



LERADO GROUP (HOLDING) COMPANY LIMITED
(隆成集團(控股)有限公司)



2003

Interim
Report

FINANCIAL RESULTS

The Board of Directors of Lerado Group (Holding) Company Limited (the “Company”) is pleased to present the unaudited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30th June, 2003 together with the comparative figures.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30th June, 2003

	Notes	Six months ended	
		30th June, 2003 HK\$'000 (unaudited)	30th June, 2002 HK\$'000 (unaudited) (restated)
Turnover	3	576,955	530,042
Cost of sales		<u>(416,516)</u>	<u>(372,566)</u>
Gross profit		160,439	157,476
Investment income		238	813
Other operating income		10,241	6,379
Marketing and distribution costs		(43,867)	(45,365)
Research and development expenses		(7,937)	(8,550)
Administrative expenses		(49,251)	(44,849)
Other operating expenses		<u>(2,654)</u>	<u>(2,655)</u>
Profit from operations	4	67,209	63,249
Interest on bank borrowings wholly repayable within five years		<u>(30)</u>	<u>(12)</u>
Profit from ordinary activities before taxation		67,179	63,237
Taxation	5	<u>(3,866)</u>	<u>(4,701)</u>
Profit before minority interests		63,313	58,536
Minority interests		<u>(390)</u>	<u>(1,250)</u>
Net profit for the period		<u><u>62,923</u></u>	<u><u>57,286</u></u>
Dividends paid	6	<u><u>43,042</u></u>	<u><u>43,347</u></u>
Earnings per share	7		
— Basic		<u><u>HK8.73 cents</u></u>	<u><u>HK7.93 cents</u></u>
— Diluted		<u><u>HK8.73 cents</u></u>	<u><u>HK7.93 cents</u></u>

CONDENSED CONSOLIDATED BALANCE SHEET

At 30th June, 2003

	Notes	30th June, 2003 HK\$'000 (unaudited)	31st December, 2002 HK\$'000 (audited) (restated)
Non-Current Assets			
Investment properties	8	10,500	10,500
Property, plant and equipment	8	346,041	332,669
Negative goodwill		(2,019)	(2,154)
Intellectual property rights		48,738	51,392
Interest in associates		11,700	11,700
Interest in a jointly controlled entity		49,117	49,117
Other investments		21,997	21,997
Deferred tax assets	9	4,025	2,925
		<u>490,099</u>	<u>478,146</u>
Current Assets			
Inventories		105,959	86,558
Trade and other receivables	10	267,730	232,488
Bank balances and cash		106,058	125,811
		<u>479,747</u>	<u>444,857</u>
Current Liabilities			
Trade and other payables	11	204,517	168,613
Amount due to a jointly controlled entity		49,117	49,117
Taxation		3,784	4,569
Short term bank borrowings		—	1,000
		<u>257,418</u>	<u>223,299</u>
Net Current Assets		<u>222,329</u>	<u>221,558</u>
		<u>712,428</u>	<u>699,704</u>
Capital and Reserves			
Share capital	12	71,634	72,245
Reserves		605,991	592,675
		<u>677,625</u>	<u>664,920</u>
Minority Interests		<u>16,294</u>	<u>15,904</u>
Non-Current Liabilities			
Deferred tax liabilities	9	9,275	9,646
Loans from minority shareholders		9,234	9,234
		<u>18,509</u>	<u>18,880</u>
		<u>712,428</u>	<u>699,704</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30th June, 2003

	Six months ended	
	30th June, 2003 HK\$'000 (unaudited)	30th June, 2002 HK\$'000 (unaudited)
Net cash from operating activities	57,588	113,651
Net cash used in investing activities	(25,984)	(21,061)
Net cash used in financing	<u>(51,382)</u>	<u>(49,937)</u>
Net (decrease) increase in cash and cash equivalents	(19,778)	42,653
Cash and cash equivalents at 1st January	125,811	101,346
Effect of foreign exchange rate changes	<u>25</u>	<u>(42)</u>
Cash and cash equivalents at 30th June, representing bank balances and cash	<u><u>106,058</u></u>	<u><u>143,957</u></u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th June, 2003

