

INTERIM RESULTS

The Board of Directors (the "Board") of Karl Thomson Holdings Limited (the "Company") is pleased to announce the unaudited consolidated interim 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 period in 2002 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2003

	NOTES	Six months ended 30 September	
		2003 HK\$'000 (unaudited)	2002 HK\$'000 (unaudited)
Turnover	3	21,939	15,941
Other operating income		619	204
Gain on trading securities		1,443	—
Allowance for bad and doubtful debts		(2,056)	(2,555)
Amortisation of intangible assets		(3)	(1,842)
Depreciation		(1,198)	(997)
Finance costs		(14)	(70)
Other operating expenses		(14,675)	(10,636)
Staff costs		(4,638)	(7,785)
Impairment loss recognised in respect of the license and right to use a website and trademark		—	(22,690)
Impairment loss recognised in respect of the license to use technical knowhow and Webtrade products		—	(6,362)
Profit (loss) before taxation	3	1,417	(36,792)
Taxation	4	—	—
Profit (loss) before minority interests		1,417	(36,792)
Minority interests		(137)	17,615
Net profit (loss) for the period		1,280	(19,177)
Basic and diluted earnings (loss) per share	5	HK0.28 cents	HK(4.17) cents

CONDENSED CONSOLIDATED BALANCE SHEET
AT 30 SEPTEMBER 2003

	NOTES	30 September 2003 HK\$'000 (unaudited)	31 March 2003 HK\$'000 (audited)
NON-CURRENT ASSETS			
Fixed assets	6	4,734	4,663
Intangible assets	7	36	39
Loans receivable	9	1,102	—
Other assets		4,196	4,178
		<u>10,068</u>	<u>8,880</u>
CURRENT ASSETS			
Accounts receivable	8	48,297	58,502
Investments in securities		71	92
Loans receivable	9	8,078	600
Other receivables, prepayments and deposits		1,843	2,140
Pledged fixed deposits			
- general accounts	10	7,573	7,548
Bank balances			
- trust and segregated accounts		49,649	26,443
Bank balances (general accounts) and cash		43,456	42,411
		<u>158,967</u>	<u>137,736</u>
CURRENT LIABILITIES			
Accounts payable	11	54,402	34,957
Accrued expenses and other payables		4,553	2,633
Obligations under finance leases			
- amounts due within one year		142	472
Taxation payable		6	6
		<u>59,103</u>	<u>38,068</u>
NET CURRENT ASSETS			
		<u>99,864</u>	<u>99,668</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			
		109,932	108,548
NON-CURRENT LIABILITIES			
Obligations under finance leases			
- amounts due after one year		—	33
NET ASSETS			
		<u>109,932</u>	<u>108,515</u>
CAPITAL AND RESERVES			
Share capital	12	46,000	46,000
Reserves		63,409	62,129
TOTAL CAPITAL AND RESERVES			
		109,409	108,129
MINORITY INTERESTS			
		523	386
		<u>109,932</u>	<u>108,515</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2003

	Share capital HK\$'000	Share premium HK\$'000	Special reserve HK\$'000 (Note)	Goodwill reserve HK\$'000	Other reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 April 2002	46,000	76,589	29,140	(13,950)	12,110	971	150,860
Transfer upon termination of the consultancy service agreement with Chestrich Investments Limited	—	—	—	—	(12,110)	12,110	—
Net loss for the period	—	—	—	—	—	(19,177)	(19,177)
At 30 September 2002 and 1 October 2002	46,000	76,589	29,140	(13,950)	—	(6,096)	131,683
Net loss for the period	—	—	—	—	—	(23,554)	(23,554)
At 31 March 2003 and 1 April 2003	46,000	76,589	29,140	(13,950)	—	(29,650)	108,129
Net profit for the period	—	—	—	—	—	1,280	1,280
At 30 September 2003	<u>46,000</u>	<u>76,589</u>	<u>29,140</u>	<u>(13,950)</u>	<u>—</u>	<u>(28,370)</u>	<u>109,409</u>

Note: The special reserve of the Group represents the difference between the nominal value of shares of the acquired subsidiaries and the nominal value of the shares of the Company issued for the acquisition at the time of the group reorganisation.

