

DAH HWA

INTERNATIONAL (HOLDINGS) LIMITED (Incorporated in the Cayman Islands with limited liability)

大華國際(集團)有限公司

(於開曼群島註冊成立之有限公司)

INTERIM REPORT 2003

HELP

SARS

FRONTLINE WORKERS

difference. We urge readers and showing your appreciation and s

You can m  
the differ  
Do your b

ales Hospital

CARE & APPRECIATION  
THANKS TO THEM  
HEROES OF TODAY

ong-Kong Health-care  
than heroes as  
says a doctor

Let's give our supp  
to the health worker  
let them know that th  
not alone.

HERE'S HOW YOU CAN HELP  
DEPOSIT YOUR DONATION TO  
OUNT NO. : 007-588366-12

MORE THAN  
300 HAVE

**INTERIM RESULTS**

*For the six months ended 30 September 2003*

The board of Directors (the “Board”) of Dah Hwa International (Holdings) Limited (the “Company”) announces the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 September 2003, together with comparative figures for the corresponding period in 2002.

This interim financial report has not been audited, but has been reviewed by the Company’s audit committee.

**CONDENSED CONSOLIDATED INCOME STATEMENT**

*For the six months ended 30 September 2003*

	Note	Unaudited	
		Six months ended 30 September	
		2003	2002
		HK\$	HK\$
<b>Turnover</b>	2	104,929,208	76,283,373
Cost of sales		<u>(87,046,195)</u>	<u>(61,309,610)</u>
Gross profit		17,883,013	14,973,763
Other revenue		9,224,144	1,197,656
Distribution costs		(3,896,700)	(3,429,164)
Administrative expenses		<u>(16,132,987)</u>	<u>(18,957,629)</u>
<b>Profit (Loss) from operations</b>		7,077,470	(6,215,374)
Loss on disposal of discontinuing operation	4	(3,090,903)	–
Finance costs	5	<u>(700,535)</u>	<u>(1,405,022)</u>
<b>Profit (Loss) before taxation</b>	5	3,286,032	(7,620,396)
Taxation	6	<u>–</u>	<u>–</u>
<b>Net profit (loss) attributable to shareholders</b>		<u><u>3,286,032</u></u>	<u><u>(7,620,396)</u></u>
<b>Basic earnings (loss) per share</b>	7	<u><u>0.43 cents</u></u>	<u><u>(1.01) cents</u></u>

**CONDENSED CONSOLIDATED BALANCE SHEET**

As at 30 September 2003

	Note	Unaudited 30 September 2003 HK\$	Audited 31 March 2003 HK\$
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Investment property		3,400,000	3,400,000
Property, plant and equipment		43,467,438	45,619,418
		<u>46,867,438</u>	<u>49,019,418</u>
<b>Current assets</b>			
Inventories		16,304,426	24,264,872
Trade and other receivables	9	28,188,713	12,336,905
Short-term investment		-	36,100,000
Taxation recoverable		-	2,647
Bank balances and cash		39,583,865	6,109,732
		<u>84,077,004</u>	<u>78,814,156</u>
<b>Current liabilities</b>			
Bank overdrafts, secured		-	8,327,352
Bills payable		23,208,699	6,058,024
Trade and other payables	10	18,518,101	11,556,121
Current portion of interest-bearing borrowings		2,018,113	22,077,590
		<u>43,744,913</u>	<u>48,019,087</u>
<b>Net current assets</b>		<u>40,332,091</u>	<u>30,795,069</u>
<b>Total assets less current liabilities</b>		<u>87,199,529</u>	<u>79,814,487</u>
<b>Non-current liabilities</b>			
Long-term interest-bearing borrowings		11,451,427	12,132,303
Provision for long service payments		2,310,000	2,310,000
		<u>13,761,427</u>	<u>14,442,303</u>
<b>Minority interests</b>		<u>349,290</u>	<u>349,290</u>
<b>NET ASSETS</b>		<u><u>73,088,812</u></u>	<u><u>65,022,894</u></u>
<b>CAPITAL AND RESERVES</b>			
Issued capital	11	37,834,285	37,834,285
Reserves		35,254,527	27,188,609
		<u>73,088,812</u>	<u>65,022,894</u>

