

**Interim Report 2001**

# MEDTECH GROUP



**MEDTECH GROUP COMPANY LIMITED**

(Incorporated in Bermuda with limited liability)

## INTERIM RESULTS

The Board of Directors (the "Board") of Medtech Group Company Limited (the "Company") announces the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2001 and the unaudited consolidated balance sheet as at 30 June 2001 together with the comparative figures are as follows:

### CONSOLIDATED PROFIT AND LOSS ACCOUNT

	NOTE	Unaudited	
		Six months ended 2001	Six months ended 2000
		2001	2000
		HK\$'000	HK\$'000
Turnover	2	<b>59,185</b>	49,972
Cost of sales		<b>(57,533)</b>	(48,796)
Gross profit		<b>1,652</b>	1,176
Distribution costs		<b>(515)</b>	(515)
Administrative expenses		<b>(17,263)</b>	(16,292)
Other operating expenses		<b>(83)</b>	(5,898)
Net other gains		<b>6,895</b>	54,308
Operating (loss)/profit	3	<b>(9,314)</b>	32,779
Finance cost		<b>(153)</b>	(882)
(Loss)/profit before taxation		<b>(9,467)</b>	31,897
Taxation	4	-	-
(Loss)/profit attributable to shareholders		<b>(9,467)</b>	31,897
Dividend	5	<b>Nil</b>	Nil
(Loss)/earnings per share	6		
- Basic		<b>(0.29 cents)</b>	1.28 cents
- Diluted		<b>N/A</b>	1.12 cents

## CONSOLIDATED BALANCE SHEET

ASSETS	NOTE	Unaudited 30 June 2001 HK\$'000	Audited 31 December 2000 HK\$'000
<b>Non-current assets</b>			
Fixed assets		27,753	30,027
Goodwill	7	<u>12,936</u>	<u>–</u>
		<b>40,689</b>	<b>30,027</b>
<b>Current assets</b>			
Inventories		30,755	27,005
Trade receivables	8	15,795	9,384
Prepayments and deposits		11,493	2,828
Advances to a supplier	9	–	–
Cash and bank balances		<u>1,509</u>	<u>966</u>
		<b>59,552</b>	<b>40,183</b>
<b>Current liabilities</b>			
Amounts due to directors		3,377	1,447
Trade payables	10	17,018	13,741
Amount due to a substantial shareholder		4,341	3,494
Accrued charges and provisions		21,508	15,793
Current portion of obligations under finance leases		1,736	2,619
Taxation		2,757	3,543
Bank overdrafts – secured		1,557	–
Amount due to bank group		<u>–</u>	<u>1,225</u>
		<b>52,294</b>	<b>41,862</b>
<b>Net current assets/(liabilities)</b>		<b>7,258</b>	<b>(1,679)</b>
		<b>47,947</b>	<b>28,348</b>
<b>Capital and reserves</b>			
Issued capital	11	33,459	29,175
Reserves	12	<u>2,195</u>	<u>(1,211)</u>
		<b>35,654</b>	<b>27,964</b>
Bank loan – secured		12,150	–
Non-current portion of obligations under finance leases		<u>143</u>	<u>384</u>
		<b>47,947</b>	<b>28,348</b>

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	<b>Unaudited Six months ended 30 June 2001 HK\$'000</b>
<b>Net cash outflow from operating activities</b>	<b>(11,724)</b>
<b>Net cash outflow from returns on investments and servicing of finance</b>	<b>(138)</b>
<b>Tax paid</b>	<b>(656)</b>
<b>Net cash outflow from investing activities</b>	<b>(15,222)</b>
<b>Net cash outflow before financing</b>	<b>(27,740)</b>
<b>Net cash inflow from financing</b>	<b>26,826</b>
<b>Decrease in cash and cash equivalents</b>	<b>(914)</b>
<b>Effect of foreign exchange rates</b>	<b>(100)</b>
Cash and cash equivalents at 1 January 2001	<b>966</b>
<b>Cash and cash equivalents at 30 June 2001</b>	<b>(48)</b>
<b>Analysis of the balances of cash and cash equivalents:</b>	
Cash at bank and in hand	<b>1,509</b>
Bank overdrafts repayable within 3 months from date of the advance	<b>(1,557)</b>
	<b>(48)</b>

