

INTERIM RESULTS

The Board of Directors (the “Directors”) of Perennial International Limited (the “Company”) is pleased to present the interim report and the unaudited condensed consolidated accounts of the Company and its subsidiaries (the “Group”) for the six months ended 30th June 2003 as follows:

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the six months ended 30th June 2003

	Note	Unaudited Six months ended 30th June	
		2003 HK\$'000	As restated 2002 HK\$'000
Turnover	2	107,588	108,610
Cost of sales		(79,293)	(79,661)
Gross profit		28,295	28,949
Other revenues	2	106	106
Distribution expenses		(2,960)	(2,753)
Administrative expenses		(19,948)	(19,072)
Other operating expenses		(805)	(1,469)
Operating profit	3	4,688	5,761
Finance costs	5	(658)	(715)
Profit before taxation		4,030	5,046
Taxation	6	290	(799)
Profit attributable to shareholders		4,320	4,247
Dividend	7	(1,990)	(1,990)
Earnings per share			
Basic	8	2.1 cents	2.1 cents
Diluted	8	N/A	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30th June 2003

		Unaudited 30th June 2003 HK\$'000	As restated Audited 31st December 2002 HK\$'000
	Note		
Fixed assets	9	105,949	109,632
Investment securities		15	15
Deferred tax assets		155	238
Current assets			
Inventories		31,931	23,514
Trade receivables	10	45,298	47,660
Other receivables, deposits and prepayments	11	1,997	1,932
Bank balances and cash		6,632	4,150
		85,858	77,256
Current liabilities			
Trade payables	12	28,992	25,627
Other payables and accruals		7,151	11,275
Trust receipt loans – secured		16,817	14,276
Obligations under hire purchase contracts	14	230	354
Taxation		2,765	3,066
Short-term bank loans – secured		3,212	–
Current portion of long-term bank loans – secured	14	1,182	1,912
		60,349	56,510
Net current assets		25,509	20,746
Total assets less current liabilities		131,628	130,631
Financed by:			
Share capital	13	19,896	19,896
Other reserves		29,083	29,083
Retained earnings			
Others		72,262	69,932
Proposed interim dividend	7	1,990	1,990
Shareholders' funds		123,231	120,901
Non-current liabilities	14	8,397	9,730
		131,628	130,631

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30th June 2003

	Unaudited	
	Six months ended 30th June	
	2003	2002
	HK\$'000	HK\$'000
Net cash inflow from operating activities	816	13,735
Net cash used in investing activities	(570)	(1,156)
Net cash used in financing activities	(3,517)	(2,534)
(Decrease)/ increase in cash and cash equivalents	(3,271)	10,045
Cash and cash equivalents at 1st January	(10,126)	(21,651)
Cash and cash equivalents at 30th June	(13,397)	(11,606)
Analysis of the balances of cash and cash equivalents:		
Bank balances and cash	6,632	5,259
Short-term bank loan	(3,212)	–
Trust receipt loans	(16,817)	(16,865)
	(13,397)	(11,606)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th June 2003

	Unaudited Share capital HK\$'000	Unaudited Share premium HK\$'000	Unaudited Reserve arising on consolidation HK\$'000	Unaudited Land and buildings and investment property revaluation HK\$'000	Unaudited Capital redemption HK\$'000	Unaudited Retained earnings HK\$'000	Unaudited Total HK\$'000
At 1st January 2002 as previously reported	19,896	15,885	11,808	1,286	104	64,631	113,610
Change in accounting policy – accounting for deferred taxation	–	–	–	–	–	802	802
At 1st January 2002, as restated	19,896	15,885	11,808	1,286	104	65,433	114,412
Profit attributable to shareholders	–	–	–	–	–	4,247	4,247
At 30th June 2002	<u>19,896</u>	<u>15,885</u>	<u>11,808</u>	<u>1,286</u>	<u>104</u>	<u>69,680</u>	<u>118,659</u>
At 1st January 2003, as previously reported	19,896	15,885	11,808	1,286	104	71,395	120,374
Change in accounting policy – accounting for deferred taxation	–	–	–	–	–	527	527
At 1st January 2003, as restated	19,896	15,885	11,808	1,286	104	71,922	120,901
Profit attributable to shareholders	–	–	–	–	–	4,320	4,320
2002 Final dividend paid	–	–	–	–	–	(1,990)	(1,990)
At 30th June 2003	<u>19,896</u>	<u>15,885</u>	<u>11,808</u>	<u>1,286</u>	<u>104</u>	<u>74,252</u>	<u>123,231</u>

