



**KADER HOLDINGS COMPANY LIMITED**



**INTERIM REPORT 2002**

## INTERIM RESULTS FOR THE SIX MONTHS ENDED 30TH JUNE 2002

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 2002, together with comparative figures for the corresponding period in 2001 are as follows:—

### CONSOLIDATED PROFIT AND LOSS ACCOUNT

*For the six months ended 30th June 2002*

	Note	Unaudited	
		Six months ended 30th June 2002	2001
		HK\$'000	Restated HK\$'000
Turnover	3	<b>116,813</b>	148,124
Other revenue		<b>5,807</b>	5,730
Other net (expenses)/income		<b>(1,100)</b>	1,259
Changes in inventories of finished goods and work in progress		<b>17,772</b>	8,712
Cost of purchase of finished goods		<b>(3,748)</b>	(8,254)
Raw materials and consumables used		<b>(33,887)</b>	(46,314)
Staff costs		<b>(42,083)</b>	(42,224)
Depreciation and amortisation expenses		<b>(10,983)</b>	(9,433)
Other operating expenses		<b>(59,514)</b>	(64,529)
Loss from operations	3	<b>(10,923)</b>	(6,929)
Finance costs	4	<b>(10,049)</b>	(15,730)
Share of loss of associates		<b>(124)</b>	(238)
Loss from ordinary activities before taxation	4	<b>(21,096)</b>	(22,897)
Taxation	5	<b>(3,308)</b>	(714)
Loss from ordinary activities after taxation		<b>(24,404)</b>	(23,611)
Minority interests		<b>—</b>	—
Loss attributable to shareholders		<b>(24,404)</b>	(23,611)
Loss per share			
Basic	6	<b>(3.7¢)</b>	(3.6¢)

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th June 2002

	Share capital HK\$'000	Exchange reserve HK\$'000	Investment properties revaluation 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	66,508	(3,408)	–	83,669	10,867	109,919	239,752	507,307
– Prior period adjustment:								
Impairment of goodwill	–	–	–	86,325	–	–	(86,325)	–
Employee benefits (note 2(a))	–	–	–	–	–	–	(2,018)	(2,018)
– As restated	66,508	(3,408)	–	169,994	10,867	109,919	151,409	505,289
Net losses not recognised in the profit and loss account								
– net exchange difference	–	(1,998)	–	–	–	–	–	(1,998)
Issue of shares	33	–	–	–	–	23	–	56
Loss for the period	–	–	–	–	–	–	(23,611)	(23,611)
At 30th June 2001	<u>66,541</u>	<u>(5,406)</u>	<u>–</u>	<u>169,994</u>	<u>10,867</u>	<u>109,942</u>	<u>127,798</u>	<u>479,736</u>
At 1st January 2002								
– As previously reported	66,541	(4,202)	12,545	169,994	10,867	109,942	128,537	494,224
– Prior period adjustment:								
Employee benefits (note 2(a))	–	–	–	–	–	–	(1,967)	(1,967)
– As restated	66,541	(4,202)	12,545	169,994	10,867	109,942	126,570	492,257
Net gains not recognised in the profit and loss account								
– net exchange difference	–	193	–	–	–	–	–	193
Loss for the period	–	–	–	–	–	–	(24,404)	(24,404)
At 30th June 2002	<u>66,541</u>	<u>(4,009)</u>	<u>12,545</u>	<u>169,994</u>	<u>10,867</u>	<u>109,942</u>	<u>102,166</u>	<u>468,046</u>

# CONSOLIDATED BALANCE SHEET

At 30th June 2002

	Note	Unaudited At 30th June 2002 HK\$'000	Audited At 31st December 2001 Restated HK\$'000
<b>Non-current assets</b>			
Fixed assets			
– Investment properties		407,962	409,362
– Other property, plant and equipment		116,616	116,370
		<u>524,578</u>	<u>525,732</u>
Interest in associates		95,187	94,928
Interest in a jointly controlled entity		–	–
Other non-current financial assets		96,366	94,948
Intangible assets		1,248	2,496
		<u>717,379</u>	<u>718,104</u>
<b>Current assets</b>			
Current investments		123	160
Inventories	7	174,555	156,739
Land held for resale		–	33,005
Tax recoverable		339	1,477
Deferred taxation		5,352	5,819
Trade and other receivables	8	59,042	166,220
Cash and cash equivalents		19,326	6,417
		<u>258,737</u>	<u>369,837</u>
<b>Less: Current liabilities</b>			
Bank overdrafts and current portion of interest-bearing bank loans		(218,267)	(269,845)
Trade and other payables	9	(68,748)	(153,340)
Current portion of obligations under finance leases		(485)	(496)
Current portion of other interest-bearing loan		(4,850)	–
Tax payable		(4,969)	(10,758)
		<u>(297,319)</u>	<u>(434,439)</u>
<b>Net current liabilities</b>		<u>(38,582)</u>	<u>(64,602)</u>
<b>Total assets less current liabilities carried forward</b>		<u>678,797</u>	<u>653,502</u>

