



MING FUNG JEWELLERY GROUP LIMITED

明豐珠寶集團有限公司

(incorporated in the Cayman Islands with limited liability)



2003
INTERIM REPORT

The board (“Board”) of directors (“Directors”) of Ming Fung Jewellery Group Limited (“Company”) is pleased to announce the unaudited condensed consolidated financial statements of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 31 March 2003 (“Period”), which have been reviewed by the Company’s audit committee.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 31 March 2003

		For the six months ended 31 March	
		2003	2002
		(Unaudited)	(Unaudited)
	Notes	HK\$'000	HK\$'000
Turnover	2	149,751	128,231
Cost of sales		<u>(104,975)</u>	<u>(89,221)</u>
Gross profit		44,776	39,010
Other revenue		599	106
Selling and distribution expenses		(11,381)	(7,920)
Administrative expenses		(6,552)	(5,896)
Other operating expenses		<u>(5,241)</u>	<u>(1,894)</u>
Profit from operating activities	4	22,201	23,406
Finance costs	5	<u>(472)</u>	<u>(165)</u>
Profit before tax		21,729	23,241
Tax	6	<u>(3,634)</u>	<u>(3,674)</u>
Net profit from ordinary activities attributable to shareholders		<u>18,095</u>	<u>19,567</u>
Dividend	7	<u>—</u>	<u>—</u>
Earnings per share – basic	8	<u>HK2.8 cents</u>	<u>HK3.8 cents</u>

CONDENSED CONSOLIDATED BALANCE SHEET

At 31 March 2003

		31 March 2003 (Unaudited) HK\$'000	30 September 2002 (Audited) HK\$'000
	<i>Notes</i>		
Non-Current Assets			
Fixed assets		<u>29,568</u>	<u>15,130</u>
Current Assets			
Prepayment, deposits and other receivables		6,988	3,682
Inventories		47,507	35,487
Trade receivables	9	65,711	51,233
Pledged bank deposit		759	758
Cash and cash equivalents		<u>61,358</u>	<u>78,592</u>
		<u>182,323</u>	<u>169,752</u>
Current Liabilities			
Interest-bearing bank borrowings, secured		24,359	15,041
Trade payables	10	20,663	24,344
Other payables and accruals		2,247	2,508
Tax payables		<u>25,553</u>	<u>21,919</u>
		<u>72,822</u>	<u>63,812</u>
Net Current Assets		<u>109,501</u>	<u>105,940</u>
Total Assets less Current Liabilities		139,069	121,070
Non-Current Liabilities			
Interest-bearing bank borrowings, secured		<u>720</u>	<u>816</u>
		<u>138,349</u>	<u>120,254</u>
Capital and Reserves			
Issued capital	11	6,500	6,500
Reserves		<u>131,849</u>	<u>113,754</u>
		<u>138,349</u>	<u>120,254</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 March 2003

	Share capital (Unaudited) <i>HK\$'000</i>	Share premium (Unaudited) <i>HK\$'000</i>	Retained profits (Unaudited) <i>HK\$'000</i>	Total (Unaudited) <i>HK\$'000</i>
At 1 October 2002	6,500	32,240	81,514	120,254
Net profit for the period	—	—	18,095	18,095
At 31 March 2003	6,500	32,240	99,609	138,349

For the six months ended 31 March 2002

	Share capital (Unaudited) <i>HK\$'000</i>	Share premium (Unaudited) <i>HK\$'000</i>	Retained profits (Unaudited) <i>HK\$'000</i>	Total (Unaudited) <i>HK\$'000</i>
At 1 October 2001	200	—	41,187	41,387
Net profit for the period	—	—	19,567	19,567
At 31 March 2002	200	—	60,754	60,954

CONDENSED CONSOLIDATED CASH FLOW STATEMENT*For the six months ended 31 March 2003*

	For the six months ended 31 March	
	2003	2002
	(Unaudited) <i>HK\$'000</i>	(Unaudited) <i>HK\$'000</i>
Net cash inflow/(outflow) from:		
Operating activities	(10,448)	9,176
Investing activities	(16,007)	(1,617)
Financing activities	<u>8,301</u>	<u>523</u>
(Decrease)/increase in cash and cash equivalents	(18,154)	8,082
Cash and cash equivalents at beginning of the period	<u>72,682</u>	<u>(259)</u>
Cash and cash equivalents at end of the period	<u><u>54,528</u></u>	<u><u>7,823</u></u>
Analysis of balances of cash and cash equivalents		
Cash and bank balances	9,857	10,404
Non-pledged bank deposits with original maturity of less than three months when acquired	51,501	—
Bank overdrafts	<u>(6,830)</u>	<u>(2,581)</u>
	<u><u>54,528</u></u>	<u><u>7,823</u></u>

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 March 2003

1. Significant Accounting Policies**Basis of preparation**

These condensed consolidated financial statements are unaudited and have been prepared under the historical cost convention.