NOTES TO THE CONDENSED CONSOLIDATED ACCOUNTS

1 Basis of preparation and accounting policies

These unaudited condensed consolidated accounts are prepared in accordance with Hong Kong Statement of Standard Accounting Practice (“SSAP”) 25 “Interim Financial Reporting”, issued by the Hong Kong Society of Accountants (“HKSA”).

These condensed accounts should be read in conjunction with the 2002 annual accounts.

The accounting policies and methods of computation used in the preparation of these condensed accounts are consistent with those adopted in the annual accounts for the year ended 31st December 2002 except that the Group has changed its accounting policy following its adoption of SSAP 12 “Income Taxes” issued by HKSA which is effective for accounting periods commencing on or after 1st January 2003.

The change to the Group’s accounting policy and the effect of adoption of this new policy are set out below:

Deferred taxation

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

In the prior years, deferred taxation was accounted for at the current taxation rate in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or an asset was expected to be payable or recoverable in the foreseeable future.

Basis of preparation and accounting policies *(continued)*

The new SSAP 12 has been applied retrospectively and comparatives presented have been restated to conform to the changed policy. As a result, net deferred tax liabilities as at 31st December 2001 and 2002 decreased by HK\$802,000 (with a corresponding increase of same amount in retained earnings) and HK\$797,000 (with a corresponding increase of same amount in retained earnings) respectively. Therefore, as detailed in condensed consolidated statement of changes in equity, opening retained earnings at 1st January 2002 and 2003 have increased by HK\$802,000 and HK\$797,000 respectively. The change has reduced the profit attributable to shareholders for the year ended 31st December 2002 by HK\$5,000 (from HK\$8,754,000 to HK\$8,749,000).

Turnover, revenue and segment information

The Group is principally engaged in the manufacturing and trading of electric cable and wire products. Revenues recognised during the period are as follows:

	Unaudited	
	Six months ended 30th June 2003 HK\$'000	2002 HK\$'000
Turnover		
Sale of goods	107,588	108,610
Other revenues		
Gross rental income from investment property	103	104
Interest income	3	2
	106	106
Total revenues	107,694	108,716

An analysis of the Group's turnover and contribution to operating profit for the period by principal activities and markets is as follows:

Business segment

	Unaudited			
	Six months ended 30th June 2003			
	Manufacturing of cable and wire products HK\$'000	Trading of cable and wire products HK\$'000	Investment holdings HK\$'000	Group HK\$'000
Turnover	48,371	59,217	–	107,588
Segment results	14,122	14,173	–	28,295
Unallocated costs				(23,607)
Operating profit				4,688
Finance costs				(658)
Profit before taxation				4,030
Taxation				290
Profit attributable to shareholders				4,320

Turnover, revenue and segment information (continued)

Business segment (continued)

	Unaudited As restated Six months ended 30th June 2002			Group HK\$'000
	Manufacturing of cable and wire products HK\$'000	Trading of cable and wire products HK\$'000	Investment holdings HK\$'000	
Turnover	70,008	38,602	–	108,610
Segment results	16,797	12,152	–	28,949
Unallocated costs				(23,188)
Operating profit				5,761
Finance costs				(715)
Profit before taxation				5,046
Taxation				(799)
Profit attributable to shareholders				4,247

Geographical segment

	Unaudited Turnover		Unaudited Segment results	
	Six months ended 30th June		Six months ended 30th June	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Hong Kong	72,688	73,000	14,957	18,035
The People's Republic of China	9,629	11,439	2,598	3,282
Other Asian countries	9,251	10,780	4,500	3,534
America	11,173	7,075	4,511	2,105
Europe	1,368	1,518	301	480
South Africa	3,479	4,798	1,428	1,513
	107,588	108,610	28,295	28,949

Sales are based on the country in which the customers are located. There are no sales between the geographical segments.

