

## Unaudited Interim Results

The board of directors (the “Board”) of Fong’s Industries Company Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended June 30, 2001 as follows:

### Condensed Consolidated Income Statement

For the six months ended June 30, 2001

		<b>For the six months ended June 30,</b>	
		<b>2001</b>	<b>2000</b>
	<i>Notes</i>	<b>unaudited</b>	<b>unaudited</b>
		<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover		385,781	426,762
Cost of sales		(259,889)	(270,552)
<b>Gross Profit</b>		125,892	156,210
Other Revenue		4,216	1,409
Distribution costs		(15,846)	(19,106)
Administrative expenses		(54,896)	(58,332)
Other operating expenses		(12,558)	(15,574)
<b>Profit from operations</b>		46,808	64,607
Finance costs	6	(7,066)	(8,036)
Investment income		1,148	722
Share of results of associates		1,069	(419)
Share of results of a jointly controlled entity		443	–
<b>Profit before taxation</b>		42,402	56,874
Taxation	7	4,853	9,268
<b>Profit before minority interests</b>		37,549	47,606
Minority interests		–	(16)
<b>Profit attributable to shareholders</b>		37,549	47,622
Dividend	8		
Interim		14,104	16,259
Special		14,104	–
Earnings per share	9		
Basic		6.98 cents	9.38 cents
Diluted		6.97 cents	9.32 cents

## Condensed Consolidated Balance Sheet

At June 30, 2001

		<b>June 30, 2001 unaudited HK\$'000</b>	<b>December 31, 2000 restated HK\$'000</b>
<b>Non-current assets</b>			
Property, plant and equipment		241,178	236,088
Intangible assets		890	1,156
Investments in associates		57,368	56,487
Interest in a jointly controlled entity	<i>11</i>	15,424	11,324
		<hr/>	<hr/>
		314,860	305,055
		<hr/>	<hr/>
<b>Current assets</b>			
Inventories		172,227	175,536
Trade and other receivables	<i>12</i>	108,578	114,075
Loans to an associate		–	142,200
Amount due from a jointly controlled entity		5,672	3,150
Taxation recoverable		4,816	3,877
Bank balances, deposits and cash		122,299	72,590
		<hr/>	<hr/>
		413,592	511,428
		<hr/>	<hr/>
<b>Current liabilities</b>			
Trade and other payables	<i>13</i>	91,613	132,879
Bills payable		12,856	17,542
Taxation payable		11,621	11,843
Obligations under finance leases			
– due within one year		3,504	3,217
Bank borrowings – due within one year		113,235	122,371
		<hr/>	<hr/>
		232,829	287,852
		<hr/>	<hr/>
<b>Net current assets</b>		180,763	223,576
		<hr/>	<hr/>
		495,623	528,631
		<hr/>	<hr/>

## Condensed Consolidated Balance Sheet (Continued)

At June 30, 2001

		<b>June 30, 2001 unaudited HK\$'000</b>	<b>December 31, 2000 restated HK\$'000</b>
	<i>Notes</i>		
<b>Capital and reserves</b>			
Share capital	<i>14</i>	56,474	52,439
Reserves	<i>15</i>	429,437	461,847
		<u>485,911</u>	<u>514,286</u>
Minority interests		<u>1,290</u>	<u>1,290</u>
Non-current liabilities			
Obligations under finance leases			
– due after one year		1,766	3,063
Bank borrowings – due after one year		6,656	9,992
		<u>8,422</u>	<u>13,055</u>
		<u>495,623</u>	<u>528,631</u>

## Condensed Consolidated Statement of Recognised Gains and Losses

		<b>For the six months ended June 30, 2001 unaudited HK\$'000</b>	<b>2000 unaudited HK\$'000</b>
Exchange differences arising on translation of overseas subsidiaries and associates not recognised in the condensed consolidated income statement		(19)	(161)
Profit for the period		<u>37,549</u>	<u>47,622</u>
Total recognised gains and losses		<u>37,530</u>	<u>47,461</u>

## Condensed Consolidated Cash Flow Statement

For the six months ended June 30, 2001

For the  
six months ended  
June 30, 2001  
unaudited  
HK\$'000

NET CASH INFLOW FROM OPERATING ACTIVITIES	17,699
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	(89,216)
TAX PAID	(5,956)
NET CASH INFLOW FROM INVESTING ACTIVITIES	<u>122,680</u>
NET CASH INFLOW BEFORE FINANCING	45,207
NET CASH INFLOW FROM FINANCING	<u>4,522</u>
INCREASE IN CASH AND CASH EQUIVALENTS	49,729
CASH AND CASH EQUIVALENTS AT JANUARY 1, 2001	72,590
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	<u>(20)</u>
CASH AND CASH EQUIVALENTS CARRIED FORWARD, representing bank balances, deposits and cash	<u><u>122,299</u></u>

