

Veeko® Veeko International Holdings Limited 威高國際控股有限公司

03/04

Interim Report
中期報告書

For the six months ended 30th September, 2003
截至二零零三年九月三十日止六個月



www.veeko.com.hk

CORPORATE INFORMATION

DIRECTORS

Executive

CHENG Chung Man, Johnny
(Chairman and Managing Director)
LAM Yuk Sum

Independent Non-Executive

CHENG Chung Hoo
YANG Wei Tak

LEGAL ADVISERS AS TO CAYMAN ISLANDS LAW

Conyers Dill & Pearman, Cayman
Zephyr House
George Town
Grand Cayman
British West Indies

LEGAL ADVISERS AS TO HONG KONG LAW

Chiu & Partners
41st Floor, Jardine House
1 Connaught Place
Hong Kong

AUDITORS

Deloitte Touche Tohmatsu
Certified Public Accountants
26th Floor, Wing On Centre
111 Connaught Road Central
Hong Kong

AUTHORISED REPRESENTATIVES

CHENG Chung Man, Johnny
LAM Yuk Sum

COMPANY SECRETARY

WONG Chi Ying

AUDIT COMMITTEE MEMBERS

CHENG Chung Hoo
YANG Wei Tak

REGISTERED OFFICE

Century Yard
Cricket Square
Hutchins Drive
P.O. Box 2681 GT
George Town
Grand Cayman
British West Indies

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

10th Floor, Wyler Centre Phase II
192-200, Tai Lin Pai Road
Kwai Chung, New Territories
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Bank of Bermuda (Cayman) Limited
P.O. Box 513 GT
3rd Floor
British American Tower
Dr. Roy's Drive
George Town
Grand Cayman
Cayman Islands
British West Indies

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Secretaries Limited
Ground Floor
Bank of East Asia Harbour View Centre
56 Gloucester Road
Wanchai, Hong Kong

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
The Hongkong and Shanghai
Banking Corporation Limited

WEBSITE ADDRESS

<http://www.veeko.com.hk>

UNAUDITED INTERIM RESULTS

The board of directors of Veeko International Holdings Limited (the "Company") announces the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30th September, 2003. The results, together with the comparative figures for the corresponding period in 2002, are summarised below:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30th September, 2003

		Six months ended	
		30th September,	
		2003	2002
		(Unaudited)	(Unaudited)
		(Restated)	
	Notes	HK\$'000	HK\$'000
Turnover	2	175,380	195,572
Cost of sales		44,034	(57,098)
		<hr/>	<hr/>
Gross profit		131,346	138,474
Selling and distribution costs		(91,709)	(95,233)
Administrative expenses		(28,613)	(30,414)
Other operating income		2,721	2,159
		<hr/>	<hr/>
Profit from operations	3	13,745	14,986
Finance costs		(20)	(483)
		<hr/>	<hr/>
Profit before taxation		13,725	14,503
Taxation	4	(1,388)	(1,612)
		<hr/>	<hr/>
Profit attributable to shareholders		12,337	12,891
		<hr/> <hr/>	<hr/> <hr/>
Interim dividend		4,968	3,809
		<hr/> <hr/>	<hr/> <hr/>
Earnings per share	5	HK0.75 cent	HK0.78 cent
		<hr/> <hr/>	<hr/> <hr/>

Veeko International Holdings Limited

CONDENSED CONSOLIDATED BALANCE SHEET

At 30th September, 2003

		30th September, 2003 (Unaudited)	31st March, 2003 (Audited) (Restated)
	Notes	HK\$'000	HK\$'000
Non-current Assets			
Investment properties		24,950	24,950
Property, plant and equipment		38,025	44,942
Deferred tax assets		4,767	4,720
		67,742	74,612
Current Assets			
Inventories		72,182	44,895
Trade and other receivables	6	27,882	25,066
Rental and utility deposits		27,575	27,372
Taxation recoverable		–	817
Bank deposits		22,369	20,430
Bank balances and cash		15,250	22,780
		165,258	141,360
Current Liabilities			
Trade and other payables	7	28,585	24,157
Taxation payable		2,768	2,129
Obligations under finance leases – due within one year		183	222
		31,536	26,508
Net Current Assets			
		133,722	114,852
		201,464	189,464
Capital and Reserves			
Share capital	8	16,560	16,560
Reserves		174,752	172,072
Proposed dividend		9,439	–
		200,751	188,632
Non-current Liabilities			
Obligations under finance leases – due after one year		371	462
Deferred tax liabilities		342	370
		713	832
		201,464	189,464

