



United Pacific Industries

United Pacific Industries Limited

(Incorporated in Bermuda with limited liability)

(stock code : 00176)

Financial Highlights

- Turnover increased by 10% to HK\$183.9 million
- Adjusted operating profit increased by 14% to HK\$8.4 million
- Profit before taxation increased by 282% to HK\$8.4 million
- Earnings before interest, taxation, depreciation and amortization rose by 11% to HK\$14.9 million
- Earnings per share was 1.23 HK cents
- Net Cash of HK\$13.5 million

Business Review and Prospects

The following sets out the highlights of the financial results of United Pacific Industries Limited (the "Company") and its subsidiaries (the "Group") for the six-month period ended 30th September, 2004 with the comparative figures for the corresponding period in 2003.

	2004 HK\$ million	2003 HK\$ million	Change HK\$ million	Change %
Turnover	<u>183.9</u>	<u>167.1</u>	16.8	10%
Earnings before interest, taxation, depreciation & amortization	14.9	13.4	1.5	11%
Depreciation & amortization	(6.0)	(5.8)	(0.2)	3%
Net interest expense	<u>(0.5)</u>	<u>(0.2)</u>	(0.3)	150%
Adjusted operating profit	8.4	7.4	1.0	14%
Other non-operating items	<u>—</u>	<u>(5.2)</u>	5.2	100%
Profit before taxation	<u>8.4</u>	<u>2.2</u>	6.2	282%
Taxation				
- Tax provision for the period	(1.5)	—	(1.5)	N/A
- Underprovisions for the years of assessment from 1997/98 to 2001/02	—	(11.4)	11.4	100%
- Tax penalty	<u>—</u>	<u>(7.0)</u>	7.0	100%
Net profit (loss) for the period	<u>6.9</u>	<u>(16.2)</u>	23.1	143%

Group Overview

Group Results

- Net profit for the period was up by 143% to HK\$6.9 million, a turnaround from a loss (after exceptional tax provisions and tax expenses) of HK\$16.2 million in the interim period ended last year.
- An impressive growth in profit before taxation of 282%, being an increase by HK\$6.2 million to HK\$8.4 million as compared with the HK\$2.2 million recorded in the corresponding period last year.
- Despite overcapacity in electronic/electrical manufacturing services (EMS) industry and severe competition in the electronics industry, the Group continued to perform well:
 - Turnover rose by 10% to HK\$183.9 million over the corresponding period last year.
 - The Group's earnings before interest, taxation and depreciation ("EBITDA") for the period under review amounted to HK\$14.9 million, a steady increase of 11% or HK\$1.5 million.
 - Consistent with the increase in EBITDA, the Group's adjusted operating profit ("earnings before other non-operating items and taxation") also increased to HK\$8.4 million in current period, up by HK\$1.0 million or 14%.
- There were no "other non-operating items" in the period ended 30th September, 2004, compared to the corresponding period last year when the Company incurred an expense of HK\$5.2 million which represented the compensation payment made to directors in respect of management changes.
- In May 2003, a tax audit was commenced by the Hong Kong Inland Revenue Department (the "IRD") on certain subsidiaries of the Company in respect of the years of assessment from 1997/98 to 2001/02. Pursuant to a settlement agreement, without the directors admitting any liability, the Company agreed to pay the additional assessments of HK\$11.4 million for the years of assessment from 1997/98 to 2001/02 together with a compound tax penalty of HK\$7.0 million. As at the date of this report, the tax liabilities arising from the tax audit were fully settled.

Liquidity and Financial Resources

- As at 30th September, 2004, the Group had a bank and cash balance of HK\$40.0 million with certain trust receipts and bank loans amounting to HK\$26.5 million (a net cash balance of HK\$13.5 million), while the Group's net asset value was HK\$151.0 million, with a relatively healthy current ratio of 183% and a gearing ratio of nil balance (ratio of net bank debt to net asset value). The Group has adequate liquidity to meet its expected future working capital requirements.
- For exchange risk management, the Group adopted cautious financial measures to manage and minimize the exchange risk exposure, and in this regard, the Group endeavored to match the currencies of sales with those of purchase and trade finance in order to neutralize as much as possible the effect of currency exposure. Furthermore, the Group's borrowings to date are all denominated in Hong Kong dollars, while the non-Hong Kong dollar loans were either directly tied in with the Group's businesses in the countries of the currencies concerned or such loans were balanced by assets in the same currencies.