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY***For the six months ended 30 September 2003*

	Issued capital HK\$	Share premium HK\$	Capital redemption reserve HK\$	Goodwill reserve HK\$	Investment property revaluation reserve HK\$	Translation reserve HK\$	Accumulated losses HK\$	Total HK\$
At 1 April 2003 (audited)	37,834,285	136,936,240	68,600	2,145,921	1,349,561	(3,989,797)	(109,321,916)	65,022,894
Exchange translation difference	-	-	-	-	-	122,168	-	122,168
Disposal of subsidiaries	-	-	-	1,012,705	-	3,645,013	-	4,657,718
Net profit for the period	-	-	-	-	-	-	3,286,032	3,286,032
At 30 September 2003 (unaudited)	<u>37,834,285</u>	<u>136,936,240</u>	<u>68,600</u>	<u>3,158,626</u>	<u>1,349,561</u>	<u>(222,616)</u>	<u>(106,035,884)</u>	<u>73,088,812</u>
At 1 April 2002 (audited)	37,834,285	136,936,240	68,600	2,145,921	1,499,561	(4,502,283)	(93,320,768)	80,661,556
Exchange translation difference	-	-	-	-	-	33,817	-	33,817
Net loss for the period	-	-	-	-	-	-	(7,620,396)	(7,620,396)
At 30 September 2002 (unaudited)	<u>37,834,285</u>	<u>136,936,240</u>	<u>68,600</u>	<u>2,145,921</u>	<u>1,499,561</u>	<u>(4,468,466)</u>	<u>(100,941,164)</u>	<u>73,074,977</u>

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT**

*For the six months ended 30 September 2003*

	<b>Unaudited</b>	
	<b>Six months ended 30 September</b>	
	<b>2003</b>	<b>2002</b>
	<b>HK\$</b>	<b>HK\$</b>
Net cash generated from (used in) operating activities	23,519,401	(6,684,056)
Net cash generated from investing activities	19,531,643	24,671,526
Net cash used in financing activities	(1,371,727)	(2,475,135)
Net increase in cash and cash equivalents	41,679,317	15,512,335
Cash and cash equivalents at beginning of the period	(2,217,620)	17,124,486
Effect of foreign exchange rate changes	122,168	12,605
Cash and cash equivalents at end of the period	<u><u>39,583,865</u></u>	<u><u>32,649,426</u></u>
<b>Analysis of the balances of cash and cash equivalents</b>		
Bank balances and cash	39,583,865	42,444,780
Bank overdrafts, secured	-	(9,795,354)
	<u><u>39,583,865</u></u>	<u><u>32,649,426</u></u>

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**

*For the six months ended 30 September 2003*

**1. BASIS OF PREPARATION AND ACCOUNTING POLICIES**

These unaudited condensed interim financial statements have been prepared in accordance with Hong Kong Statement of Standard Accounting Practice ("SSAP") 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants.

The condensed interim financial statements have been prepared under the historical cost as modified for the revaluation of investment properties.

The accounting policies adopted are consistent with those followed in the Group's annual financial statements for the year ended 31 March 2003, except that the Group has adopted the revised SSAP 12 "Income Taxes" which is effective for accounting period commencing on or after 1 April 2003. The change to the Group's accounting policies and the effect of adopting this revised standard is set out below:

In prior year, partial provision was made for deferred tax using the income statement liability method. A liability was recognized in respect of timing differences arising, except where those timing differences were not expected to reverse in the foreseeable future. The revised SSAP 12 requires the adoption of a balance sheet liability method, whereby deferred tax is recognized in respect of all 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 recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred taxation is provided on temporary differences arising on investment in subsidiaries and associated companies 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.

The adoption of the revised SSAP 12 represents a change in accounting policy, which has been applied retrospectively. Since the adoption of this revised SSAP had no material impact on the Group's accounts in prior periods/years or current period, comparative figures have not been restated.

**2. TURNOVER**

Turnover represented sale of finished leather and leatherware products for the period.

