

Millennium Sense Holdings Limited
千禧智慧控股有限公司



2003
INTERIM REPORT

UNAUDITED INTERIM RESULTS

The Board of Directors (the "Board") of Millennium Sense 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 31 December 2003, together with the comparative figures for the corresponding period last year as follows:-

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 31 December 2003

| | Notes | Six months ended 31 December | |
|---|-------|---------------------------------|--------------------|
| | | 2003 HK\$'000 | 2002 HK\$'000 |
| Turnover | 3 | 92,148 | 69,969 |
| Cost of sales | | <u>(81,020)</u> | <u>(53,194)</u> |
| Gross profit | | 11,128 | 16,775 |
| Other revenue | | 3,420 | 1,298 |
| Distribution costs | | (6,928) | (4,755) |
| Administrative expenses | | (8,644) | (10,029) |
| Other operating expenses | | <u>(58)</u> | <u>(2,832)</u> |
| (Loss)/Profit from operating activities | 4 | (1,082) | 457 |
| Finance costs | | <u>(619)</u> | <u>(661)</u> |
| | | (1,701) | (204) |
| Share of profit/(loss) of a jointly-controlled entity | | <u>727</u> | <u>(15)</u> |
| (Loss) before taxation | | (974) | (219) |
| Taxation | 5 | <u>-</u> | <u>(112)</u> |
| Net (loss) from ordinary activities attributable to shareholders | | <u>(974)</u> | <u>(331)</u> |
| Dividend | 6 | <u>Nil</u> | <u>Nil</u> |
| Loss per share | 7 | | |
| Basic | | <u>(0.6) Cents</u> | <u>(0.2) Cents</u> |
| Diluted | | <u>N/A</u> | <u>N/A</u> |

CONDENSED CONSOLIDATED BALANCE SHEET

As at 31 December 2003

| | | UNAUDITED 31 December 2003 HK\$'000 | AUDITED 30 June 2002 HK\$'000 |
|--|-------|--|--|
| | Notes | | |
| NON-CURRENT ASSETS | | | |
| Fixed assets | 8 | 66,043 | 66,637 |
| Intangible assets | | 1,083 | 1,187 |
| Interest in a jointly-controlled entity | | (1,838) | (1,652) |
| | | <u>65,288</u> | <u>66,172</u> |
| CURRENT ASSETS | | | |
| Inventories | | 12,545 | 13,262 |
| Trade and bills receivables | 9 | 23,869 | 8,486 |
| Prepayment, deposit, and other receivables | | 11,056 | 10,891 |
| Pledged deposits | | 2,050 | 2,041 |
| Cash and bank balances | | 3,619 | 7,274 |
| | | <u>53,139</u> | <u>41,954</u> |
| CURRENT LIABILITIES | | | |
| Trade payables | 10 | 20,619 | 17,844 |
| Other payables and accrued liabilities | | 2,261 | 5,177 |
| Tax payable | | 2,773 | 2,779 |
| Interest-bearing bank and other borrowings | | 20,981 | 8,269 |
| | | <u>46,634</u> | <u>34,069</u> |
| NET CURRENT ASSETS | | <u>6,505</u> | <u>7,885</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | <u>71,793</u> | <u>74,057</u> |
| NON-CURRENT LIABILITIES | | | |
| Interest-bearing bank borrowings | | 1,321 | 1,638 |
| Finance lease payable | | 0 | 167 |
| | | <u>1,321</u> | <u>1,805</u> |
| MINORITY INTEREST | | <u>19</u> | <u>19</u> |
| | | <u>70,453</u> | <u>72,233</u> |
| CAPITAL AND RESERVES | | | |
| Share capital | 11 | 15,000 | 15,000 |
| Reserves | | 55,453 | 57,233 |
| | | <u>70,453</u> | <u>72,233</u> |

