

CKI HOLDINGS<1038> - Year 2000 Problem Disclosures

Millennium Issue

The Group is aware of the importance of a Year 2000 compliance programme which is targeted to ensure all major systems, computer applications, software and hardware devices owned or developed by the Group will accurately calculate date data prior to, through and beyond year 2000. Some units of the Group have been modifying some of their computer and production systems to be Year 2000 compliant since 1997.

As mentioned in the 1998 Interim Report, a central programme office has been established by the Group in 1997 to monitor the Year 2000 compliance programme and to devise and implement remedial and contingency plans. Progress reports of the Year 2000 compliance programme have been submitted to the Executive Committee by the central programme office on a regular basis.

The Group has accomplished substantial progress of the Year 2000 compliance programme. Most of all major computer information systems have been reviewed and upgraded. The Group's target date for its major systems to be Year 2000 compliant is mid-1999, after that further testing and refinements may be required.

One of the issues of the Year 2000 programme is the Group's reliance upon and interface with third parties such as suppliers, customers, business partners, operators, and service providers. The Group has been actively assessing the commitment of such third parties in achieving Year 2000 compliance. Disruption to the Group's business operations may result due to the non-compliance of the systems of third parties. However, extensive contingency plans are being prepared with a view to responding to any interruption in speedy and organised manner.

Total costs for the Year 2000 compliance programme are estimated to be HK\$16 million, of which HK\$6 million was incurred as at 31st December, 1998. To complete the Year 2000 compliance programme, the Group expects to spend a further amount of HK\$10 million, of which HK\$2 million has been committed. Most of these costs will be recognised as expenses.