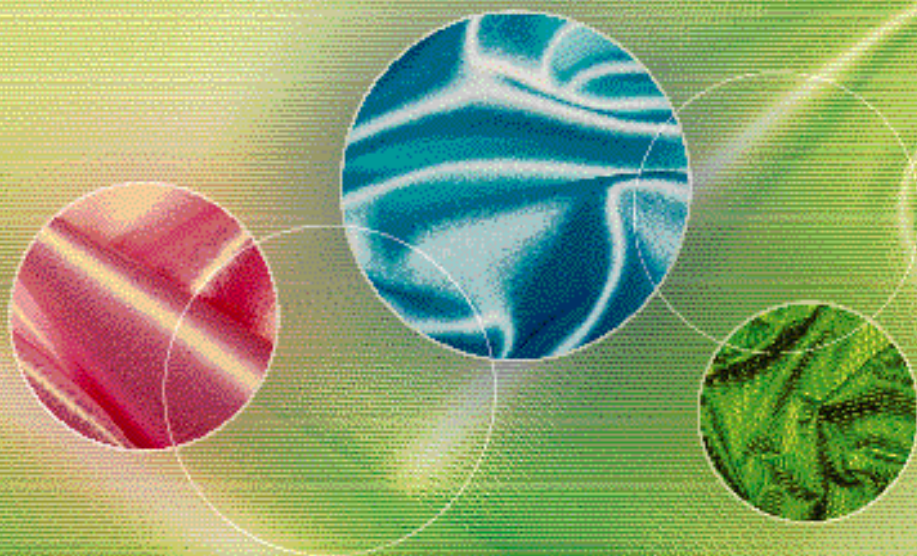




CHING HING (HOLDINGS) LIMITED

正興(集團)有限公司



INTERIM REPORT 2001

The directors are pleased to present the Group's Interim Report and condensed accounts for the six-months ended 30th June 2001. The consolidated results and consolidated cash flow statement for the Group for the six months ended 30th June 2001, and the consolidated balance sheet of the Group as at 30th June 2001, all of which are unaudited and condensed, along with selected explanatory notes, are set out on pages 1 to 13 of this report.

## CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE SIX MONTHS ENDED 30TH JUNE 2001

		<b>Unaudited six months ended 30th June</b>	
		<b>2001</b>	2000
	<i>Note</i>	<b>HK\$'000</b>	<i>HK\$'000</i>
Turnover	2	<b>97,858</b>	65,156
Cost of sales		<b>(87,732)</b>	(58,044)
Gross profit		<b>10,126</b>	7,112
Other revenues		<b>3,745</b>	2,916
Distribution costs		<b>(5,371)</b>	(3,873)
Administrative expenses		<b>(12,871)</b>	(11,344)
Other operating expenses		<b>(1,483)</b>	(1,675)
Operating loss	3	<b>(5,854)</b>	(6,864)
Finance costs		<b>(1,917)</b>	(1,483)
Loss before taxation		<b>(7,771)</b>	(8,347)
Taxation credit	4	<b>4,900</b>	—
Loss after taxation		<b>(2,871)</b>	(8,347)
Minority interests		<b>(434)</b>	—
Loss attributable to shareholders		<b><u>(3,305)</u></b>	<u>(8,347)</u>
Basic loss per share	5	<b><u>(1.57) cents</u></b>	<u>(4.28) cents</u>

No consolidated statement of recognised gains and losses is presented as the loss attributable to shareholders shown above is the only component.

