



HUAFENG
華豐

HUAFENG ENVIRONMENTAL PROTECTION
TEXTILE INTERNATIONAL GROUP LIMITED
華豐環保紡織國際集團有限公司



INTERIM REPORT 2003
二零零三年中期報告

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The Board of Directors (the “Board” or the “Directors”) of Huafeng Environmental Protection Textile International Group Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 31 March 2003 (the “Period”) and the unaudited consolidated balance sheet of the Group as at 31 March 2003, together with the comparative figures for the corresponding period of 2002. The results have been reviewed by the audit committee of the Company (the “Audit Committee”).

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Notes	Six months ended 31 March	
		2003	2002
		(Unaudited) HK\$'000	(Unaudited) HK\$'000
TURNOVER	2	157,400	147,905
Cost of services provided		(88,233)	(81,925)
Gross profit		69,167	65,980
Other revenue		54	104
Selling and distribution expenses		(5,441)	(7,600)
Administrative expenses		(7,291)	(6,997)
Other operating expenses		(1,300)	(1,171)
PROFIT FROM OPERATING ACTIVITIES	3	55,189	50,316
Finance costs	4	(570)	(430)
PROFIT BEFORE TAX		54,619	49,886
Tax	5	(9,225)	(7,989)
PROFIT BEFORE MINORITY INTERESTS		45,394	41,897
Minority interests		(11)	(21)
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		45,383	41,876
DIVIDEND	6	9,600	–
EARNINGS PER SHARE	7		
Basic		HK7.1 cents	HK7.7 cents
Diluted		HK7.1 cents	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

31 March 2003

	Notes	31 March 2003 (Unaudited) HK\$'000	30 September 2002 (Audited) HK\$'000
NON-CURRENT ASSETS			
Fixed assets		145,276	121,244
CURRENT ASSETS			
Prepayments, deposits and other receivables		5,778	8,694
Inventories		24,990	21,395
Trade receivables	8	66,897	71,900
Cash and cash equivalents		88,836	71,526
		<u>186,501</u>	<u>173,515</u>
CURRENT LIABILITIES			
Interest-bearing bank borrowings, secured		15,755	15,755
Trade payables	9	26,310	29,128
Other payables and accruals		7,169	8,859
Tax payables		43,712	34,780
		<u>92,946</u>	<u>88,522</u>
NET CURRENT ASSETS		<u>93,555</u>	<u>84,993</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>238,831</u>	<u>206,237</u>
MINORITY INTERESTS			
		<u>1,838</u>	<u>1,827</u>
		<u>236,993</u>	<u>204,410</u>
CAPITAL AND RESERVES			
Issued capital	10	6,400	6,400
Reserves		220,993	185,210
Proposed dividend	6	9,600	12,800
		<u>236,993</u>	<u>204,410</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six months ended 31 March	
	2003	2002
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
NET CASH INFLOW FROM OPERATING ACTIVITIES	58,574	38,367
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	(28,464)	(35,873)
NET CASH OUTFLOW FROM FINANCING ACTIVITIES	(12,800)	(9)
INCREASE IN CASH AND CASH EQUIVALENTS	17,310	2,485
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	71,526	2,757
CASH AND CASH EQUIVALENTS AT END OF PERIOD	88,836	5,242
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	13,836	5,242
Short-term deposits with original maturity of less than three months when acquired	75,000	–
	88,836	5,242

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

31 March 2003

	Share capital HK\$'000	Share premium HK\$'000	Fixed asset revaluation reserve HK\$'000	Retained profits HK\$'000	Proposed dividend HK\$'000	Total HK\$'000
At 1 October 2002 (Audited)	6,400	32,675	22,880	129,655	12,800	204,410
Net profit for the Period	-	-	-	45,383	-	45,383
Final dividend paid	-	-	-	-	(12,800)	(12,800)
Proposed interim dividend	-	-	-	(9,600)	9,600	-
At 31 March 2003 (Unaudited)	<u>6,400</u>	<u>32,675</u>	<u>22,880</u>	<u>165,438</u>	<u>9,600</u>	<u>236,993</u>

