



03/04

Interim Report



HENG TAI CONSUMABLES GROUP LIMITED
(incorporated in the Cayman Islands with limited liability)

The board of directors (the "Board" or "Directors") of Heng Tai Consumables Group Limited (the "Company") is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively the "Group") for the six months ended 31 December 2003 (the "Period"). The results have been reviewed by the audit committee of the Company (the "Audit Committee").

CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended 31 December	
	Notes	2003 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000
TURNOVER	2, 3	333,246	305,691
Cost of sales		(279,361)	(256,474)
Gross profit		53,885	49,217
Other revenue		745	545
Selling and distribution expenses		(13,124)	(13,357)
Administrative expenses		(5,453)	(6,027)
Other operating expenses		(406)	-
OPERATING PROFIT	3, 4	35,647	30,378
Finance costs	5	(979)	(672)
PROFIT BEFORE TAXATION		34,668	29,706
Taxation	6	(30)	(5,323)
NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS		34,638	24,383
EARNINGS PER SHARE	8		
– Basic		HK5.8 cents	HK4.9 cents
– Diluted		HK5.8 cents	HK4.9 cents

CONDENSED CONSOLIDATED BALANCE SHEET

		31 December 2003 (Unaudited) HK\$'000	30 June 2003 (Audited) HK\$'000
	Notes		
NON-CURRENT ASSETS			
Intangible assets		18,825	19,875
Fixed assets		6,395	7,200
Construction in progress		29,079	22,463
Deposit for acquisition of a long term investment		–	14,151
Interest in an associate		14,151	–
Investment in a club membership		108	108
		68,558	63,797
CURRENT ASSETS			
Inventories		56,059	44,195
Trade receivables	9	67,198	61,038
Prepayments, deposits and other receivables		6,210	9,743
Bank and cash balances		119,065	101,386
		248,532	216,362
CURRENT LIABILITIES			
Trade payables	10	12,324	11,394
Other payables and accruals		10,710	6,987
Short-term borrowings		57,290	50,585
Current portion of long-term borrowings		6,161	3,167
Provision for taxation		62	32
		86,547	72,165
NET CURRENT ASSETS		161,985	144,197
TOTAL ASSETS LESS CURRENT LIABILITIES		230,543	207,994
NON-CURRENT LIABILITIES			
Long-term borrowings		9,397	12,478
NET ASSETS		221,146	195,516
CAPITAL AND RESERVES			
Share capital	11	6,005	6,005
Reserves		215,141	189,511
SHAREHOLDERS' FUNDS		221,146	195,516

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital HK\$'000	Share premium HK\$'000	Proposed final dividend HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 July 2002	5,000	24,502	5,005	68,866	103,373
Shares issued on exercise of share options	5	163	-	-	168
Final dividend in respect of the previous year approved and paid	-	-	(5,005)	-	(5,005)
Net profit for the period	-	-	-	24,383	24,383
	<u>5,005</u>	<u>24,665</u>	<u>-</u>	<u>93,249</u>	<u>122,919</u>
At 31 December 2002	<u>5,005</u>	<u>24,665</u>	<u>-</u>	<u>93,249</u>	<u>122,919</u>
At 1 July 2003	6,005	80,022	9,008	100,481	195,516
Final dividend in respect of the previous year approved and paid	-	-	(9,008)	-	(9,008)
Net profit for the period	-	-	-	34,638	34,638
	<u>-</u>	<u>-</u>	<u>-</u>	<u>34,638</u>	<u>34,638</u>
At 31 December 2003	<u>6,005</u>	<u>80,022</u>	<u>-</u>	<u>135,119</u>	<u>221,146</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six months ended	
	31 December	
	2003	2002
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
NET CASH GENERATED FROM OPERATING ACTIVITIES	33,514	44,859
NET CASH USED IN INVESTING ACTIVITIES	(6,740)	(15,211)
NET CASH USED IN FINANCING ACTIVITIES	(9,095)	(4,837)
NET INCREASE IN CASH AND CASH EQUIVALENTS	17,679	24,811
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	101,386	37,508
CASH AND CASH EQUIVALENTS AT END OF PERIOD	119,065	62,319
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Bank and cash balances	119,065	64,006
Bank overdrafts	-	(1,687)
	119,065	62,319

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2003

1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

These unaudited condensed consolidated interim financial statements have been prepared in accordance with Statement of Standard Accounting Practice ("SSAP") No. 25 "Interim Financial Reporting", issued by the Hong Kong Society of Accountants ("HKSA") and the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). They should be read in conjunction with the annual financial statements and notes thereto included in the annual report of the Group for the year ended 30 June 2003.

