

Interim Report

2002



大地青蔥生機蓬勃
華天蔚藍展望無盡



DAH HWA INTERNATIONAL (HOLDINGS) LIMITED
(Incorporated in the Cayman Islands with limited liability)

INTERIM RESULTS

For the six months ended 30 September 2002

The Board of Directors (the "Board") of Dah Hwa International (Holdings) Limited (the "Company") announces the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 September 2002, together with comparative figures for the corresponding period in 2001.

This interim financial report has not been audited, but has been reviewed by the Company's audit committee.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2002

		Unaudited	
		Six months ended	
		30 September	
		2002	2001
	<i>Note</i>	<i>HK\$</i>	<i>HK\$</i>
Turnover	2	76,283,373	88,482,213
Cost of sales		<u>(61,309,610)</u>	<u>(65,817,278)</u>
Gross profit		14,973,763	22,664,935
Other revenue		1,197,656	1,277,782
Distribution costs		(3,429,164)	(3,389,041)
Administrative expenses		(18,197,629)	(17,587,502)
Impairment loss recognised on property, plant and equipment		<u>(760,000)</u>	<u>(20,000,000)</u>
Loss from operations		(6,215,374)	(17,033,826)
Finance costs	4	(1,405,022)	(2,471,350)
Share of results of an associate		<u>–</u>	<u>4,777,034</u>
Loss before taxation	4	(7,620,396)	(14,728,142)
Taxation	5	<u>–</u>	<u>(474,677)</u>
Net loss attributable to shareholders		<u>(7,620,396)</u>	<u>(15,202,819)</u>
Basic loss per share	6	<u>(1.01) cents</u>	<u>(2.06) cents</u>

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 September 2002

	Note	Unaudited 30 September 2002 HK\$	Audited 31 March 2002 HK\$
ASSETS AND LIABILITIES			
Non-current assets			
Investment property		3,550,000	3,550,000
Property, plant and equipment	7	47,049,960	49,750,585
		<u>50,599,960</u>	<u>53,300,585</u>
Current assets			
Inventories		29,181,252	33,202,723
Trade and other receivables	8	18,223,454	15,066,376
Investment in unconsolidated subsidiary	9	2,100,000	-
Loan receivable		-	28,297,995
Taxation recoverable		-	657,807
Bank balances and cash		42,444,780	27,212,560
		<u>91,949,486</u>	<u>104,437,461</u>
Current liabilities			
Bank overdrafts, secured		9,795,354	10,088,074
Bills payable		9,148,253	6,122,293
Trade and other payables	10	14,471,576	12,312,257
Due to ultimate holding company		-	1,752,593
Current portion of interest-bearing borrowings		22,627,218	32,236,398
		<u>56,042,401</u>	<u>62,511,615</u>
Net current assets		<u>35,907,085</u>	<u>41,925,846</u>
Total assets less current liabilities		<u>86,507,045</u>	<u>95,226,431</u>
Non-current liabilities			
Long-term interest-bearing borrowings		12,860,844	13,993,651
Minority interests		571,224	571,224
NET ASSETS		<u>73,074,977</u>	<u>80,661,556</u>
CAPITAL AND RESERVES			
Issued capital	11	37,834,285	37,834,285
Reserves		35,240,692	42,827,271
		<u>73,074,977</u>	<u>80,661,556</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2002

