PINE TECHNOLOGY HOLDINGS LIMITED

Interim Report 2002/2003

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This document, for which the directors of PINE 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 PINE 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 document 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 document misleading; and (3) all opinions expressed in this document have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

HIGHLIGHTS FOR THE HALF-YEARLY PERIOD

- Revenue reported at approximately US$59,025,000 for the Quarterly Period.
- Net profit attained at approximately US$215,000 for the Quarterly Period.
- Revenue of group brand products for the Half-Yearly Period growth by approximately 36.87% to approximately US$55,929,000 compared to corresponding period in 2001.

INTERIM RESULTS

On behalf of the board of the directors (the "Directors") of PINE Technology Holdings Limited (the "Company"), I am pleased to present the unaudited operating results of the Company and its subsidiaries (collectively, the "Group") for the six months (the "Half-Yearly Period") and the three months (the "Quarterly Period") ended 31 December 2002. The interim report for the six months ended 31 December 2002 has been reviewed by the Company's audit committee.

Half-Yearly Period

The unaudited consolidated loss of the Group for the Half-Yearly Period was approximately US$1,824,000 compared to the unaudited consolidated loss of the Group of approximately US$768,000 for the corresponding half-yearly period in 2001. Unaudited consolidated turnover of the Group for the Half-Yearly Period was approximately US$121,621,000, representing an increase of about 2.09% over the unaudited consolidated turnover of the Group of approximately US$119,131,000 for the corresponding half-yearly period in 2001.

The unaudited gross profit margin of the Group was approximately 7.18% for the Half-Yearly Period which was about 20.31% lower than the unaudited gross profit margin of the Group of approximately 9.01% for the corresponding half-yearly period in 2001.

Quarterly Period

The unaudited consolidated profit of the Group for the Quarterly Period was approximately US$215,000 compared to the unaudited consolidated profit of the Group of approximately US$509,000 for the corresponding quarterly period in 2001. Unaudited consolidated turnover of the Group for the Quarterly Period was about US$59,025,000, representing a drop of about 8.74% over the unaudited consolidated turnover of the Group of US$64,680,000 for the corresponding quarterly period in 2001.

The unaudited gross profit margin of the Group was approximately 9.32% for the Quarterly Period which was about 0.96% lower than the unaudited gross profit margin of the Group of approximately 9.41% for the corresponding quarterly period in 2001.

BUSINESS REVIEW

Against a weak global economic environment which adversely impacted many technology companies, PINE was able to sustain the momentum of the last quarter by achieving steady revenue growth to approximately US$121.6 million for the first six months of the fiscal year 02/03. This enabled the Group to achieve approximately 2.09% revenue growth over the same period last year. The performance reflected continued disciplined execution of the Group's consolidation and business strategies. The unaudited gross profit margin fell to 7.18% for the Half-Yearly Period in 2002 compared to 9.01% for the corresponding period in 2001.

In the past six months, we witnessed the benefit of the management's strategic focuses on Mass Merchant channel expansion, business overhauling and market re-position. The gross profit margin for the Quarterly Period in 2002 was 9.32%, showing a great improvement compared to 5.17% in the first quarter 2002. Solid gross profit improvement was sustained through PINE creative development and continuous introduction of new PINE products to the market. Sales revenue of its self-developed products recorded over 36.87% growth from US$40.9 million in the last corresponding six months to approximately US$55.9 million in this Half-Yearly Period.

We are pleased with this quarter's performance amid an intense competition and a weakened global economy. We are confident that the business is on the right track and that our business strategies will contribute sustainable revenue and improve margin in the coming quarters when the business environment improves.

BUSINESS PROSPECTS

PINE's operations are now reaching a critical mass that can sustain solid revenue growth against a well-managed and competitive cost base. The management is convinced in the long-term future of the industry. Any continuing weakness in the overall economy will inevitably force business to compete by operating more cost effectively. Yet, innovative product development and well-positioned channel and market positions will allow PINE to seize the fresh demands for technology products.

