



FONG'S INDUSTRIES COMPANY LIMITED

(Incorporated in Bermuda with limited liability)



Interim Report **2003**

FONG'S



The Board of directors (the "Board") of Fong's Industries Company Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended June 30, 2003 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended June 30, 2003 – unaudited

	<i>Notes</i>	2003 HK\$'000	2002 restated HK\$'000
Turnover		666,780	485,004
Cost of sales		(405,797)	(312,011)
Gross profit		260,983	172,993
Other revenue		7,511	5,419
Distribution costs		(24,814)	(18,708)
Administrative expenses		(77,988)	(64,966)
Other operating expenses		(25,107)	(15,748)
Profit from operations		140,585	78,990
Finance costs	5	(3,416)	(3,446)
Interest income		708	482
Share of results of associates		1,032	700
Share of results of a jointly controlled entity		27,128	6,144
Profit before taxation		166,037	82,870
Taxation	6	(26,280)	(11,268)
Profit before minority interests		139,757	71,602
Minority interests		772	–
Net profit for the period		140,529	71,602
Earnings per share	7	Cents	Cents
Basic		24.96	12.74
Diluted		24.96	12.73
Dividends per share		Cents	Cents
Interim		9.0	4.5
Special		3.0	2.5

CONDENSED CONSOLIDATED BALANCE SHEET

As at June 30, 2003

	<i>Notes</i>	As at June 30, 2003 unaudited HK\$'000	As at December 31, 2002 restated HK\$'000
Non-current assets			
Property, plant and equipment		239,418	243,009
Intangible assets		–	174
Goodwill		4,462	5,949
Interest in associates		35,813	35,112
Interest in a jointly controlled entity	10	55,372	32,387
		335,065	316,631
Current assets			
Inventories		215,337	178,035
Trade and other receivables	11	120,617	139,274
Amount due from a jointly controlled entity		2,322	5,641
Deferred tax assets		5,991	5,046
Bank balances, deposits and cash		251,724	216,051
		595,991	544,047
Current liabilities			
Trade and other payables	12	140,384	153,842
Warranty provision		4,500	3,766
Bills payable		16,288	17,884
Taxation payable		44,022	29,865
Obligations under finance leases			
– due within one year		2,711	3,502
Bank borrowings – due within one year		68,649	63,469
		276,554	272,328
Net current assets			
		319,437	271,719
		654,502	588,350



CONDENSED CONSOLIDATED BALANCE SHEET (Continued)

As at June 30, 2003

	<i>Notes</i>	As at June 30, 2003 unaudited HK\$'000	As at December 31, 2002 restated HK\$'000
Capital and reserves			
Share capital	13	56,300	56,300
Reserves	14	592,781	523,927
		649,081	580,227
Minority interests		2,782	3,554
Non-current liabilities			
Obligations under finance leases			
– due after one year		2,639	3,738
Bank borrowings – due after one year		–	831
		2,639	4,569
		654,502	588,350

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY*For the six months ended June 30, 2003 – unaudited*

	2003	2002 restated
	HK\$'000	HK\$'000
Balance at January 1		
As originally stated	575,181	481,356
Adoption of SSAP 12 (Revised)	5,046	6,447
	580,227	487,803
Exchange differences arising on translation of the financial statements of overseas subsidiaries and associates not recognised in the condensed consolidated income statement	1,515	–
Profit for the period	140,529	71,602
Issue of share capital	–	432
Dividends paid	(73,190)	(39,398)
Balance at June 30	649,081	520,439



CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the period ended June 30, 2003 – unaudited

	2003	2002
	HK\$'000	restated HK\$'000
Net cash generated from operating activities	116,055	75,409
Net cash (used in) generated from investing activities	(9,593)	672
Net cash used in financing activities	(72,180)	(27,531)
Net increase in cash and cash equivalents	34,282	48,550
Cash and cash equivalents at beginning of the period	216,051	130,941
Effect of foreign exchange rate changes	1,391	–
Cash and cash equivalents at end of the period representing bank balances, deposits and cash	251,724	179,491

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

1. The Company acts as an investment holding company. Its subsidiaries are principally engaged in the manufacture and sale of dyeing machines, trading of stainless steel supplies and machine parts, manufacture and sale of stainless steel casting products and property holding. There was no change in the principal activities of the Group during the period.

