



BEP INTERNATIONAL HOLDINGS LIMITED

(INCORPORATED IN BERMUDA WITH LIMITED LIABILITY)

INTERIM REPORT
2004

The board of directors (the "Board") of BEP International Holdings Limited (the "Company") presents herewith the interim report and condensed financial statements of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 September 2003 (the "Period"). The consolidated results, consolidated cash flow statement and consolidated statement of changes in equity of the Group for the six months ended 30 September 2003, and the consolidated balance sheet as at 30 September 2003 of the Group, all of which are unaudited and condensed, along with selected explanatory notes, are set out on pages 1 to 13 of this report.

CONDENSED CONSOLIDATED INCOME STATEMENT

		For the six months ended 30 September	
		2003	2002
			As restated (Note 1)
		(unaudited)	(audited)
	Notes	HK\$'000	HK\$'000
Turnover	2	113,935	145,002
Cost of sales		(101,279)	(115,363)
Gross profit		12,656	29,639
Other revenues	2	401	389
Selling and distribution costs		(3,703)	(3,932)
Administrative expenses		(11,493)	(10,057)
(Loss)/profit from operations	3	(2,139)	16,039
Finance costs	4	(427)	(526)
(Loss)/profit before taxation		(2,566)	15,513
Taxation	5	(128)	(1,184)
Net (loss)/profit from ordinary activities attributable to shareholders	15	(2,694)	14,329
Dividends	6	-	12,000
(Loss)/earnings per share			
- Basic	7	(1.12 cents)	7.28 cents
- Diluted	7	N/A	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

		As at 30 September 2003	As at 31 March 2003 As restated (Note 1) (audited)
	<i>Notes</i>	(unaudited) HK\$'000	HK\$'000
Non-current assets			
Tangible fixed assets	8	<u>28,729</u>	<u>28,449</u>
Current assets			
Inventories	9	30,379	34,437
Trade and other receivables	10	21,474	15,822
Tax recoverable		1,922	1,922
Cash and bank balances		<u>34,754</u>	<u>38,780</u>
		<u>88,529</u>	<u>90,961</u>
Less: Current liabilities			
Trade and other payables	12	<u>29,152</u>	<u>23,938</u>
Net current assets		<u>59,377</u>	<u>67,023</u>
Total assets less current liabilities		<u>88,106</u>	<u>95,472</u>
Less: Non-current liabilities			
Deferred tax liabilities	13	<u>1,206</u>	<u>1,078</u>
Net assets		<u>86,900</u>	<u>94,394</u>
<i>Represented by:</i>			
Share capital	14	2,400	2,400
Reserves	15	<u>84,500</u>	<u>91,994</u>
Shareholders' funds		<u>86,900</u>	<u>94,394</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	For the six months ended 30 September	
	2003 (unaudited) HK\$'000	2002 As restated (Note 1) (audited) HK\$'000
Shareholders' equity as at 1 April 2003/2002	94,394	55,595
Net (loss)/profit for the period	(2,694)	14,329
Dividends paid	(4,800)	(12,000)
Shareholders' equity as at 30 September 2003/2002	<u>86,900</u>	<u>57,924</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	For the six months ended 30 September	
	2003 (unaudited) HK\$'000	2002 (audited) HK\$'000
Net cash from operating activities	5,414	20,412
Net cash used in investing activities	(4,542)	(1,508)
Net cash used in financing activities	(4,898)	(12,138)
(Decrease)/increase in cash and cash equivalents	(4,026)	6,766
Cash and cash equivalents brought forward	<u>38,780</u>	<u>7,851</u>
Cash and cash equivalents carried forward	<u>34,754</u>	<u>14,617</u>
Analysis of the balances of cash and cash equivalents		
Cash and bank balances	<u>34,754</u>	<u>14,617</u>

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 September 2003

1. BASIS OF PRESENTATION AND ACCOUNTING POLICIES

These unaudited condensed consolidated financial statements have been prepared in accordance with the requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Statement of Standard Accounting Practice No. 2.125 "Interim financial reporting" (SSAP 25) issued by the Hong Kong Society of Accountants ("HKSA").

These condensed financial statements should be read in conjunction with the 2003 annual report.