	Issued capital HK\$	Share premium HK\$	Capital redemption reserve HK\$	Goodwill reserve HK\$	Investment property revaluation reserve HK\$	Translation reserve HK\$	Retained profits (accumulated losses) HK\$	Total HK\$
At 1 April 2002 (audited)	37,834,285	136,936,240	68,600	2,145,921	1,499,561	(4,502,283)	(93,320,768)	80,661,556
Exchange translation difference	-	-	-	-	-	33,817	-	33,817
Net loss for the period	-	-	-	-	-	-	(7,620,396)	(7,620,396)
At 30 September 2002 (unaudited)	<u>37,834,285</u>	<u>136,936,240</u>	<u>68,600</u>	<u>2,145,921</u>	<u>1,499,561</u>	<u>(4,468,466)</u>	<u>(100,941,164)</u>	<u>73,074,977</u>
At 1 April 2001 (audited)	35,510,410	133,233,308	68,600	(14,678,161)	1,749,561	(10,337,347)	7,899,832	153,446,203
Shares issued at premium	2,500,000	4,000,000	-	-	-	-	-	6,500,000
Share issue expenses	-	(145,600)	-	-	-	-	-	(145,600)
Exchange translation difference	-	-	-	-	-	2,020,315	-	2,020,315
Net loss for the period	-	-	-	-	-	-	(15,202,819)	(15,202,819)
At 30 September 2001 (unaudited)	<u>38,010,410</u>	<u>137,087,708</u>	<u>68,600</u>	<u>(14,678,161)</u>	<u>1,749,561</u>	<u>(8,317,032)</u>	<u>(7,302,987)</u>	<u>146,618,099</u>

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

	Unaudited	
	Six months ended	
	30 September	
	2002	2001
	HK\$	HK\$
Net cash (outflow) inflow from operating activities	(6,684,056)	4,106,649
Net cash inflow (outflow) from investing activities	24,671,526	(27,357,562)
Net cash (outflow) inflow from financing	(2,475,135)	50,243,659
Increase in cash and cash equivalents	15,512,335	26,992,746
Cash and cash equivalents at 1 April	17,124,486	(6,902,361)
Effect of foreign exchange rate changes	12,605	24,872
Cash and cash equivalents at 30 September	32,649,426	20,115,257
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	42,444,780	25,094,857
Bank overdrafts, secured	(9,795,354)	(4,979,600)
	32,649,426	20,115,257

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2002

1. Basis of preparation

These unaudited condensed interim financial statements are prepared in accordance with Hong Kong Statement of Standard Accounting Practice ("SSAP") No. 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants. Except for the following changes, the accounting policies and methods of computation used in the preparation of these interim financial statements are consistent with those used in the annual accounts for the year ended 31 March 2002.

In the current period, the financial statements have been prepared in accordance with SSAPs which are effective for the accounting periods commencing on or after 1 April 2002:

SSAP 1 (revised)	:	Presentation of financial statements
SSAP 2 (revised)	:	Net profit or loss for the period, fundamental errors and changes in accounting policies
SSAP 11 (revised)	:	Foreign currency translation
SSAP 15 (revised)	:	Cash flow statements
SSAP 25 (revised)	:	Interim financial reporting
SSAP 33	:	Discontinuing operations
SSAP 34	:	Employee benefits

The effect of adopting these new/revised SSAPs is insignificant for the current or past results. Disclosure and certain comparative figures have been modified to conform with the requirements of these SSAPs presentation.

2. Turnover

Turnover represented sale of finished leather and leatherware products for the period.

3. Segment information

An analysis of the Group's revenue and segment results of business segments, which are its primary reporting format, is as follows:

Business segments

	For the six months ended 30 September 2002 (unaudited)						Total HK\$
	Leather trading HK\$	Leatherware distribution HK\$	Leatherware manufacturing HK\$	Leather finishing HK\$	Others HK\$	Elimination HK\$	
	Segment revenue						
External customers	56,060,296	14,160,766	959,440	5,102,871	-	-	76,283,373
Inter-segments	655,424	-	655,424	6,730,879	-	(8,041,727)	-
	<u>56,715,720</u>	<u>14,160,766</u>	<u>1,614,864</u>	<u>11,833,750</u>	<u>-</u>	<u>(8,041,727)</u>	<u>76,283,373</u>
Segment results	<u>2,109,194</u>	<u>(2,108,303)</u>	<u>(1,739,460)</u>	<u>(1,770,430)</u>	<u>(2,974,789)</u>	<u>-</u>	<u>(6,483,788)</u>

