



SOLARTECH INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

Interim Report

2003-2004





The Board of Directors (the "Directors") of Solartech International Holdings Limited (the "Company") announces the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 September 2003 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2003

		For the six months ended 30 September	
		2003	2002
		HK\$'000	HK\$'000
		(Unaudited)	(Restated) (Unaudited)
	Notes		
Turnover	3	540,074	516,594
Cost of sales		(476,339)	(445,498)
Gross profit		63,735	71,096
Other operating income		2,994	824
Interest income		3,712	3,088
General and administrative expenses		(41,196)	(44,897)
Selling and distribution expenses		(8,941)	(10,260)
Unrealised holding loss on investments in securities		-	(1,680)
Profit from operations	4	20,304	18,171
Finance costs		(6,748)	(8,046)
Impairment loss recognised in respect of goodwill	5	(63,653)	-
Share of results of associates		(4,108)	987
Share of result of a jointly controlled entity		-	(1,685)
Gain on disposal of subsidiaries		-	5,180
Loss on partial disposal of an associate		-	(6,800)
(Loss) profit before taxation		(54,205)	7,807
Taxation	6	(2,546)	(983)
(Loss) profit before minority interests		(56,751)	6,824
Minority interests		(128)	(738)
(Loss) profit for the period		(56,879)	6,086
(Loss) earnings per share			
- basic	8	(29.61) cents	3.21 cents

**CONDENSED CONSOLIDATED BALANCE SHEET**

At 30 September 2003

	Notes	30 September 2003 HK\$'000 (Unaudited)	31 March 2003 HK\$'000 (Restated) (Audited)
Non-current assets			
Property, plant and equipment	9	459,909	420,428
Interests in associates		–	4,108
Interest in a jointly controlled entity	10	–	62,611
Notes receivable	11	55,000	55,000
Other assets		16,614	16,614
Deferred tax assets		1,319	1,319
		532,842	560,080
Current assets			
Inventories		195,220	182,897
Debtors, deposits and prepayments	12	294,941	264,953
Bills receivable		14,451	4,160
Pledged deposits		10,000	10,241
Bank balances and cash		196,482	108,830
		711,094	571,081
Current liabilities			
Creditors and accrued charges	13	105,843	94,429
Bills payable		16,779	13,013
Taxation		6,688	9,225
Obligations under finance leases		2,217	3,257
Borrowings	14	284,140	210,855
		415,667	330,779
Net current assets		295,427	240,302
Total assets less current liabilities		828,269	800,382



CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)

At 30 September 2003

	Notes	30 September 2003 HK\$'000 (Unaudited)	31 March 2003 HK\$'000 (Restated) (Audited)
Non-current liabilities			
Obligations under finance leases		2,726	1,906
Deferred tax liabilities		<u>10,348</u>	<u>9,442</u>
		<u>13,074</u>	<u>11,348</u>
Minority interests			
		<u>17,014</u>	<u>16,196</u>
		<u>798,181</u>	<u>772,838</u>
Capital and reserves			
Share capital	15	2,275	1,896
Reserves		<u>795,906</u>	<u>770,942</u>
		<u>798,181</u>	<u>772,838</u>



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2003

	Share capital	Share premium	Asset revaluation reserve	Goodwill reserve	Statutory reserve	Exchange reserve	Contributed surplus	(Accumulated losses) retained profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2002									
- as previously stated	189,584	1,001,470	13,656	(70,370)	4,474	(16,217)	-	(364,585)	758,012
- prior year adjustment (Note 2)	-	-	(349)	-	-	-	-	(651)	(1,000)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
- as restated	189,584	1,001,470	13,307	(70,370)	4,474	(16,217)	-	(365,236)	757,012
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Exchange differences on translation of financial statements of overseas operations not recognised in the income statement	-	-	-	-	-	42	-	-	42
Capital reorganisation	(187,688)	(1,001,470)	-	-	-	-	587,482	601,676	-
Expenses incurred in relation to the capital reorganisation	-	-	-	-	-	-	(301)	-	(301)
Realised on partial disposal of interest in an associate	-	-	-	7,072	-	-	-	-	7,072
Profit for the period	-	-	-	-	-	-	-	6,086	6,086
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 30 September 2002	1,896	-	13,307	(63,298)	4,474	(16,175)	587,181	242,526	769,911
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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the six months ended 30 September 2003

