

FINANCIAL RESULTS

The Board of Directors of Lerado Group (Holding) Company Limited (the "Company") is pleased to present the unaudited condensed consolidated financial statements of the Company and its subsidiaries (collectively the "Group") for the six months ended 30th June, 2002.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30th June, 2002

		Six months ended	
		30th June, 2002	30th June, 2001
		HK\$'000	HK\$'000
	Notes	(unaudited)	(unaudited)
Turnover	3	530,042	574,913
Cost of sales		<u>(372,566)</u>	<u>(412,806)</u>
Gross profit		157,476	162,107
Investment income		813	3,043
Other income		6,379	9,875
Marketing and distribution costs		(45,365)	(49,291)
Research and development expenses		(8,550)	(10,283)
Administrative expenses		(44,849)	(46,865)
Other operating expenses		<u>(2,655)</u>	<u>(5,968)</u>
Profit from operations	4	63,249	62,618
Interest on bank borrowings wholly repayable within five years		(12)	(348)
Share of results of associates		<u>—</u>	<u>(1)</u>
Profit from ordinary activities before taxation		63,237	62,269
Taxation	5	<u>(4,693)</u>	<u>(3,388)</u>
Profit before minority interests		58,544	58,881
Minority interests		<u>(1,985)</u>	<u>493</u>
Profit for the period		<u>56,559</u>	<u>59,374</u>
Dividends paid	6	<u>43,347</u>	<u>57,977</u>
Earnings per share	7		
— Basic		<u>7.83 cents</u>	<u>8.19 cents</u>
— Diluted		<u>7.83 cents</u>	<u>8.19 cents</u>

CONDENSED CONSOLIDATED BALANCE SHEET

At 30th June, 2002

	Notes	30th June, 2002 HK\$'000 (unaudited)	31st December, 2001 HK\$'000 (audited)
Non-Current Assets			
Investment properties	8	11,000	11,000
Property, plant and equipment	8	325,109	315,761
Negative goodwill		(2,288)	(2,423)
Intellectual property rights		54,047	56,702
Interest in associates		9,360	9,360
Interest in a jointly controlled entity		49,117	49,117
Other investments		21,997	21,997
		<u>468,342</u>	<u>461,514</u>
Current Assets			
Inventories		69,772	84,588
Trade and other receivables	9	203,966	265,223
Bank balances and cash		143,957	101,346
		<u>417,695</u>	<u>451,157</u>
Current Liabilities			
Trade and other payables	10	170,137	208,175
Amount due to a jointly controlled entity		49,117	49,117
Taxation		4,691	3,629
Short term bank borrowings	11	1,000	4,400
		<u>224,945</u>	<u>265,321</u>
Net Current Assets		<u>192,750</u>	<u>185,836</u>
		<u>661,092</u>	<u>647,350</u>
Capital and Reserves			
Share capital		72,245	72,281
Reserves		565,118	550,445
		<u>637,363</u>	<u>622,726</u>
Minority Interests		<u>17,010</u>	<u>17,905</u>
Non-Current Liabilities			
Deferred taxation		260	260
Loans from minority shareholders		6,459	6,459
		<u>6,719</u>	<u>6,719</u>
		<u>661,092</u>	<u>647,350</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30th June, 2002

	Six months ended	
	30th June, 2002 HK\$'000 (unaudited)	30th June, 2001 HK\$'000 (unaudited) (as restated)
Net cash from operating activities	113,651	105,109
Net cash used in investing activities	(21,061)	(118,920)
Net cash used in financing	<u>(49,937)</u>	<u>(27,638)</u>
Net increase (decrease) in cash and cash equivalents	42,653	(41,449)
Cash and cash equivalents at 1st January	101,346	150,315
Effect of foreign exchange rate changes	<u>(42)</u>	<u>(1,265)</u>
Cash and cash equivalents at 30th June, representing bank balances and cash	<u><u>143,957</u></u>	<u><u>107,601</u></u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th June, 2002

