

The board of directors (the “Directors”) of KEL 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 together with the comparative figures for the six months ended 30 September 2002, as follows:

## CONDENSED CONSOLIDATED INCOME STATEMENT

*For the six months ended 30 September 2003*

	Notes	2003 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000
<b>TURNOVER</b>	3	13,956	15,947
Cost of sales		(10,746)	(11,154)
Gross profit		3,210	4,793
Other revenue and gains	3	48	133
Depreciation		(62)	(98)
Other administrative expenses		(6,102)	(7,536)
<b>LOSS FROM OPERATING ACTIVITIES</b>		(2,906)	(2,708)
Finance costs	4	(209)	(98)
<b>LOSS BEFORE TAX</b>		(3,115)	(2,806)
Tax	5	(53)	–
<b>LOSS BEFORE MINORITY INTERESTS</b>		(3,168)	(2,806)
Minority interests		12	15
<b>NET LOSS ATTRIBUTABLE TO SHAREHOLDERS</b>		(3,156)	(2,791)
<b>LOSS PER SHARE</b>	6		
Basic		(HK0.23 cent)	(HK0.32 cent)
Diluted		N/A	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

30 September 2003

	Notes	30 September 2003 (Unaudited) HK\$'000	31 March 2003 (Audited) HK\$'000
<b>NON-CURRENT ASSETS</b>			
Fixed assets		318	367
<b>CURRENT ASSETS</b>			
Gross amounts due from			
contract customers		652	1,003
Completed properties for sales		46,433	–
Trade receivables	7	3,305	6,534
Other receivables		9,458	1,507
Due from a fellow subsidiary		849	499
Pledged time deposits		5,260	5,122
Cash and cash equivalents		1,095	2,242
		<b>67,052</b>	<b>16,907</b>
<b>CURRENT LIABILITIES</b>			
Trade payables	8	1,028	1,149
Retention money payable		897	717
Other payables and accruals		1,476	1,231
Due to a fellow subsidiary		68	121
Provision for scheme debts		1,047	1,047
Gross amounts due to			
contract customers		9,830	6,480
Provision for taxation		12	–
Interest-bearing bank borrowings		5,518	–
Convertible notes	9	–	9,675
		<b>19,876</b>	<b>20,420</b>
<b>NET CURRENT ASSETS/ (LIABILITIES)</b>		<b>47,176</b>	<b>(3,513)</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>47,494</b>	<b>(3,146)</b>
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank borrowings		(7,779)	–
<b>MINORITY INTERESTS</b>		<b>(671)</b>	<b>(683)</b>
		<b>39,044</b>	<b>(3,829)</b>
<b>CAPITAL AND RESERVES</b>			
Issued capital	10	106,380	86,228
Reserves	11	(67,336)	(90,057)
		<b>39,044</b>	<b>(3,829)</b>

CONDENSED CONSOLIDATED STATEMENT  
OF CHANGES IN EQUITY*For the six month ended 30 September 2003*

	<b>2003</b> <b>(Unaudited)</b> <b>HK\$'000</b>	2002 (Unaudited) HK\$'000
Balance as at 1 April	<b>(3,829)</b>	4,928
Net loss attributable to shareholders	<b>(3,156)</b>	(2,791)
Issue of share capital on exercise of convertible notes	<b>29</b>	–
Issue of share capital on exercise of warrants	–	3
Issue of share capital on acquisition of subsidiaries	<b>46,000</b>	–
Balance as at 30 September	<b>39,044</b>	2,140

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

*For the six months ended 30 September 2003*

	<b>2003</b> <b>(Unaudited)</b> <b>HK\$'000</b>	2002 <b>(Unaudited)</b> <b>HK\$'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>(3,968)</b>	458
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	<b>(469)</b>	(76)
<b>CASH FLOWS FROM FINANCING</b>	<b>(1,211)</b>	(95)
<b>INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(5,648)</b>	287
Cash and cash equivalents at beginning of period	<u>2,242</u>	<u>9,319</u>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b><u>(3,406)</u></b>	<b><u>9,606</u></b>
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances	<b>1,095</b>	9,606
Bank overdrafts, secured	<b>(4,501)</b>	–
	<b><u>(3,406)</u></b>	<b><u>9,606</u></b>

