



KADER HOLDINGS COMPANY LIMITED



INTERIM REPORT 2003

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30TH JUNE 2003

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 2003, together with comparative figures for the corresponding period in 2002 are as follows:–

CONSOLIDATED INCOME STATEMENT

For the six months ended 30th June 2003

		Unaudited	
		Six months ended 30th June	
	<i>Note</i>	2003	2002
			Restated
		HK\$'000	HK\$'000
Turnover	3	165,560	116,813
Other revenue		4,992	5,807
Other net expenses		(1,008)	(1,100)
Changes in inventories of finished goods and work in progress		22,569	17,772
Cost of purchase of finished goods		(4,263)	(3,748)
Raw materials and consumables used		(60,071)	(33,887)
Staff costs		(60,581)	(54,234)
Depreciation and amortisation expenses		(9,979)	(10,983)
Other operating expenses		(56,679)	(47,363)
Profit/(loss) from operations	3	540	(10,923)
Finance costs	4	(8,664)	(10,049)
Share of loss of associates		(1,058)	(124)
Loss from ordinary activities before taxation	4	(9,182)	(21,096)
Taxation	5	(1,855)	(3,002)
Loss from ordinary activities after taxation		(11,037)	(24,098)
Minority interests		–	–
Loss attributable to shareholders		(11,037)	(24,098)
Loss per share			
Basic	6	(1.7¢)	(3.6¢)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th June 2003

	Unaudited	
	Six months ended 30th June	
	2003	2002
		Restated
	HK\$'000	HK\$'000
Shareholders' equity at 1st January		
As previously reported	457,705	492,257
Prior period adjustment:		
– Deferred taxation (note 2)	(23,605)	(23,783)
	<u>434,100</u>	<u>468,474</u>
As restated	434,100	468,474
Net gains not recognised in the income statement		
– Net exchange differences on translation of the financial statements of foreign entities	2,740	193
Net loss for the period:		
As previously reported		(24,404)
Prior period adjustment:		
– Deferred taxation (note 2)		306
		<u>306</u>
Net loss for the period (2002: as restated)	(11,037)	(24,098)
Shareholders' equity at 30th June	<u>425,803</u>	<u>444,569</u>

CONSOLIDATED BALANCE SHEET

At 30th June 2003

	Note	Unaudited At 30th June 2003 HK\$'000	Audited At 31st December 2002 Restated HK\$'000
Non-current assets			
Fixed assets			
– Investment properties		408,287	407,281
– Other property, plant and equipment		112,642	113,459
		<u>520,929</u>	520,740
Investments in associates		95,399	88,817
Investment in a jointly controlled entity		–	–
Other non-current financial assets		87,859	88,718
Intangible assets		–	–
Deferred taxation		3,701	3,042
		<u>707,888</u>	<u>701,317</u>
Current assets			
Current investments		101	158
Inventories	7	184,429	158,906
Properties held for resale		4,672	4,672
Tax recoverable		3,191	3,191
Deferred taxation		2,347	2,814
Trade and other receivables	8	68,836	72,604
Cash and cash equivalents		8,421	9,090
		<u>271,997</u>	251,435
Less: Current liabilities			
Bank overdrafts and current portion of interest-bearing bank loans		(233,138)	(219,941)
Trade and other payables	9	(96,879)	(67,993)
Current portion of obligations under finance leases		(6,020)	(5,871)
Tax payable		(3,100)	(8,137)
		<u>(339,137)</u>	<u>(301,942)</u>
Net current liabilities		<u>(67,140)</u>	<u>(50,507)</u>
Total assets less current liabilities carried forward		<u>640,748</u>	650,810

CONSOLIDATED BALANCE SHEET (CONTINUED)

At 30th June 2003

		Unaudited At 30th June 2003 HK\$'000	Audited At 31st December 2002 Restated HK\$'000
Total assets less current liabilities brought forward		640,748	650,810
Non-current liabilities			
Interest-bearing borrowings		(177,842)	(178,941)
Rental deposits		(4,185)	(2,456)
Obligations under finance leases		(4,141)	(7,193)
Deferred taxation		(26,651)	(25,731)
Accrued employee benefits		(2,126)	(2,389)
		(214,945)	(216,710)
Minority interests		—	—
NET ASSETS		425,803	434,100
CAPITAL AND RESERVES			
Share capital	10	66,541	66,541
Reserves	11	359,262	367,559
		425,803	434,100

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30th June 2003

	Unaudited	
	Six months ended 30th June	
	2003	2002
	HK\$'000	HK\$'000
Net cash from operating activities	11,617	25,221
Net cash used in investing activities	(14,577)	(8,117)
Net cash from/(used in) financing activities	2,291	(4,195)
Net (decrease)/increase in cash and cash equivalents	(669)	12,909
Cash and cash equivalents at 1st January	9,090	6,417
Cash and cash equivalents at 30th June	8,421	19,326

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 2002 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 2002 are available from the Company’s registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 11th April 2003.

