



ARTS OPTICAL

INTERNATIONAL HOLDINGS LIMITED

雅視光學集團有限公司

(Incorporated in Bermuda with limited liability)

2001 Interim Report

A large, white, semi-transparent watermark of the ARTS logo is centered on the page. It consists of the word "ARTS" in a bold, sans-serif font, enclosed within the same stylized, rounded rectangular frame seen in the top left logo. The watermark is positioned behind the text "2001 Interim Report".

ARTS

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MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Summary of results

Following a robust year in 2000, the general business environment became more difficult in the first half of 2001. The Group has stated in its 2000 annual report that “2001 will be a year of consolidation for the businesses of the Group”. The Group’s consolidated turnover and net profit for the period under review decreased by 10% and 8% to HK\$274.1 million and HK\$62.7 million respectively as compared with the corresponding period in 2000. Basic earnings per share also decreased by 11% to 17.9 cents.

Original design manufacturing (“ODM”) division

Sales to ODM customers dropped by 13% from HK\$279.0 million in the first half of 2000 to HK\$244.1 million during the period under review. United States and Europe continued to be the major markets for the ODM division of the Group and accounted for 45% and 42% (2000: 49% and 39%) respectively of the Group’s turnover of its ODM business. Customers in the United States became more cautious in placing orders since the slowdown of the economy began in the second half of last year. The weakness of the Euro during the first half of this year has also adversely affected the demand of some European customers for the Group’s products. Although the Group continued to further diversify into higher margin metal and titanium frames, this was offset by the negative impact from the reduction in overall demand for the Group’s products during the period under review. Metal frames, handmade plastic frames, titanium frames, injection moulded plastic frames and spare parts accounted for 48%, 35%, 13%, 2% and 2% of the turnover of the ODM business during the six months ended 30th June, 2001 respectively (2000: 39%, 46%, 12%, 2% and 1%).

Distribution division

Despite a more difficult operating environment during the first half of 2001, the Group continued to strengthen the presence of its own-branded and license branded products in Asian and European markets. Turnover of the distribution division increased by 10% from HK\$15.3 million in the first half of 2000 to HK\$16.9 million in the corresponding period of 2001. The 51% owned joint venture company with the Rayner and Keeler Group contributed most of the increase in turnover of this division.

Retail division

Expansion of the Group’s retail network in China continued during the period under review. As at 30th June, 2001, the Group operated a total of 25 retail shops in China (11 shops in Beijing, 8 shops in Shenzhen, 3 shops in Nanjing and 3 shops in Shanghai). As a result, turnover of the retail division increased by 28% to HK\$13.1 million during the first half of 2001 as compared with the corresponding period last year. Improvement in business performance continued because of the effects of economies of scale and the relatively strong performance of the China economy.

Prospects

Summary

The management of the Group will continue to follow the guiding principles laid down in its 2000 annual report: enhancement of efficiency, further diversification of products and markets and maintenance of financial stability. The Group will continue to benefit from the healthy cashflow generated from its core businesses and strong financial position.

Outlook for the ODM business

Although the decline in orders has been stabilising, the management of the Group does not anticipate a significant rebound of the performance of the ODM business in the second half of the year in view of the recent development in the United States. The management will continue in its efforts to improve the operating efficiency of the Group so that it is well poised to capture the surge in demand for the Group's products when the full impact of interest rate cuts in the United States and the strengthening of the Euro are reflected.

Further consolidation of China businesses

The management of the Group believes that China's imminent entry into the World Trade Organisation will provide enormous opportunities for its distribution and retailing businesses. Further streamlining of its business operations in China is being undertaken. The Group has recently set up a wholly foreign owned enterprise in Shenzhen and transformed its sino-foreign cooperative joint venture in Zhongshan into a wholly foreign owned enterprise. Both of these companies have local sales rights in China and will facilitate the further expansion of the Group's business in the mainland.

