



FT HOLDINGS INTERNATIONAL LIMITED
精藝集團國際有限公司

(Incorporated in Bermuda with limited liability)

INTERIM REPORT

2001

The Board of Directors (the "Directors") of FT Holdings International Limited (the "Company") announce the unaudited consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 30th June, 2001 as follows:

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

| | Notes | Six months ended 30th June, 2001 HK\$'000 | Six months ended 30th June, 2000 HK\$'000 |
|--|-------|---|---|
| Turnover | 3 | 39,228 | 51,795 |
| Cost of sales | | <u>(23,109)</u> | <u>(34,695)</u> |
| Gross profit | | 16,119 | 17,100 |
| Other revenue | 4 | 3,392 | 3,083 |
| Selling expenses | | (2,777) | (2,705) |
| Administrative expenses | | <u>(18,154)</u> | <u>(12,712)</u> |
| Profit/(Loss) from operating activities | 5 | (1,420) | 4,766 |
| Finance costs | 6 | <u>(748)</u> | <u>(590)</u> |
| Profit/(Loss) before taxation | | (2,168) | 4,176 |
| Taxation | 7 | <u>(250)</u> | <u>(359)</u> |
| Profit/(Loss) before minority interests | | (2,418) | 3,817 |
| Minority interests | | <u>2,541</u> | <u>(715)</u> |
| Net profit from operating activities attributable to shareholders | | <u>123</u> | <u>3,102</u> |
| Dividend | 8 | <u>—</u> | <u>—</u> |
| Earnings per share | 9 | | |
| — Basic | | <u>0.04 cents</u> | <u>1.15 cents</u> |
| — Diluted | | <u>N/A</u> | <u>1.11 cents</u> |

CONDENSED CONSOLIDATED STATEMENT OF RECONGIZED GAINS OR LOSSES

| | Six months ended 30th June, 2001 HK\$'000 |
|---|--|
| Exchange differences on translation of the financial statements of foreign entities | <u>8</u> |
| Net gains not recognized in the profit and loss account Net profit for the period attributable to shareholders | <u>8</u> 123 |
| Total recognized gains | <u><u>131</u></u> |

CONDENSED CONSOLIDATED BALANCE SHEET

| | Notes | 30th June, 2001 HK\$'000 | 31st December, 2000 HK\$'000 |
|---|-------|--------------------------------|------------------------------------|
| NON-CURRENT ASSETS | | | |
| Fixed assets | | 106,179 | 107,075 |
| Deferred development expenditure | | 2,436 | 2,784 |
| Long term investments | | 1,132 | 2,332 |
| | | 109,747 | 112,191 |
| CURRENT ASSETS | | | |
| Inventories | 10 | 33,732 | 13,639 |
| Television programmes and sub-licensing rights | 11 | 14,707 | 4,634 |
| Trade receivables | 12 | 45,925 | 53,487 |
| Prepayments, deposits and other receivables | | 8,550 | 4,917 |
| Tax recoverable | 7 | 441 | 435 |
| Cash and cash equivalents | | 15,162 | 18,236 |
| | | 118,517 | 95,348 |
| CURRENT LIABILITIES | | | |
| Accounts payable and accrued liabilities | 13 | 35,521 | 20,782 |
| Interest-bearing bank loans | | 6,357 | 2,093 |
| Amount due by a subsidiary to a minority shareholder | | 1,439 | 1,225 |
| Dividend payable by a subsidiary to a minority shareholder | | 2,000 | 2,000 |
| | | 45,317 | 26,100 |
| NET CURRENT ASSETS | | 73,200 | 69,428 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 182,947 | 181,439 |
| NON-CURRENT LIABILITIES | | | |
| Interest-bearing bank loans | | 11,361 | 7,465 |
| Non Interest-bearing other loan | | 601 | 601 |
| Deferred tax | 7 | 200 | 200 |
| | | 12,162 | 8,266 |
| MINORITY INTEREST | | (1,581) | 938 |
| | | 172,366 | 172,235 |
| CAPITAL AND RESERVES | | | |
| Share capital | 14 | 29,100 | 29,100 |
| Reserves | 15 | 143,266 | 143,135 |
| | | 172,366 | 172,235 |