## CONDENSED CONSOLIDATED BALANCE SHEET

AS AT 30TH JUNE 2001 AND 31ST DECEMBER 2000

		<b>Unaudited</b>	
		<b>30th June</b>	31st December
		<b>2001</b>	2000
	Note	<b>HK\$'000</b>	HK\$'000
Fixed assets	6	<b>114,110</b>	111,319
Goodwill	7	<b>6,919</b>	—
Current assets			
Inventories		<b>26,022</b>	24,538
Trade receivables	8	<b>50,354</b>	31,144
Prepayments, deposits and other receivables		<b>11,293</b>	6,459
Deposits with bank		<b>14,529</b>	9,471
Bank balances and cash		<b>43,416</b>	44,844
		<b>145,614</b>	116,456
Current liabilities			
Trade payables	9	<b>26,979</b>	21,529
Other payables and accrued charges		<b>7,386</b>	4,525
Trust receipt loans - secured		<b>16,330</b>	3,245
Current portion of long-term liabilities	10	<b>8,778</b>	643
Short-term bank loans - secured		<b>18,854</b>	28,203
Taxation payable		<b>2,777</b>	7,931
Bank overdrafts - secured		<b>7,211</b>	5,848
		<b>88,315</b>	71,924
Net current assets		<b>57,299</b>	44,532
		<b>178,328</b>	155,851
Financed by:			
Share capital	11	<b>11,999</b>	10,000
Reserves	13	<b>151,432</b>	145,851
Shareholders' funds		<b>163,431</b>	155,851
Long-term liabilities	10	<b>12,212</b>	—
Minority interests		<b>2,685</b>	—
		<b>178,328</b>	155,851

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30TH JUNE 2001

	Unaudited Six months ended 30th June 2001 <i>HK\$'000</i>
Net cash outflow from operating activities	(3,136)
Net cash outflow from returns on investments and servicing of finance	(857)
Total tax paid	(254)
Net cash outflow from investing activities	<u>(29,509)</u>
Net cash outflow before financing	(33,756)
Net cash inflow from financing	<u>17,880</u>
Decrease in cash and cash equivalents	(15,876)
Cash and cash equivalents at 1st January	<u>35,751</u>
Cash and cash equivalents at 30th June	<u><u>19,875</u></u>
Analysis of balances of cash and cash equivalents:	
Bank balances and cash	43,416
Bank overdrafts	(7,211)
Trust receipt loans repayable within three months	<u>(16,330)</u>
	<u><u>19,875</u></u>

No comparative figures are shown in the condensed consolidated cash flow statement as the Group placed reliance on paragraph 37(3) of Appendix 16 of the Listing Rules of The Stock Exchange of Hong Kong Limited which provides exemption to the company in the case of the first cash flow statements to be included in the interim accounts, from the need to prepare the condensed consolidated cash flow statement for the previous period.

## NOTES TO CONDENSED CONSOLIDATED ACCOUNTS

### 1. Basis of preparation and accounting policies

The unaudited consolidated condensed interim accounts (“interim accounts”) are prepared in accordance with Hong Kong Statement of Standard Accounting Practice (“SSAP”) 25 “Interim Financial Reporting” issued by the Hong Kong Society of Accountants.

These interim accounts should be read in conjunction with the 2000 annual accounts.

The accounting policies and methods of computation used in the preparation of these interim accounts are consistent with those used in the annual accounts for the year ended 31st December 2000 except that the Group has changed certain of its accounting policies following its adoption of the following SSAP issued by the Hong Kong Society of Accountants which became effective during the year:

- (a) *SSAP 14 (revised) “Leases” (effective for periods commencing on or after 1st July 2000)*

In Note 16(b) to these condensed interim accounts the Group has disclosed operating lease commitments under the revised SSAP 14 which requires the disclosure of the aggregate future minimum lease payments. This is a change from the previous SSAP14 which only required disclosure of the minimum lease payments payable in the next twelve months.

- (b) *SSAP 26 “Segment reporting”*

In Note 2 to these condensed interim accounts the Group has disclosed segment revenue and results as defined under SSAP 26. In accordance with the Group’s internal financial reporting the Group has determined that business segments be presented as the primary reporting format and geographical as the secondary reporting format. Comparative information has been given.

- (c) *SSAP 30 “Business combinations”*

In accordance with SSAP30, positive goodwill arising from acquisitions is recognised as intangible assets in the balance sheet and is amortised to the profit and loss account on a straight-line basis over a period of 10 years from the date of the respective acquisition instead of being directly charged to the capital reserve account in the time of the acquisition as adopted by the Group previously.

## 2. Turnover and segment information

The Group is principally engaged in the provision of fabrics processing, sales of fabrics and garment and accessories.