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

	Six months ended 30 September	
	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
NET CASH FROM OPERATING ACTIVITIES	2,702	28,896
NET CASH USED IN INVESTING ACTIVITIES	(1,269)	(2,039)
NET CASH USED IN FINANCING ACTIVITIES	(363)	(411)
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,070	26,446
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF PERIOD	<u>49,959</u>	<u>29,828</u>
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD	<u><u>51,029</u></u>	<u><u>56,274</u></u>
ANALYSIS OF THE BALANCE OF CASH AND CASH EQUIVALENTS		
Bank balances (general accounts) and cash	43,456	48,759
Pledged fixed deposits - general accounts	<u>7,573</u>	<u>7,515</u>
	<u><u>51,029</u></u>	<u><u>56,274</u></u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2003

1. BASIS OF PREPARATION

The Company is an investment holding company. The principal activities of the Group are the provision of financial services, including stockbroking, futures and options broking, mutual funds and insurance-linked investment plans and products broking, securities margin financing and corporate finance advisory services.

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with Statement of Standard Accounting Practice ("SSAP") 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants (the "HKSA").

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2003 except as described below.

In the current period, the Group has adopted, for the first time, SSAP 12 (Revised) "Income Taxes" issued by the HKSA. The adoption of this SSAP has resulted in the adoption of the following revised accounting policy but has had no material effect on the results for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.

Income Taxes

In the current period, the Group has adopted SSAP 12 (Revised). The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax. In previous years, partial provision was made for deferred tax using the income statement liability method, i.e. a liability was recognised in respect of timing differences arising, except where those timing differences were not expected to reverse in the foreseeable future. SSAP 12 (Revised) 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. In the absence of any specific transitional requirements in SSAP 12 (Revised), the new accounting policy has been applied retrospectively.

3. SEGMENT INFORMATION

The Group's primary format for reporting segment information is business segment. During the year ended 31 March 2003, the Group's operation of distribution platforms for online advertising was discontinued.

The turnover and segment results of the Group, analysed by principal activity, were as follows:

	Continuing operations						Discontinued operation		Total	
	Broking		Securities margin financing		Others		Operation of distribution platforms		Total	
	Six months ended		Six months ended		Six months ended		Six months ended		Six months ended	
	30.9.2003	30.9.2002	30.9.2003	30.9.2002	30.9.2003	30.9.2002	30.9.2003	30.9.2002	30.9.2003	30.9.2002
HK\$'000		HK\$'000		HK\$'000		HK\$'000		HK\$'000		
Segment turnover	17,892	10,547	2,066	3,506	1,981	1,880	—	8	21,939	15,941
Segment Profit (loss)	3,862	(8,454)	(1,995)	(1,729)	(67)	(1,545)	—	(24,642)	1,800	(36,370)
Unallocated expenses									(383)	(422)
Profit (loss) before taxation									1,417	(36,792)

4. TAXATION

No provision for Hong Kong Profits Tax has been made in the financial statements for the six months ended 30 September 2003 as the companies within the Group had no assessable profits for the period.

No provision for Hong Kong Profits Tax had been made in the financial statements for the six months ended 30 September 2002 as the Group incurred tax losses.

A deferred tax asset has not been recognised in the financial statements in respect of estimated tax losses due to the unpredictability of future profit streams.

5. BASIC AND DILUTED EARNINGS (LOSS) PER SHARE

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

	Six months ended 30 September	
	2003	2002
	HK\$'000	HK\$'000
Net profit (loss) for the period attributable to shareholders	<u>1,280</u>	<u>(19,177)</u>
	Number of shares	
	'000	'000
Weighted average number of ordinary shares for the purpose of basic and diluted earnings (loss) per share	<u>460,000</u>	<u>460,000</u>

The computation of the diluted earnings (loss) per share for the six months ended 30 September 2003 does not assume the exercise of Company's options as their exercise prices were higher than the average market price of the Company's shares during the period.

