



**PME GROUP LIMITED**

**必美宜集團有限公司**

(incorporated in the Cayman Islands with limited liability)

**Interim Report 2003**



The Board of Directors (the “Directors”) of PME Group Limited (the “Company”) are pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2003 (the “Period”) and the comparative figures for the corresponding period in 2002 as follows:

### CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	Six months ended 30 June	
		2003 (unaudited) HK\$'000	2002 (unaudited) HK\$'000
Turnover	3	55,775	48,551
Cost of sales		<u>(29,437)</u>	<u>(24,373)</u>
Gross profit		26,338	24,178
Other operating income		722	249
Selling and distribution expenses		(2,039)	(1,439)
Administrative expenses		(13,746)	(11,240)
Revaluation decrease on leasehold land and buildings		<u>–</u>	<u>(39)</u>
Profit from operations	4	11,275	11,709
Finance costs		<u>(682)</u>	<u>(1,304)</u>
Profit before taxation		10,593	10,405
Taxation	5	<u>(1,805)</u>	<u>(1,815)</u>
Net profit for the period		<u>8,788</u>	<u>8,590</u>
Dividend	6	<u>2,400</u>	<u>55,000</u>
Earnings per share – Basic	7	<u>HK1.10 cents</u>	<u>HK1.26 cents</u>

**CONDENSED CONSOLIDATED BALANCE SHEET**

		<b>30 June 2003 (unaudited) HK\$'000</b>	31 December 2002 (audited) HK\$'000
	Notes		
<b>Non-current assets</b>			
Property, plant and equipment		<b>119,345</b>	115,424
Club debentures		<b>350</b>	350
		<b>119,695</b>	115,774
<b>Current assets</b>			
Inventories		<b>18,838</b>	20,332
Debtors, deposits and prepayments	8	<b>37,513</b>	35,753
Taxation recoverable		-	43
Bank balances and cash		<b>9,694</b>	20,350
		<b>66,045</b>	76,478
<b>Current liabilities</b>			
Creditors and accruals	9	<b>8,206</b>	10,527
Taxation payable		<b>4,559</b>	5,071
Bank borrowings		<b>16,673</b>	11,729
		<b>29,438</b>	27,327
<b>Net current assets</b>		<b>36,607</b>	49,151
<b>Total assets less current liabilities</b>		<b>156,302</b>	164,925
<b>Non-current liabilities</b>			
Bank borrowings		<b>9,542</b>	14,953
<b>Deferred taxation</b>		<b>254</b>	254
		<b>146,506</b>	149,718
<b>Capital and reserves</b>			
Share capital	10	<b>8,000</b>	8,000
Share premium and reserves		<b>138,506</b>	141,718
		<b>146,506</b>	149,718

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

	Share capital HK\$'000	Share premium HK\$'000	Special reserve HK\$'000	Property revaluation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 January 2003	8,000	15,640	80,259	15,999	29,820	149,718
Dividends paid	-	-	-	-	(12,000)	(12,000)
Net profit for the Period	-	-	-	-	8,788	8,788
At 30 June 2003	<u>8,000</u>	<u>15,640</u>	<u>80,259</u>	<u>15,999</u>	<u>26,608</u>	<u>146,506</u>
At 1 January 2002	234	-	80,035	14,961	60,432	155,662
Revaluation increase in leasehold land and buildings	-	-	-	1	-	1
Dividend paid	-	-	-	-	(55,000)	(55,000)
Net profit for the period	-	-	-	-	8,590	8,590
At 30 June 2002	<u>234</u>	<u>-</u>	<u>80,035</u>	<u>14,962</u>	<u>14,022</u>	<u>109,253</u>

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT**

	<b>Six months ended 30 June</b>	
	<b>2003</b>	<b>2002</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Net cash inflow from operating activities	<b>9,119</b>	21,241
Net cash outflow from investing activities	<b>(6,687)</b>	(3,263)
Net cash outflow from financing activities	<b>(15,137)</b>	(19,534)
<b>DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(12,705)</b>	(1,556)
Cash and cash equivalents at beginning of period	<b>19,691</b>	1,892
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>6,986</b>	336
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>		
Bank balances and cash	<b>9,694</b>	3,706
Bank overdrafts	<b>(2,708)</b>	(3,370)
	<b>6,986</b>	336

## **NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

### **1. GROUP RESTRUCTURING AND BASIS OF PRESENTATION OF FINANCIAL STATEMENTS**

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 27 February 2002 under the Companies Law (Revised) Chapter 22 of the Cayman Islands.

