



# **K & P International Holdings Limited**

(Incorporated in Bermuda with limited liability)

**Interim Report 2002**

## UNAUDITED INTERIM RESULTS

The Board of Directors (the "Directors") of K & P International Holdings Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2002 together with the comparative figures for the previous period as follows:

### CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

		For the six months ended 30 June	
		2002 (Unaudited) HK\$	2001 (Unaudited) HK\$
	Notes		
Turnover		<b>94,987,243</b>	84,158,580
Cost of sales		<b>(78,530,816)</b>	(67,048,253)
Gross profit		<b>16,456,427</b>	17,110,327
Other revenue		<b>6,814,113</b>	1,898,762
Selling and distribution costs		<b>(10,441,287)</b>	(8,581,650)
Administrative expenses		<b>(9,362,713)</b>	(9,813,635)
Other operating income/(expenses), net	3	<b>(726,211)</b>	2,309,931
Profit from operating activities	4	<b>2,740,329</b>	2,923,735
Finance costs	5	<b>(1,319,910)</b>	(1,508,577)
Profit before tax		<b>1,420,419</b>	1,415,158
Tax	6	<b>(229,018)</b>	(597,557)
Net profit from ordinary activities attributable to shareholders		<b><u>1,191,401</u></b>	<u>817,601</u>
Dividends	7	<b><u>Nil</u></b>	<u>Nil</u>
Basic earnings per share	8	<b><u>0.48 cents</u></b>	<u>0.33 cents</u>

## CONDENSED CONSOLIDATED STATEMENT OF RECOGNISED GAINS AND LOSSES

		For the six months ended 30 June	
		2002	2001
		(Unaudited)	(Unaudited)
		HK\$	HK\$
	Note		
Total recognised gains			
Net profit for the period attributable to shareholders	11	<u>1,191,401</u>	<u>817,601</u>

## CONDENSED CONSOLIDATED BALANCE SHEET

		30 June 2002 (Unaudited) HK\$	31 December 2001 (Audited) HK\$
	Notes		
Non-current assets			
Fixed assets		82,508,854	88,337,079
Technical know-how		454,537	578,502
Long term investments		3,628,820	5,623,000
		<u>86,592,211</u>	<u>94,538,581</u>
Current assets			
Inventories		27,397,562	20,888,239
Prepayments, deposits and other receivables		12,530,420	4,918,744
Trade and bills receivables	9	41,766,605	32,741,353
Pledged time deposits		8,121,447	5,049,213
Cash and cash equivalents		15,710,247	16,245,240
		<u>105,526,281</u>	<u>79,842,789</u>
Current liabilities			
Interest-bearing bank borrowings		33,427,340	24,612,592
Trade payables	10	20,672,386	20,318,054
Current portion of finance lease payables		5,860,234	6,623,497
Accrued liabilities and other payables		17,852,376	14,596,150
Tax payable		122,210	142,866
		<u>77,934,546</u>	<u>66,293,159</u>
Net current assets		<u>27,591,735</u>	<u>13,549,630</u>
Total assets less current liabilities		114,183,946	108,088,211
Non-current liabilities			
Interest-bearing bank borrowings		6,559,182	1,365,170
Long term portion of finance lease payables		4,455,868	4,745,546
Deferred tax		1,357,000	1,357,000
		<u>12,372,050</u>	<u>7,467,716</u>
		<u>101,811,896</u>	<u>100,620,495</u>
Capital and reserves			
Issued capital		25,000,480	25,000,480
Reserves	11	76,811,416	75,620,015
		<u>101,811,896</u>	<u>100,620,495</u>

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	For the six months ended 30 June	
	2002 (Unaudited) HK\$	2001 (Unaudited) HK\$
Net cash inflow from operating activities	281,227	16,046,769
Net cash outflow from investing activities	(11,451,631)	(3,855,014)
Net cash inflow/(outflow) from financing activities	3,025,802	(2,731,895)
Increase/(decrease) in cash and cash equivalents	(8,144,602)	9,459,860
Cash and cash equivalents at beginning of period	(2,053,828)	(13,062,415)
Cash and cash equivalents at end of period	(10,198,430)	(3,602,555)
Analysis of balances of cash and cash equivalents		
Cash and bank balances	11,603,856	8,304,713
Time deposits	4,106,391	4,046,356
	15,710,247	12,351,069
Bank borrowings with maturities at inception of less than three months:		
Trust receipt and bank loans	(21,056,714)	(9,619,831)
Bank overdrafts	(4,851,963)	(6,333,793)
	(10,198,430)	(3,602,555)