6. FIXED ASSETS

During the period, the Group acquired computer equipment and furniture and fixtures at an aggregate cost of approximately HK\$1,269,000.

7. INTANGIBLE ASSETS

	Trading rights HK\$'000	License and right to use a website and trademark HK\$'000	License to use technical knowhow and Webtrade products HK\$'000	Total HK\$'000
COST				
At 1 April 2003 and 30 September 2003	50	120,978	7,420	128,448
AMORTISATION AND IMPAIRMENT				
At 1 April 2003	11	120,978	7,420	128,409
Provided for the period	3	—	—	3
At 30 September 2003	14	120,978	7,420	128,412
CARRYING VALUES				
At 30 September 2003	36	—	—	36
At 31 March 2003	39	—	—	39

Trading rights represent two trading rights in The Stock Exchange of Hong Kong Limited (the "SEHK") and one trading right in the Hong Kong Futures Exchange Limited (the "HKFE"). Trading rights are amortised over 9 years.

8. ACCOUNTS RECEIVABLE

	30 September 2003 HK\$'000	31 March 2003 HK\$'000
Accounts receivable arising from the business of dealing in securities:		
- Cash clients	14,566	10,927
- Brokers	—	20
Accounts receivable from HKFE Clearing Corporation Limited ("HKFECC") arising from the business of dealing in futures contracts	4,854	2,850
Loans to securities margin clients	28,877	44,705
	<u>48,297</u>	<u>58,502</u>

The settlement terms of accounts receivable from cash clients, brokers and HKFECC are one to four days after the trade date.

Loans to securities margin clients are secured by clients' pledged securities, repayable on demand and bear interest at prevailing market rates. In the opinion of the Directors, no aged analysis is disclosed as the aged analysis does not give additional value.

9. LOANS RECEIVABLE

The maturity of the loans receivable is as follows:

	30 September 2003 <i>HK\$'000</i>	31 March 2003 <i>HK\$'000</i>
Matured within 90 days	370	—
Matured between 91 days to 180 days	7,661	600
Matured between 181 days to 365 days	47	—
	8,078	600
Matured over 1 year	1,102	—
	9,180	600

10. PLEDGED FIXED DEPOSITS

The Group had pledged fixed deposits of HK\$7,573,000 (31 March 2003: HK\$7,548,000) to banks to secure general banking facilities granted to the Group.

11. ACCOUNTS PAYABLE

	30 September 2003 <i>HK\$'000</i>	31 March 2003 <i>HK\$'000</i>
Accounts payable arising from the business of dealing in securities:		
- Cash clients	44,112	25,724
- Hong Kong Securities Clearing Company Limited ("HKSCC")	1,212	1,724
Accounts payable to clients arising from the business of dealing in futures contracts	6,681	6,329
Amounts due to securities margin clients	2,397	1,180
	54,402	34,957

The settlement terms of accounts payable to cash clients and HKSCC are two to four days after the trade date.

Accounts payable to clients arising from the business of dealing in futures contracts are margin deposits received from clients for their tradings of futures contracts on the HKFE. The excesses of the outstanding amounts over the required margin deposits stipulated by the HKFE are repayable to clients on demand. In the opinion of the Directors, no aged analysis is disclosed as the aged analysis does not give additional value.

Amounts due to securities margin clients are repayable on demand. In the opinion of the Directors, no aged analysis is disclosed as the aged analysis does not give additional value.

12. SHARE CAPITAL

	Number of shares '000	HK\$'000
Ordinary shares of HK\$0.10 each		
Authorised:		
At 1 April 2002, 31 March 2003 and 30 September 2003	<u>1,000,000</u>	<u>100,000</u>
Issued and fully paid:		
At 1 April 2002, 31 March 2003 and 30 September 2003	<u>460,000</u>	<u>46,000</u>

13. COMMITMENTS

(a) Capital Commitment

The Group did not have any significant capital commitment at the balance sheet date.

