

Interim Report 2001

For the six months ended 30th September, 2001



Yeebo (International Holdings) Limited

(Incorporated in Bermuda with limited liability)

The Board of Directors of Yeebo (International Holdings) Limited (the "Company") announces that the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30th September, 2001. The interim report for the six months ended 30th September, 2001 has been reviewed by the Company's audit committee and the auditors.

CONDENSED CONSOLIDATED INCOME STATEMENT

	<i>Notes</i>	Six months ended	
		30.9.2001 (Unaudited) HK\$'000	30.9.2000 (Unaudited) HK\$'000
Turnover		137,173	148,349
Cost of sales		(115,739)	(130,787)
Gross profit		21,434	17,562
Other revenue		3,483	2,574
Distribution costs		(2,879)	(1,750)
Administrative expenses		(15,168)	(14,787)
Loss on discontinuance of a business	4	(3,021)	-
Profit from operations	5	3,849	3,599
Finance costs		(41)	(100)
Net profit for the period		<u>3,808</u>	<u>3,499</u>
Earnings per share	8		
Basic		<u>HK 0.37 cent</u>	<u>HK 0.55 cent</u>
Diluted		<u>HK 0.37 cent</u>	<u>HK 0.52 cent</u>

There were no recognised gains or losses other than the net profit for the period.

CONDENSED CONSOLIDATED BALANCE SHEET

	<i>Notes</i>	30.9.2001 (Unaudited) HK\$'000	31.3.2001 (Audited) HK\$'000
Non-current assets			
Investment properties	9	2,378	–
Property, plant and equipment	10	84,910	87,038
Club membership debenture		1,959	1,959
		89,247	88,997
Current assets			
Inventories		77,813	94,039
Trade and other receivables	11	74,861	62,378
Bank balances and cash		171,259	167,148
		323,933	323,565
Current liabilities			
Trade and other payables	12 & 17	55,471	54,934
Bills payable	13	–	2,894
Tax liabilities		193	193
Bank borrowings, unsecured		2,461	3,294
		58,125	61,315
Net current assets		265,808	262,250
		355,055	351,247
Capital and reserves			
Share capital	14	203,676	203,676
Reserves	15	151,379	147,571
		355,055	351,247

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six months ended	
	30.9.2001 (Unaudited) HK\$'000	30.9.2000 (Unaudited) HK\$'000
Net cash inflow (outflow) from operating activities	15,885	(3,361)
Net cash inflow from returns on investments and servicing of finance	2,911	361
Taxation paid	-	(57)
Net cash outflow from investing activities	<u>(13,852)</u>	<u>(8,363)</u>
Increase (decrease) in cash and cash equivalents	4,944	(11,420)
Cash and cash equivalents at beginning of the period	<u>163,854</u>	<u>25,775</u>
Cash and cash equivalents at end of the period	<u><u>168,798</u></u>	<u><u>14,355</u></u>
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	171,259	17,161
Bank borrowings, unsecured	<u>(2,461)</u>	<u>(2,806)</u>
	<u><u>168,798</u></u>	<u><u>14,355</u></u>

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The condensed financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with Statement of Standard Accounting Practice ("SSAP") No. 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.

The accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31st March, 2001.

During the period, the Group adopted for the first time the accounting policy for investment properties as follows:

Investment properties

Investment properties are completed properties which are held for their investment potential, any rental income being negotiated at arm's length.

Investment properties are stated at open market values based on independent professional valuations at the year end date. Any surplus or deficit arising on the revaluation of investment properties is credited or charged to the investment property revaluation reserve unless the balance of this reserve is insufficient to cover a deficit, in which case the excess of the revaluation deficit over the balance of the investment property revaluation reserve is charged to the income statement. Where a deficit has previously been charged to the income statement and a revaluation surplus subsequently arises, this surplus is credited to the income statement to the extent of the deficit previously charged.

On disposal of an investment property, the balance of the investment property revaluation reserve attributable to that property is transferred to the income statement.

No depreciation is provided on investment properties except where the unexpired term of the relevant lease is 20 years or less.

In the current period, the Group has also adopted, for the first time, a number of new and revised SSAPs which have resulted in the adoption of the following new accounting policy.

Segmental reporting

In the current period, the Group has changed the basis of identification of reportable segments to that required by SSAP No. 26 "Segment Reporting". Segment disclosures for the six months ended 30th September 2000 have been amended so that they are presented on a consistent basis.