An analysis of the Group's revenue and results for the period by business segments is as follows:

	Turnover Unaudited		Operating (loss)/profit Unaudited	
	Six months ended		Six months ended	
	30th June		30th June	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Business segment:				
Fabric processing	31,738	53,803	(7,461)	(9,022)
Sales of fabric	27,186	11,353	(63)	2,158
Sales of garment and accessories	38,934	—	1,670	—
	<u>97,858</u>	<u>65,156</u>	<u>(5,854)</u>	<u>(6,864)</u>

The Group is organised into three main business segments:

- Fabric processing - provision of fabric processing services
- Sales of fabric - manufacture, wholesale and distribution of fabric
- Sales of garments and accessories - manufacture, wholesale and distribution of garments and accessories

The Group's three business segments are operated in three main geographical areas:

- Hong Kong - fabric processing and sales of fabric
- The People's Republic of China (the "PRC") - fabric processing and sales of fabric
- United States - sales of garment and accessories

## 2. Turnover and segment information (continued)

An analysis of the Group's turnover and contribution to operating loss/(profit) for the period by geographical segment is as follows:

	Turnover Unaudited Six months ended 30th June		Operating (loss)/profit Unaudited Six months ended 30th June	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Geographical segment:				
Hong Kong	50,458	57,504	(5,505)	(4,489)
PRC	8,466	7,652	(2,019)	(2,375)
United States	38,934	—	1,670	—
	<u>97,858</u>	<u>65,156</u>	<u>(5,854)</u>	<u>(6,864)</u>

Sales are based on the country in which the customer is located. There was no sales between the segments.

## 3. Operating loss

	Unaudited Six months ended 30th June	
	2001 HK\$'000	2000 HK\$'000
Operating loss is stated after crediting and charging the following:		
<u>Crediting</u>		
Gain on disposal of fixed assets	176	—
Interest income	<u>1,060</u>	<u>313</u>
<u>Charging</u>		
Depreciation	6,537	6,273
Amortisation of goodwill	364	—
Operating leases rentals in respect of land and buildings	<u>593</u>	<u>498</u>

#### 4. Taxation credit

Hong Kong profits tax had been provided at the rate of 16% (2000:16%) on the estimated assessable profit arising in Hong Kong for the period. Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

The amount of taxation credited/(charged) to the consolidated profit and loss account represents:

	<b>Unaudited</b>	
	<b>Six months ended</b>	
	<b>30th June</b>	
	<b>2001</b>	<b>2000</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Hong Kong profits tax	(404)	—
Over provision in prior periods	<u>5,304</u>	—
	<u><b>4,900</b></u>	<u>—</u>

#### 5. Loss per share

Loss per share for the six months ended 30th June 2001 is calculated based on the Group's loss attributable to shareholders of HK\$3,305,000 (2000: HK\$8,347,000) and the weighted average of 210,169,486 shares (2000: weighted average of 195,054,945 shares) in issue during the period.

The outstanding share options as at 30th June 2001 have not been included in the calculation of the diluted loss per share as the exercise of these share options would have an anti-dilutive effect.

#### 6. Capital expenditure

	<b>Fixed assets</b>
	<i>HK\$'000</i>
<b>Six months ended 30th June 2001</b>	
Opening net book amount	111,319
Acquisition of a subsidiary ( <i>Note 14</i> )	85
Additions	9,243
Depreciation ( <i>Note 3</i> )	<u>(6,537)</u>
Closing net book amount	<u><b>114,110</b></u>



## 7. Goodwill

	<i>HK\$'000</i>
Acquisition of a subsidiary ( <i>Note 14</i> )	7,283
Amortisation charge ( <i>Note 3</i> )	(364)
	<hr/>
Closing net book amount	<u>6,919</u>

## 8. Trade receivables

Details of the ageing analysis of trade receivables were as follows:

	<b>Unaudited</b>	
	<b>30th June</b>	<b>31st December</b>
	<b>2001</b>	<b>2000</b>
	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
0 - 30 days	27,538	11,076
31 - 60 days	12,203	8,761
61 - 90 days	5,184	5,827
Over 90 days	5,429	5,480
	<hr/>	<hr/>
	<b><u>50,354</u></b>	<b><u>31,144</u></b>

The sales of fabrics and processing of fabric are with credit terms of 30 days whereas the sales from trading of garments and accessories are with credit terms of 120 days. The Group had a defined credit policy and it varied with financial strength of individual customers. Sales from trading of garments and accessories are mostly covered by letter of credits.

