



Takson Holdings Limited

(Incorporated in Bermuda with limited liability)

Interim Report And Condensed Interim Accounts

For the six months ended 30th September, 2003

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MANAGEMENT COMMENTARY

The Board of Directors of Takson Holdings Limited (the “Company”) presents the interim report and the unaudited condensed interim accounts of the Company and its subsidiaries (together the “Group”) for the six months ended 30th September, 2003.

MANAGEMENT DISCUSSION AND ANALYSIS

Review

Core business

The Group’s turnover and profit attributable to shareholders for the six months ended 30th September, 2003 amounted to HK\$147.6 million and HK\$0.8 million, respectively, as compared to HK\$231.9 million and HK\$9.4 million, respectively, for the same period last year. Sales to the US market accounted for 74.0% (2002: 85.1%) of the Group’s turnover for the period. The retail selling prices of garments in the US market are generally lower this year. The Group has reduced the selling prices of its products in order to maintain competitiveness. So the gross profit margin has dropped.

Regarding sales orders of HK\$203 million as mentioned in the 2002/03 annual report, sales of HK\$147.6 million have been recorded in the first half of the year 2003/04 while the remaining orders will be shipped in the second half of the year.

Prospects

Export outerwear business

The global economic climate and business environment have improved in the recent months. The Group has widened its sales network to diversify its customer base. The management hopes that the Group would get more new orders in the coming months.

Licensee business

The Group’s business for HEAD, being the first brand for the licensee business, is running on the fast track. The Group’s sino-foreign equity joint venture enterprise in Wuhan has opened more “brand-box” outlets and the total number of outlets has been increased to eight. The Group has almost finished the selection of some suitable distributors for widening the distribution network. The network will be extended to Beijing, Shanghai and Guangzhou, being the first tier cities, before early 2004.

After the recent conclusion of terms of Closer Economic Partnership Arrangement between Mainland China and Hong Kong, the business conditions of Hong Kong have become better in the recent months. So the Group has determined to open “brand-box” outlets in some higher-class shopping malls with greater pedestrian flow in Hong Kong starting from March, 2004.

Apart from HEAD, the Group is negotiating with owners of other international sports brands on the terms of the license for manufacture and distribution in the PRC. The management expects that the negotiation will be concluded by the end of December, 2003.

SEASONALITY OF INTERIM OPERATIONS

The Group's peak season falls into the period from July to October each year as the down-filled or polyester-filled outerwear garments are shipped to meet the fall/winter seasons in the USA. Some light-weighted garments will be shipped to the USA from December each year to March of the following year to meet the spring season.

As compared with the respective balances as at 31st March, 2003, the increase in trade receivables, trade payables and accrued charges as well as trust receipt and other bank loans as at 30th September, 2003 reflected the Group's peak months of sales in August and September this year and these balances will drop to a lower level at the coming year end date of 31st March, 2004.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's gearing ratio at 30th September, 2003 was 2.3 which is calculated based on the Group's total liabilities of HK\$153,199,000 and shareholders' funds of HK\$66,355,000.

As at 31st March, 2003, the Group's gearing ratio was 0.4 which is calculated based on the Group's total liabilities of HK\$23,649,000 and shareholders' funds of HK\$65,573,000.

As compared with the balance as at 31st March, 2003, the increase in current liabilities as at 30th September, 2003 reflected the seasonal nature of the Group's operations and this balance will drop to a lower level at the coming year end date of 31st March, 2004.

As the Group's earnings and borrowings are primarily denominated in United States dollars, Hong Kong dollars and Renminbi, it has no significant exposure to foreign exchange rate fluctuations. A majority of bank savings was placed into several banks as foreign currency linked deposits which are subject to foreign exchange rate fluctuations.

EMPLOYEES

As at 30th September, 2003, the Group had a total of 143 employees, as compared to 130 employees as of 31st March, 2003. The increase in the number of employees was due to the recruitment of new employees by the joint venture enterprise which is a subsidiary of the Group in Wuhan for HEAD's licensee business. Staff costs including directors' remuneration totalled HK\$9.9 million and HK\$10.7 million for the six months ended 30th September, 2003 and 2002, respectively. The Group's employment and remuneration policies have remained unchanged with those described in the 2002/2003 annual report.