These condensed consolidated financial statements have been prepared using the merger basis of accounting as a result of a reorganization scheme to rationalize the structure of the Group on 12 August 2002 ("Reorganisation") in preparation for the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited ("Stock Exchange") on 3 September 2002. Under this basis, the Company has been treated as the holding company of its subsidiaries for the financial periods presented, rather than from the date of its acquisition of the subsidiaries. Accordingly, the condensed consolidated 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/establishment, whichever is a shorter period.

These condensed consolidated financial statements have been prepared in accordance with the requirements of The Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") and Statement of Standard Accounting Practice ("SSAP") 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants.

The accounting policies and basis of presentation adopted in the preparation of these condensed consolidated financial statements are consistent with those adopted in the preparation of the Group's audited consolidated 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 in the preparation of the condensed consolidated financial statements for the Period. Their major effects on the Group's accounting policies and on the amounts disclosed in these condensed consolidated financial statements are summarized as follows:

SSAP 11 (Revised) prescribes the basis for translation of foreign currency transactions and financial statements. SSAP 11 (Revised) has had no major impact on these condensed consolidated financial statements.

SSAP 15 (Revised) prescribes the provision of information about the historical changes in cash and cash equivalents by means of a cash flow statement which classifies cash flow during the Period into operating, investing and financing activities. The condensed consolidated cash flow statement for the Period has been presented in accordance with SSAP 15 (Revised).

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

2. Turnover And Revenue

Turnover represents the net invoiced value of goods sold, after allowances for returns and trade discounts, and after eliminations of all significant intra-Group transactions during the Period.

An analysis of turnover, other revenue and gains is as follows:

	For the six months ended 31 March	
	2003 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000
Turnover – sale of goods	<u>149,751</u>	<u>128,231</u>
Other revenue		
Interest income	253	37
Others	<u>346</u>	<u>69</u>
	<u>599</u>	<u>106</u>
	<u><u>150,350</u></u>	<u><u>128,337</u></u>

3. Segment Information

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

The principal activity of the Group is the manufacture and sale of jewellery products, which is managed according to the geographical location of customers.

Geographical segments based on the location of customers

The following tables present revenue and results for the Group's geographical segments:

For the six months ended 31 March 2003:

	United States of America (Unaudited) HK\$'000	Europe (Unaudited) HK\$'000	Middle East and South East Asia (Unaudited) HK\$'000	Consolidated (Unaudited) HK\$'000
Segment revenue:				
Sales to external customers	<u>86,016</u>	<u>46,640</u>	<u>17,095</u>	<u>149,751</u>
Segment results	<u>12,590</u>	<u>7,569</u>	<u>1,697</u>	21,856
Unallocated revenue				599
Unallocated expenses				<u>(254)</u>
Profit from operating activities				22,201
Finance costs				<u>(472)</u>
Profit before tax				21,729
Tax				<u>(3,634)</u>
Net profit from ordinary activities attributable to shareholders				<u><u>18,095</u></u>

For the six months ended 31 March 2002:

	United States of America (Unaudited) <i>HK\$'000</i>	Europe (Unaudited) <i>HK\$'000</i>	Middle East and South East Asia (Unaudited) <i>HK\$'000</i>	Consolidated (Unaudited) <i>HK\$'000</i>
Segment revenue:				
Sales to external customers	<u>74,867</u>	<u>39,556</u>	<u>13,808</u>	<u>128,231</u>
Segment results	<u>13,290</u>	<u>7,650</u>	<u>2,435</u>	23,375
Unallocated revenue				106
Unallocated expenses				<u>(75)</u>
Profit from operating activities				23,406
Finance costs				<u>(165)</u>
Profit before tax				23,241
Tax				<u>(3,674)</u>
Net profit from ordinary activities attributable to shareholders				<u>19,567</u>

Business segments

All of the revenue and assets of the Group are derived from the manufacture and sale of jewellery products.

