



LERADO GROUP (HOLDING) COMPANY LIMITED
(隆成集團(控股)有限公司)



2001 Interim Report

FINANCIAL RESULTS

The Board of Directors of Lerado Group (Holding) Company Limited (the "Company") is pleased to present the unaudited condensed consolidated financial statements of the Company and its subsidiaries (collectively the "Group") for the six months ended 30th June, 2001.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30th June, 2001

	Notes	Six months ended 30th June, 2001 HK\$'000 (unaudited)	30th June, 2000 HK\$'000 (unaudited) (As restated)
Turnover	3	574,913	641,740
Cost of sales		<u>(412,806)</u>	<u>(456,035)</u>
Gross profit		162,107	185,705
Investment income		3,043	5,383
Other revenue		9,875	6,462
Marketing and distribution costs		(49,291)	(45,355)
Research and development expenses		(10,283)	(13,549)
Administrative expenses		(46,865)	(45,031)
Other operating expenses		<u>(5,968)</u>	<u>(3,020)</u>
Profit from operations	4	62,618	90,595
Finance costs		(348)	(983)
Share of results of an associate		<u>(1)</u>	<u>—</u>
Profit from ordinary activities before taxation		62,269	89,612
Taxation	5	<u>3,388</u>	<u>4,357</u>
Profit before minority interests		58,881	85,255
Minority interests		<u>493</u>	<u>897</u>
Profit attributable to shareholders		<u>59,374</u>	<u>86,152</u>
Dividends	6	<u>57,977</u>	<u>43,605</u>
Earnings per share	7		
— Basic		<u>8.19 cents</u>	<u>11.86 cents</u>
— Diluted		<u>8.19 cents</u>	<u>11.83 cents</u>

CONDENSED CONSOLIDATED BALANCE SHEET

At 30th June, 2001

	Notes	30th June, 2001 HK\$'000 (unaudited)	31st December, 2000 HK\$'000 (audited) (As restated)
Non-Current Assets			
Investment properties	8	12,400	12,400
Property, plant and equipment	8	284,033	222,985
Intellectual property rights		65,189	71,039
Interests in an associate		4,680	—
Interests in a jointly controlled entity	9	53,182	—
Other investments	10	24,298	3,163
Long-term receivable		15,867	15,867
		<u>459,649</u>	<u>325,454</u>
Current Assets			
Inventories		76,494	102,605
Trade and other receivables	11	158,046	248,841
Bank balances and cash		107,601	150,507
		<u>342,141</u>	<u>501,953</u>
Current Liabilities			
Trade and other payables	12	164,743	221,423
Taxation		7,166	5,001
Bank borrowings — due within one year	13	37,811	5,845
		<u>209,720</u>	<u>232,269</u>
Net Current Assets		<u>132,421</u>	<u>269,684</u>
		<u>592,070</u>	<u>595,138</u>
Capital and Reserves			
Share capital	14	72,471	72,691
Reserves	15	515,207	517,952
		<u>587,678</u>	<u>590,643</u>
Minority Interests		<u>(2,327)</u>	<u>(1,834)</u>
Non-Current Liabilities			
Deferred taxation		260	260
Loans from minority shareholders		6,459	6,069
		<u>6,719</u>	<u>6,329</u>
		<u>592,070</u>	<u>595,138</u>

CONDENSED CONSOLIDATED STATEMENT OF RECOGNISED GAINS AND LOSSES

For the six months ended 30th June, 2001

	Six months ended	
	30th June, 2001 HK\$'000 (unaudited)	30th June, 2000 HK\$'000 (unaudited)
Exchange differences arising on translation of operations outside Hong Kong and (loss) gain not recognised in the consolidated income statement	(2,345)	468
Profit attributable to shareholders	<u>59,374</u>	<u>86,152</u>
Total recognised gains	57,029	86,620
Goodwill arising on acquisition of additional interest in a subsidiary	<u>—</u>	<u>(88)</u>
	<u>57,029</u>	<u>86,532</u>
Prior period adjustment for the effect of a change in accounting policy (note 2)		
— increase in accumulated profits at 1st January, 2000		<u>43,605</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30th June, 2001