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

These unaudited condensed consolidated interim financial statements of the Group have been prepared in accordance with Statement of Standard Accounting Practice (“HKSSAP”) No. 25 “Interim Financial Reporting” issued by the Hong Kong Society of Accountants and Appendix 16 of the Rules Governing the Listing of Securities (“Listing Rules”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The accounting policies and basis of presentation used in the preparation of these interim financial statements are consistent with those used in the audited financial statements for the year ended 31 March 2003, except for adoption of HKSSAP 12 (Revised) “Income Taxes” and the new interpretations relating thereto which have been retrospectively adopted for the first time in the preparation of the current period’s condensed consolidated financial statements.

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

The adoption of the HKSSAP 12 (Revised) has had no material effect on the results for the current or prior accounting periods. Accordingly, no prior year adjustment has been made.

## 2. SEGMENT INFORMATION

Segment information is presented by way of business segment as the primary segment as follows:

### Business Segment

	For the six months ended 30 September									
	Building services (single-trade)		Package/design and build contracts		Environmental engineering services		Property investment		Consolidated	
	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Segment revenue:										
Sales to external customers	5,474	8,424	6,820	5,979	1,148	1,544	514	-	13,956	15,947
Other revenue	4	41	4	29	1	8	-	-	9	78
	<u>5,478</u>	<u>8,465</u>	<u>6,824</u>	<u>6,008</u>	<u>1,149</u>	<u>1,552</u>	<u>514</u>	<u>-</u>	<u>13,965</u>	<u>16,025</u>
Segment results	<u>(631)</u>	<u>683</u>	<u>(1,446)</u>	<u>(2,042)</u>	<u>(337)</u>	<u>(430)</u>	<u>351</u>	<u>-</u>	<u>(2,063)</u>	<u>(1,789)</u>
Interest income and unallocated gains									39	55
Unallocated expenses									(882)	(974)
Loss from operating activities									<u>(2,906)</u>	<u>(2,708)</u>
Finance costs									<u>(209)</u>	<u>(98)</u>
Loss before tax									<u>(3,115)</u>	<u>(2,806)</u>
Tax									<u>(53)</u>	<u>-</u>
Loss before minority interests									<u>(3,168)</u>	<u>(2,806)</u>
Minority interests									<u>12</u>	<u>15</u>
Net loss attributable to shareholders									<u><u>(3,156)</u></u>	<u><u>(2,791)</u></u>

No separate analysis of financial information by geographical segment is presented as over 90% of the Group's revenue, results, assets and liabilities are derived from operations carried out in Hong Kong.

### 3. TURNOVER, OTHER REVENUE AND GAINS

The Group's turnover represents an appropriate proportion of the contract revenue of construction contracts and income from property investment. An analysis of its Group's turnover, other revenue and gains is as follows:

	<b>For the six months ended 30 September</b>	
	<b>2003 (Unaudited) HK\$'000</b>	<b>2002 (Unaudited) HK\$'000</b>
Construction contracts	13,442	15,947
Income from property investment	514	—
<b>Turnover</b>	<b>13,956</b>	<b>15,947</b>
Interest income	39	55
Other	9	78
<b>Other revenue and gains</b>	<b>48</b>	<b>133</b>

### 4. FINANCE COSTS

	<b>For the six months ended 30 September</b>	
	<b>2003 (Unaudited) HK\$'000</b>	<b>2002 (Unaudited) HK\$'000</b>
Interest on convertibles notes	81	97
Interest on bank loans and overdrafts wholly repayable within five years	91	1
Interest on bank loans not wholly repayable within five years	37	—
<b>Total finance costs</b>	<b>209</b>	<b>98</b>

**5. TAX**

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the period (2002: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	<b>For the six months ended 30 September</b>	
	<b>2003 (Unaudited) HK\$'000</b>	2002 (Unaudited) HK\$'000
Provision for tax :		
Elsewhere	<b>53</b>	–
	<u>          </u>	<u>          </u>

**6. LOSS PER SHARE**

The calculation of basic loss per share is based on the net loss attributable to shareholders for the period of HK\$3,156,000 (2002: HK\$2,791,000) and the weighted average number of 1,361,481,000 (2002: 862,259,000) shares in issue during the period.

