

Interim Report • 2002



KINGMAKER

FOOTWEAR HOLDINGS LIMITED

信星鞋業集團有限公司



UNAUDITED INTERIM RESULTS

The Board of Directors (the “Board”) of Kingmaker Footwear Holdings Limited (the “Company”) takes the pleasure to announce the unaudited interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30th September 2002, which were prepared in accordance with the Hong Kong Statements of Standard Accounting Practise and reviewed by the Company’s audit committee, as follows:

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Notes	For the six months ended 30th September	
		2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000
Turnover	2	658,085	629,958
Cost of Sales		(519,123)	(505,923)
Gross Profit		138,962	124,035
Other Revenue		3,340	8,474
Distribution and Selling Costs		(23,840)	(14,483)
Administrative Expenses		(39,616)	(33,989)
Profit from Operating Activities		78,846	84,037
Finance Costs		(2,786)	(3,498)
Profit Before Tax	3	76,060	80,539
Tax	4	(3,630)	(5,434)
Net Profit from Ordinary Activities Attributable to Shareholders		<u>72,430</u>	<u>75,105</u>
Dividend – interim	5	<u>22,916</u>	<u>22,359</u>
Earnings Per Share			
– Basic	6	<u>HK11.14 Cents</u>	<u>HK11.84 Cents</u>
– Diluted	6	<u>HK11.08 Cents</u>	<u>HK11.68 Cents</u>

CONDENSED CONSOLIDATED BALANCE SHEET

		(Unaudited) 30th September 2002 HK\$'000	(Unaudited)* 30th September 2001 HK\$'000	(Audited) 31st March 2002 HK\$'000
	Notes			
Non-current assets				
Fixed Assets	7	391,185	283,506	327,082
Long Term Investments		465	388	465
		<u>391,650</u>	<u>283,894</u>	<u>327,547</u>
Current Assets				
Inventories		165,752	118,372	134,131
Accounts and Bills Receivable	8	132,020	145,762	63,916
Prepayment, Deposits and Other Receivables		1,794	933	4,589
Cash and Cash Equivalents		201,223	321,462	303,246
		<u>500,789</u>	<u>586,529</u>	<u>505,882</u>
Current Liabilities				
Accounts Payable	9	114,169	97,021	77,294
Trust Receipt Loans		9,127	3,651	5,848
Accrued Liabilities and Other Payables		65,119	109,352	81,439
Tax Payable		71,917	66,633	70,275
Bank Loan, unsecured	11	9,750	19,500	19,500
		<u>270,082</u>	<u>296,157</u>	<u>254,356</u>
Net Current Assets		<u>230,707</u>	<u>290,372</u>	<u>251,526</u>
Total Assets less Current Liabilities		<u>622,357</u>	<u>574,266</u>	<u>579,073</u>
Non-current Liabilities				
Bank Loan, unsecured	11	23,800	9,750	–
		<u>598,557</u>	<u>564,516</u>	<u>579,073</u>
Capital and Reserves				
Issued Capital	10	65,476	63,839	63,893
Reserves		510,165	480,581	453,463
Proposed Dividend		22,916	20,096	61,717
		<u>598,557</u>	<u>564,516</u>	<u>579,073</u>

* For reference only.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT*For the six months ended 30th September 2002*

