



GLORY MARK HI-TECH (HOLDINGS) LIMITED

(Incorporated in the Cayman Islands with limited liability)



INTERIM REPORT 2002

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This report, for which the directors of Glory Mark Hi-Tech (Holdings) Limited (the "Company") 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 for the purpose of giving information with regard to the Company. The directors of the Company having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this announcement 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.

The Board of Directors of Glory Mark Hi-Tech (Holdings) Limited (the "Company") is pleased to announce the unaudited condensed consolidated financial statements (the "Condensed Financial Statements") of the Company and its subsidiaries (collectively referred to as the "Group") for the three months and six months ended 30 June 2002 together with the comparative unaudited figures for the corresponding periods in 2001 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENTS — UNAUDITED

For the three months and six months ended 30 June 2002

	Notes	Three months ended 30 June		Six months ended 30 June	
		2002 HK\$'000 (Unaudited)	2001 HK\$'000 (Unaudited)	2002 HK\$'000 (Unaudited)	2001 HK\$'000 (Unaudited)
Turnover	3	31,796	25,016	69,133	58,935
Cost of sales		(23,517)	(17,139)	(51,161)	(44,233)
Gross profit		8,279	7,877	17,972	14,702
Other revenue/(expenses)		538	(193)	956	661
Selling and distribution expenses		(1,103)	(628)	(2,035)	(1,348)
Administrative expenses		(4,847)	(1,608)	(9,655)	(3,263)
Profit from operations	5	2,867	5,448	7,238	10,752
Finance costs		—	—	(1)	—
Profit before taxation		2,867	5,448	7,237	10,752
Taxation	6	(238)	(175)	(405)	(400)
Profit for the period		<u>2,629</u>	<u>5,273</u>	<u>6,832</u>	<u>10,352</u>
Dividend paid	7	<u>2,560</u>	<u>—</u>	<u>2,560</u>	<u>—</u>
Earnings per share	8				
Basic		<u>HK0.82 cents</u>	<u>HK2.20 cents</u>	<u>HK2.14 cents</u>	<u>HK4.31 cents</u>
Diluted		<u>HK0.81 cents</u>	<u>N/A</u>	<u>HK2.10 cents</u>	<u>N/A</u>

CONDENSED CONSOLIDATED BALANCE SHEET — UNAUDITED*As at 30 June 2002*

	<i>Notes</i>	30 June 2002 HK\$'000 (Unaudited)	31 December 2001 HK\$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	9	17,089	14,838
Investment properties		780	780
		17,869	15,618
CURRENT ASSETS			
Inventories		6,442	6,555
Trade and other receivables	10	38,626	65,297
Tax recoverable		122	122
Bank balances and cash		38,984	18,283
		84,174	90,257
CURRENT LIABILITIES			
Trade and other payables	11	35,038	40,060
Amounts due to related companies		1,800	1,146
Amounts due to directors		—	4,156
Tax payable		3,038	2,633
		39,876	47,995
NET CURRENT ASSETS		44,298	42,262
		62,167	57,880
CAPITAL AND RESERVES			
Share capital		32,000	32,000
Reserves		30,167	25,880
		62,167	57,880

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY — UNAUDITED*For the six months ended 30 June 2002*

	Share capital <i>HK\$'000</i> <i>(Note)</i>	Merger reserve <i>HK\$'000</i>	Translation reserve <i>HK\$'000</i>	Accumulated profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2001	880	—	—	19,724	20,604
Profit for the period	—	—	—	10,352	10,352
At 30 June 2001	<u>880</u>	<u>—</u>	<u>—</u>	<u>30,076</u>	<u>30,956</u>
At 1 January 2002	32,000	680	(13)	25,213	57,880
Exchange gain on translation of overseas operations not recognised in the income statement	—	—	15	—	15
Profit for the period	—	—	—	6,832	6,832
Dividend	—	—	—	(2,560)	(2,560)
At 30 June 2002	<u>32,000</u>	<u>680</u>	<u>2</u>	<u>29,485</u>	<u>62,167</u>

Note:

The share capital of HK\$880,000 at 1 January 2001 shown above represented the sum of the issued share capital of Asia-Link Technology Limited (incorporated in the British Virgin Islands), Glory Mark Electronic Limited (incorporated in the British Virgin Islands) and Glory Mark Electronic Limited (incorporated in Hong Kong), the then holding companies of the subsidiaries acquired by the Company pursuant to the Group Reorganisation (as defined in Note 1 below).

