Interim Report 2003/2004

Kantone Holdings Limited

Kantone Holdings Limited (www.kantone.com) (stock code 1059) is a leading supplier of IT solutions and communications services with a global market presence in over 50 countries. Members of the Group have 50 years of unrivalled radio technology experience. As a front-runner in the digital communications arena, Kantone's mission is to be an outstanding supplier of innovative communications products and services that enable total mobility and round-the-clock connectivity in the Age of Digital Convergence.

Kantone is listed on The Stock Exchange of Hong Kong Limited and is a subsidiary of Champion Technology Holdings Limited, a communications software group.

KANTONE HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

INTERIM REPORT
For the six months ended 31 December 2003

HIGHLIGHTS

- Net profit of HK$55.3 million, up 65%
- Turnover of HK$463 million, up 16%
- Interim dividend of HK0.6 cents per share

SUMMARY OF GROUP RESULTS

The unaudited condensed consolidated interim results of Kantone Holdings Limited (the "Company") and its subsidiaries (together the "Group") for the six months ended 31 December 2003 (the "Interim Accounts") together with comparative figures for the corresponding period last year are as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE SIX MONTHS ENDED 31 DECEMBER 2003

		Six months ended 31 December	
		2003	2002
	NOTES	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
Turnover	*3*	**463,008**	397,505
Cost of sales		**(280,671)**	(245,381)
Gross profit		**182,337**	152,124
Other operating income		**4,481**	2,374
Distribution costs		**(33,280)**	(21,652)
General and administrative expenses		**(38,771)**	(31,883)
Depreciation and amortisation	*4*	**(51,812)**	(57,393)
Research and development		**(1,912)**	(2,593)
Profit from operations		**61,043**	40,977
Finance costs		**(5,672)**	(7,297)
Profit before taxation		**55,371**	33,680
Taxation	*5*	**(77)**	(79)
Profit before minority interests		**55,294**	33,601
Minority interests		**(18)**	–
Net profit for the period		**55,276**	33,601
Dividends	*6*	**13,326**	–
Earnings per share	*7*		
– Basic		**2.49 cents**	1.51 cents

CONDENSED CONSOLIDATED BALANCE SHEET
AT 31 DECEMBER 2003

	NOTES	**As at 31 December 2003** ***HK$'000*** **(Unaudited)**	As at 30 June 2003 *HK$'000* (Audited)
Non-current assets			
Property, plant and equipment	*8*	**54,634**	58,841
Systems and networks		**373,683**	345,185
Interest in e-commerce projects		**107,276**	111,707
Deposits		**85,800**	39,000
		621,393	554,733
Current assets			
Inventories		**32,865**	31,332
Trade and other receivables	*9*	**236,821**	355,170
Taxation recoverable		**482**	746
Deposits, bank balances and cash		**166,926**	80,691
		437,094	467,939
Current liabilities			
Trade and other payables	*10*	**79,202**	61,445
Warranty provision	*11*	**2,061**	2,058
Retirement benefits obligations		**83,546**	78,114
Amount due to ultimate holding company		**108**	132
Amount due to a fellow subsidiary		**–**	284
Taxation payable		**127**	–
Bank borrowings			
– amount due within one year		**129,290**	157,727
Other borrowings			
– amount due within one year		**10,867**	8,191
Obligations under finance leases			
– amount due within one year		**288**	519
		305,489	308,470
Net current assets		**131,605**	159,469
Total assets less current liabilities		**752,998**	714,202

	NOTES	**As at 31 December 2003 HK$'000 (Unaudited)**	As at 30 June 2003 HK$'000 (Audited)
Minority interests		**29**	10
Non-current liabilities			
Bank borrowings			
– amount due after one year		**2,606**	7,907
Other borrowings			
– amount due after one year		**9,110**	13,605
Obligations under finance leases			
– amount due after one year		**229**	334
Deferred taxation		**187**	190
		12,132	22,036
Net assets		**740,837**	692,156
Capital and reserves			
Share capital	*12*	**222,096**	222,096
Reserves	*13*	**518,741**	470,060
Shareholders' funds		**740,837**	692,156