## NOTES TO FINANCIAL STATEMENTS

### 1. Accounting policies

These unaudited condensed consolidated interim financial statements are prepared in accordance with Hong Kong Statement of Standard Accounting Practice No. 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants ("HKSA"). The accounting policies and basis of presentation used in the preparation of the interim financial statements are consistent with those used in the Group's audited financial statements for the year ended 31 December 2001.

In addition, the Group has adopted the following revised or new SSAPs issued by the HKSA which are effective for accounting periods commencing on or after 1 January 2002.

- |                     |                                      |
|---------------------|--------------------------------------|
| • SSAP 1 (Revised)  | Presentation of financial statements |
| • SSAP 11 (Revised) | Foreign currency translation         |
| • SSAP 15 (Revised) | Cash flow statements                 |
| • SSAP 34           | Employee benefits                    |

In accordance with SSAP 15 (Revised), the cash and cash equivalents is presented by means of cash flow statement which classifies cash flows during the period according to operating, investing and financing activities. Unaudited condensed consolidated cash flow statement for the six months ended 30 June 2001 have been presented on a consistent basis.

Except for the above, the adoption of the revised or new SSAPs has had no material impact on the Group's unaudited condensed consolidated financial statements.

### 2. Segment information

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of other business segments. Summary details of the business segments are as follows:

- (a) the electronic and related components and parts segment comprises the manufacture and sale of electronic and related components and parts;
- (b) the consumer electronic products segment comprises the manufacture and sale of consumer electronic products comprising electronic calculators, alarm clocks and liquid crystal display products; and
- (c) the corporate and others segment comprises the Group's long term investments, together with corporate income and expense items.

In determining the Group's geographical segments, revenues and results are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

Intersegment sales and transfers are transacted with reference to the cost of sales.

## 2. Segment information (Continued)

### (a) Business segments

The following tables present revenue, profit/(loss) and certain expenditure information for the Group's business segments.

Group	For the six months ended 30 June 2002				
	Electronic and related components and parts	Consumer electronic products	Corporate and others	Eliminations	Consolidated
	(Unaudited) HK\$	(Unaudited) HK\$	(Unaudited) HK\$	(Unaudited) HK\$	(Unaudited) HK\$
Segment revenue:					
Sales to external customers	54,624,619	40,362,624	-	-	94,987,243
Intersegment sales	2,276,056	-	-	(2,276,056)	-
Other revenue	816,895	85,964	5,798,100	-	6,700,959
Total	<u>57,717,570</u>	<u>40,448,588</u>	<u>5,798,100</u>	<u>(2,276,056)</u>	<u>101,688,202</u>
Segment results	<u>(2,700,721)</u>	<u>81,502</u>	<u>5,246,394</u>		2,627,175
Interest income					<u>113,154</u>
Profit/(loss) from operating activities					2,740,329
Finance costs					<u>(1,319,910)</u>
Profit/(loss) before tax					1,420,419
Tax					<u>(229,018)</u>
Net profit/(loss) from ordinary activities attributable to shareholders					<u>1,191,401</u>
Other segment information:					
Depreciation and amortisation	9,095,048	2,331,292	639,205	-	12,065,545
Write back of provision for doubtful debts	-	-	-	-	-
Capital expenditure	<u>5,534,381</u>	<u>554,267</u>	<u>24,707</u>	<u>-</u>	<u>6,113,355</u>