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2003

| | Share capital | Share premium account | Share Contributed surplus | Property revaluation reserves | Exchange equalization reserve | Retained profits | Total |
|----------------------------|------------------|-----------------------------|---------------------------------|-------------------------------------|-------------------------------------|---------------------|---------------|
| | (UNAUDITED) | (UNAUDITED) | (UNAUDITED) | (UNAUDITED) | (UNAUDITED) | (UNAUDITED) | (UNAUDITED) |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| At 1 July 2003 | 15,000 | 6,459 | 5,800 | 20,395 | (278) | 24,857 | 72,233 |
| Exchange realignment | - | - | - | - | (806) | - | (806) |
| Net loss for the period | - | - | - | - | - | (974) | (974) |
| At 31 December 2003 | 15,000 | 6,459 | 5,800 | 20,395 | (1,084) | 23,883 | 70,453 |
| At 1 July 2002 | 15,000 | 6,459 | 5,800 | - | (128) | 30,309 | 57,440 |
| Exchange realignment | - | - | - | - | 893 | - | 893 |
| Net loss for the period | - | - | - | - | - | (331) | (331) |
| At 31 December 2002 | 15,000 | 6,459 | 5,800 | 0 | 765 | 29,978 | 58,002 |

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 31 December 2003

| | Six months ended 31 December | |
|---|---------------------------------|------------------|
| | 2003 HK\$'000 | 2002 HK\$'000 |
| Net cash (outflow)/inflow from operating activities | (11,802) | 13,093 |
| Net cash outflow from investing activities | (4,081) | (2,709) |
| Net cash inflow/(outflow) from financing activities | <u>7,344</u> | <u>(1,445)</u> |
| (Decrease)/Increase in cash and cash equivalents | (8,539) | 8,939 |
| Cash and cash equivalents at beginning of the period | <u>5,117</u> | <u>(7,375)</u> |
| Cash and cash equivalents at end of the period | <u>(3,422)</u> | <u>1,564</u> |
| Analysis of the balances of cash and cash equivalent: | | |
| Cash and bank balance | 3,619 | 12,158 |
| Bank overdrafts | <u>(7,041)</u> | <u>(10,594)</u> |
| | <u>(3,422)</u> | <u>1,564</u> |

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 31 December 2003

1. CORPORATE INFORMATION

The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

The principal activities of the Group is design, manufacture and sales of cigarette lighters and lighter-related accessories, trading of high-ends electronic and electrical parts and components and to seek investments in broader range of sectors in order to reduce its reliance on the lighter industry.

In the opinion of the directors, the ultimate holding company is Smart Number Investments Limited, a company incorporated in the British Virgin Islands.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The condensed financial statements have been prepared under the historical cost convention, as modified for the revaluation of land and buildings in Hong Kong.

The unaudited interim results of the Group have been prepared in accordance with Hong Kong Statements of Standard Accounting Practice ("SSAP") 25 "Interim Financial Reporting", and on a basis consistent with the accounting policies adopted in preparing the annual report of the Group for the year ended 30 June 2003 except as mentioned below.

SSAP 12 (Revised) "Income taxes" is effective for the first time in the preparation of this interim report, SSAP 12 (Revised) prescribes the basis for 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 carryforward of unused tax losses (deferred tax).

The adoption of SSAP 12 (Revised) has no significant effect on the results of the Group for the current period.

Certain presentational changes have been made in order to ensure consistency with the presentation format of the latest annual report.

3. SEGMENTAL INFORMATION

Business Segments

| | Manufacturing of lighters and related accessories | | Trading of electronic and electrical parts and components | | Consolidated | |
|--|---|---------------|---|-------------|---------------------------------|-----------------|
| | Six months ended 31 December | | Six months ended 31 December | | Six months ended 31 December | |
| | 2003 | 2002 | 2003 | 2002 | 2003 | 2002 |
| | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Segment turnover | <u>73,099</u> | <u>69,969</u> | <u>19,049</u> | <u>0</u> | <u>92,148</u> | <u>69,969</u> |
| Segment results | <u>10,409</u> | <u>16,775</u> | <u>719</u> | <u>0</u> | <u>11,128</u> | <u>16,775</u> |
| Unallocated corporate expenses | | | | | <u>(12,210)</u> | <u>(16,318)</u> |
| (Loss)/Profit from operating activities | | | | | <u>(1,082)</u> | <u>457</u> |