The basis of preparation and accounting policies adopted in the preparation of these condensed financial statements are consistent with those used in the audited financial statements for the year ended 31 March 2003, except that the Group has changed its accounting policy following its adoption of the Statement of Standard Accounting Practice No. 2.112 "Income taxes" (SSAP 12) issued by the HKSA which is effective for accounting periods commencing on or after 1 January 2003. The changes to the Group's accounting policy and the effect of adopting this new policy are set out below:

SSAP 12: Income taxes

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred taxation is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

In prior year, deferred taxation was accounted for at the current taxation rate in respect of timing differences between profit as computed for taxation purposes and profit as stated in the financial statements to the extent that a liability or an asset was expected to be payable or recoverable in the foreseeable future. The adoption of the new SSAP 12 represents a change in accounting policy, which has been applied retrospectively so that the comparatives presented have been restated to conform to the changed policy.

As detailed in the Condensed Consolidated Statement of Changes in Equity and note 15 to the condensed financial statements, opening retained profits as at 1 April 2002 and 2003 have been increased by approximately HK\$1,358,000 and HK\$672,000 respectively. This change has resulted in a decrease in deferred tax liabilities as at 31 March 2003 by approximately HK\$672,000 and a decrease in net profit for the six months ended 30 September 2002 by approximately HK\$33,000.

2. TURNOVER AND REVENUES

The Group is principally engaged in the design, manufacture and sale of home electrical appliances with production facilities based in the People's Republic of China (the "PRC"). All of the Group's operations are classed as continuing. Turnover represents sale of products at invoiced value, net of discounts and returns. All significant intra-group transactions have been eliminated on consolidation.

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

An analysis of the Group's turnover and revenues is as follows:

Turnover		
Sale of products	113,935	145,002
Other revenues		
Bank interest income	220	8
Sundry income	181	381
	401	389
Total revenues	114,336	145,391

An analysis of the Group's turnover and (loss)/profit from operations by products and by geographical area of principal markets of the Group is as follows:

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

Turnover by products:

Irons	36,909	51,904
Kettles	58,212	83,510
Heaters	5,467	6,980
Coffee related accessory products	11,248	1,456
Others	2,099	1,152
Total turnover	113,935	145,002

Contribution to trading results by products:

Irons	(955)	5,715
Kettles	(821)	10,132
Heaters	(329)	152
Coffee related accessory products	(28)	31
Others	(6)	9
(Loss)/profit from operations	(2,139)	16,039

2. TURNOVER AND REVENUES (CONTINUED)

	For the six months ended 30 September	
	2003	2002
	(unaudited)	(audited)
	HK\$'000	HK\$'000
Turnover by geographical area of principal markets determined on the basis of destination of delivery of products:		
Europe	60,394	86,369
Asia and Middle East	3,222	5,423
Australia and New Zealand	10,668	19,828
North America	33,000	31,397
Others	6,651	1,985
	<hr/> 113,935 <hr/>	<hr/> 145,002 <hr/>
Total turnover		
Contribution to trading results by geographical area of principal markets:		
Europe	(1,322)	10,404
Asia and Middle East	(61)	190
Australia and New Zealand	(150)	1,843
North America	(487)	3,513
Others	(119)	89
	<hr/> (2,139) <hr/>	<hr/> 16,039 <hr/>
(Loss)/profit from operations		

3. (LOSS)/PROFIT FROM OPERATIONS

	For the six months ended 30 September	
	2003	2002
	(unaudited)	(audited)
	HK\$'000	HK\$'000
(Loss)/profit from operations is stated after charging:		
Staff costs	14,189	13,915
Depreciation of owned tangible fixed assets	4,482	4,303
Operating lease rentals in respect of land and buildings	1,830	1,830
Cost of inventories expensed	101,279	115,363
	<hr/> 101,279 <hr/>	<hr/> 115,363 <hr/>

4. FINANCE COSTS

	For the six months ended 30 September 2003 (unaudited) HK\$'000	2002 (audited) HK\$'000
Bank charges	329	388
Interest on bank loans and overdrafts – wholly repayable within five years	98	138
	427	526

5. TAXATION

	For the six months ended 30 September 2003 (unaudited) HK\$'000	2002 As restated (Note 1) (audited) HK\$'000
Provision for Hong Kong profits tax for the period	–	1,151
Deferred taxation relating to the origination and reversal of temporary differences	128	33
	128	1,184

No provision for Hong Kong profits tax has been made for the six months ended 30 September 2003 as the companies operating in Hong Kong did not have any assessable profits for the six months ended 30 September 2003. Hong Kong profits tax has been provided at a rate of 16% on the estimated assessable profits arising in Hong Kong for the six months ended 30 September 2002.

