



KADER HOLDINGS COMPANY LIMITED



INTERIM REPORT 2001

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30TH JUNE 2001

The Board of Directors of Kader Holdings Company Limited (the “Company”) announces that the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30th June 2001, together with comparative figures for the corresponding period in 2000 are as follows:—

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the six months ended 30th June 2001

		Unaudited	
	<i>Note</i>	Six months ended 30th June	
		2001	2000
		HK\$'000	HK\$'000
Turnover	3	148,124	113,388
Other revenue		5,730	8,113
Other net income		1,259	1,446
Changes in inventories of finished goods and work in progress		8,712	11,005
Cost of purchase of finished goods		(8,254)	(4,291)
Raw materials and consumables used		(46,314)	(29,504)
Staff costs		(42,296)	(40,520)
Depreciation and amortisation expenses		(9,433)	(8,232)
Other operating expenses		(64,529)	(62,312)
Loss from operations	3	(7,001)	(10,907)
Finance cost	4	(15,730)	(16,379)
Share of loss of associates		(238)	(1,847)
Loss from ordinary activities before taxation	4	(22,969)	(29,133)
Taxation	5	(714)	(560)
Loss from ordinary activities after taxation		(23,683)	(29,693)
Minority interests		—	—
Loss attributable to shareholders		(23,683)	(29,693)
Revenue reserves at 1st January			
<i>As previously reported</i>		153,427	234,720
<i>Prior period adjustment</i>	2	—	(86,325)
<i>As restated</i>		153,427	148,395
Revenue reserves at 30th June		129,744	118,702
Loss per share			
Basic	6	(3.6¢)	(4.5¢)

CONSOLIDATED STATEMENT OF RECOGNISED GAINS AND LOSSES

For the six months ended 30th June 2001

	Unaudited	
	Six months ended 30th June	
	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Exchange differences on translation of the financial statements of foreign entities	<u>(1,998)</u>	<u>(2,291)</u>
Net losses not recognised in the profit and loss account	(1,998)	(2,291)
Net loss for the period	<u>(23,683)</u>	<u>(29,693)</u>
Total recognised losses	<u><u>(25,681)</u></u>	<u><u>(31,984)</u></u>

CONSOLIDATED BALANCE SHEET

At 30th June 2001

	<i>Note</i>	Unaudited At 30th June 2001 HK\$'000	Audited At 31st December 2000 HK\$'000
Non-current assets			
Fixed assets			
— Investment properties		394,264	394,995
— Other property, plant and equipment		113,576	110,993
		507,840	505,988
Interest in associates		185,763	186,329
Interest in a jointly controlled entity		—	—
Other non-current financial assets		93,098	93,179
Intangible assets		3,904	5,152
		790,605	790,648
Current assets			
Current investments		148	249
Inventories	7	169,554	152,194
Land held for resale		34,708	35,208
Tax recoverable		1,352	2,300
Deferred tax		6,828	6,828
Trade and other receivables	8	67,221	64,658
Cash and cash equivalents		5,279	7,377
		285,090	268,814
Less: Current liabilities			
Bank overdraft and current portion of interest-bearing bank loans		(265,156)	(231,801)
Trade and other payables	9	(69,683)	(54,969)
Current portion of obligations under hire purchase contracts		(60)	(56)
Tax payable		(91)	(226)
		(334,990)	(287,052)
Net current liabilities		(49,900)	(18,238)
Total assets less current liabilities carried forward		740,705	772,410

CONSOLIDATED BALANCE SHEET (CONTINUED)

At 30th June 2001

	Unaudited	Audited
	At 30th June	At 31st December
<i>Note</i>	2001	2000
	HK\$'000	HK\$'000
Total assets less current liabilities brought forward	740,705	772,410
Non-current liabilities		
Interest-bearing borrowings	(249,676)	(257,021)
Non interest-bearing amount due to a related company	(2,496)	(2,496)
Rental deposits	(6,846)	(5,365)
Obligations under hire purchase contracts	(5)	(35)
Deferred taxation	—	(186)
	(259,023)	(265,103)
Minority interest	<u>—</u>	<u>—</u>
NET ASSETS	<u>481,682</u>	<u>507,307</u>
CAPITAL AND RESERVES		
Share capital	<i>10</i> 66,541	66,508
Reserves	<i>11</i> 415,141	440,799
	<u>481,682</u>	<u>507,307</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30th June 2001

