



VARITRONIX INTERNATIONAL LIMITED



interim report  
2003

**RESULTS**

The Directors of Varitronix International Limited (the “Company”) announce that the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2003 with comparative figures for the corresponding period of last year are as follows:

**Consolidated Income Statement**

*for the six months ended 30 June 2003 – unaudited*

		<b>Six months ended 30 June</b>	
		<b>2003</b>	2002
			(restated)
	Note	<b>HK\$'000</b>	HK\$'000
<b>Turnover</b>	2	<b>613,050</b>	499,212
Other revenue		<b>13,177</b>	13,453
Other net income/(loss)		<b>17,253</b>	(253)
Changes in inventories of finished goods and work in progress		<b>(8,241)</b>	(28,924)
Raw material and consumables used		<b>(299,422)</b>	(200,796)
Loss on investment in mutual fund liquidated during the period		-	(10,471)
Staff costs		<b>(112,137)</b>	(100,627)
Depreciation		<b>(40,615)</b>	(38,795)
Other operating expenses		<b>(91,417)</b>	(72,591)
<b>Profit from operations</b>		<b>91,648</b>	60,208
Finance cost	3(a)	<b>(1,340)</b>	(1,846)
Share of losses of associate		<b>(3,682)</b>	(1,448)
<b>Profit from ordinary activities before taxation</b>	3	<b>86,626</b>	56,914
Taxation	4	<b>(10,226)</b>	(6,297)
<b>Profit from ordinary activities after taxation</b>		<b>76,400</b>	50,617
Minority interests		<b>(9,384)</b>	(1,734)
<b>Profit attributable to shareholders</b>		<b>67,016</b>	48,883
Interim dividend		<b>21,505</b>	13,341
Special interim dividend		<b>64,513</b>	-
Total interim dividends		<b>86,018</b>	13,341
Earnings per share	5		
Basic		<b>22.02 cents</b>	16.15 cents
Diluted		<b>21.97 cents</b>	16.14 cents

**Consolidated Balance Sheet**

As at 30 June 2003 – unaudited

		<b>At 30 June 2003</b>	At 31 December 2002 (restated)
	Note	<b>HK\$'000</b>	HK\$'000
<b>Non-current assets</b>			
Fixed assets		<b>414,647</b>	398,080
Intangible assets		<b>60,346</b>	31,704
Interest in associate		<b>12,802</b>	16,254
Non-trading securities		<b>226,790</b>	226,765
		<b>714,585</b>	672,803
<b>Current assets</b>			
Trading securities		<b>91,775</b>	84,562
Inventories		<b>223,974</b>	198,074
Trade and other receivables	6	<b>315,151</b>	284,714
Cash and cash equivalents	7	<b>409,114</b>	466,073
		<b>1,040,014</b>	1,033,423
<b>Current liabilities</b>			
Interest-bearing bank loan and overdrafts		<b>61,031</b>	61,706
Bills payable		<b>1,144</b>	63
Trade and other payables	8	<b>188,903</b>	163,685
Taxation		<b>17,811</b>	21,345
		<b>268,889</b>	246,799
<b>Net current assets</b>		<b>771,125</b>	786,624
<b>Total assets less current liabilities</b>		<b>1,485,710</b>	1,459,427
<b>Non-current liabilities</b>			
Convertible notes		<b>31,200</b>	31,200
Deferred taxation		<b>8,722</b>	10,143
		<b>39,922</b>	41,343
Minority interests		<b>37,531</b>	28,382
<b>NET ASSETS</b>		<b>1,408,257</b>	1,389,702
<b>CAPITAL AND RESERVES</b>			
Share capital	9	<b>76,762</b>	76,023
Reserves	10	<b>1,331,495</b>	1,313,679
		<b>1,408,257</b>	1,389,702