PURCHASE, SALE OR REDEMPTION OF SHARES

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

DIRECTORS' AND CHIEF EXECUTIVES' BENEFITS FROM RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the six months ended 30th September, 2003 was the Company, its holding companies, its fellow subsidiaries or its subsidiaries a party to any arrangement to enable the directors and chief executives or their spouse or children under 18 years of age of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 30th September, 2003, the interests and short positions of each director and chief executive in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of the Securities and Futures Ordinance ("SFO")), as recorded in the register maintained by the Company under Section 352 of the SFO or as notified to the Company were as follows:

Name of directors	Number of ordinary shares beneficially held				
	Personal interests	Family interests	Corporate interests	Other interests	Total interests
Wong Tek Sun, Takson	4,018,000	9,000,000	237,600,000 (Note 1)	—	250,618,000
Pang Shu Yuk, Adeline Rita	9,000,000	4,018,000	237,600,000 (Note 1)	—	250,618,000

Note:

- (1) The references to 237,600,000 shares relate to the same block of shares in the Company. Such shares are held by Takson International Holdings Limited, the entire issued share capital of which is held by Wangkin Investments Inc. ("WII") as trustee of the Wangkin Investments Unit Trust (the "Unit Trust"). All issued and outstanding units in the Unit Trust are beneficially held by Guardian Trustee Limited as trustee of the Wang & Kin Family Trust (the "Family Trust"). The discretionary beneficiaries of the Family Trust are, inter alia, Ms Pang Shu Yuk, Adeline Rita, Mr Wong Chi Wang, Calvin, and Mr Wong Chi Kin, Christopher, being the spouse and the children of Mr Wong Tek Sun, Takson respectively.

Mr Wong Tek Sun, Takson, owns 50% of the issued share capital of WII and his children as, inter alia, discretionary beneficiaries of the Family Trust have interests in the share capital of the Company. Accordingly, he is taken to be interested in the 237,600,000 shares in the Company under the SFO.

Ms Pang Shu Yuk, Adeline Rita, owns 50% of the issued share capital of WII and she and her children as, inter alia, discretionary beneficiaries of the Family Trust have interests in the share capital of the Company. Accordingly, she is taken to be interested in the 237,600,000 shares in the Company under the SFO.

Save as disclosed above, as at 30th September, 2003, none of the directors and chief executives (including their spouse and children under 18 years of age) had any other interests or short positions in the shares, or underlying shares in, or

debentures of, the Company or of any of its associated corporations (within the meaning of the SFO) which had been entered in the register kept by the Company pursuant to Section 352 of the SFO.

SUBSTANTIAL SHAREHOLDERS

The register of substantial shareholders maintained under Section 336 of the SFO showed that as at 30th September, 2003, the Company had been notified of the following substantial shareholders' interests and short positions, being 5% or more of the Company's issued share capital.

Name of substantial shareholders	Number of ordinary shares held
Wangkin Investments Inc. (<i>Note</i>)	237,600,000
Takson International Holdings Limited (<i>Note</i>)	237,600,000

Note: Takson International Holdings Limited is a wholly-owned subsidiary of Wangkin Investments Inc. Therefore, all of these shares are entirely duplicated.

Save as disclosed herein, as at 30th September, 2003, no other person is recorded in the register of substantial shareholders maintained under Section 336 of the SFO as having an interest or short position in 5% or more of the issued share capital of the Company.

CODE OF BEST PRACTICE

None of the directors of the Company is aware of any information which would indicate that the Company is not, or was not, in compliance with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited throughout the six months ended 30th September, 2003, except that the independent non-executive directors of the Company are not appointed for specific terms but are subject to retirement by rotation and re-election at the Annual General Meeting in accordance with the Company's Bye-laws.