CONDENSED CONSOLIDATED CASH FLOW STATEMENT*For the six months ended 30th September, 2003*

	Six months ended	
	2003	2002
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Net cash (used in)/from operating activities	(3,622)	24,258
Net cash used in investing activities	(3,971)	(2,475)
Net cash used in financing activities	(131)	(1,244)
(Decrease)/Increase in cash and cash equivalents	(7,724)	20,539
Cash and cash equivalents at 1st April	22,780	(8,417)
Effect of foreign exchange rates changes	194	86
Cash and cash equivalents at 30th September	15,250	12,208
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	15,250	21,208
Bank loan with maturity date within three months of date of advance	–	(9,000)
	15,250	12,208

Veeko International Holdings Limited

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th September, 2003

	(Unaudited)					
	Share Capital	Share Premium	Exchange Translation Reserve	Special Reserve	Retained Profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st April, 2002						
– as originally stated	16,560	8,611	(81)	2,266	135,462	162,818
– adjustment on adoption of SSAP 12 (Revised) (Note 1)	–	–	–	–	5,276	5,276
	<u>16,560</u>	<u>8,611</u>	<u>(81)</u>	<u>2,266</u>	<u>140,738</u>	<u>168,094</u>
– as restated						
Exchange differences on translation of overseas operations	–	–	(528)	–	–	(528)
Net profit for the period, as adjusted for the effect of adopting SSAP 12 (Revised) (Note 1)	–	–	–	–	12,891	12,891
	<u>16,560</u>	<u>8,611</u>	<u>(609)</u>	<u>2,266</u>	<u>153,629</u>	<u>180,457</u>
At 30th September 2002, as restated						
Exchange differences on translation of overseas operations	–	–	(181)	–	–	(181)
Net profit for the period, as adjusted for the effect of adopting SSAP 12 (Revised) (Note 1)	–	–	–	–	17,133	17,133
Dividends paid	–	–	–	–	(8,777)	(8,777)
	<u>16,560</u>	<u>8,611</u>	<u>(790)</u>	<u>2,266</u>	<u>161,985</u>	<u>188,632</u>
At 31st March, 2003 (Audited and as restated)						
Exchange differences on translation of overseas operations	–	–	(218)	–	–	(218)
Net profit for the period	–	–	–	–	12,337	12,337
	<u>16,560</u>	<u>8,611</u>	<u>(1,008)</u>	<u>2,266</u>	<u>174,322</u>	<u>200,751</u>
At 30th September, 2003						

NOTES TO CONDENSED INTERIM ACCOUNTS

1. ADOPTION OF STATEMENTS OF STANDARD ACCOUNTING PRACTICE/CHANGES IN ACCOUNTING POLICIES

The unaudited consolidated condensed interim accounts (the “Interim Accounts”) for the six months ended 30th September, 2003 are prepared in accordance with Statements of Standard Accounting Practice (“SSAP”) 25, “Interim Financial Reporting”, issued by the Hong Kong Society of Accountants, and Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

The accounting policies and methods of computation used in the preparation of the Interim Accounts are consistent with those used in the annual financial statements for the year ended 31st March, 2003 except that the Group has adopted the new SSAP 12 “Income taxes” issued by the Hong Kong Society of Accountants which is effective for the accounting periods commencing on or after 1st January, 2003. The effect to the Group arising from adopting this revised SSAP is set out as below:

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

In prior years, deferred taxation was accounted for at the current taxation rate in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or an asset was expected to be payable or recoverable in the foreseeable future. The adoption of the revised SSAP 12 represents a change in accounting policy, which has been applied retrospectively so that the comparatives presented have been restated to conform to the changed policy.

