

WORKING CAPITAL MANAGEMENT AND DIVIDEND POLICY

As at 30 September 2003, the Group maintained bank and cash balances of HK\$307 million (31 March 2003: HK\$293 million) and working capital utilisation continued to be efficient. The Group's average inventory turnover decreased to 44 days during the period (2002: 53 days) and its average trade receivables turnover remained low at only 26 days (2002: 19 days).

The strong liquidity in inventories and trade receivables together with the Group's rich cash surplus enabled the Board of Directors to declare an interim dividend of about 46% of the net profits for the period while maintaining an optimal capital structure on one hand and maximizing the overall return for the shareholders on the other.

The Board of Directors considers that the policy of maintaining a dividend payout ratio of not more than 50% is appropriate. Whilst providing rewards to the investors for their on-going support, the cash available after dividend payments must be sufficient to match the Group's future funding requirements.

FINANCING AND CAPITAL STRUCTURE

With its strong financial management and the low interest rates driven by the downturn in the US market, the Group continued to benefit from a low level of finance costs of HK\$2.1 million for the period (30 September 2002: HK\$3.4 million).

The Group managed a low level of debt balance as evidenced by the decrease in the gearing ratio to 0.19 (31 March 2003: 0.20), which was calculated based on the total interest bearing borrowings to the shareholders' equity, and total debts stood at HK\$200 million as at 30 September 2003.

The Group's borrowings are primarily denominated in Hong Kong dollars and the Group has no significant exposure to foreign exchange fluctuations.

LIQUIDITY AND FINANCIAL RESOURCES

The net current assets of the Group as at 30 September 2003 stood at a level of HK\$249 million (31 March 2003: HK\$331 million) and the current ratio decreased to 1.3 (31 March 2003: 1.7). It is mainly attributed to the capital expenditure for the period, amounting to HK\$93 million and part of them was yet to pay at 30 September 2003. During the period, an amount of HK\$30 million, being part of the HK\$210 million syndicated

營運資金管理及股息政策

於二零零三年九月三十日，本集團之銀行及現金結存維持307,000,000港元(二零零三年三月三十一日：293,000,000港元)及繼續有效地善用營運資金。本集團於本期間之存貨流轉期減至44日(二零零二年：53日)及貿易應收賬款流轉期維持於26日之低水平(二零零二年：19日)。

本集團於存貨及貿易應收賬款方面擁有穩健之流通能力，再加上充裕之現金盈餘，令董事會得以宣派合共佔本期間純利約46%之中期股息，此舉一方面能維持理想之資本架構，另一方面亦可給予各股東最大之回報。

董事會認為，派付不超過純利50%之股息政策乃切合時宜，既可回饋投資者對集團不斷支持，且於派付股息後所持有之現金水平須足以應付本集團未來之資金需求。

融資及資本架構

本期間，憑藉嚴謹之現金管理，加上美國市場低迷引致息率下調，本集團之融資成本仍維持2,100,000港元之低水平(二零零二年九月三十日：3,400,000港元)。

於二零零三年九月三十日，本集團之資產負債比率下降至0.19(二零零三年三月三十一日：0.20)(按計息借貸總額除以股東權益計算)，引證本集團致力保持低水平之債務結餘，而總債務仍維持於200,000,000港元。

由於本集團之借貸主要以港元定值，因此毋須承擔重大外匯波動之風險。

流動資金及財政資源

於二零零三年九月三十日，本集團之流動資產淨額維持249,000,000港元(二零零三年三月三十一日：331,000,000港元)，而流動比率則下跌至1.3(二零零三年三月三十一日：1.7)，主要由於期內資本開支為93,000,000港元，而於二零零三年九月三十日有部份款項尚未支付。期間，本集團於一筆為數210,000,000港元之銀團貸款中提取30,000,000港

loan, was drawn down by the Group, making up a total drawdown of HK\$150 million. Subsequent to 30 September 2003, the further drawdown of the syndicated loan improved the Group's liquidity again. Shareholders' funds was maintained at HK\$1,029 million as at 30 September 2003.

This robust financial position is mainly attributed to the Group's strong earning capability as well as its effective financial management.

EXCHANGE EXPOSURE

The majority of the Group's sales and purchases are denominated in US Dollars. As HK Dollars and US Dollars are hedged and on this basis, the Group's exposure to foreign exchange is adequately managed.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 September 2003, the directors and chief executive of the Company and their associates had the following interests and short positions in the shares, underlying shares and debentures of the Company and its associated corporations (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 otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code"):

元，總提取金額為150,000,000港元。於二零零三年九月三十日後，本集團再次提取銀團貸款以改善本集團之流動資金情況。於二零零三年九月三十日，股東資金維持於1,029,000,000港元之水平。

本集團擁有穩健之財務狀況，全賴本集團強勁之盈利能力及有效之財務管理。

匯兌風險

本集團之銷售及採購大部份以美元結算。由於港元與美元掛鈎，因此本集團之匯兌風險得以適當控制。

董事及行政總裁於股份、相關股份及債券之權益及淡倉

於二零零三年九月三十日，本公司之董事及行政總裁及彼等之聯繫人士擁有於本公司或其聯營公司（於證券及期貨條例（「證券及期貨條例」第XV部所賦予之涵義）之股份、相關股份及債券中須根據證券及期貨條例第352條所存置之登記冊所記載，或根據上市規則上市公司董事進行證券交易的標準守則（「標準守則」）知會本公司及聯交所之權益及淡倉如下：