	Unaudited 2001 HK\$'000
Net cash outflow from operating activities	(7,957)
Net cash outflow from returns on investments and servicing of finance	(10,376)
Tax paid	(87)
Net cash outflow from investing activities	<u>(11,206)</u>
Net cash outflow before financing	(29,626)
Net cash inflow from financing	<u>2,255</u>
Decrease in cash and cash equivalents	(27,371)
Cash and cash equivalents at 1st January 2001	<u>(56,396)</u>
Cash and cash equivalents at 30th June 2001	<u><u>(83,767)</u></u>
 Analysis of the balances of cash and cash equivalents	
Cash at bank and in hand	5,279
Bank overdrafts and loans repayable within three months from the date of the advance	<u>(89,046)</u>
	<u><u>(83,767)</u></u>

NOTES ON THE UNAUDITED INTERIM FINANCIAL REPORT

1. Basis of preparation

The interim financial report is unaudited, but has been reviewed by the Audit Committee.

The interim financial report has been prepared in accordance with the requirements of the Main Board Listing Rules of The Stock Exchange of Hong Kong Limited, including compliance with Statement of Standard Accounting Practice 25 “Interim financial reporting” issued by the Hong Kong Society of Accountants (“HKSA”) except that comparative figures for the cash flow statement have not been prepared as the Company has taken advantage of the transitional provisions set out in the Main Board Listing Rules.

The financial information relating to the financial year ended 31st December 2000 included in the interim financial report does not constitute the statutory accounts of the Company and its subsidiaries (“the Group”) for that financial year but is derived from those accounts. Statutory accounts for the year ended 31st December 2000 are available from the Company’s registered office. The auditors have expressed an unqualified opinion on those accounts in their report dated 17th April 2001.

The same accounting policies adopted in the 2000 annual accounts have been applied to the interim financial report except the change in accounting policies disclosed in note 2 below.

The notes on the interim financial report include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2000 annual accounts.

2. Prior year adjustment

In prior years, goodwill arising on consolidation was eliminated against reserves. With effective from 1st January 2001, the Group adopted a new accounting policy of stating goodwill on the consolidated balance sheet at cost less accumulated amortisation and impairment losses. The goodwill is amortised on a straight-line basis over its estimated useful economic life to the consolidated profit and loss account in order to comply with Statement of Standard Accounting Practice (“SSAP”) 30 “Business combinations” issued by the HKSA. The Group has taken advantage of the transitional provisions set out in paragraph 88 of SSAP 30 with the effect that the new accounting policy has been adopted prospectively and no adjustments have been made to the opening balance of retained profits and reserves and comparative information.

The Group did not previously follow a policy of recognising impairment losses in respect of goodwill eliminated against reserves. With effective from 1st January 2001, the Group adopted a new accounting policy of recognising impairment losses of goodwill eliminated against reserves in the consolidated profit and loss account in order to comply with SSAP 30 “Business combinations” and SSAP 31 “Impairment of assets”. This change in accounting policy has been applied retrospectively with the opening balances of retained profits and contributed surplus and the comparative information adjusted for the amounts relating to prior years. As a result of the adoption of this accounting policy, the Group’s retained earnings have been decreased by HK\$86,325,000, with the contributed surplus being increased by the same amount. Hence this adjustment has no impact on the net asset value nor total reserves.

3. SEGMENTAL INFORMATION

The analysis of the principal activities and geographical locations of the operations of the Company and its subsidiaries during the financial period are as follows:

	Group turnover		Contribution to loss from operations	
	Six months ended 30th June		Six months ended 30th June	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Principal activities				
Marketing and selling of toy items	134,331	93,875	(18,155)	(20,408)
Property investment	13,479	14,473	13,138	11,541
Investment holding and trading	314	5,040	(1,984)	(2,040)
	<u>148,124</u>	<u>113,388</u>	<u>(7,001)</u>	<u>(10,907)</u>