2. Accounting policies

The condensed financial statements have been prepared in accordance with Statement of Standard Accounting Practice ("SSAP") 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants and the disclosure requirements of the Listing Rules of The Stock Exchange of Hong Kong Limited.

The accounting policies adopted in the condensed financial statement are consistent with those followed in the Annual Report 2002, with the exception of changes in accounting policies to comply with SSAP 12 (Revised) "Income Taxes" issued by the Hong Kong Society of Accountants, which is effective for accounting periods beginning on or after January 1, 2003.

Under SSAP 12 (Revised), deferred taxation is provided in full, using the liability method, on temporary difference arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. The new accounting policy has been applied retrospectively so that the comparatives presented have been restated to conform to the changed policy. The effect of this change in accounting policy is disclosed in notes 6 and 14 to the condensed financial statements.



3. Business and geographical segments

The analysis of the business segments (the primary reporting format) and geographical segments of the operations of the Group during the period are as follows:

Business Segments

	Manufacture and sale of dyeing machines HK\$'000	Trading of stainless steel supplies HK\$'000	Trading of machine parts and service income HK\$'000	Manufacture and sale of stainless steel casting products HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
Six months ended June 30, 2003 (unaudited)						
Revenue						
External sales	439,641	158,676	38,137	30,326	-	666,780
Inter-segment sales	5,883	75,509	-	11,966	(93,358)	-
Total revenue	<u>445,524</u>	<u>234,185</u>	<u>38,137</u>	<u>42,292</u>	<u>(93,358)</u>	<u>666,780</u>
Results						
Segment results	<u>108,573</u>	<u>9,581</u>	<u>9,680</u>	<u>12,751</u>		140,585
Finance costs	(1,488)	(1,615)	(127)	(186)		(3,416)
Interest income						708
Share of results of associates	1,032					1,032
Share of results of a jointly controlled entity	27,128					<u>27,128</u>
Profit before taxation						166,037
Taxation						(26,280)
Minority interests						<u>772</u>
Net profit for the period						<u>140,529</u>
Other information						
Depreciation & amortisation	<u>9,789</u>	<u>352</u>	<u>839</u>	<u>2,030</u>		<u>13,010</u>

3. Business and geographical segments (continued)*Business Segments (continued)*

	Manufacture and sale of dyeing machines <i>HK\$'000</i>	Trading of stainless steel supplies <i>HK\$'000</i>	Trading of machine parts and service income <i>HK\$'000</i>	Manufacture and sale of stainless steel casting products <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Six months ended June 30, 2002 (unaudited and restated)						
Revenue						
External sales	282,403	134,978	44,529	23,094	-	485,004
Inter-segment sales	2,723	57,456	-	8,241	(68,420)	-
Total revenue	<u>285,126</u>	<u>192,434</u>	<u>44,529</u>	<u>31,335</u>	<u>(68,420)</u>	<u>485,004</u>
Results						
Segment results	<u>59,091</u>	<u>13,449</u>	<u>4,118</u>	<u>2,332</u>		78,990
Finance costs	(1,505)	(1,522)	(237)	(182)		(3,446)
Interest income						482
Share of results of associates	700					700
Share of results of a jointly controlled entity	6,144					<u>6,144</u>
Profit before taxation						82,870
Taxation						<u>(11,268)</u>
Net profit for the period						<u>71,602</u>
Other information						
Depreciation & amortisation	<u>7,378</u>	<u>302</u>	<u>1,163</u>	<u>2,161</u>		<u>11,004</u>



3. Business and geographical segments (continued)

Geographical segments

	Revenue by geographical market for the six months ended June 30,	
	2003 unaudited HK\$'000	2002 unaudited HK\$'000
Hong Kong	237,455	210,429
The People's Republic of China (the "PRC") (other than Hong Kong)	317,519	183,505
Asia Pacific (other than Hong Kong and the PRC)	62,384	45,921
Europe	35,986	33,261
South & North America	11,538	10,776
Other	1,898	1,112
	666,780	485,004

4. Depreciation and amortisation

During the period, depreciation of approximately HK\$11,348,000 (2002: HK\$10,762,000) was charged in respect of the Group's property, plant and equipment and amortisation of approximately HK\$1,662,000 (2002: HK\$242,000) was charged in respect of the Group's intangible assets.