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

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

| | |
|--|-----------------|
| NET CASH OUTFLOW FROM OPERATING ACTIVITIES | (12,076) |
| Net cash inflow from returns on investments and servicing of finance | 1,182 |
| Tax paid | (256) |
| Net cash outflow from investing activities | (328) |
| NET CASH OUTFLOW BEFORE FINANCING ACTIVITIES | (11,478) |
| Net cash inflow from financing activities | 8,374 |
| DECREASE IN CASH AND CASH EQUIVALENTS | (3,104) |
| Cash and cash equivalents at beginning of period | 18,236 |
| Effects of foreign exchange rate changes, net | 30 |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD | 15,162 |
| ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS | |
| Cash and bank balances | 15,143 |
| Unpledged time deposits | 19 |
| | 15,162 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th June, 2001

1. Basis of preparation

The condensed consolidated interim financial statements have been prepared in accordance with Statement of Standard Accounting Practice ("SSAP") No. 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants, except that comparative figures for the condensed consolidated statement of recognized gains or losses and the condensed consolidated cash flow statement have not been prepared as the Company has taken advantage of the transitional provisions set out in Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules").

2. Principal accounting policies

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

Goodwill

In the current period, the Group has adopted SSAP 30 "Business Combinations" and has elected not to restate goodwill or negative goodwill previously eliminated against or credited to, respectively, reserves. Accordingly, goodwill or negative goodwill arising on acquisition prior to 1st January, 2001 is held in reserves and will be charged or credited to the profit and loss account at the time of disposal of the relevant subsidiary, associate, joint venture or business, or at such time as the goodwill is determined to be impaired.

Any goodwill arising on acquisitions after 1st January, 2001 will be capitalized and amortized over its estimated useful life. Any negative goodwill arising on acquisitions after 1st January, 2001 will be 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. Segmental information

An analysis of the Group's turnover and contribution to profit/(loss) from operating activities by principal activity and geographical area is as follows:

| | Turnover | | Contribution to profit/(loss) from operating activities | |
|--|----------------------------------|---------------|---|--------------|
| | Six months ended 30th June, 2001 | 2000 | Six months ended 30th June, 2001 | 2000 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| By principal activity | | | | |
| Manufacture and sale of life-like plants | 34,161 | 42,958 | 3,567 | 2,868 |
| Production and distribution of TV drama and provision of multi-media service | 5,067 | 8,837 | (863) | 1,898 |
| Sales of festival gift products through an internet portal | — | — | (1,852) | — |
| Provision of anti-theft car alarm and tracking services | — | — | (2,272) | — |
| | <u>39,228</u> | <u>51,795</u> | <u>(1,420)</u> | <u>4,766</u> |
| By geographical area | | | | |
| The United States of America | 18,492 | 24,955 | 1,931 | 1,666 |
| People's Republic of China ("PRC"): | | | | |
| Hong Kong | 7,068 | 10,274 | (1,114) | 686 |
| Elsewhere | 5,067 | 8,837 | (3,135) | 1,898 |
| Europe | 8,601 | 7,729 | 898 | 516 |
| | <u>39,228</u> | <u>51,795</u> | <u>(1,420)</u> | <u>4,766</u> |

4. Other revenue

| | Six months ended 30th June, 2001 | Six months ended 30th June, 2000 |
|--------------------------------------|----------------------------------|----------------------------------|
| | HK\$'000 | HK\$'000 |
| Interest income | 1,930 | 2,349 |
| Sales of samples | 252 | 347 |
| Income from video recording services | 420 | — |
| Commission income | 556 | 31 |
| Rental income | 78 | 50 |
| Exchange gain, net | 17 | 168 |
| Others | 139 | 138 |
| | <u>3,392</u> | <u>3,083</u> |