The diluted loss per share for the six months ended 30 September 2003 and 30 September 2002 have not been disclosed, as the convertible notes outstanding during these periods had an anti-dilutive effect on the basic loss per share for these periods.



## 7. TRADE RECEIVABLES

An aged analysis of trade receivables is as follows:

	30 September 2003			31 March 2003		
	Balance	Provision	Net	Balance	Provision	Net
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)	(Audited)	(Audited)
	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000
Current to 90 days	1,558	-	1,558	4,631	-	4,631
91 - 180 days	76	-	76	904	(74)	830
181 - 360 days	317	(20)	297	237	(6)	231
Over 360 days	39,504	(39,435)	69	39,968	(39,933)	35
	<u>41,455</u>	<u>(39,455)</u>	<u>2,000</u>	<u>45,740</u>	<u>(40,013)</u>	<u>5,727</u>
Retention money receivables	27,098	(25,793)	1,305	26,768	(25,961)	807
	<u>68,553</u>	<u>(65,248)</u>	<u>3,305</u>	<u>72,508</u>	<u>(65,974)</u>	<u>6,534</u>

The Group's trading terms with its customers are mainly on credit. The credit period is generally for a period of 60 days. For retention money receivables in respect of construction work carried out by the Group, the due dates are usually one year after the completion of the construction work. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management.

## 8. TRADE PAYABLES

An aged analysis of trade payables is as follows:

	<b>30 September 2003 (Unaudited) HKS'000</b>	31 March 2003 (Audited) HKS'000
Current to 90 days	<u>1,028</u>	<u>1,149</u>

9. CONVERTIBLE NOTES

The convertible notes bear interest at a rate of 2% per annum and are convertible into new shares of the Company at a conversion price of HK\$0.10 per share at any time up to 1 September 2003, being the third anniversary of the date of the issue. The conversion price is subject to certain adjustments as defined in the note instrument. The outstanding convertible notes were fully repurchased at their principal amount plus accrued interest on 1 September 2003.

10. SHARE CAPITAL

	Number of ordinary shares (Unaudited)	Amount (Unaudited) HK\$'000
Note		
<b>Authorised:</b>		
At 1 April 2002 and 31 March 2003	1,800,000,000	180,000
Reduce the nominal value from HK\$0.10 each to HK\$0.07 each	(a) —	(54,000)
Increase the authorised share capital from HK\$126,000,000 to HK\$179,999,999.97	(a) 771,428,571	54,000
	<u>2,571,428,571</u>	<u>180,000</u>
At 30 September 2003		
<b>Issued and fully paid:</b>		
At 1 April 2002	862,251,459	86,225
Arising on exercise of warrants	26,200	3
	<u>862,277,659</u>	<u>86,228</u>
At 31 March 2003	862,277,659	86,228
Arising on capital reorganisation	(a) —	(25,869)
Arising on acquisition of subsidiaries	(a) 657,142,857	46,000
Arising on exercise of convertible notes	295,220	21
	<u>1,519,715,736</u>	<u>106,380</u>
At 30 September 2003		

Note:

- (a) On 6 March 2003, the Company entered into a provisional sale and purchase agreement (the “Acquisition”) with Deson, the Company’s ultimate holding company, for the acquisition of the entire issue share capital of Billion Treasure Holdings Limited (“Billion Treasure”) and its shareholder’s loan of HK\$40,236,066 for a consideration of HK\$46,000,000. The total consideration was satisfied by way of issuing 657,142,857 shares (the “Consideration Shares”) of the Company to Super Win Development Limited, a wholly-owned subsidiary of Deson.