5. Finance costs

	For the six months ended June 30,	
	2003 unaudited HK\$'000	2002 unaudited HK\$'000
Interest on:		
Bank borrowings wholly repayable within five years	1,308	1,792
Obligations under finance leases	141	110
Bank charges	1,878	1,448
Factoring charges	89	96
	3,416	3,446

6. Taxation

	For the six months ended June 30,	
	2003 unaudited HK\$'000	2002 unaudited and restated HK\$'000
Taxation comprised:		
Hong Kong Profits Tax		
Current period	14,670	10,333
Underprovision in prior years	147	-
Overseas Taxation		
Current period	8,148	3,807
Overprovision in prior years	(136)	(1,994)
Share of taxation of associates	254	197
Share of taxation of a jointly controlled entity	4,143	1,035
Deferred taxation credit	(946)	(2,110)
	26,280	11,268

Notes:

- (a) Hong Kong Profits Tax is calculated at 17.5% (2002: 16%) of the estimated assessable profit for the period. Overseas taxation is calculated at the rates prevailing in the respective jurisdictions.
- (b) The change in accounting policy in accordance with SSAP 12 (revised) "Income Taxes" has been applied retrospectively and the comparatives have been restated. The taxation charge for the six months ended June 30, 2002 has been reduced by approximately HK\$2,110,000 as a result of this restatement.



7. Earnings per share

The calculation of basic and diluted earnings per share is based on the profit for the period of approximately HK\$140,529,000 (2002: HK\$71,602,000) and the following data:

	For the six months ended June 30,	
	2003 unaudited Number of shares	2002 unaudited Number of shares
Weighted average number of ordinary shares for the purpose of basic earnings per share	562,996,285	562,169,766
Effect of dilutive potential ordinary shares – share options	–	440,902
Weighted average number of ordinary shares for the purpose of diluted earnings per share	562,996,285	562,610,668

8. Dividends

	For the six months ended June 30,	
	2003 unaudited	2002 unaudited
Proposed interim dividend of 9.0 cents (2002: 4.5 cents) per share	50,670	25,330
Proposed special dividend of 3.0 cents (2002: 2.5 cents) per share	16,890	14,072

9. Additions to property, plant and equipment

During the period, the total cost of additions to property, plant and equipment of the Group was approximately HK\$10,378,000 (2002: HK\$5,422,000).

10. Interest in a jointly controlled entity

	As at June 30, 2003 unaudited HK\$'000	As at December 31, 2002 audited HK\$'000
Share of net assets	55,372	32,387

11. Trade and other receivables

Except for retention money held by customers for sales of dyeing machines, the Group allows an average credit period of 60 days to its trade customers.

The following is an aged analysis of trade receivables:

	As at June 30, 2003 unaudited HK\$'000	As at December 31, 2002 audited HK\$'000
Trade receivables		
0-30 days	57,758	55,101
31-60 days	5,475	11,262
61-90 days	1,258	2,998
	64,491	69,361



12. Trade and other payables

The following is an aged analysis of trade payables:

	As at June 30, 2003 unaudited HK\$'000	As at December 31, 2002 audited HK\$'000
Trade payables		
0-30 days	40,486	62,800
31-60 days	5,138	3,754
over 60 days	2,125	3,861
	47,749	70,415

13. Share capital

	As at June 30, 2003 unaudited HK\$'000	As at December 31, 2002 audited HK\$'000
<i>Authorised</i>		
1,000,000,000 ordinary shares of HK\$0.10 each	100,000	100,000
<i>Issued and fully paid:</i>		
At beginning of the year, 562,996,285 (2002: 561,946,285) ordinary shares of HK\$0.10 each	56,300	56,195
Exercise of options	-	105
At the end of the period/year, 562,996,285 (2002: 562,996,285) ordinary shares of HK\$0.10 each	56,300	56,300