	For the six months ended 30 September 2001 (unaudited)						Total HK\$
	Leather trading HK\$	Leatherware distribution HK\$	Leather-ware manufacturing HK\$	Leather finishing HK\$	Others HK\$	Elimination HK\$	
	Segment revenue						
External customers	64,717,960	17,660,961	6,078,334	24,958	-	-	88,482,213
Inter-segments	540,629	-	16,347,800	290,696	-	(17,179,125)	-
	<u>65,258,589</u>	<u>17,660,961</u>	<u>22,426,134</u>	<u>315,654</u>	<u>-</u>	<u>(17,179,125)</u>	<u>88,482,213</u>
Segment results	<u>(15,053,451)</u>	<u>(4,691,129)</u>	<u>5,933,498</u>	<u>(392,858)</u>	<u>(3,051,930)</u>	<u>-</u>	<u>(17,255,870)</u>

4. Loss before taxation

	(Unaudited)	
	Six months ended	
	30 September	
	2002	2001
	HK\$	HK\$
This is stated after charging:		

(a) Finance costs

Interest on bank loans, overdrafts and other borrowings wholly repayable within five years	1,077,170	1,979,061
Interest on other loans	316,992	480,663
Finance charges on obligations under finance leases	10,860	11,626
	<u>1,405,022</u>	<u>2,471,350</u>

(b) Other items

	(Unaudited)	
	Six months ended	
	30 September	
	2002	2001
	HK\$	HK\$
Depreciation of property, plant and equipment	1,983,241	2,345,399
Cost of inventories	61,309,610	65,817,278
Provision for slow-moving inventories	280,684	-
	<u>62,573,535</u>	<u>68,162,677</u>

And after crediting:

Interest earned on bank deposits	171,087	77,337
Gross rental from investment property under operating leases net of outgoings	72,500	75,000
Gross rental from other properties under operating leases net of outgoings	90,000	120,461
	<u>333,587</u>	<u>272,800</u>

5. Taxation

	(Unaudited)	
	Six months ended	
	30 September	
	2002	2001
	HK\$	HK\$
Overprovision of overseas taxation in prior year	-	(322,392)
Share of taxation attributable to an associate	-	797,069
	<u>-</u>	<u>474,677</u>

No provision for Hong Kong Profits Tax has been provided as the companies comprising the Group have no assessable profit for the period or have available tax losses carried forward at 30 September 2002. No provision for People's Republic of China ("PRC") income tax and overseas profits tax has been made in the financial statements as the Group does not have any assessable profit in the PRC and other places in which the Group operates.

A deferred tax asset has not been recognized in the financial statements in respect of the tax losses available to offset future profits as it is not certain that the tax losses will be utilized in the foreseeable future.

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

6. Basic loss per share

The calculation of loss per share for the period is based on the consolidated net loss attributable to shareholders of HK\$7,620,396 (2001: HK\$15,202,819) and on the weighted average number of 756,685,700 (2001: 738,896,725) ordinary shares in issue during the period.

7. Property, plant and equipment

	HK\$
Net book value as at 31 March 2002 (audited)	49,750,585
Additions	14,964
Depreciation	(1,983,241)
Impairment loss	(760,000)
Exchange adjustments	27,652
	<u>47,049,960</u>
Net book value as at 30 September 2002 (unaudited)	<u>47,049,960</u>

8. Trade and other receivables

The Group allows an average credit period of 60 days to its trade customers.

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

	Unaudited 30 September 2002 HK\$	Audited 31 March 2002 HK\$
Trade receivables		
Within 30 days	7,101,987	4,550,417
31 – 60 days	4,178,592	2,267,374
61 – 90 days	1,397,858	651,598
Over 90 days	3,946,297	4,674,835
	<hr/> 16,624,734	<hr/> 12,144,224
Other receivables	1,598,720	2,922,152
	<hr/> 18,223,454	<hr/> 15,066,376

9. Investment in unconsolidated subsidiary

	Unaudited 30 September 2002 HK\$	Audited 31 March 2002 HK\$
Unlisted shares, at fair value	2,100,000	–

In July 2002, the Group entered into an agreement to acquire a 100% equity interest in a company incorporated in the British Virgin Islands, Hoome Technology Ltd. ("Hoome"), at a consideration of HK\$2,100,000. Included in the acquisition agreement is an option whereby the Group has the right to sell the interest in Hoome back to the vendor at the original consideration for the period from 8 August 2002 to 7 August 2003. The transaction was completed on 8 August 2002.