3. SEGMENT INFORMATION

An analysis of the Group's revenue and segment results of business segments, which are its primary reporting format, is as follows:

**Business segments**

	For the six months ended 30 September 2003 (unaudited)						
	Leather trading HK\$	Leatherware distribution HK\$	Leatherware manufacturing HK\$	Leather finishing HK\$	Corporate HK\$	Elimination HK\$	Total HK\$
<b>Segment revenue</b>							
External customers	92,167,795	7,642,686	5,118,727	-	-	-	104,929,208
Inter-segments	281,782	-	1,222,843	216,153	-	(1,720,778)	-
	<u>92,449,577</u>	<u>7,642,686</u>	<u>6,341,570</u>	<u>216,153</u>	<u>-</u>	<u>(1,720,778)</u>	<u>104,929,208</u>
<b>Segment results</b>	<u>5,125,561</u>	<u>(1,604,589)</u>	<u>(2,526,371)</u>	<u>(686,983)</u>	<u>6,832,938</u>	<u>(63,084)</u>	<u>7,077,472</u>
Loss on disposal of discontinuing operation		(3,090,903)					(3,090,903)
Finance costs							(700,537)
Net profit attributable to shareholders							<u>3,286,032</u>

	For the six months ended 30 September 2002 (unaudited)						
	Leather trading HK\$	Leatherware distribution HK\$	Leatherware manufacturing HK\$	Leather finishing HK\$	Corporate HK\$	Elimination HK\$	Total HK\$
<b>Segment revenue</b>							
External customers	56,060,296	14,160,766	959,440	5,102,871	-	-	76,283,373
Inter-segments	118,459	-	3,205,864	655,424	-	(3,979,747)	-
	<u>56,178,755</u>	<u>14,160,766</u>	<u>4,165,304</u>	<u>5,758,295</u>	<u>-</u>	<u>(3,979,747)</u>	<u>76,283,373</u>
<b>Segment results</b>	<u>2,550,849</u>	<u>(2,108,303)</u>	<u>(1,739,460)</u>	<u>(1,770,430)</u>	<u>(2,974,789)</u>	<u>(173,241)</u>	<u>(6,215,374)</u>
Finance costs							(1,405,022)
Net loss attributable to shareholders							<u>(7,620,396)</u>

#### 4. LOSS ON DISPOSAL OF DISCONTINUING OPERATION

In July 2003, the Group entered into sales and purchase agreements to dispose of its investments in Australian subsidiaries, Paragold Distributors Pty Limited and (In)Case Pty Limited and a debt amounting to HK\$2,750,000, to a company which is 50% beneficially owned by Mr. Stephen William Callister, a director of the Group for a consideration of HK\$3.65 million. The disposal was completed and settled on 14 August 2003. The results of this operation had previously been reported in the leatherware distribution business segment and the Australia geographical segment.

The results of the discontinuing operation for the period from 1 April 2003 to 14 August 2003, which have been included in the financial statements, were as follows:

	(Unaudited)	
	1 April 2003 to 14 August 2003 HK\$	1 April 2002 to 30 September 2002 HK\$
Turnover	7,642,684	14,160,766
Cost of sales	(4,667,140)	(9,558,340)
Other operating expenses	(4,580,133)	(6,813,405)
Finance costs	(97,157)	(168,117)
	<hr/>	<hr/>
Loss before taxation	(1,701,746)	(2,379,096)
Taxation	-	-
	<hr/>	<hr/>
Loss after taxation	<b>(1,701,746)</b>	<b>(2,379,096)</b>

The assets and liabilities of discontinuing operation were as follows:

	Unaudited At 14 August 2003 HK\$	Audited At 31 March 2003 HK\$
Property, plant and equipment	784,514	871,011
Other assets	9,862,509	10,304,383
Goodwill	1,012,705	1,012,705
	<hr/>	<hr/>
Total assets	11,659,728	12,188,099
Total liabilities	(11,313,836)	(10,262,638)
Exchange difference	3,645,013	3,767,190
	<hr/>	<hr/>
Net assets	<b>3,990,905</b>	<b>5,692,651</b>

The cash flows contributed by the discontinuing operation business were not material for the current period and prior period.

