



YGM 貿易有限公司

Interim Results

The Board of Directors of **YGM Trading Limited** (the “Company”) is pleased to announce that the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30th September, 2001 are as follows. The interim results have not been audited, but have been reviewed by the Company’s Audit Committee:-

Condensed Consolidated Profit and Loss Account

(Expressed in Hong Kong dollars)

	Note	Six months ended 30th September	
		2001 (Unaudited) \$'000	2000 (Unaudited) \$'000
Turnover	2	909,788	878,792
Cost of sales/services		(445,951)	(438,295)
		463,837	440,497
Other revenue		11,195	17,166
Other net (loss)/income		(2,272)	5,121
Selling and distribution expenses		(334,539)	(296,187)
Administrative expenses		(75,361)	(72,289)
Other operating expenses		(8,142)	(3,376)
Profit from operations	2	54,718	90,932
Finance costs		(2,216)	(913)
Profit from ordinary activities before taxation	3	52,502	90,019
Taxation	4	(3,664)	(11,145)
Profit from ordinary activities after taxation		48,838	78,874
Minority interests		(18,814)	(20,971)
Profit attributable to shareholders		30,024	57,903
Dividends	5	15,470	255,597
<i>Earnings per share</i>			
<i>Basic</i>	6	19.4 cents	38.1 cents
<i>Diluted</i>	6	19.4 cents	38.1 cents

The notes on pages 5 to 16 form part of these interim financial report.

Condensed Consolidated Statement of Recognised Gains and Losses

(Expressed in Hong Kong dollars)

	Note	Six months ended 30th September	
		2001 (Unaudited) \$'000	2000 (Unaudited) \$'000
Surplus on revaluation of investment properties		–	900
Exchange differences on translation of the accounts of foreign entities	13	(4,241)	(3,667)
Trademark rights written off		–	(2,138)
Net losses not recognised in the profit and loss account		(4,241)	(4,905)
Net profit for the period		30,024	57,903
Total recognised gains and losses		25,783	52,998

The notes on pages 5 to 16 form part of these interim financial report.

Condensed Consolidated Balance Sheet

(Expressed in Hong Kong dollars)

	Note	30th September 2001 (Unaudited) \$'000	31st March 2001 (Audited and restated) \$'000
Non-current assets			
Fixed assets	7		
- Investment properties		100,700	100,700
- Other property, plant and equipment		153,800	165,116
		254,500	265,816
Investment securities		12,456	12,456
		266,956	278,272
Current assets			
Investments		36,236	46,224
Stocks	8	247,421	182,023
Trade and other receivables	9	211,780	168,549
Deferred taxation		1,857	5,697
Fixed deposits at financial institutions		32,000	32,000
Cash and cash equivalents	10	202,882	286,089
		732,176	720,582
Current liabilities			
Unsecured bank overdrafts		1,485	849
Interest bearing bank loans		107,522	133,934
Trade and other payables	11	268,460	222,391
Current portion of obligations under finance leases		-	1,035
Taxation		12,076	21,562
		389,543	379,771
Net current assets		342,633	340,811
Total assets less current liabilities		609,589	619,083
Non-current liabilities			
Obligations under finance leases		-	188
Minority interests		78,689	62,323
NET ASSETS		530,900	556,572
CAPITAL AND RESERVES			
Share capital	12	77,349	77,593
Reserves	13	453,551	429,465
Proposed final dividend		-	49,514
		530,900	556,572

The notes on pages 5 to 16 form part of these interim financial report.

Condensed Consolidated Cash Flow Statement

(Expressed in Hong Kong dollars)

	Six months ended 30th September	
	2001	2000
	(Unaudited) \$'000	(Unaudited) \$'000
Net cash inflow from operating activities	10,253	82,918
Net cash outflow from returns on investments and servicing of finance	(48,125)	(143,055)
Tax paid	(9,310)	(14,555)
Net cash (outflow)/inflow from investing activities	(680)	73,473
Net cash outflow before financing	(47,862)	(1,219)
Net cash (outflow)/inflow from financing	(35,696)	117,563
(Decrease)/increase in cash and cash equivalents	(83,558)	116,344
Effect of foreign exchange rates	(6,405)	(1,208)
Cash and cash equivalents at beginning of period	210,838	331,081
Cash and cash equivalents at end of period	120,875	446,217
Analysis of the balances of cash and cash equivalents		
Cash at bank and in hand	113,817	54,822
Deposits with banks and other financial institutions	89,065	394,059
Bank overdrafts and loans	(82,007)	(2,664)
	120,875	446,217

Notes on the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars)

1. Basis of preparation

The unaudited interim financial report has been prepared in accordance with the requirements of the Main Board Listing Rules of The Stock Exchange of Hong Kong Limited, including compliance with Statement of Standard Accounting Practice 25 “Interim financial reporting” issued by the Hong Kong Society of Accountants (“HKSA”).

