

INTERIM REPORT 2003

Glory Mark



GLORY MARK HI-TECH (HOLDINGS) LIMITED
(Incorporated in the Cayman Islands with limited liability)

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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 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.

FINANCIAL HIGHLIGHTS

	Three months ended		Increase %	Six months ended		Increase %
	30 June			30 June		
	2003 HK\$'000 (Unaudited)	2002 HK\$'000 (Unaudited)		2003 HK\$'000 (Unaudited)	2002 HK\$'000 (Unaudited)	
Turnover	43,869	31,796	38.0%	87,338	69,133	26.3%
Gross profit	10,950	8,279	32.3%	22,301	17,972	24.1%
Net profit attributable to shareholders	5,799	2,629	120.6%	11,962	6,832	75.1%
Dividend	1,920	—	—	1,920	—	—
Basic earnings per share	HK1.81 cents	HK0.82 cents	120.7%	HK3.74 cents	HK2.14 cents	74.8%

INTERIM RESULTS

The board of directors (the “Directors”) of Glory Mark Hi-Tech (Holdings) Limited (the “Company”) is pleased to present the unaudited results of the Company and its subsidiaries (together, the “Group”) for the three months (the “Second Quarterly Period”) and six months (the “Half-Yearly Period”) ended 30 June 2003 together with the comparative unaudited figures for the corresponding periods in 2002 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENTS*For the three months and six months ended 30 June 2003*

	Notes	Three months ended 30 June		Six months ended 30 June	
		2003 HK\$'000 (Unaudited)	2002 <i>HK\$'000</i> <i>(Unaudited)</i>	2003 HK\$'000 (Unaudited)	2002 <i>HK\$'000</i> <i>(Unaudited)</i>
Turnover	3	43,869	31,796	87,338	69,133
Cost of sales		(32,919)	(23,517)	(65,037)	(51,161)
Gross profit		10,950	8,279	22,301	17,972
Other operating income		2,718	538	4,880	956
Selling and distribution expenses		(1,802)	(1,103)	(3,068)	(2,035)
Administrative expenses		(5,544)	(4,847)	(11,377)	(9,655)
Profit from operations	5	6,322	2,867	12,736	7,238
Finance costs		—	—	—	(1)
Share of result of an associate		(84)	—	(72)	—
Profit before taxation		6,238	2,867	12,664	7,237
Taxation	6	(439)	(238)	(702)	(405)
Profit for the period		5,799	2,629	11,962	6,832
Dividend	7	1,920	—	1,920	—
Earnings per share	8				
Basic		HK1.81 cents	HK0.82 cents	HK3.74 cents	HK2.14 cents
Diluted		N/A	HK0.81 cents	N/A	HK2.10 cents

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2003

		30 June 2003	31 December 2002
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	9	17,847	17,511
Investment properties	9	780	780
Interest in an associate		1,230	1,302
		19,857	19,593
CURRENT ASSETS			
Inventories		9,224	5,845
Trade and other receivables	10	57,490	46,342
Tax recoverable		7	7
Bank balances and cash		47,111	43,172
		113,832	95,366
CURRENT LIABILITIES			
Trade and other payables	11	52,797	41,645
Amounts due to related companies		17	606
Amounts due to directors		—	338
Tax payable		4,282	3,580
		57,096	46,169
NET CURRENT ASSETS			
		56,736	49,197
		76,593	68,790
CAPITAL AND RESERVES			
Share capital		32,000	32,000
Reserves		44,593	36,790
		76,593	68,790

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY*For the six months ended 30 June 2003*

	Share Capital	Merger Reserve	Translation Reserve	Accumulated Profits	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
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
Final dividend for 2001	—	—	—	(2,560)	(2,560)
	<u>32,000</u>	<u>680</u>	<u>2</u>	<u>29,485</u>	<u>62,167</u>
At 1 January 2003	32,000	680	(13)	36,123	68,790
Exchange gain on translation of overseas operations not recognised in the income statement	—	—	1	—	1
Profit for the period	—	—	—	11,962	11,962
Final dividend for 2002	—	—	—	(4,160)	(4,160)
	<u>32,000</u>	<u>680</u>	<u>(12)</u>	<u>43,925</u>	<u>76,593</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2003

	Six months ended 30 June	
	2003	2002
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
NET CASH GENERATED FROM OPERATING ACTIVITIES	9,888	28,377
NET CASH USED IN INVESTING ACTIVITIES	(1,423)	(3,520)
NET CASH USED IN FINANCING ACTIVITIES	(4,498)	(4,156)
NET INCREASE IN CASH AND CASH EQUIVALENTS	3,967	20,701
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	43,172	18,283
EFFECT OF FOREIGN EXCHANGE RATE CHANGE	(28)	—
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>47,111</u>	<u>38,984</u>
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	<u>47,111</u>	<u>38,984</u>

Notes:

1. GENERAL 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 Companies Law (2001 Second Revision) of the Cayman Islands.

The Company acts as an investment holding company.