9. Investment in unconsolidated subsidiary (continued)

The only asset of Hooome is a 22% interest in King Harbour Investment Limited, a Hong Kong incorporated company, which in turn holds a 70% interest in Shanghai Jade Buddha Garden Co., Ltd., a PRC cooperative joint venture established in 1994 ("Jade Buddha") to construct, manage and operate a columbarium situated at Dian Feng Cun, Zhu Jia Jiao Zhen, Qing Pu Ju, Shanghai, PRC. By reference to a valuation report issued by a professional valuer for the purpose of this acquisition, the market value of Hooome's interest in Jade Buddha attributable to the Group was HK\$32,120,000. This investment was principally financed by a loan from a third party lender. The management has considered that the investment in Hooome was acquired and held exclusively with a view to its subsequent disposal in the short term.

10. Trade and other payables

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

	Unaudited 30 September 2002 HK\$	Audited 31 March 2002 HK\$
Trade payables		
Within 30 days	4,693,278	2,321,409
31 – 60 days	1,313,227	445,115
61 – 90 days	50,549	–
Over 90 days	–	651,516
	6,057,054	3,418,040
Other payables	8,414,522	8,894,217
	<u>14,471,576</u>	<u>12,312,257</u>

11. Issued capital

	(unaudited) At 30 September 2002		(audited) At 31 March 2002	
	Number of shares	HK\$	Number of shares	HK\$
<i>Authorised:</i>				
Ordinary shares of HK\$0.05 each	<u>1,800,000,000</u>	<u>90,000,000</u>	<u>1,800,000,000</u>	<u>90,000,000</u>
			Number of ordinary shares of HK\$0.05 each	Nominal value HK\$
<i>Issued and fully paid:</i>				
At 1 April 2001 (audited)			710,208,200	35,510,410
Shares issued for cash proceeds			<u>50,000,000</u>	<u>2,500,000</u>
At 30 September 2001 (unaudited)			<u>760,208,200</u>	<u>38,010,410</u>
At 1 April 2002 (audited) and 30 September 2002 (unaudited)			<u>756,685,700</u>	<u>37,834,285</u>

12. Contingent liabilities

At the balance sheet date, the Company had contingent liabilities not provided for in the financial statements in respect of guarantee of HK\$104,644,000 (31 March 2002: HK\$104,644,000) for banking facilities, which were utilised by subsidiaries to the extent of HK\$48,299,745 (31 March 2002: HK\$58,688,161).

13. Pledge of assets

At the balance sheet date, investment property and certain land and buildings of the Group with net book values of approximately HK\$3.6 million (31 March 2002: HK\$3.6 million) and HK\$21.7 million (31 March 2002: HK\$22.9 million) respectively were pledged to secure general banking facilities to the extent of approximately HK\$98 million (31 March 2002: HK\$98.8 million), of which approximately HK\$48.3 million (31 March 2002: HK\$58.7 million) were utilised.

14. Related party transactions

Save as disclosed elsewhere in these financial statements, during the period the Group had the following transactions with related parties:

- (i) Mr. Lee Sam Yuen, John, a director, had provided a personal guarantee of HK\$100 million (31 March 2002: HK\$100 million) to a bank to secure general banking facilities granted to a subsidiary, for which no charge is made; and
- (ii) Mr. Lee Deh (deceased) and Mrs. Lee Shiao Yu Cho, parents of Mr. Lee Sam Yuen, John, had jointly and severally provided personal guarantee of HK\$100 million (31 March 2002: HK\$100 million) to a bank to secure general banking facilities granted to a subsidiary, for which no charge is made.

15. Commitments under operating leases

At the balance sheet date, the Group had total outstanding commitments under non-cancellable operating leases, which are payable as follows:

	Unaudited 30 September 2002 HK\$	Audited 31 March 2002 HK\$
Within one year	1,700,493	1,333,736
In the second to fifth years inclusive	6,387,460	5,684,476
Over five years	1,696,561	1,501,045
	<u>9,784,514</u>	<u>8,519,257</u>

Operating lease payments represent rentals payable by the Group for certain of its office and retail premises. Leases are negotiated for an average term of 4 years and rentals are fixed for an average of 2 years.