The same accounting policies adopted in the 2001 annual accounts have been applied to the interim financial report except the Group has changed certain of its accounting policies as described below.

In the current period, the Group has adopted, for the first time, the following revised or new SSAPs which are effective for accounting period commencing on or after 1st January 2001 issued by HKSA:-

SSAP 9 (revised)	:	Events after the balance sheet date
SSAP 30	:	Business combinations

The changes to the Group’s accounting policies and the effect of adopting these new policies are set out as below:-

(a) Dividends proposed or declared after the balance sheet date

In accordance with SSAP 9 (revised) “Events after the balance sheet date”, dividends proposed or declared after the balance sheet date are not recognised as a liability in the balance sheet. In previous year, the declaration of dividends of \$49,514,000 after the balance sheet date, which had been treated as a liability in 2001 annual report, is now reclassified to the proposed final dividend account within the capital and reserves section of the balance sheet.

(b) Goodwill/(Negative goodwill)

Under SSAP 30, goodwill arising from business combination after 1st January 2001 is capitalised and amortised over its estimated useful life. The Group has taken advantage of the transitional provision in SSAP 30 and has elected not to restate goodwill/(negative goodwill) which was previously eliminated against/(credited to) reserves. Accordingly, goodwill/(negative goodwill) arising on acquisitions of subsidiaries prior to 1st January, 2001 is held in reserves and will be charged/(credited) to the income statement at the time of disposal of the relevant subsidiary, or at such time as the goodwill is determined to be impaired. Goodwill arising on acquisitions after 1st January, 2001 is capitalised and amortised over its estimated useful life.

Notes on the Unaudited Interim Financial Report (Continued)

(Expressed in Hong Kong dollars)

2. Segmental information

The analysis of the principal activities and geographical locations of the operations of the Group during the financial period are as follows:

	Group turnover		Contribution to profit	
	Six months ended		from operations	
	30th September		Six months ended	
	2001	2000	2001	2000
	\$'000	\$'000	\$'000	\$'000
Principal activities				
Sale of garments	871,822	838,886	44,648	72,892
Printing and related services	16,787	19,133	747	2,021
Royalty income	17,649	17,585	8,820	5,689
Gross rentals from investment properties	3,530	3,188	2,640	1,897
	909,788	878,792	56,855	82,499
Other group (expenses)/ income			(2,137)	8,433
			54,718	90,932
Geographical locations of operations				
Hong Kong	181,782	193,722	(2,710)	23,604
Rest of the People's Republic of China	41,641	36,339	8,476	2,015
Taiwan	535,488	597,052	25,230	59,363
Others	150,877	51,679	23,722	5,950
	909,788	878,792	54,718	90,932

Notes on the Unaudited Interim Financial Report (Continued)

(Expressed in Hong Kong dollars)

3. Profit from ordinary activities before taxation

Profit from ordinary activities before taxation is arrived at after charging/(crediting):

	Six months ended 30th September	
	2001 \$'000	2000 \$'000
Interest on borrowings	2,216	913
Amortisation and depreciation	17,773	27,212
Loss on stocks caused by typhoon in Taiwan - Note	7,566	–
Net realised and unrealised losses/(gains) on other securities carried at fair value	3,932	(4,357)

Note: The loss on stocks was caused by typhoon in Taiwan. The insurance claims had been submitted but were not finalised.

4. Taxation

	Six months ended 30th September	
	2001 \$'000	2000 \$'000
Hong Kong taxation	1,307	2,811
Overseas taxation	2,357	10,132
Deferred taxation-overseas	–	(1,798)
	3,664	11,145

The provision for Hong Kong Profits Tax is calculated at 16% (2000: 16%) of the estimated assessable profits for the period. Taxation for overseas subsidiaries is similarly calculated at the appropriate current rates of taxation ruling in the relevant jurisdiction.