The accounting policies and methods of computation used in the preparation of these condensed consolidated interim financial statements are consistent with those adopted in the annual financial statements for the year ended 30 June 2003 except that the Group has adopted the revised SSAP No. 12 "Income Taxes", issued by the HKSA which is effective for accounting periods commencing on or after 1 January 2003. The adoption of the above standard has had no significant effect on the results for the current or prior accounting periods. Accordingly, no prior period adjustments were required.

The following additional accounting policy has been adopted in respect of the interest in an associate for the six months ended 31 December 2003:

Associates

An associate is an enterprise in which the Group has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

The Group's share of the post-acquisition results and reserves of associates is included in the consolidated income statement and the statement of changes in equity respectively. The Group's interests in associates are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting.

2. TURNOVER

Turnover represents the net invoiced values of goods sold, after allowances for returns and trade discounts when applicable. All significant intra-group transactions have been eliminated on consolidation.

3. SEGMENT INFORMATION

Segment information is presented by way of two segment formats:

- (a) on a primary segment reporting basis, by geographical segment; and
- (b) on a secondary segment reporting basis, by business segment.

The principal activity of the Group is the distribution of packaged food, beverages, household consumable products and fresh fruit, which is managed according to the geographical location of customers.

Each of the Group's geographical segments, based on the location of customers, represents a strategic business unit that offers products to customers located in different geographical areas which are subject to risks and returns that are different from those of other geographical segments.

(a) Geographical segments

During the Period, over 90% of the Group's revenue, results, assets and liabilities were attributed to the geographical segment of customers based in the People's Republic of China (the "PRC").

(b) Business segments

During the Period, all of the Group's revenue, results, assets and liabilities were attributed to the distribution of packaged food, beverages, household consumable products and fresh fruit.

4. OPERATING PROFIT

Operating profit is arrived at after charging/(crediting):

	Six months ended	
	31 December	
	2003	2002
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Amortisation of intangible assets	1,050	75
Depreciation	811	1,640
Interest income	(213)	(545)
	<u> </u>	<u> </u>

5. FINANCE COSTS

	Six months ended	
	31 December	
	2003	2002
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest on bank loans and overdrafts wholly repayable within five years	967	672
Interest element of finance leases	12	-
	<u> </u>	<u> </u>
	<u>979</u>	<u>672</u>

6. TAXATION

	Six months ended 31 December	
	2003 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000
Current period provision:		
Hong Kong	30	–
Macau	–	5,323
	<hr/>	<hr/>
	30	5,323
	<hr/> <hr/>	<hr/> <hr/>

Hong Kong profits tax is provided at the rate of 17.5% on the assessable profit for the Period. No provision for Hong Kong profits tax was required for the six months ended 31 December 2002 since the Group had no assessable profit for that period.

Taxation on overseas profits has been calculated on the estimated assessable profit for the Period at the rates of taxation prevailing in the countries in which the subsidiaries operate.

There were no significant unprovided deferred tax liabilities/assets at the balance sheet date (2002: Nil).

7. DIVIDEND

- (a) The Directors do not recommend the payment of an interim dividend for the Period (2002: HK\$0.01 per ordinary share).
- (b) Dividend attributable to the previous financial year, approved and paid during the Period

	Six months ended 31 December	
	2003 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000
Final dividend in respect of the previous financial year, approved and paid during the Period, of HK\$0.015 (2002: HK\$0.01) per ordinary share	9,008	5,005
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8. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the Group's net profit attributable to shareholders for the Period of approximately HK\$34,638,000 (2002: HK\$24,383,000) and on 600,500,000 (2002: 500,472,826) ordinary shares in issue during the Period.