Geographical Segments

| | Segment turnover | | Segment revenue | |
|---|---------------------------------|---------------|---------------------------------|-----------------|
| | Six months ended 31 December | | Six months ended 31 December | |
| | 2003 | 2002 | 2003 | 2002 |
| | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| United States | <u>29,664</u> | <u>24,566</u> | <u>3,582</u> | <u>5,890</u> |
| The People's Republic of China ("PRC"): | | | | |
| Hong Kong | <u>22,388</u> | <u>4,145</u> | <u>2,704</u> | <u>994</u> |
| Elsewhere | <u>5,868</u> | <u>5,766</u> | <u>709</u> | <u>1,382</u> |
| Asia | <u>15,961</u> | <u>13,709</u> | <u>1,927</u> | <u>3,287</u> |
| Others | <u>18,267</u> | <u>21,783</u> | <u>2,206</u> | <u>5,222</u> |
| | <u>92,148</u> | <u>69,969</u> | <u>11,128</u> | <u>16,775</u> |
| Unallocated corporate expenses | | | <u>(12,210)</u> | <u>(16,318)</u> |
| (Loss)/Profit from operating activities | | | <u>(1,082)</u> | <u>457</u> |

4. (LOSS)/PROFIT FROM OPERATING ACTIVITIES

The Group's (loss)/profit from operating activities is arrived at after charging:

| | UNAUDITED | |
|-----------------------------------|------------------|----------|
| | Six months ended | |
| | 31 December | |
| | 2003 | 2002 |
| | HK\$'000 | HK\$'000 |
| Interest expenses | 619 | 662 |
| Cost of goods sold | 81,020 | 53,194 |
| Depreciation: | | |
| Owned fixed assets | 3,381 | 2,656 |
| Leased fixed assets | 290 | 401 |
| Amortization of intangible assets | 149 | 339 |

5. TAXATION

| | UNAUDITED | |
|-------------------------------------|------------------|------------|
| | Six months ended | |
| | 31 December | |
| | 2003 | 2002 |
| | HK\$'000 | HK\$'000 |
| Current tax: | | |
| Hong Kong | - | 112 |
| PRC, elsewhere other than Hong Kong | - | - |
| Deferred tax | - | - |
| | <u>-</u> | <u>112</u> |

No provision for current tax has been made for the current period as the Group companies had no assessable profits for the current period. (2002: Hong Kong Profits Tax is calculated at the rate of 16% on the estimated assessable profit arising in Hong Kong during the period.)

There is no significant unprovided deferred taxation for both interim periods.

6. DIVIDEND

The directors have resolved that no interim dividend be declared in respect of the six months ended 31 December 2003 (six months ended 31 December 2002: Nil).

7. LOSS PER SHARE

The calculation of basic loss per share is based on the net loss from ordinary activities attributable to shareholders for the period of HK\$974,000 (2002: HK\$331,000) and 150,000,000 (2002: 150,000,000) shares in issue during the period.

Diluted loss per share for both period ended 31 December 2003 and period ended 31 December 2002 has not been disclosed as there is no dilutive potential ordinary shares in issue during the period.

8. FIXED ASSETS

During the period, the Group spent approximately HK\$1,845,000 (six months ended 31 December 2002: HK\$2,400,000) on fixed assets.

9. TRADE AND BILLS RECEIVABLES

The Group's credit terms granted to its customers range between 30 to 90 days. Payments for the Group's products are primarily settled on an open account basis. Customers' creditworthiness is assessed regularly to minimize credit risks.

The following is an aged analysis of trade and bills receivables at the reporting date:

| | 31 December 2003 HK\$'000 (UNAUDITED) | 30 June 2003 HK\$'000 (AUDITED) |
|----------------|--|--|
| 1-3 months | 13,444 | 3,943 |
| 4-6 months | 8,127 | 1,350 |
| 7-12 months | 176 | 1,722 |
| 13-24 months | 208 | 1,471 |
| Over 24 months | 1,914 | - |
| | <u>23,869</u> | <u>8,486</u> |

10. TRADE PAYABLES

The following is an aged analysis of trade payables at the reporting date:

| | 31 December 2003 HK\$'000 (UNAUDITED) | 30 June 2003 HK\$'000 (AUDITED) |
|----------------|--|--|
| 1-3 months | 19,853 | 15,911 |
| 4-6 months | 206 | 519 |
| 7-12 months | 181 | 1,009 |
| 13-24 months | 1 | 33 |
| Over 24 months | 378 | 372 |
| | <u>20,619</u> | <u>17,844</u> |

Included in trade payables is a trade payable of approximately HK\$13,057,000 (as at 30 June 2003: HK\$16,364,000) due to the jointly-controlled entity, which has no fixed terms of repayment.

