

INTERIM DIVIDEND

The directors do not recommend payment of an interim dividend for the six months ended 30 September 2003 (2002: HK\$Nil per share).

REVIEW OF OPERATIONS AND RESULTS

For the six months ended 30 September 2003, the Group recorded a consolidated turnover of approximately HK\$84.2 million. Loss for the period was approximately HK\$12.3 million compared to approximately HK\$43.4 million for the corresponding period in the previous year.

The property market was under severe pressure in the first half of 2003 due to weak economy, outbreak of severe acute respiratory syndrome ("SARS") and Iraq War. Keen competition in the building materials industry renders the operating environment difficult which in return adversely affected prices of ceramic tiles. Against this backdrop, the Group strives to make their best and decent efforts to ensure the overall steady performance in its businesses. The Group's business in the United States, for instance, continues to progress well despite the unfavorable local market conditions. Sales to market in the United States, continued to rise to approximately HK\$35.2 million for the six months ended 30 September 2003, a further increase of 40% compared with the same period last year.

To remain competitive in the challenge time of economy downturn and SARS aftermath, the Group has continued to implement its cost control measures to enhance operational efficiency and revitalise its overall performance. Further, in order to capture the emerging opportunities arising from the energy-related sector in the People's Republic of China ("PRC"), the Group entered into a conditional acquisition agreement for certain interests in Beijing Continental Gas Co. Ltd. ("Beijing Continental Gas"), the details of which are set out in the section under the heading of "Material Acquisitions and Disposal". The transaction was completed on 30 July 2003. During the period under review, turnover and net profit of Beijing Continental Gas were RMB2.9 million and RMB0.7 million respectively.

With the belief that the prospects of natural gas business in the PRC is promising in view of its low penetration rate, supply growth lag coupled with positive government policy on environmental friendly energy resources in the PRC, Beijing Continental Gas has been actively soliciting new contracts and seeking good investment projects on energy-related businesses in order to enhance its market share in the PRC.

中期股息

董事並不建議派付截至二零零三年九月三十日止六個月之中期股息(二零零二年:每股零港元)。

業務回顧及業績

於截至二零零三年九月三十日止六個月,本集團錄得綜合營業額約84,200,000港元。期內虧損約為12,300,000港元,而上年度同期則約為43,400,000港元。

鑑於經濟低迷、嚴重呼吸道綜合症(「非典型肺炎」)之爆發及伊拉克戰爭,地產市道於二零零三年上半年嚴重受壓。建築材料行業競爭激烈,經營環境艱難,從而對瓷磚的價格造成負面影響。在此情況下,本集團仍致力確保其業務整體有平穩的表現。雖然本地市況不景,但本集團的業務,比如在美國的業務仍持續有良好增長。截至二零零三年九月三十日止六個月,外銷予美國市場的銷量持續上升,升至約35,200,000港元,較去年同期增加40%。

為求在經濟不景之艱難時刻及非典型肺炎餘波下保持競爭能力,本集團繼續實施成本控制措施,以提升經營效率及刺激整體表現。此外,為把握中華人民共和國(「中國」)能源相關行業的新商機,本集團已就北京大陸燃氣有限公司(「北京大陸燃氣」)之若干權益簽訂有條件收購協議,詳情載於「重大收購及出售事宜」一節。該項交易已於二零零三年七月三十日完成。於回顧期間,北京大陸燃氣之營業額及純利分別約為人民幣2,900,000元及人民幣700,000元。

鑑於天然氣業務之滲透率低,相信中國之天然氣業務發展相當可觀,再加上供應增長放緩,中國政府對環境保護節省能源採取鼓勵政策,因此,北京大陸燃氣一直積極商討新合約,並尋求與能源相關業務之投資項目,以提升其於中國之市場地位。

MATERIAL ACQUISITIONS AND DISPOSAL

Acquisition of Beijing Continental Gas

As disclosed in the announcement and circular ("BCG Circular") dated 5 June 2003 and 26 June 2003 respectively, Dong Fang Gas (China) Limited, an indirect wholly-owned subsidiary of the Company entered into a conditional agreement dated 1 June 2003 for the acquisition of 73% of the entire issued share capital of Top Power Holdings Limited, which in return owns 70% equity interest in Beijing Continental Gas, at a consideration of HK\$80.0 million. The transaction was completed on 30 July 2003.

The Group holds 51.1% attributable interests in Beijing Continental Gas which has been engaged in the business of natural gas supply, storage and related services. As confirmed by the Company's PRC legal adviser, Beijing Continental Gas is, as at the latest practicable date in the BCG Circular, the first and only sino-foreign joint venture approved by the PRC government authority for the incorporation in Beijing, the PRC with a business scope to engage in natural gas business.