**Condensed Consolidated Statement of Changes in Equity**

*For the six months ended 30 June 2003 – unaudited*

	<b>2003</b> <b>HK\$'000</b>	2002 HK\$'000
Total equity at 1 January	<b>1,399,845</b>	1,288,786
Effect of adopting HK SSAP 12 (Revised)	<b>(10,143)</b>	(16,984)
As restated	<b>1,389,702</b>	1,271,802
<b>Surplus on revaluation of non-trading securities</b>	<b>1,777</b>	7,876
<b>Exchange translation differences</b>	<b>2,261</b>	2,586
<b>Net gains not recognised in the income statement</b>	<b>4,038</b>	10,462
<b>Net profit for the period:</b>		
As previously reported		44,349
Prior year adjustment arising from change in accounting policy for deferred taxation		4,534
Net profit for the period (2002: as restated)	<b>67,016</b>	48,883
Dividends approved in respect of the previous year	<b>(66,901)</b>	(19,674)
<b>Revaluation (surplus)/deficit transferred to the income statement on disposal/liquidation of securities</b>	<b>(768)</b>	10,511
<b>Movements in share capital</b>	<b>15,170</b>	611
<b>Total equity at 30 June</b>	<b>1,408,257</b>	1,322,595

**Condensed Consolidated Cash Flow Statement**

*For the six months ended 30 June 2003 – unaudited*

	<b>Six months ended 30 June</b>	
	<b>2003</b>	2002
	<b>HK\$'000</b>	HK\$'000
Net cash inflow from operating activities	<b>68,878</b>	68,241
Net cash used in investing activities	<b>(75,455)</b>	(10,136)
Net cash used in financing activities	<b>(47,660)</b>	(12,228)
	<hr/>	<hr/>
(Decrease)/increase in cash and cash equivalents	<b>(54,237)</b>	45,877
Effect of foreign exchange rates changes	<b>2,476</b>	2,629
Cash and cash equivalents at 1 January	<b>460,875</b>	347,776
	<hr/>	<hr/>
Cash and cash equivalents at 30 June	<b>409,114</b>	396,282
	<hr/>	<hr/>
<b>Analysis of the balances of cash and cash equivalents</b>		
Cash at bank and in hand	<b>71,326</b>	85,654
Deposits with banks and other financial institutions	<b>337,788</b>	358,067
Bank overdrafts	<b>-</b>	(47,439)
	<hr/>	<hr/>
	<b>409,114</b>	396,282
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Notes:-

## 1. Basis of preparation

This unaudited interim report has been prepared in accordance with the requirements of the Rules Governing the Listing of Securities (the "Listing Rules") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), including compliance with Statement of Standard Accounting Practice ("SSAP") 25 "Interim financial reporting" issued by the Hong Kong Society of Accountants (the "HKSA").

The same accounting policies and basis of preparation adopted in the Group's 2002 audited annual financial statements have been applied to the 2003 interim report with the exception of a change in accounting policy to comply with SSAP 12 (revised) "Income taxes" issued by the HKSA as described below.

In prior years, deferred tax liabilities were provided using the liability method in respect of the taxation effect arising from all material timing differences between the accounting and tax treatment of income and expenditure, which were expected with reasonable probability to crystallize in the foreseeable future. Deferred tax assets were not recognized unless their realisation was assured beyond reasonable doubt. Pursuant to SSAP 12 (revised), deferred taxation is provided in full, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values in the financial statements. Deferred tax liabilities are provided in full on all taxable temporary differences while deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

The adoption of the SSAP 12 (revised) represents a change in accounting policy. The change has been applied retrospectively resulting in prior period adjustments with the opening balances of the retained profits as at 1 January 2002 and 2003 restated by reductions of HK\$16,984,000 and HK\$10,143,000 respectively. This change in accounting policy has also resulted in an increase of HK\$1,421,000 (2002: HK\$4,534,000) in the profit attributable to shareholders for the six months ended 30 June 2003.

## 2. Segmental information

Segment information is presented in respect of the Group's business and geographical segments. Business segment information is chosen as the primary reporting format because this is more relevant to the Group's internal financial reporting.

As all of the Group's turnover and profits were derived from the design, manufacture and sale of liquid crystal displays and related products, accordingly no separate business segment analysis is presented for the Group. In presenting information on the basis of geographical segments, segment revenue is based on the geographical locations of customers. Segment assets and capital expenditure are based on the geographical location of the assets.