	Share capital	Share premium	Special reserve
	HK\$'000	HK\$'000	HK\$'000
At 1st January, 2002			
— as originally stated	72,281	90,386	38,510
— change in accounting policy with respect to deferred tax	—	—	—
— as restated	72,281	90,386	38,510
Exchange differences arising from translation of financial statements of operations outside Hong Kong and loss not recognised in the income statement	—	—	—
Share repurchased and cancelled	(36)	—	—
Premium on repurchase of shares	—	(276)	—
Transfer of reserves for cancellation of shares	—	—	—
Net profit for the period	—	—	—
Dividends paid	—	—	—
At 30th June, 2002	<u>72,245</u>	<u>90,110</u>	<u>38,510</u>
Exchange differences arising from translation of financial statements of operations outside Hong Kong	—	—	—
Revaluation surplus on land and buildings	—	—	—
Net gain (loss) not recognised in the income statement	—	—	—
Net profit for the period	—	—	—
Transfer of statutory reserves	—	—	—
Dividends paid	—	—	—
At 31st December, 2002	72,245	90,110	38,510
Exchange differences arising from translation of financial statements of operations outside Hong Kong and gain not recognised in the income statement	—	—	—
Share repurchased and cancelled	(611)	—	—
Premium on repurchase of shares	—	(6,734)	—
Transfer of reserves for cancellation of shares	—	—	—
Net profit for the period	—	—	—
Dividends paid	—	—	—
At 30th June, 2003	<u><u>71,634</u></u>	<u><u>83,376</u></u>	<u><u>38,510</u></u>

Property revaluation reserve HK\$'000	Statutory surplus reserve fund HK\$'000	Enterprise expansion fund HK\$'000	Translation reserve HK\$'000	Goodwill reserve HK\$'000	Capital redemption reserve HK\$'000	Accumulated profits HK\$'000	Total HK\$'000
40,675	12,579	817	(2,202)	(88)	410	369,358	622,726
(5,346)	—	—	—	—	—	2,317	(3,029)
35,329	12,579	817	(2,202)	(88)	410	371,675	619,697
—	—	—	1,737	—	—	—	1,737
—	—	—	—	—	—	—	(36)
—	—	—	—	—	—	—	(276)
—	—	—	—	—	36	(36)	—
—	—	—	—	—	—	57,286	57,286
—	—	—	—	—	—	(43,347)	(43,347)
35,329	12,579	817	(465)	(88)	446	385,578	635,061
—	—	—	(1,697)	—	—	—	(1,697)
10,934	—	—	—	—	—	—	10,934
10,934	—	—	(1,697)	—	—	—	9,237
—	—	—	—	—	—	35,071	35,071
—	—	112	—	—	—	(112)	—
—	—	—	—	—	—	(14,449)	(14,449)
46,263	12,579	929	(2,162)	(88)	446	406,088	664,920
—	—	—	169	—	—	—	169
—	—	—	—	—	—	—	(611)
—	—	—	—	—	—	—	(6,734)
—	—	—	—	—	611	(611)	—
—	—	—	—	—	—	62,923	62,923
—	—	—	—	—	—	(43,042)	(43,042)
46,263	12,579	929	(1,993)	(88)	1,057	425,358	677,625

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30th June, 2003

1. BASIS OF PREPARATION

The condensed financial statements have been prepared in accordance with Statement of Standard Accounting Practice (“SSAP”) 25 *Interim Financial Reporting* issued by the Hong Kong Society of Accountants.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed financial statements have been prepared under the historical cost convention, as modified for the revaluation of properties and investments in securities.

In the opinion of the directors, the accounting policies adopted are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31st December, 2002, except as described below.

Income Taxes

In the current period, the Group adopted SSAP 12 (Revised) *Income Taxes*. The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax. In previous years, partial provision was made for deferred tax using the income statement liability method, i.e. a liability was recognised in respect of timing differences arising, except where those timing differences were not expected to reverse in the foreseeable future. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit with limited exceptions.

In the absence of any specific transitional requirements in SSAP 12 (Revised), the new accounting policy has been applied retrospectively. Comparative amounts for 2002 have been restated accordingly. Opening accumulated profits at 1st January, 2002 have increased by HK\$2,317,000, which is the cumulative effect of the change in policy on the results for periods prior to 2002. The balances on the Group’s property revaluation reserve at 1st January, 2002 have been reduced by HK\$5,346,000,

2. PRINCIPAL ACCOUNTING POLICIES (continued)

representing the deferred tax liabilities recognised in respect of the revaluation surplus on the Group's properties at that date. The effect of the change is an increase in profit in the current period, after minority interests, of HK\$1,273,000 (30.6.2002: HK\$727,000).

