



ARTFIELD GROUP LIMITED

(Incorporated in Bermuda with limited liability)



ARTFIELD
Group Limited

2003 INTERIM REPORT

INTERIM RESULTS

The board of directors (the “Board”) of Artfield Group Limited (the “Company”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (together the “Group”) for the six months ended 30 September 2003 as follows:

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

		(Unaudited) Six months ended 30 September	
	<i>Notes</i>	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
TURNOVER	2	110,840	130,168
Cost of sales		<u>(79,282)</u>	<u>(101,845)</u>
Gross profit		31,558	28,323
Other income		770	1,723
Administrative expenses		(24,407)	(20,440)
Selling and distribution costs		(5,125)	(6,757)
Other operating expenses		<u>(529)</u>	<u>–</u>
PROFIT FROM OPERATING ACTIVITIES	3	2,267	2,849
Finance costs	4	(1,674)	(972)
Share of loss of a jointly-controlled entity		<u>–</u>	<u>(48)</u>
PROFIT BEFORE TAX		593	1,829
Tax	5	(31)	(167)
PROFIT BEFORE MINORITY INTERESTS		562	1,662
Minority interests		<u>(270)</u>	<u>(279)</u>
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		<u>292</u>	<u>1,383</u>
EARNINGS PER SHARE	6		
Basic		<u>HK0.12 cent</u>	<u>HK0.57 cent</u>
Diluted		<u>HK0.12 cent</u>	<u>HK0.56 cent</u>

CONDENSED CONSOLIDATED BALANCE SHEET

		(Unaudited) As at 30 September 2003 <i>HK\$'000</i>	(Audited) As at 31 March 2003 <i>HK\$'000</i>
NON-CURRENT ASSETS	<i>Notes</i>		
Fixed assets		112,123	114,892
Intangible assets		90	80
Other investment		2,540	–
Goodwill		18,914	19,412
		<hr/> 133,667	<hr/> 134,384
CURRENT ASSETS			
Inventories		89,966	81,463
Accounts and bills receivable	7	67,534	61,511
Prepayments, deposits and other receivables		9,513	8,416
Pledged bank deposits		–	2,907
Cash and bank balances		3,740	5,819
		<hr/> 170,753	<hr/> 160,116
CURRENT LIABILITIES			
Accounts and bills payable	8	22,138	18,774
Tax payable		328	283
Accrued liabilities and other payables		8,596	13,302
Interest-bearing bank and other borrowings		51,405	35,791
Finance lease payables		923	1,221
		<hr/> 83,390	<hr/> 69,371
NET CURRENT ASSETS		<hr/> 87,363	<hr/> 90,745
TOTAL ASSETS LESS CURRENT LIABILITIES		221,030	225,129
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		11,491	16,217
Finance lease payables		463	660
		<hr/> 11,954	<hr/> 16,877
MINORITY INTERESTS		<hr/> 6,624	<hr/> 6,556
		<hr/> 202,452	<hr/> 201,696
CAPITAL AND RESERVES			
Issued capital		24,054	24,105
Reserves		178,398	177,591
		<hr/> 202,452	<hr/> 201,696