The disposal of subsidiaries gave rise to a loss of HK\$3,090,903 and a net cash inflow of HK\$924,267.



5. PROFIT (LOSS) BEFORE TAXATION

(Unaudited)	
Six months ended 30 September	
2003	2002
HK\$	HK\$

This is stated after charging (crediting):

(a) Finance costs

Interest on bank loans, overdrafts and other borrowings wholly repayable within five years	700,535	1,077,170
Interest on other loans	-	316,992
Finance charges on obligations under finance leases	-	10,860
	<u>700,535</u>	<u>1,405,022</u>

(Unaudited)	
Six months ended 30 September	
2003	2002
HK\$	HK\$

(b) Other items

Depreciation of property, plant and equipment	1,843,578	1,983,241
Cost of inventories	87,046,195	61,309,610
Bad debt recovery on dividend receivable	(8,075,000)	-
	<u>1,820,553</u>	<u>2,044,151</u>

6. TAXATION

Hong Kong Profits Tax has not been provided as the companies comprising the Group have no assessable profit for the period or have available tax losses carried forward at 30 September 2003. No provision for People's Republic of China ("PRC") income tax and overseas profits tax has been made in the financial statements as the Group does not have any assessable profit in the PRC and other places in which the Group operates.

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

No provision for deferred taxation has been made in the accounts for the current period (2002: Nil) as the Group has net potential deferred tax asset at the balance sheet date. The deferred tax assets have not been recognized as it is not probable that sufficient taxable profit will be available to allow the related tax benefit to be utilized in the foreseeable future.

7. BASIC EARNINGS (LOSS) PER SHARE

The calculation of basic earnings (loss) per share for the period is based on the consolidated net profit (loss) attributable to shareholders of HK\$3,286,032 (2002: net loss HK\$7,620,396) and on the weighted average number of 756,685,700 (2002: 756,685,700) ordinary shares in issue during the period.

Diluted earnings (loss) per share is not presented as the Company has no dilutive potential shares as at 30 September 2003 (2002: Nil).

8. DIVIDENDS

The Board of Directors resolves that no dividend be paid for the six months ended 30 September 2003 (2002: Nil).

9. TRADE AND OTHER RECEIVABLES

The Group normally allows credit terms ranging from 30 to 60 days to its trade customers.

An analysis of the trade receivables, net of provision, as at the balance sheet date, based on the invoice date of the sale is as follows:

	<b>Unaudited 30 September 2003 HK\$</b>	<b>Audited 31 March 2003 HK\$</b>
Trade receivables		
Within 30 days	4,944,259	1,860,181
31 – 60 days	1,426,485	2,171,136
61 – 90 days	850,477	316,531
Over 90 days	3,356,713	6,106,219
	<hr/>	<hr/>
	10,577,934	10,454,067
Other receivables	17,610,779	1,882,838
	<hr/>	<hr/>
	<b>28,188,713</b>	<b>12,336,905</b>
	<hr/> <hr/>	<hr/> <hr/>

10. TRADE AND OTHER PAYABLES

The following is an aged analysis of trade payables at the balance sheet date:

	<b>Unaudited 30 September 2003 HK\$</b>	<b>Audited 31 March 2003 HK\$</b>
Trade payables		
Within 30 days	10,586,497	3,661,595
31 – 60 days	324,126	133,409
61 – 90 days	446,808	158,836
Over 90 days	168,641	-
	<hr/>	<hr/>
	11,526,072	3,953,840
Other payables	6,992,029	7,602,281
	<hr/>	<hr/>
	<b>18,518,101</b>	<b>11,556,121</b>
	<hr/> <hr/>	<hr/> <hr/>

11. ISSUED CAPITAL

	(Unaudited) At 30 September 2003		(Audited) At 31 March 2003	
	Number of shares	HK\$	Number of shares	HK\$
Authorised:				
Ordinary shares of HK\$0.05 each	<u>1,800,000,000</u>	<u>90,000,000</u>	<u>1,800,000,000</u>	<u>90,000,000</u>
			Number of ordinary shares of HK\$0.05 each	Nominal value HK\$
Issued and fully paid:				
At 1 April 2003 (audited) and 30 September 2003 (unaudited)			<u>756,685,700</u>	<u>37,834,285</u>

12. CONTINGENT LIABILITIES

At the balance sheet date, the Company had contingent liabilities not provided for in these financial statements in respect of guarantee of HK\$104,644,000 (31 March 2003: HK\$104,644,000) for banking facilities, which were utilised by subsidiaries to the extent of HK\$36,678,240 (31 March 2003: HK\$43,901,514).