As detailed in the condensed consolidated statement of changes in equity, opening retained earnings at 1st April, 2003 has been increased by HK\$4,350,000 (1st April, 2002: HK\$5,276,000) which represent the unprovided net deferred tax assets. This change has resulted in an increase in deferred tax assets and deferred tax liabilities at 31st March, 2003 by HK\$4,720,000 and HK\$370,000 respectively. The profit for the six months ended 30th September, 2002 and 30th September, 2003 has been decreased by HK\$626,000 and increased by HK\$74,000 respectively.

2. BUSINESS AND GEOGRAPHICAL SEGMENTS

In accordance with the Group's internal financial reporting, the Group has determined that geographical segments by market are its primary reporting format.

Geographical segments

The Group reports its primary segment information by geographical location of its customers who are principally located in Hong Kong, Macau, Taiwan and Singapore. Segment information about these geographical markets is presented below:

	Unaudited six months ended 30th September, 2003					
	Hong Kong and Macau HK\$'000	Taiwan HK\$'000	Singapore HK\$'000	Others HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
TURNOVER						
Sales of goods	103,260	48,456	14,613	9,051	-	175,380
Inter-segment sales	4,582	-	-	-	(4,582)	-
	<u>107,842</u>	<u>48,456</u>	<u>14,613</u>	<u>9,051</u>	<u>(4,582)</u>	<u>175,380</u>

Inter-segment sales are charged at prevailing market rates.

SEGMENT RESULT	<u>11,912</u>	<u>3,753</u>	<u>(2,503)</u>	<u>1,024</u>		14,186
Unallocated corporate income						2,140
Unallocated corporate expenses						(2,581)
Profit from operations						13,745
Finance costs						(20)
Profit before taxation						13,725
Taxation						(1,388)
Profit attributable to shareholders						<u>12,337</u>

2. BUSINESS AND GEOGRAPHICAL SEGMENTS (CONTINUED)

	Unaudited six months ended 30th September, 2002					(Restated)
	Hong Kong and Macau HK\$'000	Taiwan HK\$'000	Singapore HK\$'000	Others HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
TURNOVER						
Sales of goods	121,649	50,842	13,130	9,951	-	195,572
Inter-segment sales	3,957	-	-	-	(3,957)	-
	<u>125,606</u>	<u>50,842</u>	<u>13,130</u>	<u>9,951</u>	<u>(3,957)</u>	<u>195,572</u>

Inter-segment sales are charged at prevailing market rates.

SEGMENT RESULT	<u>10,012</u>	<u>3,511</u>	<u>(331)</u>	<u>1,639</u>		14,831
Unallocated corporate income						1,560
Unallocated corporate expenses						<u>(1,405)</u>
Profit from operations						14,986
Finance costs						<u>(483)</u>
Profit before taxation						14,503
Taxation						<u>(1,612)</u>
Profit attributable to shareholders						<u>12,891</u>

3. PROFIT FROM OPERATIONS

	Six months ended 30th September,	
	2003 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000

Profit from operations has been arrived at after charging:

Depreciation of property, plant and equipment	<u>8,780</u>	<u>10,372</u>
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and after crediting:

Interest income	<u>142</u>	<u>115</u>
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4. TAXATION

	Six months ended 30th September,	
	2003	2002
	(Unaudited)	(Unaudited) (Restated)
	HK\$'000	HK\$'000
The charge comprises:		
Current taxation		
Hong Kong Profits Tax	577	914
Overseas Taxation	885	72
Deferred taxation relating to the origination and reversal of temporary difference		
	76	626
Deferred taxation resulting from an increase in tax rate		
	<u>(150)</u>	<u>–</u>
	<u>1,388</u>	<u>1,612</u>

Hong Kong Profits Tax is calculated at 17.5% (2002: 16%) on the estimated assessable profits for the period. Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

5. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the Group's profit attributable to shareholders of HK\$12,337,000 (2002 restated: HK\$12,891,000) and on the 1,656,000,000 shares in issue (2002: 1,656,000,000 shares) during the period.