3. SEGMENTAL INFORMATION

(a) Business segments

For the six months ended 30th September:

	Liquid Crystal Display		Others		Total	
	2001	2000	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue	<u>126,271</u>	<u>142,294</u>	<u>11,460</u>	<u>8,187</u>	<u>137,731</u>	<u>150,481</u>
Contribution to profit (loss) from operations	<u>6,866</u>	<u>7,541</u>	<u>(3,383)</u>	<u>(1,989)</u>	<u>3,483</u>	<u>5,552</u>
Interest income					2,925	442
Unallocated overheads					(2,559)	(2,395)
Finance costs					(41)	(100)
Net profit for the period					<u>3,808</u>	<u>3,499</u>

(b) Geographical segments

For both periods, over 90% of the Group's revenue and contribution to profit from operations were derived from sales to customers based in Hong Kong. Accordingly, a geographical analysis is not presented.

4. LOSS ON DISCONTINUANCE OF A BUSINESS

The Group's long-term strategy is to focus its activities in the areas of the sale and manufacture of Liquid Crystal Display. Accordingly, the Group has made provision for loss on discontinuance of a business as follows:

	Six months ended	
	30.9.2001 (Unaudited) HK\$'000	30.9.2000 (Unaudited) HK\$'000
Provision for bad and doubtful debts	1,591	-
Write down of property, plant and equipment	<u>1,430</u>	<u>-</u>
	<u>3,021</u>	<u>-</u>

The revenue and contribution to results from operation of this business are included in "Others" in the business segment analysis on note 3(a) above.

Had the loss on discontinuance of a business of HK\$3,021,000 been excluding from the calculation of earnings per share, the basic and fully diluted earnings per share for the current period would have been HK0.67 cent and HK0.66 cent, respectively.

5. PROFIT FROM OPERATIONS

Profit from operations has been arrived at after charging (crediting):

	Six months ended	
	30.9.2001 (Unaudited) HK\$'000	30.9.2000 (Unaudited) HK\$'000
Depreciation	7,613	8,023
Interest income	<u>(2,925)</u>	<u>(442)</u>

6. TAXATION

No provision for taxation has been made in the condensed financial statements as the Group had no estimated assessable profit for both periods.

7. DIVIDENDS

The directors do not recommend the payment of an interim dividend for both periods.

8. EARNINGS PER SHARE

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

	Six months ended	
	30.9.2001 (Unaudited) HK\$'000	30.9.2000 (Unaudited) HK\$'000
Earnings for the purposes of basic and diluted earnings per share	<u>3,808</u>	<u>3,499</u>
Weighted average number of ordinary shares for the purposes of basic earnings per share	1,018,378,291	640,489,631
Effect of dilutive share options	<u>11,290,362</u>	<u>27,184,008</u>
Weighted average number of ordinary shares for the purposes of diluted earnings per share	<u>1,029,668,653</u>	<u>667,673,639</u>

9. INVESTMENT PROPERTIES

During the period, the Group reclassified certain of its land and buildings at their carrying value of approximately HK\$2,378,000 to investment properties.

10. ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately HK\$9,978,000 (HK\$2,231,000 for the six months ended 30th September, 2000) on the additions to property, plant and equipment to expand its operations.

11. TRADE AND OTHER RECEIVABLES

The Group allows an average credit period of 30-90 days to its trade customers.

The following is an aged analysis of trade receivables at the reporting date:

	30.9.2001 (Unaudited) HK\$'000	31.3.2001 (Audited) HK\$'000
Within 30 days	23,025	23,461
31 to 60 days	19,621	16,895
61 to 90 days	14,259	9,009
91 to 120 days	8,090	8,369
Over 120 days	2,194	1,185
	<hr/>	<hr/>
Trade receivables	67,189	58,919
Other receivables	7,672	3,459
	<hr/>	<hr/>
	74,861	62,378
	<hr/> <hr/>	<hr/> <hr/>

12. TRADE AND OTHER PAYABLES

The following is an aged analysis of trade payables at the reporting date:

	30.9.2001 (Unaudited) HK\$'000	31.3.2001 (Audited) HK\$'000
Within 30 days	4,733	4,403
31 to 60 days	8,369	3,728
61 to 90 days	2,140	2,706
91 to 120 days	1,463	5,602
Over 120 days	4,440	7,681
	<hr/>	<hr/>
Trade payables	21,145	24,120
Other payables	34,326	30,814
	<hr/>	<hr/>
	55,471	54,934
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13. BILLS PAYABLES

The following is an aged analysis of bills payable at the balance sheet date:

	30.9.2001 (Unaudited) HK\$'000	31.3.2001 (Audited) HK\$'000
Within 30 days	–	2,164
31 to 60 days	–	730
	<u>–</u>	<u>2,894</u>

14. SHARE CAPITAL

	Number of shares '000	Amount HK\$'000
Ordinary shares of HK\$0.20 each		
Authorised:		
At beginning and end of the period	<u>2,000,000</u>	<u>400,000</u>
Issued and fully paid:		
At 1st April, 2000 (audited)	640,490	128,098
Issue of shares	<u>377,889</u>	<u>75,578</u>
At 31st March, 2001 (audited) and 30th September, 2001 (unaudited)	<u>1,018,379</u>	<u>203,676</u>

15. RESERVES

	Share premium HK\$'000	Special reserve HK\$'000	Capital redemption reserve HK\$'000	Accumulated (loss) profit HK\$'000	Total HK\$'000
At 1st April, 2000 (audited)	77,508	2,125	1,347	(9,008)	71,972
Premium arising on issue of shares	70,000	–	–	–	70,000
Expenditure incurred on issue of shares	(205)	–	–	–	(205)
Profit for the year	–	–	–	5,804	5,804
At 31st March, 2001 and 1st April, 2001 (audited)	<u>147,303</u>	<u>2,125</u>	<u>1,347</u>	<u>(3,204)</u>	<u>147,571</u>
Net profit for the period	–	–	–	3,808	3,808
At 30th September, 2001 (unaudited)	<u>147,303</u>	<u>2,125</u>	<u>1,347</u>	<u>604</u>	<u>151,379</u>

16. LITIGATION

In respect of the litigation between Kin Son Mikyway Electronic Holdings Ltd. and the Company as disclosed in note 31 to the financial statements of the Company for the year ended 31st March, 2001, there was no material progress during the period and up to the date of this report.

Pursuant to the loan restructuring agreement signed by the Company with relevant parties dated 17th April, 1997 and the deed of indemnity entered into between Antrix Investment Limited ("Antrix"), a shareholder of the Company, and the Company dated 31st March, 2001, any settlement of the above outstanding litigation up to a maximum of HK\$26.1 million will ultimately be borne and indemnified by Antrix. Accordingly, no provision has been made in the condensed financial statements.

17. RELATED PARTY TRANSACTIONS

- (a) During the period, the Group purchased materials of HK\$394,000 (nil for the six months ended 30th September, 2000) from Cando Corporation, a substantial shareholder of the Company. The transactions were carried out at terms agreed by both parties.
- (b) An amount due to Cando Corporation, of HK\$2,081,000 (HK\$11,196,000 as at 31st March, 2001) is shown under "trade and other payables" in the balance sheet as at 30th September, 2001. The amount is unsecured, interest-free and was derived from trading activities.

18. CAPITAL COMMITMENTS

	30.9.2001 (Unaudited) HK\$'000	31.3.2001 (Audited) HK\$'000
Capital expenditure in respect of acquisition of plant and machinery authorised but not provided in the condensed financial statements	<u><u>4,632</u></u>	<u><u>-</u></u>

19. POST BALANCE SHEET EVENT

Subsequent to 30th September, 2001, certain eligible employees of the Company exercised options to subscribe for 25,184,880 ordinary shares in the Company at an exercise price of HK\$0.20 per share for an aggregate consideration of approximately HK\$5,037,000.

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**Deloitte
Touche
Tohmatsu****INDEPENDENT REVIEW REPORT****TO THE BOARD OF DIRECTORS OF
YEEBO (INTERNATIONAL HOLDINGS) LIMITED**
*(incorporated in Bermuda with limited liability)***Introduction**

We have been instructed by the Company to review the interim financial report set out on pages 1 to 9.

Directors' responsibilities

The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") require the preparation of an Interim Financial Report to be in compliance with Statement of Standard Accounting Practice No. 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.

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 group 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 September, 2001.

Hong Kong, 17th December, 2001

MANAGEMENT DISCUSSION AND ANALYSIS

Review of operations

Turnover for the six months ended 30th September, 2001 amounted to HK\$137 million, which represented a decrease of 7.5% when comparing with the corresponding period. The decrease in turnover was attributable to the decrease in demand for LCD products during the current economic downturn. The gross profit ratio, however, increased from 11.8% in the corresponding period to 15.6% during the period, as a result of the success in controlling the costs of material and production during the period.

With a view to diversify our customer base and to increase our market share, we started to build up a strong marketing team to handle customer service. Accordingly, distribution cost increased while the administrative expenses remained relatively stable.