The calculation of diluted earnings per share for the Period is based on the Group's net profit attributable to shareholders for the Period of approximately HK\$34,638,000 (2002: HK\$24,383,000) and on 601,122,000 (2002: 500,545,298) ordinary shares, being 600,500,000 (2002: 500,472,826) ordinary shares in issue during the Period, as used in the basic earnings per share calculation plus 622,000 (2002: 72,472) ordinary shares assumed to have been issued at no consideration on the deemed exercise of the share options outstanding during the Period.

9. TRADE RECEIVABLES

The Group normally allows credit terms to established customers ranging from 15 to 90 days. Full provision is made for outstanding debts aged over 365 days.

An aging analysis of the trade receivables as at the balance sheet date, based on the date of recognition of the sales, is as follows:

	31 December 2003 (Unaudited) HK\$'000	30 June 2003 (Audited) HK\$'000
1 – 30 days	54,260	32,374
31 – 60 days	12,545	28,644
61 – 90 days	393	20
	67,198	61,038

10. TRADE PAYABLES

The Group normally obtains credit terms ranging from 30 to 90 days from its suppliers.

An aging analysis of the trade payables as at the balance sheet date, based on the receipt of goods purchased, is as follows:

	31 December 2003 (Unaudited) HK\$'000	30 June 2003 (Audited) HK\$'000
1 – 30 days	11,478	9,033
31 – 60 days	605	2,120
61 – 90 days	241	241
	12,324	11,394

11. SHARE CAPITAL

	31 December 2003		30 June 2003	
	Number of Shares '000	Amount HK\$'000	Number of Shares '000	Amount HK\$'000
Authorised:				
Ordinary shares of HK\$0.01 each	<u>2,000,000</u>	<u>20,000</u>	<u>2,000,000</u>	<u>20,000</u>
Issued and fully paid:				
Ordinary shares of HK\$0.01 each	<u>600,500</u>	<u>6,005</u>	<u>600,500</u>	<u>6,005</u>

The detailed movements in share capital during the Period were disclosed in the Condensed Consolidated Statement of Changes in Equity.

12. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities at the balance sheet date (30 June 2003: Nil). At 31 December 2003, the Company had provided corporate guarantees to banks for banking facilities provided to certain subsidiaries of the Company. These banking facilities had been utilised to the extent of approximately HK\$72,290,000 at the balance sheet date (30 June 2003: HK\$65,986,000).

13. COMMITMENTS**(a) Capital commitments**

The Group had the following capital commitments at the balance sheet date:

	31 December 2003 (Unaudited) HK\$'000	30 June 2003 (Audited) HK\$'000
Contracted but not provided for		
– Construction in progress	<u>1,762</u>	<u>8,378</u>

The Company did not have any significant capital commitments at 31 December 2003 (30 June 2003: Nil).

(b) Operating lease commitments

At 31 December 2003, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of leasehold land and buildings as follows:

	31 December 2003 (Unaudited) HK\$'000	30 June 2003 (Audited) HK\$'000
Within one year	1,599	1,321
In the second to fifth years, inclusive	3,591	3,247
	5,190	4,568

The Company did not have any operating lease commitments at 31 December 2003 (30 June 2003: Nil).

14. POST BALANCE SHEET EVENTS

- (a) Pursuant to a share purchase agreement dated 11 January 2004, Master Oriental Limited ("Master Oriental"), a wholly-owned subsidiary of the Company, acquired an aggregate of 175,560,000 shares ("Sale Shares"), representing 18.83% of the issued share capital of Daqing Petroleum and Chemical Group Limited ("Daqing") at a cash consideration of approximately HK\$86,902,000. The shares of Daqing are listed on the Main Board of the Stock Exchange. The consideration paid by Master Oriental was arrived at after arm's length negotiations and represented a premium of approximately 37% over the net asset value of the Sale Shares as at 30 June 2003 and a discount of approximately 27% for each of the Sale Shares (being HK\$0.495) to its closing price of HK\$0.68 per share as quoted on the Stock Exchange on Friday, 9 January 2004. Details of the acquisition were set out in the Company's circular dated 2 February 2004.
- (b) On 11 March 2004, the Board proposed to capitalise the required amount standing to the credit of share premium account of the Company for allotment of bonus shares of HK\$0.01 each issued, credited as fully paid at par on the basis of one bonus share for every five existing shares in the issued share capital of the Company held by the shareholders whose names appear on the register of member of the Company on 23 April 2004. A circular containing details of, among others, the proposed bonus issue will be sent to shareholders of the Company in due course.