	Six months ended 30th June, 2001 HK\$'000 (unaudited)
Net cash inflow from operating activities	103,040
Net cash outflow from returns on investments and servicing of finance	(54,413)
Tax paid	(1,223)
Net cash outflow from investing activities	<u>(119,193)</u>
Net cash outflow before financing	(71,789)
Net cash inflow from financing	<u>30,340</u>
Decrease in cash and cash equivalents	(41,449)
Cash and cash equivalents at 1st January, 2001	150,315
Effect of foreign exchange rate changes	<u>(1,265)</u>
Cash and cash equivalents at 30th June, 2001, representing bank balances and cash	<u><u>107,601</u></u>

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30th June, 2001

1. BASIS OF PREPARATION

The condensed financial statements have been prepared in accordance with Statement of Standard Accounting Practice ("SSAP") 25 Interim Financial Reporting, except that, in this first year of implementation of the standard, as permitted by the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange of Hong Kong Limited (the "SEHK"), no comparative amounts have been presented for the condensed consolidated cash flow statement.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed financial statements have been prepared under the historical cost convention, as modified for the revaluation of properties and certain investments in securities.

The accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31st December, 2000, except as described below.

In the current period, the Group has adopted, for the first time, a number of new and revised SSAPs issued by the Hong Kong Society of Accountants:

Dividends proposed or declared after the balance sheet date

In accordance with SSAP 9 (Revised) Events after the Balance Sheet Date, dividends proposed or declared after the balance sheet date are not recognised as a liability at the balance sheet date, but are disclosed in the notes to the financial statements. This change in accounting policy has been applied retrospectively, resulting in a prior period adjustment which increases the accumulated profits as at 1st January, 2000 by HK\$43,605,000 and as at 1st January, 2001 by HK\$57,977,000.

Goodwill

In the current period, the Group has adopted SSAP 30 Business Combinations and has elected not to restate goodwill (negative goodwill) previously eliminated against (credited to) reserves. Accordingly, goodwill arising on acquisitions prior to 1st January, 2001 is held in reserves and will be charged to the income statement at the time of disposal of the relevant subsidiary, or at such time as the goodwill is determined to be impaired. Negative goodwill arising on acquisitions prior to 1st January, 2001 will be credited to income at the time of disposal of the relevant subsidiary.

Goodwill arising on acquisitions after 1st January, 2001 is capitalised and amortised over its estimated useful life. Negative goodwill arising on acquisitions after 1st January, 2001 is presented as a deduction from assets and will be released to income based on an analysis of the circumstances from which the balance resulted.

3. SEGMENT INFORMATION

An analysis of the Group's turnover and contribution to profit from operations by business and geographical segment is as follows:

Business segments

Six months ended 30th June, 2001

	Strollers HK\$'000	Beds HK\$'000	Softs goods HK\$'000	Others HK\$'000	Consolidated HK\$'000
REVENUE					
External sales and total revenue	<u>337,941</u>	<u>96,980</u>	<u>44,353</u>	<u>95,639</u>	<u>574,913</u>
SEGMENT RESULTS	<u>34,410</u>	<u>10,405</u>	<u>4,624</u>	<u>10,136</u>	59,575
Investment income					<u>3,043</u>
Profit from operations					<u>62,618</u>

Six months ended 30th June, 2000

	Strollers HK\$'000	Beds HK\$'000	Softs goods HK\$'000	Others HK\$'000	Consolidated HK\$'000
REVENUE					
External sales and total revenue	<u>415,458</u>	<u>105,526</u>	<u>60,917</u>	<u>59,839</u>	<u>641,740</u>
SEGMENT RESULTS	<u>55,394</u>	<u>14,457</u>	<u>7,956</u>	<u>7,405</u>	85,212
Investment income					<u>5,383</u>
Profit from operations					<u>90,595</u>

Geographical Segments

Six months ended 30th June, 2001

	United States	Europe	Australia	South America	Others	Eliminations	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
REVENUE							
External sales	332,356	141,996	16,727	20,253	63,581	—	574,913
Inter-segment sales	888	—	—	—	—	(888)	—
Total revenue	<u>333,244</u>	<u>141,996</u>	<u>16,727</u>	<u>20,253</u>	<u>63,581</u>	<u>(888)</u>	<u>574,913</u>
SEGMENT RESULTS							
	<u>33,596</u>	<u>16,049</u>	<u>1,834</u>	<u>2,280</u>	<u>6,100</u>	<u>(284)</u>	59,575
Investment income							<u>3,043</u>
Profit from operations							<u>62,618</u>