	Segment assets		Capital expenditure incurred for	
	as at 30 June 2003 HK\$'000	as at 31 December 2002 HK\$'000	the period ended 30 June 2003 HK\$'000	the year ended 31 December 2002 HK\$'000
Hong Kong and PRC	1,447,974	1,394,855	75,453	87,511
Rest of Asia	152,315	152,687	10,151	9,941
Europe	85,450	86,056	448	1,667
North America	25,194	24,669	26	26

The analysis of the geographical locations of the turnover of the Group during the financial period is as follows:

	Six Months ended 30 June	
	2003 HK\$'000	2002 HK\$'000
France	65,383	77,398
United Kingdom	46,863	53,383
Germany	61,386	42,423
Other European countries	122,554	84,879
North America	45,489	65,914
Hong Kong and PRC	197,048	113,476
Rest of Asia	57,159	53,627
Others	17,168	8,112
	<b>613,050</b>	<b>499,212</b>

There is no major disparity in the ratios between turnover and profit in relation to the above geographical locations, hence no analysis is given of the profit contributions from the above geographical locations.

### 3. Profit from ordinary activities before taxation

Profit from ordinary activities before taxation is arrived at after charging/(crediting):

	Six Months ended 30 June	
	2003 HK\$'000	2002 HK\$'000
(a) Finance cost:		
Interest on bank advances and other borrowings repayable within five years	404	910
Interest on convertible notes	936	936
	<b>1,340</b>	<b>1,846</b>

	<b>Six Months ended 30 June</b>	
	<b>2003</b>	2002
	<b>HK\$'000</b>	HK\$'000
(b) Other items:		
Cost of inventories	<b>406,555</b>	314,407
Gain on disposal of fixed assets	-	(128)
(Gain)/loss on disposal of non-trading securities	<b>(768)</b>	40
(Gain)/loss on disposal of trading securities	<b>(3,634)</b>	3,820
Loss on revaluation of trading securities	<b>28</b>	880
Investment income	<b>(7,688)</b>	(8,357)
Other interest income	<b>(2,492)</b>	(2,887)
Rental income under operating leases	<b>(1,621)</b>	(1,568)
Other income	<b>(1,375)</b>	(641)

#### 4. Taxation

	<b>Six Months ended 30 June</b>	
	<b>2003</b>	2002
	<b>HK\$'000</b>	HK\$'000
Current tax		
Hong Kong taxation	<b>8,951</b>	5,553
Overseas taxation	<b>2,696</b>	5,278
	<b>11,647</b>	10,831
Deferred tax		
Origination and reversal of temporary differences	<b>(2,350)</b>	(4,534)
Attributable to increase in tax rate	<b>929</b>	-
	<b>(1,421)</b>	(4,534)
	<b>10,226</b>	6,297

The provision for Hong Kong Profits Tax is calculated at 17.5% (2002: 16%) of the estimated assessable profits for the six months ended 30 June 2003. Taxation for overseas subsidiaries is similarly charged at the appropriate current rates of taxation ruling in the relevant countries.

#### 5. Earnings per share

- (a) The calculation of basic earnings per share is based on the audited profit attributable to shareholders of HK\$67,016,000 (2002 (restated): HK\$48,883,000) and the weighted average number of 304,283,568 shares (2002: 302,596,895 shares) in issue during the period.
- (b) The calculation of diluted earnings per share is based on the unaudited adjusted profit attributable to shareholders of HK\$67,016,000 (2002 (restated): HK\$48,883,000) and the weighted average number of 304,980,385 shares (2002: 302,944,575 shares) after adjusting for the effects of all dilutive potential shares.