## CONSOLIDATED BALANCE SHEET (CONTINUED)

At 30th June 2002

	Note	Unaudited At 30th June 2002 <i>HK\$'000</i>	Audited At 31st December 2001 Restated <i>HK\$'000</i>
<b>Total assets less current liabilities brought forward</b>		<b>678,797</b>	653,502
<b>Non-current liabilities</b>			
Interest-bearing borrowings		<b>(204,366)</b>	(150,778)
Non interest-bearing amount due to a related company		–	(1,560)
Accrued employee benefits		<b>(2,005)</b>	(1,967)
Rental deposits		<b>(3,710)</b>	(6,025)
Obligations under finance leases		<b>(660)</b>	(905)
Deferred taxation		<b>(10)</b>	(10)
		<b>(210,751)</b>	(161,245)
Minority interests		–	–
<b>NET ASSETS</b>		<b>468,046</b>	492,257
<b>CAPITAL AND RESERVES</b>			
Share capital	10	<b>66,541</b>	66,541
Reserves	11	<b>401,505</b>	425,716
		<b>468,046</b>	492,257

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30th June 2002

	Unaudited	
	Six months ended 30th June 2002 HK\$'000	2001 HK\$'000
Net cash from/(used in) operating activities	25,221	(8,044)
Net cash used in investing activities	(8,117)	(10,726)
Net cash (used in)/from financing activities	<u>(4,195)</u>	<u>16,672</u>
Net increase/(decrease) in cash and cash equivalents	12,909	(2,098)
Cash and cash equivalents at 1st January	<u>6,417</u>	<u>7,377</u>
Cash and cash equivalents at 30th June	<u><b>19,326</b></u>	<u><b>5,279</b></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 (“SSAP”) 25 “Interim financial reporting” issued by the Hong Kong Society of Accountants (“HKSA”).

The financial information relating to the financial year ended 31st December 2001 included in the interim financial report does not constitute the statutory financial statements of the Company and its subsidiaries (the “Group”) for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31st December 2001 are available from the Company’s registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 19th April 2002.

The same accounting policies adopted in the 2001 annual financial statements have been applied to the interim financial report except for the adoption of the following SSAPs issued by the HKSA, which became effective for accounting periods beginning on or after 1st January 2002:

SSAP 1 (revised):	Presentation of financial statements
SSAP 11 (revised):	Foreign currency translation
SSAP 15 (revised):	Cash flow statements
SSAP 34:	Employee benefits

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 2001 annual financial statements.

## 2. Adoption of New Accounting Standards in Hong Kong

### (a) *SSAP 34 Employee benefits*

Prior to the issuance of SSAP 34, the Group did not provide for the liabilities in respect of its staffs' vested annual leave and long service payment entitlements. SSAP 34 requires that obligations in respect of these entitlements should be accrued as soon as services are rendered. In accordance with this change in accounting policy and pursuant to SSAP 2 (which outlines the disclosure requirements when a change in accounting policy has a material effect on the current or prior periods presented), the Group has retrospectively restated the opening balances of retained profits 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\$1,967,000 (31st December 2000: HK\$2,018,000) and loss for the period increased by HK\$38,000 (2001: decreased by HK\$72,000).

### (b) *SSAP 1 (revised) Presentation of financial statements*

In order to comply with the revised requirements of SSAP 1 (revised), the Group adopts the new statement "Consolidated Statement of Changes in Equity" which replaces the "Consolidated Statement of Recognised Gains and Losses" included in previous financial statements. The new statement reconciles the movement of key components of the shareholders' fund, including share capital, reserves and retained earnings, from the beginning to end of a period.

### (c) *SSAP 15 (revised) Cash flow statements*

The format of the Consolidated Cash Flow Statement has been revised to follow the new requirements of SSAP 15 (revised).