The same accounting policies adopted in the 2002 annual financial statements have been applied to the interim financial report except for the adoption of SSAP 12 (revised) “Income taxes” issued by the HKSA, which became effective for accounting periods beginning on or after 1st January 2003.

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 2002 annual financial statements.

2. ADOPTION OF REVISED ACCOUNTING STANDARD IN HONG KONG

SSAP 12 (revised) Income taxes

In prior years, deferred tax liabilities were provided using the liability method in respect of the taxation effect arising from all material timing differences between the accounting and tax treatment of income and expenditure, which were expected with reasonably probability to crystallise in the foreseeable future. Deferred tax assets were not recognised unless their realisation was assured beyond reasonable doubt. With effect from 1st January 2003, in order to comply with Statement of Standard Accounting Practice 12 (revised) issued by Hong Kong Society of Accountants, the Group adopted a new policy for deferred tax.

As a result of the adoption of this accounting policy, the Group’s loss for the period has been increased by HK\$331,000 (2002: decreased by HK\$306,000) and the net assets have been decreased by HK\$23,936,000 (at 31st December 2002: HK\$23,605,000). The new accounting policy has been adopted retrospectively, with the opening balance of retained profits and reserves and the comparative information adjusted for the amounts relating to prior periods as disclosed in the consolidated statement of changes in equity.

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 investment: 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	
	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue from external customers	152,797	102,510	12,762	14,289	1	-	-	14	-	-	165,560	116,813		
Inter-segment revenue	-	-	343	343	762	927	-	-	(1,105)	(1,270)	-	-		
Other revenue from external customers	1,563	930	2,559	3,412	320	1	524	1,372	-	-	4,966	5,715		
Total	154,360	103,440	15,664	18,044	1,083	928	524	1,386	(1,105)	(1,270)	170,526	122,528		
Segment result	(6,848)	(19,854)	11,342	12,927	(2,531)	(1,555)	(1,449)	(2,118)	-	-	514	(10,600)		
Inter-segment transactions	186	343	418	584	(762)	(927)	158	-	-	-	-	-		
Contribution from operations	(6,662)	(19,511)	11,760	13,511	(3,293)	(2,482)	(1,291)	(2,118)	-	-	514	(10,600)		
Unallocated operating income and expenses											26	(323)		
Profit/(loss) from operations											540	(10,923)		

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 is based on the geographical location of customers.

Six months ended 30th June	Hong Kong and China		North America		Europe		Others	
	2003	2002	2003	2002	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external customers	29,291	34,589	71,905	40,353	52,673	37,974	11,691	3,897

4. LOSS FROM ORDINARY ACTIVITIES BEFORE TAXATION

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

	Six months ended 30th June	
	2003	2002
	HK\$'000	HK\$'000
Cost of inventories	97,410	65,576
Amortisation of intangible assets	–	1,248
Interest on borrowings	8,664	10,049
Depreciation	9,979	9,735
Net profit on sale of fixed assets	–	(102)
Net realised and unrealised losses on trading and other securities carried at fair value	57	37
Decrease in liability for long service payment	(239)	(64)
(Decrease)/increase in liability for accrued leave pay	(24)	102
	<u>1,855</u>	<u>3,002</u>

5. TAXATION

	Six months ended 30th June	
	2003	2002
	HK\$'000	Restated HK\$'000
Hong Kong taxation	536	678
Overseas taxation	591	2,163
Deferred taxation	728	161
	<u>1,855</u>	<u>3,002</u>

Hong Kong profits tax is provided at 17.5% (2002: 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\$11,037,000 (2002 Restated: HK\$24,098,000) and 665,412,000 shares (2002: 665,412,000 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 2003 and 30th June 2002.

7. **INVENTORIES**

The amount of inventories carried at net realisable value is HK\$1,344,000 (at 31st December 2002: HK\$937,000). In addition, finished goods inventories are stated net of a general provision of HK\$1,500,000 (at 31st December 2002: HK\$2,180,000) 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 2003 HK\$'000	At 31st December 2002 HK\$'000
Current	42,090	55,741
1 to 3 months overdue	14,226	7,147
More than 3 months overdue but less than 12 months overdue	1,622	922
More than 12 months overdue	312	490
	<hr/>	<hr/>
Total trade debtors	58,250	64,300
Amount due from a related party	300	300
Other debtors and prepayments	10,286	8,004
	<hr/>	<hr/>
	68,836	72,604
	<hr/> <hr/>	<hr/> <hr/>