AUDIT COMMITTEE

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

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

		Unaudited	
		Six months ended	
		30th September	
		2003	2002
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	2	147,620	231,906
Cost of sales		(129,593)	(199,416)
Gross profit		18,027	32,490
Other revenues		2,221	1,149
Distribution costs		(3,136)	(3,412)
Administrative expenses		(16,184)	(19,687)
Operating profit	2, 3	928	10,540
Finance costs		(735)	(1,279)
Profit before taxation		193	9,261
Taxation credit	5	421	—
Profit after taxation		614	9,261
Minority interests		173	132
Profit attributable to shareholders		787	9,393
Basic earnings per share	7	0.20 cents	2.41 cents

CONDENSED CONSOLIDATED BALANCE SHEET

		Unaudited 30th September, 2003 <i>HK\$'000</i>	Audited 31st March, 2003 <i>HK\$'000</i>
	<i>Notes</i>		
Non-current assets			
Intangible assets	8	578	665
Fixed assets	9	35,318	36,010
Deferred tax assets	14	1,162	—
		37,058	36,675
		37,058	36,675
Current assets			
Inventories		20,608	6,566
Trade receivables	10	83,458	1,609
Other receivables and prepayments		10,136	10,428
Pledged time deposits	15(a)	2,043	2,035
Cash and bank balances		67,310	33,140
		183,555	53,778
		183,555	53,778
Current liabilities			
Trade payables	11	12,490	1,821
Accrued charges		57,967	4,757
Trust receipt and other bank loans	15	68,356	—
Current portion of long-term liabilities	13	12,101	11,469
Taxation payable		96	89
		151,010	18,136
		151,010	18,136
Net current assets		32,545	35,642
Total assets less current liabilities		69,603	72,317
Financed by:			
Share capital	12	38,950	38,950
Reserves		27,405	26,623
Shareholders' funds		66,355	65,573
Minority interests		1,059	1,231
Long-term liabilities	13	1,501	5,513
Deferred tax liabilities	14	688	—
		69,603	72,317

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Unaudited					Total HK\$'000
	For the six months ended 30th September, 2003					
	Share capital HK\$'000	Share premium HK\$'000	Exchange fluctuation reserve HK\$'000	Reserve on consolidation HK\$'000	Accumulated losses HK\$'000	
At 1st April, 2003	38,950	42,032	5	2,214	(17,628)	65,573
Exchange difference arising on translation of accounts of overseas subsidiaries	—	—	(5)	—	—	(5)
Profit attributable to shareholders	—	—	—	—	787	787
At 30th September, 2003	<u>38,950</u>	<u>42,032</u>	<u>—</u>	<u>2,214</u>	<u>(16,841)</u>	<u>66,355</u>

	Unaudited					Total HK\$'000
	For the six months ended 30th September, 2002					
	Share capital HK\$'000	Share premium HK\$'000	Exchange fluctuation reserve HK\$'000	Reserve on consolidation HK\$'000	Accumulated losses HK\$'000	
At 1st April, 2002	38,950	42,032	33	3,214	(19,290)	64,939
Profit attributable to shareholders	—	—	—	—	9,393	9,393
At 30th September, 2002	<u>38,950</u>	<u>42,032</u>	<u>33</u>	<u>3,214</u>	<u>(9,897)</u>	<u>74,332</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Unaudited	
	Six months ended	
	30th September	
	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash (outflow)/inflow generated from operating activities	(30,592)	75
Net cash used in investing activities	(207)	(977)
Net cash inflow from financing activities	43,032	22,559
Net increase in pledged time deposits	(8)	(6,006)
	<hr/>	<hr/>
Increase in cash and cash equivalents	12,225	15,651
Cash and cash equivalents at 1st April	33,140	22,075
	<hr/>	<hr/>
Cash and cash equivalents at 30th September	<u>45,365</u>	<u>37,726</u>
Analysis of the balances of cash and cash equivalents		
Cash and bank balances	67,310	38,311
Trust receipt and other bank loans	(68,356)	(31,044)
Bank loans — secured	(11,756)	(17,699)
Less: Trust receipt and other bank loans repayable more than three months from the date of advance	58,167	48,158
	<hr/>	<hr/>
	<u>45,365</u>	<u>37,726</u>

NOTES TO THE CONDENSED INTERIM ACCOUNTS

1. BASIS OF PREPARATION

These unaudited consolidated condensed interim 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”). The accounting policies and methods of computation used in the preparation of these condensed interim accounts are consistent with those used in the annual accounts for the year ended 31st March, 2003 except that the Group has changed its accounting policy in respect of the accounting treatment for the recognition of deferred taxation following its adoption of revised SSAP 12 “Income Taxes” issued by the HKSA which is effective for accounting periods commencing on or after 1st January, 2003.

