



# SHUN CHEONG HOLDINGS LIMITED

*(Incorporated in Bermuda with limited liability)*

# Interim Report Interim Report 2003

Interim  
Report  
Interim Report

The Board of Directors (the “Board”) of Shun Cheong 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 last year as follows:

## CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

For six months ended 30 September 2003

		<b>Six months ended</b>	
		<b>30 September 2003</b>	30 September 2002
		<b>(unaudited)</b>	(unaudited)
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
TURNOVER	2		
Continuing operations		<b>396,829</b>	268,073
Discontinued operations	3	—	291
		<u><b>396,829</b></u>	<u>268,364</u>
Cost of installation and cost of sales		<u><b>(351,284)</b></u>	<u>(219,181)</u>
Gross profit		<b>45,545</b>	49,183
Other revenue		<b>991</b>	1,361
Administrative expenses		<b>(39,114)</b>	(40,374)
Gain on dissolution of subsidiaries, net		<b>6,805</b>	—
Provision for amounts due from former subsidiaries		<b>(2,179)</b>	—
Unrealised holding losses on long term investments, net		<u><b>(1,641)</b></u>	<u>(1,078)</u>
PROFIT FROM OPERATING ACTIVITIES	4	<b>10,407</b>	9,092
Finance costs	5	<u><b>(1,279)</b></u>	<u>(1,190)</u>
		<b>9,128</b>	7,902
Share of losses of associates		—	—
PROFIT BEFORE TAX		<b>9,128</b>	7,902
Tax	6	<u><b>(2,046)</b></u>	<u>(1,877)</u>
PROFIT BEFORE MINORITY INTERESTS		<b>7,082</b>	6,025
Minority interests		<u><b>(4,524)</b></u>	<u>(4,965)</u>
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		<u><b>2,558</b></u>	<u>1,060</u>
EARNINGS PER SHARE	7		
Basic		<u><b>0.55 cents</b></u>	<u>0.23 cents</u>
Diluted		<u><b>0.55 cents</b></u>	<u>0.23 cents</u>

# CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 September 2003

		<b>30 September 2003 (unaudited) HK\$'000</b>	31 March 2003 (audited) HK\$'000
	<i>Notes</i>		
<b>NON-CURRENT ASSETS</b>			
Fixed assets	8	<b>21,989</b>	23,176
Interests in an associate		—	—
Long term investments	9	<b>10,890</b>	12,531
		<b>32,879</b>	35,707
<b>CURRENT ASSETS</b>			
Gross amount due from contract customers		<b>59,970</b>	86,453
Inventories		<b>3,298</b>	3,499
Trade and other receivables	10	<b>163,985</b>	160,904
Retention money receivable		<b>25,619</b>	25,905
Prepayments, deposits and other assets		<b>487</b>	752
Prepaid tax		<b>3,208</b>	2,249
Pledged deposits		<b>27,348</b>	27,348
Cash and cash equivalents		<b>20,735</b>	26,825
		<b>304,650</b>	333,935
<b>CURRENT LIABILITIES</b>			
Gross amount due to contract customers		<b>89,029</b>	83,514
Trade payables	11	<b>46,397</b>	44,790
Bills payable		<b>5,605</b>	23,032
Retention money payable		<b>20,639</b>	17,280
Other payables and accruals		<b>11,533</b>	40,762
Tax payable		<b>3,833</b>	1,807
Interest-bearing bank loans, overdrafts and other borrowings		<b>30,617</b>	33,741
Finance lease payables		<b>270</b>	270
		<b>207,923</b>	245,196
<b>NET CURRENT ASSETS</b>			
		<b>96,727</b>	88,739
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			
		<b>129,606</b>	124,446
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank loans and other borrowings		<b>1,333</b>	3,333
Loans from minority shareholders of subsidiaries		<b>6,900</b>	12,500
Finance lease payables		<b>45</b>	180
Deferred tax		<b>253</b>	253
		<b>8,531</b>	16,266
<b>MINORITY INTERESTS</b>			
		<b>20,179</b>	9,842
		<b>100,896</b>	98,338
<b>CAPITAL AND RESERVES</b>			
Issued capital	12	<b>46,372</b>	46,372
Reserves	13	<b>54,524</b>	51,966
		<b>100,896</b>	98,338