Progress of further diversification

The Group's collaboration with Optical Dynamics Corporation of the United States for the manufacture and distribution of patented ophthalmic lens fabrication systems is progressing well. Commercial production is expected to commence by the end of this year and the system has been introduced in the optical fair in Beijing in September this year. Pursuant to the agreement with Optical Dynamics Corporation, the Group will also export these systems to Optical Dynamics Corporation for its distribution in North America and Europe. The management believes that further diversification within the optical industry will provide the Group with a solid and diversified base for recurring earnings growth in the future.

Financial Review

Financial position, liquidity and gearing

During the period under review, net cash inflow from operating activities amounted to HK\$72.1 million. As at 30th June, 2001, the Group had a balance of cash and cash equivalent of HK\$159.3 million (31st December, 2000: HK\$132.4 million). The management of the Group continued to put strenuous efforts on working capital management and the current ratio of the Group improved from 2.9:1 at 31st December, 2000 to 3.7:1 at 30th June, 2001.

The consolidated net asset value of the Group as at 30th June, 2001 was HK\$492.4 million or HK\$1.40 per share as compared to HK\$454.1 million or HK\$1.29 per share as at 31st December, 2000. No new shares were issued during the period under review and the Group had 350,640,000 shares in issue on 30th June, 2001. Total long term liabilities and debt to equity ratio (expressed as a percentage of long term liabilities over shareholders' funds) were HK\$7.3 million and 1.5% respectively as at 30th June, 2001 (31st December, 2000: HK\$7.3 million and 1.6%).

The Group had limited exposure to fluctuations in foreign exchanges as most of its transactions and borrowings were conducted in United States dollars, Hong Kong dollars or Renminbi and the exchange rates between these currencies were relatively stable during the period under review.

Pledge of assets

At 30th June, 2001, leasehold properties with an aggregate net book value amounting to HK\$15,113,000 (31st December, 2000: HK\$15,405,000) and bank deposits of HK\$8,886,000 (31st December, 2000: HK\$11,293,000) were pledged to banks to secure general banking facilities granted to the Group.

Contingent liabilities

	30th June, 2001	31st December, 2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Bills discounted with recourse	<u>3,220</u>	<u>12,148</u>

Employee and remuneration policies

The Group employed approximately 4,900 full time staff as at 30th June, 2001. The Group remunerates its employees based on their performance, experience, qualifications and prevailing market price while performance bonuses are granted on a discretionary basis after considering individual performance and the operating results of the Group. Other employee benefits include insurance and medical cover, subsidised educational and training programmes, mandatory provident fund scheme as well as a share option scheme.

Ng Hoi Ying, Michael
Chairman

Hong Kong, 12th September, 2001

INDEPENDENT REVIEW REPORT

TO THE BOARD OF DIRECTORS OF ARTS OPTICAL INTERNATIONAL HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

Introduction

We have been instructed by the Company to review the interim financial report set out on pages 7 to 16.

Directors' responsibilities

The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") require the preparation of an interim financial report to be in compliance with Statement of Standard Accounting Practice ("SSAP") 25 "Interim financial reporting" issued by the Hong Kong Society of Accountants and the relevant provisions thereof. However, the Listing Rules permit departure from SSAP 25 in that comparative figures are not required for the first condensed consolidated cash flow statement to be included in the interim financial report relating to accounting periods ended on or after 1st July, 2000. 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 ("SAS") 700 "Engagements to review interim financial reports" issued by the Hong Kong Society of Accountants. A review consists principally of making enquiries of group 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, 2001.

Without modifying our review conclusion, we draw to your attention that the comparative condensed consolidated income statement and condensed consolidated statement of recognised gains and losses for the six months ended 30th June, 2000 disclosed in the interim financial report have not been reviewed in accordance with SAS 700.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong, 12th September, 2001