	<b>Six months ended 30 June</b>	
	<b>2003</b>	2002
	<b>Number of shares</b>	Number of shares
Weighted average number of shares for the purpose of basic earnings per share	<b>304,283,568</b>	302,596,895
Deemed issue of shares for no consideration arising from share options	<b>696,817</b>	347,680
	<b>304,980,385</b>	302,944,575

**6. Trade and other receivables**

Included in trade and other receivables are trade debtors and bills receivable (net of specific provisions for bad and doubtful debts) with the following ageing analysis:

	<b>At 30 June 2003 HK\$'000</b>	At 31 December 2002 HK\$'000
Within 60 days of the invoice issue date	<b>173,116</b>	139,769
61 to 90 days after the invoice issue date	<b>41,328</b>	44,985
91 to 120 days after the invoice issue date	<b>33,744</b>	16,900
More than 120 days but within 12 months after the invoice issue date	<b>18,712</b>	35,183
	<b>266,900</b>	236,837

Debts are due within 90 days from the date of the invoice.

**7. Cash and cash equivalents**

	<b>At 30 June 2003 HK\$'000</b>	At 31 December 2002 HK\$'000
Deposits with banks and other financial institutions	<b>337,788</b>	402,055
Cash at bank and in hand	<b>71,326</b>	64,018
Cash and cash equivalents in the balance sheet	<b>409,114</b>	466,073
Bank overdrafts	<b>-</b>	(5,198)
Cash and cash equivalents in the cash flow statement	<b>409,114</b>	460,875

**8. Trade and other payables**

Included in trade and other payables are trade creditors and bills payable with the following ageing analysis:

	<b>At 30 June 2003 HK\$'000</b>	At 31 December 2002 HK\$'000
Within 60 days of supplier invoice date	<b>81,300</b>	75,951
61 to 120 days after supplier invoice date	<b>18,663</b>	15,715
More than 120 days but within 12 months after supplier invoice date	<b>2,106</b>	3,098
	<b><u>102,069</u></b>	<b><u>94,764</u></b>

**9. Share Capital**

	<b>No. of shares ( '000)</b>	<b>Amount HK\$'000</b>
Issued and fully paid: Ordinary shares of HK\$0.25 each		
At 1 January 2003	<b>304,091</b>	<b>76,023</b>
Shares issued under share option scheme	<b>197</b>	<b>49</b>
Allotment of shares from scrip dividends	<b>2,759</b>	<b>690</b>
	<b><u>307,047</u></b>	<b><u>76,762</u></b>
At 30 June 2003		

**10. Reserves**

(a) Reserves

	<b>Share premium HK\$'000</b>	<b>Exchange fluctuation reserve HK\$'000</b>	<b>Investment revaluation reserve HK\$'000</b>	<b>Other reserves HK\$'000</b>	<b>Retained profits HK\$'000</b>	<b>Total HK\$'000</b>
At 1 January 2003	579,172	(21,195)	6,604	1,304	757,937	1,323,822
Effect of adopting HK SSAP 12 (Revised)	-	-	-	-	(10,143)	(10,143)
As restated	579,172	(21,195)	6,604	1,304	747,794	1,313,679
Special dividend and final dividend approved in respect of previous year	-	-	-	-	(66,901)	(66,901)
Share premium arising from issue of shares	14,431	-	-	-	-	14,431
Exchange differences	-	2,261	-	-	-	2,261
Revaluation surplus	-	-	1,777	-	-	1,777
Revaluation surplus transferred to the income statement on disposal of securities	-	-	(768)	-	-	(768)
Profit for the period	-	-	-	-	67,016	67,016
<b>At 30 June 2003</b>	<b><u>593,603</u></b>	<b><u>(18,934)</u></b>	<b><u>7,613</u></b>	<b><u>1,304</u></b>	<b><u>747,909</u></b>	<b><u>1,331,495</u></b>

(b) *Dividends*

After the balance sheet date, the following dividends were proposed by the Board of Directors. The dividends have not been recognised as a liability at the balance sheet date.

	<b>At 30 June 2003 HK\$'000</b>	At 31 December 2002 HK\$'000
Dividends not provided for	<b><u>86,018</u></b>	<u>66,901</u>

**11. Capital commitments**

Capital commitments outstanding at 30 June 2003 not provided for in the Group's financial statements were as follows:

	<b>At 30 June 2003 HK\$'000</b>	At 31 December 2002 HK\$'000
Contracted for	<b><u>4,513</u></b>	<u>29,022</u>

**12. Contingent Liabilities**

At 30 June 2003, the Company had contingent liabilities for guarantees given to banks in respect of banking facilities granted to certain subsidiaries, which were utilised to the extent of HK\$62,135,000 (at 31 December 2002: HK\$57,086,000).