Financial and Operations Review

Voltage Converter and Rechargeable Battery Business Segment

- The voltage converter and rechargeable battery business faced tremendous challenges during the first six months of the financial year:
 - Rise in materials cost, particularly of plastics, metal and electronics components;
 - Tight component supply;
 - Severe downward pressure from customer on prices ; and
 - Change in the ordering pattern of customers, resulting in shorter product life cycle.
- The Group moved to address these issues by improving production efficiency, streamlining operations, optimizing the financial resources through on-going cost cutting and financial control measures wherever possible in order to maximize shareholders' value.
- The first six months of the financial year marked a turning point for the Group. The business returned to profitability from a net loss of HK\$16.2 million (after tax provisions and tax expenses) in the last period under review to a net profit of HK\$6.9 million, reflecting an increase of 143%.
- In response to changing trends in product demand in the electronics and telecommunications industry, we are progressively enhancing our competitiveness in the field of linear-mode power supply and switch-mode power supply products, expanding our manufacturing scope to OEM manufacturing of electrical or electronic home and personal appliances and increasing the sales volume of our power-tools products, chargers and related products (i.e. components, tooling and finished products). We remain optimistic that we can effectively compete with the main suppliers of power supply products, both for the high-end and the low-end market segments for the present.
- To fulfill our mission of creating a "one-stop shop" to our customers, we continued to strengthen the management team and build our undoubted strengths in tooling, molding, plastic injection and coil winding. We are well-equipped to offer our customers a one-stop, complete manufacturing package that would enable our customers to have all components of their electrical/ electronic products designed, manufactured, assembled, quality-checked and packaged at our facilities, and then shipped directly to them.

The Year Forward

- Barring unforeseen circumstances, UPI plans to adopt various strategies that will further increase our sales and improve our efficiency in order to assist our profitability.
- We will continue to move from being an OEM of linear adapters to being a provider of electronic/electrical manufacturing services, (EMS), with the objective of widening our product range and customer base.
- To succeed in a competitive environment, your management is focusing on improving our operational efficiencies and financial control measures while investing prudently in the on going business to remain competitive in the long term.
- We are confident that our Group will enter a new era of growth as we will continue to improve our products and competitive position.

By Order of the Board of
United Pacific Industries Ltd
Brian Cyril Beazer
Executive Chairman

Hong Kong, 17th December, 2004



Independent Review Report

TO THE BOARD OF DIRECTORS OF UNITED PACIFIC INDUSTRIES LIMITED

Introduction

We have been instructed by the directors of the Company to review the interim financial report set out on pages 8 to 20.

Directors' Responsibilities

The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the Statement of Standard Accounting Practice No. 25 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants and the relevant provisions thereof. The interim financial report is the responsibility of, and has been approved by, the directors.

It is our responsibility to form an independent conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Review Work Performed

We conducted our review in accordance with the Statement of Auditing Standards No. 700 "Engagements to review interim financial reports" issued by the Hong Kong Institute of Certified Public Accountants. A review consists principally of making enquiries of group management and applying analytical procedures to the interim financial report and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the interim financial report.

Review Conclusion

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the interim financial report for the six months ended 30th September, 2004.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

17th December, 2004

Condensed Consolidated Income Statement

For the six months ended 30th September, 2004

	Notes	1.4.2004 to 30.9.2004 HK\$ (unaudited)	1.4.2003 to 30.9.2003 HK\$ (unaudited)
Turnover	3	183,853,227	167,056,944
Cost of sales		<u>(156,899,667)</u>	<u>(145,265,636)</u>
Gross profit		26,953,560	21,791,308
Other operating income		980,092	935,048
Distribution costs		(1,576,724)	(1,768,154)
Administrative expenses		<u>(17,495,435)</u>	<u>(18,378,045)</u>
Profit from operations		8,861,493	2,580,157
Finance costs		<u>(470,905)</u>	<u>(388,673)</u>
Profit before taxation		8,390,588	2,191,484
Taxation	5	<u>(1,535,539)</u>	<u>(18,350,699)</u>
Net profit (loss) for the period		<u><u>6,855,049</u></u>	<u><u>(16,159,215)</u></u>
Earnings (loss) per share - Basic	6	<u><u>1.23 cents</u></u>	<u><u>(2.90) cents</u></u>