To expand our revenue base, the Group will continue to explore new prospective business opportunities by focusing on its well-connected channels, particularly the Mass Merchant channel, well-received PINE branded products as well as valuable strategic partnerships.

I would like to close by thanking the management and staff who made this a successful quarter through their hard work, creativity and continuing dedication.

Unaudited Consolidated Profit and Loss Account

The unaudited consolidated results of the Group for the Half-Yearly and the Quarterly Period together with the unaudited comparative figures for the corresponding periods in 2001 are as follows:

		Unaudited			
		Six months ended 31 December		Three months ended 31 December	
		2002	2001	**2002**	2001
	Notes	***US$'000***	*US$'000*	***US$'000***	*US$'000*
Turnover	2	**121,621**	119,131	**59,025**	64,680
Cost of sales		**(112,888)**	(108,394)	**(53,526)**	(58,596)
Gross profit		**8,733**	10,737	**5,499**	6,084
(Loss)/profit from operation		**(1,183)**	(117)	**778**	859
Profit on disposal of investment in securities		**375**	–	**–**	–
Loss on disposal of a subsidiary		**–**	(28)	**–**	(28)
Finance costs		**(997)**	(697)	**(544)**	(349)
(Loss)/profit before taxation	3	**(1,805)**	(842)	**234**	482
Taxation	4	**(16)**	(175)	**5**	(137)
(Loss)/profit after taxation		**(1,821)**	(1,017)	**239**	345
Minority interests		**(3)**	249	**(24)**	164
(Loss)/profit for the period		**(1,824)**	(768)	**215**	509
(Loss)/earnings per share (US cents)	5				
– Basic		**(0.267)**	(0.112)	**0.031**	0.075
– Diluted		**N/A**	N/A	**0.030**	0.067

Condensed Consolidated Balance Sheet

The unaudited consolidated balance sheet as at 31 December 2002, together with the audited balance sheet as at 30 June 2002 are as follows:

	Notes	**(Unaudited) 31 December 2002 *US$'000***	(Audited) 30 June 2002 *US$'000*
Non-current assets			
Property, plant and equipment		**7,386**	7,873
Development costs		**395**	912
Technical know-how		**298**	397
Trade mark		**90**	90
Investments in securities		**3,478**	4,833
Investments in a jointly controlled entity		**5,154**	5,154
Goodwill		**202**	207
		17,003	19,466
Current assets			
Inventories		**21,038**	20,671
Trade receivables	6	**47,977**	42,914
Other current assets		**11,198**	4,004
Pledged bank deposits		**6,179**	6,085
Bank balances and cash		**9,704**	11,531
		96,096	85,205
Current liabilities			
Trade payables	7	**14,175**	11,365
Other payables		**5,492**	2,922
Bills payable		**1,686**	3,322
Borrowings		**37,774**	30,015
		59,127	47,624
Net current assets		**36,969**	37,581
Total assets less current liabilities		**53,972**	57,047
Non-current liabilities			
Borrowings and debts		**7,987**	8,374
Deferred taxation		**138**	143
		8,125	8,517
Net assets		**45,847**	48,530
Capital and reserves			
Share capital		**8,790**	8,790
Share premium and reserves	8	**37,000**	39,686
		45,790	48,476
Minority interest		**57**	54
		45,847	48,530

Condensed Consolidated Cash Flow Statement

The unaudited consolidated cash flow statement for the Half-Yearly Period, together with the unaudited comparative figures for the corresponding period in 2001 are as follows:

	Unaudited Six months ended 31 December	
	2002	2001
	US$'000	*US$'000*
Net cash outflow from operating activities	**(8,760)**	(5,751)
Net cash inflow/(outflow) from investing activities	**720**	(1,585)
Net cash inflow from financing	**6,416**	5,558
Decrease in cash and cash equivalents	**(1,624)**	(1,778)
Cash and cash equivalents at 1st July	**11,531**	11,450
Effect of foreign exchange rate changes	**(203)**	40
Cash and cash equivalents at 31st December	**9,704**	9,712