	Unaudited	
	Six months ended	
	30th September	
	2002	2001
	HK\$'000	HK\$'000
Net cash generated from operating activities	7,559	839
Net cash used in investing activities	(73,964)	(51,827)
Net cash used in financing activities	(31,681)	(45,540)
Decrease in cash and cash equivalents	(98,086)	(96,528)
Cash and cash equivalents at beginning of period	303,246	419,113
Effect of exchange rate changes, net	(3,937)	(1,123)
Cash and cash equivalents at end of period	<u>201,223</u>	<u>321,462</u>
Analysis of balances of cash and cash equivalents:		
Cash and bank balances	<u>201,223</u>	<u>321,462</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	(Unaudited)						
	Share Capital	Share Redemption Premium	Capital Reserves	Exchange Reserves	Retained Profits	Proposed dividend	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<i>For the six months ended 30th September 2002</i>							
At 1st April 2002	63,893	59,878	-	(2,617)	396,203	-	517,357
Issue of shares							
– exercised options	1,595	11,836	-	-	-	-	13,431
Shares repurchased and cancelled	(12)	-	12	-	(238)	-	(238)
Exchange reserve arising on consolidation of subsidiaries	-	-	-	(3,937)	-	-	(3,937)
2001 final dividends paid	-	-	-	-	(486)	-	(486)
Net profit for the period	-	-	-	-	72,430	-	72,430
2002 interim dividend proposed	-	-	-	-	(22,916)	22,916	-
At 30th September 2002	<u>65,476</u>	<u>71,714</u>	<u>12</u>	<u>(6,554)</u>	<u>444,993</u>	<u>22,916</u>	<u>598,557</u>
<i>For the six months ended 30th September 2001</i>							
At 1st April 2001	57,416	60,636	135	(2,096)	409,981	-	526,072
Issue of shares							
– exercised options	618	4,469	-	-	-	-	5,087
– Bonus shares	5,804	(5,669)	(135)	-	-	-	-
Exchange reserve arising on consolidation of subsidiaries	-	-	-	(1,123)	-	-	(1,123)
Dividends paid in the period	-	-	-	-	(40,625)	-	(40,625)
Net profit for the period	-	-	-	-	75,105	-	75,105
Interim dividend	-	-	-	-	(20,096)	20,096	-
At 30th September 2001	<u>63,838</u>	<u>59,436</u>	<u>-</u>	<u>(3,219)</u>	<u>424,365</u>	<u>20,096</u>	<u>564,516</u>

NOTES:

1. Basis of Preparation

The condensed interim financial statements have been prepared in accordance with Hong Kong Statement of Standard Accounting Practice ("SSAP") 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants ("HKSA").

The condensed interim financial statements have been prepared under the historical cost convention. The accounting policies and basis of preparation of these interim reports are consistent with those used in the annual financial statements for the year ended 31 March 2002 except that the Group has adopted the following new revised SSAPs, issued by the HKSA which are effective for the first time in the preparation of the unaudited condensed consolidated financial statements for the accounting period.

SSAP 1 (revised): presentation of financial statements. In accordance with the SSAP 1 (revised), the statement of changes in equity is required instead of a statement of recognised gains and losses. The condensed consolidated statement of changes in equity for the period and the comparative figures have been presented in accordance with SSAP 1 (revised).

SSAP 11 (revised): Translation of foreign currency transactions. In prior periods, the financial statements of overseas subsidiaries at the year end are translated into Hong Kong dollars at the rate of exchange ruling at the balance sheet date. With effect from April 1, 2002, the Group adopted a new accounting policy of translating the profit and loss accounts of overseas subsidiaries at an average rate for the period, in order to comply with SSAP 11 (revised). SSAP 11 (revised) has had no major impact on the condensed consolidated financial statements.

SSAP 15 (revised): Cash flow statements. SSAP 15 (revised) requires the provision of information about the historical changes in cash and cash equivalents by means of a cash flow statement which classifies cash flows during the period into operating, investing and financing activities.

SSAP 34: Accounting treatment and disclosure for employee benefits. SSAP 34 has had no major impact on the condensed consolidated financial statements.

2. Segmental Information

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

(a) Business segments

The following tables present revenue, results and certain expenditure information for the Group's business segments.

	Rugged footwear 2002 HK\$'000	Casual footwear 2002 HK\$'000	Baby and children's footwear 2002 HK\$'000	Sportswear and sport shoes 2002 HK\$'000	Consolidated 2002 HK\$'000
Segment revenue:					
Sales to external customers	<u>147,713</u>	<u>194,030</u>	<u>304,153</u>	<u>12,189</u>	<u>658,085</u>
Segment results	<u>20,642</u>	<u>23,595</u>	<u>38,348</u>	<u>(3,706)</u>	78,879
Unallocated income					3,340
Unallocated expenses					<u>(3,373)</u>
Profit from operating activities					78,846
Finance costs					<u>(2,786)</u>
Profit before tax					76,060
Tax					<u>(3,630)</u>
Net profit from ordinary activities attributable to shareholders					<u>72,430</u>