(b) Other Commitments

During the period, Profit International Enterprise Limited ("Profit International"), a company which is owned as to 80% by the Group and 20% by an independent third party, and Silver Earth Limited ("Silver Earth"), a wholly-owned subsidiary of Gold-Face Holdings Limited ("Gold-Face") entered into a loan agreement relating to the granting of a term loan facility of up to HK\$50 million to Silver Earth (the "Loan Agreement"). The purpose of the loan is to finance Gold-Face and its subsidiaries (the "Gold-Face Group") to construct and complete its property development projects. The facility is available during the period from 2 July 2003 to 1 September 2004. Silver Earth may, during the loan availability period, make one or more drawings up to a maximum of HK\$50 million in aggregate. The loan will bear interest at 2.5% per month, will be secured by a corporate guarantee provided by Gold-Face and the securities and/or collaterals to be agreed by Profit International and Silver Earth, and will be repayable together with all outstanding accrued interest in one lump sum on the date falling 16 months after the date of the first advance. Profit International is in the process of performing due diligence investigation on the Gold-Face Group with respect to identifying security and/or collaterals for securing the term loan. The receipt by Profit International of security and/or collaterals to its satisfaction is a condition precedent for drawdown of the term loan.

In addition, Profit International and Gold-Face entered into an option deed (the "Option Deed"), pursuant to which Gold-Face granted an option to Profit International to subscribe for shares in Gold-Face whereby Profit International is entitled to subscribe for shares in Gold-Face up to 55% of the enlarged issued share capital of Gold-Face at HK\$909,091 for every 1% of the issued capital of Gold-Face (as enlarged by the issue of shares under the option granted to Profit International). The option is exercisable in whole or in part at any time within 30 months after fulfillment of the conditions of the Option Deed. Pursuant to the Option Deed, Profit International can choose to settle the subscription payment for all or part by assigning to Gold-Face such part of the advance made under the Loan Agreement.

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 September 2003 (2002: Nil).

CHAIRMAN'S STATEMENT

I am pleased to announce to the shareholders the unaudited consolidated results of the Group for the six months ended 30 September 2003.

The Group recorded an unaudited net profits for the six months ended 30 September 2003 of HK\$1,280,000 (2002: HK\$19,177,000 net loss), equivalent to earnings per share of HK0.28 cents (2002: loss per share HK4.17 cents), representing a marked improvement in its operating performance derived from its commitment to focus on enhancing its service quality amid weak market sentiment and fierce competition.

The local business environment has gone through one of its worst-ever contraction since March 2001, plagued by the dampening effect of the prolonged global economic downturn. State of affairs deteriorated further with the war in Iraq, coupled with the outbreak of Severe Acute Respiratory Syndrome (SARS) which have swept across the region in March this year, all of which contributed to adverse psychological effect on investment sentiment during the first three months within the reviewing period. Curbed by persistent deflation which is forecast at 0.8% as measured by the Composite Consumer Price Index in 2004, compared with an estimated 2.6% this year, investment still have to rebound strongly. The city's ability to boost investment and create jobs have become the community's major concern. The local economy has undergone an abrupt change since July, with optimism replacing a feeling of pessimism after the recent release of third-quarter growth, leapt by 4% year-on-year, thanks to the tourism boom and resilient external trade. China's introduction of CEPA (Closer Economic Partnership Arrangement) and the granting of other favorable Central Government policies has demonstrated our motherland's very tangible and constructive support for the future growth of Hong Kong and facilitated speedier economic convergence between Hong Kong and mainland China. The economy's further transition to a more significant role as China's evolvement as an influential global contributor is further warranted. Investors have again experienced and witnessed Hong Kong's position as a renowned financial hub and its ability to raise funds by the good response of recent IPOs, which is likely to encourage more large-scale state-owned enterprises and quality private enterprises on the Mainland to seek their listings in the Hong Kong market.

OUTLOOK

The bouncing back of the world's largest economy has boosted earnings of the region's exporters, and led to significant improvement in corporate profits and therefore enhancement of investment value in related industries is a positive outcome of the spill-over effect of one sector towards the whole economy. With confidence being boosted further externally by the expectation of an election year of U.S. rally and earnings growth for S&P 500 companies is forecast to reach 12% in 2004, U.S. economy is promised to be on the right track towards full recovery.