5. Profit/(Loss) from operating activities

Profit/(Loss) from operating activities is arrived at after charging:

| | Six months ended 30th June, 2001 HK\$'000 | Six months ended 30th June, 2000 HK\$'000 |
|---|--|--|
| Cost of inventories sold | 21,199 | 29,321 |
| Amortization of TV programmes and sub-licensing rights | 1,878 | 5,374 |
| Amortization of deferred development expenditure | 348 | — |
| Depreciation | 2,447 | 2,523 |
| | <u>24,872</u> | <u>37,218</u> |

6. Finance costs

| | Six months ended 30th June, 2001 HK\$'000 | Six months ended 30th June, 2000 HK\$'000 |
|--|--|--|
| Interest on bank loans wholly repayable within five years | 704 | 590 |
| Interest on loans from a minority shareholder of a subsidiary | 44 | — |
| | <u>748</u> | <u>590</u> |

7. Taxation

| | Six months ended 30th June, 2001 HK\$'000 | Six months ended 30th June, 2000 HK\$'000 |
|--------------------------------|--|--|
| Current Taxation | | |
| Hong Kong | 250 | 250 |
| Elsewhere | — | 109 |
| Deferred taxation | — | — |
| | <u>250</u> | <u>359</u> |
| Taxation charge for the period | <u>250</u> | <u>359</u> |

Hong Kong profits tax has been provided at the rate of 16% (2000: 16%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of taxation prevailing in the countries in which the Group operates.

Tax recoverable represents the excess of provisional tax paid over the estimated liability.

The provision for deferred tax is made in respect of accelerated depreciation allowances to the extent that a liability was expected to crystallize in the foreseeable future. The Group had an unprovided deferred tax liability of HK\$500,000, relating to accelerated depreciation allowances, which is not expected to crystallize in the foreseeable future.

8. Dividend

The Directors have resolved not to recommend the payment of any interim dividend for the six months ended 30th June, 2001 (2000: nil).

9. Earnings per share

The calculation of basic earnings per share is based on the net profit attributable to shareholders for the six months ended 30th June, 2001 of HK\$123,000 (2000: \$3,102,000) and on the weighted average of 291,000,000 ordinary shares (2000: 268,701,923 shares) in issue during the period.

The diluted earnings per share for the six months ended 30th June, 2001 has not been prepared as the exercise of the Company's outstanding option will have anti-dilutive effect on the basic earnings per share.

The diluted earnings per share for the period ended 30th June, 2000 is based on the net profit attributable to shareholders for the period of HK\$3,102,000 and on the weighted average of 268,701,923 shares in issues during the period plus 10,438,261 dilutive shares deemed to have been issued for no consideration in respect of share options outstanding during the period.

10. Inventories

| | 30th June, 2001 HK\$'000 | 31st December, 2000 HK\$'000 |
|------------------|---|------------------------------------|
| Raw materials | 13,943 | 7,649 |
| Work in progress | 8,247 | 5,311 |
| Finished goods | 11,542 | 679 |
| | <u>33,732</u> | <u>13,639</u> |

11. Television programmes and sub-licensing rights

| | 30th June, 2001 HK\$'000 | 31st December, 2000 HK\$'000 |
|---------------------------|---|------------------------------------|
| TV programmes | 8,124 | 1,000 |
| TV programmes in progress | 3,889 | 2,087 |
| Sub-licensing rights | 2,694 | 1,547 |
| | <u>14,707</u> | <u>4,634</u> |

12. Trade receivables

Credit is offered to customers following a financial assessment and the demonstration of an establishing payment record. The Group usually allows an average credit period of 30 to 120 days to its customers and seeks to maintain strict control over its outstanding receivables. Overdue balances are regularly reviewed by senior management and collections are followed up by accounting personnel. The following is an aging analysis of trade receivables (net of provision for bad and doubtful debts):

| | 30th June, 2001 HK\$'000 | 31st December, 2000 HK\$'000 |
|-------------------|---|------------------------------------|
| Aging | | |
| Less than 90 days | 9,608 | 33,137 |
| 91 - 180 days | 1,876 | 7,869 |
| Over 180 days | 34,441 | 12,481 |
| | 45,925 | 53,487 |

The above analysis ages trade receivables, stated net of provision for bad and doubtful debts, based on the due dates after revenue is recognized from the trade transactions.