2. Segmental Information (cont'd)

	Rugged footwear 2001 HK\$'000	Casual footwear 2001 HK\$'000	Baby and children's footwear 2001 HK\$'000	Sportswear and sport shoes 2001 HK\$'000	Consolidated 2001 HK\$'000
Segment revenue:					
Sales to external customers	<u>157,642</u>	<u>206,455</u>	<u>252,955</u>	<u>12,906</u>	<u>629,958</u>
Segment results	<u>21,743</u>	<u>25,264</u>	<u>32,719</u>	<u>(489)</u>	79,237
Unallocated income					8,328
Unallocated expenses					<u>(3,528)</u>
Profit from operating activities					84,037
Finance costs					<u>(3,498)</u>
Profit before tax					80,539
Tax					<u>(5,434)</u>
Net profit from ordinary activities attributable to shareholders					<u>75,105</u>

2. Segmental Information (cont'd)

(b) Geographical segments

The following tables present revenue, results information for the Group's geographical segments.

	United States of America	Europe	Others	Consolidated
	2002	2002	2002	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:				
Sales to external customers	<u>455,405</u>	<u>168,554</u>	<u>34,126</u>	<u>658,085</u>
Segment results	<u>50,397</u>	<u>25,341</u>	<u>3,141</u>	<u>78,879</u>

	United States of America	Europe	Others	Consolidated
	2001	2001	2001	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:				
Sales to external customers	<u>471,085</u>	<u>117,211</u>	<u>41,662</u>	<u>629,958</u>
Segment results	<u>57,129</u>	<u>18,224</u>	<u>3,884</u>	<u>79,237</u>

3. Profit before tax

The Group's profit before tax is arrived at after charging/(crediting):

	For the six months ended 30th September	
	2002	2001
	HK\$'000	HK\$'000
Depreciation	12,107	9,241
Minimum lease payments under operating lease for land and buildings	2,281	1,770
Interest on bank loans repayable within 5 years	2,786	3,498
Interest income	<u>(2,245)</u>	<u>(8,312)</u>

4. Tax

	For the six months ended 30th September	
	2002 HK\$'000	2001 HK\$'000
Hong Kong	116	133
Overseas	3,514	5,301
	<u>3,630</u>	<u>5,434</u>

Hong Kong profits tax has been provided at the rate of 16% (2001: 16%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of taxation prevailing in the countries in which the Group operates.

5. Interim Dividend

The Board resolved to declare an interim dividend of HK3.5 cents (2001: HK3.5 cents) per ordinary share for the six months ended 30th September 2002 payable to shareholders whose names appear in the Register of Members of the Company at the close of business on 13th January 2003. The dividend is expected to be paid on 28th January 2003.

6. Earnings per shares ("EPS")

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

	For the six months ended 30th September	
	2002 HK\$'000	2001 HK\$'000
Earnings for basic and diluted EPS	<u>72,430</u>	<u>75,105</u>
	Number of shares	
Weighted average number of ordinary shares for the basic EPS	650,469,292	634,557,072
Effect of dilutive share options	<u>2,956,918</u>	<u>8,270,907</u>
Weighted average number of ordinary shares for the diluted EPS	<u>653,426,210</u>	<u>642,827,979</u>

7. Fixed Assets

During the period, the Group has incurred approximately HK\$55 million on the 6 lines facilities in Zhongshan, the People's Republic of China (the "PRC"). The factory has been under operation currently.

8. Accounts and Bills Receivable

The majority of the Group's sales are mainly on credit with varying credit terms of 30 to 90 days. The ageing analysis of accounts and bills receivable is as follows:

	Within 90 days HK\$'000	Between 91-180 days HK\$'000	Between 181-365 days HK\$'000	Total HK\$'000
As at 30th September 2002	<u>130,079</u>	<u>1,677</u>	<u>264</u>	<u>132,020</u>
As at 31st March 2002	<u>63,094</u>	<u>744</u>	<u>78</u>	<u>63,916</u>

9. Accounts Payable

The ageing analysis of accounts payable is as follows:

	Within 90 days HK\$'000	Between 91-180 days HK\$'000	Total HK\$'000
As at 30th September 2002	<u>113,634</u>	<u>535</u>	<u>114,169</u>
As at 31st March 2002	<u>76,969</u>	<u>325</u>	<u>77,294</u>

10. Issued Capital

During the period, the Company issued 15,952,750 shares of HK\$0.10 each as a result of the exercise of share options under the share option scheme approved and adopted by shareholders on 3rd September 1994. And in August 2002, the Company had repurchased 122,000 shares at HK\$1.95 each.