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30th June, 2001

		Six months ended	
		30.6.2001	30.6.2000
	Notes	HK\$'000	HK\$'000
		(unaudited)	(unaudited)
Turnover	3	274,073	304,467
Cost of sales		<u>(170,325)</u>	<u>(178,932)</u>
Gross profit		103,748	125,535
Other revenue		4,228	4,510
Distribution costs		(5,463)	(10,382)
Administrative expenses		(33,965)	(42,915)
Other operating expenses		<u>(1,189)</u>	<u>(1,772)</u>
Profit from operations	3&4	67,359	74,976
Finance costs	5	<u>(292)</u>	<u>(1,107)</u>
Profit before taxation		67,067	73,869
Taxation	6	<u>(5,438)</u>	<u>(6,515)</u>
Profit before minority interests		61,629	67,354
Minority interests		<u>1,051</u>	<u>928</u>
Net profit for the period		<u>62,680</u>	<u>68,282</u>
Dividend	7	<u>28,248</u>	<u>24,079</u>
Earnings per share			
– Basic	8	<u>17.9 cents</u>	<u>20.2 cents</u>
– Diluted	8	<u>17.7 cents</u>	<u>N/A</u>

CONDENSED CONSOLIDATED BALANCE SHEET

At 30th June, 2001

		30.6.2001	(Restated) 31.12.2000
	<i>Notes</i>	<i>HK\$'000</i> <i>(unaudited)</i>	<i>HK\$'000</i> <i>(audited)</i>
Non-current Assets			
Investment property	9	2,900	2,900
Property, plant and equipment	9	236,480	235,492
Goodwill	9	–	–
		<u>239,380</u>	<u>238,392</u>
Current Assets			
Inventories		89,162	95,997
Debtors, deposits and prepayments	10	101,315	103,266
Taxation recoverable		26	86
Pledged bank deposits		8,886	11,293
Bank balances and cash		159,290	132,595
		<u>358,679</u>	<u>343,237</u>
Current Liabilities			
Creditors and accrued charges	11	82,473	106,003
Taxation payable		12,844	7,476
Bank borrowings	12	1,415	3,952
		<u>96,732</u>	<u>117,431</u>
Net Current Assets		<u>261,947</u>	<u>225,806</u>
Total Assets less Current Liabilities		<u>501,327</u>	<u>464,198</u>
Capital and Reserves			
Share capital	13	35,064	35,064
Reserves	14	457,362	419,011
		<u>492,426</u>	<u>454,075</u>
Minority Interests		<u>1,609</u>	<u>2,831</u>
Non-current Liabilities			
Loan from a minority shareholder of a subsidiary		6,492	6,492
Deferred taxation		800	800
		<u>7,292</u>	<u>7,292</u>
		<u>501,327</u>	<u>464,198</u>

CONDENSED CONSOLIDATED STATEMENT OF RECOGNISED GAINS AND LOSSES

For the six months ended 30th June, 2001

	Six months ended	
	30.6.2001	30.6.2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
Exchange differences arising on translation of overseas operations not recognised in the condensed consolidated income statement	216	–
Net profit for the period	<u>62,680</u>	<u>68,282</u>
Total recognised gains	<u>62,896</u>	<u>68,282</u>
Prior period adjustment for the effect of change in accounting policy (<i>see note 2</i>)		
– increase in retained profits		<u>12,844</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30th June, 2001

	Six months ended 30.6.2001 <i>HK\$'000</i> <i>(unaudited)</i>
Net cash inflow from operating activities	72,147
Net cash outflow from returns on investments and servicing of finance	(21,936)
Net cash outflow from taxation	(10)
Net cash outflow from investing activities	<u>(20,969)</u>
Net cash inflow before financing	29,232
Cash outflow from financing	<u>(2,323)</u>
Increase in cash and cash equivalents	26,909
Cash and cash equivalents at the beginning of the period	<u>132,381</u>
Cash and cash equivalents at the end of the period	<u><u>159,290</u></u>
Analysis of the balance of cash and cash equivalents	
Bank balances and cash	<u><u>159,290</u></u>

NOTES TO THE INTERIM FINANCIAL REPORT

For the six months ended 30th June, 2001

1. Basis of preparation

The interim financial report has been prepared in accordance with Statement of Standard Accounting Practice (“SSAP”) 25 “Interim financial reporting” issued by the Hong Kong Society of Accountants and with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”), except that comparative figures are not presented for the first condensed consolidated cash flow statement to be included in the interim financial report relating to accounting periods ended on or after 1st July, 2000. Such departures from SSAP 25 are permitted under the Listing Rules.

