



KADER HOLDINGS COMPANY LIMITED



INTERIM REPORT 2004

## INTERIM RESULTS FOR THE SIX MONTHS ENDED 30TH JUNE 2004

The Board of Directors of Kader Holdings Company Limited (the “Company”) announces that the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30th June 2004, together with comparative figures for the corresponding period in 2003 are as follows:–

### CONSOLIDATED INCOME STATEMENT

*For the six months ended 30th June 2004*

	<i>Note</i>	<b>Unaudited</b>	
		<b>Six months ended 30th June</b>	
		<b>2004</b>	2003
		<b>HK\$'000</b>	<b>HK\$'000</b>
Turnover	2	<b>173,184</b>	165,560
Other revenue		<b>4,418</b>	4,992
Other net expenses		<b>(2,034)</b>	(1,008)
Changes in inventories of finished goods and work in progress		<b>17,434</b>	22,569
Cost of purchase of finished goods		<b>(9,260)</b>	(4,263)
Raw materials and consumables used		<b>(51,447)</b>	(60,071)
Staff costs		<b>(62,135)</b>	(60,581)
Depreciation and amortisation expenses		<b>(10,006)</b>	(9,979)
Other operating expenses		<b>(54,424)</b>	(56,679)
		<hr/>	<hr/>
Profit from operations	2	<b>5,730</b>	540
Finance costs	3	<b>(6,764)</b>	(8,664)
Share of loss of associates		<b>(5,712)</b>	(1,058)
		<hr/>	<hr/>
Loss from ordinary activities before taxation	3	<b>(6,746)</b>	(9,182)
Income tax	4	<b>(894)</b>	(1,855)
		<hr/>	<hr/>
Loss from ordinary activities after taxation		<b>(7,640)</b>	(11,037)
Minority interests		<b>–</b>	–
		<hr/>	<hr/>
Loss attributable to shareholders		<b>(7,640)</b>	(11,037)
		<hr/> <hr/>	<hr/> <hr/>
Loss per share			
Basic	5	<b>(1.1¢)</b>	(1.7¢)
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## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th June 2004

	Unaudited	
	Six months ended 30th June	
	2004	2003
	HK\$'000	HK\$'000
Shareholders' equity at 1st January	441,532	434,100
Net gains not recognised in the income statement		
– Net exchange differences on translation of the financial statements of foreign entities	1,209	2,740
Net loss for the period	<u>(7,640)</u>	<u>(11,037)</u>
Shareholders' equity at 30th June	<u><b>435,101</b></u>	<u><b>425,803</b></u>

## CONSOLIDATED BALANCE SHEET

At 30th June 2004

	Note	Unaudited At 30th June 2004 HK\$'000	Audited At 31st December 2003 HK\$'000
<b>Non-current assets</b>			
Fixed assets			
– Investment properties		410,380	412,801
– Other property, plant and equipment		108,861	112,535
		<u>519,241</u>	525,336
Investments in associates		179,482	171,552
Investment in a jointly controlled entity		–	–
Other non-current financial assets		1,614	1,734
Deferred tax assets		9,281	9,334
		<u>709,618</u>	<u>707,956</u>
<b>Current assets</b>			
Current investments		149	144
Inventories	6	166,747	144,138
Properties held for resale		3,071	4,672
Tax recoverable		2,876	2,978
Trade and other receivables	7	57,125	71,860
Cash and cash equivalents		8,779	21,796
		<u>238,747</u>	245,588
<b>Less: Current liabilities</b>			
Bank overdrafts and current portion of interest-bearing bank loans		(162,243)	(210,299)
Trade and other payables	8	(88,820)	(83,537)
Current portion of obligations under finance leases		(4,132)	(6,019)
Tax payable		(2,933)	(8,807)
		<u>(258,128)</u>	<u>(308,662)</u>
<b>Net current liabilities</b>		<u>(19,381)</u>	<u>(63,074)</u>
<b>Total assets less current liabilities carried forward</b>		<b>690,237</b>	<b>644,882</b>