	Group turnover		Contribution to loss from operations	
	Six months ended 30th June		Six months ended 30th June	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Geographical locations of operations				
Hong Kong and China	78,250	55,081	(4,598)	(6,288)
USA	37,484	30,039	(3,227)	(6,118)
Europe	31,971	27,828	992	1,645
Canada	419	440	(168)	(146)
	<u>148,124</u>	<u>113,388</u>	<u>(7,001)</u>	<u>(10,907)</u>

4. LOSS FROM ORDINARY ACTIVITIES BEFORE TAXATION

Loss from ordinary activities before taxation is arrived at after charging/(crediting):

	Six months ended 30th June	
	2001	2000
	HK\$'000	HK\$'000
Cost of inventories	103,933	59,525
Amortisation of intangible assets	1,248	1,248
Interest on borrowings	15,730	16,379
Depreciation	8,185	6,984
Net loss/(profit) on sale of fixed assets	7	(7)
Net realised and unrealised (gains)/losses on trading and other securities carried at fair value	<u>(61)</u>	<u>145</u>

5. TAXATION

	Six months ended 30th June	
	2001	2000
	HK\$'000	HK\$'000
Hong Kong taxation	393	116
Overseas taxation	507	444
Deferred taxation	(186)	—
	<u>714</u>	<u>560</u>

Hong Kong profits tax is provided at 16% (2000: 16%) on the estimated assessable profits arising in Hong Kong during the period. Overseas taxation is similarly calculated at the rate prevailing in the respective jurisdictions.

6. LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to shareholders after taxation and minority interests of HK\$23,683,000 (2000: HK\$29,693,000) and 665,094,000 shares (2000: 661,820,000 shares) in issue, which represents the weighted average number of shares in issue during the period.

(b) Diluted loss per share

There were no dilutive potential ordinary shares in existence during the six months ended 30th June 2001 and 30th June 2000.

7. INVENTORIES

The amount of inventories carried at net realisable value is HK\$7,671,000 (at 31st December 2000: HK\$17,057,000). In addition, finished goods inventories are stated net of a general provision of HK\$1,560,000 (at 31st December 2000: HK\$2,340,000) made in order to state those inventories at the lower of cost and estimated net realisable value.

8. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are trade debtors (net of specific provisions for bad and doubtful debts) with the following ageing analysis:

	At 30th June	At 31st December
	2001	2000
	HK\$'000	HK\$'000
Current	30,790	38,836
1 to 3 months overdue	8,950	7,418
More than 3 months overdue but less than 12 months overdue	4,375	1,718
	<u>44,115</u>	<u>47,972</u>
Total trade debtors	44,115	47,972
Other debtors and prepayments	23,106	16,686
	<u>67,221</u>	<u>64,658</u>

Debtors are due within 30 days from the date of billing. Debtors with balances that are more than 3 months overdue are requested to settle all outstanding balances before any further credit is granted.

9. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade creditors with the following ageing analysis:

	At 30th June 2001 HK\$'000	At 31st December 2000 HK\$'000
Due within 1 month or on demand	21,012	7,392
Due after 1 month but within 3 months	726	7,847
Due after 3 months but within 6 months	616	129
Due after 6 months but within 12 months	104	20
	<u>22,458</u>	<u>15,388</u>
Total trade creditors	22,458	15,388
Other payables	47,225	39,581
	<u>69,683</u>	<u>54,969</u>

10. SHARE CAPITAL

	Number of shares (^{'000})	HK\$'000
Issued and fully paid:		
At 1st January 2001	665,080	66,508
Shares issued under share option scheme	331	33
	<u>665,411</u>	<u>66,541</u>
At 30th June 2001	<u>665,411</u>	<u>66,541</u>

During the period, 331,478 ordinary shares of HK\$0.10 each were issued as a result of the exercise of share options granted under the Company's Employee Share Option Scheme for an aggregate cash consideration of HK\$56,000.