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the Period (2002: HK\$0.01 per ordinary share).

PROPOSED BONUS ISSUE OF SHARES

The Directors propose a bonus issue of shares (the "Bonus Shares") to the shareholders whose names appear on the register of members of the Company on 23 April 2004, on the basis of one Bonus Share for every five ordinary shares of HK\$0.01 each in the issued share capital of the Company held by such shareholders (the "Bonus Share Issue"). Based on the issued share capital of the Company as at the date of this interim report, 120,100,000 additional ordinary shares of HK\$0.01 each will be issued as Bonus Shares. The Bonus Shares will be credited as fully paid at par and will rank *pari passu* with the then issued shares in all respects with effect from the date of issue, except that they will not rank for the proposed Bonus Share Issue.

The Bonus Share Issue is conditional upon the granting by the Listing Committee of the Stock Exchange of the listing of and permission to deal in the Bonus Shares.

Application will be made to the Stock Exchange for the listing of and permission to deal in the Bonus Shares.

Subject to fulfillment of the above condition, certificates for the Bonus Shares are expected to be dispatched to shareholders on or about 5 May 2004. A circular containing details of, among others, the proposed Bonus Share Issue will be sent to shareholders in due course.

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from Wednesday, 21 April 2004 to Friday, 23 April 2004 (both days inclusive), during which period no transfer of shares will be registered. For ascertaining shareholders' entitlement to the proposed Bonus Shares, all share transfer documents together with the relevant share certificates must be lodged with the Company's branch share registrar, Tengis Limited at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not later than 4:00 p.m. on Tuesday, 20 April 2004.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial performance

The Group has achieved a continuous uplift in turnover and an encouraging result during the six months ended 31 December 2003 (the "Period"). The long-lasting increment of the gross domestic product in PRC has translated into strong demand driven forces in the PRC consumer market. The huge consumer spending power resumed and was unfettered when the Severe Acute Respiratory Syndrome ("SARS") was swiftly and successfully brought under control in the second half of the year under review.

During the Period under review, the Group achieved a turnover of HK\$333.2 million, representing an increase of approximately 9% when compared with the same period last year and approximately 35% when compared with the immediately preceding six months' period ended 30 June 2003. The uplift in turnover was mainly attributable to the surge in sales as a result of post SARS rapid recovery and the Group's expanding distribution network in the PRC.

Gross profit margin increased slightly due to the product and customer mix refinement during the Period when compared with the same period last year. Profit from ordinary activities attributable to shareholders for the Period was HK\$34.6 million, representing an increase of approximately 42% when compared with the same period last year and approximately 56% when compared with the immediately preceding six months' period ended 30 June 2003. The growth in net profit was mainly attributable to the increase in sales quantity, distribution of products with a higher gross profit margin and operating cost savings from implementing more stringent cost control measures.

Business development and prospect

The Group is principally engaged in the distribution of packaged food, beverages, household consumable products and fresh fruit. The Group's products were mainly sourced from the Southeast Asia, the United States of America, Europe, Australia and New Zealand and sold to wholesalers, retailers and on-premise customers in the PRC. Wholesalers are still the main customer category and the Group sets to reallocate more resources in expanding its customer base in retailer and on-premise sectors.

During the Period under review, the Group has consistently performed as a fast growing one-stop services platform provider conducting distribution, brand-building and value-added functions for the fast moving consumable goods and fresh produce industry. This is in line with the Group's expansion strategy to create business growth by delivering the differentials.

To strengthen the Group's competitiveness and further its future development, the Group has undertaken certain well-defined development projects, which are well underway during the year. The scheduled completion of the logistics, processing and repacking plant in Shanghai of the PRC in the middle of the year will deliver a tangible transformation to broaden the Group's scope of services by diversifying from a distribution mentality to a service-oriented conglomerate. With the PRC's accession into to the World Trade Organisation, changes including reduction in import tariffs, enlargement of import quotas and simplified customer procedures will generate much stronger motivation for overseas suppliers to enter into the lucrative PRC consumer market. The new infrastructure and facilities will create plenty of room for the Group's further expansion as they aim to accommodate the needs from overseas suppliers seeking to a one-stop processing, repacking and logistics platform for the distribution of their products to the PRC consumer market.