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*For six months ended 30 September 2003*

	Issued share capital (Unaudited) <i>HK\$'000</i>	Share premium account (Unaudited) <i>HK\$'000</i>	Capital redemption reserve (Unaudited) <i>HK\$'000</i>	Accumulated losses (Unaudited) <i>HK\$'000</i>	Total (Unaudited) <i>HK\$'000</i>
At 1 April 2003	46,372	110,632	132	(58,798)	98,338
Profits for the period	—	—	—	2,558	2,558
<b>At 30 September 2003</b>	<b><u>46,372</u></b>	<b><u>110,632</u></b>	<b><u>132</u></b>	<b><u>(56,240)</u></b>	<b><u>100,896</u></b>
At 1 April 2002	46,372	110,632	132	(42,039)	115,097
Profits for the period	—	—	—	1,060	1,060
At 30 September 2002	<b><u>46,372</u></b>	<b><u>110,632</u></b>	<b><u>132</u></b>	<b><u>(40,979)</u></b>	<b><u>116,157</u></b>

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

*For six months ended 30 September 2003*

	<b>Six months ended</b> <b>30 September</b> <b>2003</b> <b>(unaudited)</b> <i>HK\$'000</i>	30 September 2002 (unaudited and restated) <i>HK\$'000</i>
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	(659)	(23,417)
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	(172)	(681)
NET CASH INFLOW/(OUTFLOW) FROM FINANCING ACTIVITIES	(8,995)	9,585
NET DECREASE IN CASH AND CASH EQUIVALENTS	(9,826)	(14,513)
Cash and cash equivalents at beginning of period	38,087	30,857
CASH AND CASH EQUIVALENTS AT END OF PERIOD	28,261	16,344
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	8,102	8,485
Non-pledged time deposits with original maturity of less than three months when acquired	12,633	12,530
Time deposits with original maturity of less than three months when acquired, pledged as security for bank overdraft facilities	27,348	26,800
Bank overdrafts	(19,822)	(31,471)
	28,261	16,344

# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## 1. Basis of preparation and principal accounting policies

The unaudited condensed consolidated interim financial statements are prepared in accordance with the Hong Kong Statement of Standard Accounting Practice (“SSAP”) No. 25 “Interim Financial Reporting” and the requirements of the Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

These unaudited condensed consolidated interim financial statements should be read in conjunction with the 2003 annual report.

The accounting policies and basis of preparation used in preparing these unaudited condensed interim financial statements are consistent with those used in the annual financial statements for the year ended 31 March 2003, except that the Group has adopted the SSAP 12 (Revised) “Income Taxes” which is effective for accounting period commencing on or after 1 January 2003.

The adoption of this revised SSAP has had no material effect on the results for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.

## 2. Segment information

### a. Business segments

The following table presents revenue, profit and certain expenditure information for the Group’s business segments.