Condensed Consolidated Balance Sheet

At 30th September, 2004

	Notes	30.9.2004 HK\$ (unaudited)	31.3.2004 HK\$ (audited)
Non-current assets			
Goodwill		723,270	817,610
Investment properties	7	5,550,000	5,550,000
Property, plant and equipment	7	50,424,477	52,813,445
		<u>56,697,747</u>	<u>59,181,055</u>
Current assets			
Inventories		70,689,196	47,330,573
Debtors and prepayments	8	96,826,394	80,235,256
Bank balances, deposits and cash		39,982,581	45,993,854
		<u>207,498,171</u>	<u>173,559,683</u>
Current liabilities			
Creditors and accrued charges	9	81,571,054	43,233,838
Trust receipts and bank loans - secured		26,469,980	26,164,844
Obligations under finance leases - amount due within one year		152,598	147,233
Taxation payable		4,024,643	8,247,590
Dividend payable		1,393,800	—
		<u>113,612,075</u>	<u>77,793,505</u>
Net current assets		<u>93,886,096</u>	<u>95,766,178</u>
Total assets less current liabilities		150,583,843	154,947,233
Non-current liabilities			
Obligations under finance leases - amount due after one year		13,162	90,433
Net assets		<u>150,570,681</u>	<u>154,856,800</u>
Capital and reserves			
Share capital	10	55,705,840	55,705,840
Reserves		94,864,841	99,150,960
Shareholders' funds		<u>150,570,681</u>	<u>154,856,800</u>

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30th September, 2004

	Share capital HK\$	Share premium HK\$	Capital redemption reserve HK\$	Capital reserve HK\$	Translation reserve HK\$	Accumulated profits HK\$	Dividend reserve HK\$	Total HK\$
At 1st April, 2003	55,705,840	13,526,924	1,442,200	19,870,430	1,031,567	77,006,845	22,282,336	190,866,142
Net loss for the period	—	—	—	—	—	(16,159,215)	—	(16,159,215)
Dividend paid	—	—	—	—	—	—	(22,282,336)	(22,282,336)
At 30th September, 2003 and 1st October, 2003	55,705,840	13,526,924	1,442,200	19,870,430	1,031,567	60,847,630	—	152,424,591
Net profit for the period	—	—	—	—	—	2,432,209	—	2,432,209
Final dividend proposed	—	—	—	—	—	(11,141,168)	11,141,168	—
At 31st March, 2004 and 1st April, 2004	55,705,840	13,526,924	1,442,200	19,870,430	1,031,567	52,138,671	11,141,168	154,856,800
Net profit for the period	—	—	—	—	—	6,855,049	—	6,855,049
Dividend paid/payable	—	—	—	—	—	—	(11,141,168)	(11,141,168)
At 30th September, 2004	55,705,840	13,526,924	1,442,200	19,870,430	1,031,567	58,993,720	—	150,570,681

Condensed Consolidated Cash Flow Statement

For the six months ended 30th September, 2004

	1.4.2004 to 30.9.2004 HK\$ (unaudited)	1.4.2003 to 30.9.2003 HK\$ (unaudited)
Net cash from (used in) operating activities	<u>8,007,922</u>	<u>(5,519,659)</u>
Net cash (used in) from investing activities	<u>(4,505,057)</u>	<u>654,990</u>
Net cash used in financing activities:		
Dividend paid	(9,747,368)	(22,282,336)
Other financing cash flows	<u>233,230</u>	<u>7,999,143</u>
	<u>(9,514,138)</u>	<u>(14,283,193)</u>
Net decrease in cash and cash equivalents	(6,011,273)	(19,147,862)
Cash and cash equivalents at beginning of the period	<u>45,993,854</u>	<u>58,746,028</u>
Cash and cash equivalents at end of the period	<u><u>39,982,581</u></u>	<u><u>39,598,166</u></u>

Notes to the Condensed Financial Statements

For the six months ended 30th September, 2004

1. Basis of Preparation

The condensed financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Statement of Standard Accounting Practice (“SSAP”) No. 25 “Interim financial reporting” issued by the Hong Kong Institute of Certified Public Accountants.

2. Principal Accounting Policies

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

The accounting policies adopted are consistent with those followed in the preparation of the audited financial statements of the Company and its subsidiaries (the “Group”) for the year ended 31st March, 2004.

