



YGM
TRADING LTD.

YGM 貿易有限公司

Interim Report
中 期 報 告 2002/2003

INTERIM RESULTS

The Board of Directors of **YGM Trading Ltd.** (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 2002 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	
		2002 (Unaudited) \$'000	2001 (Unaudited) \$'000
Turnover	2	272,451	909,788
Cost of sales/services		(102,003)	(445,951)
		170,448	463,837
Other revenue		10,302	11,195
Other net loss		(12,558)	(2,272)
Selling and distribution expenses		(106,607)	(334,539)
Administrative expenses		(51,353)	(75,361)
Other operating expenses		(1,519)	(8,142)
Profit from operations		8,713	54,718
Finance costs		(400)	(2,216)
		8,313	52,502
Share of profits less losses of associates		8,591	-
Profit from ordinary activities before taxation	3	16,904	52,502
Taxation	4	(4,986)	(3,664)
Profit from ordinary activities after Taxation		11,918	48,838
Minority interests		(759)	(18,814)
Profit attributable to shareholders		11,159	30,024
Dividends	5	293,928	15,470
<i>Earnings per share – basic</i>	6	7.2 cents	19.4cents

The notes on pages 5 to 14 form part of these interim financial statements.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Expressed in Hong Kong dollars)

	Issued Share Capital \$'000	Share Premium \$'000	Capital Redemption Reserve \$'000	Capital Reserve \$'000	Land and Building Revaluation Reserve \$'000	Investment Property Revaluation Reserve \$'000	Retained Profits \$'000	Total \$'000
At 1st April 2002	77,348	132,504	4,181	-	20,632	32,683	457,068	724,416
Exchange differences on translation of accounts of foreign entities	-	-	-	-	-	-	434	434
Profit for the period	-	-	-	-	-	-	11,159	11,159
Final dividend paid	-	-	-	-	-	-	(49,504)	(49,504)
At 30th September 2002	77,348	132,504	4,181	-	20,632	32,683	419,157	686,505

	Issued Share Capital \$'000	Share Premium \$'000	Capital Redemption Reserve \$'000	Capital Reserve \$'000	Land and Building Revaluation Reserve \$'000	Investment Property Revaluation Reserve \$'000	Retained Profits \$'000	Total \$'000
At 1st April 2001 – as previously reported	77,593	132,504	3,936	79,217	20,632	22,392	170,784	507,058
– prior period adjustment in respect of dividend Proposed	-	-	-	-	-	-	49,514	49,514
– as restated	77,593	132,504	3,936	79,217	20,632	22,392	220,298	556,572
Dividend approved in respect of previous period	-	-	-	-	-	-	(49,514)	(49,514)
Capital reduction on repurchase of own shares	(245)	-	245	-	-	-	(245)	(245)
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 period	-	-	-	-	-	-	30,024	30,024
At 30th September 2001	77,348	132,504	4,181	79,217	20,632	22,392	194,625	530,899

CONDENSED CONSOLIDATED BALANCE SHEET

(Expressed in Hong Kong dollars)

	Note	30th September 2002 (Unaudited) \$'000	31st March 2002 (Audited) \$'000
Non-current assets			
Fixed assets	7		
- Investment properties		76,900	76,900
- Other property, plant and equipment		116,300	115,866
		193,200	192,766
Interest in associates		64,363	54,957
Other financial assets		15,355	11,456
		272,918	259,179
Current assets			
Investments		28,579	48,093
Inventories	8	103,332	75,739
Trade and other receivables	9	95,925	99,718
Cash and bank balances	10	358,179	379,070
		586,015	602,620
Current liabilities			
Bank overdrafts		801	-
Bank loans		27,881	12,711
Trade and other payables	11	116,929	99,284
Taxation		18,005	16,346
		163,616	128,341
Net current assets		422,399	474,279
Total assets less current liabilities		695,317	733,458
Non-current liabilities			
Bank loans		356	711
Deferred taxation		692	686
		1,048	1,397
Minority interests		7,764	7,645
NET ASSETS		686,505	724,416
CAPITAL AND RESERVES			
Share capital		77,348	77,348
Reserves		609,157	647,068
		686,505	724,416

The notes on pages 5 to 14 form part of these interim financial statements.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

(Expressed in Hong Kong dollars)