CONDENSED CONSOLIDATED CASH FLOW STATEMENT — UNAUDITED*For the six months ended 30 June 2002*

	Six months ended 30 June	
	2002	2001
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
NET CASH FROM (USED IN) OPERATING ACTIVITIES	28,377	(279)
NET CASH USED IN INVESTING ACTIVITIES	(3,520)	(667)
NET CASH USED IN FINANCING ACTIVITIES	(4,156)	(1,032)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	20,701	(1,978)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	18,283	17,515
CASH AND CASH EQUIVALENTS AT END OF PERIOD	38,984	15,537
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	38,984	15,537

Notes :

1. GROUP REORGANISATION AND BASIS OF PRESENTATION

The Company was incorporated in the Cayman Islands on 13 June 2001 as an exempted company with limited liability under the Company Law (2001 Second Revision) of the Cayman Islands.

The Company acts as an investment holding company.

Pursuant to a corporate reorganisation (the "Group Reorganisation") to rationalise the structure of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") in preparation for the listing of the Company's shares on the Growth Enterprise Market ("GEM") operated by The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company became the holding company of the Group on 13 December 2001. Details of the Group Reorganisation were set out in the prospectus dated 18 December 2001 issued by the Company.

The Group resulting from the Group Reorganisation is regarded as a continuing entity. Accordingly, the Condensed Financial Statements of the Group for the three months and six months ended 30 June 2001 have been prepared using the principles of merger accounting in accordance with Statement of Standard Accounting Practice No. 27 "Accounting for Group Reconstructions" issued by the Hong Kong Society of Accountants (the "HKSA").

The shares of the Company have been listed on the GEM of the Stock Exchange with effect from 4 January 2002.

The Condensed Financial Statements have been prepared in accordance with the applicable disclosure requirements of Chapter 18 of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange and with Statement of Standard Accounting Practice No. 25 (SSAP 25) "Interim Financial Reporting" issued by the HKSA.

2. PRINCIPAL ACCOUNTING POLICIES

The Condensed Financial Statements have been prepared in accordance with the accounting policies consistent with those adopted by the Group in its audited financial statements for the year ended 31 December 2001. In addition, the Group has adopted the following revised or new SSAPs issued by the HKSA which are effective for accounting periods commencing on or after 1 January 2002.

SSAP 1 (Revised)	Presentation of financial statements
SSAP 11 (Revised)	Foreign currency translation
SSAP 15 (Revised)	Cash flow statements
SSAP 34	Employee benefits

In accordance with SSAP 15 (Revised), the cash and cash equivalents is presented by means of cash flow statement which classifies cash flows during the period according to operating, investing and financing activities. Condensed cash flow statement for the six months ended 30 June 2001 has been presented on a consistent basis.

Except for the above, the adoption of the new/revised SSAPs has had no material impact on the Group's Condensed Financial Statements.

3. TURNOVER

Turnover represents the amounts received and receivable, net of discounts and returns, from the sale of connectivity products mainly for computers and peripheral products during the period.

4. SEGMENT INFORMATION

The Group is principally engaged in the design, development, manufacture and sale of connectivity products mainly for computers and peripheral products. The majority of the Group's products are sold to original equipment manufacturer ("OEM") customers and retail distributors. These businesses to OEM customers and retail distributors are the basis on which the Group reports its primary segment information.

Business segments

	Three months ended 30 June		Six months ended 30 June	
	2002 HK\$'000 (Unaudited)	2001 HK\$'000 (Unaudited)	2002 HK\$'000 (Unaudited)	2001 HK\$'000 (Unaudited)
Segment revenue				
OEM customers	23,890	18,640	49,182	39,741
Retail distributors	7,906	6,376	19,951	19,194
	<u>31,796</u>	<u>25,016</u>	<u>69,133</u>	<u>58,935</u>
Segment results				
OEM customers	6,713	6,079	13,803	9,021
Retail distributors	1,566	1,798	4,169	5,681
	8,279	7,877	17,972	14,702
Unallocated income and expenses	(5,412)	(2,429)	(10,734)	(3,950)
Profit from operations	2,867	5,448	7,238	10,752
Finance costs	—	—	(1)	—
Profit before taxation	2,867	5,448	7,237	10,752
Taxation	(238)	(175)	(405)	(400)
Profit for the period	<u>2,629</u>	<u>5,273</u>	<u>6,832</u>	<u>10,352</u>