### NOTES TO THE CONDENSED FINANCIAL STATEMENTS

1. The Company acts as an investment holding company. Its subsidiaries are principally engaged in the manufacture and sale of dyeing machines, trading of stainless steel supplies and machine parts, manufacture and sale of stainless steel casting products and property holding. There was no change in the principal activities of the Group during the period.

## 2. Accounting policies

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 and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”), except that comparative figures in respect of the condensed consolidated cash flow statement have not been shown as the Group has taken advantage of the transitional provision set out in the Listing Rules.

The accounting policies adopted in the condensed financial statements are consistent with those followed in the Group’s annual financial statements for the year ended December 31, 2000, except for the change in accounting policy for proposed dividend, consistent with SSAP 9 (Revised) “Events after the Balance Sheet Date”. Certain comparative figures have been reclassified to conform with the current period’s presentation.

## 3. Prior year adjustment

In accordance with SSAP 9 (Revised) “Events after the Balance Sheet Date”, dividends proposed or declared after the balance sheet date are not recognized as a liability at the balance sheet date. This change in accounting policy has been applied retrospectively. The final and special dividend proposed for the year ended December 31, 2000 amounting to approximately HK\$79 million has been adjusted and shown under reserves on the face of the condensed consolidated balance sheet and disclosed in the notes to the condensed financial statements.

## 4. Segment information

The Group’s turnover and contribution to profit from operations for the six months ended June 30, 2001, analysed by principal activity and geographical region are as follows:–

	Turnover		Contribution to profit from operations	
	For the six months ended June 30,		For the six months ended June 30,	
	2001	2000	2001	2000
	unaudited	unaudited	unaudited	unaudited
	HK\$’000	HK\$’000	HK\$’000	HK\$’000
<b>By principal activity</b>				
Manufacturing and sale of dyeing machines	187,416	236,343	38,788	46,139
Trading of stainless steel supplies	130,222	143,753	4,879	13,661
Trading of machine parts	39,628	28,515	1,425	4,592
Manufacturing and sale of stainless steel casting products	28,515	18,151	1,716	215
	<u>385,781</u>	<u>426,762</u>	<u>46,808</u>	<u>64,607</u>

	Turnover		Contribution to profit from operations	
	For the six months ended June 30,		For the six months ended June 30,	
	2001	2000	2001	2000
	unaudited	unaudited	unaudited	unaudited
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>By geographical region</b>				
Hong Kong	163,153	207,304	24,851	20,988
The People's Republic of China, other than Hong Kong	122,713	136,593	14,167	28,932
Asia Pacific (other than the People's Republic of China)	52,399	41,794	4,520	9,069
Europe	29,775	25,927	1,936	2,524
North and South America	9,420	9,862	594	1,803
Others	8,321	5,282	740	1,291
	<u>385,781</u>	<u>426,762</u>	<u>46,808</u>	<u>64,607</u>

#### 5. Depreciation/Amortisation

During the period, depreciation of approximately HK\$9,609,000 (2000: HK\$9,109,000) was charged in respect of the Group's property, plant and equipment and amortisation of approximately HK\$267,000 (2000: HK\$981,000) was charged in respect of the Group's intangible assets.

#### 6. Finance cost

	For the six months ended June 30,	
	2001	2000
	unaudited	unaudited
	HK\$'000	HK\$'000
Interest on:		
Bank borrowings wholly repayable within five years	5,240	6,142
Obligations under finance leases	248	192
Bank charges	1,375	1,702
Factoring charges	203	—
	<u>7,066</u>	<u>8,036</u>

## 7. Taxation

	<b>For the six months ended June 30,</b>	
	<b>2001 unaudited</b>	<b>2000 unaudited</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Taxation comprised:–		
The Company and its subsidiaries		
Hong Kong Profits Tax	2,367	7,183
Overseas Taxation	<u>2,428</u>	<u>1,975</u>
	4,795	9,158
Share of taxation of associates		
Overseas Taxation	<u>58</u>	<u>110</u>
	<u><u>4,853</u></u>	<u><u>9,268</u></u>

Hong Kong Profits Tax is calculated at 16% (2000: 16%) of the estimated assessable profit for the period.