4. Profit From Operating Activities

The Group's profit from operating activities is arrived at after charging:

	For the six months ended 31 March	
	2003 (Unaudited) <i>HK\$'000</i>	2002 (Unaudited) <i>HK\$'000</i>
Cost of inventories sold	104,975	89,221
Depreciation	1,822	1,033
Research and development costs	<u>5,241</u>	<u>1,894</u>

5. Finance Costs

	For the six months ended 31 March	
	2003 (Unaudited) <i>HK\$'000</i>	2002 (Unaudited) <i>HK\$'000</i>
Interest on bank overdrafts and trust receipt loans wholly repayable within five years	445	131
Interest on bank loans wholly repayable beyond five years	<u>27</u>	<u>34</u>
	<u>472</u>	<u>165</u>

6. Tax

	For the six months ended 31 March	
	2003 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000
Current period provision:		
Hong Kong	—	—
Elsewhere	3,634	3,674
Tax charge for the Period	<u>3,634</u>	<u>3,674</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). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

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

7. Dividend

The Board has resolved not to pay any interim dividend for the Period (2002: Nil).

8. Earnings Per Share

The calculation of basic earnings per share is based on the Group's unaudited net profit from ordinary activities attributable to shareholders for the Period of approximately HK\$18,095,000 (2002: HK\$19,567,000) and the weighted average of 650,000,000 (2002: 520,000,000) ordinary shares in issue during the Period.

The number of ordinary shares used to calculate the earnings per share for the six months ended 31 March 2002 includes the pro forma issued share capital of the Company, comprising 10,000,000 ordinary shares issued nil paid on 28 February 2002 and sub-divided, 10,000,000 ordinary shares issued for the acquisition of the entire issued share capital of Ming Fung Investment Holdings Limited and the capitalization issue of 500,000,000 ordinary shares, pursuant to the Reorganisation.

There were no potential dilutive ordinary shares in existence for the six months ended 31 March 2003 and 2002 and accordingly, no diluted earnings per share amounts have been presented for the two periods.

9. Trade Receivables

The Group normally allows credit terms to established customers ranging from 30 to 120 days. 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 sale, is as follows:

	31 March 2003 (Unaudited) HK\$'000	30 September 2002 (Audited) HK\$'000
1 – 30 days	41,384	34,766
31 – 60 days	20,138	13,721
61 – 90 days	4,189	2,746
	<u>65,711</u>	<u>51,233</u>

10. 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 goods purchased, is as follows:

	31 March 2003 (Unaudited) HK\$'000	30 September 2002 (Audited) HK\$'000
1 – 30 days	14,563	16,452
31 – 60 days	5,962	6,708
61 – 90 days	138	1,184
	<u>20,663</u>	<u>24,344</u>

11. Share Capital

There were no changes in the share capital of the Company for the six months ended 31 March 2003.

12. Contingent Liabilities

As at 31 March 2003, the Company had executed corporate guarantees to banks for banking facilities granted to certain subsidiaries of the Company. These banking facilities has been utilized to the extent of approximately HK\$25.1 million as at 31 March 2003.

13. Operating Lease Arrangements

The Group leases certain of its leasehold land and buildings under operating lease arrangements. The original lease terms for these leasehold land and buildings range from 1 to 2 years.

As at 31 March 2003, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	31 March 2003 (Unaudited) HK\$'000	30 September 2002 (Audited) HK\$'000
Within one year	777	299
In the second to fifth years, inclusive	528	—
	<u>1,305</u>	<u>299</u>

14. Post Balance Sheet Events

On 29 April 2003, pursuant to the share option scheme adopted by the Company on 12 August 2002, the Company granted 65,000,000 share options to certain eligible participants at a nominal consideration of HK\$1 in total per grantee for the subscription of the ordinary shares of the Company at an exercise price of HK\$0.138 per share. The share options granted are exercisable during the period from 29 April 2003 to 28 April 2006.

MANAGEMENT DISCUSSION AND ANALYSIS

For the Period, the Group recorded a turnover of approximately HK\$149.8 million, representing an increase of approximately 16.8% as compared to approximately HK\$128.2 million for the six months ended 31 March 2002. During the Period, the global economic sentiment remained sluggish and volatile with weak consumer confidence, in view of the uncertainties associated with the United States ("US") military action against Iraq. As the Group had already secured confirmed orders of jewellery products from regular customers for the first quarter of the year in 2003, the impact of the US military action is minimal for the Period. Amidst such a difficult operating environment, the Group continued to sustain a growth in turnover during the Period.

Net profit from ordinary activities attributable to shareholders was approximately HK\$18.1 million, decreasing by approximately 7.7% compared to approximately HK\$19.6 million in the last corresponding period. The net profit margin was approximately 12.1%, decreasing by approximately 20.9% compared to net profit margin of 15.3% in the last corresponding period. The decrease in net profit from ordinary activities attributable to shareholders and net profit margin were mainly attributable to the increase in selling and distribution expenses by approximately HK\$3.5 million and increase in research and development costs of other operating expenses by approximately HK\$3.3 million as compared to that in the last corresponding period. The Group's gross profit margin remained fairly stable at approximately 29.9% for the Period.