13. Accounts payable and accrued liabilities

Included in accounts payable and accrued liabilities are the following trade payables:

| | 30th June, 2001 HK\$'000 | 31st December, 2000 HK\$'000 |
|------------------------|---|------------------------------------|
| Aging | | |
| Less than 90 days | 8,845 | 4,147 |
| 91 - 180 days | 1,443 | 4,355 |
| Over 180 days | 3,547 | 654 |
| Total accounts payable | 13,835 | 9,156 |
| Accrued liabilities | 21,686 | 11,626 |
| | 35,521 | 20,782 |

The above analysis ages trade payables based on the invoice dates after receipts of the goods and services purchased.

14. Share capital

The movement in shares of the Company is as follows:

| | Number of issued ordinary shares of HK\$0.10 each | Carrying amount HK\$'000 |
|--|--|---|
| At 1st January, 2000 | 264,500 | 26,450 |
| Shares issued pursuant to two subscription agreements dated 15th December, 1999 | 11,500 | 1,150 |
| Shares issued pursuant to an acquisition agreement dated 25th August, 2000 for the acquisition of an equity interest in a subsidiary | <u>15,000</u> | <u>1,500</u> |
| At 31st December, 2000 and 30th June, 2001 | <u><u>291,000</u></u> | <u><u>29,100</u></u> |

15. Reserves

| | Share premium HK\$'000 | Contributed surplus HK\$'000 | Revaluation reserve HK\$'000 | Exchange reserve HK\$'000 | Retained profits HK\$'000 | Total HK\$'000 |
|---|---------------------------------------|---|---|--|--|---------------------------|
| At 1st January, 2000 | 35,212 | 24,041 | 37,105 | – | 44,458 | 140,816 |
| Issue of shares | 13,905 | – | – | – | – | 13,905 |
| Share issue expenses | (161) | – | – | – | – | (161) |
| Goodwill arising from acquisition of subsidiaries | – | (18,382) | – | – | – | (18,382) |
| Exchange realignment arising from retranslation of subsidiaries | – | – | – | (48) | – | (48) |
| Profit for the year | <u>–</u> | <u>–</u> | <u>–</u> | <u>–</u> | <u>7,005</u> | <u>7,005</u> |
| At 31st December, 2000 and beginning of period | 48,956 | 5,659 | 37,105 | (48) | 51,463 | 143,135 |
| Exchange realignment arising from retranslation of subsidiaries | – | – | – | 8 | – | 8 |
| Profit for the period | <u>–</u> | <u>–</u> | <u>–</u> | <u>–</u> | <u>123</u> | <u>123</u> |
| At 30th June, 2001 | <u><u>48,956</u></u> | <u><u>5,659</u></u> | <u><u>37,105</u></u> | <u><u>(40)</u></u> | <u><u>51,586</u></u> | <u><u>143,266</u></u> |

16. Commitments and contingent liabilities

At the balance sheet date the Group had the following commitments and contingent liabilities:

| | 30th June, 2001 | 31st December, 2000 |
|--|----------------------------|------------------------|
| (a) Contracted capital commitment | <u>5,000</u> | <u>5,000</u> |
| (b) Commitment under operating lease | | |
| Annual commitments payable under non-cancellable operating leases in respect of land and buildings expiring: | | |
| Within one year | 432 | 61 |
| In the second to fifth years, inclusive | <u>1,951</u> | <u>1,786</u> |
| | <u>2,383</u> | <u>1,847</u> |
| (c) Contingent liabilities in respect of bills discounted with recourse | <u>1,750</u> | <u>1,960</u> |

17. Related party transactions

- (a) The Group had the following transactions with companies with common directors and/or shareholders of the Company's subsidiaries for the period:

| | Six months ended 30th June, 2001 HK\$'000 | Six months ended 30th June, 2000 HK\$'000 |
|------------------------|--|--|
| Rental income received | 75 | 50 |
| Interest expenses paid | <u>44</u> | <u>—</u> |