Pursuant to a group reorganisation (the "Group Reorganisation") to rationalise the structure of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") in preparation for the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company issued shares in exchange for the entire issued share capital of PME International (BVI) Company Limited, the previous holding company of the Group, and thereby became the holding company of the Group on 23 October 2002.

The shares of the Company have been listed on the Stock Exchange with effect from 13 November 2002.

The Group resulting from the Group Reorganisation is regarded as a continuing entity. Accordingly, the condensed consolidated interim financial statements have been prepared using the principles of merger accounting in accordance with Statement of Standard Accounting Practice ("SSAP") 27 "Accounting for Group Reconstructions" issued by the Hong Kong Society of Accountants (the "HKSA").

The condensed consolidated interim financial statements have been prepared in accordance with SSAP 25 "Interim Financial Reporting" issued by the HKSA.

### **2. PRINCIPAL ACCOUNTING POLICIES**

The condensed consolidated interim financial statements for the Period are unaudited and have been prepared under the historical cost convention, as modified for the revaluation of leasehold land and buildings.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 2. PRINCIPAL ACCOUNTING POLICIES (Continued)

The accounting policies adopted in the preparation of these unaudited condensed consolidated interim financial statements are consistent with those adopted in the Group's audited financial statements for the year ended 31 December 2002, except for the adoption of SSAP 12 (Revised) "Income Tax" which is effective for the accounting period commenced on or after 1 January 2003. The adoption of SSAP 12 (Revised) has had no significant effect on the results of the Group for the current and prior accounting periods.

### 3. SEGMENTAL INFORMATION

The analysis of the turnover and segment results of the Group by operating divisions during the Period are as follows:

	Turnover		Segment Results	
	Six months ended		Six months ended	
	30 June		30 June	
	2003	2002	2003	2002
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Operating divisions</b>				
Manufacturing products	<b>25,404</b>	23,104	<b>7,518</b>	7,886
Trading products	<b>29,754</b>	24,909	<b>2,567</b>	3,194
Technical services	<b>617</b>	538	<b>468</b>	419
	<b>55,775</b>	48,551	<b>10,553</b>	11,499
Other operating income			<b>722</b>	249
Revaluation decrease in leasehold land and buildings			<b>-</b>	(39)
Profit from operations			<b>11,275</b>	11,709
Finance costs			<b>(682)</b>	(1,304)
Profit before taxation			<b>10,593</b>	10,405
Taxation			<b>(1,805)</b>	(1,815)
Net profit for the period			<b>8,788</b>	8,590

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 3. SEGMENTAL INFORMATION (Continued)

The Group's operations are located in Hong Kong and Mainland China. The Group's trading division is mainly located in Hong Kong. Manufacturing and technical service are carried out in Mainland China.

The following table provides an analysis of the Group's turnover by geographical market, irrespective of the origin of customers:

	Turnover by Geographical Market		Contribution to Profit from Operations	
	Six months ended 30 June		Six months ended 30 June	
	2003 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000
Hong Kong	<b>38,213</b>	32,130	<b>7,146</b>	7,305
The PRC	<b>15,443</b>	14,809	<b>3,302</b>	3,965
Other Asian regions	<b>415</b>	497	<b>18</b>	6
North America and Europe	<b>610</b>	372	<b>25</b>	76
Other countries	<b>1,094</b>	743	<b>62</b>	147
	<b>55,775</b>	48,551	<b>10,553</b>	11,499
Other operating income			<b>722</b>	249
Revaluation decrease on leasehold land and buildings			-	(39)
Profit from operations			<b>11,275</b>	11,709

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 4. PROFIT FROM OPERATIONS

	Six months ended 30 June	
	2003 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000
Profit from operations has been arrived at after charging:		
Cost of inventories sold	29,437	24,373
Depreciation and amortisation	2,766	2,732
Interests on bank loans and overdrafts wholly repayable within five years	682	1,304
	<u>682</u>	<u>1,304</u>

### 5. TAXATION

	Six months ended 30 June	
	2003 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000
The charge comprises:		
Hong Kong Profits Tax – Current period	1,805	1,815
	<u>1,805</u>	<u>1,815</u>

Hong Kong Profits Tax is calculated at 17.5% (2002: 16%) on the estimated assessable profit for the period.

No provision for PRC Enterprise Income Tax has been made as the PRC subsidiary of the Group is within the tax exemption period.

Deferred tax has not been provided as the Group did not have any significant unprovided deferred tax for the Period (2002: Nil).