11. Bank Loan, Unsecured

	30th September 2002 (HK\$'000)	31st March 2002 (HK\$'000)
Bank Loans repayable:		
Within one year	9,750	19,500
In the second year	<u>23,800</u>	<u>-</u>
	33,550	19,500
Portion classified as current liabilities	<u>(9,750)</u>	<u>(19,500)</u>
Long term portion	<u>23,800</u>	<u>-</u>

The unsecured bank loans are supported by corporate guarantees given by the Company and certain of its subsidiaries.

12. Contingent liabilities and Commitments

As at 30th September 2002, the Group had no significant contingent liabilities (2001: Nil). The commitment were as follows:

	30th September 2002 (HK\$'000)	31st March 2002 (HK\$'000)
Commitments contracted for but not provided in the financial statements in respect of:		
Acquisition of property, plant and machinery	36,179	25,559
Investment in subsidiary companies	47,642	48,385
	<u>83,821</u>	<u>73,944</u>

REVIEW OF OPERATIONS

Company Results and Review

The Results

The Group had pursued remarkable achievements in rationalizing its production and marketing focus to cope with changes in the market and to strengthen its revenue base during the six months under review. Significant progresses had also been made in strengthening the Group's manufacturing operations to better equip it with the muscles to embrace growth opportunities in the future.

These efforts helped the Group record turnover increases of 4.5% in value and 16% in volume from the last corresponding period. In response to softening demand and subdued consumer sentiment, the Group shifted more of its focus to the high to mid-priced product category including baby and children shoes and casual footwear. This had transformed the Group's product mix, with rugged, casual; and baby and children shoes respectively comprised 22.45%, 29.48% and 46.22% of the headline turnover. Distribution business, started in 2000 and primarily in Greater China, accounted for 1.85% of the group's revenue during the period under review. Perseverance in geographical diversification of sales also saw shipment to Europe boosted to 25.61% of Group turnover, representing a 7-percentage-point-leap from a year ago.

Despite mounting pressure from retailers to cut prices, operating profit grew in tandem with turnover, validating the effectiveness of the Group's cost control measures. Net margin, however, was threatened due to unprecedented events including the strike of US west coast dockworkers in September, piling up the more costly urgent orders from retailers to replenish their shelves. The expansion of manufacturing base in Zhongshan and the renovation of the office in Zhuhai depleted the Group's cash reserves, dwarfing significantly its interest income.

Business Operations

The baby and children shoes segment continued to be the star growth performer, accounting for 46.22% of the Group's total revenue, up from 40.15% a year ago. The Group will continue to examine the product mix to maximize profits as long as the external environment remains uncertain. Demand for products in this category has been proven to be much more stable under tough and challenging market conditions. With years of dedicated efforts, the Group has already developed into one of the world's largest premium baby footwear producers.

The success in exploring this segment is a solid endorsement to the strategic direction the Group adopted in developing the less costly "athleisure" sector in response to growing popularity and demand.

The six production lines in the Group's manufacturing facility in Vietnam had commenced full-scale operation, powered by a 4,500-strong labour force. Efforts spent in improving productivity, operating efficiency and training boosted the capacity of this facility to 3 to 3.5 million pairs a year. Second phase expansion will soon kick off to accommodate growth in demand from EU markets and opportunities emerging from normalization of Vietnam-US relations.

The facilities in Zhongshan commenced trial production in August. Equipped with the latest and most advanced machinery and employing 4,500 workers, this production base has been specifically structured to accommodate the needs of some of the Group's largest customers such as Timberland and Wolverine, enabling them to monitor the production process online with the newly refurbished and equipped sample rooms. This helps tighten the Group's cooperation and relationship with customers. This production base is still expected to incur the Group a moderate loss in the coming months before its efficiency picks up to the threshold level. The Board is confident the Zhongshan base will evolve to be a major, most advanced and profitable production operation in the future.

The Group's total annual production capacity had reached 18 million pairs by the end of the six months under review, contributed by the 17 production lines in Zhuhai, 6 lines in each of Vietnam and Zhongshan and one in Macau that are staffed with a total of 18,000 workers.

Skechers, Timberland, Striderite, Wolverine and Clarks currently comprise the Group's five largest branded customers. Orders from other labels including Merrell, Paul Smith, Sperry, Sperry Topsider, Stride and Tommy Hilfiger occupy the remaining share.