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 31 DECEMBER 2003

	Six months ended 31 December	
	2003	2002
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
At 1 July	**692,156**	610,427
Exchange difference arising on translation of operation outside Hong Kong	**(6,595)**	(3,048)
Net profit for the period	**55,276**	33,601
At 31 December	**740,837**	640,980

CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE SIX MONTHS ENDED 31 DECEMBER 2003

	Six months ended 31 December	
	2003	2002
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Net cash from operating activities	**247,640**	65,077
Net cash used in investing activities	**(113,608)**	(117,705)
Net cash used in financing	**(69,046)**	(7,959)
Increase (decrease) in cash and cash equivalents	**64,986**	(60,587)
Cash and cash equivalents at beginning of the period	**54,136**	53,604
Effect on foreign exchange rate changes	**575**	(3,876)
Cash and cash equivalents at end of the period	**119,697**	(10,859)
Analysis of the balances of cash and cash equivalents		
Deposits, bank balances and cash	**166,926**	89,446
Bank overdrafts	**(47,229)**	(100,305)
	119,697	(10,859)

NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2003

1. BASIS OF PREPARATION

The unaudited condensed financial statements have been prepared in accordance with the Statement of Standard Accounting Practice No. 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants ("HKSA").

2. PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed financial statements have been prepared under the historical cost convention.

The accounting policies adopted are consistent with those followed in the preparation of the audited financial statements of the Group for the year ended 30 June 2003, except that the Group has adopted, for the first time in the current period, SSAP No. 12 (Revised) "Income taxes" ("SSAP 12 (Revised)") issued by the HKSA.

The principal effect of the adoption of SSAP 12 (Revised) is in relation to deferred tax. In previous years, partial provision was made for deferred tax using the income statement liability method under which a liability was recognized in respect of timing differences arising, except where those timing differences were not expected to reverse in the foreseeable future. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognized in respect of all temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions. The adoption of this standard has had no significant effect on the results for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.

3. TURNOVER AND SEGMENT INFORMATION

For management purposes, the Group is currently organised into four main operating business – sales of general systems products, provision of services and software licensing, leasing of systems products, and investments in e-commerce projects. These businesses are the basis on which the Group reports its primary segment information.

	Sales of general systems products	**Provision of services and software licensing**	**Leasing of systems products**	**Investments in e-commerce projects**	**Consolidated**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
Six months ended 31 December 2003					
TURNOVER					
External and total revenue	**330,964**	**120,736**	**8,522**	**2,786**	**463,008**
RESULTS					
Segment result	**12,185**	**37,964**	**6,329**	**2,778**	**59,256**
Interest income					**2,107**
Unallocated corporate expenses					**(320)**
Profit from operations					**61,043**
Finance costs					**(5,672)**
Profit before taxation					**55,371**
Taxation					**(77)**
Profit before minority interests					**55,294**
Minority interests					**(18)**
Net profit for the period					**55,276**

	Sales of general systems products	Provision of services and software licensing	Leasing of systems products	Investments in e-commerce projects	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Six months ended 31 December 2002					
TURNOVER					
External and total revenue	334,003	50,671	9,321	3,510	397,505
RESULTS					
Segment result	31,255	21,659	(1,028)	(11,319)	40,567
Interest income					1,860
Unallocated corporate expenses					(1,450)
Profit from operations					40,977
Finance costs					(7,297)
Profit before taxation					33,680
Taxation					(79)
Net profit for the period					33,601

4. DEPRECIATION AND AMORTISATION

	Six months ended 31 December	
	2003	2002
	HK$'000	*HK$'000*
Amortisation of systems and networks	**41,702**	27,962
Amortisation of investments in e-commerce projects	**–**	14,822
Depreciation on:		
Owned assets	**9,812**	13,800
Assets held under finance leases	**298**	809
	51,812	57,393