During the Period under review, the Group has exercised its right to convert the deposit of RMB15 million into 15% equity interest of a newly formed company. This company is principally engaged in the construction and development of a fresh produce logistic centre in Zhongshan of the PRC. This fresh produce logistic centre will be built at a parcel of land with a site area of approximately 80,000 sq.m. and upon the scheduled completion in the first quarter of year 2005, it will address the ever-growing demand from importers and exporters of fresh produce through provision of packaging, grading, export certification systems, marketing and distributing in the PRC. The Group is making a bid to the operation management right for the fresh produce logistic centre and evaluating to increase its stake to RMB40 million if such right is secured.

On 11 January 2004, the Group acquired 18.83% of the issued share capital of Daqing at a consideration of approximately HK\$87 million. Daqing is a public company listed on the Main Board of the Stock Exchange and its subsidiaries are mainly engaged in the manufacture and sale of petroleum refined products. By the end of February 2004, the Group appointed three directors to sit in the board of Daqing to participate in its financial and operating policies decisions and initiate the business synergy between the two entities. On the business front, the Group considers that through forming the strategic alliance by the Company's shareholding in Daqing, the Company will be able to expand its distribution network and customer portfolio to other parts of the PRC where Daqing has established strong business network, especially those gas station convenient stores in the Northern part of the PRC which have developed business relationships with Daqing throughout the years. On the financial front, Daqing has demonstrated strong profitability in its track records. Through the significant influence by the Group's representation in Daqing's board of directors, the Group's net profit and hence shareholder value are expected to be further uplifted for the current financial year by equity accounting for Daqing's net profit in accordance with the Group's equity interest in Daqing since the date of the acquisition.

With its extensive and well-established distribution network and management experience and expertise, the Group will continue to develop and reinforce opportunities for its core distribution business as well as seizing new growth opportunities, with an aim to strive for utmost return to shareholders.

Capital structure, liquidity and financial resources

The Group finances its operations and business development with internally generated resources and banking facilities provided by its principal bankers in Hong Kong.

At 31 December 2003, the Group had interest-bearing bank borrowings of HK\$72.3 million (30 June 2003: HK\$65.6 million) of which over 90% of the bank borrowings was denominated in Hong Kong dollars and approximately 80% was mature within one year. All of the Group's banking borrowings were floating-interest bearing. At 31 December 2003, the Group's banking facilities were secured by corporate guarantees given by the Company and certain subsidiaries of the Company.

A significant portion of the sales and purchases of the Group are either denominated in Hong Kong dollars or US dollars. Accordingly, the Directors consider that the Group has no significant exposure to foreign exchange fluctuations in view of the stability of the exchange rates between Hong Kong dollars and US dollars. During the Period under review, the Group did not use any financial instrument for hedging purposes and the Group did not have any hedging instrument outstanding as at 31 December 2003.

At 31 December 2003, the Group had current assets of HK\$248.5 million (30 June 2003: HK\$216.4 million) and current liabilities of HK\$86.5 million (30 June 2003: HK\$72.2 million). The Group's current ratio remained fairly stable at approximately 2.9 as at 31 December 2003 (30 June 2003: 3.0). At 31 December 2003, the Group had total assets of HK\$317.1 million (30 June 2003: HK\$280.2 million) and total liabilities of HK\$95.9 million (30 June 2003: HK\$84.6 million). As there was no significant change in the Group's capital and debt structure, the Group's gearing ratio remained fairly stable at approximately 22.8% as at 31 December 2003 as compared with approximately 23.4% as at 30 June 2003. The gearing ratio is expressed as a ratio of bank borrowings to total assets.

Number and remuneration of employees

At 31 December 2003, the Group employed 61 staff for its operations in Hong Kong, Macau and the PRC. The Group's employees are remunerated in accordance with their work performance and experience. The Group also participates in a defined Mandatory Provident Fund Scheme for its

staff in Hong Kong and a retirement benefit scheme for its staff in the PRC. The Group has adopted a share option scheme of which the Board may, at its discretion, grant options to participants of the share option scheme. At the date of this interim report, a total of 1,000,000 share options remain unexercised.