The effect of adopting this revised policy is 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.

Deferred taxation is provided on temporary differences arising on investments in subsidiaries except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

In 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. The adoption of the revised SSAP12 has no material impact on the Group’s prior year accounts and is not expected to have material effect on the Group’s accounts for the year ending 31st March, 2004.

2. TURNOVER AND SEGMENT INFORMATION

The Group is principally engaged in the sourcing, subcontracting, marketing and selling of outerwear garments. Revenues recognised during the period are as follows:

By business segment:

	Six months ended 30th September, 2003 <i>HK\$'000</i>			
	Sales of outerwear garments	Licensee business	Other operations (Note)	Total
Turnover	<u>146,817</u>	<u>803</u>	<u>—</u>	<u>147,620</u>
Segment operating (loss)/profit	<u>602</u>	<u>(1,369)</u>	<u>247</u>	<u>(520)</u>
Interest income				<u>1,448</u>
Operating profit				<u>928</u>
Finance costs				<u>(735)</u>
Profit before taxation				<u>193</u>
Taxation credit				<u>421</u>
Profit after taxation				<u>614</u>
Minority interests				<u>173</u>
Profit attributable to shareholders				<u>787</u>
	Six months ended 30th September, 2002 <i>HK\$'000</i>			
	Sales of outerwear garments	Licensee business	Other operations (Note)	Total
Turnover	<u>231,906</u>	<u>—</u>	<u>—</u>	<u>231,906</u>
Segment operating profit	<u>9,911</u>	<u>—</u>	<u>516</u>	<u>10,427</u>
Interest income				<u>143</u>
Unallocated costs				<u>(30)</u>
Operating profit				<u>10,540</u>
Finance costs				<u>(1,279)</u>
Profit before taxation				<u>9,261</u>
Taxation				<u>—</u>
Profit after taxation				<u>9,261</u>
Minority interests				<u>132</u>
Profit attributable to shareholders				<u>9,393</u>

There are no sales or other transactions between the business segments. Unallocated costs represent corporate expenses.

Note:

Other operations mainly represent the operating activities of the renting of investment properties.

By geographical segment:

	Turnover		Segment operating profit	
	Six months ended 30th September		Six months ended 30th September	
	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
United States of America	109,173	197,284	176	8,558
Europe	20,422	18,173	390	1,135
Canada	14,821	14,011	340	1,019
PRC	794	—	(1,136)	—
Others	2,410	2,438	(290)	(285)
	<u>147,620</u>	<u>231,906</u>	<u>(520)</u>	<u>10,427</u>
Interest income			1,448	143
Unallocated costs			—	(30)
Operating profit			<u>928</u>	<u>10,540</u>

There are no sales between the geographical segments.

3. OPERATING PROFIT

Operating profit is stated after crediting and charging the following:

	Six months ended 30th September	
	2003	2002
	HK\$'000	HK\$'000
Crediting		
Income from sample sales	35	63
Interest income	1,448	143
Rental income	738	943
	<u>782</u>	<u>1,149</u>
Charging		
Amortisation of trademarks	83	83
Depreciation		
Owned fixed assets	782	809
Leased fixed assets	117	99
Staff costs, including directors' emoluments (<i>note 4</i>)	9,860	10,727
Provision for bad and doubtful debts	—	1,271
Unrealised losses on trading securities	—	915
	<u>10,759</u>	<u>13,824</u>

4. STAFF COSTS

	Six months ended 30th September	
	2003	2002
	HK\$'000	HK\$'000
Wages and salaries	5,207	6,434
Retirement benefit costs	253	155
	<hr/>	<hr/>
Total staff costs, excluding directors' emoluments	5,460	6,589
	<hr/> <hr/>	<hr/> <hr/>

5. TAXATION CREDIT

The amount of taxation (charged)/credited to the condensed consolidated profit and loss account represents:

	Six months ended 30th September	
	2003	2002
	HK\$'000	HK\$'000
Current taxation		
Hong Kong profits tax	(15)	—
Overseas taxation	(38)	—
	<hr/>	<hr/>
	(53)	—
Deferred taxation relating to the origination and reversal of temporary differences (<i>note 14</i>)	474	—
	<hr/>	<hr/>
	421	—
	<hr/> <hr/>	<hr/> <hr/>

- (a) Hong Kong profits tax has been provided at the rate of 17.5% on the estimated assessable profit for the year.
- (b) Overseas taxation represents income taxes provided by certain subsidiaries, calculated at the tax rates prevailing in the countries in which the subsidiaries operate.