	Share capital HK\$'000	Share premium HK\$'000	Special reserve HK\$'000	Investment property revaluation reserve HK\$'000
At 1st January, 2001	72,691	93,611	38,510	262
Exchange differences arising from translation of financial statements of operations outside Hong Kong and loss not recognised in the income statement	—	—	—	—
Share repurchased and cancelled	(220)	—	—	—
Premium on repurchase of shares	—	(1,797)	—	—
Transfer of reserves for cancellation of shares	—	—	—	—
Profit for the period	—	—	—	—
Dividends paid	—	—	—	—
At 30th June, 2001	<u>72,471</u>	<u>91,814</u>	<u>38,510</u>	<u>262</u>
Exchange differences arising from translation of financial statements of operations outside Hong Kong	—	—	—	—
Revaluation deficit on investment properties	—	—	—	(262)
Revaluation surplus on land and buildings	—	—	—	—
Net gain (loss) not recognised in the income statement	—	—	—	(262)
Share repurchased and cancelled	(190)	—	—	—
Premium on repurchase of shares	—	(1,428)	—	—
Transfer of reserves for cancellation of shares	—	—	—	—
Profit for the period	—	—	—	—
Transfer of statutory reserves	—	—	—	—
Dividends paid	—	—	—	—
At 31st December, 2001	<u>72,281</u>	<u>90,386</u>	<u>38,510</u>	<u>—</u>
Exchange differences arising from translation of financial statements of operations outside Hong Kong and gain not recognised in the income statement	—	—	—	—
Share repurchased and cancelled	(36)	—	—	—
Premium on repurchase of shares	—	(276)	—	—
Transfer of reserves for cancellation of shares	—	—	—	—
Profit for the period	—	—	—	—
Dividends paid	—	—	—	—
At 30th June, 2002	<u>72,245</u>	<u>90,110</u>	<u>38,510</u>	<u>—</u>

During the period ended 30th June, 2002, 358,000 shares were repurchased and subsequently cancelled.

Property revaluation reserve HK\$'000	Statutory surplus reserve fund HK\$'000	Enterprise expansion fund HK\$'000	Translation reserve HK\$'000	Goodwill reserve HK\$'000	Capital redemption reserve HK\$'000	Accumulated profits HK\$'000	Total HK\$'000
35,047	11,099	817	920	(88)	—	337,774	590,643
—	—	—	(2,345)	—	—	—	(2,345)
—	—	—	—	—	—	—	(220)
—	—	—	—	—	—	—	(1,797)
—	—	—	—	—	220	(220)	—
—	—	—	—	—	—	59,374	59,374
—	—	—	—	—	—	(57,977)	(57,977)
<u>35,047</u>	<u>11,099</u>	<u>817</u>	<u>(1,425)</u>	<u>(88)</u>	<u>220</u>	<u>338,951</u>	<u>587,678</u>
—	—	—	(777)	—	—	—	(777)
—	—	—	—	—	—	—	(262)
5,628	—	—	—	—	—	—	5,628
<u>5,628</u>	<u>—</u>	<u>—</u>	<u>(777)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>4,589</u>
—	—	—	—	—	—	—	(190)
—	—	—	—	—	—	—	(1,428)
—	—	—	—	—	190	(190)	—
—	—	—	—	—	—	46,571	46,571
—	1,480	—	—	—	—	(1,480)	—
—	—	—	—	—	—	(14,494)	(14,494)
<u>40,675</u>	<u>12,579</u>	<u>817</u>	<u>(2,202)</u>	<u>(88)</u>	<u>410</u>	<u>369,358</u>	<u>622,726</u>
—	—	—	1,737	—	—	—	1,737
—	—	—	—	—	—	—	(36)
—	—	—	—	—	—	—	(276)
—	—	—	—	—	36	(36)	—
—	—	—	—	—	—	56,559	56,559
—	—	—	—	—	—	(43,347)	(43,347)
<u>40,675</u>	<u>12,579</u>	<u>817</u>	<u>(465)</u>	<u>(88)</u>	<u>446</u>	<u>382,534</u>	<u>637,363</u>

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30th June, 2002

1. BASIS OF PREPARATION

The condensed financial statements have been prepared in accordance with Statement of Standard Accounting Practice ("SSAP") 25 *Interim Financial Reporting* issued by the Hong Kong Society of Accountants.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed financial statements have been prepared under the historical cost convention, as modified for the revaluation of properties and certain investments in securities.

The accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31st December, 2001, except as described below.

In the current period, the Group adopted, for the first time, a number of new and revised SSAPs issued by the Hong Kong Society of Accountants, which has resulted in the adoption of the following new and revised accounting policies. The adoption of these SSAPs has resulted in a change in the format of presentation of the cash flow statement and the statement of changes in equity, but has had no significant effect on the results for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.