	Share capital HK\$'000	Share premium HK\$'000	Fixed asset revaluation reserve HK\$'000	Retained profits HK\$'000	Proposed dividend HK\$'000	Total HK\$'000
At 1 October 2001 (Audited)	200	1,153	-	64,408	-	65,761
Net profit for the period	-	-	-	41,876	-	41,876
At 31 March 2002 (Unaudited)	<u>200</u>	<u>1,153</u>	<u>-</u>	<u>106,284</u>	<u>-</u>	<u>107,637</u>

NOTES TO FINANCIAL STATEMENTS

31 March 2003

1. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements for the Period of the Group have been prepared in accordance with Statement of Standard Accounting Practice ("SSAP") No. 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants.

The comparative unaudited condensed combined interim financial statements have been prepared using the merger basis of accounting in accordance with SSAP 2.127 "Accounting for group reconstructions" as a result of the Group reorganisation completed on 2 August 2002. Under this basis, the Company has been treated as the holding company of its subsidiaries for the financial period presented, rather than from the date of acquisition of the subsidiaries. Accordingly, the comparative unaudited condensed combined results of the Group for the six months ended 31 March 2002 include the results of the Company and its subsidiaries with effect from 1 October 2001 or since their respective dates of incorporation or establishment, where this is a shorter period.

The accounting policies and basis of preparation adopted in these unaudited condensed consolidated financial statements are consistent with those used in the Group's annual financial statements for the year ended 30 September 2002, except for the adoption of the following new and revised SSAPs which are effective for the first time for the Period:

SSAP 1 (Revised)	:	Presentation of financial statements
SSAP 11 (Revised)	:	Foreign currency translation
SSAP 15 (Revised)	:	Cash flow statements
SSAP 34	:	Employee Benefits

The adoption of the above new and revised SSAPs has resulted in the changes in the format of presentation of the condensed consolidated cash flow statement and the condensed consolidated statement of changes in equity, but has no material effect on the results for the current or prior accounting periods.

2. SEGMENT INFORMATION

(a) Geographical segments based on the location of customers

The principal activity of the Group is the provision of fabric processing services, which is managed according to the geographical location of customers. The following tables present revenue, profit and expenditure information for the Group's geographical segments.

Six months ended 31 March 2003 (Unaudited)

	Hong Kong	The Philippines	Elsewhere in Asia	Africa Australia and North America	Consolidated
	2003	2003	2003	2003	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:					
Sales to external customers	4,625	103,185	16,471	33,119	157,400
Segment results	1,515	35,691	3,410	15,620	56,236
Unallocated revenue					54
Unallocated expenses					(1,101)
Profit from operating activities					55,189
Finance costs					(570)
Profit before tax					54,619
Tax					(9,225)
Profit before minority interests					45,394
Minority interests					(11)
Net profit from ordinary activities attributable to shareholders					45,383

2. SEGMENT INFORMATION (CONTINUED)

(a) Geographical segments based on the location of customers (continued)

Six months ended 31 March 2002 (Unaudited)

	Hong Kong 2002 HK\$'000	The Philippines 2002 HK\$'000	Elsewhere in Asia 2002 HK\$'000	Africa Australia and North America 2002 HK\$'000	Consolidated 2002 HK\$'000
Segment revenue:					
Sales to external customers	<u>6,686</u>	<u>97,574</u>	<u>10,027</u>	<u>33,618</u>	<u>147,905</u>
Segment results	<u>2,257</u>	<u>31,668</u>	<u>2,877</u>	<u>13,620</u>	<u>50,422</u>
Unallocated revenue					104
Unallocated expenses					<u>(210)</u>
Profit from operating activities					50,316
Finance costs					<u>(430)</u>
Profit before tax					49,886
Tax					<u>(7,989)</u>
Profit before minority interests					41,897
Minority interests					<u>(21)</u>
Net profit from ordinary activities attributable to shareholders					<u>41,876</u>

(b) Business segments

All of the revenue and results of the Group are derived from its principal activity of the provision of fabric processing services.

