



SYSCAN Technology Holdings Limited

矽感科技控股有限公司

<http://www.syscaninc.com>

What You See is What You Get



portable scanner
palm size scanner

TravelScan
CIS technology
CIM technology

World leader in image capturing technology



Interim Report 2001

Characteristics of the Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (the “Exchange”)

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

This report, for which the directors of SYSCAN Technology Holdings Limited collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to SYSCAN Technology Holdings Limited. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.



SYSCAN

SYSCAN Technology Holdings Limited

矽感科技控股有限公司*

(Incorporated in Bermuda with limited liability)

Highlights

The Group's business is in the field of optical electronics industry, and is principally engaged in the design, research, development, manufacture and distribution of optical image capturing devices and related components including CMOS sensor chips, optical image capturing modules and mobile scanners. For the six-month period ended June 30, 2001, the Group's turnover of approximately HK\$22.9 million represents a growth of approximately 26.4% over the same period in 2000 due mainly from the sales of A6 CIS color modules and A8 business card readers. The loss attributable to shareholders recorded approximately HK\$16.3 million.

For the second quarter of 2001, the Group's main product mix continued to be business card readers and A6 CIS color modules. However, due to the global slowdown of computer and related industries, the Group had to reduce product prices, resulting in a slight reduction of gross profit margin from approximately 43% for the first quarter of 2001 to approximately 37.9% for the second quarter of 2001. The sales of the Group for the second quarter of 2001 were badly hit by the global slowdown of computer and related industries. The Group only reported turnover of approximately HK\$8.5 million in the second quarter of 2001 as compared to turnover of approximately HK\$14.4 million in the first quarter of 2001.

In addition, the other reasons attributing to the loss increment was the increase in general and administrative expenses, selling and distribution expenses and the decrease in other income (mainly interest income) while the restructuring of the Group's research and development division reduced the related expenses.

* for identification purposes only

Financial Results

The board of directors (the "Board") of SYSCAN Technology Holdings Limited (the "Company") announces the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the three months and the six months ended June 30, 2001 together with the comparative unaudited figures for the corresponding periods in 2000 as follows:

	Note	Three months ended June 30		Six months ended June 30	
		2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Turnover	2	8,510	7,850	22,927	18,132
Cost of sales		(5,289)	(5,159)	(13,509)	(11,392)
Gross profit		3,221	2,691	9,418	6,740
Provision for bad and doubtful debts		(1,458)	–	(3,859)	–
Selling and distribution expenses		(1,628)	(1,732)	(3,056)	(2,163)
General and administrative expenses		(7,570)	(3,938)	(12,840)	(6,005)
Research and development expenses		(2,969)	(6,408)	(6,353)	(11,197)
Loss from operations		(10,404)	(9,387)	(16,690)	(12,625)
Interest Income		417	2,646	1,007	2,972
Interest expense		(533)	–	(652)	–
Loss before taxation		(10,520)	(6,741)	(16,335)	(9,653)
Taxation	3	–	–	(7)	(153)
Loss attributable to shareholders		<u>(10,520)</u>	<u>(6,741)</u>	<u>(16,342)</u>	<u>(9,806)</u>
Loss per share – Basic	4	<u>HK(1.06) cents</u>	<u>HK(0.78) cents</u>	<u>HK(1.74) cents</u>	<u>HK(1.26) cents</u>
Dividends		<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>

Notes:

1. Basis of presentation

For the three-month period and the six-month period ended June 30, 2001, the consolidated results included the results of the companies comprising the Group.

Significant transactions and balances among the companies comprising the Group have been eliminated on consolidation.

2. *Turnover comprises the net invoiced value of merchandise sold after allowance for returns and discounts.*
3. *No provision for Hong Kong profits tax was made as the Group had no assessable profits in Hong Kong during the three-month period and the six-month period ended June 30, 2001 (2000: No provision for Hong Kong profits tax had been provided for the three-month period ended June 30, 2000 and HK\$146,000 had been provided at the rate of 16% on the estimated assessable profits for the six-month period ended June 30, 2000).*

The United States subsidiary is subject to United States federal income tax at a rate of 35% (2000: 35%) and California State income tax at a rate of 5.8% (2000: 5.8%). It had no assessable profit subject to United States federal income tax and California State income tax and, consequently, was liable to California State income tax of approximately HK\$7,000 (2000: HK\$7,000), being the minimum amount for a company in a tax loss position.