**CONSOLIDATED BALANCE SHEET (CONTINUED)**

At 30th June 2004

		Unaudited	Audited
	Note	At 30th June 2004 HK\$'000	At 31st December 2003 HK\$'000
<b>Total assets less current liabilities brought forward</b>		<b>690,237</b>	644,882
<b>Non-current liabilities</b>			
Interest-bearing borrowings		(220,288)	(167,358)
Rental deposits		(5,957)	(5,656)
Obligations under finance leases		–	(1,163)
Deferred tax liabilities		(27,077)	(27,286)
Accrued employee benefits		(1,814)	(1,887)
		(255,136)	(203,350)
Minority interests		–	–
<b>NET ASSETS</b>		<b>435,101</b>	441,532
<b>CAPITAL AND RESERVES</b>			
Share capital	9	66,541	66,541
Reserves	10	368,560	374,991
		<b>435,101</b>	441,532

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

*For the six months ended 30th June 2004*

	Unaudited	
	Six months ended 30th June	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash from operating activities	7,011	11,617
Net cash used in investing activities	(21,619)	(14,577)
Net cash from financing activities	<u>1,591</u>	<u>2,291</u>
Net decrease in cash and cash equivalents	(13,017)	(669)
Cash and cash equivalents at 1st January	<u>21,796</u>	<u>9,090</u>
Cash and cash equivalents at 30th June	<u><u>8,779</u></u>	<u><u>8,421</u></u>

## **NOTES ON THE UNAUDITED INTERIM FINANCIAL REPORT**

### **1. BASIS OF PREPARATION**

The interim financial report is unaudited, but has been reviewed by the Audit Committee.

The interim financial report has been prepared in accordance with the requirements of the Main Board Listing Rules of The Stock Exchange of Hong Kong Limited, including compliance with Statement of Standard Accounting Practice (“SSAP”) 25 “Interim financial reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The financial information relating to the financial year ended 31st December 2003 included in the interim financial report does not constitute the statutory financial statements of the Company and its subsidiaries (the “Group”) for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31st December 2003 are available from the Company’s registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 16th April 2004.

The same accounting policies adopted in the 2003 annual financial statements have been applied to the interim financial report.

The notes on the interim financial report include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2003 annual financial statements.

## 2. SEGMENTAL INFORMATION

Segment information is presented in respect of the Group's business and geographical segments.

Business segment information is chosen as the primary reporting format because this is more relevant to the Group's internal financial reporting.

### Business segments

The Group comprises the following main business segments:

Toys and model trains: The manufacture and sale of plastic, electronic and stuffed toys and model trains.

Property investment: The leasing of office premises, industrial building and residential units to generate rental income and to gain from the appreciation in the properties' value in the long term.

Investment holding and trading: The investment in partnership and trading of listed securities.

Six months ended 30th June	Toys and model trains		Property leasing		Investment holding and trading		Unallocated		Inter-segment elimination		Consolidated	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue from external customers	160,784	152,797	12,400	12,762	-	1	-	-	-	-	173,184	165,560
Inter-segment revenue	-	-	343	343	-	762	-	-	(343)	(1,105)	-	-
Other revenue from external customers	1,617	1,563	2,479	2,559	-	320	87	524	-	-	4,183	4,966
<b>Total</b>	<b>162,401</b>	<b>154,360</b>	<b>15,222</b>	<b>15,664</b>	<b>-</b>	<b>1,083</b>	<b>87</b>	<b>524</b>	<b>(343)</b>	<b>(1,105)</b>	<b>177,367</b>	<b>170,526</b>
Segment result	(950)	(6,848)	9,565	11,342	(3,034)	(2,531)	38	(1,449)	-	-	5,619	514
Inter-segment transactions	343	186	353	418	(696)	(762)	-	158	-	-	-	-
Contribution from operations	(607)	(6,662)	9,918	11,760	(3,730)	(3,293)	38	(1,291)	-	-	5,619	514
Unallocated operating income and expenses											111	26
Profit from operations											<b>5,730</b>	<b>540</b>



### Geographical segments

The Group's business is managed on a worldwide basis, but participates in three principal economic environments. Hong Kong and China is a major market for the Group's toys and model trains and property investment, and it is the location of most of its toys and model trains manufacturing. Toys and model trains are also sold to North America. The Group also has investment and investment properties in North America. In Europe and other locations, the major business is sale of toys and model trains.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers.