2. Principal accounting policies

The interim financial report has been prepared under the historical cost convention as modified for the revaluation of an investment property.

The accounting policies adopted for the preparation of the interim financial report are consistent with those adopted by the Group in its annual financial statements for the year ended 31st December, 2000, except as described below.

In the current period, the Group has adopted, for the first time, a number of revised or new SSAPs issued by the Hong Kong Society of Accountants. Adoption of these SSAPs does not have any material effect on the amounts reported in prior period or current period except for SSAP 9 (Revised) “Events after the balance sheet date”, dividends proposed or declared after the balance sheet date are not recognised as a liability in the balance sheet. In previous years, the proposal or declaration of dividends after the balance sheet date was treated as adjusting post balance sheet event. The effect of this change has been to increase shareholders’ funds at 1st January, 2000 by HK\$12,844,000. Comparative information has been restated to reflect this change in accounting policy (See note 14).

In accordance with SSAP 30 “Business combinations”, the Group has elected not to restate goodwill (negative goodwill) previously eliminated against (credited to) reserves. Accordingly, goodwill arising on acquisitions of subsidiaries prior to 1st January, 2001 is held in reserves and will be charged to the income statement at the time of disposal of the relevant subsidiary, or at such time as the goodwill is determined to be impaired. Negative goodwill arising on acquisitions prior to 1st January, 2001 will be credited to income at the time of disposal of the relevant subsidiary.

Goodwill arising on acquisitions after 1st January, 2001 is capitalised and amortised over its estimated useful life, i.e. over periods ranging 5 to 20 years. Negative goodwill arising on acquisitions after 1st January, 2001 is

presented as a deduction from assets and will be released to income based on an analysis of the circumstances from which the balance resulted.

3. Segment information

The Group is principally engaged in the design, manufacture and sales of optical products. No business segment analysis is presented as management considers that the Group has one single business segment.

An analysis of the Group's revenue and results by geographical segment is as follows:

	Six months ended			
	30.6.2001	30.6.2001	30.6.2000	30.6.2000
	Revenue	Results	Revenue	Results
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
United States	111,141	33,289	136,142	38,015
Europe	109,195	28,891	111,042	28,388
Asia	41,720	2,155	39,731	3,058
Others	12,017	3,410	17,552	4,918
	<u>274,073</u>	67,745	<u>304,467</u>	74,379
Unallocated corporate expenses		(3,397)		(2,471)
Interest income		3,011		3,068
Profit from operations		<u>67,359</u>		<u>74,976</u>

4. Profit from operations

	Six months ended	
	30.6.2001	30.6.2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit from operations has been arrived at after charging (crediting):		
Depreciation and amortisation	22,666	18,399
(Gain) loss on disposal of property, plant and equipment	(227)	238
Interest income	<u>(3,011)</u>	<u>(3,068)</u>

5. Finance costs

The finance costs represent interest on bank borrowings wholly repayable within five years.

6. Taxation

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

A portion of the Group's profits neither arises in, nor is derived from, Hong Kong. Accordingly, that portion of the Group's profit is not subject to Hong Kong Profits Tax. Further, in the opinion of the Directors, that portion of the Group's profit is not at present subject to taxation in any other jurisdiction in which the Group operates.

7. Dividend

	Six months ended	
	30.6.2001	30.6.2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interim dividend declared of 8 cents (2000: 7 cents) per share	<u>28,248</u>	<u>24,079</u>

8. Earnings per share

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

	Six months ended	
	30.6.2001	30.6.2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
<i>Earnings</i>		
Earnings for the purposes of basic and diluted earnings per share	<u>62,680</u>	<u>68,282</u>
<i>Number of shares</i>		
Weighted average number of shares for the purpose of basic earnings per share	350,640,000	<u>338,000,000</u>
Effect of dilutive potential shares in respect of share options	<u>3,268,956</u>	
Weighted average number of shares for the purpose of diluted earnings per share	<u>353,908,956</u>	

No diluted earnings per share for the six months ended 30th June, 2000 is presented as the Company did not have any dilutive potential shares outstanding during that period or as at 30th June, 2000.