14. Movement of reserves*The Group*

	Share premium <i>HK\$'000</i>	Capital redemption reserve <i>HK\$'000</i>	Translation reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Dividend reserve <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Total <i>HK\$'000</i>
At January 1, 2003							
as originally stated	216,088	1,215	(14,485)	217,291	73,190	25,582	518,881
adoption of SSAP 12 (revised)	-	-	-	5,046	-	-	5,046
	<u>216,088</u>	<u>1,215</u>	<u>(14,485)</u>	<u>222,337</u>	<u>73,190</u>	<u>25,582</u>	<u>523,927</u>
Exchange differences arising on translation of the financial statements of overseas subsidiaries and associates	-	-	1,515	-	-	-	1,515
Profit for the period	-	-	-	140,529	-	-	140,529
Dividend paid	-	-	-	-	(73,190)	-	(73,190)
Dividends							
- Interim	-	-	-	(50,670)	50,670	-	-
- Special	-	-	-	(16,890)	16,890	-	-
	<u>216,088</u>	<u>1,215</u>	<u>(12,970)</u>	<u>295,306</u>	<u>67,560</u>	<u>25,582</u>	<u>592,781</u>

15. Contingent liabilities

	As at June 30, 2003 unaudited HK\$'000	As at December 31, 2002 audited HK\$'000
Export bills discounted with recourse	-	19,607
Guarantees given to bankers in respect of banking facilities granted to a jointly controlled entity	1,750	1,750



16. Capital commitments

	As at June 30, 2003 unaudited HK\$'000	As at December 31, 2002 audited HK\$'000
Capital expenditure contracted for but not provided in the financial statements in respect of the acquisition of property, plant and equipment	4,845	2,229

17. Related party transactions

	For the six months ended June 30, 2003 unaudited HK\$'000	2002 unaudited and restated HK\$'000
Rental payable by the Group to a related company (<i>Note</i>)	2,512	2,263
Transactions with the jointly controlled entity		
Sales of goods	1,563	1,325
Commission, management fee and rentals received	8,882	4,392
Purchase of materials	10,154	7,984

The above transactions were carried out at market price or where no market price was available, at cost

Note: The party concerned is related to the Group since it is an enterprise in which Messrs. Fong Kwok Leung, Kevin and Fong Kwok Chung, Bill have beneficial interests. The rentals were negotiated on an arm's length basis and were determined by independent rental valuations.

DIVIDENDS AND CLOSURE OF REGISTER OF MEMBERS

The Board has resolved to pay an interim dividend of 9.0 cents and a special dividend of 3.0 cents (2002: an interim dividend of 4.5 cents and a special dividend of 2.5 cents) per share. The interim and special dividends will be paid on or about November 7, 2003 to those shareholders on the register of members on October 31, 2003. The register of members of the Company will be closed from October 29, 2003 to October 31, 2003, both days inclusive, during which period no transfer of shares will be effected.

In order to qualify for the interim and special dividends, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch registrars in Hong Kong, Secretaries Limited, at 28th Floor, BEA Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not later than 4:00 p.m. on Tuesday, October 28, 2003.

MANAGEMENT DISCUSSION AND ANALYSIS

Summary of Results

Year 2003 marks both the 40th Anniversary of the Group and a year of continuous growth. For the six months ended June 30, 2003, the Group's consolidated turnover and net profit were approximately HK\$666,780,000 and HK\$140,529,000 respectively, representing an increase of approximately 37% and 96% respectively over the corresponding period in 2002. Basic earnings per share was 24.96 cents, representing a growth of approximately 96%.

Dyeing and Finishing Machinery Manufacturing

Fong's National Engineering Co., Ltd. and Fong's National Engineering (Shenzhen) Co., Ltd.

The turnover of this core business of the Group for the period under review was approximately HK\$477,778,000, an increase of 46% as compared to that of the corresponding period last year. Our strategy in supplying top quality products at competitive prices has allowed us to capture a significant portion of the China market.



MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Dyeing and Finishing Machinery Manufacturing *(Continued)*

In addition, our ongoing focus on research and development is the key factor assisting the Group in maintaining a competitive edge in the market.

The Group is well positioned to maintain its leadership in the industry and is committed to providing world-class quality and environmentally friendly dyeing and finishing equipment and services to the total satisfaction of its customers.