5. TAXATION

	Six months ended 31 December	
	2003	2002
	HK$'000	*HK$'000*
The charge comprises:		
Hong Kong Profits Tax	**–**	12
Taxation in other jurisdictions	**77**	67
	77	79

No provision for Hong Kong Profits Tax has been made as the Company and its subsidiaries either incurred tax losses for the period or its assessable profit was wholly absorbed by the tax losses brought forward. Taxation in other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

The low effective tax rate is attributable to the fact that a substantial portion of the Group's profit neither arises in, nor is derived from, Hong Kong and is accordingly not subject to Hong Kong Profits Tax.

6. DIVIDENDS

Dividend represents interim dividend of HK0.6 cents (2002: nil) per share, in scrip form with a cash option.

The interim dividend is based on 2,220,961,752 shares in issue at 31 December 2003.

7. EARNINGS PER SHARE

The calculation of the earnings per share for the six months ended 31 December 2003 is based on the net profit for the period of HK$55,276,000 (2002: HK$33,601,000) and on the weighted average of 2,220,961,752 (2002: 2,220,961,752) shares in issue throughout the period.

There was no dilution effect on earnings per share as there were no dilutive potential ordinary shares in issue in both periods.

8. PROPERTY, PLANT AND EQUIPMENT

	HK$'000
Net book value at 1 July 2003	58,841
Currency realignment	2,804
Additions	3,176
Disposals	(77)
Depreciation	(10,110)
Net book value at 31 December 2003	**54,634**

At 31 December 2003, certain land and buildings of the Group with a net book value of HK$9,700,000 (30 June 2003: HK$9,524,000) were pledged to a bank as security for banking facilities granted to the Group. Loss on disposal of property, plant and equipment of the Group amounted to HK$47,000 for the period.

9. TRADE AND OTHER RECEIVABLES

At 31 December 2003, the balance of trade and other receivables included trade receivables of HK$183,927,000 (30 June 2003: HK$283,919,000). The aging analysis of trade receivables at the reporting date is as follows:

	As at 31 December 2003	As at 30 June 2003
	HK$'000	*HK$'000*
0 – 60 days	**119,216**	142,956
61 – 90 days	**39,656**	28,701
91 – 180 days	**23,201**	96,835
> 180 days	**1,854**	15,427
	183,927	283,919

The Group maintains a well-defined credit policy regarding its trade customers dependent on their credit worthiness, nature of services and products, industry practice and condition of the market with credit period ranging from 30 to 180 days.

10. TRADE AND OTHER PAYABLES

At 31 December 2003, the balance of trade and other payables included trade payables of HK$19,614,000 (30 June 2003: HK$10,623,000). The aging analysis of trade payables at the reporting date is as follows:

	As at 31 December 2003 *HK$'000*	As at 30 June 2003 *HK$'000*
0 – 60 days	**5,290**	2,697
61 – 90 days	**8,700**	3,967
91 – 180 days	**2,820**	1,324
> 180 days	**2,804**	2,635
	19,614	10,623

11. WARRANTY PROVISION

	HK$'000
At 1 July 2003	2,058
Currency realignment	156
Additional provision	756
Utilisation of provision	(909)
At 31 December 2003	**2,061**

The warranty provision represents management's best estimate of the Group's liability under 12 month warranties granted on manufactured products, based on prior experience and industry average for defective products.