Acquisition of Nanning City Gas Co. Ltd. ("Nanning City Gas")

As disclosed in the Company's announcement and circular dated 13 November 2002 and 4 December 2002 respectively, China Crystal Investment Ltd. ("China Crystal"), an indirect wholly-owned subsidiary of the Company, entered into an agreement ("Nanning Acquisition Agreement") on 8 November 2002 to acquire for 30.87% attributable interests in Nanning City Gas ("Nanning Acquisition").

The Company further announced on 2 January 2003 that there have been certain disputes between the vendor and China Crystal relating to the satisfaction of the conditions of Nanning Acquisition Agreement. As at the date of this interim report ("Interim Report"), the Nanning Acquisition has not yet completed. Further announcement shall be made as and when necessary.

重大收購及出售事宜

收購北京大陸燃氣

據分別於二零零三年六月五日及二零零三年六月二十六日刊發的公佈及通函(「北京大陸燃氣通函」)所披露,本公司之間接全資附屬公司Dong Fang Gas (China) Limited於二零零三年六月一日簽訂一份有條件協議,收購Top Power Holdings Limited(其擁有北京大陸燃氣70%股權)佔全部已發行股本的73%權益,代價為80,000,000港元。該項交易已於二零零三年七月三十日完成。

本集團持有北京大陸燃氣51.1%應佔權益,北京大陸燃氣從事天然氣供應、儲存及相關服務。經本公司之中國法律顧問確認,於北京大陸燃氣通函之最後實際可行日期,北京大陸燃氣為首家及唯一一家獲中國政府機構批准,於中國北京註冊成立從事天然氣業務之中外合資合營企業。

收購南寧管道燃氣有限責任公司(「南寧管道燃氣」)

如本公司分別於二零零二年十一月十三日及二零零二年十二月四日刊發的公佈及通函披露,本公司之間接全資附屬公司China Crystal Investment Ltd. (「China Crystal」)於二零零二年十一月八日簽訂一份協議(「南寧收購協議」),收購南寧管道燃氣應佔的30.87%權益(「南寧收購」)。

本公司另於二零零三年一月二日,宣佈賣方與China Crystal之間在達成南寧收購協議之條件方面出現若干爭端。截至本中期報告(「中期報告」)日期,南寧收購尚未完成。本公司將於有需要時另行作出公佈。



Disposal of Skynet (International Group) Holdings Limited

As disclosed in the annual report of the Company for the year ended 31 March 2003 ("Annual Report 2003"), Mandarin Technology (Holdings) Limited (formerly known as BCD (Holdings) Limited) ("Newco"), Skynet (International Group) Holdings Limited ("Skynet") and Monetary Success Investments Limited ("Subscriber") entered into a conditional subscription agreement dated 5 March 2003 ("Subscription Agreement") whereby the parties thereto agreed to the implementation of a scheme of arrangement ("Scheme") under section 99 of the Companies Act 1981 of Bermuda between Skynet and its shareholders and the Subscriber agreed, among others, to subscribe for and acquire a total of 4,000,000,000 shares in the capital of Newco ("Newco Shares") or such number of new Newco Shares as shall represent not less than 97% of the enlarged issued share capital of Newco (after taking into account the number of Newco Shares to be issued and allotted to shareholders of Skynet pursuant to the Scheme and the Newco Shares to be issued and allotted to the Subscriber pursuant to the Subscription Agreement (but before conversion of certain convertible loan notes to be issued by Newco) upon completion of, inter alia, the Scheme and the subscription.

Supplemental agreements were entered into between parties involved in the Subscription Agreement for extension of the long stop date of the conditions of the Subscription Agreement from 30 June 2003 to 22 September 2003, then eventually to 31 December 2003. Completion of the Subscription Agreement, which is subject to fulfilment of certain conditions as set out therein, has not taken place as at the date of this Interim Report.

出售天網 (國際集團) 有限公司

如本公司截至二零零三年三月三十一日止年度之年報(「二零零三年年報」)所披露,萬華科技控股有限公司(前稱BCD (Holdings) Limited)(「新公司」)、天網(國際集團)有限公司(「天網」)及Monetary Success Investments Limited(「認購人」)於二零零三年三月五日簽訂一份有條件認購協議(「認購協議」),據此,訂約各方同意根據百慕達一九八一年公司法第99條在天網及其股東之間實施一項安排計劃(「該計劃」),而認購人同意(其中包括)認購及收購新公司股本中合共4,000,000,000股股份(「新公司股份」)或佔(其中包括)該計劃及認購完成後新公司經擴大已發行股本(經計及根據該計劃將發行及配發予天網股東之新公司股份及根據認購協議將發行及配發予認購人之新公司股份後(但未計新公司將予發行之若干可換股貸款票據之轉換前))不少於97%之新公司股份。

參與認購協議有關各方已就延長認購協議之條件之最後期限訂立補充協議,將限期由二零零三年六月三十日延長至二零零三年九月二十二日,最後延至二零零三年十二月三十一日。認購協議須於達成該協議所載的若干條件後落實完成,而截至本中期報告日期,認購協議仍未完成。

LIQUIDITY AND FINANCIAL RESOURCES

During the period under review, the Group financed its activities and operations mainly through internal resources as well as bank and other borrowings.