With stringent risk-control measures, diversification initiatives and solid financial position, the Group is able to weather transient upheavals and is well-positioned to capitalize on the tremendous opportunities brought about by the sustainable economic recovery under the low interest rate scenario, and is equipped with ample capability for solid growth and to extend its presence in the industry both locally and in the Greater China region. Active efforts and focus are placed on the quality enhancement of the Group's product and service portfolio. Rapid progress was reported for the value-added financial advisory services, which have become one of our key strategic initiatives. Where business environment and internal control warrant, the Group will endeavor to streamline further its set-up and skills to engage in any exercise bringing long-term value to its shareholders and clients while further strengthen the Group's market position and sharpen its unique competitive edge, coupled with the preservation of its capital during challenging global conditions. In anticipation of the improved business environment, I am fully confident about the prospects for the Group.

APPRECIATION

I would like to thank my fellow Directors for their guidance and support and to express my appreciation to the management team and diligent employees for their commitment and loyal service. I also wish to thank my customers and shareholders for their continued support.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

During the six months ended 30 September 2003, the Group has made impressive improvement in its operating performance. As compared to the corresponding period for year 2002, total turnover of the Group rose to approximately HK\$21,939,000 (2002: HK\$15,941,000), representing an increase of 37.63%. Net profit attributable to shareholders was approximately HK\$1,280,000, representing a great leap forward in comparison with a loss of approximately HK\$19,177,000 during the previous corresponding period, however, the results have not reached our satisfaction.

Market Overview

Business outlook for the current financial period has improved and the prospects for the securities industry has become more promising since the gradual regain of business confidence and investment sentiment after the hard times during the war in Iraq and the outbreak of SARS. The dissipation of the concessionary measures by the Central Government has also paved the way for the solid recovery displayed in the second half of 2003 and is expected to be sustainable in the first half of 2004, while a persistent improvement for deflation is also envisaged in the foreseeable future. The recent revised GDP growth forecast to 6.5% from 4.2% by HSBC already pointed to a rebound in private consumption, a key driver of growth for the economy, together with robust trade.

With the significant pick-up of market activities during the period under review, average daily turnover bounced back to over HK\$99 million on the Main Board and GEM Board, representing a substantial gain of 47% as compared to the previous corresponding period. The Hang Seng Index made a complimentary gain of 2,595 points or approximately 30%, closing at its 15-month high of 11,230 during the period under review. Total market capitalization rose by 39% to HK\$4,777 billion during the review period. Blue Chips was not alone in recording for remarkable gains throughout the period, China stocks have been cranking full blast for months since May, accompanied with outstanding results for Chinese enterprises during the period. The frenzy for IPO intensified by the persistent spectacular performance of new shares, which are mainly leading state-owned enterprises and quality private enterprises on the Mainland seeking their listings in the Hong Kong market, is likely to remain attractive to retail investors, the main client source of the Group, with an appetite and hope for quick profits. Because of the speed of solid economic recovery of Hong Kong, the investors' confidence in the investment prospects was improved. The upward momentum seems unabated although some classic signs of speculative mania is building up. A big year ahead in 2004 is widely expected as global economic recovery is gathering momentum. The low interest rate environment coupled with weak U.S. dollar stimulated recovery on corporate earnings would therefore be reflected in their share price. In light of increased competition in the local securities industry, the Group seeks

to adopt a prudent but progressive development strategy in maintaining a competitive edge via product diversification and enhancing customer service and technologies to our clients. We are confident that our plan and commitment to invest for long term and expansion of our market share will yield good results in the long run.