No provision for overseas taxation has been made in the financial statements. Bailingda Industrial (Shenzhen) Co., Limited, the Group's wholly-owned subsidiary established in the PRC, is entitled to exemption from PRC foreign enterprise income tax for the first two profitable years and a 50% reduction from normal PRC foreign enterprise income tax (effectively 7.5%) for the three years immediately following (For the six months ended 30 September 2002: Nil).

6. DIVIDENDS

	For the six months ended 30 September	
	2003	2002
	(unaudited)	(audited)
	HK\$'000	HK\$'000
Interim dividend declared and paid	<u>-</u>	<u>12,000</u>

The directors do not recommend the payment of an interim dividend for the six months ended 30 September 2003. The interim dividends for the six months ended 30 September 2002 were paid by Better Electrical Products Company Limited ("BEPCL") and Better Electrical Products (HK) Company Limited ("BEP(HK)"), wholly-owned subsidiaries of the Company, to their then shareholders prior to the group reorganisation.

7. LOSS/EARNINGS PER SHARE

The calculation of basic (loss)/earnings per share for the period is based on the Group's net loss attributable to shareholders of approximately HK\$2,694,000 (For the six months ended 30 September 2002: net profit attributable to shareholders of approximately HK\$14,329,000 as restated after adjustment of deferred taxation mentioned in note 1) and 240,000,000 (For the six months ended 30 September 2002: 196,800,000) ordinary shares in issue during the period.

The diluted loss per share for the six months ended 30 September 2003 has not been prepared as the exercise of the Company's outstanding options will have anti-dilutive effect on the basic loss per share.

No diluted earnings per share have been disclosed for the six months ended 30 September 2002 as there were no dilutive potential ordinary shares during the period.

8. CAPITAL EXPENDITURE

	Tangible fixed assets (unaudited) HK\$'000
Net book value as at 1 April 2003	28,449
Additions for the period	4,762
Depreciation charge	(4,482)
	<hr/>
Net book value as at 30 September 2003	28,729

9. INVENTORIES

	30 September 2003 (unaudited) HK\$'000	31 March 2003 (audited) HK\$'000
Raw materials, at cost	21,301	23,789
Work-in-progress, at cost	4,371	3,288
Finished goods, at cost	4,707	7,360
	30,379	34,437

10. TRADE AND OTHER RECEIVABLES

	30 September 2003 (unaudited) HK\$'000	31 March 2003 (audited) HK\$'000
Trade debtors	12,556	11,544
Bills receivable	115	922
Deposits paid	2,782	2,248
Sundry debtors and prepayments	6,021	1,108
	21,474	15,822
	30 September 2003 (unaudited) HK\$'000	31 March 2003 (audited) HK\$'000

The ageing analysis of trade debtors is as follows:

0 – 30 days	12,500	11,487
31 – 60 days	41	42
61 – 180 days	15	15
	12,556	11,544

In general, the Group's credit policy is as follows:

- (i) Trade debts which are settled by letters of credit are due at sight or in accordance with the respective terms of the letters of credit normally ranging from 30 to 120 days. For other trade debts, the Group provides a credit period normally ranging from 7 to 33 days to its customers.
- (ii) Bills receivable are due at sight or in accordance with the respective terms of the bills normally ranging from 30 to 120 days.

11. BANKING FACILITIES

As at 30 September 2003, the Group's general banking facilities are secured by corporate guarantees given by the Company and its direct wholly-owned subsidiary, BEPCL.

