

X'mas Tree

Multi Media

110 CAR ALARM



Interim Report



**FT Holdings International Limited**

**精藝集團國際有限公司**

(Incorporated in Bermuda with limited liability)



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, 2002 as follows:

## CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Notes	Six months ended 30th June, 2002 (Unaudited) HK\$'000	Six months ended 30th June, 2001 (Unaudited) HK\$'000
Turnover	3	40,495	39,228
Cost of sales		(25,942)	(23,109)
Gross profit		14,553	16,119
Other revenue	4	3,321	3,392
Selling expenses		(1,682)	(2,777)
Administrative expenses		(19,928)	(18,154)
Loss from operating activities	3, 5	(3,736)	(1,420)
Finance costs	6	(1,064)	(748)
Loss before taxation		(4,800)	(2,168)
Taxation	7	(130)	(250)
Loss before minority interests		(4,930)	(2,418)
Minority interests		2,380	2,541
Net profit/(loss) from operating activities attributable to shareholders		(2,550)	123
Dividend	8	-	-
Earnings/(Losses) per share	9		
- Basic		(0.74) cents	0.04 cents
- Diluted		N/A	N/A



## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Ordinary share capital	Share premium	Contributed surplus	Revaluation reserve	Exchange reserve	Retained profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st January, 2001							
As previously reported	29,100	48,956	5,659	37,105	(48)	51,463	172,235
Prior year adjustment (Note)	-	-	15,582	-	-	(15,582)	-
As restated	29,100	48,956	21,241	37,105	(48)	35,881	172,235
Exchange realignment arising from retranslation of subsidiaries	-	-	-	-	8	-	8
Net Profit for the period	-	-	-	-	-	123	123
At 30th June, 2001	<u>29,100</u>	<u>48,956</u>	<u>21,241</u>	<u>37,105</u>	<u>(40)</u>	<u>36,004</u>	<u>172,366</u>
At 1st July, 2001	29,100	48,956	21,241	37,105	(40)	36,004	172,366
Issue of shares	5,450	10,900	-	-	-	-	16,350
Share issue expenses	-	(550)	-	-	-	-	(550)
Exchange realignment arising from retranslation of subsidiaries	-	-	-	-	206	-	206
Net loss for the period	-	-	-	-	-	(59)	(59)
At 31st December, 2001	<u>34,550</u>	<u>59,306</u>	<u>21,241</u>	<u>37,105</u>	<u>166</u>	<u>35,945</u>	<u>188,313</u>
At 1st January, 2002	34,550	59,306	21,241	37,105	166	35,945	188,313
Loss for the period	-	-	-	-	-	(2,550)	(2,550)
At 30th June, 2002	<u>34,550</u>	<u>59,306</u>	<u>21,241</u>	<u>37,105</u>	<u>166</u>	<u>33,395</u>	<u>185,763</u>

*Note:*

During the year ended 31st December, 2001, the Group adopted SSAP 31 "Impairment of assets". In accordance with SSAP 31, the Group is required to assess at each balance sheet date whether there are any indications that assets (including fixed assets, intangible assets and goodwill arising on acquisition of subsidiaries and associates) may be impaired, and if there are such indications, the recoverable amount of the assets has to be determined. As SSAP 31 is also applied to goodwill previously eliminated against consolidated reserves according to the provision of Interpretation 13, assessments of impairment on the goodwill arising from the acquisition of subsidiaries have been made by referencing to their respective net asset values as at 31st December, 2000 and their future profitability. Accordingly, provision for impairment loss of HK\$15,582,000 was required and a prior year adjustment has been put through to write down the carrying value of the goodwill as at 31st December, 2000.



## CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	30th June, 2002 (Unaudited) HK\$'000	31st December, 2001 (Audited) HK\$'000
<b>NON-CURRENT ASSETS</b>			
Fixed assets		119,471	119,600
Goodwill		2,262	2,533
Deferred development expenditure		1,859	2,128
Long term investments		1,132	1,132
		<b>124,724</b>	<b>125,393</b>
<b>CURRENT ASSETS</b>			
Inventories	10	27,960	15,599
Television programmes and sub-licensing rights	11	13,385	5,557
Trade receivables	12	65,193	50,978
Prepayments, deposits and other receivables		20,898	28,567
Cash and cash equivalents		12,239	18,187
		<b>139,675</b>	<b>118,888</b>
<b>CURRENT LIABILITIES</b>			
Accounts payable and accrued liabilities	13	48,134	25,304
Other loans, unsecured		8,842	4,900
Interest-bearing bank loan, secured		10,825	11,198
Finance lease payables		2,053	2,021
Tax payable		257	127
Amount due by a subsidiary to a minority shareholder		1,395	-
Dividend payable by a subsidiary to a minority shareholder		2,000	2,000
		<b>73,506</b>	<b>45,550</b>
<b>NET CURRENT ASSETS</b>		<b>66,169</b>	<b>73,338</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>190,893</b>	<b>198,731</b>
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank loan, secured		3,756	5,634
Non Interest-bearing other loan		601	601
Finance lease payables		1,344	2,374
Deferred tax	7	273	273
		<b>5,974</b>	<b>8,882</b>
<b>MINORITY INTERESTS</b>		<b>(844)</b>	<b>1,536</b>
		<b>185,763</b>	<b>188,313</b>
<b>CAPITAL AND RESERVES</b>			
Share Capital	13	34,550	34,550
Reserves	14	151,213	153,763
		<b>185,763</b>	<b>188,313</b>



## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six months ended 30th June, 2002 (Unaudited) HK\$'000	Six months ended 30th June, 2001 (Unaudited) HK\$'000
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	(5,238)	(12,076)
Net cash inflow from returns on investments and servicing of finance	490	1,182
Tax paid	–	(256)
Net cash outflow from investing activities	<u>(3,289)</u>	<u>(328)</u>
NET CASH OUTFLOW BEFORE FINANCING ACTIVITIES	(8,037)	(11,478)
Net cash inflow from financing activities	<u>2,089</u>	<u>8,374</u>
DECREASE IN CASH AND CASH EQUIVALENTS	(5,948)	(3,104)
Cash and cash equivalents at beginning of period	18,187	18,236
Effects of foreign exchange rate changes, net	<u>–</u>	<u>30</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>12,239</u>	<u>15,162</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	12,239	15,143
Unpledged time deposits	<u>–</u>	<u>19</u>
	<u>12,239</u>	<u>15,162</u>



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

In the six months ended 30th June, 2002

### 1. Basis of preparation

The condensed consolidated interim financial statements have been prepared in accordance with Statement of Standard Accounting Practice ("SSAP") No. 25 (Revised) "Interim Financial Reporting" issued by the Hong Kong Society of Accountants and provisions set out in Appendix 16 to 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, 2001 except the following new/revised SSAPs have been adopted for the first time in the preparation of the current period's condensed consolidated financial statements.

- SSAP 1 (Revised) "Presentation of Financial Statements"
- SSAP 11 (Revised) "Foreign Currency Translation"
- SSAP 15 (Revised) "Cash Flow Statements"
- SSAP 25 (Revised) "Interim Financial Reporting"
- SSAP 34 "Employee Benefits"



### 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:

By principal activity:

	Six months ended 30th June, 2002					Consolidated HK\$'000
	Design, and the manufacture and sale of life-like plants HK\$'000	Production, acquisition and distribution of television programmes and the provision of related multi-media services HK\$'000	Sale of festival gift products through an internet portal HK\$'000	Provision of anti-theft car alarm and tracking services HK\$'000	Eliminations HK\$'000	
Sales to external customers	35,550	3,431	1,335	179	-	40,495
Intersegment sales	1,171	-	-	-	(1,171)	-
Total turnover	<u>36,721</u>	<u>3,431</u>	<u>1,335</u>	<u>179</u>	<u>(1,171)</u>	<u>40,495</u>
Segment results	<u>3,331</u>	<u>(1,030)</u>	<u>(1,570)</u>	<u>(3,979)</u>	<u>-</u>	<u>(3,248)</u>
Interest income and unallocated gains						56
Unallocated expenses						(544)
Loss from operating activities						(3,736)
Finance costs						(1,064)
Loss before tax						(4,800)
Tax						(130)
Loss before minority interests						(4,930)
Minority interests						2,380
Net loss for the period attributable to shareholders						<u>(2,550)</u>



3. Segmental information (continued)

	Six months ended 30th June, 2001						
	Production, acquisition and distribution of television programmes	Design, manufacture and sale of life-like plants	and the provision of related multi-media services	Sale of festival gift products through an internet portal	Provision of anti-theft car alarm and tracking services	Eliminations	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Sales to external customers	34,139	5,067	22	-	-	-	39,228
Intersegment sales	23	-	-	-	-	(23)	-
<b>Total turnover</b>	<b>34,162</b>	<b>5,067</b>	<b>22</b>	<b>-</b>	<b>-</b>	<b>(23)</b>	<b>39,228</b>
Segment results	4,174	(1,343)	(1,907)	(1,856)	-	-	(932)
Interest income and unallocated gains							62
Unallocated expenses							(550)
Loss from operating activities							(1,420)
Finance costs							(748)
Loss before tax							(2,168)
Tax							(250)
Loss before minority interests							(2,418)
Minority interests							2,541
Net profit for the period attributable to shareholders							123





### 3. Segmental information (continued)

By geographical area:

	Six months ended 30th June, 2002						
	United States of America		Mainland China		Europe	Eliminations	Consolidated
	Hong Kong						
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Sales to external customers	<u>25,658</u>	<u>5,666</u>	<u>3,610</u>	<u>5,561</u>	<u>-</u>	<u>40,495</u>	
Segment results	<u>1,225</u>	<u>271</u>	<u>(5,009)</u>	<u>265</u>	<u>-</u>	<u>(3,248)</u>	

	Six months ended 30th June, 2001						
	United States of America		Mainland China		Europe	Eliminations	Consolidated
	Hong Kong						
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Sales to external customers	<u>18,492</u>	<u>7,068</u>	<u>5,067</u>	<u>8,601</u>	<u>-</u>	<u>39,228</u>	
Segment results	<u>1,227</u>	<u>469</u>	<u>(3,199)</u>	<u>571</u>	<u>-</u>	<u>(932)</u>	

### 4. Other revenue

	Six months ended 30th June, 2002 HK\$'000	Six months ended 30th June, 2001 HK\$'000
Interest income	1,554	1,930
Sales of sample	815	252
Income from video recording services	-	420
Commission income	597	556
Rental income	75	78
Exchange gain, net	115	17
Others	165	139
	<u>3,321</u>	<u>3,392</u>



5. **Loss from operating activities**

Loss from operating activities is arrived at after charging:

	<b>Six months ended 30th June, 2002 HK\$'000</b>	Six months ended 30th June, 2001 HK\$'000
Cost of inventories sold	25,278	21,199
Amortization of TV programmes and sub-licensing rights	600	1,878
Amortization of deferred development cost	358	348
Amortization of goodwill	271	-
Depreciation	<u>2,028</u>	<u>2,447</u>

6. **Finance costs**

	<b>Six months ended 30th June, 2002 HK\$'000</b>	Six months ended 30th June, 2001 HK\$'000
Interest on bank loans wholly repayable within five years	648	577
Interest on other loans	306	-
Interest on finance lease	110	127
Interest on loans from minority shareholders of a subsidiary	-	44
	<u>1,064</u>	<u>748</u>



## 7. Taxation

	Six months ended 30th June, 2002 HK\$'000	Six months ended 30th June, 2001 HK\$'000
Current taxation		
Hong Kong	130	250
Elsewhere	–	–
Deferred taxation	–	–
	<hr/>	<hr/>
Taxation charge for the period	<b>130</b>	<b>250</b>

Hong Kong profits tax has been provided at the rate of 16% (2001: 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.