Foreign currencies

The revisions to SSAP 11 *Foreign Currency Translation* have eliminated the choice of translating the income statements of subsidiaries outside Hong Kong at the closing rate for the period. They are now required to be translated at an average rate. Accordingly, on consolidation, the assets and liabilities of the Group's subsidiaries are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such

translation differences are recognised as income or as expenses in the period in which the subsidiary is disposed of. This change in accounting policy has not had any significant effect on the results for the current or prior accounting periods.

Cash flow statements

In the current period, the Group adopted SSAP 15 (Revised) *Cash Flow Statements*. Under SSAP 15 (Revised), cash flows are classified under three headings — operating, investing and financing, rather than the previous five headings. Interest and dividends, which were previously presented under separate headings, are classified as operating, investing or financing cash flows. Cash flows arising from taxes on income are classified as operating activities, unless they can be separately identified with investing or financing activities. Cash flows of subsidiaries have been re-translated at the rates prevailing at the dates of the cash flows rather than the rate of exchange ruling on the balance sheet date. The re-definition of cash and cash equivalents has had no significant effect on the disclosures for the current or prior accounting periods.

Employee benefits

In the current period, the Group adopted SSAP 34 *Employee Benefits*, which introduces measurement rules for employee benefits, including retirement benefit plans. The principal effect of the implementation of SSAP 34 is in connection with the recognition of costs for the Group's defined benefit retirement benefit plan. This change in accounting policy has not had any significant effect on the results for the current or prior accounting periods.

3. SEGMENT INFORMATION

An analysis of the Group's turnover and contribution to profit from operations by business segments is as follows:

	Six months ended 30th June, 2002		Six months ended 30th June, 2001	
	EXTERNAL SALES HK\$'000	SEGMENT RESULTS HK\$'000	EXTERNAL SALES HK\$'000	SEGMENT RESULTS HK\$'000
Strollers	335,013	40,353	337,941	34,410
Beds and playards	83,468	9,374	96,980	10,405
Soft goods	34,090	4,197	44,353	4,624
Others	77,471	8,512	95,639	10,136
	<u>530,042</u>	<u>62,436</u>	<u>574,913</u>	<u>59,575</u>
Investment income		<u>813</u>		<u>3,043</u>
Profit from operations		<u>63,249</u>		<u>62,618</u>

An analysis of the Group's turnover and contribution to profit from operations by geographical segments is as follows:

	Six months ended 30th June, 2002		Six months ended 30th June, 2001	
	EXTERNAL SALES HK\$'000	SEGMENT RESULTS HK\$'000	EXTERNAL SALES HK\$'000	SEGMENT RESULTS HK\$'000
United States	309,301	32,490	332,356	33,312
Europe	128,587	17,400	141,996	16,049
Australia	20,753	2,729	16,727	1,834
South America	11,383	1,529	20,253	2,280
Others	60,018	8,288	63,581	6,100
	<u>530,042</u>	<u>62,436</u>	<u>574,913</u>	<u>59,575</u>
Investment income		<u>813</u>		<u>3,043</u>
Profit from operations		<u>63,249</u>		<u>62,618</u>

4. PROFIT FROM OPERATIONS

	Six months ended	
	30th June, 2002 HK\$'000	30th June, 2001 HK\$'000
Profit from operations has been arrived at after charging:		
Amortisation of intellectual property rights (included in other operating expenses)	2,655	2,990
Depreciation and amortisation of property, plant and equipment	13,995	11,609
Impairment loss recognised in respect of intellectual property rights (included in other operating expenses)	—	2,860
and after crediting:		
Release of negative goodwill to other income	<u>135</u>	<u>—</u>

5. TAXATION

	Six months ended	
	30th June, 2002 HK\$'000	30th June, 2001 HK\$'000
The charge comprises:		
Hong Kong Profits Tax	1,980	2,000
Overseas taxation	<u>2,713</u>	<u>1,388</u>
	<u>4,693</u>	<u>3,388</u>

Hong Kong Profits Tax is calculated at 16% of the estimated assessable profit for the period.

Overseas taxation is calculated at the rates prevailing in the relevant jurisdictions.

6. DIVIDENDS

	Six months ended	
	30th June, 2002 HK\$'000	30th June, 2001 HK\$'000
2001 final dividend of HK6 cents (2000 final dividend: HK8 cents) per share	<u>43,347</u>	<u>57,977</u>

No interim dividends have been paid during the six months ended 30th June, 2002 and 30th June, 2001.

The directors have determined that an interim dividend of HK2 cents (six months ended 30.6.2001: HK2 cents) per share will be paid to the shareholders of the Company whose names appear in the Register of Members on 11th October, 2002.

7. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the following data:

	Six months ended	
	30th June, 2002 HK\$'000	30th June, 2001 HK\$'000
Profit for the period	<u>56,559</u>	<u>59,374</u>
	Number of shares	Number of shares
Weighted average number of ordinary shares for the purpose of basic earnings per share	722,454,404	725,065,244
Effect of dilutive potential ordinary shares in respect of share options	<u>13,135</u>	<u>108,931</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>722,467,539</u>	<u>725,174,175</u>

8. MOVEMENTS IN INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately HK\$14 million on construction of its new production plant and approximately HK\$7 million on acquisition of other property, plant and equipment for group expansion.

At 30th June, 2002, the directors have considered the carrying amount of the Group's leasehold land and buildings and investment properties carried at revalued amounts and have estimated that the carrying amounts do not differ significantly from that which would be determined using fair values at the balance sheet date. Consequently, no revaluation surplus or deficit has been recognised in the current period.

9. TRADE AND OTHER RECEIVABLES

The Group has defined credit terms which are agreed with its trade customers. Included in trade and other receivables are trade receivables of HK\$150,966,000 (31.12.2001: HK\$199,695,000) and their aged analysis is as follows:

	30th June, 2002 HK\$'000	31st December, 2001 HK\$'000
Within 30 days	83,901	94,053
31 to 90 days	62,736	85,064
Over 90 days	<u>4,329</u>	<u>20,578</u>
	<u>150,966</u>	<u>199,695</u>

10. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of HK\$125,305,000 (31.12.2001: HK\$129,885,000) and their aged analysis is as follows:

	30th June, 2002 HK\$'000	31st December, 2001 HK\$'000
Within 30 days	49,154	48,696
31 to 90 days	68,104	68,984
Over 90 days	<u>8,047</u>	<u>12,205</u>
	<u>125,305</u>	<u>129,885</u>

11. SHORT TERM BANK BORROWINGS

During the period, the Group obtained new bank borrowings of approximately HK\$0.5 million. The loan is secured by a leasehold property held by the Group, bears interest at prevailing market rate and is repayable within one year. The proceeds were used for general working capital purpose. The Group also repaid bank loans of approximately HK\$3.9 million during the period.

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**Deloitte
Touche
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TO THE BOARD OF DIRECTORS OF LERADO GROUP (HOLDING) COMPANY LIMITED

Introduction

We have been instructed by the Company to review the interim financial report set out on pages 1 to 12.

Directors' responsibilities

The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with Statement of Standard Accounting Practice 25 *Interim Financial Reporting* issued by the Hong Kong Society of Accountants and the relevant provisions thereof. The interim financial report is the responsibility of, and has been approved by, the directors.

Review work performed

We conducted our review in accordance with Statement of Auditing Standards 700 *Engagements to Review Interim Financial Reports* issued by the Hong Kong Society of Accountants. A review consists principally of making enquiries of management and applying analytical procedures to the interim financial report and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the interim financial report.

Review conclusion

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the interim financial report for the six months ended 30th June, 2002.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

5th September, 2002

MANAGEMENT DISCUSSION AND ANALYSIS

Business review and prospects

While there was a moderate improvement in the overall economic environment following a difficult year, the global economy remained considerably soft in the first half of 2002. Under such condition, the Group registered a mild drop in turnover. For the six months ended 30th June, 2002, the Group reported a consolidated turnover of HK\$530.0 million, a modest decline of 7.8% as compared with HK\$574.9 million for the same period last year. Profit for the period decreased by a lesser extent of 4.7% to HK\$56.6 million. Basic earnings per share amounted to HK7.83 cents, compared with HK8.19 cents last year. Despite the slackened sales, the Group managed to improve its gross profit margin from 28.2% to 29.7%. Such an increase was a combined result of enhanced management efficiency and effective cost control by increasing sourcing of raw materials from the People's Republic of China (the "PRC").

The Board of Directors declared an interim dividend of HK2 cents per share for the six months ended 30th June, 2002.

During the period under review, the global economy was shadowed with uncertainties. Whilst signs of recovery appear, consumer confidence remained weak in light of the unstable market condition and hampered demand for middle to high-end infant and pre-school products. In addition, due to the 11th September event, one of the largest worldwide infant product trade shows in Dallas was postponed from October 2001 to May 2002, upsetting the seasonal pattern of business and delaying the Group from securing new orders. The traditional industry pattern is that the Dallas show usually marks the beginning of the business season and brings in new momentum to the Group as it serves as an important marketplace where many of the Group's ODM and OEM clients introduce new products to their customers. As a result, though sales of strollers leveled at HK\$335.0 million which represents 63.2% of the aggregate turnover, the Group's other products, such as baby beds and playards, and soft goods recorded further decline in sales and contributed their shares of 15.8% and 6.4% to the total turnover respectively.