No provision for Mainland China enterprise income tax was made as the Mainland China subsidiaries were exempted from income tax for two years starting from the first year of profitable operations after offsetting prior year losses, followed by a 50% reduction for the next three years (2000: Nil).

No provision for Taiwan income tax was made as the Group had no assessable profit in Taiwan during the three-month period and the six-month period ended June 30, 2001 (2000: Nil).

There was no significant unprovided deferred taxation for the three-month period and the six-month period ended June 30, 2001 (2000: Nil).

4. *The calculation of the basic loss per share for the three-month period and the six-month period ended June 30, 2001 respectively were based on the unaudited loss attributable to shareholders of approximately HK\$10,520,000 (2000: HK\$6,741,000) for the three-month period ended June 30, 2001 and approximately HK\$16,342,000 (2000: HK\$9,806,000) for the six-month period ended June 30, 2001 and on the weighted average number of approximately 993,304,000 shares (2000: 866,461,000 shares) in issue during the three-month period ended June 30, 2001 and approximately 941,374,000 shares (2000: 779,949,000 shares) in issue during the six-month period ended June 30, 2001.*

No diluted loss per share is presented as the outstanding share options were anti-dilutive.

5. Comparative figures

For the three-month period and the six-month period ended June 30, 2000, the consolidated results included the results of the companies comprising the Group, using the basis of merger accounting, as if the Group had been in existence since January 1, 2000. In addition, certain comparative figures have been reclassified to conform to the current period's presentation.

Interim Dividend

The Board does not recommend the payment of an interim dividend for the three-month period and the six-month period ended June 30, 2001 (2000: Nil).

Reserves Movement

At the beginning of 2001, the Group had consolidated reserves, excluding accumulated deficit, of approximately HK\$297,592,000. During the six-month period ended June 30, 2001, the Group's reserves increased by approximately HK\$2,049,000, representing

the decrease of cumulative translation adjustments by HK\$717,000 and increase of share premium by HK\$2,766,000 for the period. The consolidated reserves of the Group as at June 30, 2001 were approximately HK\$299,641,000.

At the beginning of 2001, the Group had accumulated deficit of approximately HK\$165,113,000. During the six-month period ended June 30, 2001, the Group's accumulated deficit increased by approximately HK\$16,342,000, representing loss attributable to shareholders for the period. The accumulated deficit of the Group as at June 30, 2001 was approximately HK\$181,455,000.

Business Review and Prospect

General

The Group's business is in the field of optical electronics industry, and is principally engaged in the design, research, development, manufacture and distribution of optical image capturing devices and related components including CMOS sensor chips, optical image capturing modules and mobile scanners.

For the six-month period ended June 30, 2001, the Group's turnover of approximately HK\$22.9 million represents an increase of approximately 26.4% over the same period in 2000 due mainly from the sales of A6 CIS color modules and A8 business card readers. The loss attributable to shareholders recorded approximately HK\$16.3 million.

For the second quarter of 2001, the Group's main product mix continued to be business card readers and A6 CIS color modules. However, due to the global slowdown of computer and related industries, the Group had to reduce product prices, resulting in a slight reduction of gross profit margin from approximately 43% for the first quarter of 2001 to approximately 37.9% for the second quarter of 2001. The sales of the Group for the second quarter of 2001 were badly hit by the global slowdown of computer and related industries. The Group only reported turnover of approximately HK\$8.5 million in the second quarter of 2001 as compared to turnover of approximately HK\$14.4 million in the first quarter of 2001.

In addition, the other reasons attributing to the loss increment was the increase in general and administrative expenses, selling and distribution expenses and the decrease in other income (mainly interest income) while the restructuring of the Group's research and development division reduced the related expenses. The increase in general and administrative expenses was mainly due to: (1) additional general expenses as a result of the enlargement of the Group's operations after listing on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited ("GEM"); (2) an increase in professional fees for its sponsor, legal counsel, and auditors after listing on GEM; (3) an increase in traveling expenses incurred by executives; and (4) an increase in depreciation of office equipment and vehicles.

The global economy slowdown appears to be widespread and is affecting different industries. The industry in which the Group operates is no exception and faces sluggish demand from the U.S. and European markets and price-cutting pressure. However, after a series of interest rate cuts in the U.S., it is forecasted that the global demand for IT products will resume in the third quarter of 2001. The Group will speed up its efforts in developing new and price competitive products, launch aggressive sales and marketing campaigns, especially in Mainland China while actively control and reduce the general expenses in order to enhance overall profitability of the Group's business in the current sluggish market conditions.