12. TRADE AND OTHER PAYABLES

	30 September 2003 (unaudited) HK\$'000	31 March 2003 (audited) HK\$'000
Trade creditors	24,128	19,675
Trade deposits received	985	482
Sundry creditors and accruals	4,039	3,781
	29,152	23,938

	30 September 2003 (unaudited) HK\$'000	31 March 2003 (audited) HK\$'000
--	---	---

The ageing analysis of trade creditors is as follows:

0 – 30 days	23,715	18,979
31 – 60 days	244	551
61 – 180 days	169	145
	24,128	19,675

13. DEFERRED TAXATION

The movement on the deferred tax liabilities account is as follows:

	For the six months ended 30 September 2003 (unaudited) HK\$'000	For the year ended 31 March 2003 As restated (Note 1) (audited) HK\$'000
At the beginning of the period/year	1,078	392
Deferred taxation charged to income statement	128	686
At the end of the period/year	1,206	1,078

14. SHARE CAPITAL

	30 September 2003 (unaudited) HK\$'000	31 March 2003 (audited) HK\$'000
<i>Authorised:</i>		
10,000,000,000 ordinary shares of HK\$0.01 each	100,000	100,000
<i>Issued and fully paid:</i>		
240,000,000 ordinary shares of HK\$0.01 each	2,400	2,400

During the six months ended 30 September 2003, an aggregate of 4,750,000 share options were granted to selected directors and employees of the Company under the share option scheme which were approved and adopted on 6 January 2003. The grantees are entitled to exercise their options at a price of HK\$0.69 per ordinary share. At as 30 September 2003, there were 4,750,000 share options outstanding which are exercisable at any time prior to 2 March 2013. Further details regarding the share option scheme and the movement of share options during the six months ended 30 September 2003 are set out in sections headed "Share option scheme of the Company" to this report.

15. RESERVES

	Share premium HK\$'000	Merger reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
Balance as at 1 April 2002, as previously reported	-	-	54,159	54,159
Change in accounting policy in respect of provision for net deferred tax liability (Note 1)	-	-	1,358	1,358
Balance as at 1 April 2002, as restated	-	-	55,517	55,517
Net profit for the period	-	-	14,329	14,329
Dividends paid	-	-	(12,000)	(12,000)
Balance as at 30 September 2002	-	-	57,846	57,846
Merger reserve arising on the group reorganisation	-	(1,522)	-	(1,522)
Share premium arising on new issue and placing of shares to the public	29,808	-	-	29,808
Listing expenses	(6,916)	-	-	(6,916)
Capitalisation issue	(368)	-	-	(368)
Net profit for the period	-	-	13,146	13,146
Balance as at 31 March 2003	22,524	(1,522)	70,992	91,994
Net loss for the period	-	-	(2,694)	(2,694)
2003 final dividend paid	-	-	(4,800)	(4,800)
Balance as at 30 September 2003	22,524	(1,522)	63,498	84,500

16. RELATED PARTY TRANSACTIONS

Apart from those disclosed elsewhere in these financial statements, in the opinion of the directors, the following is a summary of the significant related party transactions which were carried out by the Group in the normal course of its business and on normal commercial terms during the period:

		For the six months ended 30 September 2003 (unaudited) HK\$'000	2002 audited HK\$'000
	<i>Notes</i>		
Rental paid to Super Light Manufacturing Products (Shenzhen) Company Limited ("SLMP")	(a)	(1,560)	(1,560)
Rental paid to Manwise Investment Company Limited ("Manwise")	(b)	(270)	(270)

Notes:

- (a) Pursuant to a tenancy agreement dated 30 October 2000, SLMP, a wholly-foreign owned enterprise established in the PRC and ultimately owned and controlled by Mr. Chan Tat, a director of the Company, leased to BEP(HK) portions of an industrial complex located at Huang Ma Bu Village, Xi Xiang Town, Bao An District, Shenzhen, Guangdong Province, the PRC for a term of three years commencing from 1 November 2000 and expiring on 31 October 2003 at a monthly rent of HK\$260,000, exclusive of management fee and utility charges. The rental for the six months ended 30 September 2003 amounted to HK\$1,560,000 and the rental for the remaining term of the tenancy agreement amounts to HK\$260,000. The directors consider that such rental was calculated by reference to open market rentals.
- (b) The Group paid rent to Manwise, a company owned and controlled by Mr. Chan Tat and Madam Hong Jing Yu, directors of the Company, for the lease of office premises. The directors consider that such rental was calculated by reference to open market rentals.