	Share capital HK\$'000	Share premium HK\$'000	Asset revaluation reserve HK\$'000	Goodwill reserve HK\$'000	Statutory reserve HK\$'000	Exchange reserve HK\$'000	Contributed surplus HK\$'000	(Accumulated losses) retained profits HK\$'000	Total HK\$'000
Surplus on revaluation of leasehold land and buildings	-	-	541	-	-	-	-	-	541
Reversal of deferred tax liability arising on revaluation of properties	-	-	207	-	-	-	-	-	207
Exchange differences on translation of financial statements of overseas operations	-	-	-	-	-	34	-	-	34
Net gains not recognised in the income statement	-	-	748	-	-	34	-	-	782
Expenses incurred in relation to the capital reorganisation	-	-	-	-	-	-	(169)	-	(169)
Minority share of post-acquisition reserve	-	-	135	-	-	-	-	-	135
Profit for the period	-	-	-	-	-	-	-	2,179	2,179
At 31 March 2003	1,896	-	14,190	(63,298)	4,474	(16,141)	587,012	244,705	772,838
Exchange differences on translation of financial statements of overseas operations not recognised in the income statement	-	-	-	-	-	45	-	-	45
Placement of new shares	379	18,571	-	-	-	-	-	-	18,950
Expenses incurred in relation to the placement of new shares	-	(426)	-	-	-	-	-	-	(426)
Realised on impairment of goodwill	-	-	-	63,653	-	-	-	-	63,653
Loss for the period	-	-	-	-	-	-	-	(56,879)	(56,879)
At 30 September 2003	2,275	18,145	14,190	355	4,474	(16,096)	587,012	187,826	798,181



CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 September 2003

	For the six months ended 30 September	
	2003	2002
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net cash from operating activities	14,243	7,856
Net cash (used in) from investing activities	(11,432)	1,087
Net cash from (used in) financing activities	86,293	(5,201)
Net increase in cash and cash equivalents	89,104	3,742
Cash and cash equivalents at beginning of the period	107,378	137,871
Cash and cash equivalents at end of the period	196,482	141,613
Being:		
Bank balances and cash	196,482	142,225
Bank overdrafts	-	(612)
	196,482	141,613



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 Statement of Standard Accounting Practice ("SSAP") 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants and 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 "Stock Exchange").

2. PRINCIPAL ACCOUNTING POLICIES

The condensed financial statements have been prepared under the historical cost convention, as modified for the revaluation of leasehold properties.

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 for the adoption of SSAP 12 (Revised) "Income Taxes" which becomes effective in the current period.

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. Comparative amounts for 2002 have been restated accordingly. As a result of this change in policy, the retained earnings at 1 April 2003 has been decreased by HK\$2,185,000 (1 April 2002: HK\$651,000). The balance of the Group's asset revaluation reserve at 1 April 2003 has been decreased by HK\$142,000 (1 April 2002: HK\$349,000). The loss for the six months ended 30 September 2003 has been increased by HK\$906,000 (Six months ended 30 September 2002: increase in profit by HK\$453,000).



3. SEGMENT INFORMATION

The Group reports its primary segment information based on product categories. A new segment, chemical products, arising from the subsidiary previously classified as a jointly controlled entity, is presented in the current period. Turnover and profit from operations for the six months ended 30 September 2003 and 2002, analysed by product category, are as follows:

	For the six months ended 30 September 2003				For the six months ended 30 September 2002			
	Turnover			Profit (loss) from operations	Turnover			Profit from operations
External sales	Inter- segment sales	Total	HK\$'000		External sales	Inter- segment sales	Total	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Cables and wires	309,476	3,988	313,464	13,050	338,577	4,004	342,581	13,353
Copper rods	180,679	74,393	255,072	4,066	135,971	75,949	211,920	3,410
Connectors and terminals	45,787	238	46,025	4,384	42,046	354	42,400	5,036
Chemical products	4,132	-	4,132	(1,743)	-	-	-	-
	540,074	78,619	618,693	19,757	516,594	80,307	596,901	21,799
Elimination	-	(78,619)	(78,619)		-	(80,307)	(80,307)	
	540,074	-	540,074		516,594	-	516,594	
Investment loss				-				(1,600)
Less: Unallocated corporate expenses				547				(2,028)
Profit from operations				20,304				18,171

Inter-segment sales are charged at prevailing market rates.