Six months ended 30th June	Hong Kong and China		North America		Europe		Others	
	2004	2003	2004	2003	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external customers	25,410	29,291	74,989	71,905	68,065	52,673	4,720	11,691

### 3. LOSS FROM ORDINARY ACTIVITIES BEFORE TAXATION

Loss from ordinary activities before taxation is arrived at after charging/(crediting):

	Six months ended 30th June	
	2004	2003
	HK\$'000	HK\$'000
Cost of inventories	95,363	97,410
Amortisation of positive goodwill included in the share of profits less losses of associates	242	–
Interest on borrowings	6,764	8,664
Depreciation	10,006	9,979
Impairment loss in respect of fixed assets	5,706	–
Net loss on sale of fixed assets	4	–
Net realised and unrealised (gain)/losses on trading and other securities carried at fair value	(5)	57
Increase/(decrease) in liability for long service payment	38	(239)
Decrease in liability for accrued leave pay	(111)	(24)
	<u>          </u>	<u>          </u>

### 4. INCOME TAX

	Six months ended 30th June	
	2004	2003
	HK\$'000	HK\$'000
Hong Kong taxation	363	536
Overseas taxation	687	591
Deferred taxation	(156)	728
	<u>          </u>	<u>          </u>
	<u>894</u>	<u>1,855</u>

Hong Kong profits tax is provided at 17.5% (2003: 17.5%) on the estimated assessable profits arising in Hong Kong during the period. Overseas taxation is similarly calculated at the rate prevailing in the respective jurisdictions.

## 5. LOSS PER SHARE

### (a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to shareholders after taxation and minority interests of HK\$7,640,000 (2003: HK\$11,037,000) and 665,412,000 shares (2003: 665,412,000 shares) in issue, which represents the weighted average number of shares in issue during the period.

### (b) Diluted loss per share

The diluted loss per share is not presented as the Company does not have dilutive potential ordinary shares outstanding during the six months ended 30th June 2004 and 30th June 2003.

## 6. INVENTORIES

The amount of inventories carried at net realisable value is HK\$15,330,000 (at 31st December 2003: HK\$11,651,000). In addition, finished goods inventories are stated net of a general provision of HK\$4,180,000 (at 31st December 2003: HK\$4,180,000) made in order to state those inventories at the lower of cost and estimated net realisable value.

## 7. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are trade debtors (net of specific provisions for bad and doubtful debts) with the following ageing analysis:

	<b>At 30th June 2004 HK\$'000</b>	At 31st December 2003 HK\$'000
Current	<b>43,663</b>	50,584
1 to 3 months overdue	<b>4,084</b>	10,530
More than 3 months overdue but less than 12 months overdue	<b>1,429</b>	2,344
More than 12 months overdue	<b>1,416</b>	774
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Total trade debtors	<b>50,592</b>	64,232
Other debtors and prepayments	<b>6,533</b>	7,628
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	<b>57,125</b>	71,860
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Debtors are due within 30 days from the date of billing. Debtors with balances that are more than 3 months overdue are requested to settle all outstanding balances before any further credit is granted.

## 8. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade creditors with the following ageing analysis:

	At 30th June 2004 <i>HK\$'000</i>	At 31st December 2003 <i>HK\$'000</i>
Due within 1 month or on demand	24,026	14,219
Due after 1 month but within 3 months	3,793	6,909
Due after 3 months but within 6 months	73	383
Due after 6 months but within 12 months	798	833
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Total trade creditors	28,690	22,344
Other payables	60,130	61,193
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	<b>88,820</b>	<b>83,537</b>
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## 9. SHARE CAPITAL

	At 30th June 2004 <i>HK\$'000</i>	At 31st December 2003 <i>HK\$'000</i>
<i>Authorised:</i>		
1,000,000,000 ordinary shares of HK\$0.10 each	<b>100,000</b>	100,000
	<hr/> <hr/>	<hr/> <hr/>
<i>Issued and fully paid:</i>		
665,412,000 ordinary shares of HK\$0.10 each	<b>66,541</b>	66,541
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## 10. RESERVES