In order to facilitate the Acquisition by enabling the Company to issue and allot the Consideration Shares, the Directors proposed to reorganise the Capital structure of the Company (the “Capital Reorganisation”). The implementation of the Capital Reorganisation involved the following principal procedures:

- (i) A reduction of the nominal value of each of the shares in the issued share capital of the Company from HK\$0.10 to HK\$0.07;
- (ii) The credit in the sum of HK\$25,869,000 arising from the reduction of capital was applied to set off an equivalent amount of the accumulated losses of the Company; and
- (iii) The authorised share capital of the Company was reduced to HK\$126,000,000 representing 1,800,000,000 shares of HK\$0.07 each and, following such reduction, the authorised share capital of the Company was increased to the amount of HK\$180,000,000 by the creation of the requisite number of the Company’s shares.

As at the Acquisition date, Deson was a connected person of the Company by virtue of it being a controlling shareholder of the Company owning approximately 55.62% thereof by virtue of indirect shareholding interests therein. Accordingly, the transaction constituted a major and connected transaction for the Company under the Listing Rules.

The Capital Reorganisation and the Acquisition were approved by the Company’s independent shareholders at a special general meeting on 12 May 2003 and were completed on 13 May 2003 and 14 May 2003, respectively. Upon completion of the Acquisition, Deson then owned approximately 74.81% of the enlarged issued share capital of the Company.

## 11. RESERVES

	Share Premium (Unaudited) HK\$'000	Contributed surplus (Unaudited) HK\$'000	Accumulated losses (Unaudited) HK\$'000	General reserve (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
At 1 April 2003	-	89,800	(670,516)	490,659	(90,057)
Arising on capital reorganisation	-	-	25,869	-	25,869
Arising on exercise of convertible notes	8	-	-	-	8
Net loss for the period	-	-	(3,156)	-	(3,156)
	<u>8</u>	<u>89,800</u>	<u>(647,803)</u>	<u>490,659</u>	<u>(67,336)</u>
At 30 September 2003	<u>8</u>	<u>89,800</u>	<u>(647,803)</u>	<u>490,659</u>	<u>(67,336)</u>
Reserves retained by Company and subsidiaries At 30 September 2003	<u>8</u>	<u>89,800</u>	<u>(647,803)</u>	<u>490,659</u>	<u>(67,336)</u>

## 12. RELATED PARTY TRANSACTIONS

Save as disclosed in note 10(a) in the financial statements, during the period, the Group had the following material transactions with related parties:

	Notes	For the six months ended 30 September	
		2003 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000
Construction contracting income received from fellow subsidiaries	(a)	5,063	5,405
Rental expense paid to a fellow subsidiary	(b)	290	290
Management fee paid to a fellow subsidiary	(c)	41	-
		<u>5,394</u>	<u>5,985</u>

- (a) The Directors consider that the construction contracts were made according to conditions similar to those offered to the major customers of the Group.
- (b) The rental expenses were based on rates approximate to those of the market at that time.
- (c) The management fees were calculated by reference to costs incurred for services provided to the Group.

## INTERIM DIVIDEND

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

## BUSINESS AND SEGMENT INFORMATION REVIEW

To commence with, the Group's turnover for the period stood at HK\$13,956,000. This represented a decrease of 12.49% as compared with that of last period. The net loss attributable to shareholders amounted to approximately HK\$3,156,000. Basic loss per share was approximately HK0.23 cent.

Market sentiment was, during the period under review, adversely affected by the unfavourable economic conditions in Hong Kong due to SARS, rising unemployment rate and other negative factors. The turnover for the period decreased as a result of the deferment of various projects by the Government of the HKSAR and private developers concerned at that time. However, based on the relationship and support by Deson Development International Holdings Limited ("Deson"), the Group still achieved a turnover of HK\$14 million. Turnover in Building Services (single-trade) and Package/Design and Build Contracts projects contributed to 39.22% and 48.87% of the total turnover, respectively. More time and efforts are required to pick up the comparatively lower market share of Environment Engineering Services upon restructuring, as the Group has to rebuild and beef up the confidence of customers in this field. However, the Directors believe that this business segment will have a favourable turn around in the not distant future.