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

## 8. Dividend

	<b>For the six months ended June 30,</b>	
	<b>2001 unaudited</b>	<b>2000 unaudited</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interim dividend of 2.5 cents (2000: 3.0 cents) per share	<u>14,104</u>	<u>16,259</u>
Special dividend of 2.5 cents (2000: Nil) per share	<u>14,104</u>	<u>–</u>

## 9. Earnings per share

The calculation of basic and diluted earnings per share is based on the profit attributable to shareholders for the period of approximately HK\$37,549,000 (2000: HK\$47,622,000) and the following data:

	<b>For the six months ended June 30,</b>	
	<b>2001 unaudited</b>	<b>2000 unaudited</b>
	<i>Number of shares</i>	<i>Number of shares</i>
Weighted average number of ordinary shares for the purpose of basic earnings per share	538,071,733	507,943,559
Effect of dilutive potential ordinary shares		
– share options	503,754	514,776
– warrants	<u>–</u>	<u>2,662,404</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u><u>538,575,487</u></u>	<u><u>511,120,739</u></u>

## 10. Additions to property, plant and equipment

During the period, the total cost of additions to property, plant and equipment of the Group was approximately HK\$14,824,000.

## 11. Interest in a jointly controlled entity

	<b>June 30, 2001 unaudited HK\$'000</b>	<b>December 31, 2000 audited HK\$'000</b>
Share of net assets/(liabilities)	8,399	(693)
Loan to a jointly controlled entity	7,025	12,017
	<u>15,424</u>	<u>11,324</u>

## 12. Trade and other receivables

Except for retention money held by customers for sales of dyeing machines, the Group allows an average credit period of 60 days to its trade customers.

The following is an aged analysis of trade and other receivables at June 30, 2001:–

	<b>June 30, 2001 unaudited HK\$'000</b>	<b>December 31, 2000 audited HK\$'000</b>
Trade receivables		
0-30 days	55,051	61,566
31-60 days	7,417	8,417
61-90 days	3,744	6,222
over 90 days	1,852	–
	<u>68,064</u>	<u>76,205</u>
Bills receivables	21,207	12,244
Other receivables	19,307	25,626
	<u>108,578</u>	<u>114,075</u>



### 13. Trade and other payables

The following is an aged analysis of trade and other payables at June 30, 2001:–

	<b>June 30, 2001 unaudited HK\$'000</b>	<b>December 31, 2000 audited HK\$'000</b>
Trade payables		
0-30 days	28,448	38,596
31-60 days	704	11,800
over 60 days	3,764	3,540
	<hr/>	<hr/>
	32,916	53,936
Deposits and temporary receipts	24,184	25,800
Other payables and accrued charges	34,513	53,143
	<hr/>	<hr/>
	91,613	132,879
	<hr/>	<hr/>

### 14. Share Capital

	<b>June 30, 2001 unaudited HK\$'000</b>	<b>December 31, 2000 audited HK\$'000</b>
<i>Authorised:</i>		
1,000,000,000 ordinary shares of HK\$0.10 each	100,000	100,000
	<hr/>	<hr/>
<i>Issued and fully paid:</i>		
At beginning of the year, 524,386,285 (2000: 495,512,366) ordinary shares of HK\$0.10 each	52,439	49,551
Exercise of warrants	–	2,749
Exercise of options	4,275	447
Repurchase of shares	(240)	(308)
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At the end of the period/year, 564,740,285 (2000: 524,386,285) ordinary shares of HK\$0.10 each	56,474	52,439
	<hr/>	<hr/>

## 15. Movement of reserves

### The Group

	Share premium <i>HK\$'000</i>	Capital redemption reserve <i>HK\$'000</i>	Translation reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Dividend reserve <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Total <i>HK\$'000</i>
At January 1, 2001							
– as originally stated	202,213	696	(14,723)	156,991	–	38,134	383,311
– prior year adjustment (notes 3)	–	–	–	–	78,536	–	78,536
– as restated	202,213	696	(14,723)	156,991	78,536	38,134	461,847
Premium on repurchase of shares	(1,241)	–	–	–	–	–	(1,241)
Premium on issue of shares	16,250	–	–	–	–	–	16,250
Transfer upon repurchase of shares	–	240	–	(240)	–	–	–
Exchange difference arising on translation of overseas subsidiaries and associates	–	–	(19)	–	–	–	(19)
Profit for the period	–	–	–	37,549	–	–	37,549
Dividend paid	–	–	–	(6,413)	(78,536)	–	(84,949)
Dividends							
– Interim	–	–	–	(14,104)	14,104	–	–
– Special	–	–	–	(14,104)	14,104	–	–
At June 30, 2001	217,222	936	(14,742)	159,679	28,208	38,134	429,437