### 3. Segmental Information

Segment information is presented in respect of the Group's business and geographical segments. Business segment information is chosen as the primary reporting format because this is more relevant to the Group's internal financial reporting.

#### *Business segments*

The Group comprises the following main business segments:

Toys and model trains: The manufacture and sale of plastic, electronic and stuffed toys and model trains.

Property leasing: The leasing of office premises, industrial building and residential units to generate rental income and to gain from the appreciation in the properties' value in the long term.

Investment holding and trading: The investment in partnership and trading of listed securities.

Six months ended 30th June	Toys and model trains		Property leasing		Investment holding and trading		Unallocated		Inter-segment elimination		Consolidated	
	2002	2001 Restated	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001 Restated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from												
external customers	102,510	132,004	14,289	13,479	-	314	14	2,327	-	-	116,813	148,124
Inter-segment revenue	-	-	343	343	927	-	-	-	(1,270)	(343)	-	-
Other revenue from												
external customers	930	1,092	3,412	3,829	1	-	1,372	875	-	-	5,715	5,796
<b>Total</b>	<b>103,440</b>	<b>133,096</b>	<b>18,044</b>	<b>17,651</b>	<b>928</b>	<b>314</b>	<b>1,386</b>	<b>3,202</b>	<b>(1,270)</b>	<b>(343)</b>	<b>122,528</b>	<b>153,920</b>
Segment result	(19,854)	(17,724)	12,927	11,714	(1,555)	(916)	(2,118)	(440)	-	-	(10,600)	(7,366)
Inter-segment transactions	343	343	584	542	(927)	(885)	-	-	-	-	-	-
Contribution from operations	(19,511)	(17,381)	13,511	12,256	(2,482)	(1,801)	(2,118)	(440)	-	-	(10,600)	(7,366)
Unallocated operating income and expenses											(323)	437
Loss from operations											(10,923)	(6,929)

### Geographical segments

The Group's business is managed on a worldwide basis, but participates in three principal economic environments. Hong Kong and China is a major market for the Group's toys and model trains and property investment, and it is the location of most of its toys and model trains manufacturing. Toys and model trains are also sold to North America. The Group also has investment and investment properties in North America. In Europe and other locations, the major business is sale of toys and model trains.

In presenting information on the basis of geographical segments, segment revenue and (loss)/profit from operations are based on the geographical location of customers.

	Hong Kong and China		North America		Europe		Others	
	2002	2001	2002	2001	2002	2001	2002	2001
	<i>Restated</i>							
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external customers	<b>34,589</b>	67,420	<b>40,353</b>	43,296	<b>37,974</b>	33,890	<b>3,897</b>	3,518
(Loss)/profit from operations	<b>(4,444)</b>	(4,535)	<b>(8,021)</b>	(3,703)	<b>1,594</b>	1,037	<b>(52)</b>	272

#### 4. Loss from Ordinary Activities before Taxation

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

	Six months ended 30th June	
	2002	2001
	HK\$'000	HK\$'000
Cost of inventories	<b>65,576</b>	103,933
Amortisation of intangible assets	<b>1,248</b>	1,248
Interest on borrowings	<b>10,049</b>	15,730
Depreciation	<b>9,735</b>	8,185
Net (profit)/loss on sale of fixed assets	<b>(102)</b>	7
Net realised and unrealised losses/(gains) on trading and other securities carried at fair value	<b>37</b>	(61)
Decrease in liability for long service payment	<b>(64)</b>	(99)
Increase in liability for accrued leave pay	<b>102</b>	27
	<b>102</b>	27

## 5. Taxation

	Six months ended 30th June	
	2002	2001
	HK\$'000	HK\$'000
Hong Kong taxation	678	393
Overseas taxation	2,163	507
Deferred taxation	467	(186)
	<u>3,308</u>	<u>714</u>

Hong Kong profits tax is provided at 16% (2001: 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\$24,404,000 (2001 Restated: HK\$23,611,000) and 665,412,000 shares (2001: 665,094,000 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 2002 and 30th June 2001.