The distribution operation of "Lotto" and "Head" footwear labels in mainland China was marginally lagging behind the Group's expectations due to keen competition in the retail sector in the PRC. The Board remains optimistic in the potential of this operation to become a significant source of revenue in the future. Meanwhile, intensive management resources and care has been pooled in to provide an impetus for better performance.

Thanks to dedicated "hard work" by the management team and staff, the Group was included for the second year in a row in Forbes Global magazine's "The World's 200 Best Small Companies" in its October 2002 issue.

Future Plans and Prospects

To better assimilate into customers' "supply chain management" strategy, the Group needs to continue its strategy of fostering future development and growth through expansion, even under the current deflationary environment. Following the trial production in August, the six production lines in the new Zhongshan factory started commercial operation in October with its utilization rate reaching an encouraging 50–60%. An efficiency enhancement program involving transfer of technology from the Zhuhai production base will improve the efficiency and lift the capacity of this new Zhongshan factory, enabling it to yield contributions to the Group within a shorter time frame.

Second phase expansion of the Vietnam base has scheduled to kick off in early 2003 with the completion of the second factory. This customer driven expansion better prepares the Group for deeper penetration into European markets in the future.

The Group is committed to investing in its capabilities to embrace further growth opportunities. Improvements in the production bases in PRC, coupled with renovation of the office building and expansion of the facilities in Vietnam, will enable the Group to better meet with and exceed requirements from existing and potential customers, creating a unique competitive advantage over its industry counterparts in the current tough business environment. These measures also help cultivate closer relationships with the existing customers.

Despite significant progress and development, footwear wholesale and retail business in the PRC fell short of expectation. The Group is still optimistic about the opportunities in this area as China gradually integrates into the World Trade Organization. The process will undoubtedly boost the appeal of an established wholesale and retail network to foreign retailers as an entry platform to this high potential market.

Leading footwear brand owners, labels and retailers around the world will continue to consolidate their sources of supply as economic downturn continues in an effort to better manage their supply chains, control costs and react to changing market conditions and end-user preferences. Possessing tightly managed and highly efficient production bases, the Group is confident that it can reap most benefits from this trend. The Group is pleased to see the inroads it made over the past few years to realign its operations into the fabrics of this supply chain management strategy has started to pay dividend. This will certainly put the Group in an enviable competitive position over its counterparts, directing it to the right track of sustainable development.

The Board of Directors continues to be cautiously optimistic on the Group's future prospects and will maintain a high level of alertness to changes in market conditions.

FINANCIAL POSITION

As at 30th September 2002, the Group, after the anticipated expansion, still maintains a solid cash position of HK\$201 million (2001: HK\$322 million). The Directors are of the opinion that the current cash position and available banking facilities of approximately HK\$400 million (2001: HK\$278 million) will provide sufficient working capital to facilitate its planned expansion and investments in the next 3 years. Nevertheless, in the prevailing low interest rate environment, further loan may be considered or negotiated in favorable terms for the future expansion.

As at 30th September 2002, the Group has the total indebtedness amounted to approximately HK\$43 million (2001: approximately HK\$33 million), representing approximately 7.1% (2001: approximately 5.8%) to the shareholders equity.

The Group's activities involve currencies such as Renminbi, Taiwan dollars, and US dollars. It is the Group's policy to adopt a conservative approach on foreign exchange exposure management. The Group does not anticipate significant foreign exchange losses as long as the Hong Kong SAR government's policy to peg the Hong Kong dollar to the US dollar remains in effect. The Group will continue to monitor its foreign exchange exposure and market conditions to determine if any hedging is required.

DIRECTORS INTERESTS IN SECURITIES

Shares

At 30th September 2002, the interest of the directors in the shares of the Company and the shares of its associated corporations, as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance"), were as set out below:

	Number of Shares held		Total
	Personal interest	Corporate interest*	
Chen Ming Hsiung	7,906,250	357,082,950	364,989,200
Chen Cheng Hsiung	2,336,000	357,082,950	359,418,950
Huang Hsiu Duan	9,219,250	357,082,950	366,302,200
Lee Kung	–	357,082,950	357,082,950
Chan Ho Man	3,173,750	–	3,173,750
Kimmel Phillip Brian	2,380,750	–	2,380,750

* These shares represents a 54.5% equity interest in the Company and are owned by King Strike Limited. The issued share capital of King Strike Limited is beneficially owned by Chen Ming Hsiung as to 57.25%, Chen Cheng Hsiung as to 24.47%, Huang Hsiu Duan as to 16.67% and Lee Kung as to 1.61%.