3. Segment Information

Business Segments

The Group's principal activities are manufacture and trading of voltage converters, coils and components for electrical/electronic/mechanical products and rechargeable battery products. These two business segments are the basis on which the Group reports its primary segment information. Segment information about these businesses is presented as below:

	Voltage converters, coils and components for electrical/ electronic/ mechanical products HK\$	Rechargeable battery products HK\$	Elimination HK\$	Consolidated HK\$
For the six months ended 30th September, 2004				
Turnover				
External sales	162,677,234	21,175,993	—	183,853,227
Inter-segment sales	<u>14,181,691</u>	<u>—</u>	<u>(14,181,691)</u>	<u>—</u>
	<u>176,858,925</u>	<u>21,175,993</u>	<u>(14,181,691)</u>	<u>183,853,227</u>

Inter-segment sales are charged at prevailing market rates.

3. Segment Information *(Continued)*

Business Segments *(Continued)*

	Voltage converters, coils and components for electrical/ electronic/ mechanical products HK\$	Rechargeable battery products HK\$	Consolidated HK\$
For the six months ended 30th September, 2004			
Result			
Segment result	7,075,381	1,839,880	8,915,261
Unallocated corporate expenses			(138,399)
Interest income			84,631
Finance costs			(470,905)
Profit before taxation			8,390,588
Taxation			(1,535,539)
Net profit for the period			6,855,049

3. Segment Information *(Continued)*

Business Segments *(Continued)*

	Voltage converters, coils and components for electrical/ electronic/ mechanical products HK\$	Rechargeable battery products HK\$	Elimination HK\$	Consolidated HK\$
For the six months ended 30th September, 2003				
Turnover				
External sales	149,254,779	17,802,165	—	167,056,944
Inter-segment sales	<u>2,293,063</u>	<u>—</u>	<u>(2,293,063)</u>	<u>—</u>
	<u>151,547,842</u>	<u>17,802,165</u>	<u>(2,293,063)</u>	<u>167,056,944</u>

Inter-segment sales are carried out at cost.

3. Segment Information *(Continued)*

Business Segments *(Continued)*

	Voltage converters, coils and components for electrical/ electronic/ mechanical products HK\$	Rechargeable battery products HK\$	Consolidated HK\$
For the six months ended 30th September, 2003			
Result			
Segment result	2,754,764	3,979,407	6,734,171
Unallocated corporate expenses			(4,350,288)
Interest income			196,274
Finance costs			(388,673)
Profit before taxation			2,191,484
Taxation			(18,350,699)
Net loss for the period			(16,159,215)

3. Segment Information *(Continued)*

Geographical Segments

The Group's operations are located in the Mainland China and Hong Kong of the People's Republic of China (the "PRC"). The following table provides an analysis of the Group's turnover by geographical market, irrespective of the origin of the goods:

	Turnover by geographical market	
	1.4.2004 to 30.9.2004 HK\$	1.4.2003 to 30.9.2003 HK\$
The PRC		
Hong Kong	33,235,774	44,439,899
Mainland China	18,787,043	16,199,521
	<hr/>	<hr/>
	52,022,817	60,639,420
United States of America, South America and Canada	67,676,581	57,372,154
Europe	43,996,279	38,271,193
Asia Pacific (excluding the PRC and Malaysia)	14,348,073	4,663,555
Malaysia	5,809,477	6,110,622
	<hr/>	<hr/>
	183,853,227	167,056,944
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4. Depreciation and Loss on Disposal of Property, Plant and Equipment

During the period, amortisation of goodwill, depreciation on property, plant and equipment and loss on write-off of property, plant and equipment of approximately HK\$94,000, HK\$5,952,000 and HK\$1,026,000 (nil, HK\$5,771,000 and HK\$126,000 for the six months ended 30th September, 2003) respectively were charged to the condensed consolidated income statement.

5. Taxation

1.4.2004 to 30.9.2004 HK\$	1.4.2003 to 30.9.2003 HK\$
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The charge comprises:

The Company and its subsidiaries:

Hong Kong Profits Tax

- Current period provision	1,535,539	—
- Overprovisions in prior years	—	(173,692)
- Additional assessments for the year of assessment from 1997/98 to 2001/02	—	11,524,391
- Tax penalty	—	7,000,000
	1,535,539	18,350,699
	1,535,539	18,350,699

Hong Kong Profits Tax is calculated at 17.5% of the estimated profit for the period.

No provision for Hong Kong Profits Tax has been made in the previous period as the estimated assessable profit was wholly absorbed by the tax loss brought forward.