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\$900,000 (2001: HK\$500,000), relating to accelerated depreciation allowance, which is not expected to crystallize on 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, 2002 (2001: nil).

## 9. Earnings/(Losses) per share

The calculation of basic earnings/(losses) per share is based on the net loss attributable to shareholders for the six months ended 30th June, 2002 of HK\$2,550,000 (2001: profit of \$123,000) and on the weighted average of 345,500,000 ordinary shares (2001: 291,000,000 shares) in issue during the period.

The diluted earnings/(losses) per share for both of the six months ended 30th June, 2002 and 2001 have not been prepared as the exercise of the Company's outstanding option will have anti-dilutive effect on the basic earnings/(losses) per share.



**10. Inventories**

	<b>30th June, 2002 HK\$'000</b>	31st December, 2001 HK\$'000
Raw materials	12,032	7,122
Work in progress	6,257	4,789
Finished goods	9,671	3,688
	<u>27,960</u>	<u>15,599</u>

**11. Television programmes and sub-licensing rights**

	<b>30th June, 2002 HK\$'000</b>	31st December, 2001 HK\$'000
TV Programmes	2,669	1,600
TV Programmes in progress	7,412	2,739
Sub-licensing rights	3,304	1,218
	<u>13,385</u>	<u>5,557</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 aging analysis of trade receivables (net of provision for bad and doubtful debts):

	<b>30th June, 2002 HK\$'000</b>	31st December, 2001 HK\$'000
Aging		
Less than 90 days	33,909	22,844
91 – 180 days	1,887	4,371
Over 180 days	29,397	23,763
	<u>65,193</u>	<u>50,978</u>

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. Account payable and accrued liabilities

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

	<b>30th June, 2002 HK\$'000</b>	31st December, 2001 HK\$'000
Aging		
Less than 90 days	<b>30,176</b>	5,948
91 – 180 days	<b>706</b>	2,904
Over 180 days	<b>5,990</b>	3,416
	<hr/>	<hr/>
Total accounts payable	<b>36,872</b>	12,268
Accrued liabilities	<b>11,262</b>	13,036
	<hr/>	<hr/>
	<b>48,134</b>	25,304
	<hr/>	<hr/>

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

### 14. Share capital

	<b>Number of issued ordinary shares of HK\$ 0.10 each '000</b>	<b>Carrying amount HK\$'000</b>
Issued and fully paid:		
At 30th June, 2002 and 31st December, 2001	<b>345,500</b>	34,550
	<hr/>	<hr/>

### 15. Reserves

At the balance sheet date the Group had the following reserves:

	<b>30th June, 2002 HK\$'000</b>	31st December, 2001 HK\$'000
Share premium	<b>59,306</b>	59,306
Contributed surplus	<b>21,241</b>	21,241
Revaluation reserve	<b>37,105</b>	37,105
Exchange reserve	<b>166</b>	166
Retained profits	<b>33,395</b>	35,945
	<hr/>	<hr/>
	<b>151,213</b>	153,763
	<hr/>	<hr/>



## 16. Commitments and contingent liabilities

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

	<b>30th June, 2002</b>	31st December, 2001
(a) Contracted capital commitment	<u>2,134</u>	<u>6,072</u>
(b) Commitment under operating lease		
Annual commitments payable under non-cancellable operating leases in respect of land and buildings expiring:		
Within one year	1,602	1,304
In the second to fifth years, inclusive	<u>2,305</u>	<u>1,174</u>
	<u>3,907</u>	<u>2,478</u>
(c) Contingent liabilities in respect of bills discounted with recourse	<u>1,981</u>	<u>2,807</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:

	<b>Six months ended 30th June, 2002 HK\$'000</b>	Six months ended 30th June, 2001 HK\$'000
Rental Income received	75	75
Interest expenses paid	<u>–</u>	<u>44</u>



**17. Related party transactions (continued)**

- (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:

	<b>30th June, 2002 HK\$'000</b>	30th June, 2001 HK\$'000
Amount due to related companies	–	1,456
Amount due from a related company	<b>107</b>	73

**18. Comparative amounts**

Certain comparative amounts have been reclassified to conform with the current period's presentation.