- (b) The Group had the following outstanding balances with companies with common directors and/or shareholders of the Company's subsidiaries at the balance sheet date:

| | 30th June, 2001 HK\$'000 | 31st December, 2000 HK\$'000 |
|-----------------------------------|---|------------------------------------|
| Amount due to related companies | 1,456 | 1,227 |
| Amount due from a related company | <u>73</u> | <u>—</u> |

18. Post balance sheet events

- (a) On 11th June, 2001, the Company entered into a top-up Placing and Subscription Agreement with Raffles International Holdings Limited ("Raffles"), the major shareholder of the Company. Pursuant to the agreement, Raffles agreed to place, through a Placing Agent, 58,000,000 existing shares of the Company of HK\$0.10 each to independent investors at a price of HK\$0.30 each and subscribe from the Company 58,000,000 new shares of HK\$0.10 each at the same price of HK\$0.30 each. The placing of 58,000,000 existing shares was completed on 11th June, 2001.

On 2nd August, 2001, the Company entered into a Supplemental Agreement with Raffles and the Placing Agent. Pursuant to the Supplemental Agreement, the number of new shares subscribed by Raffles was reduced from 58,000,000 shares to 54,500,000 shares. The subscription was completed on 4th August, 2001 and a total of 54,500,000 new shares were issued and allotted to Raffles for net proceeds of approximately HK\$15.7 million.

- (b) On 17th August, 2001, the Company entered into an Acquisition Agreement with the minority shareholder of two subsidiaries which indirectly held equity interest in a joint venture company in the PRC for the operation of an anti-theft car alarm and tracking system. Pursuant to the agreement, the Company agreed to acquire the minority shareholder's entire equity interests in those subsidiaries together with a shareholder's loan of HK\$1.5 million provided by the minority shareholder to the subsidiaries at a total consideration of HK\$1,500,002. Upon completion, those subsidiaries became wholly owned subsidiaries of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND PROSPECTS

During the six months ended 30th June, 2001, the Group's unaudited consolidated turnover was around HK\$39 million, representing a decrease of 24% compared to the same period of last year.

The net profit attributable to shareholders for the first six months in 2001 amounted to around HK\$123,000, compared to HK\$3.1 million during the same period of last year. The descending profit was a result of the ongoing investment in certain new projects that were undertaken by the Group in the second half of last year which have not come into full operation during the period. The Directors are confident that revenue from these new projects will materialize in the second half of this year.

In fact, the gross profit recorded in the core business in the first six months have increased when compared to last year in spite of a diminishing turnover. This is the result of a successful new product launch of life like Christmas trees which have delivered a higher profit margin.

The US retail environment began to show signs of stagnation towards the end of 2000. The market for foliated and floral products have softened in the first half of 2001 due to the weakened economy and less consumer spending. Business competition have been tough and price driven and profit margin skimmed to a minimal level. Under such difficult circumstances, the Group have decided to tighten up the credit control with some of the US customers and endeavor to maintain a reasonable margin through a more efficient cost management system.

The overall outlook of the US market remained uncertain for the rest of this year. The terrorists' strikes in New York and Washington and the consequences of a US retaliation will probably delay any hope of an impending economic recovery in the US market. Despite an adverse market environment, the Group's order on hand for life-like Christmas trees for this year remained steady.

One of the resolutions the Group have made last year was to strengthen our market presence in Europe. This has proven to be a critical step forward as our European business have recorded a steady growth of over last year. Our products are now sold to more than 15 European countries through our sales representative based in Belgium. The Directors believe that sales to the other European markets will be increasing in the coming years.

FT Multi-Media Limited ("FTMM"), the Group's multi-media business arm that was set-up last year to take advantage of the growing media market in the PRC, have produced two TV drama series in the first six months of this year. Revenues from the syndication of these two series to more than 120 TV stations will be booked in the third quarter of this year. Due to the successful bid of the Beijing Olympics and the strong momentum of the Chinese economy in the foreseeable future, the Directors of the Group are confident that the business of FTMM is on track for an annual growth of double digits in the next few years. FTMM will produce more drama series in the second half of 2001 and have plans to cooperate with other media organizations in the region to expand their streams of revenues.