## 9. Trade payables

Details of the ageing analysis of trade payables were as follows:

	<b>Unaudited</b>	
	<b>30th June</b>	<b>31st December</b>
	<b>2001</b>	<b>2000</b>
	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
0 - 30 days	13,868	3,059
31 - 60 days	5,725	1,243
61 - 90 days	3,058	909
Over 90 days	4,328	16,318
	<hr/>	<hr/>
	<b><u>26,979</u></b>	<b><u>21,529</u></b>

## 10. Long-term liabilities

	<b>Unaudited</b>	
	<b>30th June</b>	31st December
	<b>2001</b>	2000
	<b>HK\$'000</b>	HK\$'000
Bank loans - secured	<b>20,990</b>	643
Current portion of long-term liabilities	<b>(8,778)</b>	(643)
	<b><u>12,212</u></b>	<u>—</u>

At 30th June 2001, the Group's bank loans and overdrafts and other borrowings were repayable as follows:

	<b>Unaudited</b>	
	<b>30th June</b>	31st December
	<b>2001</b>	2000
	<b>HK\$'000</b>	HK\$'000
Bank loans, bank overdrafts including trust receipt loans:—		
Within one year	<b>51,173</b>	37,939
In the second year	<b>8,750</b>	—
In the third to fifth year	<b>3,462</b>	—
	<b><u>63,385</u></b>	<u>37,939</u>

## 11. Share capital

	<b>Authorised</b>	
	Ordinary shares of HK\$0.05 each	
	No. of shares	HK\$'000
At 31st December 2000 and 30th June 2001	<b><u>1,000,000,000</u></b>	<u>50,000</u>
	<b>Issued and fully paid</b>	
	Ordinary shares of HK\$0.05 each	
	No. of shares	HK\$'000
At 1st January 2000	57,457,238	2,873
Issue of shares in 2000 ( <i>Note (i) &amp; (ii)</i> )	<u>142,542,762</u>	<u>7,127</u>
At 31st December 2000	200,000,000	10,000
Issue of shares in 2001 ( <i>Note (iii) &amp; (iv)</i> )	<u>39,992,326</u>	<u>1,999</u>
At 30th June 2001	<b><u>239,992,326</u></b>	<u>11,999</u>

## 11. Share capital *(continued)*

- (i) On 19th January 2000, a new issue of 50,000,000 shares of HK\$0.05 each at HK\$1.10 per share was allotted and issued for cash to the public (“the New Issue”) upon the listing of the Company’s shares on the Stock Exchange. The net proceeds of the New Issue of approximately HK\$44,840,000 have been used to finance the expansion and for general working capital of the Group.
- (ii) Immediately following the New Issue, the sum of HK\$4,627,000 credited to the share premium account as a result of the New Issue was capitalised and applied in paying up in full at par 92,542,762 shares of HK\$0.05 each for allotment and issued to holders of shares on the register of members of the Company at the close of business on 29th December 1999 in proportion to their then respective shareholdings in the Company.
- (iii) On 3rd April 2001, 9,302,326 shares of the Company were issued and allotted at HK\$0.43 per share as part of the consideration to acquire 56 per cent. shareholding in a subsidiary.
- (iv) On 29th May 2001, 30,690,000 shares of the Company were placed and allotted to independent investors at HK\$0.26 per share. The net proceeds of about HK\$7,780,000 was used as general working capital of the Company.

## 12. Share options

Pursuant to the share option scheme of the Company, on 13th June 2001, the Company granted an aggregate of 23,800,000 share options to certain employees including executive directors of the Company. The holders of the share options are entitled to subscribe for shares of HK\$0.05 each at an exercise price of HK\$0.36 per share. The options are exercisable at any time during the period from 13th June 2001 to 12th December 2004. As at 30th June 2001, all the share options remained outstanding.