Consolidated Statement of Changes in Equity

The unaudited consolidated statement of movement in equity for the Half-Yearly Period, together with the unaudited comparative figures for the corresponding period in 2001 are as follows:

	Unaudited Six months ended 31 December	
	2002	2001
	US$'000	*US$'000*
At beginning of the period – Total equity	**48,476**	45,852
Net gains and losses not recognised in the profit and loss account		
Investment revaluation reserve released upon disposal of a non-current investment in securities	**(560)**	–
Goodwill reserve released upon disposal of a subsidiary	**–**	33
Exchange differences	**(302)**	43
	47,614	45,928
Loss for the period	**(1,824)**	(768)
At end of the period – Total equity	**45,790**	45,160

Notes to condensed interim accounts:

1. Basis of presentation

The unaudited condensed consolidated interim accounts are prepared in accordance with Statement of Standard Accounting Practice ("SSAP") 25, Interim Financial Reporting, issued by the Hong Kong Society of Accountants and the disclosure requirements set out in Chapter 18 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

The accounting policies and methods of computation used in the preparation of interim accounts are consistent with those used in the annual accounts for the year ended 30 June 2002.

In the current period, the Group has adopted, for the first time, a number of revised Statements of Standard Accounting Practice issued by the Hong Kong Society of Accountants, which has resulted in the adoption of the following revised accounting policies.

Foreign currencies

The revisions to SSAP 11 Foreign Currency Translation have eliminated the choice of translating the income statements of subsidiaries at closing rate for the period. They are now required to be translated at an average rate. Accordingly, on consolidation, the assets and liabilities of the Group's subsidiaries are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are classified as equity and transferred to the Group's exchange reserve . Such translation differences are recognized as income or as expenses in the period in which the subsidiary is disposed of. This change in accounting policy has not had any material effect on the results for the current or prior accounting periods.

Cash flow statements

In the current period, the Group has adopted SSAP 15 (Revised) Cash Flow Statements. Under SSAP 15 (Revised), cash flows are classified under three headings, operating, investing and financing, rather than the previous five headings. Interest, which were previously presented under a separate heading, are classified as financing cash flows. Cash flows arising from taxes on income are classified as operating activities, unless they can be separately identified with investing or financing activities. In additions, the amounts presented for cash and cash equivalents have been amended to exclude short-term loans that are financing in nature.

Certain comparative figures have been reclassified to conform with the current period's presentation.

2. Segment information

For management purposes, the Group is currently organized into two operating divisions – (i) manufacture and sales of products under the Group's brand names ("Group brand products"); and (ii) distribution of other manufacturers' products ("Other brand products"). These divisions are the basis on which the Group reports its primary segment information.

An analysis of the Group's turnover and results for the Half-Yearly Period together with the corresponding period in 2001 by business segment is presented below:

	Group brand products		Other brand products		Consolidated	
	2002	2001	**2002**	2001	**2002**	2001
	US$'000	*US$'000*	***US$'000***	*US$'000*	***US$'000***	*US$'000*
Revenue						
External sales	**55,929**	40,863	**65,692**	78,268	**121,621**	119,131
Result						
Segment result	**(294)**	309	**(188)**	168	**(482)**	477
Unallocated other revenue					**44**	63
Unallocated corporate expense					**(745)**	(657)
Loss from operations					**(1,183)**	(117)
Profit on disposal of investment in Securities					**375**	–
Loss on disposal of a subsidiary					**–**	(28)
Finance costs					**(997)**	(697)
Loss before taxation					**(1,805)**	(842)
Taxation					**(16)**	(175)
Loss before minority interest					**(1,821)**	(1,017)
Minority interest					**(3)**	249
Net loss for the period					**(1,824)**	(768)
Assets						
Segment assets	**69,641**	53,822	**33,481**	42,526	**103,122**	96,348
Unallocated assets					**9,977**	3,248
Consolidated total assets					**113,099**	99,596
Liabilities						
Segment liabilities	**12,203**	12,909	**9,135**	10,344	**21,338**	23,253
Unallocated liabilities					**45,914**	31,343
Consolidated total liabilities					**67,252**	54,596
Other information						
Capital expenditure	**325**	486	**31**	–	**356**	486
Depreciation and amortization	**1,124**	1,246	**242**	523	**1,366**	1,769