Brokerage Business

During the review period, turnover for the Group's securities broking business, futures and options broking business as well as underwriting commission which accounted for 46.71% of total operating income decreased by 2.84% to HK\$10,247,000 (2002: HK\$10,547,000) and recovery of bad and doubtful debts of approximately HK\$1,724,000 was made in respect of the securities broking business given the tight control measures to control the risk level. The Group's performance in its stockbroking, futures and options broking and dealing businesses remained steady during the respective period under review despite the sharp corrections during the SARS period when Hang Seng Index dropped to its new low to 8,332 points in April this year reflecting severe depression of investment sentiment during the period.

Share Margin Financing

Interest income generated from share margin loan portfolio accounted for 9.42% of the Group's turnover declined by 41.07% to HK\$2,066,000 (2002: HK\$3,506,000). Contribution to loss of HK\$1,995,000 due to an allowance was made for bad and doubtful debts of HK\$3,780,000 in respect of the securities margin financing given the sluggish retail market sentiment during the reviewing period and the low interest rate environment prevailed. The Group attached to its strict control measures with prudent and conservative margin financing policy in an attempt to contain its risk exposure while putting shareholders interest as its top priority.

Financial Management and Advisory Services

The Group has successfully entered into financial management business in 2002 through the set-up of our subsidiary, Karl Thomson Investment Consultants Limited. Turnover for the division which contributed to the Group's turnover of 34.85% to HK\$7,645,000. The significant increase has strengthened our confidence for further expansion in the current year. Our high-calibre and competent advisers have dedicated their best effort to assist our clients to tailor-make investment portfolios, striving to meet their individual needs and paving the way to achieve their financial goals, by tapping into our global network with the world's best-known asset management houses on funds distribution and insurance brokerage business. We will act on our clients' best interest via active and cautious search for the most suitable plans to meet their financial goals. The continued improvement in global equity market has created great opportunities for the Group to pave its way for securing a leading position in the industry through product diversification for our clients.

Investment Banking

Backed by the Group's benign position in the industry and financial strength, we have successfully integrated into a new business spectrum through our subsidiary, Karl Thomson Financial Advisory Limited. We are ready to provide a wide range of financial consultancy services and prepare to assist corporate clients to list in Hong Kong. Working with reputable financial institutions, our management has extensive experience in financing projects.

Liquidity, Financial Resources and Funding

Despite the depressed economic environment during the first three-month period, the financial position of the Group remained sound and healthy. As at 30 September 2003, the Group has cash and cash equivalent of HK\$43,456,000 (excluding the pledged fixed deposits of general accounts).

The Group generally finances its operation with internally generated cash flows. The Group has no bank borrowings apart from occasional utilization of overdraft facilities and fixed deposit of approximately HK\$7,573,000 pledged to banks to secure general banking facilities.

Human Resources

As at 30 September 2003, the Group employed approximately 135 employees (2002: 72) in Hong Kong, of which 90 were commission-based staff (2002: 34). Total staff cost reduced to HK\$4,638,000 (2002: HK\$7,785,000) due to the decrease number of salary-based employees and the increase in commission paid to commission-based staff which contributed to the increase of the other operating expenses.

ADDITIONAL INFORMATION

Directors' and Chief Executives' Interests or Short Positions in Shares and Underlying Shares

At 30 September 2003, the Directors and chief executives of the Company had the following interests or short positions in the shares and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (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 SEHK pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code"):

Name of Directors	Type of interest	Long Positions in Ordinary Shares of the Company	
		Number of ordinary shares of HK\$0.10 each in the Company	Percentage of total issued shares
Mr. Lam Kwok Hing (<i>Note</i>)	Corporate	298,318,000	64.85
Mr. Nam Kwok Lun (<i>Note</i>)	Corporate	298,318,000	64.85

Note: The shares are registered in the name of and beneficially owned by J&A Investment Limited ("J&A"). The entire issued share capital of J&A is beneficially owned as to 80% by Mr. Lam Kwok Hing and 20% by Mr. Nam Kwok Lun.

In addition to the above, one of the Directors has non-beneficial personal equity interests in certain subsidiaries held for the benefit of the Company solely for the purpose of complying with the minimum company membership requirements.