## 2. Segment information (Continued)

### (a) Business segments (Continued)

For the six months ended 30 June 2001					
Group	Electronic and related components and parts (Unaudited) HK\$	Consumer electronic products (Unaudited) HK\$	Corporate and others (Unaudited) HK\$	Eliminations (Unaudited) HK\$	Consolidated (Unaudited) HK\$
Segment revenue:					
Sales to external customers	43,766,032	40,392,548	-	-	84,158,580
Intersegment sales	2,494,378	-	-	(2,494,378)	-
Other revenue	1,340,763	349,085	587	-	1,690,435
	<u>47,601,173</u>	<u>40,741,633</u>	<u>587</u>	<u>(2,494,378)</u>	<u>85,849,015</u>
Total					
Segment results	<u>2,836,509</u>	<u>723,958</u>	<u>(845,059)</u>		2,715,408
Interest income					<u>208,327</u>
Profit/(loss) from operating activities					2,923,735
Finance costs					<u>(1,508,577)</u>
Profit/(loss) before tax					1,415,158
Tax					<u>(597,557)</u>
Net profit/(loss) from ordinary activities attributable to shareholders					<u>817,601</u>
Other segment information:					
Depreciation and amortisation	8,504,265	2,554,201	655,752	-	11,714,218
Write back of provision for doubtful debts	-	(3,140,000)	-	-	(3,140,000)
Capital expenditure	<u>6,668,428</u>	<u>772,592</u>	<u>361,690</u>	<u>-</u>	<u>7,802,710</u>



## 2. Segment information (Continued)

### (b) Geographical segments

The following table presents revenue, profit/(loss) and certain expenditure information for the Group's geographical segments.

Group	For the six months ended 30 June					
	Segment revenue		Segment results		Other segment information	
	Sales to external customers				Capital expenditure	
	2002 (Unaudited) HK\$	2001 (Unaudited) HK\$	2002 (Unaudited) HK\$	2001 (Unaudited) HK\$	2002 (Unaudited) HK\$	2001 (Unaudited) HK\$
Hong Kong	36,693,137	36,089,430	5,739,474	3,184,008	239,074	419,690
Elsewhere in the PRC	2,291,303	119,682	(48,628)	3,542	5,664,635	5,918,602
Total in the PRC	38,984,440	36,209,112	5,690,846	3,187,550	5,903,709	6,338,292
Other Asian countries*	15,447,778	6,245,306	(3,109,552)	(2,534,763)	209,646	1,464,418
Germany	15,750,071	17,833,519	28,816	302,395	-	-
Other European countries **	18,977,818	22,174,047	(108,586)	1,668,591	-	-
Total in Europe	34,727,889	40,007,566	(79,770)	1,970,986	-	-
North America	3,099,027	1,090,047	(92,558)	52,604	-	-
Others***	2,728,109	606,549	218,209	39,031	-	-
Consolidated	94,987,243	84,158,580	2,627,175	2,715,408	6,113,355	7,802,710

\* Other Asian countries mainly comprise Taiwan, Singapore, Japan, Malaysia, Thailand, Indonesia and Korea.

\*\* Other European countries mainly comprise Italy, United Kingdom, France, Netherlands, Austria, Sweden and Spain.

\*\*\* Others mainly comprise South America, Australia and New Zealand.

## 3. Other operating income/(expenses), net

	For the six months ended 30 June	
	2002 (Unaudited) HK\$	2001 (Unaudited) HK\$
Write back of provision for doubtful debts	-	3,140,000
Others	(726,211)	(830,069)
	<u>(726,211)</u>	<u>2,309,931</u>

#### 4. Profit from operating activities

The Group's profit from operating activities is arrived at after charging:

	<b>For the six months ended 30 June</b>	
	<b>2002</b>	<b>2001</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>HK\$</b>	<b>HK\$</b>
Depreciation:		
Owned fixed assets	<b>10,239,466</b>	9,916,240
Leased fixed assets	<b>1,702,114</b>	1,674,019
	<b>11,941,580</b>	11,590,259
Amortisation of technical know-how	<b>123,965</b>	123,959
Foreign exchange losses, net	<b>336,470</b>	-
and after crediting:		
Gain on disposal of long term investment	<b>5,797,370</b>	-
Foreign exchange gains, net	-	187,887
Interest income	<b>113,154</b>	208,327