### 13. Reserves

	Group					
	Properties		Statutory reserves	Capital reserves	Retained earnings	Total
	Share premium	revaluation reserves				
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 31st December 2000	37,710	12,924	7,611	51,834	35,772	145,851
Premium on issue of shares	9,980	—	—	—	—	9,980
Share issue expenses	(1,094)	—	—	—	—	(1,094)
Loss attributable to shareholders	—	—	—	—	(3,305)	(3,305)
	<u>37,710</u>	<u>12,924</u>	<u>7,611</u>	<u>51,834</u>	<u>32,467</u>	<u>151,432</u>
At 30th June 2001	<u>46,596</u>	<u>12,924</u>	<u>7,611</u>	<u>51,834</u>	<u>32,467</u>	<u>151,432</u>
At 31st December 1999	—	12,924	7,611	51,834	51,174	123,543
Premium on issue of shares ( <i>note 11 (i)</i> )	52,500	—	—	—	—	52,500
Share issue expenses	(10,163)	—	—	—	—	(10,163)
Capitalisation issue ( <i>note 11(ii)</i> )	(4,627)	—	—	—	—	(4,627)
Loss attributable to shareholders	—	—	—	—	(8,347)	(8,347)
At 30th June 2000	<u>37,710</u>	<u>12,924</u>	<u>7,611</u>	<u>51,834</u>	<u>42,827</u>	<u>152,906</u>

### 14. Acquisitions

On 27th March 2001, the Group acquired 56% of the share capital of South Field (Pacific) Limited ("South Field") which is engaged in trading of garments and accessories to major department stores in the United States. The consideration of HK\$10,000,000 was paid as to HK\$6,000,000 in cash as to HK\$4,000,000 in shares of the Company by the issue and allotment of 9,302,326 new shares at HK\$0.43 per share. The fair value of the net identifiable assets of South Field at the date of acquisition was approximately HK\$2,717,000. The resulting goodwill of approximately HK\$7,283,000 will be amortised on a straight-line basis over 10 years. The acquired business contributed revenues of HK\$36,677,000 and operating profit of \$1,324,000 to the Group for the period from 27th March 2001 to 30th June 2001.

#### 14. Acquisitions *(continued)*

The assets and liabilities arising from the acquisition are as follows:

	<i>HK\$'000</i>
Fixed assets	85
Bank loans <i>(Note 10)</i>	(17,405)
Other assets less liabilities	22,172
Minority interest	(2,135)
Fair value of net assets	<u>2,717</u>
Goodwill <i>(Note 7)</i>	<u>7,283</u>
Total purchase consideration	<u><u>10,000</u></u>

There were no other significant changes in the composition of the Group during the first half-year of 2001.

#### 15. Contingent Liabilities

At 30th June 2001, the Company had given guarantees of approximately HK\$53,000,000 (2000: HK\$39,000,000) to certain banks in respect of banking facilities granted to certain subsidiaries of the Company.

In connection with the acquisition of a subsidiary as referred to note 14 to the interim accounts, the vendor of the transaction has continuously issued a guarantee to certain banks upto HK\$45,000,000 in respect of banking facilities granted to the subsidiary. The Company has executed a deed to indemnify for any loss in proportion to its interest in this subsidiary under the guarantee.

#### 16. Commitments

##### (a) Capital commitments

At 30th June 2001, the Group had capital commitments for purchase of plant and machinery contracted but not provided for amounted to HK\$3,477,000 (2000: HK\$5,054,000)

## 16. Commitments (continued)

### (b) Commitments under operating leases

At 30th June 2001, the Group had total future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings which expire as follows:

	<b>30th June 2001 HK\$'000</b>	31st December 2000 HK\$'000
Within one year	<b>416</b>	104
In the second to fifth year inclusive	<b>154</b>	—
	<b><u>570</u></b>	<b><u>104</u></b>

## 17. Related party transactions

Significant related party transaction, which was carried out in the normal course of the Group's business is as follows:

	<b>Unaudited Six months ended 30th June</b>	
	<b>2001 HK\$'000</b>	2000 HK\$'000
Rental paid to a related company	<b><u>420</u></b>	<b><u>840</u></b>

The related company is beneficially owned by Mr. Yiu Ching On, a director of the Company.