In response to the rising demand of more affordable products, the Group has adjusted its product strategy by shifting its focus from the middle-high-end segment to the middle-end segment while maintaining quality of the products. The Group's continuous emphasis on quality and safety does not only reaffirm its position as a leading manufacturer but also helps it

in winning the full confidence from customers. In spite of the decreased turnover from strollers, the Group managed to expand its sales volume of strollers to 1.7 million units and maintained its leading position in the US market.

Geographically, sales to the US market accounted for 58.4% of the total turnover, dropped 6.9% to HK\$309.3 million as compared with HK\$332.3 million in the last corresponding period. While the Group believes that the Europe market is of good potential, however, affected by the slackening global economy, turnover from Europe market declined to HK\$128.6 million, a drop of 9.4% over the same period last year, representing approximately 24.3% of total turnover. Despite, the Group remains positive that Europe will still be a growth driver in the medium to long-term business outlook once the economic environment in the continent returns steady and stable. Meanwhile, the Group continued to enjoy stable incomes from Australia, South America and the PRC.

Towards the future, the Board is cautiously optimistic about the opportunities ahead. Although the global economic climate continues to stay soft and uncertain, the Group believes that by observing a strategy of diversification, both in terms of product portfolio and market penetration, its medium to long-term development is in good stead. Accordingly, as the PRC continues to enjoy a positively estimated annual GDP growth rate in the coming years, the Group is poised to benefit from such fertile conditions as it seeks to expand on its presence in this burgeoning market.

Liquidity and financial resources

The Group had a healthy balance sheet as at 30th June, 2002, with shareholders' funds and net current assets of HK\$637.3 million and HK\$192.8 million respectively. While maintaining cash and bank balances of HK\$144.0 million (a majority of which were in Hong Kong and US dollars), the Group kept its bank borrowings at a minimal level, resulting in a low level of gearing ratio (expressed as total bank borrowings to shareholders' funds) at 0.002. The bank borrowings of HK\$1.0 million as at the balance sheet date, secured by a leasehold property held by one of the Group's subsidiaries in the PRC, bears interest at prevailing market rate and is repayable within one year.

As at 30th June, 2002, the Group recorded an improved current ratio of 1.86 compared with 1.70 at 31st December, 2001. Inventory turnover period was shortened to 26.4 days from 30.6 days for the two corresponding dates while trade debtor turnover period remained stable at around 60.0 days.

The directors are in the opinion that the Group has sufficient resources and working capital to meet its foreseeable capital expenditure.

Exchange risk exposure and contingent liabilities

The Group's sales are principally denominated in US dollars while the purchases are transacted mainly in HK dollars, Renminbi and New Taiwanese dollars. The Group believes that the exchange risk exposure to be minimal.

The Group has no material contingent liabilities as at 30th June, 2002.

Employees and remuneration policies

As at 30th June, 2002, the Group employed over 6,500 staff members, including approximately 6,300 in the PRC, 200 in Taiwan and 30 in Hong Kong. Amongst them, 140 staff worked in the research and development department.

Apart from basic salaries, discretionary bonus and contribution to the statutory retirement funds for staff in Hong Kong, Taiwan and the PRC. Share options may also be granted to staff with reference to the individual's performance.

DIRECTORS' INTERESTS IN SECURITIES

At 30th June, 2002, the interests of the directors and their associates 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 Hong Kong's Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") were as follows:

	Number of ordinary shares held as	
	Personal interest	Family interest (Note)
Mr. Huang Ying Yuan	101,187,360	42,102,180
Mr. Tsang Yat Kiang	58,815,720	—
Mr. Chen Hsing Shin	94,105,800	—
Madam Huang Chen Li Chu	42,102,180	101,187,360
Mr. Chen An Hsin	35,289,675	—
Mr. Chen Jo Wan	11,763,225	—
Mr. Ng Kwun Wan	1,450,000	—

Note: The family interest represents the shares held by the spouse of Mr. Huang Ying Yuan and Madam Huang Chen Li Chu respectively. Madam Huang Chen Li Chu is the wife of Mr. Huang Ying Yuan.

