

## MANAGEMENT STATEMENT

The Directors are pleased to present their management statement and the unaudited condensed consolidated financial statements for the six months ended 30th June, 2001.

### Business Highlights

The turnover of the Company dropped by 43% in the first half of 2001, but managed to make a small profit. Overall profit dropped 63%. Part of the drop was a result of the Cheung Fung re-organization, taking our equity down from 63.35% to 33.83%.

The drop in turnover was attributed to weak demand, resulting in our customers requesting delay shipment of goods.

Cheung Fung Technology, our associated company turned in very satisfactory results, with a profit of 4.9 Million HKD.

Redevelopment of 410 Kwun Tong Road is proceeding as planned with completion scheduled for late this year.

### Interim Dividend

The Board of Directors has declared an interim dividend of 2 cents per share in respect of the six months period ended 30th June, 2001 (2000: interim dividend 2 cents per share):–

	<b>Six Months to 30th June, 2001 (HK\$'000)</b>	<b>Six Months to 30th June, 2000 (HK\$'000)</b>
Interim dividend proposed	<u><b>6,286</b></u>	<u>6,286</u>

The amount of proposed interim dividend is calculated on the basis of 314,300,804 shares in issue as at 30th June of the respective years.

This dividend will be payable on 23rd October, 2001, to shareholders whose names appear on the register of members at the close of business on 26th September, 2001.

The transfer books and register of members will be closed from 27th September, 2001 to 5th October, 2001, both days inclusive, during which time no transfer of shares will be registered by the Company.

## Prospects for Second Half of 2001

The second half has traditionally been more significant in turnover and profit. From orders on hand, shipments in July and August, management is hopeful the turnover can be close to that of 2000. It is difficult to predict profitability at this point due to frequent changes in orders requested by our customers, in face of poor economic situation and weak market demand.

## Financial Position

As shown in the attached accounts; cash balance, cash flow and balance sheet of the company remain strong and healthy. Total short term bank loans at 30th June, 2001 represents under 10% of the company's net assets. During the period, the company paid out about 31 Million HKD for the construction costs of 410 Kwun Tong Road. The company re-paid 30,000,000 RMB Loan with a new US Dollar Loan because of better interest rate. The company would continue to borrow in USD to pay for the land premium (please see note 13) and the balance of construction costs (please see note 14). Arrangements have been made with our bankers for the additional amount needed.

## Directors' and Chief Executive's Interest in Shares

According to the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance"), the interests of the directors, chief executives and their associates in the issued share capital of the Company and associated corporations (within the meaning of the SDI Ordinance) as at 30th June, 2001 were as follows:

Name of director	Number of shares held			
	Personal interests	Family interests	Corporate interests	Other interests
Mr. Wilson Wong Kin Lae	333,000	–	16,579,773 (a)	77,881,760 (b)
Mr. John Wong Ying Man	1,121,440	–	–	–
Mr. Philip Wong Kin Hang	16,941,360	821,000	23,829,653 (c)	1,306,000 (d)
Mr. Kennedy Wong Ying Ho	–	–	11,815,820 (e)	–

(a) *These shares were held through Broadbridge Enterprise Limited, a company beneficially owned by Mr. Wilson Wong Kin Lae.*

(b) *These shares were held through a Trust, the beneficiaries of which include the children of Mr. Wilson Wong Kin Lae.*

(c) *These shares were held through Ho Kit Man Inc., a company beneficially owned by Mr. Philip Wong Kin Hang.*

(d) *These shares were held through Philip K.H. Wong Foundation.*

(e) *These shares were held through Limin Corporation, a company beneficially owned by Mr. Kennedy Wong Ying Ho.*

## **Directors' and Chief Executive's Interest in Shares** (Continued)

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

### **Substantial Shareholders**

Other than the interests disclosed above in respect of directors, chief executives and their associates, the register of substantial shareholders required to be maintained under Section 16(1) of SDI Ordinance shows that as at 30th June, 2001 the Company was notified of the following interest representing 10% or more of the Company's issued share capital:-

<b>Name of shareholder</b>	<b>Number of Shares held</b>	<b>% of issued share capital</b>
Silver Talent Development Limited	61,080,800	19

### **Code of Best Practice**

None of the directors is aware of any information that would reasonably indicate that the Company is not or was not for any part of the Period, in compliance with Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

### **Appointment of Director**

Mr. Raymond Wong Man-Hin was appointed as Non-Executive Director of our company effective from 18th July, 2001.

### **Purchase, sale or redemption of own shares**

During the six months ended 30th June, 2001, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares.

### **Audit Committee**

The Audit Committee of the Company has reviewed with the management the accounting practices and principles adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of this interim report.

By order of the Board  
**Wilson Wong Kin Lae**  
*Chairman*

Hong Kong, 11th September, 2001