The Group's investment in the anti-theft car alarm and tracking system networks ("CAS") in the PRC have been increased in August by acquiring the entire share capital in the holding company which operates the network through a PRC joint-venture. After the acquisition, the Group's management has full control over all matters relating to the administration and marketing of the CAS system in the PRC.

The CAS network in Xian city has been completed in June and was fully operational with a soft marketing launch in August. Market response has been very positive and the company's contribution to the Group's profit will be reflected in the last quarter of 2001. At the same time, the network in Guangzhou city is scheduled to complete by the end of October this year and the company is prepared for a marketing launch shortly afterwards.

In conclusion, the Directors of the Group are optimistic on the prospects of their Chinese investments and their full earning potentials will be gradually reflected in the near future. As a result of our business diversification in the PRC market, the Group's earning and business performance are less dependent on the US economic situation which may go through a prolong period of instability due to the threats of war and terrorism. The Group's management will continue to focus on new product development and stringent cost control as counteractive measures to safeguard the Group's business turnover and to guarantee a reasonable operation margin in return.

LIQUIDITY AND FINANCIAL RESOURCES

The Group has been maintaining a conservative approach in its funding and treasury policies. The Group's working capital has been closely monitored to maximize the return on investments and to minimize finance costs.

The Group generally finances its short term funding requirements with cash generated from operation, credit facilities from suppliers and banking facilities provided by its principal bankers.

The Group had committed bank and other financing facilities of HK\$61 million as at 30th June, 2001, of which, HK\$25 million has not been utilized. Certain land and buildings and plant and machinery with net book value of approximately HK\$20 million and HK\$9 million respectively were pledged to secure the mentioned facilities. The Group had a total long term borrowing of approximately HK\$12 million and shareholders equity of approximately HK\$172 million as at 30th June, 2001. The gearing ratio was 7.06% as at 30th June, 2001 comparing to 4.8% as at 31st December, 2000. The increase in gearing ratio was mainly attributable to the obtaining of new bank loans in the current period to finance the operation of the Group's business and investing activities.

Total current assets of the Group amounted to approximately HK\$118 million, with cash and bank balance of approximately HK\$15 million, inventories and television programmes and sub-licensing rights of approximately HK\$48 million, trade and other receivables, prepayments and deposits of approximately HK\$55 million while total current liabilities was HK\$45 million. The current ratio was 2.62 and the quick ratio was 1.56.

The business operations of the Group are mainly transacted in US dollars and Renminbi. Most of the Group's sales are conducted in the same currency as the corresponding purchase transaction. The Directors do not consider the Group has significant exposure to foreign exchange fluctuations in view of the stability of US dollars and Renminbi. The Directors also consider that there will be sufficient cash resources denominated in Hong Kong dollars for the repayment of its bank borrowings. Accordingly, the Group did not engage any financial instrument for hedging purposes during the period and there is no hedging instrument outstanding as at 30th June, 2001.

CAPITAL STRUCTURE

There had been no change in capital structure of the Company since 31st December, 2000 saved for those disclosed in Note 18 (a) to the condensed consolidated financial statements.

EMPLOYEES AND REMUNERATION POLICY

The Group had a total of approximately 1,400 employees as at 30th June, 2001. The Group recognizes the importance of its human resources to its success. The remuneration packages of the Group's employees are maintained at competitive levels based on their performance and experience and are in line the current industry practices. Other staff benefits provided by the Group include the provision of mandatory provident fund, discretionary bonuses and share option scheme. The remuneration policy and packages of the Group's employees are reviewed regularly.

OTHER INFORMATION

INTERIM DIVIDEND

The Directors have resolved not to recommend the payment of any interim dividend for the six months ended 30th June, 2001 (2000: nil).