Operating profit is stated after charging the following:

	Unaudited	
	Six months ended 30th June	
	2003	As restated 2002
	HK\$'000	HK\$'000
Auditors' remuneration	86	360
Cost of inventories sold	63,149	62,618
Depreciation:		
Owned fixed assets	4,160	4,516
Fixed assets held under hire purchase contracts	95	252
Operating lease rentals in respect of land and buildings	170	152
Outgoings in respect of investment property	11	14
(Reversal of provision)/provision for bad and doubtful debts	(6)	204
Staff costs (including directors' remuneration) (Note 4)	17,479	16,120

	Unaudited	
	Six months ended 30th June	
	2003	As restated 2002
	HK\$'000	HK\$'000
Wages and salaries	17,041	15,636
Termination benefits	10	–
Social security costs	176	240
Pension costs – contribution to MPF scheme	194	186
Other benefits	58	58
	17,479	16,120

	Unaudited	
	Six months ended 30th June	
	2003	2002
	HK\$'000	HK\$'000
Interest on bank loans and overdrafts		
Wholly repayable within five years	486	471
Not wholly repayable within five years	163	212
Interest element of hire purchase contracts	9	32
	658	715

Hong Kong profits tax has been provided at the rate of 17.5% (2002: 16%) on the estimated assessable profit for the period.

No provision for overseas taxation had been made in 2002 and 2003 as the Group's overseas subsidiaries had no assessable or taxable profits calculated in accordance with the tax law of the countries in which they operated.

	Unaudited	
	Six months ended 30th June	
	2003	As restated 2002
	HK\$'000	HK\$'000
Hong Kong profits tax	286	794
Deferred taxation	(576)	5
	(290)	799

Dividend

	Unaudited Six months ended 30th June	
	2003 HK\$'000	2002 HK\$'000
Interim, proposed, of HK\$0.01 (2002: HK\$0.01) per ordinary share	1,990	1,990

At a meeting held on 19th August 2003, the directors declared an interim dividend of HK\$0.01 per share for the year ending 31st December 2003. This proposed dividend is not reflected as a dividend payable in these condensed accounts, but will be reflected as an appropriation of retained earnings for the year ending 31st December 2003.

Earnings per share

The calculation of basic earnings per share is based on the Group's profit attributable to shareholders for the six months ended 30th June 2003 of HK\$4,320,000 (30th June 2002: HK\$4,247,000) and the number of 198,958,000 (30th June 2002: 198,958,000) ordinary shares in issue during the period.

No diluted earnings per share is presented as there is no potential dilutive ordinary share during the period.

Fixed assets

	Unaudited Fixed assets HK\$'000
Opening net book amount as at 1st January 2003	109,632
Additions	572
Depreciation	(4,255)
Closing net book amount as at 30th June 2003	105,949

At 30th June 2003, the ageing analysis of trade receivables was as follows:

	Unaudited 30th June 2003 HK\$'000	Audited 31st December 2002 HK\$'000
Current – 3 months	42,414	46,120
4 – 6 months	2,620	1,693
Over 7 months	422	534
	45,456	48,347
Provision	(158)	(687)
	45,298	47,660

Payment terms with customers are largely on credit with the exception of new customers, which are on cash on delivery basis. Invoices are normally payable within 60 to 90 days of issuance. Longer payment terms might be granted to those customers which have good payment history and have long-term business relationship with the Group.

Other receivables, deposits and prepayments

Included in other receivables, deposits and prepayments are loans to certain Directors and chief executives of the Company. The information in relation to the disclosure pursuant to section 161B of the Hong Kong Companies Ordinance is as follows:

		Unaudited Maximum amounts outstanding during the period HK\$'000	Unaudited Amounts outstanding at 30th June 2003 HK\$'000	Audited Amounts outstanding at 31st December 2002 HK\$'000
Name				
Mr. Li Ho Cheong	Unsecured, interest free and repayable on demand	750	–	–
Mr. Mon Chung Hung	Unsecured, interest free and repayable on demand	77	–	–
Mr. Siu Yuk Shing, Marco	Unsecured, interest free and repayable on demand	650	–	–

Trade payables

At 30th June 2003, the ageing analysis of trade payables was as follows:

	Unaudited 30th June 2003 HK\$'000	Audited 31st December 2002 HK\$'000
Current – 3 months	24,613	22,312
4 – 6 months	4,103	3,190
Over 7 months	276	125
	28,992	25,627