Details of the share options outstanding at 30th June 2001 are as follows:

Date of grant	Exercise price HK\$	Exercisable period	Number of share options outstanding at 30/06/2001
1/1/2000	0.17	1/7/2000 - 30/06/2001	<u> </u>

11. RESERVES

	Exchange reserve HK\$'000	Contributed surplus HK\$'000	Capital reserve HK\$'000	Share premium HK\$'000	Revenue reserve HK\$'000	Total HK\$'000
At 1st January 2001						
As previously reported	(3,408)	83,669	10,867	109,919	239,752	440,799
Prior period adjustment (note 2)	—	86,325	—	—	(86,325)	—
As restated	(3,408)	169,994	10,867	109,919	153,427	440,799
Net exchange translation differences	(1,998)	—	—	—	—	(1,998)
Arising on issue of shares	—	—	—	23	—	23
Loss for the period	—	—	—	—	(23,683)	(23,683)
At 30th June 2001	<u>(5,406)</u>	<u>169,994</u>	<u>10,867</u>	<u>109,942</u>	<u>129,744</u>	<u>415,141</u>

12. MATERIAL RELATED PARTY TRANSACTIONS

- (a) In 1998, the Group agreed to pay HK\$12,464,000 to a company controlled by a director and shareholders of the Company for obtaining the licence to use certain technologies and know-how for the manufacture and sale of car battery products according to an agreement signed in 1996. The amount due to this related company at 30th June, 2001 was HK\$4,992,000 (at 31st December 2000: HK\$4,992,000).
- (b) One of the directors of the Company is also a director and shareholder of a supplier which sold packaging and printing materials to the Group under the same terms as those available to other customers in the ordinary course of business. Total purchases from the supplier amounted to HK\$2,084,000 (2000: HK\$1,433,000) during the period. The amount due to the supplier at the period end amounted to HK\$1,440,000 (at 31st December 2000: HK\$84,000).
- (c) During the period, certain directors of the Company have entered into a joint and several personal guarantee for not less than HK\$39,000,000 (at 31st December 2000: HK\$39,000,000) in favour of a bank for loans granted to the Company.
- (d) During the period, the Group had net interests in both an associate and certain investments amounting to HK\$94,557,000 (at 31st December 2000: HK\$94,586,000) and HK\$72,399,000 (at 31st December 2000: HK\$72,399,000) respectively in which a director of the Company has beneficial interests.

- (e) During the period, the Group has obtained funding from certain directors, shareholders, related companies and related parties to finance its operations. The outstanding balances are as follows:

	Outstanding	
	Unaudited At 30th June 2001 HK\$'000	Audited At 31st December 2000 HK\$'000
Directors	56,105	54,082
Shareholders	49,406	46,587
Related companies	11,267	11,049
Related parties	2,335	2,335

The amount due to a related company of HK\$2,496,000 is unsecured, interest free and repayable after 30th June 2002. The remaining balances are unsecured, interest bearing at 7% or prime less 0.5% to prime plus 2% and repayable after 30th June 2002.

- (f) Transactions with associated companies
- (i) The Group has provided funding to associated companies of HK\$141,473,000 (at 31st December 2000: HK\$149,310,000) in which HK\$89,179,000 (at 31st December 2000: HK\$89,705,000) is unsecured, interest bearing at prime plus 1% and has no fixed term of repayment. The remaining balances are unsecured, interest-free and have no fixed term of repayment.
- (ii) The Group has obtained funding from an associated company of HK\$88,940,000 (at 31st December 2000: HK\$89,429,000). The loan is unsecured, interest bearing at prime rate and repayable after 30th June 2002.

13. Comparative figures

Certain comparative figures have been adjusted as a result of changes in accounting policies for goodwill in order to comply with SSAP 30 and SSAP 31, details of which are set out in note 2.

INTERIM DIVIDEND

The Board of Directors does not recommend the payment of an interim dividend for the six months ended 30th June 2001 (2000: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

During the period under review, the Group recorded a consolidated turnover of HK\$148,124,000 which represented an increase of approximately 30% as compared with the last corresponding period. As a result of this improved performance, the loss attributable to shareholders has been reduced to HK\$23,683,000 comparing with the corresponding period of last year. (2000: loss of HK\$29,693,000).

BUSINESS REVIEW

Toys

The Group is pleased to enjoy the fruits of its continued effort to broaden customer base and to invest in technology and production facilities. The turnover of the OEM toys business has improved remarkably during the period under review. In addition, the raw material costs, such as the prices of paper and plastic have declined substantially during the period under review. Due to the seasonal nature of the toy industry, we expect the turnover for the second half of the year 2001 will be greater than the first half of the year.

