

INTERIM RESULTS

The Board of Directors of Chitaly Holdings Limited (the “Company”) is pleased to announce the unaudited interim result of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30th June 2003 together with the unaudited comparative figures for the same period in 2002 (the “Interim Period”). These interim financial statements as set out in the interim results were reviewed by the Audit Committee of the Company.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the Six Months Ended 30th June 2003

		2003	2002
		(Unaudited)	(Unaudited)
	Notes	HK\$'000	HK\$'000
Turnover	(3)	121,163	94,779
Cost of sales		(78,526)	(60,413)
Gross profit		42,637	34,366
Other revenue	(3)	8,328	487
Selling and distribution costs		(4,844)	(2,621)
Administrative expenses		(10,581)	(10,413)
Other operating expenses		(18)	(62)
Profit from operating activities	(4)	35,522	21,757
Finance costs		–	(82)
Profit before tax		35,522	21,675
Tax	(5)	(4,638)	(2,877)
Net profit from ordinary activities attributable to shareholders		30,884	18,798
Dividends			
Special		–	10,000
Final		18,616	–
Proposed Interim		14,238	5,750
		32,854	15,750
Earnings per share – basic	(6)	13.2 cents	9.4 cents

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30th June 2003

	Notes	As at 30th June 2003 (Unaudited) HK\$'000	As at 31st December 2002 (Audited) HK\$'000
NON-CURRENT ASSETS			
Fixed assets		90,462	75,662
CURRENT ASSETS			
Inventories		25,605	23,431
Trade receivables	(8)	7,788	5,164
Prepayments, deposits and other receivables		5,113	2,498
Cash and cash equivalents		82,524	87,838
		121,030	118,931
CURRENT LIABILITIES			
Trade payables	(9)	18,103	21,684
Other payables and accruals		20,483	18,442
Tax payable		22,614	21,445
		61,200	61,571
NET CURRENT ASSETS		59,830	57,360
TOTAL ASSETS LESS CURRENT LIABILITIES		150,292	133,022
CAPITAL AND RESERVES			
Issued Capital	(10)	23,730	23,000
Reserves	(11)	112,324	91,406
Proposed interim dividend		14,238	–
Proposed final dividend		–	18,616
		150,292	133,022

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY – UNAUDITED

For the Six Months Ended 30th June 2003

	2003 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000
TOTAL EQUITY		
Balance at beginning of period	133,022	45,330
Exchange differences on translation of the financial statements of a foreign entity	(327)	326
Surplus on revaluation of leasehold land and buildings	–	26,513
Net gains and losses not recognised in the consolidated profit and loss	(327)	26,839
Net profit from ordinary activities attributable to shareholders	30,884	18,797
Dividend paid on ordinary shares	(18,616)	–
Special dividend	–	(10,000)
Issue of shares, including share premium	5,329	40,450
Share issue expenses	–	(8,402)
Balance at end of period	150,292	113,014

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the Six Months Ended 30th June 2003

	2003 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000
Net cash inflow from operating activities	24,905	25,019
Net cash outflow from investing activities	(16,932)	(16,073)
Net cash inflow/(outflow) from financing activities	(13,287)	28,636
Increase/(decrease) in cash and cash equivalents	(5,314)	37,582
Cash and cash equivalents at beginning of period	87,838	11,766
Cash and cash equivalents at end of period	82,524	49,348
Analysis of balances of cash and cash equivalents		
Cash and bank balances	82,524	49,348

Notes To The Condensed Consolidated Financial Statements

For the Six Months Ended 30 June 2003

1. Basis of Preparation

The unaudited condensed consolidated financial statements have been prepared in accordance with the Statement of Standard Accounting Practice No. 25 "Interim Financial Reporting" ("SSAP 25") issued by the Hong Kong Society of Accountants (the "HKSA") and with the applicable disclosure requirements of Appendix 16 to Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

2. Principal Accounting Policies

The accounting policies adopted by the Group in this interim financial statements are consistent with those adopted in the Group's audited financial statements for the year ended 31 December 2002.