Notes on the Unaudited Interim Financial Report (Continued)

(Expressed in Hong Kong dollars)

5. Dividends

	Six months ended 30th September	
	2001 \$'000	2000 \$'000
Final dividend for the year ended 31st March 2000 paid in respect of new shares issued pursuant to share options exercised	–	2,317
Interim dividend declared of 10 cents (2000: 12 cents) per share	15,470	18,761
Special dividend declared (2000: \$1.50 per share)	–	234,519
	15,470	255,597

The interim dividend declared for the period has been calculated by reference to the 154,698,792 shares in issue at 17th December 2001.

6. Earnings per share

The calculation of basic earnings per share is based on the Group's profit attributable to shareholders for the period of \$30,024,000 (2000: \$57,903,000) and on the weighted average number of 154,827,634 ordinary shares (2000: 151,936,541 shares) in issue during the period.

The calculation of the diluted earnings per share is based on the Group's profit attributable to shareholders for the period of \$30,024,000 (2000: \$57,903,000) and on the weighted average number of 154,923,187 ordinary shares (2000: 151,979,594 shares) after adjusting for the effects of all dilutive potential ordinary shares.

Notes on the Unaudited Interim Financial Report (Continued)

(Expressed in Hong Kong dollars)

7. Fixed Assets

Fixed Assets include investment properties. The Directors are of the opinion that no professional valuation is necessary in respect of the Group's investment properties and leasehold land and buildings as at 30th September 2001. The Directors has considered that the values of the investment properties and leasehold land and buildings as at 30th September 2001 would not be materially different from the professional valuation made as at 31st March 2001 and, accordingly, no revaluation surplus or deficit has been recognized in the current period.

Other fixed assets are stated at cost or valuation less accumulated depreciation.

8. Stocks

Included in stocks are finished goods of \$22,077,000 (31st March 2001: \$24,552,000), stated net of provisions, made in order to state these stocks at the lower of their cost and estimated net realisable value.

Notes on the Unaudited Interim Financial Report (Continued)

(Expressed in Hong Kong dollars)

9. Trade and other receivables

	30th September 2001 \$'000	31st March 2001 \$'000
Debtors, deposits and prepayments	209,966	166,874
Amounts due from related companies	589	450
Club membership	1,225	1,225
	211,780	168,549

All of the trade and other receivables, apart from club memberships of \$1,225,000 (31st March 2001 : \$1,225,000), are expected to be recovered within one year.

Included in trade and other receivables are trade debtors (net of specific provisions for bad and doubtful debts) with the following aging analysis :

	30th September 2001 \$'000	31st March 2001 \$'000
Current	76,439	54,939
1 to 3 months	26,638	20,157
More than 3 months but less than 12 months	13,856	11,069
	116,933	86,165

The credit terms given to trade debtors vary and are generally based on the financial strengths of individual debtors. In order to effectively manage the credit risks associated with trade debtors, credit evaluation of debtors are performed periodically.

Notes on the Unaudited Interim Financial Report (Continued)

(Expressed in Hong Kong dollars)

10. Cash and cash equivalents

	30th September 2001 \$'000	31st March 2001 \$'000
Deposits with banks and other financial institutions	89,065	136,626
Cash at bank and in hand	113,817	149,463
	202,882	286,089

11. Trade and other payables

	30th September 2001 \$'000	31st March 2001 \$'000
Creditors and accrued charges	259,024	213,400
Bills payable	1,997	3,597
Amounts due to related companies	7,439	5,394
	268,460	222,391

All of the trade and other payables are expected to be settled within one year.

Included in trade and other payables are trade creditors and bills payable within the following aging analysis :

	30th September 2001 \$'000	31st March 2001 \$'000
Due within 1 month or on demand	120,770	74,041
Due after 1 month but within 3 months	35,016	23,196
Due after 3 months but within 6 months	575	386
	156,361	97,623

Notes on the Unaudited Interim Financial Report (Continued)

(Expressed in Hong Kong dollars)

12. Share capital

	Number of Shares '000	Amount \$'000
Authorised:		
Ordinary shares of \$0.50 each	200,000	100,000
Issued and fully paid:		
At 1st April 2001	155,188	77,593
Shares repurchased	(489)	(244)
At 30th September 2001	154,699	77,349

During the period, the Company repurchased its own shares on The Stock Exchange of Hong Kong Limited as follows:

Month/year	Number of shares repurchased	Highest price paid per share \$	Lowest price paid per share \$	Aggregate price paid (before expenses) \$'000
April 2001	206,000	3.700	3.625	761
May 2001	87,000	3.925	3.925	341
June 2001	163,000	4.300	4.150	689
July 2001	33,000	4.350	4.200	143
	<u>489,000</u>			<u>1,934</u>

The above repurchased shares were cancelled and accordingly the issued share capital of the Company was reduced by the nominal value of these shares. An amount of \$1,697,000 representing the premium and brokerage expenses on the aforesaid repurchases was charged against retained profits. The repurchases were made because the directors were of the opinion that the repurchases would enhance the earnings per share of the Company.

Notes on the Unaudited Interim Financial Report (Continued)

(Expressed in Hong Kong dollars)

12. Share capital (Continued)

Pursuant to ordinary resolutions passed on 14th July 1993 and 13th May 1994, the directors authorised the grant of options at nominal consideration for an aggregate of 13,185,000 and of 780,000 shares respectively, of \$0.50 each of the Company under the Company's share option scheme, to certain directors and employees of the Company and its subsidiaries, at an exercise price of \$3.38 per share. The options are exercisable in the periods from 1st October 1993 to 31st December 2001 and from 1st October 1994 to 31st December 2001, respectively. During the period, no share options granted to directors and employees were exercised. Share options granted for the subscription of an aggregate of 115,000 shares were outstanding at 30th September 2001.

13. Reserves

	Share redemption Premium \$'000	Capital redemption reserves \$'000	Capital reserves \$'000	Land and building revaluation reserves \$'000	Investment property revaluation reserves \$'000	Retained profits \$'000	Total \$'000
At 1st April 2001	132,504	3,936	79,217	20,632	22,392	170,784	429,465
Capital reduction on repurchase of own shares	-	244	-	-	-	(244)	-
Premium and expenses on repurchase of own shares	-	-	-	-	-	(1,697)	(1,697)
Exchange differences on translation of accounts of Foreign entities	-	-	-	-	-	(4,241)	(4,241)
Profit for the year	-	-	-	-	-	30,024	30,024
At 30th September 2001	132,504	4,180	79,217	20,632	22,392	194,626	453,551

Notes on the Unaudited Interim Financial Report (Continued)

(Expressed in Hong Kong dollars)

14. Commitments

There were no material capital commitments outstanding at 30th September 2001 (31st March 2001: Nil).

15. Contingent liabilities

At 30th September 2001, there were contingent liabilities in respect of guarantees given to banks by the Company in respect of banking facilities extended to certain subsidiaries amounting to \$160,000,000 (31st March 2001: \$167,000,000).

16. Material related party transactions

The following material transactions with related parties were in the opinion of the directors carried out in the ordinary course of business and on normal commercial terms:

- (a) Transactions with and amounts paid to Yangtzekiang Garment Manufacturing Company Limited, its subsidiaries and associated companies (“Yangtzekiang Garment Manufacturing Group”). (The Chan family is the controlling shareholder of both the Yangtzekiang Garment Manufacturing Group and the Group.):

	30th September 2001 \$'000	30th September 2000 \$'000
Purchases of traded products	4,471	4,500
Sales of traded products	–	1,668
Rental paid on properties	2,010	2,934
Management fee paid	372	372

The purchases and sales of traded products and rental transactions were in the opinion of the directors carried out on prices and terms comparable to those offered to or by independent third parties. The management fees were charged for administration, business strategy, personnel, legal and company secretarial work, accounting and management services provided. The management fee was determined annually between the respective parties after negotiations having regard to the cost of services provided. Yangtzekiang Garment Manufacturing Group and the Group have not entered into any management contract in respect of the said services.

Notes on the Unaudited Interim Financial Report (Continued)

(Expressed in Hong Kong dollars)

16. Material related party transactions (Continued)

- (b) Transactions with YGM Marketing Pte Limited which is beneficially owned by certain directors of the Company:

	30th September 2001 \$'000	30th September 2000 \$'000
Sales of traded products	848	676
Purchases of traded products	–	94

The sales and purchases of traded products were in the opinion of the directors carried out on prices and terms comparable to those offered to or by independent third party suppliers.