6. Earnings (Loss) Per Share

The calculation of the basic and diluted earnings (loss) per share for each of the six-month periods ended 30th September, 2004 and 2003 is computed based on the following data:

	1.4.2004 to 30.9.2004 HK\$	1.4.2003 to 30.9.2003 HK\$
Earnings:		
Net profit (loss) for the period and earnings (loss) for the purposes of basic earnings per share	<u>6,855,049</u>	<u>(16,159,215)</u>
Number of shares:		
Weighted average number of shares for the purpose of basic earnings (loss) per share	<u>557,058,400</u>	<u>557,058,400</u>

No diluted earnings per share has been presented because the exercise price of the Company's outstanding share options was higher than the average market price of the Company's shares for the period ended 30th September, 2004.

For the six months ended 30th September, 2003, diluted loss per share has not been presented as the exercise of the Company's outstanding share options would reduce net loss per share.

7. Investments Properties and Property, Plant and Equipment

During the period, the Group spent approximately HK\$4,590,000 (HK\$3,051,000 for the six months ended 30th September, 2003) to acquire property, plant and equipment to expand its existing manufacturing capacity.

At 30th September, 2004, the directors have considered the carrying amounts of the Group's investment properties and have estimated that the carrying amounts do not differ significantly from that which would be determined using open market value at the balance sheet date. Consequently, no revaluation surplus or deficit has been recognised in the current period.

8. Debtors and Prepayments

At 30th September, 2004, the balance of debtors and prepayments included trade debtors of HK\$94,263,739 (HK\$76,833,964 at 31st March, 2004). The aging analysis of trade debtors at the reporting date is as follows:

	30.9.2004 HK\$	31.3.2004 HK\$
0-60 days	57,896,242	49,737,296
61-90 days	15,019,310	8,542,813
91-120 days	8,455,050	14,869,523
> 120 days	12,893,137	3,684,332
	<u>94,263,739</u>	<u>76,833,964</u>

The Group allows credit periods ranging from 90 to 120 days to its trade customers.

9. Creditors and Accrued Charges

At 30th September, 2004, the balance of creditors and accrued charges included trade creditors of HK\$69,554,456 (HK\$31,260,036 at 31st March, 2004). The aging analysis of trade creditors at the reporting date is as follows:

	30.9.2004 HK\$	31.3.2004 HK\$
0-60 days	62,277,662	29,382,942
61-90 days	3,186,999	547,271
> 90 days	4,089,795	1,329,823
	<u>69,554,456</u>	<u>31,260,036</u>

10. Share Capital

	Number of shares	Amount HK\$
Ordinary shares of HK\$0.10 each		
Authorised:		
At 31st March, 2004 and 30th September, 2004	1,000,000,000	100,000,000
	<u>1,000,000,000</u>	<u>100,000,000</u>
Issued and fully paid:		
At 31st March, 2004 and 30th September, 2004	557,058,400	55,705,840
	<u>557,058,400</u>	<u>55,705,840</u>

Interim Dividend

The directors of the Company have not recommended the payment of an interim dividend for the six months ended 30th September, 2004.

Directors' Interests in Securities of the Company and its Associated Corporations

As at 30th September, 2004, the interests and short positions of the Directors of the Company in the shares, underlying shares comprised in options and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") which are required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "SEHK") pursuant to divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken or are deemed to have under such provisions of the SFO) or which are required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which are required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, to be notified to the Company and the SEHK were as follows:

Long Positions

- (a) Ordinary shares of HK\$0.10 each of the Company

Name	Capacity	Number of ordinary shares	Percentage interest in the company's issued share capital
Mr Brian Cyril Beazer	Interest of a controlled corporation (Note 1)	98,050,400	17.60%
Mr David H Clarke	Interest of a controlled corporation (Note 2)	65,000,400	11.67%
Mr Ho Che Kong	Beneficial Owner	64,484,000	11.58%
Mr Simon N Hsu	Interest of a controlled corporation (Note 3)	6,287,158	1.13%

Note:

1. The majority of these shares are owned by BC Beazer Asia Pte Ltd., a company in which Mr Brian Cyril Beazer has 50% equity interest.
2. These shares are held by GSB Holdings, Inc. a company controlled by Mr David H Clarke.
3. These shares are owned by Strategic Planning Assets Limited, a company in which Mr Simon N Hsu has 100% equity interest.