During the Period, the selling and distribution expenses of the Group recorded an amount of approximately HK\$11.4 million (2002: HK\$7.9 million). The increase in selling and distribution expenses was attributed to the increase in marketing activities.

The administrative expenses of the Group for the Period amounted to approximately HK\$6.6 million (2002: HK\$5.9 million), representing an increase of approximately 11.9% as compared with the corresponding period in last year. This represented approximately 4.4% of the turnover of the Group for the Period and was relatively stable.

The other operating expenses of the Group for the Period was related to research and development costs incurred for the development of new products. The other operating expenses for the Period amounted to approximately HK\$5.2 million (2002: HK\$1.9 million), representing an increase of approximately 173.7% as compared with the corresponding period in last year. The increase in other operating expenses was attributable to the development of new designs of jewellery products to increase its product variety such as new designs of (i) existing products, including rings, earrings, pendants, bracelets, necklaces, brooches, belt buckles and cufflinks; (ii) gem-set jewellery products using both diamonds and gemstones; and (iii) gem-set jewellery products using a combination of precious metals.

For the Period, the Group invested approximately HK\$14 million in additional machinery, furniture, fixtures and office equipment. The newly acquired assets have strengthened the production capability of the Group.

Products manufactured by the Group are primarily sold to markets in the US, Europe, the Middle East and South East Asia. For the Period, the US is the largest market of the Group's products and sales to the US accounted for about 57.4% (2002: 58.4%) of the Group's turnover. Sales in Europe accounted for about 31.1% (2002: 30.8%) of the Group's turnover. The remaining sales of the Group's products were related to the markets in the Middle East and South East Asia and accounted for about 11.5% (2002: 10.8%) of the Group's turnover.

FUTURE PLANS AND PROSPECTS

The Group has established a reputation for its product quality and its ability to manufacture a wide variety of jewellery products. Gem-set jewellery products will remain as the core products of the Group. The Group's mission is to develop new gem-set jewellery products and expand its market coverage.

The outbreak of Severe Acute Respiratory Syndrome ("SARS") has adversely affected global economic activities. Manufacturers of jewellery products in Hong Kong were not permitted to participate in certain international trade shows. This will have impact on the Group to secure sales orders from overseas customers. The Directors will closely monitor the unfavorably change of business environment resulting from SARS. In view of the slowdown in the US economy, the Group will place more marketing efforts in the development of markets in Europe, the Middle East, South East Asia and the People's Republic of China.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2003, the Group has applied the net proceeds in connection with the listing of the Company's shares on the Stock Exchange as follows: (i) about HK\$14 million has been used for the addition of machinery; (ii) about HK\$4.5 million has been used for the expansion of the Group's marketing force; (iii) about HK\$4 million has been incurred to develop new products; and (iv) about HK\$2 million was applied as general working capital for the Group. The balance of the unused net proceeds of approximately HK\$14.5 million was placed on short-term deposits with banks as at 31 March 2003. The actual and intended applications of the net proceeds are consistent with the plans as set out in the prospectus of the Company dated 22 August 2002.

As at 31 March 2003, net current assets of the Group amounted to about HK\$109.5 million (30 September 2002: HK\$105.9 million) comprising inventories of about HK\$47.5 million (30 September 2002: HK\$35.5 million), trade receivables of about HK\$65.7 million (30 September 2002: HK\$51.2 million), other receivables of about HK\$7 million (30 September 2002: HK\$3.7 million), cash and bank balances of about HK\$62.1 million (30 September 2002: HK\$79.4 million) and current liabilities of about HK\$72.8 million (30 September 2002: HK\$63.8 million).

The Group's trade debtor turnover, inventory turnover and trade creditor turnover period were 80 days, 83 days and 36 days respectively and the turnover periods are consistent with the Group's respective general policy on credit terms granted to trade debtors, inventory/purchasing and trade creditors.

The Group generally finances its operations through a combination of shareholders' equity, internally generated cash flows and bank borrowings. The capital structure of the Company only consists of share capital. As at 31 March 2003, the shareholders' equity of the Group amounted to about HK\$138.3 million (30 September 2002: HK\$120.3 million). The Group's total bank borrowings as at 31 March 2003 amounted to approximately HK\$25.1 million (30 September 2002: HK\$15.9 million) representing an increase of approximately HK\$9.2 million. The bank borrowings were mainly used for working capital purpose with an interest rate mainly ranging from approximately 4.8% per annum to approximately 7.0% per annum. Approximately 97.1% of the total bank borrowings as at 31 March 2003 was repayable within one year. The Group's gearing ratio, represented by the interest bearing borrowings over the Group's shareholders' equity, was approximately 18.1% (30 September 2002: 13.2%).