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Issued capital <i>HK\$'000</i>	Share premium account <i>HK\$'000</i>	Property revaluation reserve <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Reserve and enterprise expansion funds <i>HK\$'000</i>	Exchange fluctuation reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2003 (Audited)	24,105	25,361	26,006	42,516	9,116	(701)	75,293	201,696
Shares repurchased and cancelled	(51)	(238)	-	-	-	-	-	(289)
Arising on translation of the financial statements of overseas subsidiaries	-	-	-	-	-	753	-	753
Net profit for the period	-	-	-	-	-	-	292	292
	<u>24,054</u>	<u>25,123</u>	<u>26,006</u>	<u>42,516</u>	<u>9,116</u>	<u>52</u>	<u>75,585</u>	<u>202,452</u>
At 30 September 2003 (Unaudited)	<u>24,054</u>	<u>25,123</u>	<u>26,006</u>	<u>42,516</u>	<u>9,116</u>	<u>52</u>	<u>75,585</u>	<u>202,452</u>
At 1 April 2002 (Audited)	24,281	26,262	26,160	42,516	9,116	(2,488)	73,417	199,264
Transfer to reserve and enterprise expansion funds	-	-	-	-	132	-	(132)	-
Disposal of fixed assets	-	-	(154)	-	-	-	154	-
Arising on translation of the financial statements of overseas subsidiaries	-	-	-	-	-	(250)	-	(250)
Net profit for the period	-	-	-	-	-	-	1,383	1,383
	<u>24,281</u>	<u>26,262</u>	<u>26,006</u>	<u>42,516</u>	<u>9,248</u>	<u>(2,738)</u>	<u>74,822</u>	<u>200,397</u>
At 30 September 2002 (Unaudited)	<u>24,281</u>	<u>26,262</u>	<u>26,006</u>	<u>42,516</u>	<u>9,248</u>	<u>(2,738)</u>	<u>74,822</u>	<u>200,397</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	(Unaudited)	
	Six months ended	
	30 September	
	2003	2002
	HK\$'000	HK\$'000
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	(7,926)	3,962
Net cash outflow from investing activities	(4,255)	(10,912)
Net cash inflow from financing activities	11,693	2,716
	<u> </u>	<u> </u>
DECREASE IN CASH AND CASH EQUIVALENTS	(488)	(4,234)
Cash and cash equivalents at beginning of period	(3,239)	7,394
	<u> </u>	<u> </u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	(3,727)	3,160
	<u> </u>	<u> </u>
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	3,740	6,881
Bank overdrafts, secured	(7,467)	(3,721)
	<u> </u>	<u> </u>
	(3,727)	3,160
	<u> </u>	<u> </u>

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. PRINCIPAL ACCOUNTING POLICIES AND BASIS OF PREPARATION

The unaudited condensed consolidated financial statements have been prepared in accordance with Hong Kong 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 the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

The accounting policies and basis of preparation used in the preparation of these interim financial statements are the same as those used in the annual financial statements for the year ended 31 March 2003 except that the Group has adopted the revised SSAP No. 12 (revised) “Income Taxes” issued by the HKSA which is effective for accounting periods commencing on or after 1 January 2003. The effect of such changes to the results for the period are not material.

2. TURNOVER AND SEGMENT INFORMATION

Turnover represents the net invoiced value of goods sold, after allowances for returns and trade discounts, and income from the provision of electroplating services.

An analysis of the Group's turnover and contribution to results by business and geographical segments are as follows:

(a) Business segments

	Clock and other office related products		Lighting products		Trading		Electroplating services		(Unaudited) Consolidated	
					Six months ended 30 September					
	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:										
Sales to external customers	<u>72,449</u>	<u>76,065</u>	<u>6,535</u>	<u>5,830</u>	<u>25,261</u>	<u>41,429</u>	<u>6,595</u>	<u>6,844</u>	<u>110,840</u>	<u>130,168</u>
Segment results	<u>4,035</u>	<u>3,550</u>	<u>432</u>	<u>480</u>	<u>306</u>	<u>512</u>	<u>1,800</u>	<u>1,430</u>	<u>6,573</u>	<u>5,972</u>
Interest income									11	4
Net unallocated expenses									<u>(4,317)</u>	<u>(3,127)</u>
Profit from operating activities									<u>2,267</u>	<u>2,849</u>
Finance costs									<u>(1,674)</u>	<u>(972)</u>
Share of loss of a jointly-controlled entity		-	(48)	-	-	-	-	-	<u>-</u>	<u>(48)</u>
Profit before tax									<u>593</u>	<u>1,829</u>
Tax									<u>(31)</u>	<u>(167)</u>
Profit before minority interests									<u>562</u>	<u>1,662</u>
Minority interests									<u>(270)</u>	<u>(279)</u>
Net profit from ordinary activities attributable to shareholders									<u>292</u>	<u>1,383</u>

(b) Geographical segments

	North America		Europe		Hong Kong		Mainland China		Others		(Unaudited) Consolidated	
					Six months ended 30 September							
	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:												
Sales to external customers	<u>39,637</u>	<u>45,749</u>	<u>32,302</u>	<u>27,746</u>	<u>7,441</u>	<u>10,930</u>	<u>28,735</u>	<u>42,843</u>	<u>2,725</u>	<u>2,900</u>	<u>110,840</u>	<u>130,168</u>