3. SEGMENT INFORMATION

An analysis of the Group's turnover and contribution to profit from operations by business and geographical segment is as follows:

Business Segments

	Six months ended 30th June, 2003		Six months ended 30th June, 2002	
	EXTERNAL SALES <i>HK\$'000</i>	SEGMENT RESULTS <i>HK\$'000</i>	EXTERNAL SALES <i>HK\$'000</i>	SEGMENT RESULTS <i>HK\$'000</i>
Strollers	345,744	46,497	335,013	42,069
Beds and playards	73,144	8,668	83,468	9,772
Miscellaneous infant products*	109,478	9,850	87,607	10,360
Others	<u>48,589</u>	<u>4,610</u>	<u>23,954</u>	<u>2,890</u>
	<u><u>576,955</u></u>	<u>69,625</u>	<u><u>530,042</u></u>	65,091
Investment income		238		813
Other operating expenses		<u>(2,654)</u>		<u>(2,655)</u>
Profit from operations		<u><u>67,209</u></u>		<u><u>63,249</u></u>

* Miscellaneous infant products include soft goods, high chairs, bouncers, walkers and etc.

3. SEGMENT INFORMATION (continued)

Geographical Segments

	Six months ended 30th June, 2003		Six months ended 30th June, 2002	
	EXTERNAL SALES HK\$'000	SEGMENT RESULTS HK\$'000	EXTERNAL SALES HK\$'000	SEGMENT RESULTS HK\$'000
United States of America (the "US")	301,612	33,381	309,301	33,871
Europe	151,583	21,915	128,587	18,139
Australia	26,055	3,114	20,753	2,845
South America	20,328	2,929	11,383	1,594
Others	<u>77,377</u>	<u>8,286</u>	<u>60,018</u>	<u>8,642</u>
	<u>576,955</u>	<u>69,625</u>	<u>530,042</u>	65,091
Investment income		238		813
Other operating expenses		<u>(2,654)</u>		<u>(2,655)</u>
Profit from operations		<u>67,209</u>		<u>63,249</u>

4. PROFIT FROM OPERATIONS

	Six months ended	
	30th June, 2003 HK\$'000	30th June, 2002 HK\$'000
Profit from operations has been arrived at after charging:		
Amortisation of intellectual property rights (included in other operating expenses)	2,654	2,655
Depreciation and amortisation of property, plant and equipment	14,554	13,995
and after crediting:		
Release of negative goodwill to other operating income	<u>135</u>	<u>135</u>

5. TAXATION

	Six months ended	
	30th June, 2003 HK\$'000	30th June, 2002 HK\$'000
The charge (credit) comprises:		
Taxation of the Company and its subsidiaries		
— Hong Kong Profits Tax		
— current period	2,113	1,980
— Income tax of the People's Republic of China (the "PRC")		
— current period	3,181	2,173
— overprovision in prior years	(381)	—
— Other jurisdictions		
— current period	349	540
— underprovision in prior years	75	—
— Deferred tax (<i>note 9</i>)		
— current period	(1,406)	8
— attributable to a change in tax rate	(65)	—
	<u>3,866</u>	<u>4,701</u>

Hong Kong Profits Tax is calculated at 17.5% (six months ended 30.6.2002: 16%) of the estimated assessable profit for the period.

Taxation in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

6. DIVIDENDS

	Six months ended	
	30th June, 2003 HK\$'000	30th June, 2002 HK\$'000
2002 final dividend of HK6 cents (2001 final dividend: HK6 cents) per share	<u>43,042</u>	<u>43,347</u>

6. DIVIDENDS (continued)

No interim dividends have been paid during the six months ended 30th June, 2003 and 30th June, 2002.

The directors have determined that an interim dividend of HK2 cents (six months ended 30.6.2002: HK2 cents) per share would be paid to the shareholders of the Company whose names appear in the Register of Members on 17th October, 2003.

7. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the following data:

	Six months ended	
	30th June, 2003 HK\$'000	30th June, 2002 HK\$'000
Net profit for the period	<u>62,923</u>	<u>57,286</u>
	Number of shares	Number of shares
Weighted average number of ordinary shares for the purpose of basic earnings per share	720,518,846	722,454,404
Effect of dilutive potential ordinary shares in respect of share options	<u>153,543</u>	<u>13,135</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>720,672,389</u>	<u>722,467,539</u>

8. MOVEMENTS IN INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately HK\$9 million on construction of its new production plant and approximately HK\$20 million on acquisition of other property, plant and equipment for group expansion.

8. MOVEMENTS IN INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT (continued)

At 30th June, 2003, the directors have considered the carrying amount of the Group's leasehold land and buildings and investment properties carried at revalued amounts and have estimated that the carrying amounts do not differ significantly from that which would be determined using fair values at the balance sheet date. Consequently, no revaluation surplus or deficit has been recognised in the current period.

9. DEFERRED TAX

The following are the major deferred tax liabilities (assets) provided (recognised) by the Group and movements thereon during the current and prior reporting periods:

	Accelerated tax depreciation HK\$'000	Revaluation of properties HK\$'000	Others HK\$'000	Total HK\$'000
At 1st January, 2001				
— as previously reported	260	—	—	260
— adjustment on adoption of SSAP 12 (Revised)	<u>476</u>	<u>4,709</u>	<u>(2,163)</u>	<u>3,022</u>
— as restated	736	4,709	(2,163)	3,282
(Credit) charge to the income statement for the period	<u>(40)</u>	<u>—</u>	<u>48</u>	<u>8</u>
At 30th June, 2002	696	4,709	(2,115)	3,290
(Credit) charge to the income statement for the period	(63)	(688)	2,703	1,952
Charge to equity for the period	<u>—</u>	<u>1,479</u>	<u>—</u>	<u>1,479</u>
At 31st December, 2002	633	5,500	588	6,721
Credit to the income statement for the period	(40)	—	(1,366)	(1,406)
Effect of change in tax rate	<u>59</u>	<u>(124)</u>	<u>—</u>	<u>(65)</u>
At 30th June, 2003	<u><u>652</u></u>	<u><u>5,376</u></u>	<u><u>(778)</u></u>	<u><u>5,250</u></u>

9. DEFERRED TAX (continued)

For the purpose of balance sheet presentation, certain deferred tax assets and liabilities have been set off in accordance with the conditions set out in SSAP 12 (Revised). The following is the analysis of the deferred tax balances for financial reporting purposes:

	30th June, 2003 HK\$'000	31st December, 2002 HK\$'000
Deferred tax liabilities	9,275	9,646
Deferred tax assets	<u>(4,025)</u>	<u>(2,925)</u>
	<u>5,250</u>	<u>6,721</u>

Deferred tax assets have not been recognised in respect of the following items:

	30th June, 2003 HK\$'000	31st December, 2002 HK\$'000
Tax losses	17,998	17,116
Deductible temporary differences	<u>929</u>	<u>929</u>
	<u>18,927</u>	<u>18,045</u>

These deferred tax assets have not been recognised because of the unpredictability of future profit streams. Included in unrecognised tax losses are losses that will expire in 5 year's time. Other losses may be carried forward indefinitely.

10. TRADE AND OTHER RECEIVABLES

The Group has defined credit terms which are agreed with its trade customers. Included in trade and other receivables are trade receivables of HK\$174,941,000 (31.12.2002: HK\$156,494,000) and their aged analysis is as follows:

	30th June, 2003 HK\$'000	31st December, 2002 HK\$'000
Within 30 days	82,751	82,945
31 to 90 days	79,182	70,869
Over 90 days	<u>13,008</u>	<u>2,680</u>
	<u><u>174,941</u></u>	<u><u>156,494</u></u>

11. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of HK\$137,011,000 (31.12.2002: HK\$111,018,000) and their aged analysis is as follows:

	30th June, 2003 HK\$'000	31st December, 2002 HK\$'000
Within 30 days	57,686	48,082
31 to 90 days	70,623	55,825
Over 90 days	<u>8,702</u>	<u>7,111</u>
	<u><u>137,011</u></u>	<u><u>111,018</u></u>

12. SHARE CAPITAL

During the period ended 30th June, 2003, 6,110,000 (six months ended 30.6.2002: 360,000) shares were repurchased and subsequently cancelled.