3. Turnover and Segment Information

Turnover represents the net invoiced value of goods sold, after allowances for returns and trade discounts, and after elimination of all significant intra-Group transactions. The Group's principal activity during the six months ended 30th June 2003 was the manufacture and sale of home furniture. No business segment analysis is presented as management considers that the Group has operated in one single business segment.

An analysis of the Group's turnover and revenue is as follows:

	For the six months ended	
	30th June	
	2003	2002
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Turnover – sale of goods	121,163	94,779
Bank interest income	1,181	100
Service fee	4,234	–
Others	2,913	387
Other revenue	8,328	487
Revenue	129,491	95,266

3. Turnover and Segment Information (continued)

An analysis of the Group's turnover by location of customers is as follows:

	For the six months ended 30th June	
	2003 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000
Sales to the People's Republic of China ("PRC")	119,906	92,901
Sales to elsewhere in Asia	1,257	1,878
	121,163	94,779

An analysis of the Group's profit from operating activities by location of customers is as follows:

	For the six months ended 30th June	
	2003 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000
Sales to the PRC	35,212	21,338
Sales to elsewhere in Asia	310	419
	35,522	21,757

4. Profit from operating activities is arrived at after charging:

	For the six months ended 30th June	
	2003 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000
Staff cost (including directors' remuneration)	13,663	11,233
Depreciation of owned fixed assets	3,313	2,224
Operating lease rentals in respect of buildings	82	71

5. Tax

	For the six months ended 30th June	
	2003 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000
Current period provision		
Hong Kong	41	–
Macao	2,563	1,209
PRC	2,034	1,668
Tax charge for the period	4,638	2,877

Hong Kong profit tax has been provided at the rate of 16% (2002: 16%) on the estimated assessable profits arising in Hong Kong during the period.

Macao complementary profits tax has been calculated at the statutory tax rate of 15.75% on the estimated assessable profits for the interim period of a wholly owned subsidiary of the Company which is engaged in the trading of furniture.

5. Tax (continued)

According to the Income Tax Law of the PRC, a wholly owned subsidiary of the Company established in Guangzhou, the PRC, is subject to a preferential corporate income tax rate of 24%, and is exempt from PRC corporate income tax for the first two profitable years of its operations, and thereafter, is eligible for 50% relief from PRC corporate income tax for the following three years. As the subsidiary has suffered from accumulated losses since its establishment, corporate income tax has not been provided for during the interim period.

Certain wholly owned subsidiaries are engaged in the provision of quality control, design and customer services. Provision for tax on the estimated assessable profits of each of these subsidiaries arising from their operations in the PRC has been calculated at the rate of PRC corporate income tax during the interim period, which is currently 33%.

No provision for deferred tax has been made as the Group did not have any significant unprovided deferred tax liabilities in respect of the interim period.

6. Earning per share

The calculation of basic earnings per share for the period is based on the unaudited net profit from ordinary activities attributable to shareholders for the six months ended 30th June 2003 and on the weighted average of number of approximately 233,436,000 shares (2002: 200,036,000 shares) in issue during the six months ended 30th June 2003.

The diluted earning per share has not been calculated for the current and prior periods as no diluting events existed throughout the periods.

7. Interim dividend

The directors have determined that an interim dividend of HK6.0 cents per share amounting to HK\$14,238,000 should be paid to the shareholders of the Company whose names appear in the Register of Members on 15th August 2003 and payable on 20th August 2003.

The Register of Members of the Company will be closed from 12th August 2003 to 15th August 2003, both days 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 Tengis Limited at G/F., Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong, not later than 4:30 p.m. on 11th August 2003.