17. CONTINGENT LIABILITIES

	30 September 2003 (unaudited) HK\$'000	31 March 2003 (audited) HK\$'000
Export bills discounted with recourse	9,297	6,269

Save as a corporate guarantee given by the Company to a bank to secure the general banking facilities granted to BEP(HK), a wholly-owned subsidiary of the Company, the Company has no significant contingent liabilities as at 31 March 2003 and 30 September 2003.

18. COMMITMENTS**(i) Capital commitments**

Capital commitments outstanding as at 30 September 2003 not provided for in the financial statements are as follows:

	30 September 2003 (unaudited) HK\$'000	31 March 2003 (audited) HK\$'000
Authorised and contracted for in respect of acquisition of plant and machinery	<u>-</u>	<u>1,423</u>

(ii) Operating lease commitments

As at 30 September 2003, the total future minimum lease payments under non-cancellable operating leases in respect of rented premises are payable as follows:

	30 September 2003 (unaudited) HK\$'000	31 March 2003 (audited) HK\$'000
Within one year	<u>305</u>	<u>2,135</u>

The Company did not have any significant commitments as at 30 September 2003 (31 March 2003: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Review of Operations

For the six months ended 30 September 2003, the Group recorded a turnover of approximately HK\$113,935,000 (2002: HK\$145,002,000), representing a decrease of approximately 21% compared to the corresponding period in 2002. Net loss from ordinary activities attributable to shareholders for the Period was approximately HK\$2,694,000 (2002: Net profit from ordinary activities attributable to shareholders HK\$14,329,000). The sudden outbreak of the Severe Acute Respiratory Syndrome ("SARS") epidemic in the Mainland China and Hong Kong during the Period has affected the Group's business operation adversely, and resulted in the substantial decline of the Group's turnover and has changed from profit to loss. The Group's major customers are mainly from countries in Europe, North America, and Australia and New Zealand, etc, the outbreak of SARS has made our customers cancel their scheduled buying trips. As it was the traditional peak season for customers to come and place their orders for the annual Christmas sales season, the impact of the SARS has hard hit the Group's business.

In view of severe competition, the town and village enterprises for small appliances in Mainland China have cut their selling price sharply which have created tremendous pressure on the profit margin of the Group's products. Moreover, the thermostats and connectors that were used in our kettle products, were patented products purchased from two suppliers in the United Kingdom. The Sterling Pound has appreciated substantially between the periods of April 2002 to September 2002 and April 2003 to September 2003, representing an additional cost of approximately HK\$1,210,000. With keen market competition, the Group cannot pass on such additional cost to our customers.

Prospects

Depends on the macro economic conditions and consumer sentiments, (especially those of the European and American), we are cautiously optimistic about the second half of the fiscal year 2004. We expect price competition will remain keen. To achieve our goal, we strive to maintain our relationship with existing brand-name customers, which enhance our position as their key supplier. We will concentrate on controlling costs and on extending the range of products we deliver to our core customers. We will continue to develop the United States market, extending our reach to some of the well known brand names, and providing quality design and development service to them in order to broaden our customer base.

We shall continue to research and develop coffee related accessory products. During the Period, sales of coffee grinders have increased for more than 5 times from approximately HK\$1,456,000 of the last corresponding period, to approximately HK\$11,248,000. To capture opportunities in this new line of business, the Group has allocated additional resources to extend our business with new customers. Our experienced design team will develop new product lines to meet consumer's needs.

The Group will persistently expand and enhance our comprehensive product range to reinforce the attraction of BEP as a key supplier of home electrical appliances products. With our continuous efforts in improving operating efficiency and focusing on product developments, we believe that the Group will be well positioned to cope with the challenges ahead.

Cash flows

During the current period, the net cash flows decreased by approximately HK\$4,026,000 after approximately HK\$4,762,000 was paid in capital expenditures.

Cash generated from operations was approximately HK\$5,414,000 compared with approximately HK\$20,412,000 for the last period. The change was mainly due to lower revenue.

Compared to the last period, net cash used in investing activities increased to approximately HK\$4,542,000 from approximately HK\$1,508,000 due to the increase of capital expenditure by approximately HK\$3,246,000.