3. SEGMENT INFORMATION (CONTINUED)

The Group's turnover for the six months ended 30 September 2003 and 2002, analysed by geographical market, is as follows:

	For the six months ended 30 September 2003			For the six months ended 30 September 2002		
	Turnover			Turnover		
	External sales HK\$'000	Inter- segment sales HK\$'000	Total HK\$'000	External sales HK\$'000	Inter- segment sales HK\$'000	Total HK\$'000
Mainland China	320,576	74,631	395,207	277,420	76,303	353,723
North America	115,708	-	115,708	130,961	-	130,961
Europe	21,241	-	21,241	32,023	-	32,023
Hong Kong	17,401	-	17,401	13,415	-	13,415
Other Asian regions	65,148	3,988	69,136	62,775	4,004	66,779
	540,074	78,619	618,693	516,594	80,307	596,901
Elimination	-	(78,619)	(78,619)	-	(80,307)	(80,307)
	540,074	-	540,074	516,594	-	516,594

Inter-segment sales are charged at prevailing market rates.

4. PROFIT FROM OPERATIONS

For the six months ended 30 September	
2003	2002
HK\$'000	HK\$'000
(Unaudited)	(Unaudited)

Profit from operations has been arrived at after charging (crediting):

Depreciation of property, plant and equipment	19,363	17,922
Amortisation of deferred expenditure included in general and administrative expenses	-	369
Dividend income from listed securities	-	(80)
	19,363	17,922



5. IMPAIRMENT LOSS RECOGNISED IN RESPECT OF GOODWILL

The Directors have cautiously reviewed the business of the Group's associate acquired in previous years which is engaged in manufacture and trading of optical fiber cables and related products. Based on expected cash flows, the Directors consider that related goodwill of this investment have been impaired and accordingly impairment loss is recognised in the income statement.

6. TAXATION

	For the six months ended 30 September	
	2003 HK\$'000 (Unaudited)	2002 HK\$'000 (Restated) (Unaudited)
Hong Kong Profits Tax	26	–
Taxation in other jurisdictions	1,614	1,436
Deferred tax	906	(453)
	2,546	983

Hong Kong Profits Tax is calculated at 17.5% of the estimated assessable profit for the period. No Hong Kong Profits Tax had been provided in prior period since there was no assessable profit for that period.

Taxation in other jurisdictions, including Mainland China and overseas, is calculated at the rates applicable in the respective jurisdictions.

7. DIVIDEND

No dividend was paid during the six months ended 30 September 2003 (Six months ended 30 September 2002: Nil). The Directors do not recommend the payment of any interim dividend.



8. (LOSS) EARNINGS PER SHARE

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

	For the six months ended 30 September	
	2003	2002
	HK\$'000	HK\$'000
		(Restated)
	(Unaudited)	(Unaudited)
Results for the period and results for the purpose of basic (loss) earnings per share	<u>(56,879)</u>	<u>6,086</u>
	Number of shares	
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	<u>192,069,608</u>	<u>189,584,362</u>

As the exercise of potential dilutive ordinary shares would result in either an increase in the earnings per share or a reduction in the loss per share from ordinary activities, there is no dilution for both the six months ended 30 September 2003 and 2002.

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2003, the Group spent HK\$15,386,000 on acquisitions of property, plant and equipment.

The net book value of property, plant and equipment of the Group as at 30 September 2003 includes an amount of HK\$8,293,000 in respect of assets held under finance leases.

At 30 September 2003, the Directors have considered the carrying amount of the Group's leasehold land and buildings carried at revalued amounts and have estimated that the carrying amounts do not differ significantly from that which would be determined using fair values at the balance sheet date. Consequently, no revaluation surplus or deficit has been recognised in the current period.

10. INTEREST IN A JOINTLY CONTROLLED ENTITY

During the six months ended 30 September 2003, the Group has governed the financial and operating policies of its jointly controlled entity. Accordingly, the jointly controlled entity is reclassified as a subsidiary.



11. NOTES RECEIVABLE

The notes are secured by assets owned by the notes issuer, carry interest at commercial rates and are wholly repayable in 2007.