6. INTERIM DIVIDEND

The directors do not recommend the payment of an interim dividend for the six months ended 30th September, 2003 (2002: HK\$Nil).

7. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the Group's profit attributable to shareholders of HK\$787,000 (2002: HK\$9,393,000) for the period and on the total number of 389,500,000 (2002: 389,500,000) ordinary shares in issue during the period.

No information in respect of diluted earnings per share is presented for the six months ended 30th September, 2003 and 2002 as there is no dilutive potential ordinary share for these periods.

8. INTANGIBLE ASSETS

	Trademarks <i>HK\$'000</i>
Net book value at 1st April, 2003	665
Exchange difference	(4)
Amortisation charge	(83)
	<hr/>
Net book value at 30th September, 2003	<u>578</u>

9. CAPITAL EXPENDITURE

	Fixed assets <i>HK\$'000</i>
Net book value at 1st April, 2003	36,010
Additions	207
Depreciation charge	(899)
	<hr/>
Net book value at 30th September, 2003	<u>35,318</u>

10. TRADE RECEIVABLES

(a) At 30th September, 2003, the ageing analysis of trade receivables was as follows:

	30th September, 2003 <i>HK\$'000</i>	31st March, 2003 <i>HK\$'000</i>
Current	72,442	654
1 to 3 months	10,887	574
4 to 6 months	22	352
7 to 9 months	66	10
10 to 12 months	11	1
Over 1 year	100	117
	<hr/>	<hr/>
	83,528	1,708
Less: Provision for bad and doubtful debts	(70)	(99)
	<hr/>	<hr/>
	83,458	1,609

The majority of the Group's sales are on letter of credit. The remaining sales which were not covered by letter of credit are with credit terms of 30 days.

- (b) As at 30th September, 2003, trade receivables included amounts totalling HK\$6,463,000 (31st March, 2003: HK\$992,000) which were factored to a bank in the ordinary course of business and the recourse element of the proceeds is recorded as trust receipt and other bank loans under current liabilities.

11. TRADE PAYABLES

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

	30th September, 2003	31st March, 2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current	6,419	377
1 to 3 months	5,038	53
4 to 6 months	337	317
7 to 9 months	1	124
10 to 12 months	312	504
Over 1 year	383	446
	<u>12,490</u>	<u>1,821</u>

12. SHARE CAPITAL

	Ordinary shares of HK\$0.1 each	
	No. of shares	HK\$'000
Authorised:		
At 31st March, 2002, 31st March, 2003 and 30th September, 2003	<u>1,000,000,000</u>	<u>100,000</u>
Issued and fully paid:		
At 31st March, 2002, 31st March, 2003 and 30th September, 2003	<u>389,500,000</u>	<u>38,950</u>

13. LONG-TERM LIABILITIES

	30th September, 2003	31st March, 2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank loans — secured (note 13(a) and note 15)	11,756	14,963
Obligations under finance leases (note 13(a))	1,200	1,373
Post retirement obligations	646	646
	13,602	16,982
Less: Current portion of long-term liabilities	(12,101)	(11,469)
	1,501	5,513

- (a) At 30th September, 2003 and 31st March, 2003, the Group's bank loans and obligations under finance leases are repayable as follows:

	Secured bank loans		Obligations under finance lease	
	30th September, 2003	31st March, 2003	30th September, 2003	31st March, 2003
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year (note 13(b))	11,756	11,124	345	345
In the second year	—	3,839	855	349
In the third to fifth year inclusive	—	—	—	679
	11,756	14,963	1,200	1,373

- (b) The bank loan balance of HK\$8,458,250 was repaid and refinanced on 30th October, 2003 by a revolving short-term loan of HK\$5,000,000 and a fixed loan of HK\$5,000,000 which is repayable over a period of 36 months from November, 2003.