13. CAPITAL COMMITMENT

At 30th June, 2003, the Group had commitments to acquire property, plant and equipment of approximately HK\$15 million (31.12.2002: HK\$7 million).

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**Deloitte
Touche
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TO THE BOARD OF DIRECTORS OF LERADO GROUP (HOLDING) COMPANY LIMITED

Introduction

We have been instructed by the Company to review the interim financial report set out on pages 1 to 13.

Respective responsibilities of directors and auditors

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 Statement of Standard Accounting Practice 25 *Interim Financial Reporting* issued by the Hong Kong Society of 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 Statement of Auditing Standards 700 *Engagements to Review Interim Financial Reports* issued by the Hong Kong Society of Accountants. A review consists principally of making enquiries of the Company's 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 June, 2003.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

9th September, 2003

MANAGEMENT DISCUSSION AND ANALYSIS

Results Review

The Group recorded a satisfactory performance for the first half of 2003 and a rebound against the previous years when business suffered from the global economic downturn. Though consumers remained spending cautiously, consumer confidence is reviving with the support of positive economic signs emerging.

During the period under review, the Group registered a growth in consolidated turnover of 8.9% over the same period last year to approximately HK\$577.0 million. Profit for the period increased by 9.8% to HK\$62.9 million. Basic earnings per share amounted to HK8.73 cents.

The Board of Directors declared an interim dividend of HK2 cents per share for the six months ended 30th June, 2003.

Segmental Analysis

The Group recorded growth in almost all product categories. Attributed to the more active outsourcing production activities in Europe, sales of strollers increased 3.2% to HK\$345.7 million and accounted for 59.9% of the Group's total turnover. However, the overall growth was partly restrained by the stagnant economic climate in the US. Sales of foldable beds and playards, which are desirable for traveling with children and mainly sold to the US, declined 12.4% under the sluggish economic condition, which discouraged travels.

Performance of miscellaneous infant products showed strong signs and posted satisfactory growth of 25.0%, generating HK\$109.5 million turnover. In addition, the Group has commenced its production of battery-operated ride-on cars on ODM basis during the period under review.

Geographically, affected by the uncertain economy, turnover from the US market decreased 2.5% against last year to HK\$301.6 million and represented 52.3% of total turnover. In Europe, the Group's second largest market, the outsourcing trend in Europe started to recover under the strong performance of Euro. Sales to Europe rose 17.9% to HK\$151.6 million and accounted for 26.3% of aggregate turnover. Meanwhile, the Group enjoyed a satisfactory growth in turnover from Australia, South America and the rest of the world.

Operation Analysis

Gross profit margin was under pressure and decreased 1.9% to 27.8% as a result of the price increase in raw materials, metal tube and plastic in particular, due to the geopolitical tension in the Middle East region at the beginning of this year. Despite, net profit for the period recorded 9.8% growth over the same period last year, with net profit margin maintained at 10.9%, as a result of the Group's continuous effort in controlling its operating costs.

As to the PRC market, the Group has undergone a restructuring plan for its distribution network to enhance efficiency while maintaining nationwide presence. The Group has decided to close some of its sales counters and appointed agents to perform the sales and marketing functions, releasing resources to focus on research and development, and production. During the period under review, the Group also closed its retail outlet, "Peek-a-boo", in Shenzhen due to an undesirable revamp on the tenant mix at the shopping mall. While the management continues to reassess the Group's strategy responsively, our intention to develop the Group's own brand "Angel" remains unchanged.

In response to the market trend for higher confidentiality and to provide tailor-made services to foster closer relationship with its long-term clients, the Group continued the plant expansion plan and allocated part of the extended plant for its major clients for customized production purpose. Such an exclusive environment can help protect confidentiality during the production process, strengthen the mutually trustful relationship with clients and raise the Group's management efficiency in light of a more focused production scope.

Prospects

With positive economic signs and the global recovery of consumer confidence, the Group believes that the operating environment in the rest of the year would be more stable, though remains challenging. In this connection, the Group will continue to focus on middle-end products to meet the majority market demand, while at the same time, continue its research and development on new and advanced product features so as to capture opportunities when the market revives.