16. Post balance sheet events

Subsequent to the balance sheet date, as a result of the termination of an unsecured loan by the lender, the Group repaid on behalf of Hoome, the total amount of HK\$34 million being the entire principal outstanding together with accrued interest in respect of the loan.

FINANCIAL RESULTS

For the six months ended 30 September 2002, the Group's turnover decreased by approximately 13.8% to HK\$76.3 million as compared to corresponding figure for 2001. The Group recorded a loss attributable to shareholders of approximately HK\$7.6 million for the same period as compared to a loss of approximately HK\$15.2 million for the corresponding period in 2001.

INTERIM DIVIDEND

The Board of Directors does not recommend the payment of an interim dividend for the six months ended 30 September 2002 (2001: Nil).

BUSINESS REVIEW AND PROSPECTS

With the ever-rising popularity of leather apparel in US and Europe, leather is not only a material dedicated to high fashion, but has become an important material prevalent in basic fashion items. However, the demand for leather commodities was generally affected by the stagnant consumption sentiment in the market. Worse still, intensified competition in the leather industry further hampered the already difficult operating environment.

But with over 50 years of experience in the leather industry, Dah Hwa was able to maintain its leadership and overrode the challenges in these trying times. In terms of its versatile leather business, leather trading accounted for 73.5% of the Group's turnover during the interim period. The Group currently sources over 1,500 different kinds and colours of medium to high quality leather from various regions in the world and supply it to Hong Kong and overseas leatherware manufacturers and traders. The quality leather is suitable for the manufacture of a wide range of leather goods including footwear, gloves, handbags and furniture.

BUSINESS REVIEW AND PROSPECTS *(continued)*

For its leatherware manufacturing and retail business which accounted for 1.3% and 18.6% of the Group's total turnover respectively in the period under review, the Board does not view the financial results as pleasing but understands that this was largely due to prolonged drought in consumer spending and intense competition. However, armed with a competitive edge in sourcing high quality leather at competitive prices, the Group manufactured handbags, casual bags, luggage as well as a wide range of leather and non leatherware products for its prominent brands, CAB 55, Goldcrest and Joan Weisz. Additionally, an authorized licensee of the Group was responsible for manufacturing and distributing the Group's famous "CAB 55" brand sunglasses in Australia. Discussions are underway for further cooperation in other product lines including swimwear and other fashion items.

Looking forward, the price of leather has become stabilized subsequent to the period under review. Besides, the global economy is right on the track of gradual pick-up. With the PRC's accession to the World Trade Organization, import tariffs in China will continue to go down and certain import restrictions will be lifted. The continuous rise in the living standards in the PRC also presents great business opportunities. In view of this, the Group plans to introduce its well-known Australian brand, "CAB 55" and its wide selection of products to the PRC and Hong Kong markets, and is now actively looking for suitable locations for opening "CAB 55" concept shops.

Armed with the successful experience gained in the manufacture and distribution of the official Olympic bags, luggage and related accessories for the 2000 Sydney Olympics, the Group has obtained the license for producing and distributing leather and non-leatherware products for an international sports event, Rugby World Cup which will be held in Australia in 2003. The Group believes this successful license win will duplicate its success of the Sydney Olympic Games and is expected to reflect the return within the financial year ending 2004.

The management would like to update on the progress of attempt to recover the loss resulted from an investment, Shenzhen Petrochemical Chemical Fibres Co., Ltd. ("SPCF") previously written off. The Company is now in the process of discussing with the management of JV Partner of SPCF on a possible compensation terms. The Company is prudently optimistic of some financial settlements in the near future.

BUSINESS REVIEW AND PROSPECTS *(continued)*

Due to the factors of global stagnant consumption sentiment and intense competition in the leather industry mentioned earlier, the Company has experienced continuous decline in the turnover of core business in the last few years. The Company is now actively seeking investment opportunities in other non-core businesses and has made an investment of \$2.1 million in non-core business during the period under review.