12. DEBTORS, DEPOSITS AND PREPAYMENTS

At 30 September 2003, included in the balance are trade debtors of HK\$199,657,000 (31 March 2003: HK\$188,131,000). The Group allows a credit period of 30 days to 90 days to its trade customers.

The aged analysis of trade debtors is as follows:

	30 September 2003 HK\$'000 (Unaudited)	31 March 2003 HK\$'000 (Audited)
Within 30 days	78,290	94,548
31 – 60 days	54,584	44,700
61 – 90 days	37,985	25,895
Over 90 days	28,798	22,988
	<hr/> 199,657 <hr/>	<hr/> 188,131 <hr/>

13. CREDITORS AND ACCRUED CHARGES

At 30 September 2003, included in the balance are trade creditors of HK\$70,378,000 (31 March 2003: HK\$63,284,000).

The aged analysis of trade creditors is as follows:

	30 September 2003 HK\$'000 (Unaudited)	31 March 2003 HK\$'000 (Audited)
Within 30 days	33,432	25,487
31 – 60 days	21,952	21,983
61 – 90 days	10,770	11,287
Over 90 days	4,224	4,527
	<hr/> 70,378 <hr/>	<hr/> 63,284 <hr/>



14. BORROWINGS

During the six months ended 30 September 2003, the Group raised new bank borrowings of HK\$80,000,000.

15. SHARE CAPITAL

	Authorised	
	30 September 2003	31 March 2003
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Ordinary shares of HK\$0.01 each	300,000	300,000
	Issued and fully paid	
	30 September 2003	31 March 2003
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Ordinary shares of HK\$0.01 each	2,275	1,896

During the six months ended 30 September 2003, pursuant to a subscription agreement entered into between the Company and Chau's Family 1996 Limited, 37,900,000 ordinary shares of HK\$0.01 each in the Company were issued at a price of HK\$0.5 per share. All the new shares issued rank pari passu in all respects with the then existing shares.

During the six months ended 30 September 2002, the Group undertook a capital reorganisation resulting in reduction of capital, consolidation of shares and cancellation of share premium:

- (a) the nominal value of all issued shares of HK\$0.01 each of the Company was reduced by HK\$0.0099 per share by cancelling an equal amount of paid up capital so that the nominal value of each such share ("Reduced Share") was reduced from HK\$0.01 to HK\$0.0001. Accordingly, the issued share capital of the Company of HK\$189,584,000 was reduced by HK\$187,688,000 to HK\$1,896,000 and the credit arising from such reduction was credited to the contributed surplus account of the Company which was then applied to set off against accumulated losses of the Company.

- (b) every 100 issued Reduced Shares of HK\$0.0001 each were consolidated into one share of HK\$0.01 each ("Consolidated Share"). Accordingly, 189,584,362 Consolidated Shares of HK\$0.01 each were in issue after the consolidation; and



15. SHARE CAPITAL (CONTINUED)

- (c) the share premium account of the Company was cancelled and the credit arising was credited to the contributed surplus account of the Company which was then applied to set off the accumulated losses of the Company.

16. CONTINGENT LIABILITIES

At 30 September 2003, the Company has issued guarantees to the extent of HK\$302,376,000 (31 March 2003: HK\$249,537,000) to bankers to secure general banking facilities granted to certain subsidiaries, of which, HK\$201,897,000 (31 March 2003: HK\$153,775,000) was utilised. In addition, the Company has issued guarantees to leasing companies in respect of finance leases granted to certain subsidiaries with outstanding balance of HK\$2,185,000 (31 March 2003: HK\$1,915,000).

17. POST BALANCE SHEET EVENT

Subsequent to 30 September 2003, Chau's Family 1996 Limited entered into agreements to place and subscribe for new shares in the Company. Pursuant to the agreements, Chau's Family 1996 Limited has agreed to place 45,490,000 ordinary shares of HK\$0.01 each in the Company to independent investors at a price of HK\$0.55 per share and to subscribe for 45,490,000 new ordinary shares of HK\$0.01 each in the Company at a price of HK\$0.55 per share.