In the area of new initiatives, the Group will commence the production of detachable infant car seats, which have a patented 'click-in' mechanism, in the fourth quarter this year for its existing clients. With the great potential of this new product, the satisfactory performance of battery-operated ride-on cars, together with the improving business environment, the Group is positive in the year to come.

Liquidity and financial resources

As at 30th June, 2003, shareholders' funds and net current assets of the Group amounted to HK\$677.6 million and HK\$222.3 million respectively. On the same date, the Group had cash and bank balances of HK\$106.1 million, maintained mainly in US dollars and Renminbi. During the period under review, the Group repaid all its bank borrowings, resulting in a further drop of gearing ratio (expressed as total bank borrowings to shareholders' funds) from 0.001 to zero.

As at 30th June, 2003, the Group had its current ratio healthily maintained at 1.86. Trade debtor turnover period and inventory turnover period for the six months ended 30th June, 2003 were 52.0 days and 30.2 days (compared with 59.9 days and 26.4 days for the same period last year) respectively.

The directors are in the opinion that the Group has sufficient resources and working capital to meet its foreseeable capital expenditure.

Contingent liabilities and exchange risk exposure

The Group's sales are principally denominated in US dollars while the purchases are transacted mainly in HK dollars, Renminbi and New Taiwanese dollars. The Group does not expect a significant exchange risk exposure.

The Group had no material contingent liabilities as at 30th June, 2003.

Employees and remuneration policies

As at 30th June, 2003, the group employed a total workforce of over 6,900 staff members, of which 6,700 worked in the PRC production sites. The remaining worked in the marketing, R & D and other administrative departments in our Hong Kong and Taiwan offices.

Apart from basic salaries, discretionary bonus and contribution to retirement funds for staff in Hong Kong, Taiwan and the PRC, share options may also be granted to staff with reference to the individual's performance.

INTERIM DIVIDEND

The Board has declared an interim dividend of HK2 cents per share in cash for the six months ended 30th June, 2003 to shareholders whose names appear on the Register of Members of the Company on 17th October, 2003. It is expected that the dividend warrants will be sent to the Shareholders no later than 28th October, 2003.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 15th October, 2003 to 17th October, 2003, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar, Secretaries Limited, 28th Floor, BEA Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong, not later than 4:00p.m. on 14th October, 2003.

DIRECTORS' INTERESTS IN SECURITIES

As at 30th June, 2003, the interests and short positions of the directors and chief executives of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under section 352 of the SFO, are set out below:

(I) Interests in Shares of the Company

Name of director	Number of ordinary shares held as		
	Personal interest	Family interest (Note 1)	Corporate interests (Note 2)
Mr. Huang Ying Yuan	101,187,360	42,102,180	—
Mr. Tsang Yat Kiang	58,815,720	—	—
Mr. Chen Hsing Shin	94,105,800	—	—
Madam Huang Chen Li Chu	42,102,180	101,187,360	—
Mr. Chen An Hsin	—	—	35,289,675
Mr. Chen Jo Wan	11,763,225	—	—
Mr. Ng Kwun Wan	300,000	—	—

Notes:

1. The family interest represents the shares held by the spouse of Mr. Huang Ying Yuan and Madam Huang Chen Li Chu respectively. Madam Huang Chen Li Chu is the wife of Mr. Huang Ying Yuan.
2. Mr. Chen An Hsin beneficially owns the entire interest of Gold Field Business Ltd, which in turn owns 35,289,675 ordinary shares in the Company.

All interests stated above represent long positions.

(II) Share Options

- (a) The Company adopted a share option scheme on 2nd December, 1998 (the "1998 Scheme"), with expiry date on 1st December, 2008, for the primary purpose of providing incentives to directors and eligible employees. Under the 1998 Scheme, the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company.