8. Trade receivables

An aged analysis of trade receivables is as follows:

	As at 30th June 2003 (Unaudited) HK\$'000	As at 31st December 2002 (Audited) HK\$'000
Outstanding balance aged		
Within 30 days	6,296	4,308
31 days – 90 days	1,044	824
91 days – 180 days	448	32
Total trade receivables, net	7,788	5,164

9. Trade payables

An aged analysis of trade payables is as follows:

	As at 30th June 2003 (Unaudited) HK\$'000	As at 31st December 2002 (Audited) HK\$'000
Outstanding balances aged		
Within 30 days	9,951	15,388
31 days - 90 days	7,985	6,244
91 days - 180 days	117	2
181 days - 360 days	–	–
Over 1 year	50	50
Total trade payables	18,103	21,684

10. Share Capital

	Company	
	As at 30th June 2003 (Unaudited) HK\$'000	As at 31st December 2002 (Audited) HK\$'000
Authorised:		
2,000,000,000 ordinary shares of HK\$0.10 each (2002: 2,000,000,000 ordinary shares of HK\$0.10 each)	200,000	200,000
Issued and fully paid:		
237,300,000 ordinary shares of HK\$0.10 each (2002: 230,000,000 ordinary shares of HK\$0.10 each)	23,730	23,000

10. Share Capital (continued)

The following changes in the Company's issued share capital took place during the six months ended 30th June 2003.

During the period, a total of 7,300,000 ordinary shares of HK\$0.10 each were issued upon exercise of share options granted to the directors and an employee, at an exercise price of HK\$0.73 each per share, for a total cash consideration of HK\$5,329,000 before related issue expenses. The share issued rank pari passu with the existing shares in all respects.

A summary of the above movement in the issued and fully paid share capital of the Company is as follow:

	Company	
	Number of shares	HK\$'000
Authorized:		
At 1st January 2003 and at 30th June 2003	2,000,000,000	200,000
Issued:		
At 1st January 2003	230,000,000	23,000
Issue of new shares upon exercise of share options during the period	7,300,000	730
At 30th June 2003	237,300,000	23,730

10. Share Capital (continued)

Share Options

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the Group's operations. Under the Scheme, the directors may, at their discretion, invite any employees, directors or consultant of any company in the Group to take up options. The Scheme became effective on 26th April 2002 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of shares in respect of which options may be granted under the Scheme, and under any other share option scheme of the Company, pursuant to which options may from time to time be granted to directors, consultants, and/or employees of any company in the Group, shall initially not exceed 10% of the relevant class of securities of the Company in issue excluding for this purpose shares issued on exercise of options under the Scheme and any other share option scheme of the Company. Upon the grant of options for shares up to 10% of the relevant class of securities of the Company and subject to the approval of the shareholders of the Company in general meetings, the maximum number of shares to be issued under the Scheme when aggregated with securities to be issued under any other share option scheme of the Group, may be increased by the board of directors provided that the shares to be issued upon exercise of all outstanding options does not exceed 30% of the relevant class of securities in issue from time to time.

10. Share Capital (continued)

Share Options (continued)

No option may be granted to any one person such that the total number of shares issued and to be issued upon exercise of options granted and to be granted to such person in any 12-month period up to the date of the latest grant exceeds 1% of the issued share capital of the Company from time to time. An option may be exercised in accordance with the terms of the Scheme at any time during the option period (and not more than ten years after the date of grant). The option period will be determined by the board of directors and communicated to each grantee. The board of directors may provide restrictions on the time during which the options may be exercised. There are no performance targets which must be achieved before any of the options can be exercised. However, the board of directors retains discretion to accelerate vesting of fixed-term options in the event that certain performance targets are met. The movements in the number of share options to subscribe for shares in the Company during the period were as follows:

Name of directors	At the beginning of the period	Granted during the period	Exercised during the period	At the end of the period	Date of grant of share options	Exercise price per share (HK\$)	Exercisable period	Price of Company's shares at grant date of options (HK\$)
Tse Kam Pang	2,300,000	-	2,300,000	-	17/9/2002	0.73	1/1/2003 to 31/12/2005	0.72
Lam Toi	2,300,000	-	2,300,000	-	17/9/2002	0.73	1/1/2003 to 31/12/2005	0.72
Lam Ning, Joanna	2,300,000	-	2,300,000	-	17/9/2002	0.73	1/1/2003 to 31/12/2005	0.72
Senior management and employees	400,000	-	400,000	-	17/9/2002	0.73	1/1/2003 to 31/12/2005	0.72
	-	6,500,000	-	6,500,000	2/5/2003	1.10	1/6/2003 to 31/5/2006	1.17
In aggregate	7,300,000	6,500,000	7,300,000	6,500,000				

10. Share Capital (continued)

Share Options (continued)

At the balance sheet date, the Company had 6,500,000 share options outstanding. The exercise in full of the remaining share options would, under the present capital structure of the Company, result in the issue of 6,500,000 additional ordinary shares of HK\$0.10 each in the Company and proceeds, before relevant share issue expenses, of approximately HK\$7,150,000.

During the interim period, a total of 7,300,000 share options granted to the directors and an employee, respectively, were exercised at an exercise price of HK\$0.73 per share.

11. Reserve

	Share premium account HK\$'000	Leasehold land and buildings revaluation reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1st January 2002	–	–	–	45,330	45,330
Capitalisation of share premium for issue of shares	(18,775)	–	–	–	(18,775)
Issue of share through initial public offer	36,225	–	–	–	36,225
Share issue expenses	(8,402)	–	–	–	(8,402)
Surplus on revaluation	–	26,513	–	–	26,513
Translation exchange differences arising on consolidation of a subsidiary	–	–	367	–	367
Net profit for the year	–	–	–	44,514	44,514
Special dividend	–	–	–	(10,000)	(10,000)
Interim dividend	–	–	–	(5,750)	(5,750)
Proposed final dividend	–	–	–	(18,616)	(18,616)
At 31st December 2002	9,048	26,513	367	55,478	91,406
Issue of new shares upon exercise of share options during the period	4,599	–	–	–	4,599
Translation exchange differences arising on consolidation of a subsidiary	–	–	(327)	–	(327)
Net profit for the period	–	–	–	30,884	30,884
Proposed interim dividend	–	–	–	(14,238)	(14,238)
At 30th June 2003	13,647	26,513	40	72,124	112,324

MANAGEMENT DISCUSSION AND ANALYSIS

Dividend

The Board of Directors recommends the payment of an interim dividend of HK6.0 cents per share for the six months ended 30th June 2003.

Business Review

Riding the escalating demand for home furniture in China, the Group achieved encouraging business performances in spite of the challenging global economic environment for the six months ended 30 June 2003. Turnover surged 27.8% to HK\$121,163,000 for the period, compared to HK\$94,779,000 in the previous corresponding period. Net profit attributable to shareholders also surged 64.3% from HK\$18,798,000 last year to HK\$30,884,000 this year. Various cost controls and the improved production system were the main drivers behind the higher profitability. As a result, the net profit margin also increased to 25.5% against 19.8% in the previous corresponding period.

Following its successful listing on the stock exchange in Hong Kong last year, the Group has been committed to advancing its products and brands through a number of image-building marketing initiatives. A core business focus for the Group has always been the maintaining and improving of product quality. To achieve these ends, the Group obtained design patent rights for its products to prevent piracy and to consolidate the leading brand status of its registered labels, "Royal Furniture" and "Knight Furniture", within the industry. During the period, the Group's strong and experienced product development team continued to focus on product diversification, successfully introducing sophisticated products under the newly launched "Light Walnut" series. The Group also has three other market series for sale – "Black Walnut", "Knight (Youngster)" and "Ebony".

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Business Review (continued)

The recent SARS epidemic, which broke out at the end of March 2003, has hindered the economic developments of the regional economy with China and Hong Kong being the hardest hit economies. In response to SARS, the Chinese Government curtailed the "Labour Holidays" in the first week of May 2003 when people were advised not to travel abroad. This has led to increased home spending in the local retail market. Also, people were willing to spend more on home improvements and replacing old furniture pieces. During that time, the Group's franchisees also launched various sales promotions to capture the opportunities and stimulate sales. As a result, higher customer flows and increased sales performance were recorded in the specialty outlets.