Geographical segments

Sales analysis by geographical customer market:

	Three months ended 30 June				Six months ended 30 June			
	2002 HK\$'000 (Unaudited)	%	2001 HK\$'000 (Unaudited)	%	2002 HK\$'000 (Unaudited)	%	2001 HK\$'000 (Unaudited)	%
Taiwan	12,459	39.2%	9,355	37.4%	29,221	42.3%	20,655	35.0%
USA	9,109	28.6%	8,620	34.5%	17,513	25.3%	15,538	26.4%
Japan	5,799	18.2%	3,576	14.3%	13,052	18.9%	14,230	24.1%
Korea	3,260	10.3%	2,641	10.6%	7,016	10.1%	6,594	11.2%
Others	1,169	3.7%	824	3.2%	2,331	3.4%	1,918	3.3%
	31,796	100.0%	25,016	100.0%	69,133	100.0%	58,935	100.0%

5. PROFIT FROM OPERATIONS

Profit from operations has been arrived at after charging:

	Three months ended 30 June		Six months ended 30 June	
	2002 HK\$'000 (Unaudited)	2001 HK\$'000 (Unaudited)	2002 HK\$'000 (Unaudited)	2001 HK\$'000 (Unaudited)
Depreciation and amortisation	658	527	1270	1,024

6. TAXATION

The taxation provided represents PRC enterprise income tax, which is calculated at the rates prevailing.

No provision for Hong Kong Profits Tax has been made in the Condensed Financial Statements, as the Group has no assessable profit in Hong Kong for the period.

No provision for deferred taxation has been made in the Condensed Financial Statements, as there were no material timing differences arising during the period and at the balance sheet date.

7. DIVIDEND PAID

The Directors do not recommend the payment of an interim dividend for the three months and six months ended 30 June 2002 (three months and six months ended 30 June 2001: nil). The dividend represents the final dividend of HK 0.8 cents per share proposed by the Directors for the year ended 31 December 2001 and paid during the period.

8. EARNINGS PER SHARE

The calculation of basic earnings per share for the three months and six months ended 30 June 2002 is based on the consolidated profit attributable to shareholders of approximately HK\$2,629,000 and HK\$6,832,000 respectively (three months and six months ended 30 June 2001- HK\$5,273,000 and HK\$10,352,000 respectively) and on the weighted average number of approximately 320,000,000 shares (2001 - 240,000,000 shares) on the assumption that the Group Reorganisation as described in Note 1 had been completed on 1 January 2001.

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

	Three months ended 30 June		Six months ended 30 June	
	2002 HK\$'000 (Unaudited)	2001 HK\$'000 (Unaudited)	2002 HK\$'000 (Unaudited)	2001 HK\$'000 (Unaudited)
Earnings for the purposes of basic and diluted earnings per share	<u>2,629</u>	<u>5,273</u>	<u>6,832</u>	<u>10,352</u>
Weighted average number of ordinary shares for the purposes of basic earnings per share	320,000,000	240,000,000	320,000,000	240,000,000
Effect of dilutive potential ordinary shares:				
Options (Note)	<u>2,615,243</u>	—	<u>5,870,441</u>	—
Weighted average number of ordinary shares for the purposes of diluted earnings per share	<u>322,615,243</u>	<u>240,000,000</u>	<u>325,870,441</u>	<u>240,000,000</u>

Note: The average of share prices at the close of transaction days from 1 April 2002 to the end of June 2002, and from 4 January 2002, the listing date of the Company, to the end of June 2002 are adopted for the calculation of dilutive effect of the share options for the three months and six months ended 30 June 2002 respectively.

9. MOVEMENT OF PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired property, plant and equipment at a total cost of approximately HK3,626,000.

10. TRADE AND OTHER RECEIVABLES

The Group allows an average credit period ranging from 30 days to 120 days to its trade customers.

The following is an aged analysis of trade receivables at the reporting date:

	30 June 2002 HK\$'000 (Unaudited)	31 December 2001 HK\$'000 (Audited)
Trade receivables		
Within 30 days	8,925	8,898
Between 31 days and 120 days	20,880	22,954
More than 120 days	7,183	5,509
	36,988	37,361
Other receivables (Note)	1,638	27,936
	38,626	65,297

Note: Included in other receivables of the Group at 31 December 2001 was the cash balance of HK\$26,112,000 held by a custodian in respect of the proceeds arising from issue of shares through placing. The amount was released to the Group subsequent to 31 December 2001.