6. TRADE AND OTHER RECEIVABLES

At 30th September, 2003, included in the Group's trade and other receivables were trade receivables of HK\$17,469,000 (31st March, 2003: HK\$22,845,000). The Group allows 30 to 60 days credit period for credit card receivables arising from its retail customers and receivables from sales counters and an average credit period of 60 to 120 days to its wholesale customers. Details of the aged analysis of trade receivables are as follows:

	30th September, 2003 (Unaudited) HK\$'000	31st March, 2003 (Audited) HK\$'000
Within 30 days	7,639	4,746
31 – 60 days	4,159	5,210
60 – 90 days	2,387	1,599
Over 90 days	<u>3,284</u>	<u>11,290</u>
	<u>17,469</u>	<u>22,845</u>

7. TRADE AND OTHER PAYABLES

At 30th September, 2003, included in the Group's trade and other payables were trade payables of HK\$10,540,000 (31st March, 2003: HK\$5,132,000). Details of the aged analysis of the trade payables are as follows:

	30th September, 2003 (Unaudited) HK\$'000	31st March, 2003 (Audited) HK\$'000
Within 30 days	5,565	2,479
31 – 60 days	4,312	904
Over 60 days	<u>663</u>	<u>1,749</u>
	<u>10,540</u>	<u>5,132</u>

8. SHARE CAPITAL

	30th September, 2003	31st March, 2003
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Authorised:		
10,000,000,000 shares of HK\$0.01 each	<u>100,000</u>	<u>100,000</u>
Issued and fully paid:		
1,656,000,000 ordinary shares of HK\$0.01 each	<u>16,560</u>	<u>16,560</u>

9. CONTINGENT LIABILITIES

At 30th September, 2003, the Company had guarantees of approximately HK\$84,390,000 (31st March, 2003: HK\$84,390,000) to certain banks in respect of banking facilities granted to certain subsidiaries of the Company. The amount utilised by the subsidiaries was approximately HK\$713,000 (31st March, 2003: HK\$922,000) as at 30th September, 2003.

10. OPERATING LEASE COMMITMENTS

At 30th September, 2003, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	30th September, 2003	31st March, 2003
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Within one year	88,730	84,825
In the second to fifth year inclusive	53,898	77,982
Over five years	–	12,685
	<u>142,628</u>	<u>175,492</u>

In addition to these commitments, the Group may pay additional rental expenses in respect of certain premises which are dependent upon the level of sales achieved by particular shops.

11. PLEDGE OF ASSETS

At 30th September, 2003, the following assets were pledged by the Group to certain banks to secure general banking facilities granted to the Group:

	30th September, 2003 (Unaudited) HK\$'000	31st March, 2003 (Audited) HK\$'000
Investment properties	24,950	24,950
Leasehold land and buildings	14,125	14,400
Short term bank deposits	1,353	1,349
	<u>40,428</u>	<u>40,699</u>

INTERIM DIVIDEND

At the board meeting held on 15th December, 2003, the board of directors has resolved to declare the payment of an interim dividend of HK0.30 cent (2003: HK0.23 cent) per share of HK\$0.01 each for the financial year ending 31st March, 2004. The interim dividend will be payable on 15th January, 2004 to shareholders whose names appeared on the register of members of the Company at the close of business on 9th January, 2004.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the company will be closed from Wednesday, 7th January, 2004 to Friday, 9th January, 2004 (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 in Hong Kong, Secretaries Limited at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong for registration no later than 4:00 p.m. on Tuesday, 6th January, 2004.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the six months ended 30th September, 2003, the Group recorded a turnover of HK\$175,380,000 (2002: HK\$195,572,000), representing a decrease of 10.3% as compared with the corresponding period of the previous year. The profit attributable to shareholders during the period was HK\$12,337,000 (2002 restated: HK\$12,891,000), representing a decrease of 4.3% as compared with the corresponding period of the previous year.