	Investment properties revaluation reserve <i>HK\$'000</i>	Exchange reserves <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Revenue reserves <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1st January 2003	9,529	234	169,994	10,816	109,942	66,808	367,323
Surplus arising on revaluation net of deferred tax	8,189	-	-	-	-	-	8,189
Net exchange translation differences	-	4,810	-	-	-	-	4,810
Write off of goodwill	-	-	-	(1)	-	-	(1)
Loss for the year	-	-	-	-	-	(5,330)	(5,330)
At 31st December 2003	<u>17,718</u>	<u>5,044</u>	<u>169,994</u>	<u>10,815</u>	<u>109,942</u>	<u>61,478</u>	<u>374,991</u>
At 1st January 2004	17,718	5,044	169,994	10,815	109,942	61,478	374,991
Net exchange translation differences	-	1,209	-	-	-	-	1,209
Loss for the period	-	-	-	-	-	(7,640)	(7,640)
At 30th June 2004	<u>17,718</u>	<u>6,253</u>	<u>169,994</u>	<u>10,815</u>	<u>109,942</u>	<u>53,838</u>	<u>368,560</u>

## 11. MATERIAL RELATED PARTY TRANSACTIONS

- (a) One of the directors of the Company is also a director and shareholder of a supplier which sold packaging and printing materials to the Group under the same terms as those available to other customers in the ordinary course of business. Total purchases from the supplier amounted to HK\$2,282,000 (2003: HK\$2,531,000) during the period. The amount due to the supplier at the period end amounted to HK\$1,447,000 (at 31st December 2003: HK\$1,325,000).
- (b) During the period, the Group had net interests in certain associates amounting to HK\$175,971,000 (at 31st December 2003: HK\$177,459,000) in which a director of the Company has beneficial interests.
- (c) During the period, the Group has obtained funding from certain directors, shareholders, related companies and related parties to finance its operations. The outstanding balances are as follows:

	At 30th June 2004 <i>HK\$'000</i>	At 31st December 2003 <i>HK\$'000</i>
Directors	98,128	87,733
Shareholders	73,390	49,380
Related companies	8,743	8,510
Related parties	2,130	2,281

The above balances are unsecured, interest bearing at 3% or prime less 0.5% to prime plus 0.5% and repayable after 30th June 2005.

## **INTERIM DIVIDEND**

The Board of Directors does not recommend the payment of an interim dividend for the six months ended 30th June 2004 (2003: nil).

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **RESULTS**

During the period under review, the Group recorded a consolidated turnover of HK\$173,184,000, a slight increase of 4.60% as compared to the last corresponding period. The loss attributable to shareholders amounted to HK\$7,640,000 (2003: loss of HK\$11,037,000).

### **BUSINESS REVIEW**

#### **Toys**

During the period under review, raw material prices such as resin, packaging materials and electronic components etc. remained high. At the same time, labour shortage in Guangdong Province, the PRC has led to higher labour costs and unstable supply of manpower. All these unfavourable conditions hamper profit margin and the Group's performance was adversely affected. During the period under review, the turnover for the Group's OEM/ODM toys business decreased by 26.94% as compared to the corresponding period of last year.

#### **Model Trains**

During the period under review, turnover in model trains increased by 22.46% as compared to the corresponding period of last year. The Group's model trains continued to be well received in both the European and American markets. This is attributable to the Group's efforts in widening product ranges and providing high quality products at competitive prices.

The Group has much pleasure to announce that at the recent National Model Railroad Convention held in the States, one of our colleagues was awarded the Pioneer Award. At the same time, he was also inducted into the Model Railroad Industry Hall of Fame. Both Awards were given to deserving individuals for their dedication and service to the model railroad industry. These prestigious Awards not only marked the Group's leading position in the industry, but also an encouraging news to our colleagues for their continuous dedication to the Group.

## **Property Investment**

During the period under review, the Group's rental income slightly dropped by 2.84% as compared to the corresponding period of last year. With the completion of several newly erected industrial/commercial buildings in the East Kowloon district, the rent rates of the Group's prime investment property in Kowloon Bay, the Kader Building, was affected. Following the market trend, the rent rate of Kader Building had to be reduced. On the other hand, the Group benefited from the recent bloom in the property market in Shanghai city, the PRC. The rent rate of commercial buildings in Shanghai has been increasing, thus the rent rate of the Group's investment properties in Shanghai has increased by approximately 20%.