3. PROFIT FROM OPERATING ACTIVITIES

The Group's profit from operating activities is arrived at after charging/(crediting):

	Six months ended 31 March	
	2003	2002
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Cost of services provided	88,233	81,925
Depreciation	4,486	3,176
Minimum lease payments under operating leases on leasehold land and buildings	355	198
Staff costs (excluding directors' remuneration):		
Wages and salaries	5,843	4,605
Retirement benefits scheme contributions	701	566
	<u>6,544</u>	<u>5,171</u>
Research and development costs	1,300	1,171
Interest income	(54)	(49)

4. FINANCE COSTS

	Six months ended 31 March	
	2003	2002
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest on bank loans wholly repayable within five years	570	614
Less: Interest capitalised	–	(184)
	<u>570</u>	<u>430</u>

5. TAX

	Six months ended 31 March	
	2003	2002
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Current year provision:		
Macau	8,932	7,796
Elsewhere in the PRC	293	193
Tax charge for the Period	<u>9,225</u>	<u>7,989</u>

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong in respect of the Period (2002: Nil).

Macau Complementary Tax has been calculated at the rate of 15.75% (2002: 15.75%) on the estimated assessable profits of Huafeng Trading Limited, a wholly-owned subsidiary of the Company, in respect of the Period.

According to the Income Tax Law of the PRC, Huafeng Knitting Co., Ltd. Shishi City, Fujian which operates in one of the coastal economic open zones of the PRC, is subject to a 24% state income tax and a 3% local income tax of the PRC.

No provision for deferred tax had been made as the Group did not have any significant unprovided deferred tax liabilities in respect of the Period (2002: Nil).

6. DIVIDEND

The Directors have declared an interim dividend of 1.5 Hong Kong cents (2002: Nil) per share for the six months ended 31 March 2003 to all shareholders whose names appear on the register of members of the Company on 22 July 2003.

7. EARNINGS PER SHARE

The calculation of basic earnings per share for the Period is based on the Group's net profit from ordinary activities attributable to shareholders for the Period of approximately HK\$45,383,000 (2002: HK\$41,876,000) and the weighted average number of 640,000,000 (2002: 544,000,000) ordinary shares in issue during the Period.

The calculation of diluted earnings per share for the Period is based on the Group's net profit from ordinary activities attributable to shareholders for the Period of approximately HK\$45,383,000 and on the weighted average number of 640,000,000 ordinary shares in issue during the Period, as used in the basic earning per share calculation, plus the weighted average of 2,904,307 ordinary shares deemed to be issued at no consideration if certain outstanding share options had been exercised.

Diluted earning per share for the six months ended 31 March 2002 has not been calculated as no diluting events existed during that period.

8. TRADE RECEIVABLES

The Group normally allows credit terms to well-established customers ranging from 30 to 120 days. A 100% provision is made for outstanding debts aged over 365 days.

An aging analysis of the trade receivables as at the balance sheet date, based on the date of recognition of the service income, is as follows:

	31 March 2003 (Unaudited) HK\$'000	30 September 2002 (Audited) HK\$'000
1 – 30 days	27,526	27,861
31 – 60 days	19,778	20,412
61 – 90 days	19,593	17,407
Over 90 days	–	6,220
	<u>66,897</u>	<u>71,900</u>

9. TRADE PAYABLES

The Group normally obtains credit terms ranging from 30 to 90 days from its suppliers.

An aging analysis of the trade payables as at the balance sheet date, based on the date of receipt of consumables purchased, is as follows:

	31 March 2003 (Unaudited) HK\$'000	30 September 2002 (Audited) HK\$'000
1 – 30 days	10,280	12,581
31 – 60 days	9,026	9,933
61 – 90 days	7,004	6,614
	<u>26,310</u>	<u>29,128</u>

10. SHARE CAPITAL

	31 March 2003 (Unaudited) HK\$'000	30 September 2002 (Audited) HK\$'000
Authorised: 2,000,000,000 ordinary shares of HK\$0.01 each	<u>20,000</u>	<u>20,000</u>
Issued and fully paid: 640,000,000 ordinary shares of HK\$0.01 each	<u>6,400</u>	<u>6,400</u>

At 31 March 2003, there were 64,000,000 share options and 128,000,000 warrants (at 30 September 2002: Nil share options and 128,000,000 warrants) outstanding.