Net cash used in financing activities was approximately HK\$4,898,000 in the current period as compared to net cash used in financing activities of approximately HK\$12,138,000 in the last period. The change was primarily due to lower dividends were paid in the Period as compared to the last period.

Liquidity and financial resources, gearing and foreign currency exposures

As at 30 September 2003, the Group had no borrowings outstanding and therefore had a gearing ratio of nil. The Group has sufficient cash surplus to finance its operations from internally generated cash flows. The Group maintains a satisfactory financial position. As at 30 September 2003, the Group held cash and bank deposits of approximately HK\$34,754,000 and the current ratio decreased from 3.79 at the prior year-end to 3.04 as at 30 September 2003. The average stock turnover period slightly increased from 53 days to 59 days and the debtor turnover period slightly increased from 15 days to 20 days.

In addition to the internally generated cash flows, the Group also made use of export bills discount facilities to finance its operations during the period. There were no significant exposures to foreign currency fluctuations. All borrowings during the Period were based on current market interest rate. The Group had no long-term bank loan and no bank overdrafts outstanding as at 30 September 2003. The Group will rely on internally generated cash flows and the realization of its assets to fund future cash flow requirements.

The Group continues to adopt a prudent approach in funding and treasury policies. Transactions of the Group are mainly denominated in US dollars. Some of the Group's liquid fund is placed in principal guaranteed short-term dual currencies deposit with a bank to reduce the GBP accounts payable exposure and to enhance return from the liquid assets of the Group within the controllable risk level.

Use of proceeds from the Company's initial public offering

The net proceeds from the issue of new shares at the time of its listing on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 3 March 2003, after deducting listing expenses, amounted to approximately HK\$23,300,000. As stated in the prospectus dated 18 February 2003, the directors intended that such net proceeds would be applied as follows:

- as to approximately HK\$14,200,000 to acquire plant and machinery to increase the Group's production capacity; and
- as to the balance of approximately HK\$8,500,000 to repay part of the bank borrowings of the Group used to fund the capital contribution to Bailingda Industrial (Shenzhen) Co., Limited, the Group's wholly-owned subsidiary established in the PRC.

Upon the listing of the Company's shares on the Stock Exchange and up to 30 September 2003, approximately HK\$8,500,000 was applied to repay part of the bank borrowings of the Group used to fund the capital contribution to Bailingda Industrial (Shenzhen) Co., Limited and approximately HK\$4,762,000 was applied to acquire plant and machinery and moulds. The remaining proceeds not yet utilised were placed on short-term deposits with a bank in Hong Kong. The directors are of the opinion that the remaining unutilised proceeds will be applied to their intended uses as set out above.

Interim dividend

The directors do not recommend the payment of an interim dividend for the six months ended 30 September 2003. The interim dividends for the six months ended 30 September 2002 were paid by Better Electrical Products Company Limited ("BEPCL") and Better Electrical Products (HK) Company Limited ("BEP(HK)"), wholly-owned subsidiaries of the Company, to their then shareholders prior to the group reorganisation.

Employees and remuneration policies

As at 30 September 2003, the Group employed 1,359 (31 March 2003: 1,347) full time staff in Hong Kong and PRC. The Group remunerates its employees based on their performance, experience and prevailing market salaries while performance bonuses are granted on a discretionary basis. Other employee benefits include insurance and medical cover, subsidized educational and training programmes, mandatory provident fund scheme as well as a share option scheme.

Management contracts

No contracts of significance concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the Period.

Purchases, sale or redemption of the Company's listed securities

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

Pre-emptive rights

There are no provisions for pre-emptive rights under the Company's Bye-laws or the laws of Bermuda which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

Compliance with the Code of Best Practice

In the opinion of the directors, the Company has complied with the Code of Best Practice as set out in Appendix 14 of (the "Listing Rules") the Rules Governing the Listing of securities on The Stock Exchange of Hong Kong Limited during the Period, except that independent non-executive directors of the Company are not appointed for specific terms but are subject to retirement by rotation in accordance with the provisions of the Company's Bye-laws.

Audit committee

The audit committee of the Company has reviewed with the management the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters, including the review of this interim report.