	Building service contracting business		Project management		Trading of electrical and mechanical engineering materials and equipment		(Discontinued) Provision of broadband connectivity services		Eliminations		Consolidated	
	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002
	(unaudited) HK\$’000	(unaudited) HK\$’000	(unaudited) HK\$’000	(unaudited) HK\$’000	(unaudited) HK\$’000	(unaudited) HK\$’000	(unaudited) HK\$’000	(unaudited) HK\$’000	(unaudited) HK\$’000	(unaudited) HK\$’000	(unaudited) HK\$’000	(unaudited) HK\$’000
Segment revenue:												
Sales to external customers	383,702	235,824	897	3,227	12,230	29,022	—	291	—	—	396,829	268,364
Intersegment sales	—	5	—	—	4,258	5,376	—	—	(4,258)	(5,381)	—	—
Total revenue	<u>383,702</u>	<u>235,829</u>	<u>897</u>	<u>3,227</u>	<u>16,488</u>	<u>34,398</u>	<u>—</u>	<u>291</u>	<u>(4,258)</u>	<u>(5,381)</u>	<u>396,829</u>	<u>268,364</u>
Segment results	<u>8,354</u>	<u>4,930</u>	<u>897</u>	<u>3,227</u>	<u>(2,820)</u>	<u>1,110</u>	<u>—</u>	<u>(458)</u>	<u>—</u>	<u>—</u>	<u>6,431</u>	<u>8,809</u>
Interest income and unallocated gains											991	1,361
Gain on dissolution of subsidiaries, net											6,805	—
Provision for amounts due from former subsidiaries											(2,179)	—
Unrealised holding losses on long term investments, net											(1,641)	(1,078)
Finance costs											(1,279)	(1,190)
Share of losses of associates											—	—
Profit before tax											9,128	7,902
Tax											(2,046)	(1,877)
Profit before minority interests											7,082	6,025
Minority interests											(4,524)	(4,965)
Net Profit from ordinary activities attributable to shareholders											<u>2,558</u>	<u>1,060</u>

### b. Geographical segments

The Group’s turnover was all derived from its operations and customers in Hong Kong. Accordingly, no analysis for geographical segments has been disclosed.

### 3. Discontinued operations

In view of a strategic plan by the Group to concentrate on its core activities, the directors determined to phase out the Group's broadband connectivity services business and it was substantially abandoned during the year ended 31 March 2002. In addition, certain of the Group's interests in a subsidiary, which was principally involved in the provision of design, installation and maintenance services of karaoke-on-demand systems, was disposed during the year ended 31 March 2002. Accordingly, the directors considered the aforesaid two businesses were discontinued operations during the year ended 31 March 2002.

During the year ended 31 March 2003, there were essentially no business activities of the broadband connectivity services. The subsidiary engaged in the broadband connectivity services business was in liquidation as of 31 March 2003 and was dissolved in August 2003 resulting in a net gain of approximately HK\$6.8 million arose on the dissolution of the subsidiary being recorded in the condensed consolidated profit and loss account for the six months ended 30 September 2003.

### 4. Profit from operating activities

Profit from operating activities is arrived at after charging/(crediting):

	Six months ended	
	30 September 2003 (unaudited) HK\$'000	30 September 2002 (unaudited) HK\$'000
Cost of inventories sold	11,388	24,078
Cost of installation	339,896	195,103
	<u>351,284</u>	<u>219,181</u>
Depreciation		
– owned fixed assets	1,136	1,577
– fixed assets held under finance lease	108	108
Minimum lease payments under operating leases in respect of land and buildings	793	1,226
Staff costs (including directors' remuneration)		
Wages, salaries and others	32,341	32,018
Pension contributions	961	1,271
Less: Forfeited contributions	—	(113)
	<u>961</u>	<u>1,158</u>
Net pension contributions		
	<u>33,302</u>	<u>33,176</u>
Loss on disposal of fixed assets	—	467
Recovery of doubtful debts	(281)	—
Interest income	(180)	(321)
	<u>(180)</u>	<u>(321)</u>

## 5. Finance costs

	<b>Six months ended</b>	
	<b>30 September 2003 (unaudited) HK\$'000</b>	30 September 2002 (unaudited) HK\$'000
Interest on bank loans, overdrafts and other loans wholly repayable within five years	662	850
Interest on finance leases	26	45
Bank charges	591	295
	<u>1,279</u>	<u>1,190</u>

## 6. Taxation

The Company is exempted from taxation in Bermuda unit 2016. Hong Kong profits tax has been provided at the rate of 17.5% (2002 – 16%) on the estimated assessable profits arising in or from Hong Kong.