	Six months ended 30th September	
	2002 (Unaudited) \$'000	2001 (Unaudited and restated) \$'000
Net cash inflow from operating activities	18,648	943
Net cash (outflow)/inflow from investing activities	(4,401)	3,536
Net cash outflow from financing activities	(35,578)	(81,917)
Net decrease in cash and cash equivalents	(21,331)	(77,438)
Cash and cash equivalents at beginning of period	379,070	285,240
Effect of foreign exchange rates changes, net	(361)	(6,405)
Cash and cash equivalents at end of period	357,378	201,397
Analysis of the balances of cash and cash equivalents		
Cash and bank balances	358,179	202,882
Bank overdrafts	(801)	(1,485)
	357,378	201,397

NOTES ON THE UNAUDITED INTERIM FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

1. Basis of Preparation

The unaudited interim financial statements have 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 2002 annual accounts have been applied to these unaudited interim financial statements except the Group has changed certain of its accounting policies as described below.

The following new or revised SSAPs issued by the HKSA have been adopted, for the first time, in the preparation of the current period's unaudited interim financial statements :-

SSAP 1 (Revised)	"Presentation of financial statements"
SSAP 11 (Revised)	"Foreign currency translation"
SSAP 15 (Revised)	"Cash flow statements"
SSAP 25 (Revised)	"Interim financial reporting"
SSAP 34	"Employee benefits"

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

- (a) The main revision to SSAP 1 is to change the requirements from presenting a statement of recognized gains and losses to a statement of changes in equity. The condensed consolidated statement of changes in equity for the current period and the comparative balances have been presented in accordance with this revised SSAP.
- (b) SSAP 11 (Revised) prescribes the basis for the translation of foreign currency transactions and financial statements. This revised SSAP has had no major impact on these unaudited interim financial statements.
- (c) The main revision to SSAP 15 is to classify cash flows during the period into operating, investing and financing activities. The condensed consolidated cash flow statement for the current period and the comparative balances have been presented in accordance with the revised SSAP.
- (d) SSAP 25 (Revised) prescribes the presentation and disclosure following changes in SSAP 1 (Revised) and SSAP 15 (Revised). The unaudited interim financial statements for the current period and comparative balances have been presented in accordance with this revised SSAP.
- (e) SSAP 34 prescribes the accounting treatment and disclosure requirements for employee benefits. This SSAP has had no major impact on these unaudited interim financial statements.

NOTES ON THE UNAUDITED INTERIM FINANCIAL STATEMENTS (Continued)

(Expressed in Hong Kong dollars)

2. Segment reporting

Segment information is presented in respect of the Group's business and geographical segments. Business segment information is chosen as the primary reporting format because this is more relevant to the Group's internal financial reporting.

Business segments

The group comprises the following main business segments:

- Sales of garments
- Printing and related services
- Property rental

	Sales of garments 2002 \$'000	Printing and related business 2002 \$'000	Property rental 2002 \$'000	Inter- segment elimination 2002 \$'000	Unallocated 2002 \$'000	Consolidated 2002 \$'000
Revenue from external customers	250,075	15,395	2,737	-	4,244	272,451
Inter-segment revenue	198	592	3,900	(4,690)	-	-
Total	250,273	15,987	6,637	(4,690)	4,244	272,451
Segment result	14,118	382	5,113			19,613
Inter-segment transactions	2,362	361	(2,723)			-
Contribution from operations	16,480	743	2,390			19,613
Unallocated operating income and expenses						(10,900)
Profit from operations						8,713
Finance costs						(400)
Share of profits less losses of associates	8,591					8,591
Taxation						(4,986)
Minority interests						(759)
Profit attributable to shareholders						11,159

NOTES ON THE UNAUDITED INTERIM FINANCIAL STATEMENTS (Continued)

(Expressed in Hong Kong dollars)