11. CONTINGENT LIABILITIES

At 31 March 2003, neither the Company, nor the Group had any significant contingent liabilities (2002: Nil).

12. OPERATING LEASE ARRANGEMENTS

The Group leases certain leasehold land and buildings under operating lease arrangements. The original lease terms for these leasehold land and buildings range from one to ten years.

At 31 March 2003, the Group had total future minimum lease payments under non-cancellable operating leases for leasehold land and buildings falling due as follows:

	31 March 2003 (Unaudited) HK\$'000	30 September 2002 (Audited) HK\$'000
Within one year	642	545
In the second to fifth years, inclusive	1,352	1,436
After five years	1,030	1,189
	<u>3,024</u>	<u>3,170</u>

13. COMMITMENTS

In addition to the operating lease commitments detailed in note 12 above, the Group had capital commitments as at the balance sheet date as follows:

	31 March 2003 (Unaudited) HK\$'000	30 September 2002 (Audited) HK\$'000
Construction of leasehold land and buildings, contracted for	1,500	3,596
Purchases of plant and machinery, contracted for	8,160	8,504
	<u>9,660</u>	<u>12,100</u>

14. RELATED PARTY TRANSACTIONS

During the Period, the corporate guarantee given by a related company for banking facilities granted to the Group at nil consideration was released and replaced by the corporate guarantees from the Company on December 2002.

15. POST BALANCE SHEET EVENT

On 13 June 2003, the Directors of the Company proposed that the name of the Company be changed to "Huafeng Textile International Group Limited", subject to approval by the shareholders of the Company in the extraordinary general meeting to be held on 22 July 2003 and approval from the Registrar of Companies in the Cayman Islands.

MANAGEMENT DISCUSSION AND ANALYSIS

Results

The Board of Directors are pleased to announce that the Group's fabric processing business recorded a healthy growth over the Period. The Group's consolidated turnover for the six months ended 31 March 2003 increased by 6% from about HK\$148 million to HK\$157 million when compared to the corresponding period in last year. Net profit for the Period under review was HK\$45 million as compared to the net profit of about HK\$42 million for the last corresponding period. Profit per ordinary share for the six months ended 31 March 2003 was 7.1 HK cents as compared to 7.7 HK cents for the corresponding period last year.

Business review

During the six months ended 31 March 2003, the Group dedicated to maintaining its leading position in the dyeing industry in Fujian Province. The world economy remained stagnant during the 4th quarter of 2002 and the 1st quarter of 2003. The declining demand for fabrics products from the United States and other countries, coupled with the outbreak of Severe Acute Respiratory Syndrome ("SARS"), have led to a lower-than-expected growth for the Group. The SARS issue also affects the business environment in the People's Republic of China (the "PRC"), hindering the growth of group's sales collectively. Despite the negative factors, the management has undertaken prudent expansion strategies and adopted stringent cost control measures, hence successfully securing a moderate business growth for the Group during the period under review. As a result, the Group anticipates an improvement in business growth in the second half of the year.

During the Period, the Group has exerted unceasing efforts to establish a solid foundation for future expansion. Up to the date of this report, the following items were completed as planned:

- To satisfy the surging demand from customers for upstream service offerings, the Group commenced its fabrics manufacturing operation at the end of March this year, with an initial annual production of 15 million pounds of unprocessed fabrics;

Business review (continued)

- The capacity expansion in pure cotton processing was completed; upon completion of the capacity expansion in non-pure cotton processing by the end of July this year, the production volume could be significantly increased; and
- Sales office was strategically set up in Guangzhou with commencement of operation since May this year; while application has been filed for setting up of sales office in Shanghai, and approval is expected to be obtained shortly. With an established distribution network, the Group is well-poised to promote its products and to capture the lucrative textile market in the territory.