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 2003 HK\$'000	At 31st December 2002 HK\$'000
Due within 1 month or on demand	30,352	8,718
Due after 1 month but within 3 months	1,067	3,458
Due after 3 months but within 6 months	111	735
Due after 6 months but within 12 months	799	64
	<hr/>	<hr/>
Total trade creditors	32,329	12,975
Other payables	64,550	55,018
	<hr/>	<hr/>
	96,879	67,993
	<hr/> <hr/>	<hr/> <hr/>

10. SHARE CAPITAL

	At 30th June 2003 HK\$'000	At 31st December 2002 HK\$'000
<i>Authorised:</i>		
1,000,000,000 ordinary shares of HK\$0.10 each	<u>100,000</u>	<u>100,000</u>
<i>Issued and fully paid:</i>		
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 2002							
As previously reported	12,545	(4,202)	169,994	10,867	109,942	126,570	425,716
Prior period adjustment:							
– Deferred taxation (<i>note 2</i>)	(3,503)	–	–	–	–	(20,280)	(23,783)
As restated	9,042	(4,202)	169,994	10,867	109,942	106,290	401,933
Surplus arising on revaluation (restated)	1,005	–	–	–	–	–	1,005
Net exchange translation differences	–	4,436	–	–	–	–	4,436
Write off of goodwill	–	–	–	(51)	–	–	(51)
Loss for the year (restated)	–	–	–	–	–	(39,764)	(39,764)
At 31st December 2002	<u>10,047</u>	<u>234</u>	<u>169,994</u>	<u>10,816</u>	<u>109,942</u>	<u>66,526</u>	<u>367,559</u>
At 1st January 2003							
As previously reported	13,264	234	169,994	10,816	109,942	86,914	391,164
Prior period adjustment:							
– Deferred taxation (<i>note 2</i>)	(3,217)	–	–	–	–	(20,388)	(23,605)
As restated	10,047	234	169,994	10,816	109,942	66,526	367,559
Net exchange translation differences	–	2,740	–	–	–	–	2,740
Loss for the period	–	–	–	–	–	(11,037)	(11,037)
At 30th June 2003	<u>10,047</u>	<u>2,974</u>	<u>169,994</u>	<u>10,816</u>	<u>109,942</u>	<u>55,489</u>	<u>359,262</u>

12. MATERIAL RELATED PARTY TRANSACTIONS

- (a) 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\$2,531,000 (2002: HK\$2,797,000) during the period. The amount due to the supplier at the period end amounted to HK\$1,852,000 (at 31st December 2002: HK\$224,000).
- (b) During the period, the Group had net interests in both an associate and certain investments amounting to HK\$93,029,000 (at 31st December 2002: HK\$86,607,000) and HK\$75,687,000 (at 31st December 2002: HK\$77,620,000) respectively in which a director of the Company has beneficial interests.
- (c) 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 2003 <i>HK\$'000</i>	Audited At 31st December 2002 <i>HK\$'000</i>
Directors	89,241	79,946
Shareholders	49,333	48,854
Related companies	6,166	6,105
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 2004.

13. COMPARATIVE FIGURES

Certain comparative figures have been restated based on the adoption of revised accounting standard as set out in note 2 in the interim financial report.

Staff related expenses of HK\$12,151,000 which was included in "Other operating expenses" in the 2002 interim consolidated income statement have been reclassified under "Staff costs" to conform with the current period's presentation.

INTERIM DIVIDEND

The Board of Directors does not recommend the payment of an interim dividend for the six months ended 30th June 2003 (2002: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

During the period under review, the Group recorded a consolidated turnover of HK\$165,560,000 representing an increase of approximately 42% as compared to the last corresponding period. The loss attributable to shareholders amounted to HK\$11,037,000 (2002 restated : loss of HK\$24,098,000).

BUSINESS REVIEW

Toys

During the period under review, the Group recorded a substantial increase in turnover for the OEM/ODM toys business, an increase of 109% as compared to the corresponding period of last year. This tremendous achievement was a fruitful success of our efforts in strengthening and providing our high value added service. Thus, when there were signs of economic recovery in the US, the Group succeeded in obtaining more orders from existing customers. It is anticipated that the Group will continue to benefit from its strategies on maintaining our usual high product quality while improving productivity at the same time.

Model Trains

During the period under review, turnover in model trains has increased by 29% as compared to the corresponding period of last year. Our new model trains are well received in both Europe and the US. Looking forward, the Group will continue to widen our product ranges and develop high quality models in model train business, and this will make further contribution to the Group's revenue. We are confident in increasing our market share and continuing our leading position in the industry.

Property Investment

During the period under review, the Group recorded a 11% decrease in rental income as compared to the corresponding period of last year, mainly caused by the termination of several leases. Furthermore, with the outbreak of the SARS epidemic in March, Hong Kong's property market, as well as the rental market, was adversely affected. With the recent economic recovery, the Group is confident in securing a high occupancy rate. The Group's rental income is expected to increase steadily in the second half of the year.