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 6. DIVIDEND

	Six months ended 30 June	
	2003 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000
Interim dividend paid by a subsidiary of the Company to the then shareholders prior to the Group Reorganisation	–	55,000
Interim dividend	<b>2,400</b>	–
	<b>2,400</b>	55,000

The Directors resolved that an interim dividend of HK0.3 cent per share for the six months ended 30 June 2003 (2002: Nil) to be paid to the shareholders whose names register in the Company's register of members on 28 October 2003. The dividend warrants will be dispatched at around 5 November 2003.

During the Period, final dividend of HK1.125 cents per share (totalling HK\$9,000,000), and special dividend of HK0.375 cent per share (totalling HK\$3,000,000) for the year ended 31 December 2002 have been approved and paid to the shareholders of the Company.

### 7. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the net profit for the Period of HK\$8,788,000 (2002: HK\$8,590,000) and 800,000,000 (2002: 680,000,000) ordinary shares in issue during the Period on the assumption that the Group Reorganisation and capitalisation issue had been completed on 1 January 2002.

No diluted earnings per share is presented as the Company does not have any dilutive potential ordinary shares.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 8. DEBTORS, DEPOSITS AND PREPAYMENTS

The aged analysis of the trade debtors of HK\$33,091,000 (2002: HK\$31,858,000) which are included in the Group's debtors, deposits and prepayments is as follows:

	<b>30 June 2003 (Unaudited) HK\$'000</b>	31 December 2002 (Audited) HK\$'000
Within 30 days	<b>8,993</b>	16,106
Between 31 to 60 days	<b>9,937</b>	7,489
Between 61 to 90 days	<b>7,801</b>	5,293
Over than 90 days	<b>6,360</b>	2,970
	<hr/>	<hr/>
	<b>33,091</b>	31,858
Other debtors, deposits and prepayments	<b>4,422</b>	3,895
	<hr/>	<hr/>
	<b>37,513</b>	35,753
	<hr/>	<hr/>

### 9. CREDITORS AND ACCRUALS

The aged analysis of the trade creditors of HK\$4,162,000 (2002: HK\$6,975,000) which are included in the Group's creditors and accruals is as follows:

	<b>30 June 2003 (Unaudited) HK\$'000</b>	31 December 2002 (Audited) HK\$'000
Within 30 days	<b>2,836</b>	2,991
Between 31 to 60 days	<b>595</b>	1,657
Between 61 to 90 days	<b>39</b>	1,399
Over than 90 days	<b>692</b>	928
	<hr/>	<hr/>
	<b>4,162</b>	6,975
Other creditors and accruals	<b>4,044</b>	3,552
	<hr/>	<hr/>
	<b>8,206</b>	10,527
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## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 10. SHARE CAPITAL

	<b>30 June 2003 (Unaudited) HK\$'000</b>	31 December 2002 (Audited) HK\$'000
Authorised:		
10,000,000,000 ordinary shares of HK\$0.01 each	<u>100,000</u>	<u>100,000</u>
Issued and fully paid:		
800,000,000 ordinary shares of HK\$0.01 each	<u>8,000</u>	<u>8,000</u>

### 11. CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 30 June 2003 and 31 December 2002.

### 12. CAPITAL COMMITMENTS

The Group had no material capital commitments as at 30 June 2003 and 31 December 2002.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review and Financial Performance

In the first half of 2003, Hong Kong had a continuation of prevailing poor economic conditions. There was no positive economic or political news for recover from it. Despite the current worldwide economic downturn, the Group was glad to achieve steady growth as compared to last corresponding period. This was due to a timely and flexible operations system implemented by the Group with the full involvement of the directors, management team and all staff that enabled the business to move forward. Thus, we overcame many obstacles and were able to maintain our previous results.

The Group is principally engaged in the manufacturing of polishing compounds and polishing wheels in the PRC under its own brand name "**Pme**" and the trading of different brands of industrial abrasive products. Over 90% of the Group's turnover was contributed from the markets in Hong Kong and the Pearl River Delta in the PRC.

The Group's turnover for the Period was approximately HK\$55.8 million, representing an increase of 14.9% as compared with the corresponding period in 2002. Net profit for the Period was approximately HK\$8.8 million, increased slightly by 2.3% as compared with net profit of approximately HK\$8.6 million in the last corresponding period. The increase in turnover was mainly due to the increased demand of the Group's products from the customers in Hong Kong. However, the net profit for the Period has not increased in line with the increase in turnover due to the decrease in gross profit margin from 50% in 2002 to 47% in 2003. The increase in selling and distribution expenses and administrative expenses also set off partly the profit from increase in turnover.