3. PROFIT FROM OPERATING ACTIVITIES

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

	(Unaudited)	
	Six months ended	
	30 September	
	2003	2002
	HK\$'000	HK\$'000
Cost of inventories sold	74,744	98,313
Cost of services provided	4,538	3,532
Staff costs	22,466	21,035
Depreciation	4,728	4,749
Amortisation of goodwill	498	83
Amortisation of patents and trademarks	23	135
Net rental income	(451)	(469)
Interest income	(11)	(4)
	<u>74,744</u>	<u>98,313</u>

4. FINANCE COSTS

	(Unaudited)	
	Six months ended	
	30 September	
	2003	2002
	HK\$'000	HK\$'000
Interest expense on:		
Bank loans, overdrafts and other loans wholly repayable within five years	1,500	783
Bank loans repayable beyond five years	135	148
Finance leases	39	41
	<u>1,674</u>	<u>972</u>

5. TAX

Hong Kong profits tax has been provided at the rate of 17.5% (2002: 16%) on the estimated assessable profits arising in Hong Kong during the period.

Taxes on profits assessable elsewhere have been calculated at the applicable rates of tax prevailing in the jurisdictions in which the subsidiaries operated during the period based on existing legislation, interpretations and practices in respect thereof.

	(Unaudited)	
	Six months ended	
	30 September	
	2003	2002
	HK\$'000	HK\$'000
Group:		
Hong Kong	(12)	115
Elsewhere	43	52
	<u>31</u>	<u>167</u>
Tax charge for the period	<u>31</u>	<u>167</u>

6. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the net profit from ordinary activities attributable to shareholders for the period of HK\$292,000 (2002: HK\$1,383,000) and the weighted average number of 240,699,872 (2002: 242,807,500) ordinary shares in issue during the period.

The calculation of diluted earnings per share is based on the net profit from ordinary activities attributable to shareholders for the period of HK\$292,000 (2002: HK\$1,383,000). The weighted average number of ordinary shares used in the calculation was 240,699,872 (2002: 242,807,500) ordinary shares in issue, as used in the basic earnings per share calculation, and the weighted average number of 4,244,404 (2002: 5,334,838) ordinary shares assumed to have been issued at no consideration on the deemed exercise of all share options outstanding during the period.

7. ACCOUNTS AND BILLS RECEIVABLE

The ageing of the Group's accounts and bills receivable, based on the date of goods delivered, is analysed as follows:

	(Unaudited) As at 30 September 2003 <i>HK\$'000</i>	(Audited) As at 31 March 2003 <i>HK\$'000</i>
Outstanding balances with ages:		
Within 90 days	37,810	39,112
Between 91 days to 365 days	29,276	22,265
Over 1 year	448	134
	<u>67,534</u>	<u>61,511</u>

The Group has a defined credit policy. The general credit term is 30 days, except for certain well-established customers, where the terms are extended to 120 days.

8. ACCOUNTS AND BILLS PAYABLE

The ageing of the Group's accounts and bills payable, based on the date of goods received, is analysed as follows:

	(Unaudited) As at 30 September 2003 <i>HK\$'000</i>	(Audited) As at 31 March 2003 <i>HK\$'000</i>
Outstanding balances with ages:		
Within 90 days	15,641	17,491
Between 91 days to 365 days	4,487	1,191
Over 1 year	2,010	92
	<u>22,138</u>	<u>18,774</u>

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 30 September 2003 (2002: Nil).

BUSINESS REVIEW

For the six months ended 30 September 2003, the Group recorded a turnover of approximately HK\$110,840,000, as compared to HK\$130,168,000 for the same period last year. In view of the adverse and turbulent operating environment, the net profit from ordinary activities attributable to shareholders amounted to approximately HK\$292,000 (2002: HK\$1,383,000).

Clock and Other Office Related Products

During the period under review, the clock and other office related product segments, accounting for approximately 65% (2002: 58%) of the Group's turnover, recorded a modest decrease of 5% to HK\$72,449,000 (2002: HK\$76,065,000). Influenced by the outbreak of Iraq war and the severe acute respiratory syndrome ("SARS") epidemic, the global economy was further hampered. Sales to the United States (the "US") and Hong Kong decreased by approximately 14% and 26% respectively compared to the same period last year. On the contrary, sales contributions from Europe market recorded a satisfactory increase of about 20%.