Looking forward, Hong Kong's economy is showing signs of strong recovery. During the period under review, some vacant areas of Kader Building were leased out, and the occupancy rate maintains at over 80%. The Board anticipates that the Group's investment properties will continue to generate steady revenue.

## **Investment Holding**

During the period under review, the Group's major investment holding in the States, the Resort at Squaw Creek ("the Resort"), has been operating under the management of a new hotel operator. With signs of economic recovery in the States, the future development of the hotel industry is becoming more optimistic. The Group is confident that the Resort will generate revenue to the Group in the coming years.

## **FINANCIAL REVIEW**

### **Liquidity and Financial Resources**

As at 30th June 2004, the Group's current ratio was 0.92 (at 31st December 2003: 0.80). The Group's total bank borrowings have decreased from approximately HK\$250 million as reported last year-end to approximately HK\$226 million as at period-end. The financial gearing of the Group, based on the total bank borrowings to the shareholder's equity was 52% (at 31st December 2003: 57%). There is no significant seasonality of borrowing requirements except that during peak sales period, the Group's trade loans will be comparatively higher.

### **Capital Structure**

During the period under review, there were no movements in the Company's share capital. The Group's capital instruments are mainly composed of bank loans and director's support, which are in HK dollars, sterling, US dollars and Canadian dollars at prevailing market rates.

### **Charges on Group Assets**

As at 30th June 2004, certain investment properties, leasehold land and buildings and other assets of the Group with a total net book value of approximately HK\$612 million (at 31st December 2003: HK\$621 million) were pledged to banks to secure banking facilities granted to the Group.

### **Material Acquisitions and Disposals**

There are no material acquisitions and disposals during the period ended 30th June 2004. At the moment, there are no major plans for material investments or capital assets.

### **Exchange Rate Exposure**

Major assets, liabilities and transactions of the Group are denominated either in sterling, US dollars, Canadian dollars, Renminbi or Hong Kong dollars. As the exchange rate of sterling, US dollars, Canadian dollars and Renminbi against Hong Kong dollars was relatively stable during the period under review, the Group was not exposed to material exchange risk.

### **Contingent Liabilities**

As at 30th June 2004, the Group did not have significant contingent liabilities except:

- (a) As reported in the Group's 2003 Annual Report, around May 2003, a Group company was brought into litigation with a supplier of resin materials. The supplier has taken action against the Group company for settlement of a trading debt amounting to HK\$643,980. However, the Group company has counter claimed for US\$590,000 as the resin materials supplied did not meet the required specifications. The litigation is still in its early stage and there is no material progress during the period under review. The directors believe the Group will not suffer any material loss as a result of these claims.
- (b) As reported in the Group's 2003 Annual Report, during the last quarter of 2003, a Mexican company commenced a law suit in the State of Arizona against the Company based on their claims that the Company is a guarantor for a Lease Agreement of factory premises occupied by Siempre Novedoso De Mexico (Sinomex) S.A. de C.V. ("Sinomex") as tenant ("Litigation"). Sinomex was a member company of the Group that was disposed in mid 1996. The plaintiffs allege claims against Sinomex and the Company of approximately US\$5,000,000 for unpaid obligations of Sinomex under the Lease Agreement.

In early January of 2004, the Company's legal counsel filed a Motion to Dismiss the complaint in the Litigation based upon the applicable law of Arizona and that of the location of the property, Hermosillo, Mexico. In that Motion, the Company argues that the Arizona court has insufficient subject matter and personal jurisdiction over the Company under the Guarantee for the case to continue in that court, and as such, the case should be dismissed against the Company. Plaintiffs have recently responded to the Company's Motion to Dismiss refuting the positions of the Company based upon submitted documentation. The Company is in the process of replying to the plaintiffs' Response.

Management having considered the Litigation with legal counsel to the Company, the Directors believe that the Company's Motion to Dismiss plaintiffs' complaint is meritorious, and that the Company has valid defenses to the claims of the Plaintiffs. As such, the Company intends to vigorously defend the matter. On that basis, the Company has not made provision in relation to this claim.