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### Liquidity and Financial Resources

At 30 June 2003, the Group had interest-bearing bank borrowings of approximately HK\$26.2 million (31 December 2002: HK\$26.7 million), of which approximately HK\$16.7 million were of maturity within one year. The directors expect that all the bank borrowings will be repaid by internal generated funds or rolled over upon the maturity and continue to provide funding to the Group's operations. At 30 June 2003, the Group's leasehold land and buildings with aggregate carrying value of approximately HK\$100.9 million (31 December 2002: HK\$101.9 million) have been pledged to banks to secure the banking facilities granted to the Group.

At 30 June 2003, current assets of the Group amounted to approximately HK\$66.0 million (31 December 2002: HK\$76.5 million). The Group's current ratio was approximately 2.24 as at 30 June 2003 as compared with 2.80 as at 31 December 2002. At 30 June 2003, the Group had total assets of approximately HK\$185.7 million (31 December 2002: HK\$192.3 million) and total liabilities of approximately HK\$39.2 million (31 December 2002: HK\$42.5 million), representing a gearing ratio (measured as total liabilities to total assets) of 21.1% as at 30 June 2003 as compared with 22.1% as at 31 December 2002.

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### Use of Proceeds from Issue of New Shares

The proceeds from the issue of new shares of the Company in connection with the listing of the Company's shares on the Stock Exchange on 13 November 2002, after deduction of related expenses, amounted to approximately HK\$23.6 million. Part of the net proceeds has been applied as follows:

- as to approximately HK\$6.8 million to improve the production facilities of Dongguan PME and the technical application centre of the Group;
- as to approximately HK\$0.7 million to expand the Group's sales and marketing network;
- as to approximately HK\$5.0 million to reduce the Group's bank borrowings; and
- as to approximately HK\$4.6 million as general working capital of the Group.

The remaining balance of the net proceeds of approximately HK\$6.5 million, which has been placed with licensed banks in Hong Kong as at 30 June 2003, will be applied in accordance with the plans set out in the Company's prospectus dated 31 October 2002.

### Foreign Exchange Exposures

The Group's purchases and sales are mainly denominated in US dollars, Hong Kong dollars and Renminbi. The operating expenses of the Group are either in Hong Kong dollars or Renminbi. As Hong Kong dollars have been pledged with US dollars, and the exchange rate of Renminbi against Hong Kong dollars is relatively stable, the directors consider that the Group has no material currency exchange risk exposures.

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### Outlook for Second-Half of 2003

In view of poor economy of Hong Kong during the first half-year, we are not expect any significant breakthrough in the near future. There is no doubt that Mainland China is in the rapid economic growth. For example, there is high expectation on the development of the Yangtze River Delta. The recent signing of the Closer Economic Partnership Agreement (“CEPA”) between Mainland China and Hong Kong will allow the tax-free importation of Hong Kong manufactured products into Mainland China. We do not expect immediate significant growth in the second half-year, though in the medium term CEPA will give some stimulus to the manufacturing industries in Hong Kong. CEPA will also assist to rebuild confidence in recovery Hong Kong’s economy. The Group will follow the platform of ‘maintaining the past results’ in the short term and will then move forward steadily. We will explore new markets and will continue to enhance customers’ confidence on our products and services. We are still optimistic about the Group’s future prospects. Based upon management’s ability to steer the Group through the turmoil economy in the first half-year, we have decided to implement the followings:

- follow the same operations mode and strategy of the first half-year;
- use scientific management techniques to handle the current economic crisis; and
- maintain strong leadership, a high initiative and positive attitude among all members.

We would request our shareholders to join us moving forward together to do our best in looking for new opportunities and enhancing relationship. We commit to achieve the best results possible for our shareholders.

**MANAGEMENT DISCUSSION AND ANALYSIS (Continued)****Employees and Remuneration**

At 30 June 2003, the Group had approximately 300 employees in Hong Kong and Mainland China. The employees are remunerated with basic salary, bonus and other benefits in kind with reference to industry practice and their individual performance. The Group also operates a share option scheme of which the Directors may, at its discretion, grant options to employees of the Group. No option has been granted since the adoption of the share option scheme.