Six months ended 30th June, 2000

	United States	Europe	Australia	South America	Others	Eliminations	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
REVENUE							
External sales	450,448	127,616	16,283	14,746	32,647	—	641,740
Inter-segment sales	470	—	—	—	—	(470)	—
Total revenue	<u>450,918</u>	<u>127,616</u>	<u>16,283</u>	<u>14,746</u>	<u>32,647</u>	<u>(470)</u>	<u>641,740</u>
SEGMENT RESULTS							
	<u>58,552</u>	<u>19,307</u>	<u>2,813</u>	<u>1,758</u>	<u>2,946</u>	<u>(164)</u>	85,212
Investment income							<u>5,383</u>
Profit from operations							<u>90,595</u>

4. PROFIT FROM OPERATIONS

Six months ended	
30th June, 2001 HK\$'000	30th June, 2000 HK\$'000

Profit from operations has been arrived at after charging:

Amortisation of intellectual property rights	2,990	2,990
Depreciation and amortisation of property, plant and equipment	11,609	7,933
Write off of intellectual property rights	<u>2,860</u>	<u>—</u>

5. TAXATION

Six months ended	
30th June, 2001 HK\$'000	30th June, 2000 HK\$'000

The charge comprises:

Hong Kong Profits Tax	2,000	1,210
Overseas taxation	<u>1,388</u>	<u>3,147</u>
	<u>3,388</u>	<u>4,357</u>

Hong Kong Profits Tax is calculated at 16% of the estimated assessable profit for the period.

Overseas taxation is calculated at the rates prevailing in the relevant jurisdictions.

6. DIVIDENDS

	Six months ended	
	30th June, 2001 HK\$'000	30th June, 2000 HK\$'000
2000 final dividend of HK8 cents (1999 final dividend: HK6 cents, with a scrip dividend option) per share	<u>57,977</u>	<u>43,605</u>

The directors have determined that an interim dividend of HK2 cents (six months ended 30th June, 2000: HK3 cents) per share would be paid to the shareholders of the Company whose names appear in the Register of Members on 18th October, 2001.

7. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the following data:

	Six months ended	
	30th June, 2001 HK\$'000	30th June, 2000 HK\$'000
Profit attributable to shareholders	<u>59,374</u>	<u>86,152</u>
	Number of shares	Number of shares
Weighted average number of ordinary shares for the purpose of basic earnings per share	725,065,244	726,515,157
Effect of dilutive potential ordinary shares in respect of share options	<u>108,931</u>	<u>1,803,990</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>725,174,175</u>	<u>728,319,147</u>

8. MOVEMENTS IN INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately HK\$40 million on additions of property, plant and equipment for group expansion. The Group also acquired a subsidiary with leasehold land and buildings and construction in progress in an aggregate of approximately HK\$33 million.

At 30th June, 2001, the directors have considered the carrying amount of the Group's leasehold land and buildings and investment properties carried at revalued amounts and have estimated that the carrying amounts do not differ significantly from that which would be determined using fair values at the balance sheet date. Consequently, no revaluation surplus or deficit has been recognised in the current period.

9. INTERESTS IN A JOINTLY CONTROLLED ENTITY

At 30th June, 2001, the Group has a 50% equity interest in an unlisted company incorporated in the Cayman Islands. The jointly controlled entity was inactive during the period and will be engaged in investment projects.

10. OTHER INVESTMENTS

During the period, the Group acquired an approximately 8% interests in an unlisted investment established in the People's Republic of China (the "PRC"). In the opinion of the directors, the other investments are stated at their fair values at 30th June, 2001.

11. TRADE AND OTHER RECEIVABLES

The Group allows credit period up to 60 days. Included in trade and other receivables are trade and bills receivables of HK\$116,141,000 (31st December, 2000: HK\$161,815,000) and their aging analysis is as follows:

	30th June, 2001 HK\$'000	30th June, 2000 HK\$'000
Within 30 days	56,977	100,692
31 to 90 days	52,994	56,304
Over 90 days	<u>6,170</u>	<u>4,819</u>
	<u>116,141</u>	<u>161,815</u>

12. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade and bills payables of HK\$112,501,000 (31st December, 2000: HK\$152,944,000) and their aging analysis is as follows:

	30th June, 2001 HK\$'000	30th June, 2000 HK\$'000
Within 30 days	48,068	60,946
31 to 90 days	60,456	71,187
Over 90 days	<u>3,977</u>	<u>20,811</u>
	<u><u>112,501</u></u>	<u><u>152,944</u></u>

13. BORROWINGS

During the period, the Group obtained new bank borrowings of approximately HK\$73 million. The loans bear interest at prevailing market rate and are repayable within one year. The proceeds were used for general working capital purpose. The Group also repaid bank loans of approximately HK\$41 million.