11. SHARE CAPITAL

There were no movements in the share capital of the Company in the current interim reporting period.

12. COMMITMENTS

At 31 December 2003, the Group had the following capital commitments:

| | Group | |
|-----------------------------------|--|--|
| | 31 December 2003 HK\$'000 (UNAUDITED) | 30 June 2003 HK\$'000 (AUDITED) |
| Contracted, but not provided for: | | |
| Plant and machinery | <u>—</u> | <u>3,955</u> |
| | <u>—</u> | <u>3,955</u> |

At 31 December 2003, the Company did not have any other significant commitments.

13. LEASE ARRANGEMENT

As at the balance sheet date, the Group leases out a number of investment properties under operating leases. The investment properties were leased out for periods of one to three years without renewal options given to the leases.

As at the balance sheet date, the future minimum lease payments under non-cancellable operating leases are receivable for each of the following period is:

| | Group | |
|---|-------------|-----------|
| | 31 December | 30 June |
| | 2003 | 2003 |
| | HK\$'000 | HK\$'000 |
| | (UNAUDITED) | (AUDITED) |
| Not later than one year | 216 | 50 |
| Later than one year and not later than five years | 432 | – |
| | <u>648</u> | <u>50</u> |

14. RELATED PARTY TRANSACTIONS

During the period, the Group had the following material transaction with its jointly-controlled entity:

| | UNAUDITED | |
|-------------------------------|------------------|----------|
| | Six months ended | |
| | 31 December | |
| | 2003 | 2002 |
| | HK\$'000 | HK\$'000 |
| Purchases of finished goods | 22,668 | 23,755 |
| Sales of raw materials | 5,700 | 5,754 |
| Sales of machinery and moulds | – | 15 |

15. CONTINGENT LIABILITIES

At 31 December 2003, the Group had contingent liabilities not provided for in the financial statements in respect of bills discounted with recourse amounting to approximately HK\$4,259,000 (as at 30 June 2003: HK\$8,306,000).

At 31 December 2003, the Company had contingent liabilities not provided for in the financial statements in respect of unlimited corporate guarantees given to the banks for general banking facilities granted to a subsidiary amounting to HK\$61,028,000 (as at 30 June 2003: HK\$63,336,000). On the same day, such facilities were utilized to the extent of approximately HK\$25,746,000 (as at 30 June 2003: HK\$16,703,000).

16. POST BALANCE SHEET EVENTS

Subsequent to the balance sheet date, the following significant events took place:

- a) Pursuant to the Sale and Purchase Agreement dated 18 November 2003, Smart Number Investments Limited ("Smart Number") purchased 100,000,000 shares of the Company from Four Guard Int'l Limited for an aggregate consideration of HK\$34 million. The shares represent 66.67% of the then issued share capital and Smart Number is therefore obliged under Rule 26.1 of the Hong Kong Code on Takeovers and Merger to make a mandatory cash offer (the "Offer") for all the then issued shares capital. After the close of the Offer on 2 January 2004, Smart Number received valid acceptances in respect of 50,000 shares. Taking into account the above, Smart Number is interested in 100,050,000 shares as of the date of this interim report.
- b) On 5 January 2004, 15,000,000 new shares at a subscription price of HK\$0.347 each were issued and allotted to the option holders of the Company upon the exercising of their share options. The proceeds of HK\$5,205,000 has been received by the Company.
- c) Pursuant to a placing and subscription agreement dated 12 January 2004, 30,000,000 new shares at the placing price of HK\$0.63 each were placed to the independent third parties. The Company has received approximately HK\$18,500,000 of net proceeds from the issue of such new shares. The net proceeds are intended for the reduction of the revolving bank loans and general working capital of the Group.
- d) Taking into account the above items (b) and (c), the total shareholders' fund of the Group has been increased by approximately HK\$23,705,000.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

During the six months ended 31 December 2003 (the "Reporting Period"), the Group's turnover increased by approximately 32% compared with the six months ended 31 December 2002 (the "Corresponding Period"). The increase in turnover was mainly due to the increase in sales generated from the trading business of high-ends electronics and electrical parts and components, this trading business accounted for about 20% of the total turnover during this Reporting Period, while about 80% of the turnover is generated from the manufacture and sales of cigarette lighters and lighter-related accessories business.