#### 5. Finance costs

	<b>For the six months ended 30 June</b>	
	<b>2002</b>	<b>2001</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>HK\$</b>	<b>HK\$</b>
Interest expense on bank loans and overdrafts wholly repayable within five years	<b>826,567</b>	978,319
Interest on finance leases	<b>493,343</b>	530,258
	<b>1,319,910</b>	1,508,577

#### 6. Tax

	<b>For the six months ended 30 June</b>	
	<b>2002</b>	<b>2001</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>HK\$</b>	<b>HK\$</b>
Group:		
People's Republic of China:		
Hong Kong	<b>229,018</b>	265,285
Elsewhere	-	332,272
	<b>229,018</b>	597,557

## 6. Tax (Continued)

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. Tax on profits assessable elsewhere have been calculated at the applicable rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

## 7. Dividends

At a meeting of the board of directors held on 27 September 2002, the directors resolved not to pay an interim dividend to shareholders (2001: Nil).

## 8. Earnings per share

The calculation of basic earnings per share is based on the net profit attributable to shareholders for the period of HK\$1,191,401 (2001: HK\$817,601) and the weighted average of 250,004,800 ordinary shares in issue throughout the two periods.

Diluted earnings per share for the periods ended 30 June 2001 and 2002 have not been shown as the share options and warrants outstanding during these periods had an anti-dilutive effect on the basic earnings per share for these periods.

## 9. Trade and bills receivables

An aged analysis of the trade and bills receivables at the balance sheet date, based on invoice date and net of provision, is as follows:

	<b>30 June 2002 (Unaudited) HK\$</b>	<b>Group 31 December 2001 (Audited) HK\$</b>
Within 90 days	<b>39,036,899</b>	27,465,627
Between 91 to 180 days	<b>1,620,975</b>	3,893,948
Over 180 days	<b>1,108,731</b>	1,381,778
	<b><u>41,766,605</u></b>	<b><u>32,741,353</u></b>

The Group's trading terms with customers are largely on credit. Invoices are normally payable within 60 days of issuance, except for certain well established customers, where the terms are extended to 60 to 90 days. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivable and has a credit control policy to minimize credit risk. Overdue balance are regularly reviewed by senior management.

## 10. Trade payables

An aged analysis of the accounts payable is as follows:

	<b>30 June 2002 (Unaudited) HK\$</b>	<b>Group 31 December 2001 (Audited) HK\$</b>
Within 90 days	<b>19,637,774</b>	19,194,482
Between 91 to 180 days	<b>586,832</b>	714,408
Over 180 days	<b>447,780</b>	409,164
	<b><u>20,672,386</u></b>	<b><u>20,318,054</u></b>

## 11. Reserves

### Group

	Share premium account HK\$	Warrant subscription reserve HK\$	Contributed surplus HK\$	Fixed asset revaluation reserve HK\$	Retained profits HK\$	Total HK\$
At 31 December 2001 and 1 January 2002	49,611,281	1,389,475	660,651	4,802,945	19,155,663	75,620,015
Net profit for the period	-	-	-	-	1,191,401	1,191,401
	<u>49,611,281</u>	<u>1,389,475</u>	<u>660,651</u>	<u>4,802,945</u>	<u>20,347,064</u>	<u>76,811,416</u>

## 12. Contingent liabilities

	<b>30 June 2002 (Unaudited) HK\$</b>	<b>Group 31 December 2001 (Audited) HK\$</b>
Bills discounted with recourse	<u>-</u>	<u>-</u>

## 13. Comparative amounts

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

## 14. Approval of the financial statements

The financial statements were approved by the board of directors on 27 September 2002.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Financial results

The Group recorded a total turnover of approximately HK\$95 million for the six months ended 30 June 2002, representing an increase of 12.8% from last corresponding period. Overall gross profit decreased from approximately HK\$17.11 million in the previous period to HK\$16.45 million this period.

During the period under review, the Group sold some of its long term investment and realized a gain of approximately HK\$5.8 million.

