

1998



INTERIM REPORT



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FORTEI HOLDINGS LIMITED

安權控股有限公司

(INCORPORATED IN BERMUDA WITH LIMITED LIABILITY)
(在百慕達註冊成立之有限公司)

INTERIM RESULTS

The board of directors of Fortei Holdings Limited ("the Company") announces the unaudited consolidated results of the Company and its subsidiaries ("the Group") for the six months ended 30th June, 1998, together with the comparative figures for the same period in the previous year, as follows:

	<i>Notes</i>	Six months ended	
		30/6/1998 <i>HK\$'000</i>	30/6/1997 <i>HK\$'000</i>
Turnover		<u>63,676</u>	<u>85,761</u>
Operating (loss)/profit from continuing operations before exceptional item		(26,788)	3,693
Exceptional item	(1)	—	5,461
(Loss)/Profit from ordinary activities before taxation		<u>(26,788)</u>	9,154
Taxation	(2)	4,000	361
(Loss)/Profit before minority interests		<u>(30,788)</u>	8,793
Minority interests		59	74
(Loss)/Profit attributable to shareholders		<u>(30,847)</u>	<u>8,719</u>
Interim dividend		—	4,000
Interim dividend per share		—	1 cent
(Loss)/Earnings per share	(3)	<u>(7.71) cents</u>	<u>2.18 cents</u>

Notes:

- (1) The exceptional item in the last period represents the gain on disposal of a leasehold property.
- (2) The amount of taxation in the consolidated profit and loss account represents:

	Six months ended	
	30/6/1998 <i>HK\$'000</i>	30/6/1997 <i>HK\$'000</i>
Hong Kong profits tax		
— current (a)	—	361
— underprovision in previous years	4,000	—
	<u>4,000</u>	<u>361</u>

- (a) No provision for Hong Kong profits tax has been made in the accounts as companies within the Group have no estimated assessable profits for the current period.
 - (b) No provision for deferred taxation has been made in the accounts as the effect of timing difference is not material to the Group.
- (3) The calculation of (loss)/earnings per share for the period is based on the loss attributable to shareholders of HK\$30,847,000 (1997: profit of HK\$8,719,000) and the 400,000,000 (1997: 400,000,000) shares in issue.

INTERIM DIVIDEND

The board of directors has resolved not to recommend the payment of an interim dividend for the six months ended 30th June, 1998 (1997: 1 cent per share).

REVIEW AND OUTLOOK

During the six months ended 30th June, 1998, the business of the Group was adversely affected by the economic downturn in Hong Kong and, to a lesser extent, China. Turnover decreased by 26 per cent. as compared to the previous corresponding period as the consumer sentiment deteriorated. Due to keen market competition and weak consumer sentiment, the Group had to cut the prices of its products, resulting in an operating loss.

The Asian financial crisis has impacted on fashion retailing in China, which has recently shown signs of a mild slowdown. The Group intends to restructure and streamline its operation in China to improve its competitiveness. Management will respond to the changing market conditions with more competitive pricing and improvements to the quality of its products and services. As the Group has built up a strong presence for its brand, *Fortei* across China over the past years, the management believes the Group can maintain its momentum in this vast market.

The Group will prudently seek to expand its network in China through franchise or consignment arrangements in order to minimise capital outlays and management overheads. It will continue to operate a consolidated retail network in Hong Kong and the management will closely monitor the performances of the individual stores.

The Group has implemented stringent cost control measures and prudent financial management to cope with the current difficult business environment. It has also tightened credit control to improve the working capital of the Group.

Following the Group's change of control in mid 1998, new directors have been appointed and they have joined force with the existing management team to plan the future development of the Group.

THE YEAR 2000 COMPLIANCE

In addressing the year 2000 problem, the Group has reviewed and assessed the ability of its information systems to accurately process transactions with dates extending to and beyond the year 2000.

The Group has undertaken a programme to improve the information systems which is now in the stage of system testings. The whole programme is expected to be completed by mid 1999. Adequate time is reserved for testing and implementing appropriate changes to the Group's information systems to ensure that they are year 2000 compliant.