Share capital

	Unaudited 30th June 2003 HK\$'000	Audited 31st December 2002 HK\$'000
Authorised: Ordinary shares of HK\$0.10 each	50,000	50,000
Issued and fully paid: Ordinary shares of HK\$0.10 each	19,896	19,896

Long-term liabilities

	Unaudited 30th June 2003 HK\$'000	As restated Audited 31st December 2002 HK\$'000
Bank loans – secured	8,723	10,049
Obligations under hire purchase contracts	235	437
Deferred taxation	851	1,510
	9,809	11,996
Current portion of long-term liabilities	(1,412)	(2,266)
	8,397	9,730

The analysis of the above is as follows:

	Unaudited 30th June 2003 HK\$'000	Audited 31st December 2002 HK\$'000
Bank loans – secured		
Wholly repayable within five years	6,348	6,988
Not wholly repayable within five years	2,375	3,061
	8,723	10,049
Obligations under hire purchase contracts		
Wholly repayable within five years	235	437
	8,958	10,486
Current portion of long-term liabilities		
– bank loans	(1,182)	(1,912)
– hire purchase	(230)	(354)
	7,546	8,220
Bank loans are repayable in the following periods:		
– Within one year	1,182	1,912
– In the second year	1,225	1,203
– In the third to fifth year	3,941	3,873
– After the fifth year	2,375	3,061
	8,723	10,049

Obligations under hire purchase contracts are repayable in the following periods:

	Unaudited 30th June 2003 HK\$'000	Audited 31st December 2002 HK\$'000
Within one year	235	368
In the second year	5	84
	240	452
Future finance charges on hire purchase	(5)	(15)
Present value of hire purchase liabilities	235	437
The present value of hire purchase contracts liabilities is as follows:		
Within one year	230	354
In the second year	5	83
	235	437

At 30th June 2003, the Group's banking facilities amounting to approximately HK\$65 million (31st December 2002: HK\$75 million) were secured by the following:

- (a) legal charges over certain land and buildings of the Group with a total net book value of HK\$34,344,000 (31st December 2002: HK\$34,753,000);
- (b) corporate guarantees given by the Company; and
- (c) a deed of guarantee executed by the Company amounting to HK\$33 million (31st December 2002: HK\$33 million).

	Unaudited 30th June 2003 HK\$'000	Audited 31st December 2002 HK\$'000
Bills of exchange discounted with recourse	495	838

(a) Capital commitment

As 30th June 2003, the Group had the following capital commitment for investment in a subsidiary:

	Unaudited 30th June 2003 HK\$'000	Audited 31st December 2002 HK\$'000
Contracted but not provided for	7,000	7,000

(b) Commitments under operating leases

At 30th June 2003, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	Unaudited 30th June 2003 HK\$'000	Audited 31st December 2002 HK\$'000
Not later than one year	46	79
Later than one year and not later than five years	–	7
	46	86

MANAGEMENT DISCUSSION AND ANALYSIS

The Group is principally engaged in the following business activities: the production and sale of electric cable and wire products, namely AC power supply cords and wire harnesses, which are widely used as integral components of most electric and electronic products.

FINANCIAL REVIEW

RESULTS

I am pleased to announce the unaudited consolidated results of the Group for the six months ended 30th June 2003. We recorded stable performance despite the challenging environment and the outbreak of the Iraq War and Sars (Severe Acute Respiratory Syndrome).

Turnover of the Group has slightly declined by 0.9% to HK\$107,588,000 during the first half of 2003 as compared with the corresponding period in 2002.

The Group's unaudited consolidated profit attributable to shareholders was HK\$4,320,000. Earnings per share were HK\$2.1 cents. The Board has declared an interim dividend for the year ending 31st December 2003 of HK\$1 cent (2002: HK\$ 1 cent) per share to members of the Company whose names appear on the register of members of the Company on 9th September 2003. The register of members of the Company will be closed from 8th September 2003 to 9th September 2003, both days inclusive, during which period no transfer of shares will be affected. In order to qualify for the interim dividend, all transfers accompanied by the relevant share certificates must be deposited at the offices of the Company's Hong Kong branch registrars, Hong Kong Registrars Limited, Rooms 1901-1905, 19th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:00 p.m. on 5th September 2003. The Board expects that the interim dividend declared will be paid on or about 22nd September 2003.