Save as disclosed above and other than certain nominee shares in the subsidiaries held by certain directors in trust for the Company, none of the directors or their associates had any interests in any securities of the Company or any of its associated corporations as defined in the SDI Ordinance at 30th June, 2002.

SHARE OPTIONS

As a result of the amendments of Chapter 17 of the Listing Rules (the "Listing Rules") Governing the Listing of Securities on the Stock Exchange of Hong Kong Ltd (the "SEHK") on 1st September, 2001, certain terms of the Company's share option scheme adopted on 2nd December, 1998 (the "1998 Scheme") are no longer in compliance with the Listing Rules and the Company can no longer grant any further options under the 1998 Scheme without being in breach of the Listing Rules. Accordingly, the Company proposed to terminate the 1998 Scheme and adopt a new share option scheme (the "2002 Scheme"), which were subsequently approved in the Company's annual general meeting on 30th May, 2002. Details of the 2002 Scheme were stated in the Company's circular dated 29th April, 2002. No share option has been granted under the 2002 Scheme since its adoption.

Except that no further options may be granted under the 1998 Scheme subsequent to its termination, all the other provisions of the 1998 Scheme will remain in force so as to give effect to the exercise of all outstanding options granted under the 1998 Scheme prior to 1st September, 2001 and all such options will remain valid and exercisable in accordance with the provisions of the 1998 Scheme.

Movements of share options granted under the 1998 Scheme during the six months ended 30th June, 2002 were as follows:

Category 1: Directors	Date of grant	Number of share options of the Company			Outstanding at 30th June, 2002
		Outstanding at 31st December, 2001	Lapsed during the period	Cancelled during the period	
Mr. Huang Ying Yuan	18th August, 1999	4,000,000	—	—	4,000,000
Mr. Tsang Yat Kiang	18th August, 1999	3,500,000	—	—	3,500,000
Mr. Chen Hsing Shin	18th August, 1999	3,500,000	—	—	3,500,000
Madam Huang Chen Li Chu	18th August, 1999	3,000,000	—	—	3,000,000
Mr. Chen Jo Wan	18th August, 1999	2,500,000	—	—	2,500,000
Mr. Leung Man Fai	18th August, 1999	2,500,000	—	—	2,500,000
Mr. Lin John Sian-Zu	18th August, 1999	1,000,000	—	(1,000,000)	—
Mr. Lim Pat Wah Patrick	18th August, 1999	500,000	—	—	500,000
Total directors		20,500,000	—	(1,000,000)	19,500,000
Category 2: Employees					
Total employees	1st February, 1999	282,000	(282,000)	—	—
Total all categories		20,782,000	(282,000)	(1,000,000)	19,500,000

Details of specific categories of options are as follows:

Date of grant	Vesting period	Exercise period	Exercise price HK\$
1st February, 1999	6 months	1st August, 1999 to 31st January, 2002	0.68
18th August, 1999	4.5 months	1st January, 2000 to 17th August, 2009	1.26

SUBSTANTIAL SHAREHOLDERS

At 30th June, 2002, the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance showed that, other than the interests disclosed above in respect of certain directors, the Company has not been notified of any other interests representing 10% or more of the Company's issued share capital as at 30th June, 2002.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30th June, 2002, the Company repurchased 358,000 of its own shares at a price from HK\$0.87 to HK\$0.88 per share in January 2002 for an aggregate consideration of approximately HK\$312,000 on the SEHK. The above shares were cancelled upon repurchase and accordingly the issued share capital of the Company was reduced by the nominal value of these shares. Save as disclosed above, neither the company nor any of its subsidiaries redeemed, purchased or sold any of the Company's shares during the period.

INTERIM DIVIDEND

The Board has declared an interim dividend of HK2 cents per share in cash for the six months ended 30th June, 2002 to shareholders whose names appear on the Register of Members of the Company on 11th October, 2002. It is expected that the dividend warrants will be sent to the Shareholders no later than 22nd October, 2002.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 9th October, 2002 to 11th October, 2002, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Registrar, Secretaries Limited, 5th Floor, Wing on Centre, 111 Connaught Road Central, Hong Kong, not later than 4:00 p.m. on 8th October, 2002.

REVIEW OF INTERIM FINANCIAL STATEMENTS

The Audit Committee has reviewed with management and the external auditors, Deloitte Touche Tohmatsu, the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including the review of the unaudited interim financial statements.

CODE OF BEST PRACTICE

None of the Directors of the Company is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the six months ended 30th June, 2002, in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules.

By Order of the Board
Huang Ying Yuan
Chairman

Hong Kong, 5th September, 2002