Taxation in the condensed consolidated profit and loss account comprises:

	<b>Six months ended</b>	
	<b>30 September 2003 (unaudited) HK\$'000</b>	30 September 2002 (unaudited) HK\$'000
Group:		
Hong Kong	2,046	1,877
Deferred	<u>—</u>	<u>—</u>
	2,046	1,877
Share of tax attributable to associates	<u>—</u>	<u>—</u>
Tax charge for the period	<u>2,046</u>	<u>1,877</u>

## 7. Earnings per share

	<b>Six months ended</b>	
	<b>30 September 2003 (unaudited) HK\$'000</b>	30 September 2002 (unaudited) HK\$'000
Earnings for the purposes of computing basic and diluted earnings per share	<u>2,558</u>	<u>1,060</u>
Number of ordinary share:		
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	<u>463,721,600</u>	<u>463,721,600</u>



## 8. Additions to fixed assets

During the period, the Group spent approximately HK\$57,000 (six months ended 30 September 2002 – HK\$493,000) to meet its operations.

## 9. Long term investments

	<b>30 September 2003 (unaudited) HK\$'000</b>	31 March 2003 (audited) HK\$'000
Listed equity investments in Hong Kong, at market value	<b>365</b>	166
Unlisted investments, at fair value	<b>10,525</b>	12,365
	<b><u>10,890</u></b>	<b><u>12,531</u></b>

## 10. Trade and other receivables

	<b>30 September 2003 (unaudited) HK\$'000</b>	31 March 2003 (audited) HK\$'000
Trade receivables	<b>138,409</b>	133,525
Other receivables	<b>25,576</b>	27,379
	<b><u>163,985</u></b>	<b><u>160,904</u></b>

An aged analysis for trade receivables (after netting off provision for bad debts) is as follow:

	<b>30 September 2003 (unaudited) HK\$'000</b>	31 March 2003 (audited) HK\$'000
0 – 30 days	<b>87,861</b>	106,582
31 – 60 days	<b>27,564</b>	9,329
61 – 90 days	<b>7,470</b>	5,160
Over 90 days	<b>15,514</b>	12,454
	<b><u>138,409</u></b>	<b><u>133,525</u></b>

The Group grants its trade customers with credit period normally ranging from cash on delivery to 60 days. A longer credit period is granted to a few customers with long business relationship and strong financial position.

## 11. Trade payables

An aged analysis for trade payables is as follows:

	<b>30 September 2003 (unaudited) HK\$'000</b>	31 March 2003 (audited) HK\$'000
0 – 30 days	12,088	22,527
31 – 60 days	10,278	9,190
Over 60 days	24,031	13,073
	<u>46,397</u>	<u>44,790</u>

## 12. Share capital

	<b>30 September 2003 (unaudited) HK\$'000</b>	31 March 2003 (audited) HK\$'000
<i>Authorised:</i> 800,000,000 ordinary shares of HK\$0.1 each	<u>80,000</u>	<u>80,000</u>
<i>Issued and fully paid:</i> 463,721,600 ordinary shares of HK\$0.1 each	<u>46,372</u>	<u>46,372</u>

There were no movements in share capital during the six months ended 30 September 2003.

## 13. Reserves

The amounts of the Group's reserves and the movements therein for the current and prior periods are presented in the condensed consolidated statement of changes in equity on page 3 of the interim report.

## 14. Contingent liabilities

As at 30 September 2003, contingent liabilities not provided for in the consolidated interim financial statements were as follows:

	<b>30 September 2003 (unaudited) HK\$'000</b>	31 March 2003 (audited) HK\$'000
Guarantees given to banks in connection with banking facilities granted to subsidiaries of the Company	<u>83,000</u>	<u>83,000</u>

## 15. Commitments

As at 30 September 2003, neither the Group, nor the Company had any significant commitments.

## 16. Operating lease arrangements

The Group leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to three years.