The Iraq War, Sars, the increase in raw material prices and the prudent accounting approach that we have taken in our US consignment business resulted in a decline in the Group's profit.

FINANCIAL REVIEW *(continued)*

LIQUIDITY AND FINANCIAL RESOURCES

As at 30th June 2003, the Group's total amount of bank deposits and cash was HK\$6,632,000. The consolidated indebtedness of the Group, including short-term debts of HK\$21,441,000, was HK\$28,987,000. All of the borrowings are denominated in Hong Kong dollars and bear interest rate at floating rates.

The amount of the Group's working capital was HK\$25,509,000 (31st December 2002: HK\$20,746,000). The current ratio was 1.42. The Group's trade receivables were HK\$45,298,000 representing 42% of the turnover of HK\$107,588,000.

CAPITAL STRUCTURE

The shareholders' equity of the Group was HK\$123,231,000, an increase of 1.9% over that of the last corresponding period. The gearing ratio, calculated by dividing total liabilities by shareholders' equity, was 56%.

PLEDGE OF ASSETS

As at 30th June 2003, the Group's banking facilities amounting to approximately HK\$65,000,000 (31st December 2002: HK\$75,000,000) were secured by legal charges over certain land and buildings of the Group with a total net book value of HK\$34,344,000 (31st December 2002: HK\$34,753,000), corporate guarantees given by the Company and a deed of guarantee executed by the Company amounting to HK\$33,000,000 (31st December 2002: HK\$33,000,000).

CONTINGENT LIABILITIES

As at 30th June 2003, the bills of exchange discounted with recourse amounted to HK\$495,000 (31st December 2002: HK\$838,000).

BUSINESS REVIEW

Maintaining quality management is our long-standing mission. Our Group places very high value on management with premier standards, systems and efficiency because they are of paramount importance to our success.

Subsequent to a series of restructuring programs, we have successfully improved our productivity, cost savings and inventory control that support our future development.

Our Group's commitment in recycling equipment investments continued to pay off. As a result of the dramatic decrease in the amount of waste generated from our manufacturing processes, we improved our manufacturing efficiency and have received endorsement from our customers. During the period under review, two leading international electrical appliance manufacturers in Japan have bestowed environmentally friendly awards on our Group. We pledge to continue to merit this worldwide reputation and recognition.

In the first half of 2003, sales of AC power supply cords, wire harnesses and cable wires accounted for about 63%, 28% and 9% of the Group's turnover, respectively.

FUTURE PROSPECTS

Looking ahead, the Group has set out a defined development strategy to achieve its long-term business objectives.

To cope with the Group's development in the years ahead, we have started to restructure our manufacturing facilities in the People's Republic of China ("PRC"). We expect to complete the rationalization of our operations by late 2003. Thereafter we can further streamline the production process, improve efficiency and increase productivity to meet the needs of our customers.

Given the stringent demands from our customers worldwide, we are in the process of applying for QS9000 certification for our factory in Shenzhen, PRC and expect to receive this award in 2004. This will be just in time to allow us to manufacture wire harnesses for automobiles for the PRC market. In addition, our QC laboratory is also seeking UL accreditation to comply with international quality standards.

FUTURE PROSPECTS *(continued)*

Our Group is committed to researching and developing innovative products that are customised to market demands. We believe that going forward, wire harnesses for automobiles for the PRC market and medical products will lead to enormous business opportunities of huge potential. As a result, we will focus on the development of these products to broaden our new sources of revenue.

America, Japan, Southeast Asia and Europe remain our priority markets. To facilitate the Group's future expansion, we will actively strengthen our management team. During the period under review, we have appointed three regional sales managers for European, Japanese and Southeast Asian markets, respectively.

We are cautiously optimistic about the business opportunities opening up as a result of the Closer Economic Partnership Arrangement (CEPA) signed between PRC and Hong Kong in June this year. We believe that positive impacts will be created in the long run.