2. Segment reporting (Continued)**Business segments** (Continued)

	Sales of garments 2001 \$'000	Printing and related business 2001 \$'000	Property rental 2001 \$'000	Inter- segment elimination 2001 \$'000	Unallocated 2001 \$'000	Consolidated 2001 \$'000
Revenue from external customers	871,822	16,787	3,530	-	17,649	909,788
Inter-segment revenue	198	676	3,900	(4,774)	-	-
Total	872,020	17,463	7,430	(4,774)	17,649	909,788
Segment result	42,258	388	5,389			48,035
Inter-segment transactions	2,390	359	(2,749)			-
Contribution from operations	44,648	747	2,640			48,035
Unallocated operating income and expenses						6,683
Profit from operations						54,718
Finance costs						(2,216)
Taxation						(3,664)
Minority interests						(18,814)
Profit attributable to shareholders						30,024

Geographical segments

The Group's business is managed on a worldwide basis, but participates in three principal economic environments. Hong Kong, other areas of the People's Republic of China and Taiwan are the major markets for the Group's garment business. Hong Kong is the major market for all of the Group's other businesses.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers.

NOTES ON THE UNAUDITED INTERIM FINANCIAL STATEMENTS (Continued)

(Expressed in Hong Kong dollars)

2. Segment reporting (Continued)**Geographical segments** (Continued)

	Hong Kong 2002 \$'000	Other areas of the People's Republic of China 2002 \$'000	Taiwan 2002 \$'000	Others 2002 \$'000	Consolidated 2002 \$'000
Revenue from external customers	174,121	40,404	51,796	6,130	272,451
Segments results	2,876	2,298	2,048	1,491	8,713

	Hong Kong 2001 \$'000	Other areas of the People's Republic of China 2001 \$'000	Taiwan 2001 \$'000	Others 2001 \$'000	Consolidated 2001 \$'000
Revenue from external customers	181,782	41,641	535,488	150,877	909,788
Segment results	(2,710)	8,476	25,230	23,722	54,718

3. Profit from ordinary activities before taxation

Profit from ordinary activities before taxation is arrived at after charging:

	Six months ended 30th September	
	2002 \$'000	2001 \$'000
Interest on borrowings	400	2,216
Amortisation and depreciation	8,771	17,773
Loss on stocks caused by typhoon in Taiwan	–	7,566
Net realised and unrealised losses on other securities carried at fair value	12,609	3,932

NOTES ON THE UNAUDITED INTERIM FINANCIAL STATEMENTS (Continued)

(Expressed in Hong Kong dollars)

4. Taxation

	Six months ended 30th September	
	2002 \$'000	2001 \$'000
Hong Kong taxation	3,020	1,307
Overseas taxation	1,966	2,357
	4,986	3,664

The provision for Hong Kong Profits Tax is calculated at 16% (2001: 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.

5. Dividends

	Six months ended 30th September	
	2002 \$'000	2001 \$'000
Interim dividend declared of 10 cents (2001: 10 cents) per share	15,470	15,470
Special dividend declared of \$1.80 (2001 : \$Nil) per share	278,458	-
	293,928	15,470

At the board meeting held on 18th December 2002, the directors declared an interim dividend of 10 cents per share for the six months ended 30th September 2002 and a special dividend of \$1.80 per share to shareholders whose names appear on the register of members of the Company on 6th January 2003.

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 \$11,159,000 (2001 : \$30,024,000) and 154,698,792 ordinary shares (2001: 154,827,634 shares) in issue during the period.

Diluted earnings per share for the periods ended 30th September 2002 and 30th September 2001 have not been presented as no dilutive potential ordinary shares were outstanding during the period.

NOTES ON THE UNAUDITED INTERIM FINANCIAL STATEMENTS (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 2002. However, the directors have considered that the values of the investment properties and leasehold land and buildings as at 30th September 2002 would not be materially different from the professional valuation made as at 31st March 2002 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.

At the end of 30th September 2002, certain investment properties with an aggregate carrying value of \$26,750,000 are pledged to banks for obtaining banking facilities amounting to \$12,000,000.

8 Inventories

Included in inventories are finished goods of \$13,531,000 (31st March 2002 : \$24,764,000) stated net of provisions made in order to state these inventories at the lower of their cost and estimated net realisable value.

9. Trade and other receivables

	30th September 2002 \$'000	31st March 2002 \$'000
Debtors, bills receivable, deposits and prepayments	93,988	98,081
Amounts due from related companies	712	412
Club memberships	1,225	1,225
	95,925	99,718

All of the trade and other receivables, apart from club memberships of \$1,225,000 (31st March 2002 : \$1,225,000), are expected to be recovered within one year.