13. PLEDGE OF ASSETS

At the balance sheet date, investment property and certain land and buildings of the Group with net book values of approximately HK\$3.4 million (31 March 2003: HK\$3.4 million) and HK\$20.7 million (31 March 2003: HK\$21.2 million) respectively were pledged to secure general banking facilities to the extent of approximately HK\$64.1 million (31 March 2003: HK\$65.2 million), of which approximately HK\$36.7 million (31 March 2003: HK\$43.9 million) were utilised.

14. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in these financial statements, during the period the Group had the following transaction with a related party:

- (i) Mr. Lee Sam Yuen, John, a director, had provided a personal guarantee of HK\$100 million (31 March 2003: HK\$100 million) to a bank to secure general banking facilities granted to a subsidiary, for which no charge is made.

15. POST BALANCE SHEET EVENT

In October 2003, 151,337,140 new shares of HK\$0.05 per shares were issued at HK\$0.05 each pursuant to a subscription agreement dated 7 October 2003 entered into between the Company and Cadison Company Limited. The shares issued represented 16.67% of the enlarged issued share capital of the Company.

## FINANCIAL RESULTS

For the six months ended 30 September 2003, the Group's turnover increased by approximately 37.5% to HK\$104.9 million as compared to corresponding period last year. The Group recorded a profit attributable to shareholders of approximately HK\$3.3 million for the same period as compared to a loss of approximately HK\$7.6 million for the corresponding period in 2002.

## BUSINESS REVIEW AND PROSPECTS

During the period under review, the leather trading business was affected by weak consumer sentiment due to the outbreak of Severe Acute Respiratory Syndrome ("SARS") in the first quarter. However, orders have been recovered after the crisis and this was reflected in the 64.4% increase in turnover as compared to the same period last year. Although consumer spending and global economy has been showing signs of recovery, market competition remains fierce; the leather industry is still undergoing consolidation as marginal firms are gradually ceasing to exist. The Group has been leveraging on the popularity of leather application as an important material for a wide range of products. The Group will continue to seize these business opportunities with the provision of quality procurement services for customers.

The leatherware manufacturing activities accounted for 4.9% (30 September 2002: 1.3%) of the Group's total turnover in the period under review. The Group will continue with its effort to develop new product mix and new market segment to strengthen competitiveness.

During the period, the leatherware distribution segment in Australia and a debt amounting to HK\$2.8 million were disposed of at a total consideration of HK\$3.7 million. This segment had incurred substantial losses in recent years. The management has therefore decided to reduce the operating loss by disposal. This transaction recorded a loss of approximately HK\$3.1 million to the Group. However, the Group still retains the distribution right of the Group's brands including CAB 55, (IN)CASE and Goldcrest in Hong Kong and PRC.

The Group has managed to recover debt of approximately HK\$8 million from the Shenzhen Petrochemical Chemical Fibres Co., Ltd. ("SPCF") which the Group had previously written off. The management considered it is a major recovery after years of dialogue and negotiations.

The Group is taking a prudent approach to identify and evaluate feasible investment opportunities for diversification, the ultimate aim of which is to enhance growth and favourable returns to shareholders.

## HUMAN RESOURCES

As at 30 September 2003, the Group employed about 30 full-time staff in Hong Kong and 320 in the PRC. The Group remunerates employees based on their performance, experience and prevailing industry practices. The Group continues to emphasize on staff training to equip its staff in facing the challenges of the market.