## RESULTS

Turnover had increased by 50% per cent. over the same period last year to HK\$97.8 million as a result of diversification of income bases in the period. Gross profit margin had declined to about 10.3% as compared with 10.9% of last period. The unaudited net loss attributable to shareholders for the six months ended 30th June 2001 had limited to approximately HK\$3.3 million, as compared with a net loss of HK\$8.3 million in the same period last year.

## INTERIM DIVIDEND

The Board has resolved not to declare the payment of an interim dividend for the six months ended 30th June 2001 (2000: Nil).

## BUSINESS REVIEW AND PROSPECTS

The Group was principally engaged in provision of fabric processing and the sales of cotton fabrics. During the period, the Group diversified its income bases by acquiring a subsidiary engaging in trading of garment and fabrics to certain major department stores in the United States. In addition, to reinforce and expand the Group's marketing channels in the United States and Europe, the Group had, subsequent to the balance sheet date, formed extensive joint ventures with several famous fabrics and garments trading companies which had established long and close relationship with major buying offices and department stores in the United States and Europe. The management believes that these joint ventures will form a strong foundation for profit recovery of the Group at the end of the year.

To reduce the heavy reliance upon fuel oil as major production material in the Group's fabric processing services, the coal-fired facility in Zhongshan, the PRC had been fully operated in May 2001. We expect that its effect to substantially reduce the Group's production cost in fabric processing service will be fully reflected towards the end of the year.

In addition, management was studying the possibility to participate in apparel retailing business in the China. Preliminary planning processes had commenced. We expect that the steady GDP growth in China will give the Group a stable platform for its future development in all sectors of the textile industry.

In future, we will concentrate our resources to explore the synergy of vertical integration by actively seeking for partnership in our trading and retailing businesses and we were confident to have promising result in foreseeable future.

## LIQUIDITY AND FINANCIAL RESOURCES

As at 30th June 2001, the Group had total assets of HK\$266 million which were financed by current liabilities of HK\$88 million, long-term liabilities of HK\$15 million and shareholders' equity of HK\$163 million. Accordingly, the Group's ratio of debt to total assets was 38.7%.

During the period, the Group had made use of the capital markets to meet its funding needs. As set out in the announcement dated 27th March 2001, 9,302,326 shares of the Company were issued and allotted at HK\$0.43 per share on 3rd April 2001 as part of the consideration to acquire 56 per cent. shareholding in South Field (Pacific) Limited.

In addition, on 29th May 2001, 30,690,000 shares of the Company were placed and allotted to independent investors at HK\$0.26 per share. The net proceeds of about HK\$7,780,000 was used as general working capital of the Company.

## EMPLOYEE

As at 30th June 2001, the Group employed about 500 employees including factory workers employed in the PRC. The number of factory workers employed by the Group varies in seasons depending on production needs. Employees are remunerated based on market and industry practice.

The remuneration policy and package of the Group's employees are regularly reviewed by the Board. Apart from provident fund scheme and medical insurance, discretionary bonuses and employee share options are also awarded to employees according to the assessment of individual performance.



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

As at 30th June 2001, the interests of the directors in the securities of the Company and its associated corporations as recorded in the register required to be kept under Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") were as follows:

### (i) Shares

#### The Company:

Name of director	Number of shares held			Total
	Personal interests	Family interests	Other interests	
Mr. Yiu Kwok Ming, Tommy	—	2,610,637 <i>(note a)</i>	123,833,866 <i>(note b)</i>	126,444,503
Mr. Yiu Kwok Yung	—	—	123,833,866 <i>(note b)</i>	123,833,866
Mr. Lo Wai Kon	218,000	—	—	218,000

#### Notes:

- Such shares are beneficially owned by his spouse.
- Determine Win Investments Limited in its capacity as trustee of The Yiu's Family Unit Trust owns approximately 94.98% of the issued share capital of Jarak Assets Limited which in turn holds 123,833,866 shares. HSBC International Trustee Limited holds 99.99% units in issue in The Yiu's Family Trust in its capacity as the trustee of The Yiu's Family Trust, the beneficiaries of which include Mr. Yiu Kwok Ming, Tommy and Mr. Yiu Kwok Yung.