Model Trains

The turnover for model trains has increased moderately. During the period under review, our US model trains have been awarded several prizes, among which, our HO-Scale model train, the “3 Truck Shay”, has been awarded “Product of the Year” and “HO-Scale Locomotive of the Year”; our Large Scale “4-4-0 Steam Locomotive” has been awarded “Large Scale Locomotive of the Year”. Our European model trains have also won several prizes, for example, the HO-Scale “Fireless Locomotive” has been awarded “HO Scale Steam Locomotive of the Year”. The favorable feedback of our new models has greatly contributed to the increase in turnover.

Property Investment

During the period under review, the rental market has showed a slight recovery and the Group managed to maintain an occupancy rate of over 90%. Contribution from rental properties will be steady for the forthcoming period.

Investment Holding

During the period under review, the contribution from the Group’s major investment holding in the US, “The Resort at Squaw Creek”, has reduced as compared with last year. The burst of the technology bubble in the US has caused severe cancellation of conference bookings that adversely affected the Resort’s performance. However, the Board expects that current decline will not be long lasting and in the medium term, the Board is cautiously optimistic that this investment will continue to provide the Group with a steady investment return.

FINANCIAL REVIEW

Liquidity and Financial Resources

As at 30th June 2001, the Group’s current ratio was 0.85 (at 31st December 2000: 0.94). The Group’s total bank borrowings have increased from approximately HK\$299 million as reported last year-end to approximately HK\$326 million as at period-end which is in line with the seasonal turnover pattern of our Group. The financial gearing of the Group, based on the total bank borrowings to the shareholder’s equity was maintained at 68% (at 31st December 2000: 59%).

Capital Structure

During the period under review, there was no significant change in the Company's share capital.

Charges on Group Assets

As at 30th June 2001, certain investment properties, leasehold land and buildings and other assets of the Group with a total net book value of approximately HK\$587 million (at 31st December 2000: HK\$560 million) were pledged to banks to secure banking facilities granted to the Group.

Exchange Rate Exposure

The assets, liabilities and transactions of the Group are denominated either in U.S. dollars, Renminbi, Hong Kong dollars, Sterling or Euro. As the exchange rates of these currencies against Hong Kong dollars were relatively stable during the period under review, the Group was not exposed to material exchange risk.

Material Acquisitions and Disposals

There is neither material acquisition nor disposal of any subsidiary or associated company during the period under review. Also, there is no future plan for material investment or capital assets in the coming year.

Contingent Liabilities

As at 30th June 2001 and 31st December 2000, the Group did not have significant contingent liabilities.

EMPLOYEES AND REMUNERATION POLICIES

As at 30th June 2001, the Group employed approximately 5,700 (at 31st December 2000: 4,600) full time management, administrative and production staff in USA, Europe, PRC and Hong Kong. During the period under review, there was no significant change in the Company's employees and remuneration policies. Currently, there is no outstanding share option under the Employee Share Option Scheme.

PROSPECTS

The recent terror attack in the US has cast doubt on the speed of recovery of the US economy. The Board hopes that the shock waves is short-lived and will not materially dampen consumer confidence. On the other hand, the successive rate cut by the Federal Reserve should bring along positive impact to the US economy. The heat wave of the OEM items that the Group are currently producing will carry on in the forth-coming years, thus the Group will continuously be benefited. As regarding the model train business, the "Harry Potter" movie that carries the Group's licensed model, the "Fantasy Train", will be launched during November this year. The anticipated favorable response to the movie will show positive impact to the sales of the model train business in the coming period. The Board will cautiously monitor the development of the US economy.

DIRECTORS' INTERESTS IN SHARES

As at 30th June 2001, the directors of the Company had the following beneficial interests in the share capital of the Company:

	Number of Ordinary Shares		
	Personal Interests	Family Interests	Corporate Interests
Kenneth Ting Woo-shou	90,711,385	586,629	244,175,800 (i)
Dennis Ting Hok-shou	9,692,817	275,000	236,969,800 (i)
Liu Chee-ming	—	—	1,000,000
Moses Cheng Mo-chi	11,000	—	—

Notes:

- (i) Included in the "Corporate Interests" above were 209,671,000 shares of the Company held by its substantial shareholder, H.C. Ting's Holdings Limited, in which Messrs. Dennis Ting Hok-shou and Kenneth Ting Woo-shou together have a controlling interest.