14. DEFERRED TAXATION

Deferred taxation is calculated in full on temporary differences under the liability method using a principal taxation rate of 17.5% (31st March, 2003: 17.5%).

The movements on the deferred tax liabilities and assets are as follows:

	30th September, 2003	31st March, 2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Deferred tax liabilities		
At the beginning of the period/year	—	—
Deferred taxation charged to the profit and loss account	688	—
At the end of the period/year	688	—

	30th September, 2003 HK\$'000	31st March, 2003 HK\$'000
Deferred tax assets		
At the beginning of the period/year	—	—
Deferred taxation credited to the profit and loss account	<u>(1,162)</u>	<u>—</u>
At the end of the period/year	<u><u>(1,162)</u></u>	<u><u>—</u></u>

Deferred income tax assets are recognised for tax losses carry forwards to the extent that realisation of the related tax benefit through the future taxable profits is probable. The Group has unrecognised tax losses of HK\$40,478,000 (31st March, 2003: HK\$38,047,000) attributable to certain subsidiaries to carry forward against future taxable income and these tax losses have no expiry date.

Deferred income tax liabilities of HK\$367,000 (31st March, 2003: HK\$329,000) have not been established for the withholding taxation that would be payable on the unremitted earnings of certain subsidiaries, as such amounts are permanently reinvested; such unremitted earnings totalled HK\$1,223,000 at 30th September, 2003 (31st March, 2003: HK\$1,097,000).

15. BANKING FACILITIES

As at 30th September, 2003, the Group's banking facilities amounting to HK\$238,129,000 (31st March, 2003: HK\$192,074,000) were secured by the following:

- (a) bank deposits of the Group amounting to HK\$2,043,000 (31st March, 2003: HK\$2,035,000);
- (b) first legal charge over certain leasehold land and buildings in Hong Kong held by a subsidiary with an aggregate carrying value of approximately HK\$26,174,000 (31st March, 2003: HK\$26,343,000); and
- (c) corporate guarantees from the Company and certain of its subsidiaries.

16. CONTINGENT LIABILITIES

At 30th September, 2003, bills of exchange discounted with various banks with recourse amounted to approximately HK\$18,233,000 (31st March, 2003: HK\$Nil) for the Group.

17. COMMITMENTS

(a) Capital commitments

As at 30th September, 2003, the Group had authorised capital commitment in respect of an investment in a joint venture in the PRC of HK\$1,413,000 (31st March, 2003: HK\$Nil).

(b) Commitments under operating leases

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

	30th September, 2003		31st March, 2003	
	Land and buildings HK\$'000	Others HK\$'000	Land and buildings HK\$'000	Others HK\$'000
Not later than one year	2,296	—	2,177	14
Later than one year and not later than five years	381	—	1,086	—
	<u>2,677</u>	<u>—</u>	<u>3,263</u>	<u>14</u>

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

	30th September, 2003	31st March, 2003
	HK\$'000	HK\$'000
Not later than one year	948	1,296
Later than one year and not later than five years	—	390
	<u>948</u>	<u>1,686</u>

18. SUBSEQUENT EVENTS

On 15th October, 2003, a subsidiary of the Group entered into purchase contracts to acquire from an independent property developer certain office units in Shanghai, which are currently under construction, for an aggregate consideration of US\$1,885,332 (equivalent to approximately HK\$14,700,000). The Group intends to move its current leased office in Shanghai to the newly acquired properties. 35% of the total consideration was fully paid by internal funding on 15th October, 2003 as deposits. The remaining balance of 65% will be paid on or before 15th April, 2004 by bank mortgage loans. The completed vacant properties are expected to be delivered to the subsidiary on or before 30th July, 2004.

Save as disclosed above, there are no other subsequent events.

19. ULTIMATE HOLDING COMPANY

The directors regard Wangkin Investments Inc., a company incorporated in the British Virgin Islands, as being the ultimate holding company.

By Order of the Board
Wong Tek Sun, Takson
Chairman

Hong Kong, 27th November, 2003