Research and Development

During the three-month period ended June 30, 2001, the Group completed the design of three new CIS modules for different OEM/ODM clients such as SV664D5C color CIS module for an American client, SV250A6 high speed CIS module for a famous Japanese client, SV652A8-10 CIS module for a new type of A8 business card reader, SV654A6C-00 color CIS module for use in the Group's coming new product 600 dpi A6 size color *eIDier* and SV651A4C-00 color CIS module for use in the Group's coming new product 600 dpi A4 size color *TravelScan*.

In view of the global adjustment of Internet markets, the launch of Palmtop-related Internet image input appliances has been postponed, pending future evaluation of market demand. Prototypes of A4, A6 and A8 600 dpi color CIS mobile scanners were displayed at The 17th International Computer Expo in May 2001. The launch of new A6 and A4 imaging products of the Group has been postponed to the third quarter of 2001. However, based on the reasonable good progress of CIS module development stated above, the launch of new A4 *TravelScan* and A6 *eIDier* is likely to take place in the near future depending on market demand. Business card reader has been successfully launched, and A8 business card reader was also displayed in The 17th International Computer Expo in May 2001.

Development of low cost CIM sensor chip is ongoing as further design modifications are needed, even though encouraging results were achieved based on 0.25 μ m chip technology. The Board estimates that the launch of CIM scan carriage modules would most likely be postponed to the fourth quarter of 2001 or later.

Production

Production process was smooth and production capacity remained unchanged in the second quarter of 2001. The two extra automated production lines have not been installed as the current production capacity for CIS modules and system products are adequate at present. However, in preparation for a global recovery in the demand for IT products, the Group is considering to increase its production capacity to achieve economies of scale in order to attain further unit cost reduction.

In order for the Group to penetrate into image communication sector by applying the Group's future CIM technology, the Group has signed a contract with a Taiwanese vendor to acquire moulds and equipment for producing image communication products such as family-oriented low cost facsimile machines. It is estimated that a large-scale production through an OEM arrangement with sub-contractors in China would start by the end of the third quarter of 2001.

Sales and Marketing

The Group has attended two trade shows held in Hong Kong and Taipei during the second quarter of 2001. The sales of CIS modules to facsimile producers have increased, mainly in Mainland China. However, sales to manufacturers of large-volume flat-bed scanner and copier have not materialized due to the delay in the development of CIM chip and CIM scan carriage module. The proposed sales office in Canada was not set up and the region was covered by the Group's sales force in USA. The Group is still evaluating the necessity to set up a sales office in Japan. However, during the six-month period ended June 30, 2001, the Group established distribution relationships with 15 IT products distributors in Mainland China. The Group has also established and has continuing business relationships with Compaq in USA and China, Omron in Japan, Toshiba in Japan through its purchasing representative, PenPower in Mainland China and Taiwan, Corex in USA, Olivetti in Europe and Latin America, as well as Hanwang in Mainland China.

New Manufacturing Base – SYSCAN Hi-Tech Park

It is expected that Phase I of the Group's new manufacturing base, SYSCAN Hi-Tech Park will be completed in the fourth quarter of 2001. The construction of the new plants, a research and development testing centre, the dining facilities for workers and the workers' dormitory in SYSCAN Hi-Tech Park is under progress as scheduled.

The Group raised approximately HK\$16 million through a private placement in the second quarter of 2001 to finance this project. The Group has also secured a credit line of RMB60 million from Bank of China, Shenzhen branch for the primary purpose of financing the construction of Phase I of SYSCAN Hi-Tech Park.

Acquisition in Han's Laser Science & Technology Co., Ltd.

In respect of the acquisition of the 49% equity interest in Han's Laser Science & Technology Co., Ltd. ("Han's Laser") by the Group (the "49% Acquisition"), the Group signed a Repayment and Termination Agreement on June 15, 2001 with the shareholders of Han's Laser to terminate the 49% Acquisition as the condition to register the Group as a shareholder of Han's Laser with relevant government bodies in Shenzhen (being a condition to the completion of the 49% Acquisition) had not been fulfilled.

Under the Repayment and Termination Agreement, the shareholders of Han's Laser are obliged to repay the amount of RMB26 million previously borrowed from the Group plus the amount of RMB4.3 million, being the agreed interest accrued and

termination compensation to the Group on or before June 30, 2001. The shareholders of Han's Laser are also obliged to refund RMB17 million to the Group, being deposit for the 49% Acquisition, on or before June 30, 2001. The Group received an aggregate of RMB43 million (being the total of RMB26 million and RMB17 million) from the shareholders of Han's Laser by June 30, 2001.