MANAGEMENT DISCUSSION AND ANALYSIS

Results

For the six months ended 30 September 2003, the total turnover of the Group amounted to HK\$540,074,000, representing an increase of approximately 4.5% over HK\$516,594,000 for the corresponding period last year. The operating profit was approximately HK\$20,304,000, representing an increase of approximately 11.7% over HK\$18,171,000 of the corresponding period last year. The loss attributable to shareholders after taking into account the one-off impairment loss recognized in respect of goodwill of HK\$63,653,000 was approximately HK\$56,879,000, compared to a profit of HK\$6,086,000 for the corresponding period last year.

Interim dividend

The Directors resolved not to pay an interim dividend for the six months ended 30 September 2003 (2002: Nil).

Business review

For the six months ended 30 September 2003, the Group's total turnover was HK\$540,074,000, of which HK\$309,476,000 was from the sales of cable and wire products, HK\$180,679,000 from the sales of copper rods and HK\$45,787,000 from the sales of connectors and terminals. Turnover of the newly-added chemical products was approximately HK\$4,132,000. The global business environment in the first six months of the financial year remained difficult due to the unstable international political situation and the slowdown of global economic activity. Despite these external adversities, the Group's copper rod business and connector and terminal business continued to grow during the period under review. Turnover from these two sectors grew from HK\$135,971,000 and HK\$42,046,000 of the corresponding period last year to HK\$180,679,000 and HK\$45,787,000, representing an increase of approximately 32.9% and 8.9% respectively. Although the copper rod business and connector and terminal business have made positive contribution to the operating results of the Group, the turnover was, however, offset by the unsatisfactory performance of the Group's cable and wire business. Turnover of cable and wire business dropped from HK\$338,577,000 of the corresponding period last year to HK\$309,476,000, representing a decrease of approximately 8.6%.



Cable and wire products and connectors and terminals

The slowdown of global economy since the end of 2002 continued to have an impact on the Group's cable and wire business. In addition, uncertainty in US economic recovery, coupled with the slow economic growth in the Euro region and the weak consumer confidence in these two markets caused by the US- Iraq war have dampened the demand for electronic products. For such, orders from our clients in Europe and the United States decreased in the first half of 2003. Turnover from the US market reduced by 11.6% to HK\$115,708,000, while sales in Europe dropped 33.7% to HK\$21,241,000 due to the high unemployment rate in Euro region and weak consumer confidence.

During the period under review, the price of raw materials remained on the high side, which affected the price and profit margin of our products. This dragged our counterparts in the PRC, particularly those in the Pearl River Delta region, into a state of acute competition for orders with cut-throat prices. Nevertheless, it is encouraging to see that the Group's connector and terminal business in Singapore and Malaysia still recorded satisfactory gains and also growth in turnover.

Copper rod products

The copper rod business is part of our long-term strategic investment. It has commenced operation since 1998 and most of the finished products were initially supplied to the Group's cable and wire sector. As a result of such vertical integration, the Group's cable and wire business managed to maintain a competitive edge. During the period under review, the turnover of copper rod business increased by approximately 32.9% over the corresponding period last year, constituting approximately 33.5% of the Group's total turnover, compared to 26.3% over the corresponding period last year.

Prospects

Owing to the low interest rate policy of the United States and an increase in its non-recurring family income, coupled with a strong economic growth in the PRC, the demand for electronic products has been growing steadily. In view of the keen competition in the cable and wire sector, the Group intends to build another plant in Jiangsu Province of the PRC, in a bid to expand the existing cable and wire business and to develop the copper rod business in northern China. In addition to satisfying the demand in northern China, this plan is also in line with our strategy of enhancing the economies of scale in production. Apart from the above-mentioned, the management of the Group are also determined to focus on the research and development of copper rods and connectors and terminals, and will continue to identify new markets and clients for these businesses.



Looking forward, the business environment will still be difficult with intense competition. It is anticipated that our clients in the cable and wire sector will continue to request for reduction in both price and production lead time. To maintain our competitiveness and to establish a leadership position for our production efficiency, the management of the Group will continue to focus on such strategies as strict cost control, reduction of expenses, enhancement of efficiency, improvement of procurement and research and development of new products. We will also exert the best endeavors to maintain our established relationships with suppliers and clients.

The Group is in a sound financial position, with extensive experience and outstanding goodwill. Leveraging on its strengths and by focusing on its core business, the Group is confident to further increase the market share of its products, thus laying a solid foundation of the Group, with a view to creating value for its investors and shareholders.