In order to enhance our sales and market positions as well as maintain competitive advantages in the clock industry, the Group consistently emphasizes on product development, market expansion and cost management. The Management intends to restructure and strengthen its sales and marketing operations by recruiting several experienced sales management executives for formulation of effective marketing strategies. The Management considers that an experienced sales and marketing team will facilitate the promotion of sales of the Group and enhance the capability to quickly response to the customers' requirements and the market movements.

Apart from the clock business, the Group keeps eyes on developing wooden product offerings such as office stationery sets, music boxes, photo frames, medals and jewellery boxes. The Group has been setting up a new factory premise in Gao Ming, the People's Republic of China (the "PRC") which occupies floor area of approximately 7,500 square meters. The Management believes that the new production facilities will increase the overall production capacity and upgrade the Group's ability in manufacturing different kinds of new wooden products. The enriched product varieties will bring positive contribution to the Group in foreseeable future.

Lighting Products

The Group's lighting product segment achieved a satisfactory result with turnover increasing from HK\$5,830,000 to HK\$6,535,000 during the period under review. The lighting product segment continues to generate satisfactory contribution to the Group.

The increase in overall turnover was mainly attributable to the Group's strategies to develop lighting products to Europe market in recent years. By entering into an exclusive sales agency agreement with a distribution agency in the United Kingdom (the "UK"), it assists our promotion and distribution of our lighting products to Europe market. Against keen competition, the Group will continue to improve production technologies and maintain stringent quality control up to international quality standard. The Management will endeavor to capture more sales orders not only from the existing Europe market but also the US and the PRC markets ahead.

Electroplating Services

Turnover from the electroplating services was approximately HK\$6,595,000 (2002: HK\$6,844,000), representing a slight decrease of about 4% as compared with the same period last year. In view of limitations of the existing facilities, the Management considers to install additional automatic electroplating production lines apart from existing facilities in order to increase the operation efficiency. Leveraging with our specialized electroplating techniques and quality recognition of our electroplating products, the Management believes that it can maintain our competitiveness in the market.

Trading

The result of trading segment was affected due to the adverse effects brought about by the SARS in Asian region. The turnover of trading business recorded a decrease of about 39% to HK\$25,261,000 (2002: HK\$41,429,000).

However, following rapid urbanization and stable economic growth of the PRC market, the Management believes that the market demands of metal commodities will increase. Supported by the existing trading and distribution networks, the Group will grasp plenty opportunities sprang from the PRC market ahead.

PROSPECT

After passing the tough time of Iraq-US war and SARS epidemic, the global economy is in recovery stage. In order to minimize the adverse effects from any unstable economic climate, the Group will continue to undertake cost control measures and re-evaluation of operation structure with the ultimate goals to enhance operation efficiency, allocate resources effectively and increase overall profitability.

The PRC's accession to the WTO coupled with the signing of Closer Economic Partnership Arrangement generates a great momentum for the Group to develop our businesses in the PRC market. Capitalizing on our extensive knowledge and solid experiences in clock and lighting industry, the Group will devote more efforts to extend its market presence into some rapid economic growth cities including Beijing, Shanghai, and Guangzhou City which mainly cover over 69 sales points. By establishing our overseas offices in the US, the UK, Germany and the PRC in the past years, the Group enjoys the extensive distribution networks and is able to aggressively promote our OEM and branded products in these countries.

To target high ranked markets, the Management will emphasize on promoting our branded clock product "Wehrle" in the coming years. Having completed the relocation of the manufacturing operation of our wholly-owned subsidiary in Germany to our factory in Shenzhen, the PRC, the machineries together with the techniques are fully incorporated in production in an efficient and cost-effective manner. Further, the Group will devote more resources in strengthening the recognition of our well-renowned brand name "Wehrle" in the worldwide market. Apart from that, the Group will also penetrate lighting products into the US and the PRC markets via our distribution channels. In overall, the Group will strengthen its client base worldwide and capture enormous business opportunities from the booming China markets and recovering overseas markets.