To extend points of purchase so that consumers have greater access to the "Royal" and "Knight" brands, the Group expended widespread effort to strengthen its working relationships with franchisees throughout the country. These included international exhibitions and trade fairs, as well as seminars for potential franchisees in different parts of China. In March 2003, the Group participated in the 2003 China International Furniture Fair (Guangzhou) and the 2003 China (Dongguan) International Famous Furniture Exhibition, where it announced the appointment of celebrity Ms. Rosmund Kwan as its corporate spokesperson. Since then, the Group has received a tremendous number of requests from potential franchisees and generated overwhelming customer interest in the local retail market. The Group is also building on its leadership in the China furniture market by creating value for its franchisees and providing service solutions to customers. The success of these efforts has been evidenced by the significant increase in the number of specialty outlets during the period. As at 30 June 2003, the Group had about 500 specialty outlets in China as compared to about 260 in the previous corresponding period.

The Group continued to drive efficiencies throughout its operational systems, establishing disciplined manufacturing procedures and gaining economies of scale in materials purchasing. With a total floor area of 100,000 sq.ft., the new facility in Guangzhou established last October has also enabled the Group to increase total production volumes by 20% to reach a monthly production capacity of 7,500 suites of furniture.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Business Review (continued)

Throughout the period, the Group outpaced the rest of the industry in the medium to high-end modern-style home furniture category in China. Not only has it achieved highly positive financial performances, the Group has also attracted strategic institutional investments from Value Partners Ltd. (“Value Partners”) and Baring Asset Management (Asia) Limited (“Baring Asset Management”), to enrich its shareholder base. In March 2003, the substantial shareholders of the Group placed 8 million shares to Value Partners, with an additional 2 million shares being placed with an independent third party at an offer price of HK\$1.05 per share which represented a premium of approximately 8% on the closing price. At the same time, substantial shareholders of the Group placed a total of 5 million shares to Baring Asset Management in May 2003. The offer price HK\$1.40 per share also represented a premium of approximately 1.45% on the closing price. Each of the substantial shareholders also exercised their share options under the Group’s share option scheme in order to maintain their number of shares in the Company. These moves signify the strong confidence that the investment community has in the Group’s earnings and growth prospects.

Prospects

The Group believes that future demand for home furniture in China is on the rise. The significant growth in income during the period has created further momentum for the Group’s continuing focus on the development of quality and modern-style furniture in China. China’s furniture industry is still at the early stages of its growth and has strong potential, particularly with China’s WTO entry and the rapid development of its property market.

To better realize opportunities for growth in the coming year, the Group will focus on aggressive marketing initiatives to upgrade its brand image and promote products to potential franchisees and consumers in China. Following the success in the 2003 China International Furniture Fair (Guangzhou) and the 2003 China (Dongguan) International Famous Furniture Exhibition, the Group will be taking part in China International Furniture Fair (Guangzhou) and the 10th International Famous Furniture Exhibition (Dongguan) in August to further advance the Group’s brand image and products.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Prospects (continued)

With Chinese consumers becoming more affluent and fashion-conscious, there is an increase in demand for modern-style home furniture. The shift in taste towards westernized home furniture designs and the country's fast growing economic development are bolstering the Group's confidence and encouraging further investment and innovation in product and network expansion. In addition to the major cities which the Group has been developing since 1998, the Group has also identified business potential and has been actively pursuing market diversification in the county cities. These county cities are characterized by relatively smaller economic structures and wide existence throughout the country. In the past year, the Group has set up most of its specialty outlets in these cities. During the review period, the contribution from these county cities were not as big as those major cities in China. However, as these cities further develop, the Group believes they will offer promising growth momentum for its home furniture business. The Group will be increasing its distribution network of specialty outlets by about 230 within the financial year 2003 and to 1,000 by the end of 2005.