The unaudited geographical segment information for the Half-Yearly Period and the corresponding half-yearly period in 2001 is as follows:

	Turnover by geographical market		Carrying amount of segment assets		Capital expenditures	
	2002	2001	**2002**	2001	**2002**	2001
	US$'000	*US$'000*	***US$'000***	*US$'000*	***US$'000***	*US$'000*
North America	**73,422**	76,891	**28,912**	27,294	**12**	–
Europe	**23,422**	9,694	**8,971**	4,120	**17**	–
Asia	**20,833**	25,942	**73,024**	56,971	**327**	486
Others	**3,944**	6,604	**2,192**	11,211	**–**	–
	121,621	119,131	**113,099**	99,596	**356**	486

3. (Loss)/profit before taxation

	Six months ended 31 December		Three months ended 31 December	
	2002	2001	**2002**	2001
	US$'000	*US$'000*	***US$'000***	*US$'000*
(Loss)/profit before taxation has been arrived at after charging:				
Depreciation and amortization	**1,366**	1,769	**783**	1,148
Loss on disposal of fixed assets	**–**	35	**–**	35

4. Taxation

	Six months ended 31 December		Three months ended 31 December	
	2002	2001	**2002**	2001
	US$'000	*US$'000*	***US$'000***	*US$'000*
The charge comprises:				
– Hong Kong Profits Tax	**–**	–	**–**	–
– Taxation arising in other jurisdictions	**(16)**	(175)	**5**	(137)
	(16)	(175)	**5**	(137)

Hong Kong Profits Tax is calculated at 16% on the estimated assessable profit for the Period.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

5. Loss/earnings per share

No diluted earnings per share has been presented for the Half-Yearly Period and the corresponding half-yearly period because the exercise of the Company's outstanding share options and conversion of the Company's outstanding convertible bonds would result in a decrease in net loss per share.

The calculation of the basic (loss)/earnings per share for the Half-Yearly Period, the Quarterly Period, the corresponding half-yearly period and quarterly period in 2001, and diluted earnings per share for the Quarterly Period and the corresponding quarterly period in 2001 are based on the following data:

	Six months ended 31 December		**Three months ended 31 December**	
	2002	2001	**2002**	2001
(Losses)/earnings for the purpose of: basic (losses)/earnings per share (US$)	**(1,824,000)**	(768,000)	**215,000**	509,000
Effect of dilutive potential ordinary shares in respect of: – Interest on convertible bonds	**–**	–	**22,500**	22,500
	(1,824,000)	(768,000)	**237,500**	531,500
Weighted average number of ordinary shares for the purpose of basic (losses)/earnings per share	**682,786,000**	682,786,000	**682,786,000**	682,786,000
Effect of dilutive potential ordinary share in respect of: – Convertible bonds	**N/A**	N/A	**109,808,893**	109,808,893
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**N/A**	N/A	**792,594,893**	792,594,893

The share options have no dilutive effect on ordinary shares for the Quarterly Period and the corresponding quarterly period in 2001 because the exercise price of the Company's share options was higher than the average market price for shares for the period.

6. Trade receivables

The Group allows a credit period of 0 to 180 days to its trade customers. The following is an aged analysis of trade receivable:

	31 December 2002 *US$'000*	30 June 2002 *US$'000*
Current	**23,645**	23,191
1 to 30 days	**8,996**	6,880
31 to 60 days	**4,916**	2,560
Over 60 days	**10,420**	10,283
	47,977	42,914

7. Trade payables

The following is an aged analysis of trade creditors:

	31 December 2002 *US$'000*	30 June 2002 *US$'000*
Current	**6,895**	6,924
1 to 30 days	**4,247**	2,977
31 to 60 days	**1,528**	855
Over 60 days	**1,505**	609
	14,175	11,365