Use of proceeds from the Company's initial public offering

The proceeds from the Company's issue of new ordinary shares at the time of its listing on the Stock Exchange on 30 August 2002, after deduction of related issuance expenses, amounted to approximately HK\$39 million. The usage of the proceeds up to the period ended 31 March 2003 was as follows:

- as to approximately HK\$10 million for the second stage of construction of its pure-cotton fabric processing plant;
- as to approximately HK\$8 million for the expansion of its non-pure cotton fabrics production capacity through the acquisition of additional machinery and equipment;
- as to approximately HK\$6 million for the acquisition of fabric manufacturing machinery and equipment;
- as to approximately HK\$1.9 million for the expansion of its waste water treatment system;
- as to approximately HK\$1 million for further research and development in nano-technology; and

Use of proceeds from the Company's initial public offering (continued)

- as to approximately HK\$4 million as general working capital of the Group.

The balance of the proceeds of approximately HK\$8 million was placed in a saving account with licensed banks in the PRC as at 31 March 2003.

The actual and intended applications of the net proceeds are consistent with the plans set out in the Company's prospectus dated 20 August 2002.

Financial review

The Group's financial position remained healthy and liquid. As at 31 March 2003, the Group had net assets of HK\$237 million with total assets of approximately HK\$332 million and total liabilities of approximately HK\$95 million. The Group's current ratio, being the proportion of total current assets against total current liabilities, was 2 as at 31 March 2003 as compared with 1.96 at 30 September 2002. The Group's bank balances and short-term deposits amounted to HK\$89 million as at 31 March 2003.

At the end of the Period under review, the Group has total borrowing facilities of HK15.7 million to finance the operations of the Group, which were fully secured by fixed charges on certain plant and machinery and a corporate guarantee given by the Company.

The Group's gearing ratio as at 31 March 2003 was 6.6%, which is calculated on the basis of the total borrowings over total shareholders' funds (30 September 2002: 7.7%).

While the sales of the Group are mainly denominated in US dollars, Hong Kong dollars and Renminbi, the purchase of raw materials are mainly in US dollars, Hong Kong dollars and Renminbi. Bank borrowings are also denominated in Renminbi. As the exchange rates of US dollars against Hong Kong dollars and Renminbi were relatively stable during the Period, the Group's exposure to fluctuations in exchange rates is considered minimal.

Prospects

The Group is an established fabrics processor in Fujian Province with a solid and diverse customer base across the globe. Recognizing China as one of the world's fastest growing economies with an escalating domestic demand and a vast untapped market, the Group identifies the territory as its prime expansion target. The adverse effect brought by the SARS issue is considered temporary. The Group will strive to gain a foothold in the PRC to bring forth satisfactory return to our shareholders. The Group believes that the business strategies undertaken in the first half of the year will pave way for improved business performances for the second half. Barring unforeseeable circumstances, the Group remains prudently optimistic of business growth in the future.

Employees

As at 31 March 2003, the Group employed approximately 735 employees (2002: 721 employees). The remuneration policy and package of the Group's employees are periodically reviewed and approved by the executive directors. In addition to competitive package offered to the employees, share options of the Company may be granted by the Group to enable its employees to participate in the growth of the Group.

DISCLOSURE OF ADDITIONAL INFORMATION

Directors' interests in shares and warrants

At 31 March 2003, the interests of the directors in the share capital of the Company or its associated corporations, as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance"), were as follows:

Ordinary shares of the Company

Name of director	Nature of interest	Number of ordinary shares held
Mr Cai Zhen Rong	Personal	445,600,000

Warrants of the Company

Name of director	Nature of interest	Number of warrants held
Mr Cai Zhen Rong	Personal	48,000,000

Save as disclosed above, none of the directors or their associates had any personal, family, corporate or other interests in the equity securities of the Company or any of its associated corporations as defined in the SDI Ordinance.

Directors' rights to acquire shares or debentures

Save as disclosed under the heading "Directors' interests in shares and warrants" above and "Share option scheme" below, at no time during the Period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

Share option scheme

The Company operates a share option scheme (the "SO Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the SO Scheme include the Company's directors, including independent non-executive directors, other employees of the Group, suppliers of goods or services to the Group, customers of the Group, persons or entities providing research, development or other technological support to the Group, and any minority shareholder in the Company's subsidiaries. The SO Scheme became effective on 30 August 2002 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

During the Period, options to subscribe for a total of 32,000,000 shares and options to subscribe for a total of 32,000,000 shares were granted at the exercise price of HK\$0.570 per share to certain directors or their associates and other employees of the Company pursuant to the SO Scheme respectively. The closing price of the shares on the Stock Exchange the date immediately before the grant of the options was HK\$0.570.