14. SHARE CAPITAL

Ordinary shares of HK\$0.10 each
Issued and fully paid

	Number of shares	Share capital HK\$'000
At 1st January, 2001	726,908,724	72,691
Shares repurchased and cancelled	<u>2,200,000</u>	<u>220</u>
At 30th June, 2001	<u><u>724,708,724</u></u>	<u><u>72,471</u></u>

15. RESERVES

	Share premium	Special reserve	Investment property revaluation reserve	Property revaluation reserve	Statutory surplus reserve fund	Enterprise expansion fund	Translation reserve	Goodwill reserve	Capital redemption reserve	Accumulated profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st January, 2000											
— as originally stated	93,230	38,510	262	30,503	8,983	817	463	—	—	233,334	406,102
— prior period adjustment (note 2)	—	—	—	—	—	—	—	—	—	43,605	43,605
— as restated	93,230	38,510	262	30,503	8,983	817	463	—	—	276,939	449,707
Premium arising from issue of shares	381	—	—	—	—	—	—	—	—	—	381
Goodwill arising on acquisition of additional interest in a subsidiary	—	—	—	—	—	—	—	(88)	—	—	(88)
Revaluation surplus on leasehold land and buildings	—	—	—	4,544	—	—	—	—	—	—	4,544
Profit for the year	—	—	—	—	—	—	—	—	—	128,363	128,363
Transfer of reserves	—	—	—	—	2,116	—	—	—	—	(2,116)	—
Dividends	—	—	—	—	—	—	—	—	—	(65,412)	(65,412)
Exchange differences arising from translation of financial statements of operations outside Hong Kong	—	—	—	—	—	—	457	—	—	—	457
At 31st December, 2000	93,611	38,510	262	35,047	11,099	817	920	(88)	—	337,774	517,952
Premium on repurchase of shares	(1,797)	—	—	—	—	—	—	—	—	—	(1,797)
Profit for the period	—	—	—	—	—	—	—	—	—	59,374	59,374
Transfer of reserves for cancellation of shares	—	—	—	—	—	—	—	—	220	(220)	—
Dividends	—	—	—	—	—	—	—	—	—	(57,977)	(57,977)
Exchange differences arising from translation of financial statements of operations outside Hong Kong	—	—	—	—	—	—	(2,345)	—	—	—	(2,345)
At 30th June, 2001	91,814	38,510	262	35,047	11,099	817	(1,425)	(88)	220	338,951	515,207

16. COMMITMENTS

At 30th June, 2001, the Group was committed to pay HK\$12,493,000 (31st December, 2000: HK\$10,059,000) in respect of the acquisition of property, plant and equipment.

17. POST BALANCE SHEET EVENT

Subsequent to 30th June, 2001, long term receivable of HK\$15,867,000 was converted into a 52% interest in Glory Time Investments Limited ("Glory Time") pursuant to a deed and a supplementary deed entered into by a subsidiary of the Company and Glory Time in December 1997 and March 2000.

德勤·關黃陳方會計師行

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**Deloitte
Touche
Tohmatsu**

To the board of directors of
Lerado Group (Holding) Company Limited

Introduction

We have been instructed by Lerado Group (Holding) Company Limited (the “Company”) to review the interim financial report set out on pages 1 to 12.

Directors’ responsibilities

The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) require the preparation of an interim financial report to be in compliance with Statement of Standard Accounting Practice (“SSAP”) 25 “Interim Financial Reporting” issued by the Hong Kong Society of Accountants and the relevant provisions thereof. However, the Listing Rules permit departure from SSAP 25 in that comparative figures are not required for the cash flow statement included in the first interim financial report relating to accounting periods ending on or after 1st July, 2000. The interim financial report is the responsibility of, and has been approved by, the directors.