**DIRECTORS' INTERESTS IN SHARES**

At 30 June 2003, the directors of the Company had the following interests or short positions in shares, underlying shares and debenture of the Company or any 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 pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code"), were as follows:

<b>Directors</b>	<b>Number of shares held</b>			<b>Percentage of interests</b>
	<b>Personal interests</b>	<b>Corporate interests</b>	<b>Total interests</b>	
Mr. Cheng Kwok Woo	54,400,000	358,328,000 (note)	412,728,000	51.59%
Mr. Cheng Kwong Cheong	54,400,000	358,328,000 (note)	412,728,000	51.59%
Ms. Cheng Wai Ying	54,400,000	358,328,000 (note)	412,728,000	51.59%
Mr. Charles Woo	16,342,667	-	16,342,667	2.04%
Ms. Chan Yim Fan	8,205,333	-	8,205,333	1.03%

**DIRECTORS' INTERESTS IN SHARES (Continued)**

Note: These shares are held by PME Investments (BVI) Co., Ltd. ("PME Investments"), a company incorporated in the British Virgin Islands (the "BVI"). The entire issued share capital of PME Investments is beneficially owned as to one-third by each of Mr. Cheng Kwok Woo, Mr. Cheng Kwong Cheong and Ms. Cheng Wai Ying.

Save as disclosed above, as at 30 June 2003, none of the Directors had any interests or short position 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 kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

**DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES**

Apart from as disclosed under the paragraph headed "Directors' Interests in Shares" above, at no time during the Period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors or their respective spouse or children under 18 years of age to acquire such rights in any other body corporate.

**SHARE OPTION SCHEME**

The Company operates a share option scheme for the purposes to enable the directors of the Company to grant options to certain full-time employees (including executive directors, non-executive directors and independent non-executive directors of the Company) of the Group in recognition of their contributions to the Group.

At 30 June 2003, no share options have been offered and/or granted to any participants under the share option scheme.

## SUBSTANTIAL SHAREHOLDERS

As at 30 June 2003, in accordance with the register kept by the Company under Section 336 of the SFO and so far as is known to the directors, the following persons were interested (including short positions) in the shares or underlying shares of the Company:

<b>Name</b>	<b>Number of shares held</b>	<b>Percentage of interests</b>
PME Investments (note 1)	358,328,000	44.79%
Mr. Cheng Kwok Woo (note 2)	412,728,000	51.59%
Mr. Cheng Kwong Cheong (note 2)	412,728,000	51.59%
Ms. Cheng Wai Ying (note 2)	412,728,000	51.59%

Notes:

1. PME Investments is an investment holding company incorporated in the BVI and its entire issued share capital is beneficially owned as to one-third by each of Mr. Cheng Kwok Woo, Mr. Cheng Kwong Cheong and Ms. Cheng Wai Ying.
2. Each of Mr. Cheng Kwok Woo, Mr. Cheng Kwong Cheong and Ms. Cheng Wai Ying personally holds 54,400,000 shares of the Company, being approximately 6.8% of the entire issued share capital of the Company. Each of them is further beneficially interested in one-third of PME Investments and is accordingly deemed to be interested in the entire interests of PME Investments in the Company.

Saved as disclosed above, no other parties were recorded in the register required to be kept under Section 336 of the SFO as having an interest or a short position in the shares or underlying shares of the Company as at 30 June 2003.

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

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

## **PRINCIPAL BANKERS**

The principal bankers of the Group have been as follows:

Bank of America (Asia) Limited

Standard Chartered Bank

The Hongkong and Shanghai Banking Corporation Limited

DBS Bank (Hong Kong) Limited (formerly Dao Heng Bank Limited)

Agricultural Bank of China, Human branch

Bank of China, Human branch

## **CODE OF BEST PRACTICE**

In the opinion of the directors, the Company complied with the Code of Best Practice (the "Code"), as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the Period, except that the current independent non-executive directors of the Company are not appointed for specific terms as required by the Code, but are subject to retirement by rotation and re-election in accordance with the Company's Articles of Association.

## **CLOSURE OF REGISTER OF MEMBERS**

The Register of Members of the Company will be closed from 22 October 2003 to 28 October 2003, both days inclusive, during which no transfer of shares can be registered. To qualify for the interim dividend, members must ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Secretaries Limited, at G/F, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong for registration no later than 4:00 p.m. on 21 October 2003.

## AUDIT COMMITTEE

The Company has an audit committee which was established in accordance with the requirements of the Code, for the purposes of reviewing and providing supervision over the financial reporting process and internal controls of the Group. The audit committee comprises two independent non-executive directors of the Company.

The unaudited condensed financial statements for the six months ended 30 June 2003 have been reviewed by the Audited Committee.

On behalf of the Board

**Cheng Kwok Woo**

*Chairman*

Hong Kong, 23 September 2003