During the period under review, the Group recorded a fall of 10.3% in turnover as compared with the corresponding period of the previous year, mainly attributable to a sluggish retail market impacted by the outbreak of Severe Acute Respiratory Syndrome ("SARS") in the first quarter of the financial year, which inflicted a heavy blow to the public's consumption desire and confidence and brought about a drastic fall in the number of tourists, in return dramatically deteriorating the retail market. Also, the havoc wreaked by the illness on the Group's principal markets, namely Hong Kong, Taiwan and Singapore, contributed to the turnover fall. As a result, the Group's turnover during the period from April to July 2003 recorded a fall of almost 20% as compared with the corresponding period of the previous year. With an improving epidemic situation, and as a result of the internal consolidation strategies adopted by the Group, the Group's turnover in August and September 2003 recorded an increase of 9% as compared with the corresponding period of the previous year. Nevertheless, the negative impact of SARS in the first quarter was not sufficiently offset by the increase in turnover in these two months. As such, turnover was down for the six months compared with the corresponding period of the previous year.

Despite a 10.3% fall in turnover in the period under review as compared with the same period last year, the profit attributable to shareholders only fell by 4.3%, and the profit margin was comparable to that of the corresponding period of the previous year. A comparable profit margin can be maintained primarily thanks to the appropriate consolidation measures it took to minimize the negative impact of the difficult business environment created by SARS. Among such initiatives was an effort to improve its gross profit margin. The gross profit margin increased by 4.1% in the six months ended 30th September, 2003, mainly attributable to the Group's use of high-quality fabrics and a strengthening of more trendy sense in design. The products' enhanced quality helped to reduce big sales marketing activities and therefore increased the gross profit margin. Besides, as a result of the Group's effective measures in cost control, there were decreases of 3.7%, 5.9% and 95.9% in the selling and distribution costs, administrative expenses and finance costs respectively during the period under review, as compared with the corresponding period of the previous year.

PROSPECTS

As at 30th September, 2003, the Group was running a total of 168 brand outlets, including 60 in Hong Kong and Macau, 52 in Taiwan, 13 in Singapore and 43 in the Mainland. Looking ahead to the coming six months, the Group will maintain the number of outlets in Hong Kong and Macau at the prevailing level. For strategic reasons, the Group will close some outlets with expiring lease and low profitability, and will continue opening new outlets at premium locations available at low rentals in order to enhance its profitability. The Group made satisfactory overall performance in its business in Taiwan market, and the Group will continue to expand its business in Taiwan by looking for and opening new outlets at locations with good potential. Regarding Singapore, the Group recorded a loss of HK\$2,503,000 during the period under review, as Singapore had suffered an even heavier blow from SARS and is recovering at a relatively slow pace. Nevertheless, comparable outlets have recorded an increase of turnover since October 2003. It is expected that the retail business in Singapore will record a better result in the second half of the year bearing in mind the shopping spree during Christmas and New Year. To narrow its loss in Singapore, the Group also plans to close some loss-making outlets in future. Considering the sustainable economic growth in China, the Group will focus on developing its market in the Mainland. The management plans to invest more resources to accelerate its business development in the mainland China. In October 2003, to pave the way for developing its retail business in future, the Group added a new garment factory in China, which covers an area of approximate 30,000 square metres and represents an increase of approximately 60% of the Group's existing factory production area. The new factory is currently in the preparation stage and is expected to commence operation in February 2004. Such strategic moves will serve to enhance the Group's advantageous position in cost control and future business development. In future, the Group will continue its prudent and positive policies to expand any business and market with good potential, while implementing stringent measures to cut costs. Furthermore, the implementation of a series of economy-stimulating incentives, such as the relaxation of the control over mainlanders' visits to Hong Kong and the use of Renminbi credit cards in Hong Kong for shopping, will undoubtedly facilitate the recovery of the retail market and stimulate the overall consumption sentiment in Hong Kong, which is actually on an upward trend at present. Following its turnover increase in August and September 2003, the Group recorded an increase of 16% in October and November, 2003 turnover as compared with the corresponding periods of the previous year. With such encouraging results, the Group is fully confident about the future and believes that it will achieve an increased return in the coming year.