The Group has a net profit attributable to shareholders of approximately HK\$1.19 million (2001: HK\$0.81 million). Earnings per share for the period ended 30 June 2002 amounted to HK0.48 cents (2001: HK0.33 cents).

### Business review and prospect

#### *Electronic and related components and parts segment*

The global economy is still sluggish during the financial period under review. In spite of the poor economic situation, the Group obtained orders from new customers and expanded its sales into new markets such as the PRC market for the precision parts and components. Accordingly, turnover of the electronic and related components and parts segment increased by approximately 24.8% as compared with the previous financial period.

As mentioned in the last annual report, the Group's near term goal is to capture opportunities in Mainland China following its accession to the World Trade Organization. Our continued marketing effort in China has resulted in increased sales turnover to this market during the period.

The products of this segment are major critical components and parts for high value consumer products. Due to keen market competition, the Group has faced with pressures from both customers and competitors in the market. This leads to reduction in the gross profit margin of the existing products of this segment.

In order to enhance our profit margin, we have been developing products with new value added features for meeting demand from our customers. During the latter part of this period, new machines and equipment were acquired for the manufacture of certain newly developed products. It is expected that the new products would bring additional revenue and profit to the Group.

## **Business review and prospect** *(Continued)*

### *Consumer electronic products segment*

This segment has maintained its sales turnover at the same level as in the previous financial period. During the period under review, the sales turnover to the European market decreased unexpectedly by approximately 12.5% but such decrease is offset by the increased sales turnover to the American and Asian markets.

The European market, in particular German market, has been the major market of this product segment. With Euro dollars strengthening since the beginning of this year, we are optimistic that the demand from the European market and hence our sales turnover to the same would return to a satisfactory level.

We have been developing products with new features for our customer's selection and have planned to launch several products in the latter half of this year. We are confident that the performance of the consumer electronic products segment would improve this year.

### *Strategic investment*

During the period under review, we sold approximately 49% of our shareholding in Xteam Software International Limited ("Xteam"). We have planned to dispose the remaining Xteam's shares and expect that the proceeds from the disposition would enhance the financial position and cashflow of the Group.

## **Liquidity and Financial Resources**

The Group generally finances its operations with internally generated cashflow and banking facilities provided by its principal bankers and other financial institutions in Hong Kong.

The Group currently has aggregate composite banking facilities of approximately HK\$71.1 million with various banks and financial institutions. The total borrowings from banks and financial institutions include long term loans, finance leases, overdraft, import and export loans, amounted to approximately HK\$50.3 million as at 30 June 2002, of which HK\$39.3 million is repayable in the next twelve months.

The Group's borrowings are mainly on a floating rate basis and are denominated in either Hong Kong dollars or United States dollars. These match with the principal currencies in which the Group conducts its business. Therefore, the Group does not have any significant foreign exchange risk.

**Liquidity and Financial Resources** *(Continued)*

The gearing ratio on the basis of total debts to equity as at 30 June 2002 is 85.3% (31 December 2001: 73.3%).

**Charge on the Group Assets**

Certain bank borrowings are secured by fixed charges over the Group's medium term leasehold land and buildings with a net book value of HK\$23.2 million and bank deposit amounting to approximately HK\$8.1 million.

**Contingent Liabilities**

Except for corporate guarantee given to banks and other financial institutions in relation to facilities granted to the subsidiaries, the Company has no other contingent liabilities as at the balance sheet date.

**Capital Structure**

As at 30 June 2002, the Company had approximately 250 million shares in issue with total shareholders' fund of the Group amounting to approximately HK\$101.8 million.

On 16 March 2001, the Company issued 30 million warrants (the "Warrants") with issue price of HK\$0.05 to several independent investors. The Warrants entitle the holders to subscribe for new shares of the Company at a price of HK\$0.30 per share from March 2001 to March 2003. The Company would receive a subscription amount of HK\$9 million on a full exercise of the Warrants and would apply the proceeds, if received, for general working capital purposes.

Pursuant to the share option scheme of the Company, the Board of Directors have granted share options to certain senior executives and employees of the Group. The exercise in full of these share options would result in the issue of 15.5 million additional shares and proceeds of approximately HK\$2.48 million.