DIRECTORS' INTERESTS IN SHARES

As at 30th June, 2001, the interests of the Directors and chief executives of the Company in the share capital of the Company or any of its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance of Hong Kong (the "SDI Ordinance")) as recorded in the register required to be kept pursuant to Section 29 of the SDI Ordinance were as follows:

Ordinary shares

| Director | Number of ordinary shares Other interest (Note) |
|---------------------|---|
| Lai Kam Wing, Jimmy | <u>66,400,000</u> |

Note: Raffles International Holdings Limited ("Raffles") is the beneficial owner of 66,400,000 shares representing 22.82% of the total issued share capital of the Company. The entire issued share capital of Raffles is beneficially owned by Lai Kam Wing, Jimmy.

As detailed in Note 18(a) to the condensed consolidated financial statements, Raffles had entered into a top-up Placing and Subscription Agreement and a Supplemental Agreement with the Company whereby Raffles agreed to place 58,000,000 existing shares to independent investors and subscribe from the Company 54,500,000 new shares (as amended by the Supplemental Agreement). The placing of existing shares had been completed on 11th June, 2001 and subscription of new shares was completed on 4th August, 2001. Upon completion of the subscription, Raffles held 120,900,000 shares of the Company's issued capital, representing 34.99% of the total issued share capital of the Company.

Save as disclosed herein and holding as nominee for the Group, as at 30th June, 2001, none of the Directors or chief executive of the Company or their associates had any interest (whether beneficial or non-beneficial) in the shares or debt securities of the Company or any of its associated corporations.

Share options

| Director | Number of shares in respect of which options were granted | Exercise period | Exercise price HK\$ |
|------------------------|---|---------------------|------------------------|
| Lai Ma Yuk Wah, Monita | 4,000,000 | 7/3/1997 - 6/3/2007 | 0.7056 |
| Leung Mei Yee | 4,000,000 | 7/3/1997 - 6/3/2007 | 0.7056 |

The share options were granted on 7th March, 1997. No share options were granted or exercised during the current period. Apart from the above, at no time during the period was the Company or any of its subsidiaries a party to any arrangement to enable the Directors or chief executive of the Company, their respective spouse, or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

As at 30th June, 2001, according to the register of interests required to be kept by the Company pursuant to Section 16(1) of the SDI Ordinance, the shareholders who were interested in 10% or more of the issued share capital of the Company were as follows:

| Name | Number of shares | Percentage of issued shares |
|---|------------------|-----------------------------|
| Raffles International Holdings Limited (Note) | 66,400,000 | 22.82% |

Note: Raffles International Holdings Limited is beneficially owned by Lai Kam Wing, Jimmy, a director of the Company, as detailed under "Directors' interests in Shares" above.

As detailed in Note 18(a) to the condensed consolidated financial statements, Raffles had entered into a top-up Placing and Subscription Agreement and a Supplemental Agreement with the Company whereby Raffles agreed to place 58,000,000 existing shares to independent investors and subscribe from the Company 54,500,000 new shares (as amended by the Supplemental Agreement). The placing of existing shares had been completed on 11th June, 2001 and subscription of new shares was completed on 4th August, 2001. Upon completion of the subscription, Raffles held 120,900,000 shares of the Company's issued capital, representing 34.99% of the total issued share capital of the Company.

Save as disclosed herein, the Directors of the Company were not aware of any person who was, directly or indirectly, interest in 10% or more of the issued share capital of the Company as at 30th June, 2001 that was required to be recorded under Section 16(1) of the SDI Ordinance.

PURCHASE, SALES OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company listed securities during the six months ended 30th June, 2001.

CODE OF BEST PRACTICE

The Directors are not aware of any information that would reasonably indicate that the Company is not or was not, for the six months ended 30th June, 2001, in compliance with the Code of Best Practice as set out in the Listing Rules, save that non-executive directors have not been appointed for a specific term. Independent-non-executive directors are subject to retirement by rotation and re-election of the Annual General Meeting of the Company in accordance with the provisions of the Company's bye-laws.

AUDIT COMMITTEE

The audit committee of the Company has reviewed with the management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters, including a general review of the unaudited interim financial report. The audit committee has not undertaken detailed independent audit checks.

Lai Kam Wing, Jimmy
Chairman and Managing Director

Hong Kong, 26th September, 2001