11. TRADE AND OTHER PAYABLES

The following is an aged analysis of trade payables at the reporting date:

	30 June 2002 HK\$'000 (Unaudited)	31 December 2001 HK\$'000 (Audited)
Trade payables		
Within 30 days	6,278	6,258
Between 31 days and 90 days	12,862	13,569
More than 90 days	7,551	6,258
	26,691	26,085
Other payables	8,347	13,975
	35,038	40,060

12. CAPITAL COMMITMENTS

As at 30 June 2002, the Group had outstanding capital expenditure of HK\$395,000 in respect of acquisition of property, plant and equipment contracted for but not provided in the Condensed Financial Statements.

13. OPERATING LEASE COMMITMENTS***The Group as lessee***

At 30 June 2002, the Group had future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due within one year amounting to HK\$237,000.

The Group as lessor

At 30 June 2002, the Group had contracted with tenants for the following future minimum lease payments:

	<i>HK\$'000</i>
Within one year	138
In the second to fifth year inclusive	27
	<u>165</u>

14. RELATED PARTY TRANSACTIONS

Name of related party	Nature of transactions	Three months ended 30 June		Six months ended 30 June	
		2002 HK\$'000 (unaudited)	2001 HK\$'000 (unaudited)	2002 HK\$'000 (unaudited)	2001 HK\$'000 (unaudited)
Glory Mark Electronic Limited (incorporated in Taiwan) ("GM Taiwan")	Sales of goods (Note c)	—	397	—	934
	Purchases of goods (Note a)	—	2,621	—	6,626
	Service fees paid (Note b)				
	— Research and development	—	103	—	206
	— Others	—	109	—	218
Glory Mark Enterprises Ltd. ("GM Enterprises")	Rentals paid (Note b)	63	71	126	146
C & C Technic Taiwan Co., Ltd. ("C & C")	Sales of goods (Note a)	240	19	322	62
	Purchases of goods (Note b)	<u>1,778</u>	<u>671</u>	<u>3,710</u>	<u>1,628</u>

Notes:

- (a) These transactions were carried out at cost plus a profit mark up.
- (b) These transactions were based on amounts agreed between the parties concerned.
- (c) The selling prices of these transactions were set at a predetermined percentage of the selling prices charged by GM (Taiwan) to its customers.

Mr. Pang Kuo-Shi ("Mr. Pang"), Mr. Wong Chun and Mr. Hsieh Chieh-Wen, the directors and the shareholders of the Company, together hold 79% interest in GM (Taiwan) and 100% interest in GM Enterprises. Mr. Pang's wife holds 11.67% interest in C & C.

The above transactions with GM Taiwan were discontinued in 2001.

MANAGEMENT DISCUSSION AND ANALYSIS

Turnover and profit

During the six months ended 30 June 2002 (the "Discussing Period"), turnover was HK\$69,133,000, representing a growth of 17.3% as compared to HK\$58,935,000 in the previous corresponding period. Net profit for the period was approximately HK\$6,832,000 (2001: HK\$10,352,000). Basic earnings per share was HK2.14 cents (2001: HK 4.31 cents).

The growth in turnover was mainly attributable to the marketing effort of the newly established Taiwan branch ("Taiwan Branch"). Sales to original equipment manufacturer ("OEM") customers was HK\$49,182,000, increased by 23.8% as compared to previous corresponding period. This was mainly attributable to the Group's effort in consolidating its relationship with one of the major Taiwan OEM customers. Sales to retail distributors recorded a mild increase of 3.9%, from HK\$19,194,000 of the previous corresponding period to HK\$19,951,000 of the Discussing Period.

Compared to previous corresponding period, sales to all customer markets except Japan for the six months ended 30 June 2002 increased. The increase in sales to Taiwan was especially satisfactory, which recorded an increment of 41.5% for the period under discussion as compared to the previous corresponding period. The decrease in sales to Japan was mainly caused by the Group's tightening its credit controls to a Japan retail distributor.

The gross profit for the six months ended 30 June 2002 was HK\$17,972,000, grew by 22.2% as compared to the previous corresponding period. The growth was attributable to the Group's launching of higher profit margin products.