Review work performed

We conducted our review in accordance with Statement of Auditing Standards (“SAS”) 700 “Engagements to Review Interim Financial Reports” issued by the Hong Kong Society of Accountants. A review consists principally of making enquiries of management and applying analytical procedures to the interim financial report and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the interim financial report.

Review conclusion

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the interim financial report for the six months ended 30th June, 2001.

Without modifying our review conclusion, we draw to your attention that the comparative condensed consolidated income statement and condensed consolidated statement of recognised gains or losses for the six months ended 30th June, 2000 disclosed in the interim financial report has not been reviewed in accordance with SAS 700.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong, 7th September, 2001

MANAGEMENT DISCUSSION AND ANALYSIS

Business review and prospect

Influenced by the sluggish economic climate worldwide and slowdown of the US economy, the Group expects a lull in household consumption. The Group's unaudited consolidated turnover and profit attributable to shareholders for the six months ended 30th June, 2001 were approximately HK\$574.9 million and HK\$59.4 million respectively, compared with HK\$641.7 million and HK\$86.2 million last year.

The Board declared an interim dividend of HK2 cents per share for the six months ended 30th June, 2001.

For the period under review, the global economy underwent a moderate slowdown, whilst consumers in the US duly made curbs in their spending habits for high priced goods. Amidst this uncertain climate, clients adopted a more prudent inventory approach as well as new product launches. This was reflected in the Group's sales to the US of HK\$332.4 million, which represented 57.8% of the Group's total turnover or a decline of 26.2% over the same period last year. However, we believe that such psychological impact will be alleviated once the economy stabilizes.

Though the weighting of the Group's second largest market — Europe was largely behind the US market, an 11.3% growth in our sales to Europe was recorded, reaching approximately HK\$142.0 million, representing 24.7% of the Group's total turnover. The Group has seized the opportunities in meeting European brands' needs of outsourcing their products to capable manufacturers in producing high quality and cost effective products.

In terms of products, strollers and baby beds remain the Group's key revenue drivers, contributing 58.8% and 16.9% respectively to total turnover as compared with 64.7% and 16.4% in the previous year. Due to current market sentiment, the Group had focused on middle to low-end products which also explained for the decrease in total turnover and operating profit. Sale of other accessories and series product, such as highchairs and walkers, recorded satisfactory growth of 59.8% over the corresponding period last year and contributed 16.6% to total turnover. It has been the Group's strategy to develop a diversified product portfolio to strengthen its position and this strategy will be upheld in the future.

During the period under review, the Group invested HK\$21.1 million to obtain an 8% equity interest in a PRC company engaged in transgenic engineering and injected HK\$53.2 million in a jointly controlled company engaged in project investments. The Directors believe that the two investments will bring in good potential for earnings growth in the medium term.

Looking forward, market conditions remain too fluid to predict. Nevertheless, management will maintain a resolve to implement the Group's business strategies and to weather through the difficult environment. Continuous outsourcing trend in Europe provides strong momentum for the Group's future growth whilst we will continue to explore the market and seize greater market share.

With the Group's solid experience and knowledge in the PRC market, we are in an advantageous position to capitalise on business potentials in the populous market and opportunities arising from China's accession to the World Trade Organization.

Liquidity and financial resources

As at 30th June, 2001, the Group retained total cash and bank balances of HK\$107.6 million, most of which were in Renminbi, Hong Kong and US dollars — the exposure to exchange fluctuation has been minimal. Included in the cash and bank balances was approximately HK\$13 million being proceeds from the Company's initial public offerings in 1998 remained unutilised due to the slower progress in the marketing of battery-operated ride-on cars in the US in view of its economy down turn. The Company will apply this balance according to its original plan in due course.

As at the financial period end date, the Group had bank borrowings of HK\$37.8 million, including trade lines and short term loans, over 75% of which were in Hong Kong and US dollars. Interest rates on these bank borrowings were at prevailing bank lending rates. On the same date, the current ratio and the gearing ratio (expressed as total bank borrowings to shareholders' fund) of the Group were 1.63 and 0.06 respectively, while the ratios at 31st December, 2000 were 1.73 and 0.01 respectively.

The directors are in the opinion that the Group has sufficient resources and working capital to meet its foreseeable capital expenditure.