9. Movements in investment property, property, plant and equipment, and goodwill

	Investment property <i>HK\$'000</i>	Property, plant and equipment <i>HK\$'000</i>	Goodwill <i>HK\$'000</i>
COST OR VALUATION			
At 1st January, 2001	2,900	386,745	–
Currency realignment	–	156	–
Additions	–	23,598	253
Disposals	–	(1,883)	–
	<u>2,900</u>	<u>408,616</u>	<u>253</u>
At 30th June, 2001	<u>2,900</u>	<u>408,616</u>	<u>253</u>
DEPRECIATION AND AMORTISATION			
At 1st January, 2001	–	151,253	–
Currency realignment	–	44	–
Provided for the period	–	22,666	–
Impairment loss recognised	–	–	(253)
Eliminated on disposals	–	(1,827)	–
	<u>–</u>	<u>172,136</u>	<u>(253)</u>
At 30th June, 2001	<u>–</u>	<u>172,136</u>	<u>(253)</u>
NET BOOK VALUE			
At 30th June, 2001	<u>2,900</u>	<u>236,480</u>	<u>–</u>

10. Debtors, deposits and prepayments

The Group allows an average credit period of 30 days to 90 days to its trade debtors.

Included in the Group's debtors, deposits and prepayments are trade debtors of HK\$83,971,000 (31.12.2000: HK\$87,552,000), an aged analysis of which at the balance sheet date is as follows:

	30.6.2001 <i>HK\$'000</i>	31.12.2000 <i>HK\$'000</i>
Current	60,052	62,518
1 to 90 days overdue	22,862	23,009
More than 91 days overdue	1,057	2,025
	<u>83,971</u>	<u>87,552</u>

11. Creditors and accrued charges

Included in the Group's creditors and accrued charges are trade creditors of HK\$46,977,000 (31.12.2000: HK\$56,958,000), an aged analysis of which at the balance sheet date is as follows:

	30.6.2001	31.12.2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current to 90 days overdue	45,424	55,641
More than 91 days overdue	1,553	1,317
	<u>46,977</u>	<u>56,958</u>

12. Bank borrowings

	30.6.2001	31.12.2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
The bank borrowings, which are all due within one year, comprise:		
Bank loans, secured	–	2,336
Bank loans, unsecured	1,415	1,402
Trust receipt and import loans, secured	–	214
	<u>1,415</u>	<u>3,952</u>

13. Share capital

	Number of shares	Amount
		<i>HK\$'000</i>
Shares of HK\$0.10 each		
<i>Authorised:</i>		
At 30th June, 2001 and 31st December, 2000	<u>1,000,000,000</u>	<u>100,000</u>
<i>Issued and fully paid:</i>		
At 30th June, 2001 and 31st December, 2000	<u>350,640,000</u>	<u>35,064</u>

14. Reserves

	Share premium HK\$'000	Special reserve HK\$'000	Goodwill reserve HK\$'000	Exchange reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
THE GROUP						
At 1st January, 2000						
– as originally stated	63,413	(3,269)	(2,082)	581	252,892	311,535
– prior period adjustment (note 2)	–	–	–	–	12,844	12,844
– as restated	63,413	(3,269)	(2,082)	581	265,736	324,379
Exercise of share options	9,859	–	–	–	–	9,859
Net profit for the year	–	–	–	–	121,696	121,696
Dividends paid	–	–	–	–	(36,923)	(36,923)
At 31st December, 2000	73,272	(3,269)	(2,082)	581	350,509	419,011
Exchange differences arising on translation of overseas operations	–	–	–	216	–	216
Net profit for the period	–	–	–	–	62,680	62,680
Dividend paid	–	–	–	–	(24,545)	(24,545)
At 30th June, 2001	<u>73,272</u>	<u>(3,269)</u>	<u>(2,082)</u>	<u>797</u>	<u>388,644</u>	<u>457,362</u>

15. Pledge of assets

At 30th June, 2001, leasehold properties with an aggregate net book value amounting to HK\$15,113,000 (31.12.2000: HK\$15,405,000) and bank deposits of HK\$8,886,000 (31.12.2000: HK\$11,293,000) were pledged to banks to secure general banking facilities granted to the Group.