Stainless Steel Trading

Fong's Steels Supplies Company Limited

During the period under review, the turnover of this business segment amounted to approximately HK\$158,676,000, an increase of 18% as compared to the same period in the prior year, but the profit margins were however lower due to the impact of SARS in the second quarter of this year.

As mentioned in our Annual Report 2002, the Group will continue to manage the inventory levels on its forecasts of stainless steel prices. The management anticipates that the profit margins will improve as nickel prices increase.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Stainless Steel Casting

Tycon Alloy Industries (Hong Kong) Co., Ltd. and Tycon Alloy Industries (Shenzhen) Co., Ltd.

During the period under review, this business segment recorded a turnover and profit of approximately HK\$30,326,000 and HK\$12,751,000 respectively, representing an increase of 31% and 447% respectively as compared to the same period in the prior year. The increases in both turnover and profit are the results of our marketing efforts and the expansion of the production capacity.

The management will concentrate their efforts on improving production efficiencies and on new market development.

Jointly Controlled Entity

Monforts Fong's Textile Machinery Co. Limited ("Monforts Fong's")

As mentioned in the Annual Report 2002, Monforts Fong's introduced two new products, Relaxation Dryer and Levelling and Stretching Machine, in 2002. Both of these machines were well received by the market. During the period under review, the turnover of Monforts Fong's increased to approximately HK\$155,000,000, an increase of 88% as compared to the corresponding period last year.

The management believes that as China's economy will continue to grow at a fast pace, and as such the demand of our products is expected to grow even further in future. Monforts Fong's is on the right track in achieving a steady growth in both turnover and operating profit in 2003.

To cope with the anticipated increase in demand of its products, Monforts Fong's has recently commenced the construction of a 20,000 square metres factory building within the existing production complex of the Group. This new factory building is expected to commence production by September, 2004.



MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Associates

Foshan East Asia Company Limited (a 30% owned associate)

The business of the sale of woven color fabrics conducted by Foshan East Asia Company Limited reported a modest growth. During the period under review, our share of profit increased from HK\$788,000 to HK\$1,095,000 as the management has taken steps to reduce costs and increase competitiveness. The Board believes that this business will continue to make a steady contribution to the profit of the Group in the coming years.

Acquisition of a subsidiary

In September 2002, the Group acquired 80% equity interests in Xorella AG at a consideration of HK\$21,840,000. Founded in 1971, Xorella AG is the technology and market leader in yarn steam setting and conditioning systems in Switzerland. This investment is expected to benefit the Group as it extends our product range into the yarn conditioning equipment sector.

Prospects

China's entry into the WTO and the resultant robustness of the China market have provided significant opportunities for the Group. Looking ahead, we are confident that our leading position in the industry, our high quality products and our diversifications into new products and new markets will underpin our efforts to strive for a better performance in future.

Liquidity and Capital Resources

The management considers the Group's financial position as healthy and believes that the Group has adequate financial resources to meet its cash flow requirements.

At June 30, 2003, the Group's cash and bank balance, net of total borrowings, was approximately HK\$177,726,000. There is no gearing ratio shown as the Group has a net positive cash and bank balance. The current ratio was 2.16 reflecting a healthy liquidity level.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Liquidity and Capital Resources (Continued)

At June 30, 2003, bank borrowings amounted to approximately HK\$68,649,000 of which approximately 41% were secured by certain assets of the Group. All bank borrowings are repayable within one year. Most bank borrowings were sourced from Hong Kong, of which approximately 11% were denominated in Hong Kong dollars and the remaining were denominated in US dollars. The bank borrowings of the Group are predominantly subject to floating interest rates.

At June 30, 2003, the cash and bank balance amounted to approximately HK\$251,724,000 of which approximately 46% were denominated in Hong Kong dollars, 25% in US dollars, 19% in Euro, 5% in Renminbi and the remaining were denominated in various foreign currencies.

Human Resources

At June 30, 2003, the Group employed approximately 2,500 staff. The Group remunerates its employees based on their performance, experience and prevailing industry practice.