- (b) Non-voting deferred shares of HK\$100.00 each in a subsidiary
Pantene Industrial Co. Limited ("Pantene")

Name of Directors	Capacity	Number of non-voting deferred shares	Percentage to issued non-voting deferred shares of Pantene
Mr Ho Che Kong	Beneficial Owner	5,334	67%

- (c) Share options

Name of directors	Capacity	Number of options held	Number of underlying shares
Mr Simon N Hsu	Beneficial Owner	6,276,814	6,276,814
Mr Brian Cyril Beazer	Beneficial Owner	3,638,407	3,638,407
Mr Wong Hei Pui, Andy	Beneficial Owner	1,327,681	1,327,681
Mr David H Clarke	Beneficial Owner	819,204	819,204
		12,062,106	12,062,106

Other than as disclosed above, and except for nominee shares in certain subsidiaries held in trust for the Group at 30th September, 2004, neither the directors nor chief executive, nor any of their associates, had any interest or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations.

Substantial Shareholders

As at 30th September, 2004, the register 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:

Long Positions

Ordinary shares of HK\$0.10 each of the Company

Name of shareholders	Nature of interest	Number of shares held	Approximate percentage of issued shares
Mr Brian Cyril Beazer*	Interest in a controlled corporation	98,050,400	17.60%
Investor AB **	Interest in a controlled corporation	74,836,000	13.43%
Investor (Guernsey) II Ltd	Beneficial owner	74,836,000	13.43%
David H Clarke***	Interest in a controlled corporation	65,000,400	11.67%
Asian Corporate Finance Fund, L.P. ****	Interest in a controlled corporation	65,000,400	11.67%
Payawal Capital Limited	Beneficial owner	65,000,400	11.67%
Mr Ho Che Kong	Beneficial owner	64,484,000	11.58%
General Electric Capital Corporation (NY)	Beneficial owner	36,748,698	6.60%

* The majority of these shares are owned by BC Beazer Asia Pte Ltd., a company in which Mr Brian Cyril Beazer has 50% equity interest.

** These shares were held indirectly by Investor AB through its beneficial interest of the entire issued capital of Investor (Guernsey) II Ltd.

*** These shares are held by GSB Holdings, Inc. a company controlled by Mr David H Clarke.

**** These shares were held indirectly by Asian Corporate Finance Fund, L.P., through its beneficial interest of the entire issued capital of Payawal Capital Limited.

All interests disclosed above represent long positions in the shares of the Company.

Save as disclosed above, as at 30th September, 2004, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company.

Share Options and Directors' Rights to Acquire Shares or Debentures

- (a) Pursuant to a special general meeting of the Company held in April, 1994, the Company adopted an executives' share option scheme (the "1994 Scheme") for the primary purpose of providing incentives to the executive directors and eligible employees of the Company and its subsidiaries. According to the 1994 Scheme, the Board of Directors of the Company is authorised, at any time within ten years after the adoption date of the 1994 Scheme, to grant options to eligible participants to subscribe for shares in the Company at a subscription price equal to the higher of the nominal value of the shares and an amount, to be determined by the Committee administering the 1994 Scheme, which is not less than 80% of the average of the closing prices of the shares on The Stock Exchange of Hong Kong Limited on the five trading days immediately preceding the date the options are offered to the participant. The 1994 Scheme expired in April 2004, and thereafter, no further options can be issued under the 1994 Scheme. As at the date of this report, there are 6,000,000 options granted on 23rd July, 2003 under the 1994 Scheme which are still outstanding. Subject to vesting, they can be exercised at any time until 2013 at an exercise price of HK\$0.36, being the average of closing prices of the shares over five trading days before 23rd July, 2003.

The movements in the number of options outstanding during the period which have been granted to the directors of the Company and employees of the Group under the 1994 Scheme were as follows:

Name of directors	Date of grant	Exercise price HK\$	Outstanding at 1.4.2004	Number of option shares			Number of underlying shares
				Granted during the period	Lapsed during the period	Outstanding at 30.9.2004	
Mr Simon N Hsu	23.7.2003	0.36	3,000,000	—	—	3,000,000	3,000,000
Mr Brian Cyril Beazer	23.7.2003	0.36	2,000,000	—	—	2,000,000	2,000,000
Mr Wong Hei Pui, Andy	23.7.2003	0.36	1,000,000	—	—	1,000,000	1,000,000
Mr. Kan Yuk Chuen (resigned on 1st July 2004)	23.7.2003	0.36	1,000,000	—	(1,000,000)	—	—
Mr. Lawrence Oei (resigned on 2nd June 2004)	23.7.2003	0.36	1,000,000	—	(1,000,000)	—	—
			8,000,000	—	(2,000,000)	6,000,000	6,000,000
			8,000,000	—	(2,000,000)	6,000,000	6,000,000

The closing price of the Company's share immediately before 23rd July, 2003, the date option were granted under the 1994 Scheme, was HK\$0.34.