On July 27, 2001, the shareholders of Han's Laser paid the Group RMB1 million. The Group is taking measures to request the payment of the balance of RMB3,300,000.

Comparison of Business Objectives with Actual Business Progress

Business objectives as stated in the Prospectus

Actual business progress/change in business objectives

Research & Development

Launch Palmtop related Internet image input appliances

Development of Palmtop related Internet image input appliances was delayed and is subject to further review due to the lack of immediate market demand following the global adjustment of Internet market.

Launch business card reader with USB interface for mobile application

A8 business card reader was displayed in The 17th International Computer Expo in May 2001.

Launch new imaging system products

Prototypes of A4, A6 and A8 600 dpi color CIS mobile scanners were displayed at The 17th International Computer Expo in May 2001. Formal launch of these products is expected to take place in the third quarter of 2001.

Develop the low cost CIM sensor chip

Development of low cost CIM sensor chip is ongoing as further design modifications are needed, even though encouraging results were achieved based on 0.25µm chip technology. It is estimated that the launch of CIM scan carriage module based on CIM chip would most likely be postponed to the fourth quarter of 2001 or later.

Business objectives as stated in the Prospectus

Continue the development of further imaging system products and CIS sensor chip

Approximately HK\$6.4 million as compared to the intended amount of HK\$10 million stated in the Prospectus (funded out of the proceeds of the Placing) has been incurred for the research and development activities for the six-month period ended June 30, 2001 due to the delay in the development of Palmtop related Internet image input appliances and the CIM sensor chip. The remaining balance will be applied to continue the development of further imaging system products, CIS sensor chip, CIM sensor chip and scan carriage module. The Board presently believes that the Group has sufficient funds for the completion of the above plans.

Production

Start to manufacture Palmtop related Internet image input product

Start to manufacture business card reader with USB interface

Install two additional automated production lines with die mounting and wiring systems incorporating CIS technology

Expand the production capacity to 260,000 units of modules per month

Actual business progress/change in business objectives

Development of further imaging system products and CIS sensor chip is in progress as scheduled. The Group has completed the design and pilot run of the following CIS modules: SV664D5C color CIS module, SV250A6 high speed CIS module, SV652A8-10 CIS module, SV654A6C-00 color CIS module and SV651A4C color CIS module.

Due to the postponement of the development of Palmtop related Internet image input product, the manufacturing of the same has not commenced.

Mass production of A8 business card reader started in April 2001.

Installation was postponed due to the delay in the development of CIM project. However, in preparation for a global recovery in the demand for IT products, the Group is considering to increase its production capacity to achieve economies of scale in order to attain further unit cost reduction.

Production capacity remains at 130,000 units due to the delay in the development of CIM project.

Business objectives as stated in the Prospectus**Actual business progress/change in business objectives**

Due to the postponement of the development of Palmtop related Internet image input appliances, the CIM project and installation of the additional automated production lines, approximately HK\$1.5 million as compared to the intended amount of HK\$4 million stated in the Prospectus (funded out of the proceeds of the Placing) has been incurred for the above activities for the six-month period ended June 30, 2001. In order for the Group's future CIM modules to penetrate image communication sector, the Group has signed a contract with a Taiwanese vendor to acquire moulds and equipment for producing image communication products such as household-oriented low-cost facsimile machines. It is estimated that a large-scale production through an OEM arrangement with sub-contractors in China would start by the end of the third quarter of 2001. The financing of the above activities will be partly funded by the balance of proceeds of the Placing and partly by bank borrowings.

Sales and Marketing

Increase sales to facsimile equipment, scanner and copier manufacturers

The sales of CIS modules to facsimile producers have increased, mainly in Mainland China. However, sales to manufacturers of large-volume flat-bed scanner and copier have not materialized due to the delay in the development of CIM chip and CIM scan carriage module.

Establish two additional sales offices in Japan and Canada to focus on sales in Northern Asia and North America

The sales office in Canada was not set up as the region was covered by the Group's sales force in USA. The Group is still evaluating the necessity to set up a sales office in Japan.

Increase the total staff in sales team to 20

The total sales staff reached 14, less than the target of 20 sales staff because the sales offices in Canada and Japan had not been set up as planned.