Save as disclosed above, none of the Directors or the chief executives of the Company had an interest or a short position in the shares and underlying shares of the Company or its associated corporations (within the meaning of the SFO) that was required to be recorded under Section 352 of the SFO or as otherwise notified to the Company and the SEHK pursuant to the Model Code.

Directors' and Chief Executives' Rights to Acquire Shares

Apart from as disclosed under the heading "Share option scheme" below, at no time during the period was the Company or any of its subsidiaries a party to any arrangement to enable the Company's directors or chief executives or their respective spouses or children under 18 years of age to acquire benefits by means of the acquisition of shares of the Company or any other body corporate.

Share Option Scheme

Pursuant to the share option scheme of the Company approved by the written resolution of the sole shareholder of the Company on 16 August 2000 (the "Option Scheme"), the Board may, at its discretion, invite any employee including any Executive Director of any company in the Group, to take up options to subscribe for shares in the Company. The purpose of the Option Scheme is to provide incentives to the participants. The Option Scheme will expire on 15 August 2010.

At 30 September 2003, the Directors have personal interests in share options to subscribe for shares in the Company as follows:

**Long Positions in the Underlying Shares-
Option under Share Option Scheme**

Name of Director	Exercise price per share HK\$	Date of grant	Exercisable period (Both dates inclusive)	Number of share options outstanding at 31 March 2003 and 30 September 2003
Lam Kwok Hing	1.675	4 June 2001	7 June 2001-6 June 2004	10,500,000
Nam Kwok Lun	1.675	4 June 2001	7 June 2001-6 June 2004	10,500,000
				<u>21,000,000</u>

The share options were granted on 4 June 2001, each of which enables the holder to subscribe for one share in the Company at an exercise price of HK\$1.675 (initial exercise price was HK\$3.35 and was adjusted on 14 September 2001 due to the 1 to 1 bonus issue of shares of the Company). No option was exercised by the Directors from the date of options granted to the six months ended 30 September 2003.

Save as disclosed above, as at 30 September 2003, none of the Directors or chief executives, nor their associates had any interests or short positions in any securities of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), and none of the Directors or chief executives, nor their spouses or children under the age 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the year.

SUBSTANTIAL SHAREHOLDERS

At 30 June 2003, the following persons (other than the Directors and chief executives of the Company) had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Long Position in Ordinary Shares of the Company

Name of shareholder	Number of ordinary shares held	Percentage of total issued shares
J&A (Note)	298,318,000	64.85

Note: J&A is a company incorporated in the British Virgin Islands with limited liability and is beneficially owned as to 80% by Mr. Lam Kwok Hing and 20% by Mr. Nam Kwok Lun.

Save as disclosed above, no person (other than the Directors and chief executives of the Company whose interests are set out under the heading "Directors' and chief executives' interests or short positions in shares and underlying shares" above) had an interest or a short position in the shares and underlying shares of the Company that was required to be recorded under Section 336 of the SFO.

PRACTICE NOTE 19 OF THE LISTING RULES

During the period, Profit International had entered into the Loan Agreement with Silver Earth granting a term loan facility of up to HK\$50 million to Silver Earth. Pursuant to the Loan Agreement, Gold-Face entered into the Option Deed to Profit International to subscribe for shares in Gold-Face. As at 30 September 2003, the loan facility had not been drawn down and an option had not been granted by Gold-Face. Particulars of the Loan Agreement and the Option Deed are set out in note 13(b) to condensed consolidated financial statements.

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

During the period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed shares of the Company.

CODE OF BEST PRACTICE

In the opinion of the Directors, the Company complied with the Code of Best Practice (the "Code") as set out in Appendix 14 of the Listing Rules throughout the period, except that the non-executive Directors of the Company are not appointed for specific terms as required by paragraph 7 of the Code, but are subject to retirement by rotation in accordance with the Company's bye-laws.

AUDIT COMMITTEE

The Company has an audit committee which was established in accordance with the requirements of the Code, for the purpose of reviewing and providing supervision over the Group's financial reporting process and internal controls. The audit committee comprises the two independent non-executive Directors of the Company.

By Order of the Board
Lam Kwok Hing
Chairman

24 December 2003