## MANAGEMENT DISCUSSION AND ANALYSIS

### *Business Review and Prospects*

During the six months ended 30th June, 2002, the Group's unaudited consolidated turnover was around HK\$40 million, representing an increase of 3% compared to the same period of last year.

The net loss attributable to shareholders for the period under review was HK\$2.5 million while a profit of HK\$123,000 was recorded during last period. The descending profit was a result of the ongoing investment in certain new businesses which are still in the infant stage and have not reached an optimal operation size.

The management awares the difficulties during early stage of diversification and is willing to tolerate the unattractive financial results therefrom. The management believes that the move is of particularly importance to the long-term success of the Group since it provides a platform to widen the Group's income source. The management is confident on the success of the new business ventures in the near future.

#### *Sales of life-like plants*

The management is pleased to note that the sales of life-like plants and other decorative products have been raised by approximately 4% as compared to those of last period, despite there was a slight drop in the gross profit margin. The encouraging figures prove that the Group's move and penetration into a different Christmas tree market sector is a right direction. It also proves that the Group's emphasis on developing of newly designed products and never participating in price war against other players in the industry is on the right track.

As one of the industry pioneers, apart from further enhancement of the existing fiber optic trees, the Group is proud to announce the launch of a brand new product line which may replace the market importance of the traditional PVC trees. The management believes the new products, which are produced with a brand new material, will be the market star in next Christmas season.

#### *E-commerce*

The Group's e-commerce division was set up prior year, which is acting as a direct marketing and sales arm of the Group for the life-like plants in the US market. It is taking the advantage of technology to penetrate into the market with a remarkable result in a short period of time.





With its marketing infrastructure properly set up in the US, including an internet sales platform, an intranet communication portal, a 3,000 sq ft showroom, a sales network and a very strong traditional sales team, a notable sales volume was recorded for the period under review despite this is not actually a sales season for the Christmas products. With such an encouraging results, the management truly believes this division will take the Group's core business into a new dimension.

#### *Multi-media business*

The Group's multi-media business continues to have a tough half year. Business is traditionally slow in the first half. Revenue was generated mainly from sales of advertising spots related to cartoon programmes and from the new "930 Theatre" joint venture project. Distribution revenue from TV drama series is expected to come in the second half of the year. The company will distribute a 36 episodes action drama series together with 60 episodes of acquired drama series in the forth quarter. The management expects significant revenue to be generated from these distribution.

During the period, the management also revised its business strategy and will embark on a new strategic direction. Based on the outstanding strength and experiences in the advertising and media industry, the management wants to firmly position the company as a true media company by actively searching for more media products, services, and projects that can generate healthy, long term and stable recurring revenue.

#### *Anti-theft car alarm and tracking system*

The Group's investment in the Guangzhou car alarm system officially commenced its business since January 2002 after a lengthy installation process. As predicted by the management, the system received a very reputable comment on its reliability and outstanding performance. However, the market feedback was not exciting as expected during the first few months of operation. The management considers market users may need some time to warm up for acceptance of the new product. By reference to the operation in Shenzhen (whose system is operated by our PRC joint venture partner), it took about 2 years' time to fully penetrate into the market and now it has approximately 70% market share. The management is optimistic in achieving an even better result in the Guangzhou operation after a series of promotional activities to be launched to arouse the market attention.