The Group has established distribution relationships with 15 IT products distributors in Mainland China. The Group has also established and has continuing business relationships with Compaq in USA and China, Omron in Japan, Toshiba in Japan through its purchasing representative, PenPower in Mainland China and Taiwan, Corex in USA, Olivetti in Europe and Latin America, as well as Hanwang in Mainland China. For the six-month period ended June 30, 2001, approximately HK\$3 million as compared to the intended amount of HK\$3 million stated in the Prospectus (funded out of the proceeds of the Placing) has been incurred for the above activities. The Group will review its sales and marketing policies and consider setting up a sales

office in Europe. The Board presently believes that the Group has sufficient funds for the completion of the aforesaid plans after taking into account the credit line the Group has with Bank of China.

Directors' and Chief Executive's Interests in Securities

Interests in Share Capital

As at June 30, 2001, according to the register required to be kept under Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") or otherwise notified to the Company pursuant to the minimum standards of dealings by the Directors as referred to in Rule 5.40 to 5.59 of the Rules Governing the Listing of Securities on GEM, the interests of Directors, chief executive and their associates in shares of the Company were as follows:

Name	Number of ordinary shares held				Total	Percentage of interests
	Personal interest	Family interest	Corporate interest	Other interest		
Mr. Cheung Wai	7,200,000	–	48,000,000 <i>(Note 3)</i>	–	55,200,000	5.41%
Mr. Darwin Hu	38,400,000	3,360,000 <i>(Note 1)</i>	–	–	41,760,000	4.09%
Mr. Joseph Liu	19,200,000	52,800,000 <i>(Note 2)</i>	–	–	72,000,000	7.05%
Mr. Zhang Hongru	–	–	4,176,000 <i>(Note 4)</i>	–	4,176,000	0.41%

Notes:

1. *These shares were held by Mrs. Sonya Hsiu-Yu Hu, the spouse of Mr. Darwin Hu.*
2. *These shares comprised the shares held by Messrs Emmy Liu, Shirley Liu, Hui Chuan Liu and H. S. Liu, family associates of Mr. Joseph Liu.*
3. *These shares were held by Haing Assets Limited, a company incorporated in the British Virgin Islands and is beneficially owned by Mr. Cheung Wai.*
4. *These shares were held by Osbeck Investments Limited, a company incorporated in the British Virgin Islands and is beneficially owned by Mr. Zhang Hongru.*

Save as disclosed above, as at June 30, 2001, none of the Directors, chief executive or their associates had any interests in any securities of the Company or any associated corporations as defined in the SDI Ordinance.

Interests in Share Options

On March 2, 2000, the Company has adopted Share Option Scheme A and Scheme B (the "Schemes") under which share options to subscribe for shares of the Company may be granted under the terms and conditions stipulated in the Schemes.

Share Option Scheme A ceased to be effective (save for the options granted) upon the listing of the Company on April 14, 2000. Since its adoption and up to June 30, 2001, no options have been granted to the Directors of the Company under Share Option Scheme A.

Details of the options granted to the Directors of the Company under Share Option Scheme B since its adoption and up to June 30, 2001 were as follows:

Name	Date of grant (dd/mm/yy)	Exercise price per share	Exercise period (dd/mm/yy)	No. of underlying shares comprising the options granted	No. of underlying shares comprising the options exercised	No. of underlying shares comprising the options lapsed	No. of underlying shares comprising the options outstanding
Mr. Cheung Wai	19/6/2000	HK\$0.33	19/6/2001 to 18/6/2010	5,000,000	-	-	5,000,000
Mr. Darwin Hu	19/6/2000	HK\$0.33	19/6/2001 to 18/6/2010	5,000,000	-	-	5,000,000
	17/1/2001	HK\$0.206	17/1/2002 to 16/1/2011	18,000,000	-	-	18,000,000
Mr. Zhang Hongru	4/12/2000	HK\$0.1016	4/12/2001 to 3/12/2010	5,000,000	-	-	5,000,000
	17/1/2001	HK\$0.206	17/1/2002 to 16/1/2011	4,000,000	-	-	4,000,000
				<u>37,000,000</u>	<u>-</u>	<u>-</u>	<u>37,000,000</u>

Directors' and Chief Executive's Rights to Acquire Securities

Save for the Schemes, as at June 30, 2001, neither the Company nor any of its subsidiaries was a party to any arrangements to enable the Directors and chief executive

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, chief executive 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 right.

Substantial Shareholders

Other than the interests disclosed above in respect of the Directors, chief executive and their associates, as at June 30, 2001, no other person was recorded in the register required to be kept under Section 16(1) of the SDI Ordinance as having an interest in 10 per cent or more of the issued share capital of the Company.