LIQUIDITY AND BORROWINGS

The Group's working capital increased from HK\$114,852,000 as at 31st March, 2003 to HK\$133,722,000 for the period end while its current ratio and quick ratio were maintained at a healthy level of 5.2 and 3 times respectively.

As at 30th September, 2003, the Group's cash and bank balances amounted to HK\$ 37,619,000 (31st March, 2003: HK\$43,210,000) and there was no outstanding bank borrowings and overdraft (31st March, 2003: nil) whereas the total borrowings was HK\$554,000 (31st March, 2003: HK\$684,000).

As at 30th September, 2003, the gearing ratio of the Group is 0.0028 (31st March, 2003 restated: 0.0036) which is calculated based on the Group's total borrowings of HK\$554,000 (31st March, 2003: HK\$684,000) and the shareholders' fund of HK\$200,751,000 (31st March, 2003 restated: HK\$188,632,000).

As at 30th September, 2003, the Group had banking facilities amounting to HK\$60,553,000 (31st March, 2003: HK\$60,549,000), of which approximately HK\$3,351,000 representing bank guarantees (31st March, 2003: HK\$3,460,000) was utilised by the Group. The management believes that existing financial resources will be sufficient to meet future expansion plans and, if necessary, the Group will be able to obtain additional financing on favorable terms.

STAFF AND REMUNERATION POLICIES

At 30th September, 2003, the Group had approximately 2,800 employees. The Group mainly determines staff remuneration (including insurance and medical benefits) in accordance with the industry's practices. The Group has also adopted a set of performance-based incentive plans for its employees.

SHARE OPTION SCHEME

On 17th September, 2003, a new share option scheme was adopted by the Company. No share option was granted during the period.

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

At 30th September, 2003, the interests and short positions of the directors and their associates in the shares, underlying shares and debentures of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("SFO"), or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

The Company

Name of directors	Number of shares held			
	Corporate interests	Personal interests	Family interests (Note 1)	Other interests (Note 2)
Mr. Cheng Chung Man, Johnny	–	–	994,044,180	124,194,000
Ms. Lam Yuk Sum	–	124,194,000	994,004,180	–

Notes:

1. These 994,044,180 shares are beneficially owned by Silver Crown Profits Limited ("Silver Crown"). The shares in Silver Crown are in turn held by the trustee of the J Cheng Family Trust, a discretionary trust, the discretionary objects of which include family members of Mr. Cheng Chung Man, Johnny and Ms. Lam Yuk Sum.
2. Mr. Cheng Chung Man, Johnny is the husband of Ms. Lam Yuk Sum and shall be deemed by virtue of the SFO to be interested in 124,194,000 shares beneficially owned by Ms. Lam Yuk Sum.

Save as disclosed above, other than certain nominee shares in subsidiaries held by certain directors in trust for the Group, none of the directors or their associates had any interests or short position in any shares, underlying shares and debentures of the Company or any of its associated corporations as recorded in the register maintained by the Company pursuant to Section 352 of the SFO as at 30th September, 2003.

SUBSTANTIAL SHAREHOLDERS

At 30th September, 2003, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO showed that, other than the interests disclosed under the heading "Directors' Interests in Shares, Underlying Shares and Debentures", the Company had not been notified of any interests or short positions in the shares and underlying shares of the Company.

CORPORATE GOVERNANCE

None of the Directors of the Company is aware of any information which would indicate that the Group is not, or was not, in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules at any time during the six months ended 30th September, 2003.

PURCHASE, REDEMPTION OR SALE OF THE COMPANY'S LISTED SECURITIES

During the six months ended 30th September, 2003, there was no purchase, redemption or sale by the Company or any of its subsidiaries of the Company's listed securities.

AUDIT COMMITTEE

The unaudited results of the Group for the six months ended 30th September, 2003 have been reviewed by the Audit Committee.

By Order of the Board
Cheng Chung Man, Johnny
Chairman and Managing Director

Hong Kong, 15th December, 2003