Name of Directors 董事姓名	Notes 附註	Capacity/ Nature of interest 身份／權益性質	Number of shares held 所持股份數目		Percentage of holding 持股百分比
			Long position 好倉	Short position 淡倉	
Mr. Lam Man Chan 林文燦先生	1	family interest 家族權益	277,923,176	–	35.06%
Ms. Ting Lai Ling 丁麗玲女士	1	family interest 家族權益	277,923,176	–	35.06%
Ms. Ting Lai Wah 丁麗華女士	1	corporate interest 公司權益	277,923,176	–	35.06%
Mr. Hui King Chun 許經振先生	2	family interest 家族權益	40,640,000	–	5.13%
Mr. Yeung Cheuk Kwong 楊卓光先生	3	personal interest 個人權益	5,000,000	–	0.63%

Notes:

- (1) The 277,923,176 shares of the Company are held by and registered in the name of Goodchamp Holdings Limited, which is 100% owned by Sinowin Inc. as trustee of The Sinowin Unit Trust. The Sinowin Unit Trust is a unit trust owned by Banque Paribas International Trustee Limited as trustee of a discretionary trust. The family members of Mr. Lam Man Chan and Ms. Ting Lai Ling, both directors of the Company, are the discretionary objects of the discretionary trust. Ms. Ting Lai Wah, a director of the Company, is the sole shareholder of Sinowin Inc.
- (2) The 40,640,000 shares of the Company are held by and registered in the name of Grandlink Holdings Limited, which is 100% owned by Basab Inc. as trustee of The Basab Unit Trust. The Basab Unit Trust is a unit trust owned by Guardian Trustee Limited as trustee of a discretionary trust. The family members of Mr. Hui King Chun, a director of the Company, are the beneficiaries of the discretionary trust.
- (3) This interest relates to options granted on 10 July 2003 by the Company to Mr. Yeung Cheuk Kwong. This interest is also referred to in the section headed "Directors' Right to Acquire Shares" below. The share options are exercisable at a subscription price of HK\$2.475 for each share during the period from 2 August 2003 to 28 February 2008. The percentage of holding is calculated on the basis (i) that the options are fully exercised; and (ii) the number of issued share capital of the Company when the options are exercised is the same as that as at 30 September 2003.

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

DIRECTORS' RIGHT TO ACQUIRE SHARES

As at 30 September 2003, the directors and chief executive of the Company have the following options to subscribe for the shares of the Company under the Company's share option scheme approved and adopted on 23 August 2002 (the "Scheme"):

Director	Outstanding options as at 30 September 2003 於二零零三年九月三十日尚未行使之購股權數目	Date of grant	Exercise period	Exercise price
董事		授出日期	行使期限	行使價 HK\$ 港元
Mr. Yeung Cheuk Kwong 楊卓光先生	5,000,000	10 July 2003 二零零三年七月十日	2 August 2003 to 28 February 2008 二零零三年八月二日至 二零零八年二月二十八日	2.475

附註：

- (1) 本公司之277,923,176股股份乃以 Goodchamp Holdings Limited之名義持有及登記，而該公司乃由 Sinowin Inc. (作為 The Sinowin Unit Trust 之信託人) 擁有100%權益。The Sinowin Unit Trust 乃一項由 Banque Paribas International Trustee Limited (作為一項全權信託之信託人) 擁有之單位信託。本公司董事林文燦先生及丁麗玲女士之家族成員為該全權信託之全權受益人。本公司董事丁麗華女士為 Sinowin Inc.之唯一股東。
- (2) 本公司之40,640,000股股份乃以 Grandlink Holdings Limited之名義持有及登記，而該公司乃由 Basab Inc. (作為 The Basab Unit Trust 之信託人) 擁有100%權益。The Basab Unit Trust 乃一項由 Guardian Trustee Limited 作為一項全權信託之信託人) 擁有之單位信託。本公司董事許經振先生之家族成員為該全權信託之受益人。
- (3) 該等權益乃關於本公司於二零零三年七月十日授予楊卓光先生之購股權。該等權益亦已於下文「董事於收購股份之權益」一節披露。該等購股權可自二零零三年八月二日起至二零零八年二月二十八日止期間內按每股股份2.475 港元之認購價予以行使。持股百分比乃根據(i)購股權已獲全面行使；及(ii)購股權行使時所涉及之本公司已發行股本數目與於二零零三年九月三十日所擁有者相同為基準計算。

除上述者外，本公司若干董事於若干附屬公司以非實益個人股本權益形式持有股份，純粹為符合公司股東最低數目之規定。

董事於收購股份之權益

於二零零三年九月三十日，本公司董事及行政總裁根據本公司於二零零二年八月二十三日獲批准及採納之購股權計劃(「該計劃」)所持有可認購本公司股份之購股權如下：