EMPLOYEES

As at 30 September 2003, the Group had approximately 4,800 employees in Hong Kong, the PRC and overseas. Remuneration policy is reviewed periodically and determined by reference to market terms, company performance, and individual qualifications and performance. Staff benefits include medical schemes, Mandatory Provident Fund scheme for Hong Kong employees, and state-sponsored retirement plans for employees in PRC.

LIQUIDITY AND FINANCIAL RESOURCES

During the period, the Group has implemented sound financial management policy. As at 30 September 2003, the Group had cash on hand of approximately HK\$206 million and net current assets value being over HK\$295 million. Short and long term loans totalled approximately HK\$289 million against net assets of approximately HK\$798 million representing a gearing ratio of 0.36.

The transactions of the Group are mostly denominated in HK\$, US\$ and RMB. As the exchange rates of these currencies have been relatively stable, the Group was therefore not exposed to any significant exchange risk.

PLEDGE OF ASSETS AND CONTINGENT LIABILITIES

As at 30 September 2003, the Group pledged certain land and buildings, plant and machinery, marginal deposits and trade debtors with an aggregate net book value of approximately HK\$185 million to secure general banking facilities granted to the Group.

As at 30 September 2003, the Company has guaranteed the banking facilities granted to its subsidiaries amounting to approximately HK\$201 million.



DIRECTORS' INTERESTS IN SECURITIES

1. Shares

As at 30 September 2003, the interests of the Directors and their associates in the share capital of the Company (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO") as recorded in the register maintained by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") contained in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

Long position in shares of the Company

Name of director	Number of ordinary shares beneficially held		
	Personal interest	Other interest	Total interests
Mr. Chau Lai Him	2,052,000	53,700,000 (Note)	55,752,000

Note: These shares are held by Chau's Family 1996 Limited which is wholly owned by the Chau's Family 1996 Trust, a discretionary trust of which Mr. Chau Lai Him is a discretionary object.

Other than as disclosed above, as at 30 September 2003, none of the Directors or the chief executives, nor their associates had any interests or short position in the securities of the Company or any of its associated corporations as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

2. Share options

On 16 September 2002, the Company adopted a new share option scheme (the "new share option scheme") which replaced the Company's share option scheme (the "1996 share option scheme") adopted in 1996.

No options were granted under the new share option scheme during the six months ended 30 September 2003.



2. Share options (Continued)

The following table discloses movements in the Company's share options under the 1996 share option scheme during the period ended 30 September 2003:

Capacity	Name of director	Date of grant	Exercisable period	Exercise price HK\$	Number of share options		
					Balance at 1.4.2003	Lapsed during the period	Balance at 30.9.2003
Director	Mr. Zhou Jin Hua	5 October 2000	5 April 2001 to 4 April 2003	HK\$1.50	2,850,000	(2,850,000)	-
					2,850,000	(2,850,000)	-
Employees		5 October 2000	5 April 2001 to 4 April 2003	HK\$1.50	1,680,000	(1,680,000)	-
Employees		13 August 2001	13 February 2002 to 12 February 2004	HK\$1.00	2,850,000	-	2,850,000
					4,530,000	(1,680,000)	2,850,000
Total					7,380,000	(4,530,000)	2,850,000

Other than as disclosed above, none of the directors or their associates had any right to subscribe for securities of the Company, or had exercised any such right during the period, and at no time during the period was the Company or any of its subsidiaries, a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

Other than the interests disclosed under the heading "Directors' Interests in Securities" above, the register of substantial shareholders maintained by the Company pursuant to section 336 of the SFO discloses no other person as having an interest of 5% or more in the issued share capital of the Company as at 30 September 2003.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 September 2003.



AUDIT COMMITTEE

The Audit Committee has reviewed with management and the external auditors the accounting principles and practices adopted by the Group and discussed financial reporting matters including the review of the unaudited interim financial statements.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

In the opinion of the Directors, the Company has complied throughout the six months ended 30 September 2003 with the Code of Best Practice as set out in Appendix 14 of The Rules Governing the Listing of Securities of the Stock Exchange.

On behalf of the Board

Chau Lai Him

Chairman

Hong Kong SAR, 22 December 2003