DISCLOSURE OF ADDITIONAL INFORMATION

Directors' interests and short positions in equity or debt securities

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

Ordinary shares of HK\$0.01 each in the Company

Name of director	Notes	Nature of interest	Number of ordinary shares held
Mr. Lam Kwok Hing	1	Corporate	180,000,000
Ms. Lee Choi Lin, Joecy	2	Corporate	51,000,000
Mr. Fong Yiu Ming, Anson	3	Corporate	16,000,000
Mr. Chu Ki	4	Corporate	16,000,000

Notes:

- These shares are owned by Best Global Asia Limited ("Best Global"), a company incorporated in the British Virgin Islands (the "BVI"). The entire issued share capital of Best Global is beneficially owned by Mr. Lam Kwok Hing, the spouse of Ms. Lee Choi Lin, Joecy.
- These shares are owned by World Invest Holdings Limited ("World Invest"), a company incorporated in the BVI. The entire issued share capital of World Invest is beneficially owned by Ms. Lee Choi Lin, Joecy, the spouse of Mr. Lam Kwok Hing.
- These shares are owned by Eshanghai Holdings Limited ("Eshanghai"), a company incorporated in the BVI. The entire issued share capital of Eshanghai is beneficially owned by Mr. Fong Yiu Ming, Anson.
- These shares are owned by Asia Startup Group Limited ("Asia Startup"), a company incorporated in the BVI. The entire issued share capital of Asia Startup is beneficially owned by Mr. Chu Ki.

Save as disclosed above, none of the Directors, chief executive or their associates had any personal, family, corporate or other interests in the equity securities of the Company or any of its associated corporations as defined in the SFO.

Directors' rights to acquire shares or debentures

Save as disclosed under the heading "Share option scheme" below, 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 subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

Share option scheme

The following share options were outstanding under the share option scheme during the Period:

Name or category of participant	Number of share options				Date of grant of shares option	Exercise period of share options	Exercise price of share options HK\$	Price of Company's shares at grant date of options HK\$
	At 1 July 2003	Granted during the period	Exercised during the period	At 31 December 2003				
Independent Non-executive director								
Mr. Mak Yiu Wah, Bilan (Resigned on 26 November 2003)	500,000	-	-	500,000	30 April 2002	1 May 2002 to 30 April 2012	0.335	0.330
Mr. John Handley	500,000	-	-	500,000	30 April 2002	1 May 2002 to 30 April 2012	0.335	0.330
	<u>1,000,000</u>	<u>-</u>	<u>-</u>	<u>1,000,000</u>				

Substantial shareholders

At 31 December 2003, the registrar of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that the following shareholders had notified the Company of relevant interests in the issued share capital of the Company.

Name	Notes	Number of ordinary shares held	Percentage of issued share capital of the Company
Best Global	1	180,000,000 #	30.0%
World Invest	2	51,000,000 #	8.5%
Enormous Happy Limited		32,000,000	5.3%

The shareholding is duplicated in the "Directors' interests and short positions in equity or debt securities" section above.

Notes:

1. The entire issued share capital of Best Global is beneficially owned by Mr. Lam Kwok Hing, an executive director.
2. The entire issued share capital of World Invest is beneficially owned by Ms. Lee Choi Lin, Joecy, an executive director.

Purchase, sale or redemption of shares

The Company did not redeem any of its shares during the Period under review. Neither the Company, nor any of its subsidiaries has purchased or sold any of the Company's shares during the Period.

Compliance with the Code of Best Practice of the Listing Rules

In the opinion of the Directors, the Company has complied with the Code of Best Practice (the "Code") as set out in Appendix 14 of the Listing Rules throughout the Period.

Audit Committee

The Company has an Audit Committee which was established in accordance with the requirements of the Code, for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. This interim report has been reviewed by the Audit Committee, but has not been audited by the auditors of the Company.

On behalf of the Board

Lam Kwok Hing

Chairman

Hong Kong, 11 March 2004