## 16. Contingent Liabilities

	June 30, 2001 unaudited <i>HK\$'000</i>	December 31, 2000 audited <i>HK\$'000</i>
Export bills discounted with recourse	10,997	10,506
Guarantees given to bankers in respect of banking facilities granted to a jointly controlled entity	1,650	1,650

## 17. Capital commitments

	<b>June 30, 2001 unaudited HK\$'000</b>	<b>December 31, 2000 audited HK\$'000</b>
Capital expenditure contracted for but not provided in the condensed financial statements in respect of the acquisition of property, plant and equipment	—	818

## 18. Related Party Transactions

	<b>For the six months ended June 30,</b>	
	<b>2001 unaudited HK\$'000</b>	<b>2000 unaudited HK\$'000</b>
Rental payable by the Group to a related company (note)	1,981	1,957
Transactions with the jointly controlled entity		
Sales of goods	10,022	841
Commission and management fee received	2,396	—
Rental received	625	170

The above transactions were carried out at market price or where no market price was available, at cost

*note:* The party concerned is related to the Group since it is an enterprise in which Messrs. Fong Kwok Leung, Kevin and Fong Kwok Chung, Bill have beneficial interests. The rentals were negotiated on an arm's length basis and were determined by independent rental valuations.

## 19. Disposal of an associate

On February 5, 2001, the Group entered into an agreement to dispose of its entire shares in and a shareholder's loan due from Sunshine City Limited, the then associate of the Group, to an independent third party at a total consideration of US\$18,301,158 (equivalent to approximately HK\$142,200,000), comprising a cash consideration of US\$18,018,018 (equivalent to approximately HK\$140,000,000) and the assignment of the land use rights of office premises with an estimated value of US\$283,140 (equivalent to approximately HK\$2,200,000) made by the directors. The transaction was completed on April 12, 2001.

## **DIVIDENDS AND CLOSURE OF REGISTER OF MEMBERS**

The board of directors has resolved to pay an interim dividend of 2.5 cents (2000: 3.0 cents) per share and a special dividend of 2.5 cents (2000: Nil) per share. The interim and special dividends will be paid on or about November 13, 2001 to those shareholders on the register of members on November 8, 2001. The register of members of the Company will be closed from November 5, 2001 to November 8, 2001, both days inclusive, during which period no transfer of shares will be effected.

In order to qualify for the interim dividend/special dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch registrars in Hong Kong, Secretaries Limited, at 5th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong for registration not later than 4:00 p.m. on Friday, November 2, 2001.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Summary of Results

For the six months ended June 30, 2001, the Group's consolidated turnover was approximately HK\$385.78 million (2000: HK\$426.76 million) and the profit attributable to shareholders amounted to approximately HK\$37.55 million (2000: HK\$47.62 million). Basic earnings per share is 6.98 cents (2000: 9.38 cents).

### Dyeing and Finishing Machinery Manufacturing

*Fong's National Engineering Company, Limited*

During the period under review, the turnover for the sales of dyeing and finishing machinery together with machine parts in respect of this core business has decreased by 14.3% as compared with the same period last year. The main reasons attributable to the decrease in turnover are due to more conservative market sentiment and the slowdown in the major textile and garment importing economies. Despite these, with our continuous efforts to improve operational efficiency and the cost control measures implemented, the business is expected to maintain a satisfactory operating profit.

To further sharpen our competitive edge in the market, we will continue to enhance our efforts in technology advancement and to further improve the designs and operational efficiencies of our machines.

Recently, we have collaborated with a local university to conduct a research project on "Development of Wet Oxidation Process for Treating Textile Dyeing Wastewater" under the sponsorship of the Group. The objective of the research is to incorporate such technology into our machines to make them more environmentally friendly as the concerns and costs of treating wastewater continue to increase in the textile dyeing industry.

Lastly, with the impending accession of China into the World Trade Organisation (the "WTO"), the directors are confident that the demand for our machines will remain strong in China. It is expected that this business segment in the forthcoming years will be optimistic and orders will remain steady for the second half of the financial year.