EMPLOYEES AND REMUNERATION POLICIES

As at 30th June 2003, the Group employed approximately 1,526 full time management, administrative and production staff in Hong Kong and the PRC. The Group follows market practice on remuneration packages. Employee's remuneration is reviewed and determined by senior management annually depending on the employee's performance, experience and industry practice. The Group invests in its human capital, besides providing on the job training for workers, the Group reimburses the staff for fees paid to attend pre-approved external business courses or seminars.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES

As 30th June 2003, the interests of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under section 352 of the SFO or as notified to the Company were as follows:-

(a) **Ordinary shares of HK\$0.10 each in the Company ("Shares")**

Name	Number of Shares					Total interests as % of the relevant issued share capital
	Personal interests	Family interests	Corporate interests	Other interests	Total interests	
MON Chung Hung	3,000,000	–	140,760,000	–	143,760,000	72.26%
SIU Yuk Shing, Marco	300,000	–	–	–	300,000	0.15%
LAU Chun Kay	138,000	–	–	–	138,000	0.07%
LI Ho Cheong	318,000	–	–	–	318,000	0.16%
LI Man Wai	150,000	–	–	–	150,000	0.08%
LEE Yuk Heung	20,000	–	–	–	20,000	0.01%

The corporate interest of Mr MON Chung Hung is beneficially owned by Spector Holdings Limited, the entire issued share capital of which is owned as to 99.9% by Mr MON Chung Hung and as to the remaining 0.1% by Ms KOO Di An, Louise.

(b) **Share options**

On 23rd April 2003, ordinary resolutions were passed by the shareholders of the Company to adopt new share option scheme ("New Scheme") and to terminate the share option scheme adopted in 1996 ("1996 Scheme").

No option has been granted under the New Scheme nor the 1996 Scheme since the respective establishment thereof.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES (continued)

All the interests stated above represent long positions. As at 30th June 2003, no short positions were recorded in the Register of Directors' and Chief Executives' Interests and Short Positions required to be kept under section 352 of the SFO.

Other than those disclosed above, at no time during the six months ended 30th June 2003 was the Company or any of its subsidiaries a party to any arrangements to enable the Directors or chief executives of the Company or any of their associates to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

Other than the interests of the Directors and chief executives of the Company as disclosed above, as at 30th June 2003, the register maintained by the Company pursuant to section 336 of the SFO recorded interests (as defined in the SFO) in the Company of the following corporation:-

Name	Number of Shares				Total interests	Total interests as % of the relevant issued share capital
	Personal interests	Family interests	Corporate interests	Other interests		
Spector Holdings Limited	140,760,000	–	–	–	140,760,000	70.75%

The share capital of Spector Holdings Limited is owned as to 99.9% by Mr MON Chung Hung and as to the remaining 0.1% by Ms KOO Di An, Louise.

All the interests stated above represent long positions. As at 30th June 2003, no short positions were recorded in the Register of Interests in Shares and Short Positions of substantial shareholders required to be kept under section 336 of the SFO.

Save as disclosed above, so far as the Directors of the Company are aware, there was no person who, as at 30th June 2003, directly or indirectly held or was beneficially interested in shares representing 5% or more of the issued share capital of the Company or any of its subsidiaries.

AUDIT COMMITTEE

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters, including a review of the unaudited condensed consolidated accounts for the six months ended 30th June 2003 with the Directors.

COMPLIANCE WITH THE CODE OF BEST PRACTICE OF THE LISTING RULES

The Code of Best Practice (Appendix 14 of the Listing Rules) has been complied with by the Company throughout the period except that the Independent Non-Executive Directors are not appointed for a specific term as recommended in the Code of Best Practice. According to the Bye-laws of the Company, Independent Non-Executive Directors of the Company will retire by rotation and their appointments will be reviewed when they are due for re-election. In the opinion of the Directors, this meets the same objectives as the Code of Best Practice.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The Company has not redeemed any of its shares during the six months ended 30th June 2003. Neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's shares during the six months ended 30th June 2003.

PUBLICATION OF INFORMATION ON THE STOCK EXCHANGE'S WEBSITE

The information required by paragraphs 46(1) to 46(6) of Appendix 16 to the Listing Rules will be published on the website of The Stock Exchange of Hong Kong Limited on or before 25th August 2003.

VOTE OF THANKS

On behalf of the Board of Directors, my sincere thanks to our shareholders and customers for their continued support and to our employees for their hard work and dedication.

By order of the Board
MON Chung Hung
Chairman

Hong Kong, 19th August 2003