- (c) Outstanding balances due from/(to) related companies as at 30th September:

	30th September 2001 \$'000	31st March 2001 \$'000
Amounts due from YGM Marketing Pte Limited	589	450
Amounts due to Yangtzekiang Garment Manufacturing Group	(7,439)	(5,394)

The outstanding balances with related companies are unsecured, interest-free and repayable on demand.

Notes on the Unaudited Interim Financial Report (Continued)

(Expressed in Hong Kong dollars)

16. Material related party transactions (Continued)

(d) Transactions with non-wholly owned subsidiaries:

	30th September 2001 \$'000	31st March 2001 \$'000
(1) Guarantees given to banks in respect of credit facilities granted to the extent of the Company's proportional equity interest held	146,500	131,900

(2) Sales of traded products by the Group's wholly-owned subsidiaries to certain non-wholly owned subsidiaries and the related year end trade balances have been eliminated on consolidation.

17 Post balance sheet events

- (1) Pursuant to a sale and purchase agreement dated 8th June 2001, YGM Printing Inc, a subsidiary of the Company, disposed of the investment property at Erhuan Road Central, Chang An Industrial City, Chang An Town, Dongguan, The People's Republic of China at a consideration of \$30,300,000 to Dongguan Midas Printing Company Limited. The transaction was completed on 31st October 2001 and resulted in a loss of approximately \$3,500,000.
- (2) Pursuant to a share purchase agreement dated 9th November 2001, the Company disposed its 63.77% shareholdings in ILC International Corporation ("ILC") at a consideration of approximately \$280,051,000 to Hang Ten International Holdings Limited ("HTIH").

And, pursuant to a subscription agreement and a shareholder's loan agreement dated 9th November 2001, the Company agreed to subscribe for 250,000 new shares of HTIH, representing 25% of HTIH's enlarged issued share capital, at a total consideration of approximately \$33,150,000 and also agreed to grant to HTIH a loan amounting to \$39,000,000 approximately.

The transactions were completed in December 2001 and resulted in an estimated net gain of approximately \$64,000,000.

Interim Dividend

The Board resolved that an interim dividend of 10 cents per share (2000:12 cents per share) will be payable on 15th January 2002.

Closure of Register of Members

The shareholders register will be closed from 8th January 2002 to 11th January 2002 both days inclusive. In order to qualify for interim dividend, transfers must be lodged at the company registrar, Central Registration Hong Kong Limited, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:00 pm on Monday, 7th January 2002.

Management Discussion and Analysis

Business review

The Group's consolidated turnover for the six months ended 30th September 2001 increased by 3.5% to HK\$909,788,000 against HK\$878,792,000 for the corresponding period last year. However, the net profit attributable to shareholders declined by 48.2% to HK\$30,024,000 (2000: HK\$57,903,000) as a result of a slowdown in both Hong Kong and Taiwan retail markets. Other factors include (a) a typhoon damage of HK\$7,566,000 in stocks in Taiwan of which the insurance claims had not been finalized; (b) a provision for diminution in value of listed investment of HK\$3,900,000 as against a gain of HK\$4,400,000 for the corresponding period last year; and (c) a significant reduction of interest income.

Hang Ten

As a result of a downturn in Taiwan retail market which is the major profit contributor to Hang Ten, net profit after tax and minority interest for the six months ended 30th September 2001 declined below last year corresponding period.

As mentioned in our announcement dated 13th November 2001 and the circular to the shareholders dated 14th December 2001, upon completion of the Share Purchase Agreement and the Subscription Agreement, the Group will reduce its equity interests in Hang Ten from 63.77% to a future effective shareholding of 24.25%. By this arrangement, the current net receivable of HK\$208,000,000 together with the HK\$167,000,000 special dividend received in last year, the Group had realised a total of HK\$375,000,000 in cash and still maintain an effective shareholding of 24.25%.

Management Discussion and Analysis (Continued)

Michel Rene and licensed brands

Turnover and profits decreased in Hong Kong and Taiwan with the downturn in both markets. Turnover in China increased slightly but profit contribution increased significantly.

Others

Hong Kong Security Printing reported a lower turnover and profits. A substantial increase in turnover but a reduction in profit is reported by the garment manufacturing plant in Dongguan.

Prospects

Retail markets are still weak globally with the exception in China. It is difficult to accurately forecast the profits for the year.

Financial Position

The Group's total net assets as at 30th September 2001 was HK\$530,900,000 as compared with HK\$556,572,000 (restated) as at 31st March 2001. The Group continues to maintain a prudent approach to manage its financial requirements. At the end of September 2001, the Group had cash net of overdrafts and short-term bank loans of HK\$125,875,000, representing a decrease of HK\$57,431,000 as compared with 31st March 2001.