The whole programme includes the replacement and improvement of hardware and software of computer systems, and the total estimated costs are about HK\$300,000. As at 30th June, 1998, HK\$200,000 had been incurred and HK\$100,000 is estimated to be spent in the next twelve months.

DISCLOSURE OF INTERESTS

As at 30th June, 1998, the directors and chief executives of the Company and their associates had the following interests in the share capital of the Company or any of its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") which required disclosure pursuant to the Model Code for Securities Transactions by Directors of Listed Companies or as recorded in the register maintained under Section 29 of the SDI Ordinance: –

Name	Number of shares in the Company beneficially held			
	Personal interest	Corporate interest	Family interest	Other interest
Mr. Cheung Chi Chung	-	(note 1)	-	-
Mr. Cheung Kam Wong	-	264,114,700 (note 1)	-	-
Mr. Wong Fan Tai	-	264,114,700 (note 1)	-	-
Ms. Wang Annie Chang Roe	-	(note 1)	-	-
Mr. Kong Yun Kan	6,285,700	-	-	82,226,600 (note 2)

Notes:

- 264,114,700 shares were held by Tasmanian Treasure Limited, which is owned as to 45% by Marlborough Gold Limited, 45% by Paynes Park Limited and 10% by Normandy Gold Limited. Marlborough Gold Limited is a wholly-owned subsidiary of United Power Investment Limited and, securities of which are listed on The Stock Exchange of Hong Kong Limited ("the Stock Exchange"). The holding company of United Power Investment Limited is United Power International Limited, a company in which Mr. Cheung Kam Wong and Mr. Cheung Chi Chung have 72% and 10% interests respectively. Paynes Park Limited is wholly-owned by Mr. Wong Fan Tai. Normandy Gold Limited is wholly-owned by Ms. Wang Annie Chang Roe.
- 65,428,600 of these shares were owned by Hoi Fat Investments (B.V.I.) Limited, which is owned as to approximately 43.02% by Cowin Enterprises Limited and 44.08% by family members of Mr. Kong Yun Kan. 16,798,000 shares were owned by Cowin

Enterprises Limited directly. Cowin Enterprises Limited is a company operated by a trustee for the benefit of a trust, the beneficiaries of which are Mr. Kong Yun Kan and his immediate family members.

Save as disclosed above and the holding of certain nominee shares in trust for the Group, none of the directors and chief executives of the Company or their associates had any interest in the share capital of the Company or any of its associated corporations, as defined in the SDI Ordinance as at 30th June, 1998.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE SHARE CAPITAL OF THE COMPANY

As at 30th June, 1998, other than the interests of certain directors and their associates disclosed under the section headed "Disclosure of interests" above, no other person is recorded in the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance as having an interest in 10% or more of the issued share capital of the Company.

DIRECTORS' BENEFITS FROM RIGHTS TO ACQUIRE SHARES OR DEBENTURES

A share option scheme was approved at a special general meeting of the Company held on 16th June, 1993 under which the directors of the Company may, at their discretion, grant options to executive directors and full time employees of the Company or its subsidiaries to subscribe for shares in the Company.

There were no options exercised, granted or outstanding during the six months ended 30th June, 1998.

Apart from the share option scheme of the Company, at no time during the period was the Company, its holding company or any of its subsidiaries and fellow subsidiaries, a party to any arrangements to enable the directors or chief executives of the Company to acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate, and neither the directors, chief executives nor any of their spouses or children under the age of 18 had been granted any right to subscribe for securities of the Company, or exercised any such right.

PURCHASE, SALE OR REDEMPTION OF SHARES

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

COMPLIANCE WITH THE CODE OF BEST PRACTICE OF LISTING RULES

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 30th June, 1998, in compliance with the Code of Best Practice set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange.

By order of the board
Cheung Chi Chung
Chairman

Hong Kong, 28th September, 1998