DIRECTORS' INTERESTS

As at June 30, 2003, the interests of the directors of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of the Securities and Futures Ordinance (the "SFO")) as 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:

Long position in shares of the Company

Name of director	Number of ordinary shares held		
	Family Interests	Personal Interests	Other interests
Mr. Fong Sou Lam	–	13,486,000	–
Mr. Fong Kwok Leung, Kevin	200,000	1,550,000	304,875,601*
Mr. Fong Kwok Chung, Bill	–	1,986,000	304,875,601*
Mr. Cheuk Hon Kin, Kelvin	–	400,000	–
Ms. Poon Hang Sim, Blanche	–	250,000	–

* 304,875,601 shares are owned by two discretionary trusts, the beneficiaries of which include Mr. Fong Kwok Leung, Kevin, Mr. Fong Kwok Chung, Bill and other family members. These shares represented an interest duplicated amongst those two directors.

At June 30, 2003, none of the directors of the Company were interested or deemed to be interested in short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations.

OTHER SHAREHOLDERS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

At June 30, 2003, persons who had interests or short positions in the shares and underlying shares of the Company, being 5% or more of the Company's issued share capital, as recorded in the register required to be kept under section 336 of the SFO were as follows:

Long position

Name	<i>Notes</i>	Nature of Interest	Number of shares	Percentage
GBOGH Assets Limited	(1) & (2)	Corporate	287,397,360	51.04
J.P. Morgan Chase & Co.		Corporate	56,316,000	10.00
The Capital Group Companies Inc.		Corporate	39,444,000	7.01

Notes:

- (1) GBOGH Assets Limited is owned by a discretionary trust, beneficiaries of which include Mr. Fong Kwok Leung, Kevin, Mr. Fong Kwok Chung, Bill and other family members.
- (2) The following companies are wholly-owned by GBOGH Assets Limited and their interests, as listed below, in the shares of the Company are included in the 287,397,360 shares listed under GBOGH Assets Limited:

Name	Nature of Interest	Number of shares	Percentage
Sheffield Holdings Company Limited	Corporate	58,197,360	10.33
Reeds Limited	Corporate	57,600,000	10.23
Runaway Holdings Limited	Corporate	57,600,000	10.23
Derby Holdings Company Limited	Corporate	48,000,000	8.53
Polar Bear Holdings limited	Corporate	48,000,000	8.53
Bristol Investments Limited	Corporate	18,000,000	3.19



OTHER SHAREHOLDERS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS *(Continued)*

Long position *(Continued)*

Other than the interests disclosed above, the directors are not aware of any other person who was, at June 30, 2003, shown in the register required to be kept under section 336 of the SFO to be interested, directly or indirectly, in 10% or more of the nominal value of the share capital carrying rights to vote in all circumstances at general meetings of the Company.

SHARE OPTION

Pursuant to an ordinary resolution passed on June 8, 2000 by the shareholders of the Company, the Company had approved a share option scheme pursuant to which options might be granted to full-time employees, including executive directors, of the Group to subscribe for shares in the Company.

Termination of the aforementioned share option scheme and adoption of a New Share Option Scheme were approved by the shareholders of the Company at a special general Meeting held on May 26, 2003 in order to comply with the new requirements of Chapter 17 of the Listing Rules effective from September 1, 2001.

No option has been granted under the New Share Option Scheme during the six months ended June 30, 2003. There was no share option outstanding at June 30, 2003.

ARRANGEMENTS TO ACQUIRE SHARES OR DEBT SECURITIES

At no time during the six months ended June 30, 2003 was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of, the Company or any other body corporate and none of the directors or their spouses or children under the age of 18 had any right to subscribe for the securities of the Company, or had exercised any such rights.

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

During the six months ended June 30, 2003, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

AUDIT COMMITTEE

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters including the review of the unaudited condensed financial statements for the six months ended June 30, 2003. The members of the Audit Committee comprise the two independent non-executive directors of the Company, Mr. Cheung Chiu Fan and Mr. Lui Chi Lung, Louis.

COMPLIANCE WITH THE CODE OF BEST PRACTICE OF THE LISTING RULES

None of the directors of the Company 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 June 30, 2003, in compliance with the "Code of Best Practice" as set out in Appendix 14 of the Listing Rules.

On behalf of the Board
Fong Sou Lam
Chairman

Hong Kong, September 15, 2003