## 7. Inventories

The amount of inventories carried at net realisable value is HK\$2,468,000 (at 31st December 2001: HK\$6,215,000). In addition, finished goods inventories are stated net of a general provision of HK\$1,100,000 (at 31st December 2001: HK\$1,560,000) 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 2002 <i>HK\$'000</i>	At 31st December 2001 <i>HK\$'000</i>
Current	14,617	51,907
1 to 3 months overdue	22,948	5,435
More than 3 months overdue but less than 12 months overdue	1,311	858
More than 12 months overdue	716	1,053
Total trade debtors	39,592	59,253
Amount due from an associate	–	92,178
Amount due from a related party	300	300
Other debtors and prepayments	19,150	14,489
	<u>59,042</u>	<u>166,220</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 2002 <i>HK\$'000</i>	At 31st December 2001 <i>HK\$'000</i>
Due within 1 month or on demand	14,334	4,204
Due after 1 month but within 3 months	3,041	6,259
Due after 3 months but within 6 months	126	273
Due after 6 months but within 12 months	83	82
Total trade creditors	17,584	10,818
Amount due to an associate	–	91,533
Other payables	51,164	50,989
	<u>68,748</u>	<u>153,340</u>

## 10. Share Capital

	At 30th June 2002 HK\$'000	At 31st December 2001 HK\$'000
Authorised:		
1,000,000,000 ordinary shares of HK\$0.10 each	<u>100,000</u>	<u>100,000</u>
Issued and fully paid:		
665,412,000 ordinary shares of HK\$0.10 each	<u>66,541</u>	<u>66,541</u>

## 11. Reserves

	Investment properties revaluation reserve HK\$'000	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:							
- Impairment of goodwill	-	-	86,325	-	-	(86,325)	-
- Employee benefits (note 2(a))	-	-	-	-	-	(2,018)	(2,018)
As restated	-	(3,408)	169,994	10,867	109,919	151,409	438,781
Surplus arising on revaluation	12,545	-	-	-	-	-	12,545
Net exchange translation differences	-	(794)	-	-	-	-	(794)
Issue of shares	-	-	-	-	23	-	23
Loss for the year	-	-	-	-	-	(24,839)	(24,839)
At 31st December 2001	<u>12,545</u>	<u>(4,202)</u>	<u>169,994</u>	<u>10,867</u>	<u>109,942</u>	<u>126,570</u>	<u>425,716</u>
At 1st January 2002							
As previously reported	12,545	(4,202)	169,994	10,867	109,942	128,537	427,683
Prior period adjustment:							
- Employee benefits (note 2(a))	-	-	-	-	-	(1,967)	(1,967)
As restated	12,545	(4,202)	169,994	10,867	109,942	126,570	425,716
Net exchange translation differences	-	193	-	-	-	-	193
Loss for the period	-	-	-	-	-	(24,404)	(24,404)
At 30th June 2002	<u>12,545</u>	<u>(4,009)</u>	<u>169,994</u>	<u>10,867</u>	<u>109,942</u>	<u>102,166</u>	<u>401,505</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 2002 was HK\$4,056,000 (at 31st December 2001: HK\$4,056,000).
- (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\$2,797,000 (2001: HK\$2,084,000) during the period. The amount due to the supplier at the period end amounted to HK\$1,448,000 (at 31st December 2001: HK\$209,000).
- (c) As at 31st December 2001, certain directors of the Company have entered into a joint and several personal guarantee for not less than HK\$39,000,000 in favour of a bank for loans granted to the Company. The guarantee was released during the period.
- (d) During the period, the Group had net interests in both an associate and certain investments amounting to HK\$93,029,000 (at 31st December 2001: HK\$93,451,000) and HK\$75,687,000 (at 31st December 2001: HK\$75,687,000) 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	Audited
	At 30th June	At 31st December
	2002	2001
	HK\$'000	HK\$'000
Directors	78,239	57,651
Shareholders	48,682	48,978
Related companies	6,085	6,030
Related parties	2,130	2,130

The above balances are unsecured, interest bearing at 3% or prime less 0.5% to prime plus 2%. HK\$1,200,000 has no fixed term of repayment while the remaining balances are repayable after 30th June 2003.

## 13. Comparative Figures

Comparative figures have been restated and reclassified based on the change in accounting policy and adoption of new accounting standards as set out in note 2 in the interim financial report.

## INTERIM DIVIDEND

The Board of Directors does not recommend the payment of an interim dividend for the six months ended 30th June 2002 (2001: nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

### Results

During the period under review, the Group recorded a consolidated turnover of HK\$116,813,000 which represented a decrease of approximately 21% as compared with the last corresponding period. The loss attributable to shareholders amounted to HK\$24,404,000. (2001 : loss of HK\$23,611,000).