## CONSOLIDATED STATEMENT OF RECOGNISED GAINS AND LOSSES

	<b>Unaudited Six months ended 2001 HK\$'000</b>	<b>30 June 2000 HK\$'000</b>
<b>Exchange differences</b>	<b>(100)</b>	-
<b>Net loss not recognised in the profit and loss account</b>	<b>(100)</b>	-
<b>(Loss)/profit attributable to shareholders</b>	<b>(9,467)</b>	31,897
<b>Total recognised gains and losses</b>	<b>(9,567)</b>	31,897

## NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS

### 1. Basis of preparation

The unaudited interim financial statements (the "Interim Report") are prepared in accordance with the requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and Hong Kong Statement of Standard Accounting Practice No. 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants, except that comparative figures for cash flow statement have not been prepared as the Company has taken advantage of the transitional provisions set out in the Listing Rules.

The accounting policies adopted in the annual accounts for the year ended 31 December 2000 have been applied to the Interim Report.

### 2. Principal activities and geographical analysis of operations

The Group are principally engaged in the manufacturing and trading of watches and watch components, the provision of electroplating services, distribution of computer components, investment holdings and property holding.

The Group's turnover and contribution to operating (loss)/profit by principal activities and geographical segments for the six months ended 30 June 2001 are as follows:

By principal activities:

	Turnover Six months ended 30 June		Contribution to operating (loss)/profit Six months ended 30 June	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Sales of watches	26,012	39,839	1,570	(3,092)
Distribution of computer components	21,266	–	(651)	–
Sales of watch components	11,716	9,470	(2,905)	(406)
Provision of electroplating services	191	663	18	13
Investment holdings	–	–	(1,432)	(10,297)
Property holding	–	–	(211)	(952)
	<u>59,185</u>	<u>49,972</u>	<u>(3,611)</u>	<u>(14,734)</u>
General and administrative expenses			(5,703)	–
Waiver of bank loans and interests			–	47,513
			<u>(9,314)</u>	<u>32,779</u>

By geographical segments:

	Turnover Six months ended 30 June	
	2001 HK\$'000	2000 HK\$'000
Hong Kong	30,709	19,989
Middle East	10,574	14,382
Canada	7,590	–
South America	4,653	5,086
United States of America	1,869	3,955
Europe	2,745	3,274
Africa	265	1,719
Asia and Asia Pacific	780	1,567
Turnover	<u>59,185</u>	<u>49,972</u>

### 3. Operating (loss)/profit

The operating (loss)/profit is stated after charging/(crediting) the following:

	<b>Six months ended 30 June</b>	
	<b>2001</b>	<b>2000</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Reversal of provision for obsolete and slow moving inventories	<b>(10,120)</b>	(13,088)
Depreciation	<b>3,101</b>	3,595
Financial restructuring cost	-	4,878
Provision for construction in progress	-	169
Loss on disposal of subsidiaries	-	851
Amortisation of goodwill	<b>405</b>	-
Waiver of bank loans and interests	-	(47,513)
Recovery of provision for advances to a supplier	<b>(6,738)</b>	(6,240)
Loss/(gain) on disposal of fixed assets	<b>83</b>	(305)
	<b>_____</b>	<b>_____</b>

### 4. Taxation

No provision for Hong Kong and overseas profits tax have been made as the Group and its subsidiaries did not have any estimated assessable profits arising in Hong Kong or overseas countries during the period under review.

Taxation in the consolidated balance sheet represents the amount of Hong Kong profits tax provided for previous years.

No provision for deferred taxation has been made in the Interim Report as the effect of timing differences is not material to the Group.

### 5. Dividend

The Board does not recommend any interim dividend for the six months ended 30 June 2001(30/6/2000: Nil).

### 6. (Loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the unaudited loss attributable to shareholders for the six months ended 30 June 2001 of HK\$9,467,000 (30/6/2000: profit HK\$31,897,000). The basic (loss)/earnings per share is based on the weighted average of 3,269,113,745 (30/6/2000: 2,500,579,083) shares in issue during the period.