## Employees

As at 30 June 2002, the Group available to it a total workforce of approximately 2,600 of which approximately 60 were based in Hong Kong, approximately 20 were based in Singapore and approximately 2,520 were based in the PRC.

The Group remunerates its employees largely based on the prevailing industry practice and labor laws. The Company has adopted a share option scheme whereby employees of the Group may be granted options, at the Board of Directors' discretion, to acquire shares in the Company.

Moreover, under the Mandatory Provident Fund Scheme Ordinance of Hong Kong, the Group has operates a defined contribution Mandatory Provident Fund retirement benefits scheme for all its Hong Kong employees. For overseas and PRC employees, the Group is required to contribute a certain percentage of its payroll costs to the central pension scheme operated by the respective local government.

## DIRECTORS' INTERESTS IN SHARES

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

Name of director	Nature of interest	Number of ordinary shares
Lai Pei Wor	Other*	97,242,000
	Personal	–
Chan Yau Wah	Personal	5,200,000
Chung Yik Cheung, Raymond	Personal	<u>152,000</u>

\* Details of Lai Pei Wor's other interests are set out in the "Substantial shareholders" section below.

Save as disclosed above, none of the directors, chief executives or their associates had any beneficial interest in the securities of the Company or any of its associated corporations as defined in the SDI Ordinance and recorded in the register to be maintained pursuant to Section 29 thereof.



## ***DIRECTORS' RIGHTS TO ACQUIRE SHARES***

Pursuant to the Company's share option scheme, the Company granted options on the Company's shares in favor of certain directors, the summary details of which are as follows:

<b>Name of Director</b>	<b>Number of share options at beginning of period</b>	<b>Number of share options outstanding at end of period</b>	<b>Exercise period of share options</b>	<b>Exercise price of share options</b>
Lai Pei Wor	2,500,000	2,500,000	12 July 2001 to 11 July 2004	HK\$0.160
Chan Yau Wah	2,500,000	2,500,000	12 July 2001 to 11 July 2004	HK\$0.160
Chung Yik Cheung, Raymond	2,500,000	2,500,000	12 July 2001 to 11 July 2004	HK\$0.160

Save as disclosed 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 or its associated corporations granted to any director or their respective spouse or children under 18 years of age, or were any such rights exercised by them.

## SUBSTANTIAL SHAREHOLDERS

As at 30 June 2002, the following interests of 10% or more in the share capital of the Company were recorded in the register of substantial shareholders required to be kept by the Company pursuant to Section 16(1) of the SDI Ordinance:

Name	Number of shares
Celaya Limited ( <i>Note a</i> )	97,242,000
Ansbacher (BVI) Limited ( <i>Note b</i> )	<u>97,242,000</u>

Notes:

- (a) Celaya Limited holds 97,242,000 shares in its capacity as trustee of The Lai Family Unit Trust, of which all units are held by Ansbacher (BVI) Limited in its capacity as trustee of The Lai Family Trust, a discretionary trust of which Lai Pak Hung and Lai Yee Man (both children of Lai Pei Wor and under the age of 18) and Chan Yuk Lin (wife of Lai Pei Wor) are discretionary objects.
- (b) The shares referred to herein relate to the same parcel of shares referred to in note (a) above.

Save as disclosed above, the Company has not been notified of any other interest representing 10% or more in the Company's issued share capital as at 30 June 2002.

## PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 June 2002.

## 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 of the Listing Rules of the Stock Exchange throughout the accounting period for the six months ended 30 June 2002, except that the independent non-executive directors of the Company are not appointed for specific terms. Independent non-executive directors are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provisions of the Company's bye-laws.

## **AUDIT COMMITTEE**

The members of the audit committee of the Company comprise of Mr. Tsao Kwang Yung, Peter and Mr. Kung Fan Cheong, both being Independent Non-Executive Directors of the Company.

The audit committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters, including the review of the Group's unaudited interim results for the six months ended 30 June 2002.

**Lai Pei Wor**  
*Chairman*

Hong Kong, 27 September 2002