**INTERIM DIVIDEND**

The Directors declared an interim dividend of 7 cents per share (2002: 4.4 cents) and a special interim dividend of 21 cents per share (2002: nil) for the six months ended 30 June 2003, to be satisfied by way of scrip dividend with cash option, to shareholders whose names appear on the register of members of the Company on Wednesday, 8 October 2003. Subject to the Listing Committee of the Stock Exchange granting listing of and permission to deal in the new shares of the Company, each shareholder will be allotted fully paid shares having an aggregate market value equal to the total amount of the interim dividend which such shareholder could elect to receive in cash and that they be given the option to elect to receive payment of the interim dividend in cash instead of the allotment of shares. Full details of the scrip dividend will be set out in a letter to be sent to shareholders together with a form of election for cash on or about 13 October 2003.

**CLOSURE OF REGISTER OF MEMBERS**

The register of members will be closed from Thursday, 2 October, 2003 to Wednesday, 8 October 2003, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend and the special interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch registrars, Computershare Hong Kong Investor Services Limited, 19th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:00 p.m. on Tuesday, 30 September 2003.

## **BUSINESS REVIEW**

During the period under review, the business environment of the Group's major markets was generally encouraging. The Asian economy and the PRC market in particular grew well, and the North American and European economies remained steady. For the six months ended 30 June, 2003, the Group achieved turnover of HK\$613 million, representing an increase of 23% over the same period last year. Profit attributable to shareholders reached HK\$67 million, 37% higher than last year. These results not only represent significant improvement over last year, but also continuous improvement over the preceding six months.

Our results for the period were mainly attributable to the continuing robust performances of our automotive and telecommunication products. Orders from PRC customers mounted during the period as a result of growing handset demand, and our technical expertise has enabled us to capture these market opportunities. Our ability to provide multi-solutions for customers including colour STN and TFT colour solutions remained key in winning orders, and the Group is seeing increasing demand for TFT and colour STN solutions. Material content remained at reasonable levels, helping us to maintain satisfactory business margins. On the technology side, we started the financial year with the license agreement with Eastman Kodak Company for OLED and the collaboration with ZBD Displays Limited for "Zero Power" display, paving the way for our future growth. We also began batch manufacturing for our OLED displays and development orders for shelf-edge label applications for "Zero Power" displays.

During the period, the Group successfully penetrated the Korean market, an increasingly important market for electronic handheld products in Asia. Despite the rapid expansion of the Hong Kong and PRC markets, Europe remained our largest market, accounting for 48% of total turnover. Contribution to total turnover from North America was 7%, whilst the Hong Kong and PRC markets accounted for 32%. A number of our customers in Europe and North America have relocated their production bases to the PRC, and has therefore contributed to the increase in Hong Kong & PRC markets.

The Group's Penang plant experienced a small fire in the production area during January of this year, which created an impact on the Group's revenue and bottom line of this reporting period. However, remedial actions and contingency measures were implemented immediately. Operations soon resumed after the incident but with a reduced capacity. With devoted team effort the plant's performance has showed great improvement in the second quarter. With continuous efforts, the management is looking forward to more encouraging results from this operating arm for the rest of the year.

The Group continued to boast a very strong financial position with liquid portfolio of HK\$728 million at the end of the review period despite ongoing capital investment at our new Heyuan plant.

## PROSPECTS

Looking at the second half of the year, the automotive and telecommunication sectors are expected to continue as catalysts for growth. Our established relationship with a major handset design house in the PRC for home produced handsets, combined with the support of our joint venture partner Tsinghua University Enterprise Group presents us with clear advantages to capitalize further on the telecommunications market. In the near term, our industrial product sector will continue to be an important sector of our business. With the QS9000 Quality System, our automotive sector is also expected to make a solid contribution and growth.