The diluted loss per share is not presented for the six months ended 30 June 2001 as there was anti-dilutive effect.

The diluted earnings per share for the six months ended 30 June 2000 was based on the weighted average number of shares in issue during that period plus the weighted average of 349,748,390 shares deemed to be issued at nil consideration if all outstanding warrants had been exercised.

### 7. Goodwill

Goodwill arising on the acquisition of subsidiaries, being the excess of the cost of investments in these companies over the fair value of the Group's share of the separable net assets acquired, is amortised on a straight-line basis over its estimated useful life not exceeding 20 years. Any impairment loss identified will be recognised as an expenses in the profit and loss account immediately.

### 8. Trade receivables

An ageing analysis of the trade receivables is as follows:

	<b>30 June 2001</b>	<b>31 December 2000</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
0-3 months	<b>11,019</b>	8,422
4-6 months	<b>3,475</b>	959
7-12 months	<b>1,301</b>	3
	<b>_____</b>	<b>_____</b>
	<b>15,795</b>	9,384
	<b>_____</b>	<b>_____</b>

It is the Group's policy to make full provision on those trade debts outstanding for more than one year.

### 9. Advances to a supplier

	<b>30 June 2001</b> HK\$'000	31 December 2000 HK\$'000
Advances to a supplier	<b>25,328</b>	35,339
Less: Provision	<b>(25,328)</b>	(35,339)
	<u>          </u>	<u>          </u>
	-	-

During the years 1997 and 1998, the Group had advanced totally HK\$56,669,000 to Cheung Tat Metal Products Factory ("Cheung Tat"), a supplier of the Group, for supply of goods which were later found to be defective. On 20 October 1999, the Group and Cheung Tat entered into a deed of settlement (the "Deed of Settlement") under which Cheung Tat agreed to deliver 100,000 quartz watch movements of acceptable quality and fit for the purpose of the Group every month between November 1999 and May 2004. The price of the quartz watch movements was fixed at the then agreed value.

During the period, the Group has received 6 instalments of such goods with value of HK\$10,011,000 estimated on the basis of the Deed of Settlement. This amount was shown as other income in the Profit and Loss Account. According to the Deed of Settlement, the accumulated balance of the quartz watch received amounted to HK\$31,341,000 as at 30 June 2001.

During the period under review, the price of quartz watch movement continues to drop. In order to reflect the real performance of the Group, a loss of HK\$3,273,000 was recognised as other loss in the Profit and Loss Account. Such loss will be continued until the price of quartz watch movement goes up to the price level as previously agreed with Cheung Tat under the Deed of Settlement.

### 10. Trade payables

An ageing analysis of the trade payables is as follows:-

	<b>30 June 2001</b> HK\$'000	31 December 2000 HK\$'000
0-3 months	<b>7,177</b>	4,786
4-6 months	<b>2,925</b>	3,631
7-12 months	<b>6,916</b>	4,894
Over 12 months	-	430
	<u>          </u>	<u>          </u>
	<b>17,018</b>	13,741

### 11. Share capital

	<b>Number of shares</b> <b>'000</b>	<b>Amount</b> <b>HK\$'000</b>
<i>Issued and fully paid:</i>		
Ordinary shares of HK\$0.01 each		
At 1 January 2001	<b>2,917,520</b>	<b>29,175</b>
Issue of new shares	<b>361,000</b>	<b>3,610</b>
Warrants exercised	<b>67,410</b>	<b>674</b>
	<u>          </u>	<u>          </u>
At 30 June 2001	<b>3,345,930</b>	<b>33,459</b>

On 10 January 2001, 300,000,000 ordinary shares were issued at a price of HK\$0.041 per share as partial consideration for acquisition of the entire share capital of Enet.com Limited, a subsidiary's group of companies of the Group.