- (b) At a special general meeting of the Company held on 30th August, 2004, a new share option scheme was adopted (the "2004 Scheme"). The Board is authorized to grant options to eligible executive directors and employees of the Company and its subsidiaries (the "Group"), to subscribe for shares in the Company. The number of underlying shares available under this Scheme shall not, in aggregate, exceed 5% of the issued shares as at 30th August, 2004. The exercise price of the options shall be determined by the Committee administering the Scheme, and shall fall within the following prescribed parameters: they should not be less than (i) the par value of the shares, (ii) the closing price of the shares on the date of grant which must be a business day, and (iii) the average closing price of the shares over 5 consecutive trading days immediately preceding the date of grant. As at the date of this report, 8,683,554 options have been granted under the 2004 Scheme, which, subject to vesting, can be exercised at any time until 2014 at an exercise price of HK\$0.242.

The movements in the number of share options under the 2004 Scheme during the current financial period to date are as follows:

Name of directors	Date of grant	Exercise price HK\$	Outstanding at 1.4.2004	Number of option shares			Number of underlying shares
				Granted during the period	Lapsed during the period	Outstanding at 30.9.2004	
Mr Simon N Hsu	28.9.2004	0.242	—	3,276,814	—	3,276,814	3,276,814
Mr Brian Cyril Beazer	28.9.2004	0.242	—	1,638,407	—	1,638,407	1,638,407
Mr David H Clarke	28.9.2004	0.242	—	819,204	—	819,204	819,204
Mr Wong Hei Pui, Andy	28.9.2004	0.242	—	327,681	—	327,681	327,681
			—	6,062,106	—	6,062,106	6,062,106
Other employees	28.9.2004	0.242	—	2,621,448	—	2,621,448	2,621,448
			—	8,683,554	—	8,683,554	8,683,554
			—	8,683,554	—	8,683,554	8,683,554

The closing price of the Company's shares immediately before 28th September, 2004, the date options were granted under the 2004 Scheme during the period under review, was HK\$0.24.

The directors of the Company consider that it is not appropriate to disclose the value of options granted during the half-year ended 30th September, 2004, since any valuation of the options would be subject to a number of assumptions that would be subjective and uncertain. The directors of the Company believe that the evaluation of options based on speculative assumptions would not be meaningful and would be misleading to shareholders.

The financial impact of the share options granted is not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no charge is recorded in the income statement or balance sheet for their costs. Upon the exercise of the share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded in the share premium account.

Convertible Securities, Options, Warrants or Similar Rights

Other than the outstanding but unvested share options as set out above, the Company had no other outstanding convertible securities, options, warrants or other similar rights as at 30th September, 2004 and there had been no exercise of convertible securities, options, warrants or similar rights during the period.

Purchase, Sale or Redemption of the Company's Listed Securities

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

Pre-Emptive Rights

There is no provision for pre-emptive rights under the Company's Bye-laws although there are no restrictions against such rights under the laws in Bermuda.

Audit Committee

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters including the unaudited interim consolidated financial statements for the six months ended 30th September, 2004.

The members of the Audit Committee comprise Mr Henry Lim (Chairman) and Mr Ramon Sy Pascual, both independent non-executive directors, and Mr Ng Ching Wo, a non-executive director.

Code of Best Practice

None of the directors of the Company is aware of any information that would reasonably indicate that the Company is not or was not, for any part of the six months ended 30th September, 2004, in compliance with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities (The "Listing Rules") on The Stock Exchange of Hong Kong Limited ("The Stock Exchange").

Model Code for Securities Transactions by Directors

The Company has adopted its own Code for Securities Transactions by Officers (the “Code”) on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) under Appendix 10 to the Listing Rules of The Stock Exchange. All directors of the Company have confirmed, following specific enquiry by the Company, that they have complied with the required standard set out in the Model Code and the Code during the period under review.