Net profit was HK\$6,832,000 as compared to HK\$10,352,000 of the previous corresponding period. The decrease was mainly due to the increase in administrative expenses. In order to rationalise the Group structure and strengthen its marketing, material procurement and research and development capabilities, the Group established Taiwan Branch in the second half of 2001. The administrative expenses of Taiwan Branch in the Discussing Period was approximately HK\$3,640,000 (2001: Nil). In August 2001, the executive directors entered service contracts with the Group. The directors' remuneration of the Group for the six months ended 30 June 2002 was approximately HK\$2,597,000 (2001: HK\$248,000).

Period in review

Liquidity and financial resources

The financial position of the Group was strong. The Group has cash in hand of about HK\$39 million as of 30 June 2002. The Group had no interest bearing debt during the six months ended 30 June 2001 and 2002 respectively.

Material Investment and Capital Assets

No significant investments or material acquisitions and disposals of subsidiaries, which have significant impact on the financial results of the Group, were made in the six months ended 30 June 2002. To cope with the anticipated increase in demand for the Group's products and to facilitate its business developments, the Group is negotiating to purchase a factory premises in Tangxia Town. Compared to constructing a factory premises by our own, the Directors realised that purchase a factory premises will have the following comparative advantages:

- a. The new factory will take a shorter time to get into production;
- b. The costs of purchase a factory will be lower than the costs of constructing a factory of similar size;
- c. The burden to management of supervising the prolonged and tense constructing work can be released and the precious management resources can be re-allocated to generate new business opportunities.

If the purchase is smooth, the factory premises are expected to commence production in early 2003. The purchase expenditures of the factory premises will be paid out from the Group's internal resources. The Directors realised that the purchase of the new factory premises, if successful, will not lead to any financial burden to the Group.

Employees

As at 30 June 2002, the Group had 1,084 (2001: 962) employees. Employee remuneration, excluding directors' emoluments, for the six months ended 30 June 2002 was approximately HK\$9.5 million (2001: HK\$5.9 million). The increase in employee remuneration during the period was mainly due to the establishment of Taiwan Branch in late 2001. The employee remuneration of Taiwan Branch for the six months ended 30 June 2002 was approximately HK\$2.5 million (2001: Nil).

The pay scale of the Group's employees is maintained at a competitive level and employees are rewarded on a performance-related basis within the general framework of the Group's salary and bonus systems, which is reviewed annually. The Company had granted options to its employees prior to its listing, details of which can be referred to the prospectus issued by the Company dated 18 December 2001.

OUTLOOK

Looking ahead, the Directors anticipated that the growth rates of global demands on personal computers and LCD monitors would be mildly flattened in the second half of this year while the global demand on notebook computers was expected to grow satisfactorily. The Directors realised that the global trend of the consolidation of mobile communication products, computer information products and digital home appliances would generate new business opportunities to the Group.

The Group will fully utilise the capabilities of Taiwan Branch as well as its connection networks in the Mainland China, Taiwan and Hong Kong to explore new business opportunities and attain a better operational result.

Taking into account of these factors, the Directors are optimistic to the prospect of the Group.

COMPARISON OF BUSINESS OBJECTIVES LISTED IN THE PROSPECTUS WITH ACTUAL BUSINESS PROGRESS

Business Objectives as stated in the Prospectus	Actual Business Progress for the six months ended 30 June 2002
— Production capability and capacity	1. Increase of machineries, tools and equipments amounted to HK\$862,000 approximately. 2. Balance payment for the purchase of an automated testing equipment for IEEE-1394, DVI, USB2.0 products amounted to HK\$539,000 approximately 3. Acquired new computers amounted to HK\$91,000 approximately.
— Research and development	1. Increase of new testing equipment for R&D amounted to HK\$26,000 approximately.
— Sales and marketing	1. Participated in computer-related trade fairs in Hannover and Taipei amounted to HK\$73,000 approximately.

DIRECTORS' INTERESTS IN SHARES

As at 30 June 2002, the interests of the Directors and their associates in the share capital of the Company as recorded in the register maintained under Section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") of the Company or which required, pursuant to Rules 5.40 to 5.59 of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules"), to be notified to the Company and the Stock Exchange were as follows:

i. Shares of the Company

Name of Director	Number of Shares				Total
	Personal interests	Family interests	Corporate interests	Other interests	
Mr. Pang Kuo-Shi ("Mr. Pang")	—	139,808,000 <i>(note)</i>	—	—	139,808,000
Mr. Wong Chun ("Mr. Wong")	58,272,000	—	—	—	58,272,000
Mr. Hsia Chieh-Wen ("Mr. Hsia")	34,944,000	—	—	—	34,944,000