Movements of share options granted under the 1998 Scheme during the six months ended 30th June, 2003 were as follows:

Name of directors	Date of grant	Number of the Company's share subject to share options outstanding at 1st January and 30th June, 2003
Mr. Huang Ying Yuan	18th August, 1999	4,000,000
Mr. Tsang Yat Kiang	18th August, 1999	3,500,000
Mr. Chen Hsing Shin	18th August, 1999	3,500,000
Madam Huang Chen Li Chu	18th August, 1999	3,000,000
Mr. Chen Jo Wan	18th August, 1999	2,500,000
Mr. Leung Man Fai	18th August, 1999	2,500,000
Mr. Lim Pat Wah Patrick	18th August, 1999	500,000
		<hr/>
Total		<u>19,500,000</u>

The share options were granted by the Company on 18th August, 1999 to subscribe for shares in the Company at an exercise price of HK\$1.26 per share, subject to adjustment. These share options are exercisable from 1st January, 2000 to 17th August, 2009.

No share options were granted, exercised, cancelled or lapsed under the 1998 scheme during the six months ended 30th June, 2003.

- (b) The Company terminated the 1998 Scheme and adopted a new share option scheme on 30th May, 2002 (the “2002 Scheme”). Except that no further options may be granted under the 1998 Scheme subsequent to its termination, all the other provisions of the 1998 Scheme will remain in force so as to give effect to the exercise of all outstanding options granted under the 1998 Scheme and all such options will remain valid and exercisable in accordance with the provisions of the 1998 Scheme.

No share options have been granted under the 2002 Scheme since its adoption.

Apart from the above, no other interests or short positions in the shares, underlying shares or debentures of the Company or any associated corporations as at 30th June, 2003 were recorded in the register required to be kept under section 352 of the SFO.

DIRECTORS' RIGHT TO ACQUIRE SHARES AND DEBENTURES

Save as disclosed under the section of “Share Options” above, at no time during the period was the Company or any of its associated corporations a party to any arrangement to enable the directors or chief executives of the Company (including their spouse and children under 18 years of age) to acquire benefits by means of the acquisition of shares in, or underlying shares in, or debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

So far as is known to any directors or chief executives of the Company, as at 30th June, 2003, shareholders (other than directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which were recorded in the register kept by the Company under Section 336 of the SFO were as follows:

Name of Shareholder	Number of shares/ underlying shares held	Percentage of Company's issued share capital
J.P. Morgan Chase & Co. ("JPMC")	57,602,000	8.04%
JP Morgan Chase Bank	992,000	0.14%
J.P. Morgan Fleming Asset Management Holdings Inc.	56,610,000	7.90%
J.P. Morgan Fleming Asset Management (Asia) Inc.	56,610,000	7.90%
JF Asset Management Limited	56,610,000	7.90%

Note: According to the notice to the Company dated 7th April, 2003 from JPMC, the latter had interests of 56,610,000 shares in the Company as an investment manager and 992,000 shares held as a lending pool in other capacity. Among the said interests, 992,000 shares were held by JPMC's wholly-owned subsidiary, JP Morgan Chase Bank. The remaining interests of 56,610,000 shares were held by JF Asset Management Limited, which was 99.99% owned by J.P. Morgan Fleming Asset Management (Asia) Inc., which was in turn wholly-owned directly by J.P. Morgan Fleming Asset Management Holdings Inc. and indirectly by JPMC.

All the interests disclosed above represent long position in the shares and underlying shares of the Company.

Save as disclosed herein, the Company has not been notified of any other person (other than a director or a chief executive of the Company) who had an interest or a short position in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO as at 30th June, 2003.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30th June, 2003, the Company repurchased its own shares on The Stock Exchange of Hong Kong Limited (the “SEHK”) as follows:

Month of repurchase	Number of shares	Price per share		Aggregate
		Highest HK\$	Lowest HK\$	Consideration paid HK\$'000
April 2003	2,750,000	1.18	1.13	3,178
May 2003	<u>3,360,000</u>	1.29	1.18	<u>4,167</u>
	<u>6,110,000</u>			<u>7,345</u>

The above shares were cancelled upon repurchase and accordingly the issued share capital of the Company was reduced by the nominal value of these shares.

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

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 June, 2003, in compliance with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on the SEHK (the “Listing Rules”).

REVIEW OF INTERIM FINANCIAL STATEMENTS

The Audit Committee has reviewed with management and the external auditors, Deloitte Touche Tohmatsu, the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including the review of the unaudited interim financial statements.

By Order of the Board
Huang Ying Yuan
Chairman

Hong Kong, 9th September, 2003