#### Associated corporation:

Name of associated corporation	Number of non-voting deferred shares held			
	Name of director	Personal interests	Family interests	Corporation interests
Ching Hing Weaving Dyeing & Printing Factory Limited	Mr. Yiu Ching On	14,196,591	376,427 <i>(note a)</i>	28,023,134 <i>(note b)</i>
	Mr. Yiu Kwok Ming, Tommy	—	1,000,000 <i>(note a)</i>	—

#### Notes:

- Such non-voting deferred shares are beneficially owned by the spouse of the respective directors.
- Filand Limited and Clear Picture Holdings Limited, companies wholly-owned by Mr. Yiu Ching On, beneficially owns 10,633,875 and 17,389,259 non-voting deferred shares respectively.

## (ii) Share Options

The details of the directors' interests in share options to subscribe for shares in the Company pursuant to the Company's employee share option scheme adopted on 29th December 1999 were as follows:

<b>Name of directors</b>	<b>Date of grant</b>	<b>Number of options outstanding at 30th June 2001</b>
Yiu Ching On	13th June 2001	3,000,000
Yiu Kwok Ming, Tommy	13th June 2001	3,000,000
Yiu Kwok Yung	13th June 2001	3,000,000
Wong Kai Chun	13th June 2001	3,000,000

The exercise price per share of the above options is HK\$0.36. The above options are exercisable from the date of granted to 12th December 2004.

Save as disclosed above, as at 30th June 2001, none of the directors or any of their associates had any interests in the securities of the Company or its associated corporation as defined in the SDI Ordinance.

## SUBSTANTIAL SHAREHOLDERS

As at 30th June 2001, the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance showed that the Company had been notified of the following interest which represents 10% or more of the Company's issued share capital:

<b>Name</b>	<b>Number of shares held</b>
Jarak Assets Limited	123,833,866
Determine Win Investments Limited ( <i>note a</i> )	123,833,866
HSBC International Trustee Limited ( <i>note b</i> )	123,833,866
HSBC Investment Bank Holdings B.V. ( <i>note b</i> )	123,833,866
HSBC Holdings B.V. ( <i>note b</i> )	123,833,866
HSBC Finance (Netherlands) ( <i>note b</i> )	123,833,866
HSBC Holdings plc ( <i>note b</i> )	123,833,866

## SUBSTANTIAL SHAREHOLDERS *(continued)*

Notes:

- a. Jarak Assets Limited is owned as to 94.98% by Determine Win Investments Limited in its capacity as the trustee of The Yiu's Family Unit Trust.
- b. HSBC International Trustee Limited holds 99.99% units in issue in The Yiu's Family Unit Trust in its capacity as the trustee of The Yiu's Family Trust.

HSBC International Trustee Limited is a wholly-owned subsidiary within the HSBC Group. Their interests in the shares of the Company duplicate with each other.

Save as disclosed above, no other person was recorded in the register as having an interest in 10% or more of the issued share capital of the Company as at 30th June 2001.

## PURCHASE, SALE AND REDEMPTION OF THE COMPANY'S LISTED SECURITIES

The Company has not redeemed any of its listed securities during the six months ended 30th June 2001. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed securities during the same period.

## COMPLIANCE WITH THE CODE OF BEST PRACTICE

In the opinion of the directors, the Company has complied with the Code of Best Practice as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange throughout the accounting period covered by the interim results, except that the independent non-executive directors are not appointed for a specific term since they are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company's bye-laws.

## AUDIT COMMITTEE

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the unaudited interim accounts for the six months ended 30th June 2001.

By Order of the Board  
**Yiu Ching On**  
*Chairman*

Hong Kong, 18th September 2001