### **Stainless Steel Trading**

*Fong's Steels Supplies Company Limited*

Despite the decline of stainless steel prices since August 2000 from its high of approximately US\$1,600 per tonne to the current US\$1,300 per tonne, the stainless steel trading business recorded a turnover of approximately HK\$130.22 million, representing a decrease of 9.4% as compared with that of last year and its operating profit down by 64.3% to approximately HK\$4.9 million.

Stock and account receivables levels are closely monitored so as to minimize the bad debt exposure and to shorten the working capital cycle. The price of stainless steel is expected to stabilize at current level which would be beneficial to our Group as a whole as it represents a significant portion of our manufacturing raw materials. Inventory and cost control measures will be closely monitored with an aim to restore the overall profitability in the forthcoming year.

### **Stainless Steel Casting**

*Tycon Alloy Industries (Hong Kong) Company Limited*

The turnover of stainless steel casting products was approximately HK\$28.51 million, representing an increase of 57.1% and its operating profit increased from HK\$0.22 million to HK\$1.72 million as compared with the same period last year.

The major markets for this business segment are US and Europe. The value-added precision machining service for stainless steel castings business is being well received by our customers with higher profit margins and which we believe will have a strong growth potential.

Also, this business segment will also continue to serve as a complementary arm to our core business, dyeing and finishing machinery manufacturing, and contribute to an overall increase in our Group's operating effectiveness.

### **Jointly controlled entity**

*Monforts Fong's Textile Machinery Co. Limited*

An encouraging market response has been received from the successful launch of the stenter machines in the China market. Its brand-name "MONFONGS" has already established a recognition in the Mainland China market as the best price to performance machines.

With the joint efforts of both parties, the production efficiency has been greatly improved and the cooperation has been very successful. Furthermore, it is expected that the production capacity will be nearly doubled as compared to the last financial year.

With Fong's broad base of customers together with its manufacturing know-how and the German partner's leading technology, this cooperation will enhance this joint venture business's competitiveness in terms of costs, delivery time, product quality, service level and marketing. The Board is confident that this business will add satisfactory results to the Group in the coming year.

### **Associate**

*Foshan East Asia Company Limited*

During the period under review, the business of manufacture and sale of color woven fabrics and related products engaged by Foshan East Asia Company Limited remained stable with healthy growth in both turnover and profit.

We are optimistic that this business will continue to post positive results for the second half of the year with anticipated improved consumer sentiment in the Asian region and the re-engineering efforts put in place last year to improve production quality and efficiency.

### **Prospects**

The Board is of the view that 2001 will be a year of challenge for the Group. However, with prudent management and a clear strategy, the Board is confident that the Group is well placed to continue its growth in its operating businesses.

Looking ahead, the Group is expected to benefit from China's subsequent admission to the WTO, despite certain looming external uncertainties. Meanwhile, the Group will continue strengthening its competitive edge to grasp the opportunities brought by the trend of modernization of machinery in the textile industry in China.

Our corporate vision is to build the Group into a market leader in the dyeing and finishing machinery manufacturing industry.

### **Liquidity and Capital Resources**

The Group mainly financed its operations by cash generated from its business activities and banking facilities provided by its bankers. The Group continued to maintain a healthy financial position throughout the period.

In April, 2001, the Company had granted a total of 43,800,000 share options to certain directors and employees of the Company and its subsidiaries to subscribe for shares of the Company at subscription prices ranging from HK\$0.48 to HK\$0.51. During the period under review, 42,750,000 options were exercised raising a capital of approximately HK\$20.52 million. Details of the share option scheme have been disclosed in the Annual Report 2000. In addition, net cash inflow from disposal of the Group's entire interests in Sunshine City Limited during the period amounted to approximately HK\$140 million.

Accordingly, the Group's net borrowings have been reduced from HK\$66.05 million as at December 31, 2000 to approximately HK\$2.86 million as at June 30, 2001. As a result, the gearing ratio, calculated as the total net borrowings of the Group divided by shareholders' funds, decreased from 0.13 to 0.01. The current ratio was 1.78, reflecting a healthy liquidity level.

As at June 30, 2001, bank borrowings amounted to approximately HK\$119.89 million of which approximately 58% were secured by the Group's certain assets. More than 94% of the bank borrowings are repayable within one year and the remaining are repayable between two to five years. Most bank borrowings were sourced from Hong Kong and were in Hong Kong dollars. The bank borrowings of the Group are predominantly subject to floating interest rates.