12. SHARE CAPITAL

	Number of shares	**Amount** *HK$'000*
Authorised share capital of HK$0.10 each:		
Balance at 1 July 2003 and 31 December 2003	**3,000,000,000**	**300,000**
Issued and fully paid share capital of HK$0.10 each:		
Balance at 1 July 2003 and 31 December 2003	**2,220,961,752**	**222,096**

13. RESERVES

	Goodwill reserve *HK$'000*	Translation reserve *HK$'000*	Dividend reserve *HK$'000*	Accumulated profits *HK$'000*	Total *HK$'000*
At 1 July 2003	(44,036)	(455)	13,326	501,225	470,060
Exchange difference arising on translation of operations outside Hong Kong	–	(6,595)	–	–	(6,595)
Net profit for the period	–	–	–	55,276	55,276
Dividend for the period	–	–	13,326	(13,326)	–
At 31 December 2003	**(44,036)**	**(7,050)**	**26,652**	**543,175**	**518,741**

14. CAPITAL COMMITMENTS

	As at 31 December 2003 ***HK'000***	As at 30 June 2003 *HK'000*
Capital expenditure in respect of property, plant and equipment and systems and networks:		
Contracted for but not provided in the financial statements	**58,500**	42,900
Authorised but not contracted for	**89,513**	8,206
	148,013	51,106

15. OPERATING LEASE ARRANGEMENTS

The Group as lessee

The Group had future minimum lease payments payable under non-cancellable operating leases in respect of rented premises and machinery and equipment which fall due as follows:

	As at 31 December 2003		As at 30 June 2003	
	Land and buildings	**Machinery and equipment**	Land and buildings	Machinery and equipment
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
Operating leases which expire:				
Within one year	**236**	**810**	236	2,753
In the second to fifth year inclusive	**3,612**	**4,298**	3,743	3,599
	3,848	**5,108**	3,979	6,352

Leases are negotiated for terms of one to four years and rentals are fixed for terms of one to four years.

The Group as lessor

The Group had contracted with tenants in respect of plant and machinery and telecommunications networks which fall due as follows:

	As at 31 December 2003	As at 30 June 2003
	HK$'000	*HK$'000*
Operating leases which expire:		
Within one year	**10,031**	8,489
In the second to fifth year inclusive	**16,745**	14,825
After five years	**582**	799
	27,358	24,113

INTERIM DIVIDEND AND SCRIP DIVIDEND SCHEME

The directors have resolved to pay an interim dividend of HK0.6 cents per share for the six months ended 31 December 2003 (2002: nil), to be satisfied by way of allotment of new shares in the form of scrip to shareholders whose names appear on the Register of Members of the Company on 19 April 2004. Shareholders entitled to such interim dividend will have the option to receive such dividend (or part thereof) in cash in lieu of such allotment (the "scrip dividend scheme"). This is the Company's first declaration of interim dividend since its listing in 1997.

The scrip dividend scheme is subject to the granting by the Listing Committee of The Stock Exchange of Hong Kong Limited of a listing of and permission to deal in the shares to be issued pursuant thereto. A circular setting out the details of the scrip dividend scheme together with the form of election will be sent to the shareholders of the Company as soon as practicable.

The relevant certificates for the new shares and dividend warrants will be dispatched to those entitled on or before 16 June 2004.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 13 April 2004 to 19 April 2004, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for the above interim dividend and the scrip dividend scheme, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong Share Registrars, Secretaries Limited, Ground Floor, BEA Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong by no later than 4:00 p.m. on 8 April 2004.

MANAGEMENT DISCUSSION AND ANALYSIS

The global telecommunications industry has shown signs of recovery after several years of stagnant to negative growth. Amidst an improved operating environment and a more conducive investment sentiment, the Group has reported satisfactory performance in its business activities.

Financial Results

The Group achieved a turnover of HK$463 million for the six months ended 31 December 2003 (the "Period"), an increase of 16 per cent as compared with HK$398 million for the six months ended 31 December 2002 (the "Previous Period").

Profit attributable to shareholders was HK$55.3 million, an increase of 65 per cent as compared with HK$33.6 million for the Previous Period. Earnings before interest, tax, depreciation and amortisation ("EBITDA") was HK$113 million, an increase of 15 per cent over HK$98 million of the Previous Period. Basic earnings per share for the Period were HK2.49 cents, compared with HK1.51 cents for the Previous Period.