The European market is expected to develop steadily, whilst evidence is pointing to a mild recovery in the North American market. Contributions from the Asian markets will remain important as the region's economic growth continues. The Group has secured orders for colour STN in the second half of the year. Contributions from the delivery of TFT and colour STN solutions are therefore expected to become more apparent in the second half of the year. The Group is also making progress on the full colour OLED display, and is confident of delivering effective solutions when the OLED market becomes fully developed by 2005. The Group remains committed to technology research and development, and is making consistent progress in its portfolio of innovative products. In addition, the Group is also pressing ahead with the commercialization of its "Zero Power" display technologies.

The Group's new Heyuan plant is entering the test run stage with full operation to start in the fourth quarter. Upgraded facilities are installed at the new plant, which has been designed to turn out higher product quality as well as achieve cost efficiencies.

Over the years, Varitronix has ridden many changes in the market. Our commitment to research and development remains a core part of our business. As we enter our 25th year in business, we remain focused in raising our diversity in the display industry. Supported by favorable market conditions and barring unforeseen circumstances, we look forward to continuing growth both in this financial year and beyond.

## STAFF

At the end of June 2003, the Group employed approximately 4,620 persons around the world, of whom approximately 520 were in Hong Kong, 3,380 in PRC and 720 overseas.

## LIQUIDITY AND FINANCIAL RESOURCES

The Group continues to maintain a strong financial position. As at 30 June 2003, the Group had a total shareholders' equity amounting to approximately HK\$1.4 billion and a liquid portfolio of HK\$728 million (31/12/2002: HK\$777 million) of which HK\$409 million (31/12/2002: HK\$466 million) was in cash and cash equivalents and HK\$319 million (31/12/2002: HK\$311 million) in securities. The Group has low bank borrowings and has little exposure to foreign exchange fluctuations as most of its assets, receipts and payments are in HK dollars or US dollars.

**DIRECTORS' INTERESTS IN SECURITIES**

As at 30 June 2003, the interests of the Directors and their associates in the share capital of the Company and its associated corporations (within the meaning of the Securities and Futures Ordinance (the "SFO Ordinance")) as recorded in the register maintained by the Company under Section 352 of the SFO Ordinance were as follows:

**(a) Interests in shares of the Company**

Name of Director	Shares of HK\$0.25 each in the Company			Approximate % of shareholding
	Personal interests <i>(Note 1)</i>	Corporate interests	Total	
Dr. C. C. Chang	21,526	68,386,479 <i>(Note 2)</i>	68,408,005	22.27
Dr. S. K. Yan	10,371,072	-	10,371,072	3.37
S. M. Chung	4,334,314	-	4,334,314	1.41
S. K. Kwok	2,112,959	-	2,112,959	0.68
G. N. Lee, James	-	4,166,978 <i>(Note 3)</i>	4,166,978	1.35

Notes:

1. The shares are held by the respective Directors personally as beneficial owners.
2. A family trust of Dr. C. C. Chang and his wife, Madam Iling Sieh, is the beneficial owner of the issued share capital of Colville Group Limited which holds 68,386,479 shares of the Company.
3. Mr. G. N. Lee, James is the sole beneficial owner of the entire issued share capital of Pressman Holdings Limited which holds 4,166,978 shares of the Company.

**(b) Interests in shares of subsidiaries**

	Non-voting deferred shares of HK\$1,000 each in Varitronix Limited	Non-voting deferred shares of HK\$100 each in Polysources Properties Limited
Dr. C. C. Chang	960	78
Dr. S. K. Yan	123	10
S. M. Chung <i>(Note 1)</i>	50	8
S. K. Kwok	50	4
G. N. Lee, James	123	10
	1,306	110

Notes:

1. Mr. S. M. Chung holds 4 non-voting deferred shares in Polysources Properties Limited in trust for all non-voting deferred shareholders of that company.
2. Except for the above 4 non-voting deferred shares, the other non-voting deferred shares are held by the respective Directors as beneficial owners.