## PROSPECTS

Thanks to the positive signs that the Hong Kong economy is on the gradual pickup and that the confidence is being built up in the Government of the HKSAR in the past few months, the Group was awarded several engineering projects during this period including the installation of Trunk Sewers and Effluent Export Pipeline in Ngong Ping Sewage Treatment Plant, Lantau

Island, New Territories, Buildings Services Installation for the reprovisioning of Society of Boy's Centres Shing Tak Centre School at New Clear Water Bay Road, Kowloon and several school improvement works. As at the date of this report, the Group had projects on hand with a total contractual sum of over HK\$300 million.

To further strengthen the financial and asset positions, the Group acquired 24th, 27th and 28th floor of Zhongda Square, Shanghai, PRC together with 19 carparks in May 2003 at a total consideration of HK\$46,000,000. The consideration was satisfied by the issue of 657,142,857 shares of the Company at HK\$0.07 each. The Directors are fully convinced that the property investment segment will provide a stable recurring income to the Group in the future.

The Directors will, under the above favourable circumstances, continue to devote great efforts to re-establishing its high reputation and viable status of the Group which it possessed in the E&M engineering industry before. With the Group's strong foundation and the long established expertise in the E&M engineering business and the support by Deson, the Directors fully believe that the Group is in a good position to surmount all difficulties and turn around into sound operation in the foreseeable future.

## LIQUIDITY AND CAPITAL RESOURCES

As at 30 September 2003, the Group had total assets of HK\$67,370,000, and current liabilities, long term liabilities, shareholders' equity and minority interests of HK\$19,876,000, HK\$7,779,000, HK\$39,044,000 and HK\$671,000 respectively.

As at 30 September 2003, the Group's gearing ratio stood at 16.38%. This was calculated based on the long term borrowings of HK\$7,779,000 and long term capital of HK\$47,494,000. The Group did not have any long term liabilities as at 31 March 2003, accordingly, the gearing ratio for the last period was minimal.

## CONNECTED TRANSACTION AND ACQUISITION OF SUBSIDIARIES

On 6 March 2003, the Company entered into a provisional sale and purchase agreement with Deson, the Company's ultimate holding company, for the acquisition of the entire issue share capital of Billion Treasure Holdings Limited ("Billion Treasure") and its shareholder's loan of HK\$40,236,066 for a consideration of HK\$46,000,000. The total consideration was satisfied by way of issuing 657,142,857 shares (the "Consideration Shares") of the Company to Super Win Development Limited, a wholly-owned subsidiary of Deson. The principal asset of Billion Treasure and its subsidiary is 24th, 27th and 28th floor together with 19 car parks of Zhongda Square, Shanghai, PRC.

## CAPITAL STRUCTURE

The Group's long-term capital mainly comprised shareholders' equity which is confirmed with the low gearing ratio as discussed in the section "Liquidity and capital resources" above.

## RISK OF CURRENCY FLUCTUATION

The Group's receivables and payables were dominated mainly in Hong Kong dollars and Renminbi. Since Hong Kong dollars and Renminbi are relatively stable, the Directors consider the exchange risk is not significant.

## CONTINGENT LIABILITIES

In October 2000 Kenworth Engineering Limited ("Kenworth"), a subsidiary of the Company, received a claim of approximately HK\$314 million from a main contractor of a construction project for the alleged breach of a subcontract which Kenworth has not admitted. The claim amount was revised to HK\$141 million in 2002. A counterclaim has been submitted by Kenworth against this main contractor for the outstanding contract sum in respect of the completed work and the loss due to the wrongful termination of the subcontract. Under the provisions of the subcontract, the disputed claim is subject to arbitration proceedings between Kenworth and the main contractor. The arbitration application was lodged before the commencement of

three schemes of arrangement, which involve the Company and its two subsidiaries, Kenworth and Kenworth Group Limited and were established under Section 166 of the Hong Kong Companies Ordinance (the “Schemes”). The process commenced in August 2002 upon appointment of the arbitrator.

In relation to the same construction project detailed above, in October 2000 Kenworth also received a claim of approximately HK\$353 million from the contract employer in respect of damages for the alleged breach of the same subcontract. The claim amount was revised to HK\$237 million in 2002. The Scheme administrator is in the process of examining the grounds for the claim and the outcome of the assessment cannot be determined at this stage.