### Business Review

#### *Toys*

During the period under review, the Group continued to face global economy downturn and, like other toy manufacturers, had been operating under unfavorable conditions, such as thin sales margin, keen competition, tight production lead time etc. To cope with these harsh operating conditions, the Group adopted the strategy of focusing on high value added items so as to achieve higher sales margin. Moreover, customers had delayed their orders to the second half of the year in view of the economic uncertainty. As a result, the turnover for the OEM/ODM toys business has recorded a decline (54%) as comparing with the corresponding period of last year. In view of the above seasonal effects, the Group had temporary cut down our overhead costs. Looking forward, the Group anticipates its strategy of focusing on high value added items will benefit with the coming seasonal peak sales period for OEM/ODM toys business.

#### *Model Trains*

The Group has been successful in widening product ranges and developing new models, and now the contribution from model train business is becoming increasingly vital. The turnover for model trains for the period under review continued to increase steadily. The Group anticipates that with the coming of the seasonal peak sales period, there will be a significant increase in the turnover in model trains for the second half of the year.

### *Property Investment*

During the period under review, the rental market was very steady. The Group had managed to maintain an occupancy rate of over 90%. Looking ahead, the revenue contribution from the Group's rental properties will remain steady.

### *Investment Holding*

The Group is brought into litigation arising from the termination of the agency in relation to the management of The Resort at Squaw Creek. All directors agreed that it was and is in the best interests of the Group to terminate the agency. The directors have sought proper legal advice and will vigorously protect the interests of the Group.

## **Financial Review**

### *Liquidity and Financial Resources*

As at 30th June 2002, the Group's current ratio was 0.87 (at 31st December 2001: 0.85). The Group's total bank borrowings have decreased from approximately HK\$321 million as reported last year-end to approximately HK\$294 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 63% (at 31st December 2001: 65%).

### *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 2002, certain investment properties, leasehold land and buildings and other assets of the Group with a total net book value of approximately HK\$589 million (at 31st December 2001: HK\$686 million) were pledged to banks to secure banking facilities granted to the Group.



### *Material Acquisitions and Disposals*

There are no material acquisitions and disposals during the period ended 30th June 2002.

### *Exchange Rate Exposure*

Major assets, liabilities and transactions of the Group are denominated either in sterling, U.S. dollars, Renminbi or Hong Kong dollars. As the exchange rate of sterling, US dollars and Renminbi against Hong Kong dollars was relatively stable during the period under review, the Group was not exposed to material exchange risk.

### *Contingent Liabilities*

As at 30th June 2002 and 31st December 2001, the Group did not have significant contingent liabilities.

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 30th June 2002, the Group employed approximately 6,200 (at 31st December 2001: 6,300) 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.

## **PROSPECTS**

The directors foresee that the Group will continue to operate in a tough economic environment since the recovery in both Hong Kong and the United States is slow. The directors will be very cautious in any expansion plan of the Group. To cope with future growth, the Group will continue its effort on improving and controlling costs and expenditure, increasing the productivity and enhancing the quality of the products so as to strengthen the Group's leading position in the toys industry.

## DIRECTORS' INTERESTS IN SHARES AND RIGHTS TO ACQUIRE SHARES

As at 30th June 2002, the directors had the following beneficial interests in the share capital of the Company:

	Personal Interests	Number of Ordinary Shares		Share Options
		Family Interests	Corporate Interests	
Kenneth Ting Woo-shou	91,505,385	586,629	244,175,800 (i)	–
Dennis Ting Hok-shou	9,692,817	275,000	236,969,800 (i)	–
William Li Kai-wan	–	–	–	–
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 Hou-shou and Kenneth Ting Woo-shou together have a controlling interest.
- (ii) 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 2002, nor any rights or warrants to subscribe therefore.

There were no rights or warrants held as at 30th June 2002, 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 2002, 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.

## 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 2002.

## AUDIT COMMITTEE

The Audit Committee has met with the management to review the Interim Financial Statements and consider the significant accounting policies, and to discuss with the management about the Group's internal control system.

## CODE OF BEST PRACTICE

At any time during the six months ended 30th June 2002, the Company has complied 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 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 clause 189 (ix) of the Company's Bye-laws.

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

Hong Kong, 17th September 2002