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 30th June 2004, the Group employed approximately 7,500 (at 31st December 2003: 4,800) full time management, administrative and production staff in the United States, Europe, the PRC and Hong Kong. The Group remunerates its employees based on their performance, experience and prevailing industry practice. In the area of staff training, the Group encourages and supports staff to engage and participate in continuing studies or self-enhancement courses.

## **PROSPECTS**

During the period under review, Hong Kong economy has exhibited a broad-based upturn. There are signs that Hong Kong's fiscal deficit is gradually declining, consumer confidence is returning, the property market is heating up, deflation is expecting to subside and unemployment rate is falling. The launching of the Closer Economic Partnership Arrangement ("CEPA") not only brought business opportunities for the retailing sector but to manufacturing industry as well. Moreover, the States has shown good signs of economic recovery. With the coming of the peak season for toys industry, the Board anticipates that the Group's performance for the second half of the year would be better.

However, adverse factors still exist. For instance, the Board is concerned about the fluctuation of raw material prices and shortage of labour in Guangdong Province. The possibility of a drastic increase in interest rates and the price fluctuation in crude oil also hinder global economic growth. All these unfavourable factors will increase production costs and reduce manufacturers' profits.

The Board will closely monitor the operational situation and adhere to cautious business policies. Meanwhile, measures and policies have been carried out in materials control and planning, cost control, as well as in labour efficiency. Every effort will be made to achieve our goal of enhancing product quality and improving productivity.



## DISCLOSURE OF INTERESTS

### Directors' and Chief Executives' Interests and Short Positions in the Share Capital of the Company and the Associated Corporations

As at 30th June 2004, the interests and short positions of the directors and the chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of the Securities and Futures Ordinance (“SFO”)) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) were as follows:

#### Interests in the Company

Name of Directors	Number of Ordinary Shares of HK\$0.10 each			Total number of shares held	% of total issued shares
	Personal Interests	Family Interests	Corporate Interests		
Kenneth Ting Woo-shou	93,865,385	586,629 (i)	244,175,800 (ii)	338,627,814	50.89%
Dennis Ting Hok-shou	9,692,817	275,000 (iii)	236,969,800 (iv)	246,937,617	37.11%
William Li Kai-wan	—	—	—	—	—
Liu Chee-ming	—	—	1,000,000	1,000,000	0.15%
Moses Cheng Mo-chi	11,000	—	—	11,000	0.002%

#### Notes:

- (i) The spouse of Mr. Kenneth Ting Woo-shou is the beneficial shareholder.
- (ii) Included in the “Corporate Interests” above were 209,671,000 shares of the Company held by its substantial shareholder, H.C. Ting’s Holdings Limited, in which Messrs. Dennis Ting Hok-shou and Kenneth Ting Woo-shou are each having a 45% controlling interest; and 34,504,800 shares of the Company held by its substantial shareholder, Glory Town Limited which is wholly owned by Mr. Kenneth Ting Woo-shou.

- (iii) The spouse of Dr. Dennis Ting Hok-shou is the beneficial shareholder.
- (iv) Included in the “Corporate Interests” above were 209,671,000 shares of the Company held by its substantial shareholder, H.C. Ting’s Holdings Limited, in which Messrs. Dennis Ting Hok-shou and Kenneth Ting Woo-shou are each having a 45% controlling interest; and 2,669,800 shares of the Company held by Golden Tree Investment Company Limited, 24,629,000 shares of the Company held by Kimpont Limited, in which Mr. Dennis Ting Hok-shou has a controlling interest of 25% and 12.5% respectively in these two companies.