8. Share premium and reserves

	Share premium account US$'000	Surplus account US$'000	Exchange reserve US$'000	Goodwill reserve US$'000	Capital reserve US$'000	Investments revaluation reserve US$'000	Accumulated profits US$'000	Total US$'000
Balance at 1 July 2001	22,215	2,954	(192)	(1,611)	63	–	13,633	37,062
Exchange differences on translation of overseas operations	–	–	40	3	–	–	–	43
Released upon disposal of a subsidiary	–	–	–	33	–	–	–	33
Loss for the period	–	–	–	–	–	–	(768)	(768)
Balance at 31 December 2001	22,215	2,954	(152)	(1,575)	63	–	12,865	36,370
Balance at 1 July 2002	**22,215**	**2,954**	**(1)**	**(1,578)**	**67**	**1,997**	**14,032**	**39,686**
Exchange differences on translation of overseas operations	**-**	**-**	**(302)**	**-**	**-**	**-**	**-**	**(302)**
Release on disposal of a non-current investment in securities	**-**	**-**	**-**	**-**	**-**	**(560)**	**-**	**(560)**
Loss for the period	**-**	**-**	**-**	**-**	**-**	**-**	**(1,824)**	**(1,824)**
Balance at 31 December 2002	**22,215**	**2,954**	**(303)**	**(1,578)**	**67**	**1,437**	**12,208**	**37,000**

INTERIM DIVIDEND

The directors do not recommend the payment of an interim dividend for the Half-Yearly Period and the Quarterly Period.

The Group has not declared any dividends for the corresponding half-yearly period and quarterly period 2001.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Liquidity, financial resources and charge of group asset

As at 31 December 2002, the group's borrowings comprised mainly short-term loans of approximately US$37,774,000 (30 June 2002: approximately US$30,015,000) and long-term loans of approximately US$7,987,000 (30 June 2002: approximately US$8,374,000). The aggregate borrowings were approximately US$45,761,000 (30 June 2002: approximately US$38,389,000) of which approximately US$42,761,000 (30 June 2001: approximately US$35,101,000) were partially secured by pledged bank deposits or by all assets of certain subsidiaries as floating charges to banks.

As at 31 December 2002, total pledged bank deposits and all assets of certain subsidiaries as floating charges were amounted approximately US$6,179,000 and US$34,726,000 respectively (30 June 2002: approximately US$6,085,000 and US$26,808,000). As at 31 December 2002, total amount of banking facilities available were approximately US$49,606,000 (30 June 2002: approximately US$55,481,000). Despite the increase in borrowing, the Group continued to maintain a healthy financial and cash position. As at 31 December 2002, the total cash on hand amounted approximately US$9,704,000. (30 June 2002: approximately US$11,531,000).

Capital structure

On 30 August 2001, an agreement was entered into between the Company and an independent institutional investor relating to the subscription and issue of 3% Convertible Bonds (As disclosed in Discloseable transaction announcement on 5 September 2001 and Discloseable transaction circular on 25 September 2001) due on 30 August 2004. The subscription and issue of the Original Tranche 1 Bonds took place on 31 August 2001 and the Company received in cash the sum of US$2,957,000, net of arrangement fee. All the proceeds were used as general working capital of the Group to support the sales and purchase cycle, including inventories, trading receivables and payables.

A three years term loan of US$4,000,000 was arranged with a bank in Hong Kong to be due on October 2004, in which approximately US$2.65 million was used to finance an acquisition of the Taiwan motherboard manufacturer, Pro Team Computer Corporation, the balance of the loan was placed in fixed deposit. Except for the 3% Convertible Bonds, all other borrowings bear interest ranging from 4.3% to 5.5% per annum. The Group's overall treasury policies are prudent, with a focus on risk management, and those transactions which are directly related to the underlying business of the Group.

Investment held and future plan for investment

For the period up to 30 June 2002, the Group beneficially owned 18% share in Synerex Inc., which principally engaged in the provision of mobile phone hardware solutions subsequently listed on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited as QUASAR Communication Technology Holdings Limited. The investment is partially disposed during the IPO, resulting in a gain on disposal of US$375,000 in the first quarter of this financial year.