Gross profit increased by 20 per cent to HK$182 million, which the management attributes to the Group's continued investment in product development, thereby enhancing the value-add features of its solutions. Net profit was also helped by lower depreciation and amortisation allowances of HK$51.8 million (2002: HK$57.4 million) due to the reorganisation of some of the Group's business activities, positive contribution from its investments in IT projects, and lower finance costs of HK$5.7 million (2002: HK$7.3 million) as a result of more favourable lending rates obtained by the Group during the Period.

Review of Operations

The Group continued to be the preferred supplier of mission critical communications services and equipment for the emergency and rescue services sectors, accounting for about 60 per cent of the healthcare market in the UK, and about 85 per cent of the UK fire services. Its wireless messaging systems and integrated services have great potential in both commercial and government markets, due to the competitive advantages of reliability, cost effectiveness, wide coverage, and flexibility in integrating with new technologies and the existing wireline infrastructure.

During the period, a number of systems installed by the Group at hospitals and fire brigades in Europe in earlier years were due for replacement or upgrades. Maintenance services were also provided on a continuing basis to customers, therefore bringing to the Group steady recurrent income. Management expects the cycle of replacement and upgrades to continue. During the Period, European sales accounted for HK$123 million (2002: HK$106 million).

In the US, the Group's activities continued to benefit from changes in the local radio regulations, which require both existing and new networks to operate in the new specified narrowband radio spectrum. A marketing office was set up in Atlanta to support the introduction of the Group's wireless solutions in the domestic market. The Atlanta location will be spearheading the establishment of the Group's BEST (Business Enterprise Solutions Team) distribution and service organisation. The new office will also provide factory liaison, conduct training seminars, coordinate national marketing and provide system financing program assistance. In order to expand the Group's US distribution network for its wireless solutions, the US office has commenced its program of selectively seeking resellers.

Two major product lines are being introduced to the US market. One is PowerPage, a mid to large scale private wireless messaging solution complete with terminal equipment, transmitters and a complete set of voice and digital receivers. The other is FuturePhone, an advanced line of wireless telephone systems modeled on the DECT system being used in Europe, which enhances worker mobility and communications in the work place. Both PowerPage and FuturePhone are FCC (Federal Communications Commission) approved, and have great potential in the healthcare, retail, and hotel markets, particularly in the Veterans Administration (which owns a chain of hospitals in the US dedicated to the veterans) which, by government regulations, must upgrade or replace all its hospital communications systems with narrowband messaging in the next several years.

Sales in China was in line with the Group's overall performance. SARS and bird flu had only a short-lived effect on the China market, and customer orders were quick to pick up towards the latter part of the Period. China sales accounted for HK$304 million of the total turnover (2002: HK$266 million).

PROSPECTS

The Group will continue to strengthen its position in the niche markets of providing mission critical communications systems and solutions to the emergency services and public safety sectors, as well as enhancing its value-added services such as developing customised software for radio systems.

CEPA has placed Hong Kong-based companies in a particularly favourable position to seize cross-border trade and investment opportunities. The Group is reviewing the opportunities provided and making plans on how best to capitalise on such an arrangement.

LIQUIDITY AND FINANCIAL RESOURCES

The Group continued to maintain a policy of financial prudence. As at 31 December 2003, the Group had HK$167 million made up of deposits, bank balances and cash. The gearing ratio was 0.21 (30 June 2003: 0.27), which calculation was based on the Group's total borrowings of HK$153 million (30 June 2003: HK$188 million) and shareholders' funds of HK$741 million (30 June 2003: HK$692 million).