As at 30 September 2003, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	<b>30 September 2003 (unaudited) HK\$'000</b>	31 March 2003 (audited) HK\$'000
Within one year	1,242	1,641
In the second to fifth years, inclusive	279	577
	<u>1,521</u>	<u>2,218</u>

## 17. Related party transactions

Particulars of significant transactions between the Group and related companies during the period were summarized below:

	<b>Six months ended 30 September 2003 (unaudited) HK\$'000</b>	30 September 2002 (unaudited) HK\$'000
Billing of building maintenance works and building services installation works to Chinney Construction Company Limited ( <i>Note a</i> )	<u>132,873</u>	<u>120,982</u>
Purchase of merchandise from Chinney Alliance Engineering Limited ( <i>Note b</i> )	<u>506</u>	<u>295</u>
Management fee paid to a 49.9% minority shareholder of Shun Wing Construction & Engineering Company Limited, a subsidiary of the Company, for the provision of management services of a building maintenance contract	<u>3,256</u>	<u>2,012</u>
Sub-contracting charge paid to a 49.9% minority shareholder of Shun Wing Construction & Engineering Company Limited, a subsidiary of the Company, for the completion of work orders of a building maintenance contract	<u>37,554</u>	<u>30,333</u>

*Notes:*

- a. Chinney Construction Company Limited is a company in which Mr. Wong Sai Wing, James and Mr. Chan Yuen Keung, Zuric, directors of the Company, have indirect beneficial interest.
- b. Chinney Alliance Engineering Limited is a wholly-owned subsidiary of Chinney Alliance Group Limited, a company listed on The Stock Exchange of Hong Kong Limited, which is a substantial shareholder of the Company. Mr. Wong Sai Wing, James and Mr. Yu Sek Kee, Stephen, directors of the Company, are also the directors of Chinney Alliance Group Limited.

In the opinion of the directors of the Company, all the above transactions were undertaken in the normal course of business and were conducted on normal commercial terms on an arm's length basis.

## **18. Comparative amounts**

Certain comparative amounts had been reclassified to conform with the current period's presentation.

### **INTERIM DIVIDEND**

The Board does not recommend the payment of an interim dividend (*2002 – nil*).

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Review of Operation**

The Group's turnover for six months ended 30 September 2003 was approximately HK\$397 million, an increase of 48% as comparing with HK\$268 million for the same period last year. Net profit attributable to shareholders for the period was approximately HK\$2.56 million while that for the last period was approximately HK\$1.06 million.

As at 30 September 2003, the Group's uncompleted contracts on hand was approximately HK\$667 million while that of as at 31 March 2003 was approximately HK\$869 million.

### **Liquidity and Financial Resources**

The Group's cash and bank balances were approximately HK\$48 million as at 30 September 2003 while that of as at 31 March 2003 were approximately HK\$54 million. The total bank borrowings were approximately HK\$32 million as at 30 September 2003, a decrease of approximately HK\$5 million as compared to that of as at 31 March 2003. The decrease in the Group's cash and bank balances was mainly to repay the bank borrowings during the period. The total bank borrowings substantially comprised bank overdraft and bank trust receipt loans at various interest rates. The period-end gearing ratio, as measured by the total bank borrowings over shareholders' equity, was approximately 32% (*as at 31 March 2003 – 38%*). As the Group's transactions are mostly settled by Hong Kong dollars, the use of financial instruments for hedging purposes is not considered necessary.

### **Treasury and Funding Policy**

There were no significant changes in the Group's treasury and funding policies during the period under review.

### **Pledge of Assets**

As at 30 September 2003, certain of the Group's leasehold land and properties with a net book value of HK\$16.3 million (*as at 31 March 2003 – HK\$16.5 million*) and bank fixed deposits of HK\$27.3 million (*as at 31 March 2003 – HK\$27.3 million*) were pledged to secure general banking facilities granted to the Group.