On 8 March 2001, Huge China Developments Limited ("Huge China"), the substantial shareholder of the Company, entered into a placing agreement with Infast Brokerage Limited, a placing agent, for placing up to a total of 101,000,000 existing ordinary shares at a price of HK\$0.06 per share to independent investors. Pursuant to a subscription agreement dated 8 March 2001 made between the Company and Huge China, on completion of the placing, Huge China will subscribe for up to 101,000,000 new ordinary shares at the price of HK\$0.06 per share. The placing completed on 14 March 2001 and 61,000,000 existing shares of the Company were placed to independent investors. As a result, Huge China subscribed for 61,000,000 new ordinary shares of the Company. The net proceeds were used as working capital of the Group.

During the period, 67,410,621 warrants were exercised and 67,410,621 ordinary shares of HK\$0.01 each were issued at HK\$0.02 per share.

## 12. Reserves

	Share premium HK\$'000	Capital reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
<b>At 1 January 2000</b>	<b>38,990</b>	<b>814</b>	<b>140</b>	<b>(248,234)</b>	<b>(208,290)</b>
Capital reduction	-	-	-	51,035	51,035
Issue of shares	127,906	-	-	-	127,906
Share issue expenses	(326)	-	-	-	(326)
Profit attributable to shareholders	-	-	-	28,464	28,464
<b>At 31 December 2000</b>	<b>166,570</b>	<b>814</b>	<b>140</b>	<b>(168,735)</b>	<b>(1,211)</b>
Issue of shares	13,024	-	-	-	13,024
Share issue expenses	(51)	-	-	-	(51)
Exchange differences	-	-	(100)	-	(100)
Loss attributable to shareholders	-	-	-	(9,467)	(9,467)
<b>At 30 June 2001</b>	<b>179,543</b>	<b>814</b>	<b>40</b>	<b>(178,202)</b>	<b>2,195</b>

## 13. Contingent Liabilities

As at 30 June 2001, 32 (31/12/2000: 35) employees have completed the required number of years of service under the Hong Kong Employment Ordinance (the "Ordinance") to be eligible for long service payments on termination of their employment. The Company is only liable to make such payments where the termination meets the circumstances specified in the Ordinance.

If the termination of all such employees met the circumstances set out in the Ordinance, the Company's liability as at 30 June 2001 would be approximately HK\$3,477,000 (31/12/2000: HK\$3,691,000). No provision has been made in this respect.

## 14. Commitments under operating leases

The Group's total future minimum lease payments under non-cancellable operating leases are as follows:

	Land and buildings		Office equipment	
	30 June 2001 HK\$'000	31 December 2000 HK\$'000	30 June 2001 HK\$'000	31 December 2000 HK\$'000
Within one year	998	-	-	-
Two to fifth years inclusive	2,160	4,310	51	60
	<b>3,158</b>	<b>4,310</b>	<b>51</b>	<b>60</b>

## 15. Comparative figures

Certain comparative figures have been reclassified to conform with the current period's presentation.

## INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 30 June 2001 (2000: Nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

### Results

For the period under review, the Group's turnover amounted to approximately HK\$59,185,000 (6/2000: HK\$49,972,000), representing an increase of 18% over that of the same period last year, in which turnovers of watch and clock business and computer distribution operation represented approximately 64% and 36% respectively.



For the six months ended 30 June 2001, loss attributable to shareholders of the Group amounted to approximately HK\$9,467,000 (6/2000: profit attributable to shareholders of HK\$31,897,000). Loss per share for the period under review amounted to 0.29 HK cents (6/2000: earnings per share of 1.28 HK cents). Profit attributable to shareholders during the same period last year resulted mainly from the Group's debt restructuring program completed by February 2000, in which a waiver of bank loans and interests of approximately HK\$47,513,000 was recorded. Taking no account of the waiver of bank loans and interests and all relevant expenses arising from the restructuring, the Group's operating loss for the period under review was lesser as compared with the same period last year.