**(c) Interests in share options of the Company**

Director	Date granted	Number of options at 1.1.2003	Options granted/ (exercised) during the period	Number of options at 30.6.2003	Exercisable period	Price per share to be paid on exercise of option HK\$	Market value per share at date of grant of options HK\$
Dr. C. C. Chang	30.10.2002	1,000,000	-	1,000,000	31.10.2002-30.10.2012	4.605	4.35
Dr. S. K. Yan	30.10.2002	1,000,000	-	1,000,000	31.10.2002-30.10.2012	4.605	4.35
S. M. Chung	30.10.2002	1,000,000	-	1,000,000	31.10.2002-30.10.2012	4.605	4.35
S. K. Kwok	9.6.1999	150,000	-	150,000	9.7.1999-8.7.2009	10.90	15.00
	30.10.2002	1,000,000	-	1,000,000	31.10.2002-30.10.2012	4.605	4.35
		<u>4,150,000</u>	<u>-</u>	<u>4,150,000</u>			

All the interests disclosed above represent long position in the shares of the Company or its associated corporations (within the meaning of the SFO Ordinance).

Save as mentioned above, none of the Directors, Chief Executives and their associates of the Company as at 30 June 2003 had any interests or short position in the shares or underlying shares and debentures of the Company or any associated corporations (within the meaning of the SFO Ordinance) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO Ordinance.

**SUBSTANTIAL INTERESTS IN THE SHARE CAPITAL OF THE COMPANY**

The register of interests in shares and short positions maintained under Section 336 of the SFO Ordinance shows that at 30 June 2003, other than the interests disclosed above in respect of Dr. C. C. Chang and Colville Group Limited, the following company had an interest of 5% or more in the issued share capital of the Company:

Name	Number of shares	Capacity	Approximate % of shareholding
J.P. Morgan Chase & Co.			
Long position	19,199,297	Investment manager and other	6.25
Lending pool	6,138,000	–	1.99

Note: The interests of J.P. Morgan Chase & Co. in the Company were held by a number of its wholly-owned subsidiaries.

Save as stated above, no other person is recorded in the register of substantial shareholders maintained under Section 336 of the SFO Ordinance as having an interest of 5% or more in the issued share capital of the Company as at 30 June 2003.

**SHARE OPTION SCHEMES**

	Date granted	Number of options at 1.1.2003	Options exercised during the period	Number of options at 30.6.2003	Exercisable period	Price per share to be paid on exercise of option HK\$	Market value per share at date of grant of options HK\$
Directors	9.6.1999	150,000	–	150,000	9.7.1999-8.7.2009	10.90	15.00
	30.10.2002	4,000,000	–	4,000,000	31.10.2002-30.10.2012	4.605	4.35
Employees	9.6.1999	446,750	–	446,750	9.7.1999-8.7.2009	10.90	15.00
	1.6.2000	733,000	–	733,000	1.7.2000-30.6.2010	11.30	13.40
	30.8.2001	616,500	(60,000)	556,500	30.8.2001-29.8.2011	3.06	3.68
	13.9.2002	711,500	(136,500)	575,000	13.9.2002-12.9.2012	3.905	3.85
		<u>6,657,750</u>	<u>(196,500)</u>	<u>6,461,250</u>			

*Notes:*

1. No share option was granted and lapsed during the period.
2. The total number of shares available for issue under the Share Option Schemes at 30 June 2003 represents 2.10% of the issued share capital of the Company at that date.
3. The consideration paid by each employee for the options granted was HK\$1.
4. The weighted average closing price of the shares immediately before the dates on which the options were exercised was HK\$5.231.

## **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 subsidiaries of its listed securities.

## **CODE OF BEST PRACTICE**

None of the Directors is aware of any information which would reasonably indicate that the Company is not, or was not during the six months ended 30 June 2003, in compliance with the Code of Best Practice, as set out in Appendix 14 to the Listing Rules, except that the Non-Executive Directors of the Company are not appointed for a specific term as they are subject to retirement at annual general meeting in accordance with the Company's Bye-Laws.

## **AUDIT COMMITTEE**

The audit committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including the review of the unaudited interim results for the six months ended 30 June 2003 of the Company now reported on.

By Order of the Board  
**Dr. C. C. Chang**  
*Chairman*

Hong Kong, 15 September 2003