Although the Group recorded a turnover of HK\$92.1 million (2002: HK\$70.0 million), the loss attributable to shareholders increased to approximately HK\$1.0 million (2002: HK\$0.3 million). The basic loss per share for the period was HK\$0.6 cents (2002: HK\$0.2 cents). Compare with the Corresponding Period, the loss from operation was mainly due to the increase in material cost and the adverse impact on the currency fluctuation. However, the Group has successfully streamlined its overall operation and had reduced its total operating costs from HK\$17.6 million to HK\$15.6 million.

The directors do not recommend the payment of any interim dividend to the shareholders (2002: Nil).

Liquidity and Financial Resources

As at 31 December 2003, net current assets and current ratio of the Group were approximately HK\$6,505,000 (as at 30 June 2003: HK\$7,885,000) and 1.14 (as at 30 June 2003: 1.23) respectively. The current assets comprised inventories of approximately HK\$12,545,000 (as at 30 June 2003: HK\$13,262,000), trade and bills receivables of approximately HK\$23,869,000 (as at 30 June 2003: HK\$8,486,000) and cash and cash equivalents of approximately HK\$3,619,000 (as at 30 June 2003: HK\$7,274,000).

As at 31 December 2003, the Group had a total outstanding debt and finance lease obligation of HK\$22,302,000 (as at 30 June 2003: HK\$10,074,000), of which HK\$14,446,000 (as at 30 June 2003: HK\$6,240,000) was secured bank loan, HK\$7,041,000 (as at 30 June 2003: HK\$2,157,000) was secured overdrafts and HK\$815,000 (30 June 2003: HK\$1,677,000) was obligation under finance lease. Our gearing ratio was at a ratio of 1.9% (30 June 2003: 2.50%). The computation is based on long-term borrowings of the Group divided by shareholders' fund as at 31 December 2003.

Capital Structure

The Group generally finances its operation with internally generated resources and banking and credit facilities provided by the banks in Hong Kong. Borrowing methods used by the Group mainly include trust receipts loan, overdrafts facilities and bank loans. The interest rates of most of these are fixed by reference to the Hong Kong Dollar Prime Rate for foreign currency's Trade Finance Rates.

Employees and Remuneration Policies

As at 31 December 2003, the Group had about 1,547 employees spreading from Hong Kong to the PRC. Industrial relationship had been well maintained. The Group had adopted a share option scheme whereby certain employees of the Group may be granted options to acquire shares.

Charges on Group's Assets

At 31 December 2003, the Group pledged its investment properties and certain leasehold land and building with aggregate net book values of approximately HK\$9,602,000 (as at 30 June 2003: HK\$9,602,000) and HK\$4,743,000 (as at 30 June 2003: HK\$4,840,000) respectively as securities for banking facilities granted to the Group.

Foreign Exchange Exposure

The Group mainly earns revenue and incurs costs in US dollars and Hong Kong dollars. Foreign exchange exposure of the Group is mainly minimal so long as the Hong Kong SAR Government's policy to link the Hong Kong dollars to the US dollars remains in effect.

Since the Group's principal manufacturing operations are in the PRC and most of the operating expenses are denominated in Renminbi, the management is aware of possible exchange rate exposure.

Contingent Liabilities

At 31 December 2003, the Company had contingent liabilities not provided for in the financial statements in respect of bill discounted with recourse amounting to approximately HK\$4,259,000 (as at 30 June 2003: HK\$8,306,000).

At 31 December 2003, the Company had contingent liabilities not provided for in the financial statements in respect of unlimited corporate guarantees given to the banks for general banking facilities granted to a subsidiary amounting to HK\$61,028,000 (as at 30 June 2003: HK\$63,336,000). On the same day, such facilities were utilized to the extent of approximately HK\$25,746,000 (as at 30 June 2003: HK\$16,703,000).

Prospects

The principal business activities of the Group include (i) engaging in the design, manufacture and trading of a wide range of cigarette lighters and lighter-related accessories (ii) trading of high-ends electronics and electrical parts and components and (iii) seeking investments in broader range of sectors in order to reduce its reliance on the lighter industry. The performance of the Group for the past six months was adversely affected by the increased in material cost and the devaluation of the US Dollars. During the Reporting Period, the Group has already started to focus its business in a boarder range to include the trading of high-ends electronic and electrical parts and components so as to achieve further growth opportunities and to reduce its reliance on the lighter industry. With the change of control of the Board at the end of 2003, and with the extensive expertise and experience in the manufacturing business in Hong Kong and the PRC, the new management team will try to actively identify investment opportunities that fit into the same sector, they believe that the earnings of the Group would be further strengthened and enhanced. Announcement(s) will be made by the Group as and when appropriate as required under the Listing Rules if such investment opportunities are identified.