In view of the ever-increasing demand and to respond promptly to customers needs, the Group has recently completed the establishment of a new storage and a distribution terminal adjacent to our existing site. The total investment costs is approximately HK\$10 million which were financed by the Group's internal resources. Upon the completion of the construction, the existing storage space will be used for production which can further increase the Group's aggregate production capacity. The new distribution terminal can enhance the Group's logistics system which will facilitate the moving of goods more efficiently in order to meet the rising demands in China.

In the months ahead, the Group will work closely with franchisees to continue developing strategic marketing initiatives and to broaden the product reach to fast growing cities in China. An effective production system, coupled with well-executed promotional activities in the local market, will continue to offer the Group the opportunity to expand its product range and introduce innovative designs that appeal to local tastes. As such, the Group is ideally positioned for continued success.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Liquidity and financial resources

As at 30th June 2003, the Group had an unaudited consolidated net asset value of approximately HK\$150 million. (31st December 2002: HK\$133 million). The Group maintained a strong financial position with cash and bank balances of HK\$83 million and has no interest-bearing borrowings as at 30th June 2003. The Group is principally financed by net cash inflow from operating activities. The Group believes that funds generated from its internal operations are adequate to meet the future requirements of operating its business.

As at 30th June 2003, the Group had no contingent liabilities and bank borrowing. As at the same date, the gearing ratio, calculated on the basis of total liabilities over total shareholders' fund was 0.41.

Over 75% of the Group's cash is either denominated in Hong Kong Dollars. The exposure to exchange fluctuation is minimal.

The liquidity of the Group as evidenced by the current ratio (current assets/current liabilities) was 1.98 times, which improved from the 1.93 times applicable at the end of 2002. As at 30th June 2003, the net current assets was approximately HK\$60 million (31st December 2002: 57 million).

Employment and remuneration policy

The total number of employees of the Group as at 30th June 2003 was 1,100 (2002: 950).

The Group's remuneration policies are in line with local market practices where the Group operates and are normally reviewed on an annual basis. In addition to salary payments, there are other staff benefits including provident fund, medical insurance and performance related bonus. Share options may also be granted to eligible employees and persons of the Group. At 30th June 2003, there were outstanding share options of 6.5 million.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30th June 2003, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE IN SHARE

At 30th June 2003, the interests of the directors and their associates in the share capital of the Company 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:

Name of Directors	Number of ordinary shares held				Total Interests
	Personal Interests	Family Interests	Corporate Interests	Other Interests	
Tse Kam Pang	2,300,000	–	78,950,000 (note 1)	–	81,250,000
Lam Toi	2,300,000	–	78,950,000 (note 2)	–	81,250,000
Lam Ning, Joanna	1,900,000	–	–	–	1,900,000

Notes:

1. These shares are held by Crisana International Inc., which is wholly and beneficially owned by Mr. Tse Kam Pang.
2. These shares are held by Silver Wave Holdings Limited, which is wholly and beneficially owned by Mr. Lam Toi.

Save as disclosed above, none of the directors, chief executive or any of their spouse or children under the age of 18 years had any interest in the shares of the Company or any of its associated corporations as defined in the SDI Ordinance.

SUBSTANTIAL SHAREHOLDERS

The register of substantial shareholders maintained under section 16(1) of the SDI Ordinance shows that no person has an interest of 5% or more in the issued share capital of the Company as at 30th June 2003, other than the interests disclosed in the section "Interests of Directors and Chief Executive in share" above.

CODE OF BEST PRACTICE

None of the Directors is aware of any information that would reasonably indicate that the Company is not or, was not for any part of the six months ended 30th June 2003, in compliance with the Code of Best Practice as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited except all directors of the Company are not appointed for a specific term as they are subject to retirement by rotation in accordance with the Company's Articles of Association.

By Order of the Board
Chitaly Holdings Limited of
Tse Kam Pang
Chairman

28th July 2003