A joint venture agreement was entered on 20 May 2002 with two independent third parties. The joint venture will be principally engaged in manufacture and distribution of computer related hardware. The total investment of the joint venture is approximately RMB100 million, the group will share about 42.5%. The joint venture will be funded by internally generated resources of the Group.

Material acquisitions

There were no material acquisitions and disposals of subsidiaries and affiliated companies during the Half-Yearly Period.

Staff

As at 31 December 2002, the Group maintained similar level of staff, at market remuneration with employee benefits such as medical coverage, insurance plan, pension fund scheme, discretionary bonus and employee share option scheme. Staff cost, including director's emoluments, was approximately US$4.1 million for the half year ended 31 December 2002 as compared with that of approximately US$4.4 million for the corresponding period of the preceding financial year. The decrease was resulted from the streamlining activities and reorganisation.

Gearing ratio

As at 31 December 2002, the gearing ratio of the Group, based on total liabilities over total assets was approximately 59.46%. (30 June 2002: approximately 53.64%).

Exchange risk

The Group's major foreign exchange payments arise from the import of components and materials, and repayments of foreign currency loans, that are principally denominated in US dollars, Hong Kong dollars, Canadian dollars and New Taiwan dollars. For settlement of import payments and foreign currency loans, the Group maintains its foreign exchange balance by its export revenue, that are principally denominated in US dollars, Canadian dollars and New Taiwan dollars. The unsecured risk will be foreign currency payables and loan exceeds its foreign currency revenue. The directors believe that the Group will have sufficient foreign exchange to meet its foreign exchange requirement. When necessary, forward exchange contracts will be used to hedge against foreign currency exposures. As at 31 December 2002, the Group has no significant exposure under foreign exchange.

Contingent liabilities

At 31 December 2002, the Group had bills discounted with recourse amounting to approximately US$72,000. (30 June 2002: approximately US$147,000).

Segment information

Group brand products

Revenue growth by 36.87% to US$55,929,000 for the Half-Yearly Period, this is contributed through our 2001/2002 strategy change of putting more resources and focus on our own brand product line while at the same time also doing a streamlined overhaul to the whole product line and putting the concentration more onto the still growing video graphic technology. This resulted in a larger number of new products launched each year and larger market share established in various markets.

Other brand products

Revenue reduced by 16.07% to US$65,692,000 for the Half-Yearly Period, this is contributed through our previously executed strategy change of putting less resources and focus on the lower profit nature of other brand products. Secondly, our other brand product has undergone a consolidation and reduction of the number of other brand products carrying, as part of the operation consolidation exercise in simplifying the Group's operation flow and structure. This resulted streamlined product width of the other brand product is the main contributor to the lower revenue from this sector.

DIRECTORS' INTERESTS IN SHARE CAPITAL AND OPTIONS

Interests in Share Capital

As at 31 December 2002, the interests of the directors and their associates' interest in the share capital of the Company as recorded in the register maintained by the Company pursuant to Section 29 of Hong Kong Securities (Disclosure of interests) Ordinance (the "SDI Ordinance") are as follows:

Director	Corporate interests	Personal interests	Family interests	Other interests	Total interests
Chiu Hang Tai	161,766,000 *(Note 1)*	–	–	–	161,766,000
Ong Se Mon	90,486,000 *(Note 2)*	318,000	–	–	90,804,000

Notes:

1. These shares are beneficially owned by and registered in the name of Alliance Express Group Limited. Mr. Chiu Hang Tai beneficially owns the entire issued share capital of Alliance Express Group Limited.

2. These shares are beneficially owned by and registered in the name of Maiden Undertaking Limited. Mr. Ong Se Mon beneficially owns the entire issued capital of Maiden Undertaking Limited. Mr. Ong Se Mon subsequently resigned as director of the Company on 16 January 2003.