DIRECTORS' INTEREST IN SHARES

At 31 December 2003, the interests and short positions of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

Long Position in shares of the Company

| Name of director | Capacity | Number of ordinary shares of the Company |
|---|-----------|--|
| Sher Tak Chi (resigned on 2 January 2004) | – | – (Note 1) |
| Kang Hsiao Fang (resigned on 2 January 2004) | – | – (Note 1) |
| Sher Ching Yee (resigned on 2 January 2004) | – | – (Note 1) |
| Wong Chong Kwong Derek (appointed on 13 December 2003) | Corporate | 100,000,000 (Note 2) |
| Lam Pik Wah (appointed on 13 December 2003) | Corporate | 100,000,000 (Note 2) |
| Lam Hung Kit (appointed on 13 December 2003) | Corporate | 100,000,000 (Note 2) |

Note 1: Pursuant to the Sale and Purchase Agreement dated 18 November 2003, Four Guard Int'l Limited sold 100,000,000 shares of the Company to Smart Number Investments Limited ("Smart Number") for an aggregate consideration of HK\$34 million. The 100,000,000 shares of the Company are held by Four Guard Int'l Limited, which is wholly owned by three unit trusts. Such unit trusts are respectively held by three discretionary trusts, the beneficiaries of which are Kang Hsiao Fang, Sher Ching Yee and the family members of Sher Tak Chi.

Note 2: The 100,000,000 shares in the Company were beneficially owned by Smart Number, which is owned as to 40% by Mr. Wong Chong Kwong Derek, as to 40% by Ms Lam Pik Wah and as to 20% by Mr. Lam Hung Kit. Pursuant to the Sale and Purchase Agreement dated 18 November 2003 as disclosed in Note 1 above, 100,000,000 shares of the Company were acquired by Smart Number which represent 66.67% of the then issued share capital and is therefore obliged under Rule 26.1 of the Hong Kong Code on Takeovers and Merger to make a mandatory cash offer (the "Offer") for all the then issued shares capital. After the close of the Offer on 2 January 2004, Smart Number received valid acceptances in respect of 50,000 shares. Taking into account the above, Smart Number is interested in 100,050,000 shares in total at the date of this interim report.

Save as disclosed above, none of the directors or chief executives of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS

At 31 December 2003, to the best knowledge of the directors, the parties (other than a director or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO were as follows:

| Name of shareholder | Number of ordinary shares of HK\$0.10 each held | Interest % |
|----------------------------------|--|---------------|
| Smart Number Investments Limited | 100,000,000 | 66.67 |

Note: The above interest in the name of Smart Number was also disclosed as interests of certain directors under the heading "Directors' interests in shares".

Save as disclosed above, the directors are not aware of any other persons who, as at 31 December 2003, had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

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

During the period, there was no purchase, sale or redemption by the Company or any of its subsidiary companies of the Company's listed securities.

AUDIT COMMITTEE

The Audit Committee is composed of the two independent non-executive directors of the Company. Its principal duty is to review and supervise the Company's and the Group's financial reporting process and internal controls. It has reviewed the unaudited interim report of the Group for the six months ended 31 December 2003.

CODE OF BEST PRACTICE

None of the directors is aware of information that would reasonably indicate that the Company is not, or was not for any part of the accounting period for the six months ended 31 December 2003, in compliance with the Code of Best Practice set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange, except that the independent non-executive directors of the Company are not appointed for specific terms and are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provisions of the Company's bye-laws.

APPRECIATION

On behalf of the Board, I would like to thank our customers, suppliers, bankers, staffs and our shareholders for their support during the period. Meanwhile, I would also like to express our sincere appreciation to Mr. Sher Tak Chi, Ms Kang Hsiao Fang, Mr. Sher Kam Hong and Ms Sher Ching Yee, who have resigned from the Board on 2 January 2004 for their previous efforts and commitments to the success of the Group.

By Order of the Board
WONG Chong Kwong Derek
Chairman

Hong Kong, 27 February 2004