NOTES ON THE UNAUDITED INTERIM FINANCIAL STATEMENTS (Continued)

(Expressed in Hong Kong dollars)

9. Trade and other receivables (Continued)

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

	30th September 2002 \$'000	31st March 2002 \$'000
Current	26,082	35,865
1 to 3 months	3,594	345
More than 3 months but less than 12 months	–	–
	29,676	36,210

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.

10. Cash and bank balances

	30th September 2002 \$'000	31st March 2002 \$'000
Deposits with banks and other financial institutions	316,912	343,998
Cash at bank and in hand	41,267	35,072
	358,179	379,070

At the end of 30th September 2002, certain deposits with banks totalling \$20,000,000 are pledged to banks for obtaining banking facilities for the Group.

11. Trade and other payables

	30th September 2002 \$'000	31st March 2002 \$'000
Bills payable	2,200	305
Creditors and accrued charges	106,185	89,843
Amounts due to related companies	8,544	9,136
	116,929	99,284

NOTES ON THE UNAUDITED INTERIM FINANCIAL STATEMENTS (Continued)

(Expressed in Hong Kong dollars)

11. Trade and other payables (Continued)

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 with the following ageing analysis :

	30th September 2002 \$'000	31st March 2002 \$'000
Due within 1 month or on demand	43,844	27,105
Due after 1 month but within 3 months	6,916	1,253
Due after 3 months but within 6 months	61	6
Due after 6 months but within 1 year	–	2,518
	50,821	30,882

12. Commitments

There were no material capital commitments outstanding at 30th September 2002 (31st March 2002 : \$nil).

13. Contingent liabilities

At 30th September 2002, 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 approximately \$37,000,000 (31st March 2002 : \$35,000,000).

14. 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"). (Certain directors of the Company are collectively the controlling shareholders of both the Yangtzekiang Garment Manufacturing Group and the Group) :

	30th September 2002 \$'000	30th September 2001 \$'000
Purchases of traded products	4,289	4,471
Sales of traded products	21	–
Rental paid on properties	1,946	2,010
Management fee paid	372	372
Building Management fee paid	162	167
Commission income	–	46

NOTES ON THE UNAUDITED INTERIM FINANCIAL STATEMENTS (Continued)

(Expressed in Hong Kong dollars)

14. Material related party transactions (Continued)

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.

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

	30th September 2002 \$'000	30th September 2001 \$'000
Sales of traded products	443	848
Purchases of traded products	11	-

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 2002 \$'000	31st March 2002 \$'000
Amounts due from YGM Marketing Pte Limited	712	412
Amounts due to Yangtzekiang Garment Manufacturing Group	(8,544)	(9,136)

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

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

NOTES ON THE UNAUDITED INTERIM FINANCIAL STATEMENTS (Continued)

(Expressed in Hong Kong dollars)

15. Post balance sheet events

- (a) On 11th November 2002, a subsidiary of the Company, Aramis International Limited, signed a sale and purchase agreement with an independent third party to dispose of two shop premises in Parklane Shopper's Boulevard, Tsim Sha Tsui, Kowloon, Hong Kong for a total consideration of \$78,000,000 with completion on 2nd May 2003. A deposit of \$7,800,000 was received upon signing of the sale and purchase agreement. A profit of approximately \$64,000,000 will be recognized on completion.
- (b) Subsequent to the announcement of interim results for the period ended 30th September 2002, the Company entered into a sale and purchase agreement with Bio Partner Limited and Hong Kong San Jiu Enterprises Limited for the acquisition of the entire issued share capital of Chilli Investment Limited which engages in the development, production and sale of pharmaceutical and chemical products. On the same day, the directors of the Company approved a proposal for changing the domicile of the Company from Hong Kong to Bermuda. An announcement containing details of the said acquisition and proposal will be issued shortly.

INTERIM DIVIDEND

The Board resolved that an interim dividend of 10 cents per share (2001:10 cents per share) will be payable on 14th January 2003.

SPECIAL DIVIDEND

The Board resolved that a special dividend of \$1.80 per share (2001 : nil) will be payable on 14th January 2003.

CLOSURE OF REGISTER OF MEMBERS

The shareholders register will be closed from 6th January 2003 to 10th January 2003, both days inclusive. In order to qualify for both interim dividend and special dividend, transfers must be lodged with the Company's Registrars, Computershare Hong Kong Investor Services Limited, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:00 p.m. on Friday, 3rd January 2003.