To keep our competitiveness in the market, the Group will continue to exercise stringent cost control management, minimize inventory level and streamline operation structure. In addition, by improving production technologies and upgrading equipment, the Group will further improve the materials planning, operation efficiency and production quality in the long run.

Finally, the Management will continue its operation rationalization processes to enhance our efficiency and reduce costs in the coming year. Looking ahead, the Group is prudently optimistic towards the future prospect.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2003, the Group had total outstanding debts and finance lease obligations of HK\$64,282,000 (31 March 2003: HK\$53,889,000), of which HK\$54,903,000 (31 March 2003: HK\$42,118,000) was secured bank loans, HK\$7,467,000 (31 March 2003: HK\$9,058,000) was secured overdrafts, HK\$526,000 (31 March 2003: HK\$832,000) was unsecured other loans and HK\$1,386,000 (31 March 2003: HK\$1,881,000) was obligations under finance leases. The maturity profile of the Group's total borrowings as at 30 September 2003 is analysed as follows:

Within one year	81.4%
In the second year	3.5%
In the third to fifth years, inclusive	4.9%
Beyond five years	10.2%
	<hr/>
Total	<u>100.0%</u>

Our gearing ratio was at a healthy level of 5.9% (31 March 2003: 8.4%). The computation is based on long-term borrowings of the Group divided by shareholder's fund as at 30 September 2003.

The Group's sound financial position will provide us with good financial capacity to either expand our existing operation or to diversify into other strategic growth business.

CHARGES ON GROUP'S ASSETS

As at 30 September 2003, the Group's investment properties with a value of HK\$7,700,000 (31 March 2003: HK\$7,700,000), other investment of HK\$2,540,000 (31 March 2003: Nil), bank deposits of nil (31 March 2003: HK\$2,907,000) and certain of the Group's leasehold land and buildings, and plant and machinery were pledged to secure general banking facilities granted to the Group.

CONTINGENT LIABILITIES

As at 30 September 2003, the Group did not have material contingent liabilities (31 March 2003: Nil).

FOREIGN EXCHANGE EXPOSURE

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

Since the Group's principal manufacturing operations are in the PRC and most of the operating expenses are denominated in Renminbi ("RMB"), the Management is aware of possible exchange rate exposure. As a hedging strategy, the Management emphasizes on using RMB borrowings to finance the Group's PRC operation and capital expenditure.

TREASURY POLICIES

The Group generally finances its operation with generated resources and banking and credit facilities provided by banks in Hong Kong and the PRC. All borrowings are denominated in Hong Kong dollars, US dollars or RMB. Borrowing methods used by the Group mainly include trust receipt loans, overdrafts facilities and bank loans. The interest rates of most of these are fixed with reference to the Hong Kong Dollar Prime Rate or foreign currency's Trade Finance Rates.

DIRECTORS' INTERESTS IN SHARES AND SHARE OPTIONS

As at 30 September 2003, the interests or short positions of the directors and their associates in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") were as follows:

Long position in the shares of the Company

Name of director	Number of ordinary shares held				Percentage of the issued shares	
	Personal interests	Family interests	Corporate interests	Other Interests		
Mr. LIANG Jin You*	–	–	119,184,300	–	119,184,300	49.55%

Note:

- * 119,184,300 shares are owned by Golden Glory Group Limited ("GG"). GG is a company incorporated in the British Virgin Islands. The entire issued share capital of GG is beneficially owned by General Line International (Holdings) Limited, which is in turn 100% beneficially owned by Mr. LIANG Jin You.

The interests of the directors in the share options of the Company are separately disclosed in the section "Share option scheme" below.

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

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the headings “Directors’ interests in shares and share options” above and “Share option scheme” below, at no time during the period were rights to acquire benefits by means of 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

Under the share option scheme of the Company adopted on 21 March 1995 (the “Old Scheme”), the board of directors of the Company may, at their discretion, grant options to employees of the Group, including the Company’s executive directors, to subscribe for shares in the Company up to 10% of the issued share capital of the Company from time to time. The Old Scheme became effective on 21 March 1995 and was intended to remain in force for 10 years from that date.