### **Employees and Remuneration Policy**

The Group employed approximately 220 employees as at 30 September 2003. There were no significant changes in the remuneration policy and benefits to the employees of the Group.

## MANAGEMENT DISCUSSION AND ANALYSIS (continued)

### Investments and Others

As at 30 September 2003, the Group's long term investments comprising one listed securities and four unlisted securities were in carrying amount of approximately HK\$10.89 million (as at 31 March 2003 – HK\$12.53 million) after a further provision for impairment in value of approximately HK\$1.64 million made during the period.

As at 30 September 2003, the Group had no plan for any material investments or capital assets.

### Business Prospect

The recent announcement of a growth in the local economy to 4% and a small improvement of the continued deflation in consumer expenditures in the 3rd quarter this year indicated that the Hong Kong economy might start to recover from the bottom. However, there was no change in the housing policies by the Government and as a result the housing developments in both public and private sectors would continue to be reduced in the coming years. Under these circumstances, it is expected that the Group will continue to face a very fierce competition in the building services industries and the margin for profit in building services and related trading activities will likely be lower than that of previous years.

The Group, being a building services contractor based in Hong Kong, will concentrate its core building services business in Hong Kong and in the Greater China area based on the Group's expertise and competitive advantage in this specialist trade. Your directors remain optimistic of satisfactory performance of the Group in the coming fiscal year.

### DIRECTORS' AND SENIOR EXECUTIVES' INTERESTS IN SHARES

As at 30 September 2003, the interests and short positions of the directors of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (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 of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code"), were as follows:

Name	Capacity	Number of shares held and nature of interest			
		Personal	Family	Corporate	Other
Mr. Chan Yuen Keung, Zuric	Managing Director	10,000,000	—	—	—
Mr. Au Shiu Wai, Frank	Director	600,000	—	—	—
Mr. Hong Yiu	Director	27,200,000	—	—	—
Mr. Ou Ka Chi	Director and Company Secretary	1,400,000	—	—	—
		<u>39,200,000</u>	<u>—</u>	<u>—</u>	<u>—</u>

All the interests stated above represent long positions.

## **DIRECTORS' AND SENIOR EXECUTIVES' INTERESTS IN SHARES** *(continued)*

Apart from the above, no other interest or short position in the shares, underlying shares or debentures of the Company or any associated corporations as at 30 September 2003 were 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.

Save as disclosed above, at no time during the period was the Company or any of its subsidiaries a party to any arrangements to enable any of the Company's directors and senior executives to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

### **SUBSTANTIAL SHAREHOLDERS**

At 30 September 2003, the following persons had an 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 as otherwise notified to the Company, were as follows:

<b>Name</b>	<b>Number of shares held</b>	<b>Percentage of the Company's share capital</b>
Chinney Alliance Group Limited	138,790,000	29.93

The interest stated above represents long position.

Apart from the 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 as at 30 September 2003.

### **PURCHASE, SALE AND REDEMPTION OF SHARES**

There was no purchase, sale and redemption of the Company's shares by the Company or any of its subsidiaries during the period.

### **AUDIT COMMITTEE**

The members of the audit committee of the Company comprise Messrs. CHAN Chok Ki and HO Hin Kwan, Edmund, the independent non-executive directors and Mr. YU Sek Kee, Stephen, the non-executive director.

The audit committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the unaudited interim results for the six months ended 30 September 2003 of the Company now reported on.

## **CODE OF BEST PRACTICE**

None of the directors of the Company is aware of information that would reasonably indicate that the Company is not, or was not for any part of the accounting period covered by the interim report, in the compliance with the Code of Best Practice, as set out in Appendix 14 of the Listing Rules except that two independent non-executive directors are not appointed for a specific term as they are subject to retirement by rotation and re-election at Annual General Meetings in accordance with the Company's Bye-law 99(A).

On behalf of the Board  
**James Sai Wing Wong**  
*Chairman*

Hong Kong SAR, 12 December 2003