Investment Holding

During July 2002, the Group was brought into litigation arising from the termination of the agency in relation to the management of the Resort at Squaw Creek ("the Resort"). In March of this year, the Group has reached a Settlement Agreement with the other party. The Settlement was now completed and thus ended the litigation. After the Settlement, the proportion of ownership interest held by the Group in the Resort remains the same. The directors agreed that the settlement was in the best interests of the Group.

FINANCIAL REVIEW

Liquidity and Financial Resources

As at 30th June 2003, the Group's current ratio was 0.80 (at 31st December 2002: 0.83). The Group's total bank borrowings have increased from approximately HK\$278 million as reported last year-end to approximately HK\$282 million as at period-end. The financial gearing of the Group, based on the total bank borrowings to the shareholder's equity was maintained at 66% (at 31st December 2002 - restated: 64%). No significant seasonality of borrowing requirements exists except during the peak sales period when the Group's trade loans will be comparatively higher.

Capital Structure

During the period under review, there were no movements in the Company's share capital. The Group's capital instruments are mainly composed of bank loans and directors' support, which are in HK dollars, sterling and US dollars at prevailing market rates.

Charges on Group Assets

As at 30th June 2003, certain investment properties, leasehold land and buildings and other assets of the Group with a total net book value of approximately HK\$500 million (at 31st December 2002: HK\$502 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 2003. At the moment, there are no major plans for material investments or capital assets.

Exchange Rate Exposure

Major assets, liabilities and transactions of the Group are denominated either in sterling, U.S. dollars, Canadian dollars, Renminbi or Hong Kong dollars. As the exchange rate of sterling, US dollars, Canadian 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 2003 and 31st December 2002, the Group did not have significant contingent liabilities.

EMPLOYEES AND REMUNERATION POLICIES

As at 30th June 2003, the Group employed approximately 7,000 (at 31st December 2002: 5,100) 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 feel sorry about the outbreak of the SARS epidemic in Hong Kong and several other districts of the world during March of the year. Hong Kong's economic growth was adversely affected during such period. Fortunately, the epidemic was under control very soon, and the world economy was recovering. During the outbreak of the epidemic, the Group's staff and the PRC factory were not affected, thus maintaining our usual high productivity. The Group will continue to exercise the internal control system and closely monitor the hygiene environment of the factory.

Looking ahead, the directors are cautiously optimistic in the recent economic recovery in the US. In Mainland China, the economy is prospering as well. The directors believe that Hong Kong will benefit from the economic recovery of both countries. In fact, during the period under review, the Group had recorded a remarkable growth in turnover and is expecting the situation to be encouraging in the second half of the year.

DISCLOSURE OF INTERESTS

Directors' and Chief Executives' Interests and Short Positions in the Share Capital of the Company and the Associated Corporations

As at 30th June 2003, the interests and short positions of the directors and the chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("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 of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows :

Interests in the Company

Name of Directors	Number of Ordinary Shares			Total
	Personal Interests	Family Interests	Corporate Interests	
Kenneth Ting Woo-shou	93,865,385	586,629	244,175,800 (i)	338,627,814
Dennis Ting Hok-shou	9,692,817	275,000	236,969,800 (ii)	246,937,617
William Li Kai-wan	—	—	—	—
Liu Chee-ming	—	—	1,000,000	1,000,000
Moses Cheng Mo-chi	11,000	—	—	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; and 34,504,800 shares of the Company held by its substantial shareholder, Glory Town Limited, in which Mr. Kenneth Ting Woo-shou has a controlling interest.
- (ii) 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.

Interests in an associated corporation

Name of associated corporation	Name of director	Capacity	No. of shares held	% of interest in associated corporation
Allman Holdings Limited	Kenneth Ting Woo-shou	Interest of controlled corporation (i)	200	20%

Notes:

- (i) These shares are held by a company which is wholly owned by Mr. Kenneth Ting Woo-shou.

All the interests stated above represent long positions. As at 30th June 2003, no short positions were recorded in the register required to be kept under section 352 of the SFO.

Save as disclosed above, as at 30th June 2003, none of the directors or chief executives of the Company nor their spouses or children under 18 years of age were granted, or had exercised, any rights to subscribe for any equity or debt securities of the Company or any of its associated corporations.

Directors’ Rights to Acquire Shares or Debentures

Save as disclosed above, at no time during the period 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 the acquisition of shares in, or debentures of, the Company or any other body corporate.

Substantial Shareholder’s Interests

As at 30th June 2003, save for certain directors’ interests in the share capital of the Company as disclosed above, no other person was recorded in the register kept by the Company under section 352 of the SFO, as having an interest of 5% or more of the issued share capital of the Company.

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 2003.

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 2003, 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 2003