Management Shareholders

Save for the interests disclosed above in respect of the Directors, chief executive and their associates, the Directors are not aware of any person who, as at June 30, 2001, was entitled to exercise or control the exercise of 5 per cent or more of the voting power at general meetings of the Company and who was able, as a practical matter, to direct or influence the management of the Company.

Outstanding Share Options

Other than the interest in share options disclosed above in respect of the Directors, as at 30 June 2001, details of the outstanding share options granted to the optionees under the Schemes were as follows:

Scheme A

No. of optionees	Date of grant (dd/mm/yy)	Exercise price	Exercise period (dd/mm/yy)	No. of underlying shares comprising the options granted	No. of underlying shares comprising the options exercised	No. of underlying shares comprising the options lapsed	No. of underlying shares comprising the options outstanding
38 (Note 3)	2/3/2000	HK\$48.44 per 1,000 shares	2/3/2000 to 1/3/2010	52,624,000	(1,056,000) (Note 1)	(10,976,000) (Note 2)	40,592,000 (Note 3)
1 (Note 3)	2/3/2000	HK\$24.22 per 1,000 shares	2/3/2000 to 1/3/2010	160,000	–	–	160,000 (Note 3)
<u>39</u>				<u>52,784,000</u>	<u>(1,056,000)</u>	<u>(10,976,000)</u>	<u>40,752,000</u>

Scheme B

No. of optionees	Date of grant (dd/mm/yy)	Exercise price	Exercise period (dd/mm/yy)	No. of underlying shares comprising the options granted	No. of underlying shares comprising the options exercised	No. of underlying shares comprising the options lapsed	No. of underlying shares comprising the options outstanding
10 (Note 5)	12/7/2000	HK\$0.246 per share	12/7/2001 to 11/7/2010	6,660,000	–	(900,000) (Note 4)	5,760,000 (Note 5)
4 (Note 5)	4/12/2000	HK\$0.1016 per share	4/12/2001 to 3/12/2010	1,700,000	–	–	1,700,000 (Note 5)
14 (Note 5)	17/1/2001	HK\$0.206 per share	17/1/2002 to 16/1/2011	19,000,000	–	–	19,000,000 (Note 5)
<u>28</u>				<u>27,360,000</u>	<u>–</u>	<u>(900,000)</u>	<u>26,460,000</u>

Notes:

1. A total of 4 optionees under Scheme A had exercised their share options all at an exercise price of HK\$48.44 per 1,000 shares to subscribe for shares of the Company. The closing price of the shares of the Company immediately before the date of exercise of options by the 4 optionees were HK\$0.385, HK\$0.238, HK\$0.25 and HK\$0.249 respectively.
2. The lapse of share options was resulted from the resignation of a total of 16 optionees as employees of the Group.
3. At the date of adoption of Scheme A on March 2, 2000, an aggregate of 52,784,000 options were granted to the optionees. As a result of the exercise/lapse of options of the optionees as disclosed in Notes 1 and 2 above, a total of 39 optionees are holding an aggregate of 40,752,000 options as at June 30, 2001.
4. The lapse of share options was resulted from the resignation of a total of 3 optionees as employees of the Group.
5. Since the adoption of Scheme B on March 2, 2000 and up to June 30, 2001, an aggregate of 27,360,000 options were granted to the optionees. As a result of the lapse of options of the optionees as disclosed in Note 4 above, a total of 28 optionees are holding an aggregate of 26,460,000 options as at June 30, 2001.

Save as disclosed above, during the six-month period ended June 30, 2001, none of the Directors and employees of the Company or its subsidiaries were granted share options to subscribe for shares in the Company.

Interests of Sponsor

As at June 30, 2001, a director and an employee of BNP Paribas Peregrine Capital Limited (the "Sponsor") held 200,000 shares and 120,000 shares in the Company respectively.

Pursuant to the arrangement entered into between the Sponsor and the Company, the Sponsor receives a fee for acting as the Company's retained sponsor for the period from April 14, 2000 to December 31, 2002.

Save as disclosed above, neither the Sponsor, its directors, employees nor associates had any interests in the securities of the Company, including options or rights to subscribe for such securities.

Competing Interests

The Directors are not aware of, as at June 30, 2001, any business or interest of each Director, management shareholder and the respective associates of each that competes or may compete with the business of the Group and any other conflicts of interest which any such person has or may have with the Group.

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

During the six-month period ended June 30, 2001, there were no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's listed securities.

By Order of the Board
Cheung Wai
Chairman

Hong Kong, August 10, 2001