The Group's gearing ratio at the period end was 0.21 which was calculated based on total borrowings of HK\$109,007,000 and shareholders' funds of HK\$530,900,000.

The Group's income and expenditure streams are mainly denominated in Hong Kong Dollars, New Taiwan Dollars and Renminbi. To manage currency risks, non Hong Kong Dollars assets are financed primarily by matching local currency debts as far as possible.

Directors' Interests in Shares

The directors who held office at 30th September, 2001 had the following interests in the issued share capital of the Company (within the meaning of the Securities (Disclosure of Interests) Ordinance) at that date as recorded in the register of directors' interests in shares:

Name of director	Number of ordinary shares of HK\$0.50 each			
	Personal interests	Family interests	Corporate interests	Other interests
Chan Sui Kau	5,929,272	214,368	3,840,820	(i)
Chan Wing Fui, Peter	324,068	100,000	–	(i) & (ii)
Chan Wing Sun, Samuel	2,072,072	–	–	(i) & (ii)
Chan Suk Ling, Shirley	3,613,544	16,000	–	(i)
Chan Wing Ming, Michael	2,967,208	–	–	(i)
Chan Wing Kee	3,692,776	819,404	–	(i), (ii) & (iii)
Chan Wing To	4,144,736	–	–	(i), (ii) & (iii)
Fu Sing Yam, William	361,068	–	–	–

Notes:

- (i) (a) An aggregate of 29,932,264 shares of the Company were held under various trusts and companies established for the benefit of members of the Chan family including Messrs Chan Sui Kau, Chan Wing Fui Peter, Chan Wing Kee, Chan Wing Sun Samuel, Chan Wing To, Chan Wing Ming Michael and Madam Chan Suk Ling Shirley.
- (b) 34,595,908 shares of the Company were held by Canfield Holdings Limited which is beneficially owned by certain directors of the Company, namely, Messrs Chan Wing Fui Peter, Chan Wing Kee, Chan Wing Sun Samuel, Chan Wing To, Chan Wing Ming Michael and Madam Chan Suk Ling Shirley (collectively the "Chan Directors") and three companies established for the benefit of certain members of the Chan family, including the Chan Directors and their respective associates.
- (ii) 2,917,480 shares of the Company were held by Hearty Development Limited which is beneficially owned by Messrs Chan Wing Fui Peter, Chan Wing Kee, Chan Wing Sun Samuel and Chan Wing To.
- (iii) 1,597,000 shares of the Company were held by Super Team International Limited which is beneficially owned by Messrs Chan Wing Kee, Chan Wing To and certain members of the Chan family.

Arrangement to Purchase Shares

Save for the Company's share option scheme as indicated in note 12 above, at no time during the period was the Company or any of its subsidiaries a party to any arrangement to enable the directors of the Company or any of their spouses or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Substantial Shareholders

As at 30th September, 2001, the register required to be kept under Section 16(1) of the Securities (Disclosure of Interests) Ordinance showed that, other than the interests disclosed above in respect of the directors, the Company had not been notified of any interests representing 10% or more of the Company's issued share capital.

Directors' Interests in Contracts

No contract of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest subsisted at the end of the period or at any time during the period.

Purchase, Sale or Redemption of Shares

Details of repurchase of shares made by the Company on The Stock Exchange of Hong Kong Limited during the period are as indicated in note 12.

Save as disclosed above, at no time during the period was there any purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's shares.

Compliance with the Code of Best Practice

The Company has complied throughout the period with the Code of Best Practice as set out by The Stock Exchange of Hong Kong Limited in Appendix 14 to the Listing Rules except that the non-executive directors of the Company were not appointed for a specific term but are subject to rotation in annual general meetings pursuant to Articles 95 and 104 of the Company's Articles of Association.

Audit Committee

To comply with the revised Code of Best Practice as set out in Appendix 14 of the Listing Rules of The Stock Exchange of Hong Kong Limited, the Company set up an audit committee (the "Committee") with written terms of reference, for the purpose of reviewing and providing supervision on the financial reporting process and internal control of the Group. The Committee comprises two independent non-executive directors.

By order of the Board
Chan Sui Kau
Chairman

Hong Kong, 17th December 2001