### Interests in associated corporations

Name of associated corporation	Beneficial interests	Class of shares	No. of shares held			% of interests in associated corporation
			Personal Interests	Family Interests	Corporate Interests	
Allman Holdings Limited	Kenneth Ting Woo-shou	Ordinary shares of US\$1.00 each	–	–	920 (i)	63.89%
Pacific Squaw Creek, Inc.	Kenneth Ting Woo-shou	Ordinary shares of US\$1.00 each	–	–	1,000 (ii)	100%
Squaw Creek Associates, LLC	Kenneth Ting Woo-shou	Not applicable (iii)	–	–	–	62% (iv)
Squaw Creek Associates, LLC	Kenneth Ting Woo-shou	Not applicable (iii)	–	–	–	8% (v)

*Notes:*

- (i) These interests are held by Tyrol Investments Limited which is wholly owned by Mr. Kenneth Ting Woo-shou.
- (ii) These interests are held by Allman Holdings Limited. Mr. Kenneth Ting Woo-shou’s beneficial interest in Allman Holdings Limited was disclosed in Note (i) above.
- (iii) Squaw Creek Associates, LLC does not have issued share capital, percentage of interest in SCA represents interest in capital account balance.
- (iv) These interests are held by Pacific Squaw Creek, Inc., Mr. Kenneth Ting Woo-shou’s beneficial interests in Pacific Squaw Creek, Inc. was disclosed above.
- (v) These interests are held by Ting Corporation which is wholly owned by Mr. Kenneth Ting Woo-shou.

All the interests stated above represent long positions. As at 30th June 2004, no short positions were recorded in the register required to be kept under section 352 of the SFO.

Save as disclosed above, as at 30th June 2004, none of the directors or chief executives of the Company nor their spouses or children under 18 years of age has interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations, as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

#### **Directors' Rights to Acquire Shares or Debentures**

At no time during the period was the Company or any of its subsidiaries a party to any arrangement 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.

#### **Substantial Shareholder's Interests**

As at 30th June 2004, save for certain directors' interests in the share capital of the Company as disclosed above, no other person was recorded in the register kept by the Company under section 336 of the SFO, as having an interest of 5% or more of the issued share capital of the Company.

## DISCLOSURE UNDER CHAPTER 13 OF THE LISTING RULES

As at 30th June 2004, the Group had certain financial assistance to affiliated companies which is disclosed below in accordance with Chapter 13 of the Listing Rules.

### Advances to Affiliated Companies

As at 30th June 2004, the Company advanced a total sum of HK\$93,185,000 to its affiliated companies, the details of which are as follows:–

<b>Affiliated Companies</b>	<b>Interest Rate of Advances</b>	<b>Amount of Advances as at 30th June 2004 HK\$'000</b>
Allman Holdings Limited and its subsidiaries	Interest-free	77,050
Mango Designs, LLC	Interest-free	2,001
Hip Wah Industrial (Development) Limited	Interest-free	7,462
The Melville Street Trust	Interest-free	6,672
		<u>93,185</u>

All the said advances were unsecured, repayable on demand and were funded by internal resources and/or bank borrowings and were made for the purpose of providing investment funds and/or working capital.

Set out below is a proforma combined balance sheet of the above affiliated companies as at 30th June 2004 (being the latest practicable date for determining the relevant figures) required to be disclosed under Chapter 13 of the Listing Rules:–

### Proforma Combined Balance Sheet as at 30th June 2004

	<i>HK\$'000</i>
Fixed assets	824,737
Other non-current assets	5,136
Net current liabilities	(69,953)
Bank loans and shareholders' loans – long term	<u>(484,577)</u>
Surplus in shareholders' funds	<u>275,343</u>

The aggregate of the Group's advances to affiliated companies as at 30th June 2004 amounted to HK\$93,185,000 which represents approximately 9.8% of the Group's total assets as at 30th June 2004.

## **PURCHASE, SALE OR REDEMPTION OF SHARES**

There has been no purchase, sale or redemption of the Company's shares by the Company or any of its subsidiaries during the six months ended 30th June 2004.

## **AUDIT COMMITTEE**

The Audit Committee has met with the management to review the Interim Financial Statements and consider the significant accounting policies, and to discuss with the management about the Group's internal control system.

## **CODE OF BEST PRACTICE**

At any time during the six months ended 30th June 2004, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules on the Stock Exchange except that independent non-executive directors are not appointed for a specific term as they are subject to retirement by rotation at Annual General Meetings in accordance with clause 189 (ix) of the Company's Bye-laws.

By the Order of the Board  
**Kenneth Ting Woo-shou**  
*Managing Director*

Hong Kong, 15th September 2004