As at 30 September 2003, the Group had net current liabilities of approximately HK\$55.6 million (31 March 2003: net current assets of approximately HK\$63.1 million) and a current ratio of 0.89 (31 March 2003: 1.14). Cash, bank balances and pledged time deposits as at 30 September 2003 were approximately HK\$309.1 million (31 March 2003: approximately HK\$405.0 million). Gearing ratio of which is expressed as a ratio of total liabilities and minority interests to shareholders' funds increased from 2.5 to 3.1.

As at 30 September 2003, total borrowings of the Group amounted to approximately HK\$252.0 million, representing an increase of HK\$28.7 million as compared with the total borrowings of HK\$223.3 million as at 31 March 2003. All these borrowings are repayable within one year and interest bearing of which approximately HK\$92.3 million carried at fixed interest rate of 9.8% per annum and approximately HK\$159.7 million carried at floating interest rates.

Most of the Group's business transactions, assets and liabilities are denominated in Hong Kong dollars and Renminbi. Borrowings were mainly denominated in Renminbi, United States dollars and Hong Kong dollars, while cash and cash equivalents were mainly held in Renminbi, United States dollars and Hong Kong dollars. Given the exchange rate of these currencies are fairly stable, the Group has not adopted any material hedging measures since exchange rate fluctuations had no significant impact on the Group during the period under review.

流動資金及財務資源

於回顧期間，本集團主要以內部資源以及銀行及其他借貸支付其活動及營運開支。

於二零零三年九月三十日，本集團之流動負債淨額約為55,600,000港元（二零零三年三月三十一日：流動資產淨值約63,100,000港元），而流動比率則為0.89（二零零三年三月三十一日：1.14）。於二零零三年九月三十日之現金、銀行結餘及已抵押定期存款約為309,100,000港元（二零零三年三月三十一日：約405,000,000港元）。資產負債比率（即負債總額及少數股東權益相對於股東資金之比率）自2.5增至3.1。

於二零零三年九月三十日，本集團之借貸總額約為252,000,000港元，與二零零三年三月三十一日的借貸總額約223,300,000港元相比，上升28,700,000港元。所有該等借貸須於一年內償還，並均屬附息，其中約92,300,000港元按定息計息，年息為9.8厘，而約159,700,000港元按浮動息率計息。

本集團大部份業務交易、資產及負債均以港元及人民幣列值。借貸主要以人民幣、美元及港元計值，而現金及現金等價物則主要以人民幣、美元及港元持有。鑑於該等貨幣匯率相當穩定，加上於回顧期間，匯率波動對本集團並無造成重大影響，故本集團並無採納任何重大對沖措施。

PLEDGE OF ASSETS

As at 30 September 2003, the Group has pledged certain land and buildings, motor vehicles, plant and machinery with an aggregate carrying value of approximately HK\$92.1 million (31 March 2003: approximately HK\$96.7 million) and bank deposits of approximately HK\$37.3 million (31 March 2003: approximately HK\$26.6 million) to secure the banking facilities granted to the Group.

The Group has also pledged certain trade receivables with an aggregate carrying value of approximately HK\$21.8 million (31 March 2003: approximately HK\$14.3 million) and properties held for sale with an aggregate carrying value of approximately HK\$6.5 million (31 March 2003: approximately HK\$6.5 million) to secure banking facilities granted to the Group.

Besides, the Group has pledged certain investments in securities with market value of approximately HK\$10.2 million (31 March 2003: approximately HK\$16.5 million) and transferred to margin loan payable included in other payables and accruals to set off the amount of margin loan payable of HK\$15.2 million (31 March 2003: approximately HK\$21.5 million).

CONTINGENT LIABILITIES

As at 30 September 2003, the Group has not granted corporate guarantees to any parties. As at 31 March 2003, the Group's contingent liabilities were approximately HK\$10.3 million, representing corporate guarantee given to bankers in respect of banking facilities utilized by an associate.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2003, the Group employed approximately 500 staff. The Group's remuneration policies are in line with prevailing industry practices and formulated on the basis of performance and experience of the employees and will be reviewed regularly. The Group also provided staff comprehensive benefits including medical insurance and training programmes.