In last year, the Group appointed an independent chartered surveyor to estimate its potential exposure under the above two claims. According to the report of the surveyor, the maximum exposure of the above claims amounted to HK\$70 million. The Directors consider that the Group has valid defences against the claim and based on existing evidence believe that it is not probable that any material loss will be suffered by the Group. In addition, as the arbitration proceedings are in a preliminary stage, it is not currently possible to estimate the eventual outcome of the claims but the Directors currently consider that no provision needs to be made in the financial statements.

## COMMITMENTS

Certain office properties leased by the Group are under operating lease arrangements. Lease for properties are negotiated for terms of two years. As at 30 September 2003, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	<b>30 September 2003 (Unaudited) HK\$'000</b>	31 March 2003 (Audited) HK\$'000
Leases expiring within one year	<b>60</b>	132



## EMPLOYEE SCHEMES

As at 30 September 2003, the Group had 66 employees, all of whom were based in Hong Kong.

The remuneration policy and package of the Group's employees are reviewed and approved by the Directors. Apart from pension funds, discretionary bonuses and share options are linked to individual performance as recognition of and reward for value creation.

The Company operates a share option scheme (the "Option Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Option Scheme include full-time employees (including executive directors) of the Group. The Option Scheme became effective on 4 April 1997 and, unless otherwise amended or altered, will remain in force for 10 years from that date.

At 30 September 2003, no share options were outstanding under the Option Scheme and none of the Company's Directors or the Group's employees were granted share options during the period.

## CHARGES ON GROUP ASSETS

The Group's banking facilities are secured by the Group's time deposits of HK\$5,260,000 and completed properties for sales of HK\$46,433,000.

## DIRECTORS' INTERESTS IN SHARES AND WARRANTS

Saved as disclosed below, at 30 September 2003, none of the Directors had any interest or short position in the securities, underlying shares or debentures of the Company or any associated corporations (within the meaning of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (“SFO”)) which would be required (a) to be disclosed in accordance with the Takeovers Code; or (b) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including the interests and short positions which they would be deemed or taken to have under Sections 344 and 345 of the SFO) or pursuant to the Model Code for Securities Transactions by directors of listed companies contained in the Listing Rules; or (c) pursuant to Section 352 of the SFO to be entered in the Register of Interests:

### (a) The Company

Name of director	Nature of interest	Number of shares
Tjia Boen Sien	Corporate (Note)	1,136,724,256
Wang Jing Ning	Corporate (Note)	1,136,724,256

The Directors have no interests in share options of the Company. Details of the Company’s share option scheme are disclosed in the section “Employee Schemes” above.

Note: 1,136,724,256 shares, representing 74.80% of the issued share capital of the Company, are held by Super Win Development Limited (“Super Win”), a wholly-owned subsidiary of Deson. Approximately 41.09% of the issued share capital of Deson is owned by Sparta Assets Limited (“Sparta Assets”), a company incorporated in the British Virgin Islands. Mr. Tjia Boen Sien and Mr. Wang Jing Ning own 90% and 10% of the issued share capital of Sparta Assets, respectively.

**(b) Associated corporations****Deson**

<b>Name of director</b>	<b>Nature of interest</b>	<b>Number of shares held</b>	<b>Number of warrants held</b>
Tjia Boen Sien	Corporate (Note)	1,968,750,000	393,750,000
	Personal	215,230,000	24,894,000
Wang Jing Ning	Corporate (Note)	1,968,750,000	393,750,000
	Personal	15,330,000	3,066,000
Wang Ke Duan	Personal	5,600,000	1,120,000
Keung Kwok Cheung	Personal	7,000,000	1,400,000
Kong Kwok Fai	Personal	5,000,000	1,000,000
Song Sio Chong	Personal	3,000,000	600,000
Siu Man Po	Personal	1,500,000	300,000

Note: Sparta Assets, a company incorporated in the British Virgin Islands, is beneficially interested in 1,968,750,000 shares of Deson. Mr. Tjia Boen Sien and Mr. Wang Jing Ning own 90% and 10% of the issued share capital of Sparta Assets, respectively.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Deson, the ultimate holding company of the Company, has granted options to acquire Deson's ordinary shares in favour of certain directors pursuant to Deson's share option scheme. During the period, no such share options were granted to Directors, nor have any share options been exercised. The following share options were outstanding during the period:

Name of director	At 1 April 2003	Lapsed during the period	At 30 September 2003	Date of grant of share options	Exercise period of share options	Price of Deson's shares		
						Exercise price of share option HK\$	At grant date of options HK\$	At exercise date of options HK\$
Wang Ke Duan	2,000,000	(2,000,000)	-	23 Oct 00	23 Apr 01 to 22 Apr 03	0.0384	0.055	-
	3,000,000	-	3,000,000	23 Jul 01	23 Jan 02 to 22 Jan 04	0.03088	0.039	-
	<u>5,000,000</u>	<u>(2,000,000)</u>	<u>3,000,000</u>					
Tja Boen Sien	26,000,000	-	26,000,000	23 Jul 01	23 Jan 02 to 22 Jan 04	0.03088	0.039	-
	35,000,000	-	35,000,000	29 Aug 01	28 Feb 02 to 28 Feb 04	0.02864	0.037	-
	<u>61,000,000</u>	<u>-</u>	<u>61,000,000</u>					
Wang Jing Ning	3,000,000	(3,000,000)	-	23 Oct 00	23 Apr 01 to 22 Apr 03	0.0384	0.055	-
	5,000,000	-	5,000,000	23 Jul 01	23 Jan 02 to 22 Jan 04	0.03088	0.039	-
	<u>8,000,000</u>	<u>(3,000,000)</u>	<u>5,000,000</u>					
Keung Kwok Cheung	5,000,000	-	5,000,000	23 Jul 01	23 Jan 02 to 22 Jan 04	0.03088	0.039	-
Kong Kwok Fai	5,000,000	(5,000,000)	-	23 Oct 00	23 Apr 01 to 22 Apr 03	0.0384	0.055	-
	4,000,000	-	4,000,000	23 Jul 01	23 Jan 02 to 22 Jan 04	0.03088	0.039	-
	<u>9,000,000</u>	<u>(5,000,000)</u>	<u>4,000,000</u>					
Song Sio Chong	3,000,000	-	3,000,000	23 Jul 01	23 Jan 02 to 22 Jan 04	0.03088	0.039	-
	<u>91,000,000</u>	<u>(10,000,000)</u>	<u>81,000,000</u>					

Save as disclosed above, at no time during the period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, or any of its holding companies, subsidiaries or fellow subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

## SUBSTANTIAL SHAREHOLDERS

Save as disclosed below, the Directors are not aware of any other person who, at 30 September 2003, had an interest or short position in the securities or the underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

<b>Name of shareholder</b>	<b>Number of shares</b>	<b>Percentage of the Company's issued share capital</b>
Super Win	1,136,724,256 (Note)	74.80%
Deson Development Holdings Limited	1,136,724,256 (Note)	74.80%
Deson	1,136,724,256 (Note)	74.80%
Sparta Assets	1,136,724,256 (Note)	74.80%

Note: Super Win holds 1,136,724,256 shares in the Company. By virtue of Super Win being a wholly-owned subsidiary of Deson Development Holdings Limited ("DDHL"), and DDHL being a wholly-subsiary of Deson, and Sparta Assets being beneficially interested in 41.09% of the issued share capital of Deson, each of DDHL, Deson and Sparta Assets is deemed to be interested in the 1,136,724,256 shares held by Super Win.

## PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

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

## REVIEW BY AUDIT COMMITTEE

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters including a review of the unaudited interim accounts for the six months ended 30 September 2003.

## COMPLIANCE WITH THE CODE OF BEST PRACTICE

The Directors are not aware of any information that would reasonably indicate that the Company is not, or was not in compliance with the Code of Best Practice (the "Code"), as set out in Appendix 14 of the Listing Rules of the Stock Exchange, for any part of the accounting period covered by the interim report, except that the independent 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 and re-election at the annual general meetings of the Company in accordance with the Company's bye-laws.

On behalf of the board

**Tjia Boen Sien**

*Managing Director and Deputy Chairman*

Hong Kong, 29 December 2003