During the period, we would like to focus on our LCD and other profitable business and scaled down the operation of our PCB division. As a result, approximately HK\$1.6 million was provided on the receivables and HK\$1.4 million was written down on property, plant and equipment on our PCB business.

Net profit for the period amounted to HK\$3.8 million which represented an increase of 8.8% over last year. The increase was mainly attributable to the improvement in gross profit ratio mentioned above.

Order book

Our commitment of providing LCD products with prompt delivery and the most competitive prices continues to enable us to gain support from customers. With mass production capacity, improved product quality and better customer service, our outstanding orders continue to increase. Monthly sales in both October and November 2001 exceeded HK\$25 million which were higher than the average monthly sales of HK\$22.9 million during April to September, 2001.

Prospect

A new production line costing approximately HK\$20 million for producing high end LCD products is being installed at the moment and we expect the new line would be operational in early 2002. This additional line will further increase our production capacity by approximately 20% and can further improve our product quality. The cost of this new production line is wholly financed by our internal resources.

Employment and remuneration policy

As at 30th September, 2001, the Group employed 4,884 employees, of which 58 in Hong Kong and 4,826 in the PRC.

The remuneration policy and package of the Group's employees are structured by reference to market terms and industry's practice. In addition, discretionary bonus and other individual performance are awarded to staff with reference to the financial performance of the Group and the personal performance of individual staff. Staff benefit plans maintained by the Group include mandatory and voluntary provident fund scheme, share option scheme and medical insurance.

Liquidity and financial resources

The Group's working capital as at 30th September, 2001 amounted to HK\$266 million. Current assets comprised inventories of HK\$77.8 million, trade and other receivables of HK\$74.8 million, other receivables, bank balances and cash of HK\$171.3 million. The decrease in inventories was due to our goal of reducing our inventory level during the period.

As at 30th September, 2001, the Group had total assets of HK\$413.2 million which were financed by current liabilities of HK\$58.1 million and shareholders' equity of HK\$355.1 million.

As at 30th September, 2001, the Group's current ratio as a ratio of current assets to current liabilities, was 5.57 (31st March, 2001: 5.28) and the gearing ratio, as a ratio of total liabilities to total assets, was 0.14 (31st March, 2001: 0.15), which showed further improvement in liquidity.

Bank borrowings amounted to HK\$2,461,000 which related to trade finance and were not secured by any assets of the Group. As at 30th September, 2001, the Group did not have any material exposure to fluctuation in exchange rates.

DIRECTORS' INTERESTS IN SECURITIES**(i) Shares**

At 30th September, 2001, the interests of the directors in the securities of the Company as recorded in the register maintained by the Company pursuant to section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") were as follows:-

	Personal Interests	Number of shares and nature of interests	
			Corporate Interests
Mr. Fang Hung, Kenneth	14,130,000	332,499,228	(Note 1)
Mr. Li Kwok Wai, Frankie	10,332,520	332,499,228	(Note 1)
Mr. Ling, Harry Ph.D.	–	350,000,000	(Note 2)
Mr. Chen Chin Tung, Daniel	–	350,000,000	(Note 2)

Notes:

1. These shares are held by Antrix Investment Limited, a company controlled by Mr. Fang Hung, Kenneth and Mr. Li Kwok Wai, Frankie.
2. These shares are held by Cando Corporation, a company in which Messrs. Ling, Harry Ph.D. and Chen Chin Tung, Daniel are shareholders.

(ii) SHARE OPTIONS

Details of the Options to subscribe for shares in the Company granted to the Directors, which are not exercised and outstanding as at 30th September, 2001 are as follows:

	Number of Share options	Expiry date	Exercise price per share HK\$
Mr. Fang Hung, Kenneth	6,000,000	4th October 2002	0.20
Mr. Li Kwok Wai, Frankie	6,000,000	4th October 2002	0.20

SUBSTANTIAL SHAREHOLDERS

Other than the interests disclosed above in respect of directors, the register of substantial shareholders maintained by the Company pursuant to Section 16 (1) of the SDI Ordinance, discloses no person as having an interest of 10% or more of the issued share capital of the Company as at 30th September, 2001.

CODE OF BEST PRACTICE

None of the Directors of the Company is aware of any information that would reasonably indicate that the Company has not complied with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited except that the non-executive directors of the Company are not appointed for a specific term as they are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company's Bye Laws.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

There was no purchase, sale or redemption of securities of the Company or by any of its subsidiaries during the six months ended 30th September, 2001.

By order of the Board
Kelvin Lam
Company Secretary

Hong Kong, 17th December, 2001