In addition to above, Mr. Chiu Hang Tai beneficially owned 600,000 non-voting deferred shares in Pineview Industries Limited, a subsidiary of the Group as at 31 December 2002. The non-voting deferred shares practically carry no right to dividend or to receive notice of or to attend or vote at any general meeting of the company. On winding up, the holders of the deferred shares are entitled to distribution out of the remaining assets of the subsidiary only after the distribution of HK$1,000 million, as specified in the articles of association of the company, to holders of ordinary shares.

Apart from the above, none of the Directors or their associates had any personal, family, corporate or other interests in the equity of the Company or any of its associated corporations as at 31 December 2002.

Interests in Share Options

Pursuant to the share option scheme of the Company adopted on 9 November 1999, the Directors and employees of the Company and its subsidiaries may be granted share options to subscribe for shares of HK$0.10 each of the Company.

As at 31 December 2002, share options of Directors to subscribe for shares in the Company are as follows:

Name of Director	**Date of grant**	**Exercisable period**	**Exercise price** *HK$*	**Option granted**
Chiu Hang Tai	31.1.2000	28.1.2001 to 27.1.2006	1.674	1,088,000
	31.1.2000	28.1.2002 to 27.1.2007	1.674	1,088,000
	10.7.2000	28.1.2001 to 27.1.2004	1.056	1,088,000
Ong Se Mon	31.1.2000	28.1.2001 to 27.1.2006	1.674	1,904,000
	31.1.2000	28.1.2002 to 27.1.2007	1.674	1,904,000
	10.7.2000	28.1.2001 to 27.1.2004	1.056	1,904,000
Chiu Hang Chin, Samson	31.1.2000	28.1.2001 to 27.1.2006	1.674	1,088,000
	31.1.2000	28.1.2002 to 27.1.2007	1.674	1,088,000
	10.7.2000	28.1.2001 to 27.1.2004	1.056	1,088,000

As at 31 December 2002, none of the Directors have exercised any of the share options and no allotment and issue of shares pursuant to the exercise of share options have been made nor was there any cancellation and/or re-issue of share options.

Saved as disclosed above, at no time during the Half-Yearly Period was the Company or any of its subsidiaries a party to any arrangement to enable the Directors, their respective spouse or children under 18 years of age to acquire the benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2002, in addition to those interests as disclosed above in respect of the Directors, according to the register of substantial shareholders required to be maintained under Section 16(1) of the SDI Ordinance, the Company had been notified of the following interests, being 10% or more in the issued share capital of the Company.

Name	Number of shares held *(Note)*	Percentage of issued share capital
Mr. Chiu Kwong Chi	174,998,732	25.63%
Madam Wong Wai Ying	174,998,732	25.63%
Concept Express Investments Limited	122,760,000	17.98%

Note: Mr. Chiu Kwong Chi is the husband of Madam Wong Wai Ying. By virtue of the SDI Ordinance, Mr. Chiu Kwong Chi and Madam Wong Wai Ying are each deemed to be interested in 174,998,732 shares of which 122,760,000 shares are beneficially owned and registered in the name of Concept Express Investments Limited, which is beneficially owned as to 47.82% of its entire issued share capital by Mr. Chiu Kwong Chi; and 52,238,732 shares are beneficially owned and registered in the name of Fireball Resources Limited which is wholly owned by Madam Wong Wai Ying.

COMPETING INTERESTS

None of the Directors or the management shareholders of the Company (as defined in the GEM Listing Rules) had an interest in a business which competes or may compete with the business of the Group.

AUDIT COMMITTEE

The Company established an audit committee on 9 November 1999 with written terms of reference in compliance with Rules 5.23, 5.24 and 5.25 of the GEM Listing Rules. The audit committee has two members comprising the two independent non-executive Directors, Mr. Li Chi Chung and Mr. So Hon Cheung, Stephen.

BOARD PRACTICES AND PROCEDURES

The Company has complied with the board practices and procedures as set out in Rules 5.28 to 5.39 of the GEM Listing Rules for the Half-Yearly Period.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the Half-Yearly Period, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

By order of the Board
Chiu Hang Tai
Chairman

Hong Kong, 13 February 2003