Apart from the above, no interests were held or deemed or taken (under the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance")) to be held by any directors or chief executive of the Company or any of their spouses or children under eighteen years of age in any equity or debt securities of the Company or any of its associated companies (within the meaning of SDI Ordinance) at 30th June 2001, nor any rights or warrants to subscribe therefore.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Details of share options granted to and exercised by the following directors of the Company, Messrs. Kenneth Ting Woo-shou, Dennis Ting Hok-shou and William Li Kai-wan, pursuant to the Company's Employee Share Option Scheme during the six months ended 30th June 2001 were as follows:—

Date of Grant	Exercise Price (HK\$)	Exercisable Period	Number of Share Options				Balance outstanding at 30/06/2001
			Balance at 01/01/2001	Granted during the period	Exercised during the period	Lapsed during the period	
01/01/2000	0.17	01/07/2000-30/06/2001	255,400	—	(66,870)	(188,530)	—

Apart from the foregoing, there were no rights or warrants held as at 30th June 2001, nor had there been any exercise of rights or warrants during the period under review, by any directors or chief executive of the Company or any of their spouses or children under eighteen years of age to subscribe for equity or debt securities of the Company.

Save as disclosed herein, at no time during the period under review was the Company or any of its subsidiaries a party to any arrangement to enable the directors of the Company to acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDER'S INTEREST

As at 30th June 2001, the register kept by the Company under Section 16(1) of the SDI Ordinance showed that H.C. Ting's Holdings Limited had an interest in 209,671,000 shares of the Company, being 10% or more of the Company's issued share capital.

DISCLOSURE UNDER PRACTICE NOTE 19

As at 30th June 2001, the Group had provided certain financial assistance to affiliated companies which are disclosed below in accordance with Practice Note 19 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules").

ADVANCES TO AFFILIATED COMPANIES

As at 30th June 2001, the Company advanced a total sum of HK\$141,473,000 to its affiliated companies, the details of which are as follows:—

Affiliated Companies	Interest Rate of Advances	Amount of Advances as at 30th June 2001 (HK\$'000)
Allman Holdings Limited and its subsidiary	Prime rate plus 1%	89,179
	Interest-free	46,212
Melville Street Trust Company Limited	Interest-free	<u>6,082</u>
		<u>141,473</u>

All the said advances were unsecured, repayable on demand and were funded by internal resources and/or bank borrowings and were made for the purpose of providing investment funds and/or working capital.

Set out below is a proforma combined balance sheet of the above affiliated companies as at 30th June 2001, (being the latest practicable date for determining the relevant figures) required to be disclosed under Practice Note 19 of the Listing Rules:—

Proforma Combined Balance Sheet as at 30th June 2001:—

	<i>HK\$'000</i>
Other investment	188,653
Net current assets	7,369
Shareholders' loans — long term	<u>(113,788)</u>
Shareholders' funds	<u>82,234</u>

The aggregate of the Group's advances to affiliated companies as at 30th June 2001 amounted to HK\$141,473,000 which represents approximately 29% of the Group's net assets as at 30th June 2001.

PURCHASE, SALE OR REDEMPTION OF SHARES

There has been no purchase, sale or redemption of the Company's shares by the Company or any of its subsidiaries during the six months ended 30th June 2001.

AUDIT COMMITTEE

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and has discussed the internal controls and financial reporting matters including a review of the Interim Accounts.

CODE OF BEST PRACTICE

No director of the Company is aware of any information that would reasonably indicate that the Company is not or was not 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 at any time during the six months ended 30th June 2001 except that independent non-executive directors are not appointed for a specific term as they are subject to retirement by rotation at Annual General Meetings in accordance with the Company's Bye-laws.

By the Order of the Board
Kenneth Ting Woo-shou
Managing Director

Hong Kong, 18th September 2001