### **Liquidity and Financial Information**

As at 30 June 2001, the Group's bank and other borrowings amounted to approximately HK\$13,707,000, compared with approximately HK\$1,225,000 as at 31 December 2000. Cash and bank balances amounted to approximately HK\$1,509,000 as at 30 June 2001, compared with approximately HK\$966,000 as at 31 December 2000. The net borrowings amounting to approximately HK\$12,198,000 as at 30 June 2001 (31/12/2000: HK\$259,000) were secured by the Group's leasehold land and buildings and one of its wholly-owned subsidiaries' undertakings, assets, rights and revenues. During the period under review, the Group placed 61,000,000 new shares of HK\$0.01 each to independent investors at the price of HK\$0.06 per placing share. The net proceeds of approximately HK\$3,660,000 has been used as general working capital of the Group.

### **Capital Structure**

As at 30 June 2001, the Group had total assets of approximately HK\$100,241,000, in which current assets were approximately HK\$59,552,000 and current liabilities were approximately HK\$52,294,000. On the same date, the gearing ratio of 26% was recorded.

### **Human Resources**

As at 30 June 2001, the Group employed a total workforce of approximately 1,900, among which 50 people were working in Hong Kong.

### **Business Review and Outlook**

The operation of the Group's watch and clock business for the period under review showed slight improvement over that for the same period last year. Despite an approximately 24% decrease in turnover, the operating loss was reduced to approximately HK\$1,317,000 (6/2000: HK\$3,485,000). The improvement was primarily resulted from various measures of cost monitor and control with effect during the period under review, such as strict control of production cost and rationalization of human resources and structure. Pursuant to the Deed of Settlement entered into between the Group and Cheung Tat Metal Products Factory ("Cheung Tat"), as supplier, in October 1999, and based on the then agreed value of the watch movement, Cheung Tat shall repay the Group's advances by way of monthly supply of 100,000 watch movements to the Group from October 1999 to May 2004. However, the subsequent sliding of watch movement price kept pulling down the Group's performance in relation to watch and clock business. During the period under review, Cheung Tat supplied 962,600 watch movements to the Group, being excessive of 362,600 watch movements beyond schedule. Under the circumstances, it is believed that the Deed of Settlement will be completed earlier.

Hong Kong and Middle East remain the Group's primary market. However, under the sluggish economic recovery and continuous deflation, consumer's confidence remains weary and hence demands for watches and clocks fall subsistingly. In the face of drastic market competition in watch and clock industry and dropping profit margins, the Group has devoted to exploring overseas markets and also developing technology related business along the business development strategy finalized last year. In January 2001, the Group duly completed the acquisition of the entire issued share capital of Enet.com Ltd ("Enet.com"). Enet.com and its subsidiaries are principally engaged in the distribution of computer components, systems and network solution. For the period under review, turnover of Enet.com represented approximately 36%, in which the North America market shared 36%, of the Group's total turnover.

With the imminent entry of the People's Republic of China (the "PRC") to the World Trade Organization and Beijing's successful bid to host the 2008 Olympic Games, it is envisaged the PRC's market will be further opened up and it will help to prompt and accelerate the recovery of Hong Kong economy. The management believes that the Group will be benefited from the opportunities that sprang up, still, the Group will maintain its prudent and proactive policy in exploring potential investments with high growth and return.

## WORLD EVENTS

The Group wishes to express its sympathy and sorrow to the victims of the current tragedy in the U.S.A. The catastrophe will certainly affect the US economy and economists are still evaluating the impact of the tragedy on the global economy and international markets. It may be too early to assess the full impact on the Group's business amid the Hong Kong economy but strenuous and extended period of adverse operational environment is expected. In such an environment the management will keep watch on development of the crisis and will position its businesses and investments more conservatively.

## MANAGEMENT

Mr. CHAN Yuk Sing, Freeman resigned as Independent Non-executive Director of the Company with effect from 23 February 2001. Mr. KONG Chiu San Raymond resigned as Executive Director of the Company with effect from 27 April 2001. Mr. ZHANG David resigned as Deputy Chairman, Managing Director and Executive Director of the Company with effect from 18 June 2001. The Board would like to express our gratitude for their efforts and contributions made to the Group during their terms of office.

Mr. LO Kee Wai Kelvin has been appointed as Independent Non-executive Director of the Company with effect from 8 March 2001 and Ms. Wu Yun Yu has been appointed as Executive Director of the Company with effect from 18 June 2001.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period.