## LIQUIDITY AND FINANCIAL ANALYSIS

During the period under review, the Group's financial position has improved with cash on hand surging from about HK\$6.1 million to HK\$39.6 million. Total bank borrowings amounted to HK\$36.7 million as at 30 September 2003, with gearing ratio (total interest-bearing borrowings over net asset value) maintained at a healthy level at 0.50 times. Besides, the Group's strength in inventory management continues to improve and further reduced the inventory levels from HK\$24.3 million to HK\$16.3 million. Net cash inflow provided by operating activities totaled HK\$23.5 million. The Group's future cash flow and its available banking facilities will provide sufficient funds to the Group to meet its operation requirements.

## CONTINGENT LIABILITIES

At the balance sheet date, there were guarantee given to banks by the Company in respect of banking facilities extended to certain wholly subsidiaries amounting to HK\$104.6 million (31 March 2003: HK\$104.6 million), which were utilized by subsidiaries to the extent of HK\$36.7 million (31 March 2003: HK\$43.9 million).

## PLEDGE OF ASSETS

At the balance sheet date, investment property and certain land and buildings of the Group with net book values of approximately HK\$3.4 million (31 March 2003: HK\$3.4 million) and HK\$20.7 million (31 March 2003: HK\$21.2 million) respectively were pledged to secure general banking facilities to the extent of approximately HK\$64.1 million (31 March 2003: HK\$65.2 million), of which approximately HK\$36.7 million (31 March 2003: HK\$43.9 million) were utilised.

## EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

The Group's transactions and the monetary assets are principally denominated in Hong Kong dollars, Renminbi or United States dollars, as such the Group has no significant exposure to foreign exchange risk.

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

There was no purchase, sale or redemption of the Company's listed securities by the Company or any of its subsidiaries during the six months ended 30 September 2003.

## DIRECTORS' INTERESTS IN SECURITIES

As at 30 September 2003, the interests or short positions of the Company's directors, chief executives and their associates in the shares of the Company as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance (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 (the "Model Code") were as follows:

### Long position in the ordinary shares of HK\$0.05 each ("Shares") in the Company

Name of director	Type of Interests	Number of ordinary shares held	Percentage of issued share capital
Lee Sam Yuen, John	Beneficiary of a trust	414,021,500 (Note a)	54.71
	Beneficial owner	3,768,000	0.50
Sun Ping Hsu, Samson	Interest of a controlled corporation	7,200,000 (Note b)	0.95
Stephen William Callister	Beneficial owner	780,000	0.10
Ng Hoi Chun	Beneficial owner	240,400	0.03

#### Notes:

- (a) These shares are held by D. H. International Limited ("DHI"), a company owned by a foundation under which Mr. Lee Sam Yuen, John is a beneficiary.
- (b) These shares are held by Sun International Limited, a company controlled by Dr. Sun Ping Hsu, Samson.

Save as disclosed above, as at 30 September 2003, none of the directors or chief executives, nor their associates, had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the 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.

## SUBSTANTIAL SHAREHOLDERS

As at 30 September 2003, the parties which had interest or short position in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO, or to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, were as follows:

### Long position in the shares and underlying shares of the Company

Name of shareholder	Number of ordinary shares held	Type of interests	Percentage of issued share capital
D. H. International Limited	414,021,500 (Note a)	Beneficial owner	54.71

Note:

- (a) These shareholdings have also been included as an interest in trust of a Director as disclosed under the section headed "Directors' Interests in Securities" above.

Saved as disclosed above, no other interest or short position in the shares or underlying shares of the Company were recorded in the register required to be kept under section 336 of the SFO or to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as at 30 September 2003.

## 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 unaudited interim accounts for the six months ended 30 September 2003.

## COMPLIANCE WITH CODE OF BEST PRACTICE

None of the directors of the Company are aware of any information that would reasonably indicate that the Company is not, or was not for any part of the accounting period for the six months ended 30 September 2003, 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 notwithstanding that the non-executive directors of the Company are not appointed for any specific term of office but are subject to retirement by rotation in accordance with the articles of the Company.

By order of the Board  
**Lee Sam Yuen, John**  
*Managing Director*

Hong Kong, 19 December 2003