The cash and bank balance amounted to approximately HK\$122.30 million of which approximately 82% are denominated in Hong Kong dollars, 8% in US dollars, 6% in Renminbi and the remaining are denominated in various foreign currencies.

The Group was not exposed to any material exchange rate fluctuation during the period under review.

## **Human Resources**

The Group's remuneration policies are reviewed on a regular basis and remuneration packages are in line with market practices in the relevant countries where the Group operates. As of June 30, 2001, the Group had approximately 2,100 employees.



## DIRECTORS' INTERESTS IN SHARES

As at June 30, 2001, the interests of the directors in the ordinary shares of the Company as recorded in the register maintained by the Company pursuant to section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") or as otherwise notified to The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:-

Name of directors	Number of ordinary shares held	
	Personal Interests	Other Interests
Mr. Fong Sou Lam	10,506,000	–
Mr. Fong Kwok Leung, Kevin	1,550,000	342,575,601*
Mr. Fong Kwok Chung, Bill	1,300,000	342,575,601*
Mr. Cheuk Hon Kin, Kelvin	1,000,000	–
Ms. Poon Hang Sim, Blanche	500,000	–

\* *342,575,601 shares are owned by two discretionary trusts, the beneficiaries of which include Mr. Fong Kwok Leung, Kevin, Mr. Fong Kwok Chung, Bill and other family members.*

Save as aforesaid and other than certain nominee shares in subsidiaries held by certain directors in trust for the Group, none of the directors, 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 as at June 30, 2001.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBT SECURITIES

Details of the share options granted and exercised by the directors pursuant to the share option scheme (the "Scheme") adopted by the Company on September 19, 2000 during the six months ended June 30, 2001 were as follows:–

Name of Directors	Date of grant	At		Number of options		At
		January 1,	Granted	Exercised	June 30,	
Mr. Fong Sou Lam	April 19, 2001	–	10,000,000	10,000,000	–	
Mr. Lee Che Chiu	April 19, 2001	–	6,000,000	6,000,000	–	
Mr. Fong Kwok Leung, Kevin	April 19, 2001	–	1,200,000	1,200,000	–	
Mr. Fong Kwok Chung, Bill	April 19, 2001	–	1,000,000	1,000,000	–	
Mr. Cheuk Hon Kin, Kelvin	April 19, 2001	–	1,500,000	1,500,000	–	
Dr. Tsui Tak Ming, William	April 19, 2001	–	1,500,000	1,500,000	–	
Ms. Poon Hang Sim, Blanche	April 19, 2001	–	1,000,000	1,000,000	–	

The above share options may be exercised at any time during a period of three years commencing on the date the share options are granted to subscribe for shares of the Company at the exercise price of HK\$0.48 per share. Each of the above grantees has paid HK\$1.00 as cash consideration for the grant of the share options in accordance with the Scheme.

At June 30, 2001, there were no share options outstanding which entitle the directors to subscribe for shares in the Company.

Other than the foregoing, at no time during the six months ended June 30, 2001 was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of, the Company or any other body corporate and none of the directors or their spouses or children under the age of 18 had any right to subscribe for the securities of the Company, or had exercised any such rights.

## **SUBSTANTIAL SHAREHOLDERS**

Other than the interests disclosed in respect of certain directors, the register required to be maintained under section 16(1) of the SDI Ordinance at June 30, 2001 shows no other person as interested in shares representing 10% or more of the Company's shares in issue at that date.

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the six months ended June 30, 2001, the Company repurchased its own shares through the Stock Exchange as follows:-

Month of repurchase	No. of shares of HK\$0.10 each	Price per share		Aggregate consideration HK\$
		Highest HK\$	Lowest HK\$	
February, 2001	210,000	0.57	0.53	118,300
March, 2001	600,000	0.58	0.56	346,000
June, 2001	1,586,000	0.65	0.63	1,016,580
	<u>2,396,000</u>			<u>1,480,880</u>

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. The premium on repurchase amounting approximately to HK\$1,241,000 was charged against share premium. An amount of approximately HK\$240,000 equivalent to the nominal value of the cancelled shares was transferred from retained profits to capital redemption reserve.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended June 30, 2001.

## **AUDIT COMMITTEE**

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters including the review of the unaudited condensed financial statements for the six months ended June 30, 2001.

## **COMPLIANCE WITH 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 June 30, 2001, in compliance with the “Code of Best Practice” as set out in Appendix 14 of the Listing Rules.

On behalf of the Board

**Fong Sou Lam**

*Chairman*

Hong Kong, September 10, 2001