The following table discloses details of options granted to directors and employees during the Period.

Share option scheme (Continued)

Name of director or their associates	Date of Grant	Exercisable period	Exercise price HK\$	Outstanding at beginning of the period	Granted during the period	Number of share options			Outstanding at end of the period
						Exercised during the period	Cancelled during the period	Lapsed during the period	
Mr. Cai Zhen Yao	29/1/2003	29/1/2003 – 28/1/2013	0.570	-	6,400,000	-	-	-	6,400,000
Mr. Cai Zhen Ying	29/1/2003	29/1/2003 – 28/1/2013	0.570	-	6,400,000	-	-	-	6,400,000
Mr. Cai Yang Bo	29/1/2003	29/1/2003 – 28/1/2013	0.570	-	6,400,000	-	-	-	6,400,000
Ms. Su Li Yuan (Note)	29/1/2003	29/1/2003 – 28/1/2013	0.570	-	6,400,000	-	-	-	6,400,000
Mr. Cai Yang Hang (Note)	29/1/2003	29/1/2003 – 28/1/2013	0.570	-	6,400,000	-	-	-	6,400,000
Sub total									<u>32,000,000</u>
Other employees (in aggregate)	29/1/2003	29/1/2003 – 28/1/2013	0.570	-	32,000,000	-	-	-	32,000,000
Total									<u>64,000,000</u>

Note: Ms. Su Li Yuan and Mr. Cai Yang Hang are the spouse and the child under the age of 18 years of Mr. Cai Zhen Rong, the chairman and an executive director of the Company.

The directors do not consider it appropriate to disclose a theoretical value of the share options granted during the Period to the directors and employees because a number of factors crucial for the valuation cannot be determined, such factors include the exercise period and the conditions to which an option is subject. Accordingly, any valuation of the options based on various speculative assumptions would not be meaningful but would be misleading to the shareholders.

Substantial shareholders

At 31 March 2003, the following interests of 10% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 16(1) of the SDI Ordinance.

Name	Number of ordinary shares held	Percentage of the issued share capital of the Company
Mr. Cai Zhen Rong	445,600,000#	69.6%

These shareholdings are duplicated in the disclosure under the heading "Directors' interests in shares and warrants" above.

Save as disclosed above, no person, other than the directors of the Company, whose interests are set out above, had registered an interest of 10% or more in the share capital of the Company as at 31 March 2003 that was required to be recorded pursuant to Section 16(1) of the SDI Ordinance.

Interim dividend

The directors of the Company have resolved to declare an interim dividend of 1.5 Hong Kong cents per share for the six months ended 31 March 2003 (2002: Nil). The total dividends will be HK\$9,600,000 (2002: Nil). The dividend will be payable on or about Friday, 1 August 2003 to shareholders whose names appear on the Register of Members on 22 July 2003.

Purchase, sale or redemption of the Company's listed securities

During the Period, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

Closure of the register of members

The Register of Members of the Company will be closed from 16 July 2003 to 22 July 2003 (both dates inclusive), during which period, no transfer of shares will be effected. In order to qualify for the interim dividend, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's share registrar at Tengis Limited, G/F, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong no later than 4:00 p.m. on 15 July 2003.

Audit committee

The Company has an audit committee which was established in accordance with the requirements of the Code of Best Practice (the "Code"), for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The audit committee comprises the two independent non-executive directors of the Company. This interim report has been reviewed by the Audit Committee, who are of the opinion that such financial statement comply with the applicable accounting standards, the requirements of the Stock Exchange and other legal requirements, that adequate disclosures have been made.

Code of Best Practice

In the opinion of the Directors, the Company has complied with the Code as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited throughout the Period, except that the independent non-executive directors of the Company are not appointed for specific terms as required by paragraph 7 of the Code, but is subject to retirement by rotation in accordance with the Company's articles of association.

On Behalf of the Board

Cai Yang Bo

Executive Director

Hong Kong, 18 June 2003