Employees and remuneration policies

As at 30th June, 2001, the Group employed over 6300 staff members, including approximately 6000 workers in its PRC production sites and 120 staff in the research and development department.

Apart from basic salaries, discretionary bonus and contribution to the mandatory provident fund for staff in Hong Kong, share options may also be granted to staff with reference to the individual's performance.

REVIEW OF INTERIM FINANCIAL STATEMENTS

The Audit Committee has reviewed with management and the external auditors, Deloitte Touche Tohmatsu, the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including the review of the unaudited interim financial statements.

INTERIM DIVIDEND

The Board has declared an interim dividend of HK2 cents per share in cash for the six months ended 30th June, 2001 to shareholders whose names appear on the Register of Members of the Company on 18th October, 2001. It is expected that the dividend warrants will be sent to the Shareholders no later than 30th October, 2001.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 15th October, 2001 to 18th October, 2001, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Registrar, Secretaries Limited, 5th Floor, Wing on Centre, 111 Connaught Road Central, Hong Kong, not later than 4:00 p.m. on 12th October, 2001.

DIRECTORS' INTERESTS IN SHARES AND SHARE OPTIONS

At 30th June, 2001, the interests of the directors and their associates in the share capital of the Company and its associated corporations as recorded in the register maintained by the Company pursuant to Section 29 of the Hong Kong's Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") and the share options were as follows:

	Number of ordinary shares held as		Number of share options of the Company held as	
	Personal interest	Family interest (Note 1)	Personal interest (Note 2)	Family interest (Note 1)
Mr. Huang Ying Yuan	101,187,360	42,102,180	4,000,000	3,000,000
Mr. Tsang Yat Kiang	58,815,720	—	3,500,000	—
Mr. Chen Hsing Shin	94,105,800	—	3,500,000	—
Madam Huang Chen Li Chu	42,102,180	101,187,360	3,000,000	4,000,000
Mr. Chen Jo Wan	11,763,225	—	2,500,000	—
Mr. Leung Man Fai	—	—	2,500,000	—
Mr. Lin John Sian-zu	—	—	1,000,000	—
Mr. Lim Pat Wah Patrick	—	—	500,000	—

Notes:

- (1) The family interest represents the shares and share options held by the spouse of Mr. Huang Ying Yuan and Madam Huang Chen Li Chu, respectively. Madam Huang Chen Li Chu is the wife of Mr. Huang Ying Yuan.
- (2) The share options in relation to 1,000,000 shares of the Company granted to Mr. Tsai Joseph Chung were lapsed upon his resignation as director on 29th March, 2001. Other than this, there were no movements in share options during the year.

The share options were granted by the Company on 18th August, 1999 to subscribe for shares in the Company at an exercise price of HK\$1.26 per share, subject to adjustment, exercisable from 1st January, 2000 to 17th August, 2009.

Save as disclosed above and other than certain nominee shares in the subsidiaries held by certain directors in trust for the Company, none of the directors or their associates, had any interests in any securities of the Company or any of its associated corporations as defined in the SDI Ordinance at 30th June, 2001.

SUBSTANTIAL SHAREHOLDERS

At 30th June, 2001, the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance showed that, other than the interests disclosed above in respect of certain directors, the following shareholder had an interest of 10% or more in the share capital of the Company:

Name of shareholder	Number of shares	Percentage
Investor AB	81,527,040	11.25%

Other than as disclosed above, the Company has not been notified of any other interests representing 10% or more of the Company's issued share capital as at 30th June, 2001.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30th June, 2001, the Company repurchased its own shares on the SEHK as follows:

Month of repurchase	Number of shares	Price per share		Aggregate
		Highest HK\$	Lowest HK\$	Consideration paid HK\$'000
January 2001	1,550,000	0.94	0.91	1,428
February 2001	<u>650,000</u>	0.97	0.84	<u>589</u>
	<u>2,200,000</u>			<u>2,017</u>

The above shares were cancelled upon repurchase and accordingly the issued share capital of the Company was reduced by the nominal value of these shares.

Save as disclosed above, neither the company nor any of its subsidiaries has redeemed, purchased or sold any of the Company's shares during the period.

CODE OF BEST PRACTICE

None of the Directors of the Company 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, 2001, in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules.

By Order of the Board

Huang Ying Yuan

Chairman

Hong Kong, 7th September, 2001