Appreciation

On behalf of the Board, I would like to take this opportunity to express my sincere gratitude to our shareholders for their confidence in the Group, our worldwide customers for their trust and support in our products and services through the Period, our staff for their dedication as well as our banker and business associates for their continuing support.

On behalf of the Board

Chan Tat

Chairman and Managing Director

Hong Kong, 23 December 2003

OTHER INFORMATION

Directors' interests or Short Positions in Shares and in Share Options

As at 30 September 2003, the interests and short positions of the directors and chief executives of the Company in the shares and underlying shares of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "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, were as follows:

Director's interest or short positions in shares of the Company

Name of Directors	Capacity	Interest in shares Long/(Short) Position Other interest	Interest in underlying shares pursuant to share options	Aggregate Interest	Approximate percentage of the Company's issued share capital
Mr. Chan Tat (Note 1 & 2)	Trustee	168,000,000 (4,750,000)		168,000,000 (4,750,000)	70.00% (1.97%)
	Beneficial owner		1,000,000	1,000,000	0.41%
Mr. Lo Stephen Yiu Hee	Beneficial owner		1,000,000	1,000,000	0.41%
Mr. Lee Kam Hung	Beneficial owner		500,000	500,000	0.21%
Mr. Sin Cheuk Lok, Christopus	Beneficial owner		500,000	500,000	0.21%
Madam Hong Jing Yu (note 3)	Trustee	84,000,000		84,000,000	35%

Notes:

- Mr. Chan Tat is deemed to have an interest in 84,000,000 ordinary shares which are beneficially owned by Best Practice Enterprises Limited, the entire issued share capital of which is held under a related discretionary trust. Mr. Chan is regarded as a founder of the trust.
- Mr. Chan Tat is deemed to have an interest in 84,000,000 ordinary shares which are beneficially owned by Target World Enterprises Limited, the entire issued share capital of which is held under a related discretionary trust. Mr. Chan is regarded as a founder of the trust.

3. Madam Hong Jing Yu is deemed to have an interest in 84,000,000 ordinary shares which are beneficially owned by Best Practice Enterprises Limited, the entire issued share capital of which is held under a related discretionary trust. Madam Hong is regarded as a founder of the trust.

Directors' Right to Acquire Shares

Interest in Option to subscribe for Shares of the Company

Pursuant to the Company's share option schemes, the Company has granted options on the Company's ordinary shares in favour of certain directors, the details of which are as follows:

Name of Directors	Date of Grant	Exercise Period	Exercise Price HK\$	Number of shares subject to outstanding options as at 30.9.2003	Approximately percentage of the Company's issued share capital
Mr. Chan Tat	13.08.2003	13.08.2003 to 02.03.2013	0.69	1,000,000	0.41%
Mr. Lo Stephen Yiu Hee	13.08.2003	18.08.2003 to 02.03.2013	0.69	1,000,000	0.41%
Mr. Lee Kam Hung	13.08.2003	18.08.2003 to 02.03.2013	0.69	500,000	0.21%
Mr. Sin Cheuk Lok, Christopus	13.08.2003	18.08.2003 to 02.03.2013	0.69	500,000	0.21%

Note:

No share option was exercised by the above directors to subscribe for shares in the Company during the Period.

The vesting period of the share options is from the date of the grant until the commencement of the exercise period.

Save as disclosed above, at no time during the period, the directors and chief executive (including their spouse and children under 18 years of age) had any interest in, or had been granted, or exercised, any rights to subscribe for shares (or warrants or debentures, if applicable) of the Company or its associated corporations required to be disclosed pursuant to the SFO.

Arrangements to Purchase Shares or Debentures

Other than the option holdings disclosed above, at no time the period was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries, party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of share in, or debenture of, the Company or any other body corporate, and neither the directors nor the chief executive, nor any of their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right.

Save as disclosed above, none of the directors, chief executives nor their respective associates (as defined in the Listing Rules) and any interests or short positions in shares, underlying shares or debentures of the Company or any of its associated corporations.