With its long history and experience in the leather industry, the Group is confident that it is capable of overcoming the difficulties in the current trying times and is well-positioned to expand its strong foothold in the leatherware market.

HUMAN RESOURCES

As at 30 September 2002, the Group employed about 27 full-time staff in Hong Kong, 308 in the PRC and 34 in Australia. The Group remunerates employees based on their performance, experience and prevailing industry practices. It also offers benefits such as training programme to staff to enhance their sense of adapting the fast changing of business environment.

LIQUIDITY AND FINANCIAL ANALYSIS

During the period under review, the Group's financial position has improved with cash on hand increasing from about HK\$27.2 million to HK\$42.4 million. Total bank borrowings amounted to HK\$54.4 million as at 30 September 2002. The gearing ratio was maintained at a healthy level at 0.74 times. Besides, the Group's successful inventory management resulted in inventory levels dropping from HK\$33.2 million to HK\$29.2 million. Supported by our strong financial position and competitive advantages, the Group is ready to grasp the opportunities ahead and achieve healthy growth.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

Whilst the sales of the Group is mainly denominated in Hong Kong dollars, the purchases and the expenditure were mainly in Hong Kong dollars, U.S. dollars and Renminbi. Bank borrowings are denominated in Hong Kong dollars, U.S. dollars and Australian dollars. As the exchange rates of above currencies against Hong Kong dollars are relatively stable, the Directors consider that the Group's exposure to exchange fluctuations is relatively low and therefore has not engaged in any hedging activity.

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

There was no purchase, sale or redemption of the Company's listed securities by the Company or any of its subsidiaries during the six months ended 30 September 2002.

DIRECTORS' INTERESTS IN SHARES

As at 30 September 2002, the interests of the Company's directors, chief executives and their associates in the share capital of the Company and its associated corporations, within the meaning of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance"), as recorded in the register maintained by the Company pursuant to Section 29 of the SDI Ordinance or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to Section 28 of the SDI Ordinance and the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

Name of director	Number of ordinary shares held		
	Personal interests	Corporate interests	Other interests
<u>The Company</u>			
Mrs. LEE Shiao Yu Cho	450,000	–	414,021,500(a)
Mr. LEE Sam Yuen, John	3,768,000	–	414,021,500(a)
Dr. SUN Ping Hsu, Samson	–	7,200,000 (b)	–
Mr. CALLISTER, Stephen William	780,000	–	–
Mr. NG Hoi Chun	240,400	–	–

DIRECTORS' INTERESTS IN SHARES *(continued)*

Notes:

- (a) These shares are held by D. H. International Limited ("DHI"), a company owned by a foundation under which, Mrs. LEE Shiao Yu Cho and Mr. LEE Sam Yuen, John are beneficiaries.
- (b) These shares are held by Sun International Limited, a company controlled by Dr. SUN Ping Hsu, Samson.

Other than as disclosed above and other than the nominee shares in subsidiaries held by a director in trust for the Group as at 30 September 2002, none of the directors or the chief executives or their associates had any interests in any securities of the Company or any of its associated corporations as defined in the SDI Ordinance.

SUBSTANTIAL SHAREHOLDERS

Other than the interests disclosed above in respect of 414,021,500 shares held by DHI (representing 54.71% of the entire issued share capital of the Company), 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 in the issued share capital of the Company at 30 September 2002.

AUDIT COMMITTEE

The audit committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the unaudited condensed interim financial statements for the six months ended 30 September 2002 with the directors.

COMPLIANCE WITH CODE OF BEST PRACTICE

None of the directors of the Company are aware of any information that would reasonably indicate that the Company is not, or was not for any part of the accounting period for the six months ended 30 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 Exchange of Hong Kong Limited notwithstanding that the non-executive directors of the Company are not appointed for any specific term of office but are subject to retirement by rotation in accordance with the articles of association of the Company.

For and on behalf of the board

Lee Sam Yuen, John

Managing Director

Hong Kong, 20 December 2002