Note: Modern Wealth Assets Limited held the 139,808,000 shares. Modern Wealth Assets Limited is a wholly owned subsidiary of True Profit Management Limited, which in turn is a wholly-owned subsidiary of HSBC International Trustee Limited, the trustee of a discretionary trust, the Pang's Family Trust. Mr. Pang's wife is the discretionary object of the Pang's Family Trust.

ii. Share options

Name of Director	Number of share options	Date of grant	Exercise price per share <i>HK\$</i>	Expiration date
Mr. Pang	8,000,000	13 December 2001	0.30	12 December 2006
Mr. Wong	6,000,000	13 December 2001	0.30	12 December 2006
Mr. Hsia	3,000,000	13 December 2001	0.30	12 December 2006
Mr. Wong Ngok Chung	3,000,000	13 December 2001	0.30	12 December 2006

No share option was exercised by the directors to subscribe for shares in the Company during the period.

Save as disclosed above, as at 30 June 2002, none of the directors or their associates had any personal, family, corporate or other interests in the shares of the Company or its associated corporations as defined in the SDI Ordinance or which, pursuant to Rules 5.40 to 5.59 of the GEM Listing Rules, were required to be notified to the Company and the Stock Exchange.

SHARE OPTIONS SCHEME

On 13 December 2001, the Directors approved Post-IPO Share Option Scheme and Pre-IPO Share Option Scheme (the "Schemes"). The summary of the terms of the Schemes has been set out in Appendix IV of the Prospectus dated 18 December 2001 under the section headed "Share Option Schemes". On 13 December 2001, the Directors granted options to subscribe for an aggregate of 32,000,000 ordinary shares of the Company. Details of the options granted are as follows:

Categories of grantees	Total number of grantees	Number of options granted on	Number of options outstanding	Exercise price per share <i>HK\$</i>	Exercisable period
		13 December 2001	at 30 June 2002		
Executive Directors	20,000,000	20,000,000	20,000,000	0.30	30% in 13.12.2002 - 12.12.2006 30% in 13.12.2003 - 12.12.2006 40% in 13.12.2004 - 12.12.2006
Employees	12,000,000	12,000,000	12,000,000	0.30	30% in 13.12.2002 - 12.12.2006 30% in 13.12.2003 - 12.12.2006 40% in 13.12.2004 - 12.12.2006
Total	<u>32,000,000</u>	<u>32,000,000</u>	<u>32,000,000</u>		

No share options were granted or exercised by the directors/other employees to subscribe for shares in the Company during the period.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2002, the register required to be kept under Section 16(1) of the SDI Ordinance showed that the Company has been notified of the following interests of 10% or more in the issued share capital of the Company:

Name of shareholder	Number of issued shares held	Percentage of holding
Modern Wealth Assets Limited	139,808,000	43.69%
Mr. Wong Chun	58,272,000	18.21%
Mr. Hsia Chieh-Wen	34,944,000	10.92%

Save as disclosed above, the Company had no notice of any other interests to be disclosed under Section 16(1) of the SDI Ordinance as at 30 June 2002.

SPONSOR'S INTERESTS

As at 30 June 2002, neither Kingston Corporate Finance Limited (the "Sponsor"), or its directors, employees or associates had any interest in the securities of the Company or any member of the Group, or any right to subscribe for or to nominate persons to subscribe for the securities of the Company or any members of the Group.

CORPORATE GOVERNANCE

The Company has complied throughout the six months ended 30 June 2002 with the board practices and procedures as set out in Rules 5.28 to 5.39 of the Rules Governing the Listing of Securities on the GEM.

INTERESTS IN COMPETITORS

During the six months ended 30 June 2002, none of the directors or the management shareholders or their respective associates of the Company had an interest in a business which competes or may compete with the business of the Group.

AUDIT COMMITTEE

The Company has established an audit committee on 13 December 2001. The primary duties of the audit committee are to review and supervise the financial reporting and internal control procedures. The audit committee comprises two members, Mr. Lau Ho Kit, Ivan and Dr. Hon. Lui Ming Wah, JP, who are independent non-executive directors of the Company.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company's shares were listed on the GEM on 4 January 2002. Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares during the period ended 30 June 2002.

On behalf of the Board

Pang Kuo-Shi, Steve

Chairman

Hong Kong Special Administrative Region of the People's Republic of China
13 August 2002