16. Contingent liabilities

	30.6.2001 HK\$'000	31.12.2000 HK\$'000
Bills discounted with recourse	<u>3,220</u>	<u>12,148</u>

17. Capital commitments

	30.6.2001 HK\$'000	31.12.2000 HK\$'000
Capital expenditure contracted for but not provided in the financial statements:		
– buildings under construction	7,976	15,971
– leasehold improvements	742	742
– plant and machinery	8,593	3,937
– furniture, fixtures and equipment	135	564
	<u>17,446</u>	<u>21,214</u>

SUPPLEMENTARY INFORMATION

Dividend

The Directors have resolved to declare an interim dividend of 8 cents per share for the six months ended 30th June, 2001 (2000: 7 cents per share). The interim dividend will be payable on 10th October, 2001 to shareholders whose names appear on the register of members of the Company on 5th October, 2001.

Closure of Register of Members

The register of members of the Company will be closed from 3rd October, 2001 to 5th October, 2001, both days inclusive, during which period no transfer of shares will be effected. All transfers, accompanied by the relevant share certificates, must be lodged with the Company's share registrars in Hong Kong, Secretaries Limited at 5th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong not later than 4:00 p.m. on 28th September, 2001 in order to qualify for the interim dividend abovementioned.

Purchase, Sale or Redemption of the Company's Listed Shares

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares during the six months ended 30th June, 2001.

Directors' Interests in Shares

At 30th June, 2001, the interests of the Directors and their associates in the shares of the Company as recorded in the register maintained by the Company pursuant to Section 29 of the Hong Kong's Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") were as follows:

Name of director	Number of shares held		
	Personal interests	Family interests	Other interests
Ng Hoi Ying, Michael	2,040,000	6,682,000	172,380,000 (<i>Note a</i>)
Ng Kim Ying	600,000	–	37,620,000 (<i>Note b</i>)
Lee Wai Chung	1,900,000	–	–

Notes:

- (a) These shares are held by Ratagan International Company Limited ("Ratagan"). The entire issued share capital of Ratagan is held by Centre Trustees (C.I.) Limited as trustee for The Arts 1996 Trust, a discretionary trust, the beneficiaries of which include Mr. Ng Hoi Ying, Michael and his family members.
- (b) These shares are held by Universal Honour Developments Limited ("Universal Honour"). The entire issued share capital of Universal Honour is held by Centre Trustees (C.I.) Limited as trustee for The Optical 2000 Trust, a discretionary trust, the beneficiaries of which include Mr. Ng Kim Ying and his family members.

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

Directors' Rights to Acquire Shares or Debentures

A summary of the movements in share options granted to the Directors during the six months ended 30th June, 2001 is as follows:

Name of director	Date of grant	Balance at 31.12.2000	Number of share options		Balance at 30.6.2001
			Granted during the six months ended 30th June, 2001	Exercised during the six months ended 30th June, 2001	
Ng Hoi Ying, Michael	7th July, 2000	3,060,000	–	–	3,060,000
Ng Kim Ying	7th July, 2000	900,000	–	–	900,000
Lee Wai Chung	7th July, 2000	2,100,000	–	–	2,100,000

Save as disclosed above, at no time during the six months ended 30th June, 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 debentures of, the Company or any other body corporate. In addition, none of the Directors, or their spouse or children under the age of 18 had any right to subscribe for the securities of the Company or had exercised any such right during the six months ended 30th June, 2001.

Substantial Shareholders

Other than the interests disclosed under the heading "Directors' Interests in Shares" above, the register of substantial shareholders maintained by the Company pursuant to Section 16(1) of the SDI Ordinance reveals no other person as having an interest representing 10% or more of the issued share capital of the Company as at 30th June, 2001.

Compliance with the Code of Best Practice

The Company has complied throughout the six months ended 30th June, 2001 with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.