The sales and purchases of the Group's products and raw materials are mainly denominated in US dollars and Hong Kong dollars. The cash and bank balances and bank borrowings of the Group are mainly denominated in US dollars and Hong Kong dollars. The Group's exposure to fluctuations in foreign exchange rates is minimal and the Group does not engage in any hedging contracts.

As at 31 March 2003, a fixed deposit of approximately HK\$759,000 of the Group was pledged to secure the Group's banking facilities.

As at 31 March 2003, the Group did not have any significant capital commitments (*30 September 2002: Nil*). As at 31 March 2003, the Group did not have any significant contingent liabilities (*30 September 2002: Nil*).

DIRECTORS' INTERESTS IN SHARES

As at 31 March 2003, the interest 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 ("SDI Ordinance"), were as follows:

Director	Number of ordinary shares				Total interests
	Corporate interests	Personal interests	Family interests	Other interests	
Mr. Wong Chi Ming, Jeffrey	416,000,000 (<i>Note</i>)	—	—	—	416,000,000

Note: These shares are held by Equity Base Holdings Limited, the entire issued share capital of which is beneficially owned by Mr. Wong Chi Ming, Jeffrey.

Mr. Wong Chi Ming, Jeffrey beneficially owns 800 shares of US\$1 each in Equity Base Holdings Limited, an associated corporation (within the meaning of the SDI Ordinance) of the Company, representing the entire issued shares in Equity Base Holdings Limited.

In addition to the above, certain directors have non-beneficial personal equity interests in certain subsidiaries of the Company held in trust for the Company solely for the purpose of complying with minimum company membership requirements.

Save as disclosed above, as at 31 March 2003, 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

Apart from as disclosed under the heading "Share option scheme" below, at no time during the Period were the 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 (“Scheme”) for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group’s operations. The Scheme became effective on 3 September 2002 and unless otherwise cancelled or amended, will remain in force for 10 years from its date of adoption on 12 August 2002.

During the Period, no share options have been offered and/or granted to any eligible participants under the Scheme.

On 29 April 2003, pursuant to the Scheme, the Company granted 65,000,000 share options to certain eligible participants at a nominal consideration of HK\$1 in total per grantee for the subscription of the ordinary shares of the Company at an exercise price of HK\$0.138 per share. The share options granted are exercisable during the period from 29 April 2003 to 28 April 2006. None of these share options has been exercised since the date of grant.

SUBSTANTIAL SHAREHOLDERS

As 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 in shares required to be kept by the Company pursuant to section 16(1) of the SDI Ordinance:

Name	Number of ordinary shares	Percentage of shareholding
Equity Base Holdings Limited (<i>Note</i>)	416,000,000 (<i>Note</i>)	64%

Note: Mr. Wong Chi Ming, Jeffrey is the beneficial owner of the entire issued share capital in Equity Base Holdings Limited. Ms. Lui Ching Han, Magda, the spouse of Mr. Wong Chi Ming, Jeffrey, will be deemed to be interested in these shares by virtue of the SDI Ordinance.

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

EMPLOYEES AND EMPLOYMENT POLICIES

As at 31 March 2003, the Group had approximately 40 employees with remuneration of approximately HK\$4.5 million for the Period under review. The Group’s emolument policies are formulated on the performance of individual employee and will be reviewed regularly every year.

The Group has established a share option scheme for its employees and other eligible participants with a view to provide an incentive to or as a reward for their contribution to the Group.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the Period.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

In the opinion of the Directors, the Company has complied with the Code of Best Practice ("Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") for the Period, except that the three independent non-executive directors of the Company are not appointed for specific terms as required by paragraph 7 of the Code, but are subject to retirement by rotation and re-election at the annual general meeting in accordance with the Company's articles of association.

AUDIT COMMITTEE

The Company has an audit committee which was established in accordance with the requirements of the Code, for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. Currently the audit committee comprises the three independent non-executive directors of the Company. The unaudited interim report for the Period has been reviewed by the audit committee.

APPRECIATION

On behalf of the Board, I would like to express our appreciation to all our management and staff members for their ongoing contribution and hard work. We would also like to thank our shareholders for their continuing support.

By order of the Board
Wong Chi Ming, Jeffry
Chairman

Hong Kong, 12 June 2003