Substantial Shareholders

At 30 September 2003, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that other than the interests disclosed above in respect of directors, the following shareholders had notified the Company of relevant interests and short positions in the issued share capital of the Company:

Long position and short position in shares and underlying shares in the Company

Name of Shareholders	Capacity	Interest in Long/(short) positions Corporate Interest	Interest in underlying shares pursuant to share options	Aggregate interest	Approximate percentage of the Company's issued share capital
Best Practice Enterprises Limited (Note 1)	Trustee	84,000,000 (4,750,000)	- (4,750,000)	84,000,000 (4,750,000)	35% (1.97%)
Target World Enterprises Limited (Note 2)	Trustee	84,000,000 (4,750,000)	- (4,750,000)	84,000,000 (4,750,000)	35% (1.97%)

Notes:

- Best Practice Enterprises Limited is the trustee of the SC Unit trust holding property under the SC Unit Trust for the trustee of the SC Trust which is a holder of units issued by the SC Unit Trust. The SC Trust is a discretionary trust and the discretionary objects of the trust include Miss Chan Sin Mui, Selina, daughter of Mr. Chan and Madam Hong, the issue of Miss Chan Sin Mui, Selina.
- Target World Enterprises Limited is the trustee of the MK Unit Trust holding property under the MK Unit Trust for the trustee of the MK Trust, which is a holder of units issued by the MK Unit Trust. The MK Trust is a discretionary trust and the discretionary objects of the trust include Mr. Chan Man Kei, son of Mr. Chan and Madam Hong, the issue of Mr. Chan Man Kei.

Save as disclosed above, no person had registered an interest in the share capital of the Company that was required to be disclosed under Divisions 2 and 3 of Part XV of the SFO and the Listing Rules.

Save for the shareholders as disclosed herein, the directors are not aware of any persons who, as at 30 September 2003, were entitled to exercise or control the exercise of 5% or more of the voting power at general meetings of the Company and were also, as a practicable matter, able to direct or influence the management of the Company.

Share option Scheme of the Company

On 6 January 2003, the shareholders of the Company approved and adopted a share option scheme (the "Scheme") for a period of ten years commencing from the date of listing of the Company's shares on the Stock Exchange on 3 March 2003. Under the Scheme, the board of directors of the Company (the "Board") may, at its discretion, invite any employees of the Group, including any executive directors of the Company and its subsidiaries, to take up options to subscribe for the Company's shares. The exercise price of the options may be determined by the Board in its absolute discretion but must not be less than the highest of: (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheets on the date of grant; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's shares on the date of grant. The options vest immediately from the date of grant and may be exercised in accordance with the terms of the Scheme at any time during the period to be determined and notified by the Board to each grantee but in any event such period may not be more than ten years after it has been granted. The total number of shares which may be issued upon exercise of all outstanding options granted and yet to be issued under the Scheme and any other share option scheme adopted by the Company must not exceed 30% of the shares in issue from time to time. Initially, however, options to subscribe for shares under the Scheme must not exceed 10% of the shares in issue as at the date of listing of the Company's shares on the Stock Exchange.

At 30 September 2003, the outstanding number of shares in respect of which options had been granted under the Scheme was 4,750,000 (2002: Nil), representing 1.97% (2002: Nil) of the shares of the Company in issue at that date.

Consideration of HK\$1 is payable on the grant of an option.

The directors believe that any statement regarding the value of options granted during the period will not be meaningful to shareholders, taking into account the unique business nature of the Group and its potential for future expansion and that comparable data required for calculation of the value of the options will not be representative of the Group.

No charge is recognized in the income statement in respect of the value of share options granted during the period.

The following table discloses movements in the Company's share options during the period:

Name of directors/ Employees	Outstanding at 01.4.2003	Granted during period	Exercised during period	Outstanding at 30.9.2003
Mr. Chan Tat	-	1,000,000	-	1,000,000
Mr. Lo Stephen Yiu Hee	-	1,000,000	-	1,000,000
Mr. Lee Kam Hung	-	500,000	-	500,000
Mr. Sin Cheuk Lok, Christopus	-	500,000	-	500,000
Total directors	-	3,000,000	-	3,000,000
Employees	-	1,750,000	-	1,750,000
Grand total	-	4,750,000	-	4,750,000

The vesting period of the share options is from the date of the grant until the commencement of the exercise period.

The closing price of the Company's shares immediately before 13 August 2003, the date of grant of the options, were HK\$0.69.