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

The Group's consolidated turnover for the six months ended 30th September 2002 decreased from \$909,788,000 of last year same period to \$272,451,000. A significant reduction in the Group's consolidated turnover is recorded as we are no longer consolidating Hang Ten in the Group's consolidated accounts.

Profit attributable to shareholders for the six months ended 30th September 2002 dropped from \$30,024,000 to \$11,159,000. While the Hong Kong and China market for our traditional lines actually turns in a better profit, the reasons for the decrease are :

1. interest income from sale proceeds of Hang Ten is a lot less than profits that we used to consolidate.
2. a provision for mark down to market value of our shareholding in Ashworth, Inc. amounting to \$14,200,000 is made in the current period.

Apparel Retail

During the period from April to September 2002, Ashworth and Aquascutum turned in a better contribution, both in Hong Kong, China and Taiwan. We will however discontinue the Daniel Hechter distribution upon expiration of the license contract.

Others

Rental, printing, garment manufacturing and our new investment in cosmetics turned in steady profits.

After the period end, we had signed a sale and purchase agreement with an independent third party to dispose of two shop premises in Parklane Shopper's Boulevard, Tsim Sha Tsui, Kowloon, Hong Kong for a total consideration of \$78,000,000 with completion on 2nd May 2003. A deposit of \$7,800,000 had been received upon signing of the sale and purchase agreement. Significant profits will be recognized on completion.

Hang Ten

We continue to hold a minority stake in Hang Ten which performed well especially in Korea. A separate listing of the Hang Ten Group is being sought after.

Prospects

Retail markets are still weak globally with the exception in China. The Hong Kong market remains weak in near term amid a deflationary environment. The Mainland China market continues to grow but is becoming more competitive. The Taiwan market is steady and will have a positive contribution to the Group.

Capital expenditure

During the period, the Group spent approximately \$9,686,000 in the recurring additions and replacement of fixed assets, compared to \$6,736,000 last year same period.

Liquidity and financial resources

The Group's total net assets as at 30th September 2002 was \$686,505,000 as compared with \$724,416,000 as at 31st March 2002. The Group continues to maintain a prudent approach to manage its financial requirements. At the end of 30th September 2002, the Group had cash net of overdrafts and short-term bank loans of \$329,497,000, representing a decrease of \$36,862,000 as compared with 31st March 2002. Most of the cash balance was placed in USD and HKD short-term deposits with major banks in Hong Kong.

The Group's gearing ratio at the period end was 0.042 which was calculated based on total borrowings of \$29,038,000 and shareholders' funds of \$686,505,000. The Group's borrowings are on a floating rate basis.

The Group also maintains a conservative approach on foreign exchange exposure management. 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.

At the end of 30th September 2002, certain investment properties with an aggregate carrying value of \$26,750,000 are pledged to banks for obtaining banking facilities amounting to \$12,000,000. And, certain deposits with banks totalling \$20,000,000 are pledged to banks for obtaining banking facilities for the Group.

As at 30th September 2002, 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 approximately \$37,000,000, as compared with \$35,000,000 as at 31st March 2002.

Human resources

As at 30th September 2002, the Group's total number of employees was about 2,500. The Group offers a competitive remuneration package to its employees, including medical subsidies and retirement contribution. In addition, bonus and share options may be granted to employees based on the Group's performance and individual performance.

DIRECTORS' INTERESTS IN SHARES

The directors who held office at 30th September 2002 had the following interests in the issued share capital of the Company and its subsidiaries (within the meaning of the Securities (Disclosure of interests) Ordinance) at that date as recorded in the register of directors' share interests:

Name of director	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)(a)
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	–	–	–

- (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.
- (i) (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.
- (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

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 eighteen 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 INTERESTS IN THE SHARE CAPITAL OF THE COMPANY

As at 30th September 2002, 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, 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 THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period ended 30th September 2002.

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

The audit committee, which consists of two independent non-executive directors of the Company, has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters including a review of the unaudited interim financial statements for the six months ended 30th September 2002.

By order of the Board
Chan Sui Kau
Chairman

Hong Kong, 18th December 2002