In the Company’s annual general meeting held on 28 August 2003, an ordinary resolution was passed by the Company’s shareholders for adoption of a new share option scheme (which is complied with amended Chapter 17 of the Listing Rules) (the “New Scheme”) and termination of the Old Scheme. Upon termination of the Old Scheme, no further options can be granted but in respect of the outstanding options, the provisions of the Old Scheme shall remain in force. Any outstanding options under the Old Scheme shall continue to be valid and exercisable in accordance with the provisions of the Old Scheme. The New Scheme became effective on 28 August 2003 and unless otherwise terminated or amended, will remain in force for 10 years from that date.

The movements of the share options granted under the Old Scheme and remained valid and exercisable during the period are as follows:

Name or category of participants	Number of share options					At 30 September 2003	Date of grant of share options	Exercised period of share options	Exercise price of share options* (HK\$)
	At 1 April 2003	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period				
Directors									
Mr. LIANG Jin You	2,306,000	-	-	-	-	2,306,000	6 October 1999	6 October 1999 to 20 March 2005	0.2608
Ms. LI Kwo Yuk	2,836,000	-	-	-	-	2,836,000	27 January 2000	27 January 2000 to 20 March 2005	0.6464
Mr. OU Jian Sheng	5,766,000	-	-	-	-	5,766,000	6 October 1999	6 October 1999 to 20 March 2005	0.2608
	<u>10,908,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,908,000</u>			

* The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company’s share capital.

No share options were granted or exercised during the six months period ended 30 September 2003.

SUBSTANTIAL SHAREHOLDERS

At 30 September 2003, other than the interests disclosed in the section “Directors’ interests in shares and shares options” above, the register of substantial shareholders’ interests and short positions maintained under Section 336 of the SFO showed that the Company had been notified of the following interests, being 5% or more held in the shares and underlying shares of the Company.

(i) Long Position in shares of the Company

Name of shareholders	Capacity	Number of issued shares held	Percentage of the issued shares
Mr. LI Feng Saio	Beneficial owner	22,841,600	9.49%
Ms. CHIA Kok Chi Annie	Beneficial owner	16,000,000	6.65%

(ii) Long Position in underlying shares of the Company

Name of shareholders	Capacity	Type of underlying shares	Number of underlying shares held	Percentage of the issued shares
Mr. LI Feng Saio	Beneficial owner	Bonus Warrant	5,600	0.002%

Note: These bonus warrants were listed on the Stock Exchange. They will expire and lapse on 1 March 2004 in accordance with their terms.

EMPLOYEES

As at 30 September 2003, the Group had a total of 2,535 (2002: 2,488) employees of which 68 were based in Hong Kong, 2,448 based in the PRC and 19 spread among the US, the UK and Germany.

The Group had adopted an extensive training policy for its employees. It has also sponsored senior executives for higher education programs.

The Group has adopted a share option scheme whereby certain employees of the Group may be granted option to acquire shares.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the period, the Company repurchased certain of its ordinary shares of HK\$0.10 through the Stock Exchange. The aggregate price paid for the repurchases, including its related expenses amounted to HK\$291,000. All of these shares had been cancelled. Details of the repurchases are as follows:

Month of Repurchase	Number of shares repurchased	Price per share		Total price paid HK\$'000
		Highest HK\$	Lowest HK\$	
May 2003	506,000	0.57	0.56	291
	<u>506,000</u>			<u>291</u>

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the period.

AUDIT COMMITTEE

The Audit Committee meets regularly with senior management to review the accounting principles and practices adopted by the Group and to discuss auditing, internal control and financial reporting matters including the review of this unaudited condensed consolidated interim financial statements. The members of the Committee are Mr. LO Ming Chi, Charles and Mr. CHEUNG Doi Shu, both of whom are the independent non-executive directors of the Company.

COMPLIANCE WITH CODE OF BEST PRACTICE

All of the recommendations and guidelines of the Code of Best Practice issued by the Stock Exchange (the "Code") have been complied with by the Company, except that independent non-executive directors are not appointed for specific terms as recommended by the Code. According to the Bye-laws of the Company, one-third of the directors of the Company will retire by rotation every year and their appointments will be reviewed when they are due for re-election which, in the opinion of the directors, meets the same objectives.

By Order of the Board
LIANG Jin You
Chairman

Hong Kong, 17 December 2003