The management is also aware of the importance of cost saving in running of the new business especially during this infant stage. Accordingly, we have kept the operating cost at a minimal level. The management is now further enhancing its marketing team so that an elite sales team is set up for each different segment of the market. The management expects revenue generated from the system will stably grow and a notable profit will be recorded in the coming years.

### ***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\$52 million as at 30th June, 2002, of which, HK\$37 million has been utilized. Certain land and buildings and plant and machinery with net book value of approximately HK\$67 million and HK\$8 million respectively were pledged to secure the mentioned facilities. The Group had a total long term borrowing of approximately HK\$6 million and shareholders equity of approximately HK\$186 million as at 30th June, 2002. The gearing ratio, calculated based on long-term debt and shareholders' equity was 3.2% for the period as compared to 4.7% as at 31st December, 2001.

Net current assets of the Group amounted to approximately HK\$139 million, with cash and bank balance of approximately HK\$12 million, inventories and television programmes and sub-licensing rights of approximately HK\$41 million, trade and other receivables, prepayments and deposits of approximately HK\$86 million while net current liabilities was HK\$73 million. The current ratio was 1.90 and the quick ratio was 1.34.

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 that 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, 2002.



## Capital Structure

There has been no change in capital structure of the Group since 31st December, 2001.

## Employees and Remuneration Policy

The Group had a total of approximately 1,300 employees as at 30th June, 2002. 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 with 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.

## INTERIM DIVIDEND

The Directors have resolved not to recommend the payment of any interim dividend for the six months ended 30th June, 2002 (2001: nil).

## DIRECTORS' INTERESTS IN SHARES

At 30th June, 2002, the interests of the directors and chief executives in the share capital of the Company as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") were as follows:

### Ordinary shares

Director	Number of ordinary shares	
		Other interest
Lai Kam Wing, Jimmy		<u>120,900,000</u>

*Note:* Raffles International Holdings Limited ("Raffles") is the beneficial owner of 120,900,000 shares representing 34.99% of the total issued share capital of the Company. The entire issued share capital of Raffles is beneficially owned by Lai Kam Wing, Jimmy.

Save as disclosed above, none of the directors or their associates had any personal, family, corporate or other interest in the equity or debt securities of the Company or any of its associated corporation as defined in the SDI Ordinance.



## Share options

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations.

Subsequent to the adoption of the Scheme on 13th December, 1996, the Stock Exchange has introduced a number of changes to Listing Rules on share option schemes, which came into effect on 1st September, 2001. No share options have been granted under the Scheme since its adoption on 1st September, 2001. However, any option to be granted under the Scheme shall be subject to the new changes.

The Company shall amend, in due course, the terms of the Scheme to comply with the requirements of the amended Listing Rules on share option schemes.

Details of options granted to the directors in prior years under this scheme and remain outstanding as at 30th June, 2002 are as follows:

Director	Number of shares in respect of which options were granted	Exercise period	Exercise price HK\$	Share price at date of options granted HK\$
Lai Ma Yuk Wah, Monita	4,000,000	7/3/1997 – 6/3/2007	0.7056	0.87
Leung Mei Yee	4,000,000	7/3/1997 – 6/3/2007	0.7056	0.87

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 Company's directors, 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.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from as disclosed under the headings "Directors' interests in shares" above, at no time during the period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.



## SUBSTANTIAL SHAREHOLDERS

As at 30th June, 2002, the following interests of 10% or more in the issued share capital of the Company were recorded in the register kept by the Company under Section 16(1) of the SDI Ordinance:

Name	Number of shares	Percentage of issued shares
Raffles International Holdings Limited ( <i>Note</i> )	120,900,000	34.99%

*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.

Save as disclosed herein, the directors 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, 2002 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, 2002.

## 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, 2002, 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 auditing, internal controls and financial reporting matters, including the review of this interim report.

By order of the Board  
**Lai Kam Wing, Jimmy**  
Chairman and Managing Director

Hong Kong, 27th September, 2002