as at 30 September 2003, there were no short positions recorded in the register required to be kept under section 336 of the SFO.

CODE OF THE BEST PRACTICE

The independent non-executive directors are not appointed for a specific term, but are subject to retirement by rotation at the Company's annual general meeting, as specified by the Company's articles of association. In the opinion of the directors, this meets the same objective as the Code of Best Practice set out in the Listing Rules of The Stock Exchange of Hong Kong Limited (the "Listing Rules").

Save as aforesaid, none of the directors is aware of 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 Listing Rules.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

REVIEW BY AUDIT COMMITTEE

The 2003 Interim report has been reviewed by the Company's audit committee.

By order of the Board
Kwan Kam Hung, Jimmy
Director

Hong Kong, 22 December 2003