Total borrowings comprised bank borrowings of HK$132 million (30 June 2003: HK$165 million); other borrowings, which represent block discounting loans, of HK$20 million (30 June 2003: HK$22 million); and obligations under finance leases of HK$1 million (30 June 2003: HK$1 million). The bank borrowings were mainly used as working capital for the operations of the Group. Finance costs for the Period amounted to HK$5.7 million (Previous Period: HK$7.3 million).

As at 31 December 2003, certain land and buildings of the Group with a net book value of HK$9.7 million (30 June 2003: HK$9.5 million) were pledged to a bank as security for banking facilities granted to a subsidiary of the Group.

The Group does not engage in interest rate or foreign exchange speculative activities. It is the Group's policy to manage foreign exchange risk through matching foreign exchange income with expense, and where exposure to foreign exchange is anticipated, appropriate hedging instrument will be used.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SECURITIES

At 31 December 2003, the interests and short positions of the directors and chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were recorded in the register required to be kept by the Company 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 were as follows:

Name of director	Capacity/Nature of interest	Number of shares	Approximate percentage of issued share capital
Securities of the Company			
Mr. Paul Kan Man Lok	The person who sets up the discretionary trust and a discretionary object of the trust	1,665,025,122 *(Note 1)*	74.97%

Name of director	Capacity/Nature of interest	Number of shares	Approximate percentage of issued share capital
Securities of Champion Technology Holdings Limited ("Champion", the holding company of the Company)			
Mr. Paul Kan Man Lok	The person who sets up the discretionary trust and a discretionary object of the trust	303,202,605 *(Note 2)*	31.39%
Securities of DIGITALHONGKONG.COM (a fellow subsidiary of the Company)			
Mr. Paul Kan Man Lok	The person who sets up the discretionary trust and a discretionary object of the trust	119,969,171 *(Note 3)*	79.98%

Notes:

1. 1,265,940,702 shares were held by Champion and 399,084,420 shares were held by Lawnside International Limited ("Lawnside"). Lawnside is wholly owned by Lanchester Limited which is a company beneficially owned by a discretionary trust, the eligible discretionary objects of which include Mr. Paul Kan Man Lok and his family members and staff of Champion and its subsidiaries. Currently, only Mr. Paul Kan Man Lok and his family members are discretionary objects of the trust. As at 31 December 2003, Lawnside held approximately 31.39% of the entire issued share capital of Champion. Mr. Paul Kan Man Lok was considered to have an interest in these shares through his interest in Champion and Lawnside.

2. 303,202,605 shares were held by Lawnside.

3. 117,300,000 shares were held by Champion and 2,669,171 shares were held by Lawnside.

Save as disclosed above, none of the directors or chief executive of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations as defined in Part XV of the SFO as at 31 December 2003.

SHARE OPTIONS AND DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Other than share option schemes, at no time during the period under review was the Company, any of its holding company, fellow subsidiaries or subsidiaries a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate and none of the directors, or their spouse or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the period.

During the period under review, no option was granted, exercised, cancelled, lapsed or outstanding under the Company's share option scheme.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2003, the following persons (other than a director or chief executive of the Company disclosed under "Directors' Interests and Short Positions in Securities" section) had interests in the shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Name	Capacity/Nature of interest	Number of shares	Approximate percentage of issued share capital
Champion	Beneficial interest	1,265,940,702	57.00%
Lawnside	Beneficial and corporate interest	1,665,025,122*	74.97%

* *See Note 1 under the "Directors' Interests and Short Positions in Securities" section.*

Saved as disclosed herein and disclosed under "Directors' Interests and Short Positions in Securities" section, the Company had not been notified of any person, other than a director or chief executive of the Company, having interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period.

AUDIT COMMITTEE

The Audit Committee of the Company has reviewed with the management the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters including a review of the unaudited interim financial report.

CORPORATE GOVERNANCE

None of the directors is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the six months ended 31 December 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.

By Order of the Board
LAI Yat Kwong
Director

Hong Kong, 23 March 2004