Share options

At 30th September 2002, the directors had personal interests in share options to subscribe for shares in the Company as follows:

Name of director	Movement in Number of share options during the period				Exercise Price* HK\$
	At 1.4.2002*	Granted	Exercised	At 30.9.2002	
Chen Ming Hsiung	2,200,000	-	(2,200,000)	-	0.918
Cheng Cheng Hsiung	1,320,000	-	(1,320,000)	-	0.918
Huang Hsiu Duan	1,100,000	-	(1,100,000)	-	0.918
Chan Ho Man	605,000	-	(605,000)	-	0.918
Lee Kung	556,875	-	(556,875)	-	0.742
	385,000	-	(385,000)	-	0.918
Kimmel Phillip Brian	440,000	-	(440,000)	-	0.918
	<u>6,606,875</u>	<u>-</u>	<u>(6,606,875)</u>	<u>-</u>	

* Number of share options and the exercise price adjusted on 4th September 2001 pursuant to the 1 bonus share issued for every 10 shares.

The share options are exercisable at any time from date of grant to 2nd September 2004.

Save as disclosed above, none of the directors or their associates had any personal, family, corporate or other interest in the securities of the Company or any of its associated corporations, as defined in the SDI Ordinance. And at no time during the period was the Company, its holding company or any of its subsidiaries a party to any arrangement to enable the Company's directors, their respective spouse, 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

Apart from the interests of King Strike Limited as disclosed in the "Directors' Interest in Securities" section above, the Company has not been notified of any other interests representing ten percent or more of the issued share capital of the Company as at 30th September 2002 pursuant to Section 16(1) of the Securities (Disclosure of Interests) Ordinance.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Tuesday 14th January 2003 to Friday 17th January 2003, both days inclusive, during which period no transfers of shares shall be effected. To qualify for the interim dividend, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong Branch Registrar, Tengis Limited at G/F, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong no later than 4:00 p.m. on Monday 13th January 2003.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

During the period, the Company repurchased certain of its own shares of HK\$0.10 each on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Month of repurchase	Number of ordinary shares repurchased '000	Price per share		Total price paid HK\$'000
		Highest HK\$	Lowest HK\$	
August 2002	<u>122</u>	1.95	1.95	<u>238</u>

The repurchased shares were cancelled during the period and the issued share capital of the Company was reduced by the par value thereof. The premium paid on the repurchase of the shares of HK\$226,000 has been charged to the retained profits. An amount equivalent to the par value of the shares cancelled has been transferred from retained profits of the Company to the capital redemption reserve.

The repurchase of the Company's shares during the period was effected by the directors, pursuant to the mandate from shareholders, with a view to benefiting shareholders as a whole by enhancing the net asset value per share and earnings per share of the Group.

Save as disclosed above, neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the period.

EMPLOYMENT AND REMUNERATION POLICIES

The Group, including its subsidiaries in Hong Kong, Taiwan, PRC, Vietnam and Macau employed approximately 18,000 employees as at 30th September 2002. The Group's remuneration policies are primarily based on prevailing market salary levels and the performance of the respective companies and individuals concerned. Share options may also be granted in accordance to the terms of the Group's approved share option scheme.

CORPORATE GOVERNANCE

None of the Directors is aware of any information which would reasonably indicate that the Company is not, or, was not during the six months ended 30th September 2002 in compliance with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock of Exchange except that the independent non-executive directors of the Company are not appointed for a specific term but are subject to the retirement and rotation and re-election at the annual general meeting in accordance with the bye-laws of the Company.

AUDIT COMMITTEE

The Audit Committee ("Committee") has reviewed with the management, the accounting principles and practices adopted by the Group and discussed the auditing, internal control and financial reporting matters including a review of the unaudited interim results for the period.

The members of the Committee included the two independent non-executive directors of the Company.

On behalf of the Board
Chen Ming Hsiung, Mickey
Chairman

Hong Kong, 16th December 2002