## DIRECTORS' INTERESTS IN EQUITY OR DEBT SECURITIES

At 30 June 2001, the interests of the Company's directors, chief executive and their respective associates (as defined in the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance")) in the equity or debt securities of the Company or its associated corporations (within the meaning of the SDI Ordinance) as recorded in the register maintained by the Company pursuant to Section 29 of the SDI Ordinance were as follows:

### 1. Interests in Shares and Warrants

Name of Director	Number of Ordinary Shares beneficially held		Number of 2002 warrants beneficially held
	Personal Interest	Corporate Interest	
Mr. CHEUNG Lik Chung	–	1,346,448,000 <i>(Note a)</i>	–
Mr. WONG Wing Shing, Wilson	25,100,000	500,000 <i>(Note b)</i>	83,333 <i>(Note b)</i>

*Notes:*

- The shares under "Corporate interest" were held by Huge China Developments Limited, a company incorporated in the British Virgin Islands, which is wholly-owned by Mr. CHEUNG Lik Chung.
- The shares and the warrants under "Corporate interest" were held by Farmcote International Limited, a company incorporated in the British Virgin Islands, which is controlled by Mr. WONG Wing Shing, Wilson.

Save as disclosed above and other than certain nominee shares in subsidiaries held in trust for the Group by certain directors, as at 30 June 2001, none of the directors, chief executive of the Company or their respective associates had or were deemed pursuant to have any interests in any securities of the Company or any of its associated corporations as defined in the SDI Ordinance.

## 2. Directors' Rights to acquire Shares

Under a share option scheme approved by the shareholders of the Company on 4 July 1996. The directors may at any time during the ten years from 4 July 1996, invite at their discretion, any employees or executive directors of the Group to take up options to subscribe for shares of the Company.

As at 30 June 2001, the following Directors held share options granted to them under the share option scheme, entitling them to subscribe for shares of HK\$0.01 each in the Company:

	<b>Date of grant</b>	<b>Exercisable period</b>	<b>Consideration for the option granted</b>	<b>Exercise price per share</b>	<b>Number of options</b>
Mr. CHEUNG Lik Chung	3/3/2000	2/9/2000 to 1/9/2003	HK\$1.00	HK\$0.18	67,500,000
Mr. YUNG Kin Hang	3/3/2000	2/9/2000 to 1/9/2003	HK\$1.00	HK\$0.18	52,500,000
Mr. YAU Yat Biu	3/3/2000	2/9/2000 to 1/9/2003	HK\$1.00	HK\$0.18	20,000,000

Save as disclosed above, at no time during the period was the Company or any of its subsidiaries a party to any arrangement to enable the directors or chief executives of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the directors or chief executives, nor any of their spouses or children under 18 years of age, had any rights to subscribe for the securities of the Company, or had exercised any such rights during the period.

No share option was exercised by the directors during the period.

## SUBSTANTIAL SHAREHOLDER'S INTERESTS

As at 30 June 2001, save as disclosed in "DIRECTORS' INTERESTS IN EQUITY OR DEBT SECURITIES", the register of the Company's substantial shareholders required to be kept under Section 16(1) of the SDI Ordinance showed that the Company had not been notified of any person who held or beneficially interested in 10% or more of the Company's issued share capital.

## AUDIT COMMITTEE

The Audit Committee is composed of two Independent Non-executive Directors of the Company. Mr. CHAN Yuk Sing Freeman, being a member of the Audit Committee, resigned on 23 February 2001 and was replaced by Mr. LO Kee Wai Kelvin on 8 March 2001. The Audit Committee has reviewed the Interim Report of the Group for the six months ended 30 June 2001.

## COMPLIANCE WITH THE CODE OF BEST PRACTICE OF THE LISTING RULES

None of the directors of the Company is aware of information which would reasonably indicate that the Company is not, or was not for any part of the six months ended 30 June 2001, in compliance with Appendix 14 of the Listing Rules, with the exception that the Non-executive Directors of the Company have no set term of office but retire on a rotation basis in accordance with the Bye-laws of the Company.

By Order of the Board  
**Cheung Lik Chung**  
*Chairman*

Hong Kong, 18 September 2001