資產抵押

於二零零三年九月三十日，本集團已抵押總賬面值約92,100,000港元（二零零三年三月三十一日：約96,700,000港元）之若干土地及樓宇、汽車、廠房及機器以及約37,300,000港元（二零零三年三月三十一日：約26,600,000港元）之銀行存款，以取得本集團獲授之銀行融資。

本集團亦已抵押總賬面值約21,800,000港元（二零零三年三月三十一日：約14,300,000港元）之應收貿易賬款及總賬面值約6,500,000港元（二零零三年三月三十一日：約6,500,000港元）之持作出售用途之物業，以取得本集團獲授之銀行融資。

此外，本集團亦抵押市值約10,200,000港元（二零零三年三月三十一日：約16,500,000港元）之證券投資，並撥入其他應付款項所包含之應付保證金貸款，以對銷應付之保證金貸款15,200,000港元（二零零三年三月三十一日：約21,500,000港元）。

或然負債

於二零零三年九月三十日，本集團並無向任何人士授出公司擔保。於二零零三年三月三十一日，本集團之或然負債約為10,300,000港元，為一間聯營公司動用之銀行融資而向銀行作出的公司擔保。

員工及薪酬政策

於二零零三年九月三十日，本集團之僱員總數約為500人。本集團之薪酬政策乃參照現時行業情況及根據僱員之表現及經驗釐定，並會定期檢討。本集團亦向員工提供綜合福利，包括醫療保險及培訓計劃。

SHARE OPTIONS

As disclosed in the Annual Report 2003, the Company's share option scheme ("Share Scheme"), which is valid and effective for a period of ten years from the date of adoption, was approved and adopted on 17 March 2003. There are no changes of terms in the Share Scheme. Details of the Share Scheme were particularly set out in the note 33 to the financial statements of the Annual Report 2003.

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

PROSPECTS

The post-SARS economic recovery is taking place securely during the second half of 2003. The sudden disruption to business accentuated some imbalances in the economy that hinder growth. However for the past few months, there have been significant improvements in both the economic and financial conditions though structural issues are still to be addressed.

The removal of the Hong Kong Special Administrative Region of the PRC ("Hong Kong") from the list of SARS-affected areas by the World Health Organisation (WHO) in June 2003, coupled with signing the Closer Economic Partnership Arrangement (CEPA) and announcement of the approval from the State Council, the People's Bank of China for provision of clearing arrangement for banks in Hong Kong to conduct personal renminbi business on a trial basis, rendered additional support to the economy. These general improvements in economic conditions are mirrored in the financial markets. All these signs of recovery may direct the Group to advantageous investment plans with growth and potentials. Adopting a prudent and cautious approach, the Group is in a good position and is well equipped to seize any investment opportunity when arises.

Confronting with a highly competitive environment, the Board considers any business rationalisation, which may include divesting non-performing business whenever it deems appropriate and necessary, so as to minimize any deficit that brought to the Group. To endeavour for an enhanced return to our shareholders, the Group targets any investment opportunities that would introduce earnings or provide growth and development potentials in the long run. With the gradual recovery of the global economy, the Group has confident in enhancing the Company's value and strive to maximize benefits and value for its shareholders.

購股權

如二零零三年年報所披露，本公司之購股權計劃（「購股權計劃」）乃於二零零三年三月十七日獲批准及採納，自採納日期後十年內有效。購股權計劃條款並無修訂，詳情已載於二零零三年年報財務報表附註33。

自採納購股權計劃以來並無根據購股權計劃授出任何購股權。

展望

於二零零三年下半年，非典型肺炎後的經濟逐漸穩定復甦。業務突然受干擾導致經濟發展失去平衡，妨礙整體增長。然而在近幾個月來，雖然結構性問題仍有待處理，惟經濟及財政狀況於過去數月已有顯著改善。

世界衛生組織於二零零三年六月將中國香港特別行政區（「香港」）從受非典型肺炎影響地區的名單中剔除，加上簽訂更緊密經貿關係安排，以及國務院公佈批准中國人民銀行以試驗形式為香港銀行提供結算安排以進行個人人民幣業務等消息，均為經濟注入強心針。經濟狀況普遍有所改善，並已在金融市場上反映。此等經濟復甦之跡象，有利本集團投資於具增長及發展潛力的投資項目。本集團採取審慎策略，以其優勢作好準備把握可能出現之任何投資機會。

面對競爭激烈的環境，董事會考慮整頓業務，可能包括在視為合適及必須的情況下終止表現欠佳的業務，減少本集團的虧損。為致力提升股東的回報，本集團將專注於可帶來盈利或增長及具長遠發展潛力的投資機會。由於全球經濟逐漸復甦，本集團有信心能提升本公司的價值及致力為其股東擴大利益及價值。