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 Growth Enterprise Market of The Stock Exchange of Hong Kong Limited and Statement of Standard Accounting Practice No. 25 ("SSAP 25") "Interim Financial Reporting" issued by the Hong Kong Society of Accountants ("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 2002, except as described below.

In the current period, the Group has adopted SSAP 12 (Revised) "Income taxes" issued by the HKSA. The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax. In previous years, partial provision was made for deferred tax using the income statement liability method, i.e. a liability was recognised in respect of timing differences arising, except where those timing differences were not expected to reverse in the foreseeable future. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions.

The adoption of this standard has had no material effect on the results for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.

3. TURNOVER

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

4. SEGMENT INFORMATION

The Group is principally engaged in the design, development, manufacture and sales of connectivity products mainly for computers and computer 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	
	2003 <i>HK\$'000</i> (Unaudited)	2002 <i>HK\$'000</i> (Unaudited)	2003 <i>HK\$'000</i> (Unaudited)	2002 <i>HK\$'000</i> (Unaudited)
Segment turnover				
OEM customers	30,580	23,890	60,388	49,182
Retail distributors	13,289	7,906	26,950	19,951
	<u>43,869</u>	<u>31,796</u>	<u>87,338</u>	<u>69,133</u>
Segment results				
OEM customers	7,720	6,713	15,617	13,803
Retail distributors	3,230	1,566	6,684	4,169
	10,950	8,279	22,301	17,972
Unallocated income	2,718	538	4,880	956
Unallocated expenses	(7,346)	(5,950)	(14,445)	(11,690)
Profit from operations	<u>6,322</u>	<u>2,867</u>	<u>12,736</u>	<u>7,238</u>

4. SEGMENT INFORMATION (Continued)

Geographical segments

Sales analysis by geographical customer market:

	Three months ended 30 June				Six months ended 30 June			
	2003		2002		2003		2002	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	(Unaudited)		(Unaudited)		(Unaudited)		(Unaudited)	
Taiwan	17,551	40.0%	12,459	39.2%	40,674	46.6%	29,221	42.3%
USA	6,901	15.7%	9,109	28.6%	14,139	16.2%	17,513	25.3%
Japan	9,384	21.4%	5,799	18.2%	17,466	20.0%	13,052	18.9%
Korea	5,305	12.1%	3,260	10.3%	6,925	7.9%	7,016	10.1%
Others	4,728	10.8%	1,169	3.7%	8,134	9.3%	2,331	3.4%
	<u>43,869</u>	<u>100.0%</u>	<u>31,796</u>	<u>100.0%</u>	<u>87,338</u>	<u>100.0%</u>	<u>69,133</u>	<u>100.0%</u>

5. PROFIT FROM OPERATIONS

Profit from operations has been arrived at after charging:

	Three months ended 30 June		Six months ended 30 June	
	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Depreciation and amortisation	<u>828</u>	<u>658</u>	<u>1,588</u>	<u>1,270</u>

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 arising in Hong Kong in both periods.

No provision for deferred taxation has been made in the condensed financial statements, as there were no material temporary differences arising during the period or at the balance sheet date.

7. DIVIDEND

	Three months ended 30 June		Six months ended 30 June	
	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Interim dividend	<u>1,920</u>	<u>—</u>	<u>1,920</u>	<u>—</u>

The Directors declared an interim dividend of HK0.6 cents per share for the period ended 30 June 2003.

8. EARNINGS PER SHARE

The calculation of basic earnings per share for the three months and six months ended 30 June 2003 is based on the consolidated profit attributable to shareholders of approximately HK\$5,799,000 and HK\$11,962,000 respectively (three months and six months ended 30 June 2002: HK\$2,629,000 and HK\$6,832,000 respectively) and on the weighted average number of approximately 320,000,000 shares (2002: 320,000,000 shares).

8. EARNINGS PER SHARE *(Continued)*

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	
	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Earnings for the purposes of basic and diluted earnings per share	<u>5,799</u>	<u>2,629</u>	<u>11,962</u>	<u>6,832</u>
Weighted average number of ordinary shares for the purposes of basic earnings per share	320,000,000	320,000,000	320,000,000	320,000,000
Effect of dilutive potential ordinary shares:				
Options <i>(Note)</i>	—	2,615,243	—	5,870,441
Weighted average number of ordinary shares for the purposes of diluted earnings per share	<u>320,000,000</u>	<u>322,615,243</u>	<u>320,000,000</u>	<u>325,870,441</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.

No dilutive earnings per share has been presented for the Second Quarterly Period and Half-Yearly Period because the exercise price of the Company's share options was higher than the average market price for shares for these two periods.

9. PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

During the period, the Group acquired property, plant and equipment at a total cost of approximately HK\$1,924,000.

The investment properties were valued at HK\$780,000 on 30 September 2001 by DTZ Debenham Tie Leung Limited, an independent registered professional surveyor, on an open market existing use basis. The directors consider that the open market value at 30 June 2003 was not significantly different from that at 30 September 2001.

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 as at 30 June 2003:

	30 June	31 December
	2003	2002
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Trade receivables		
Within 30 days	12,585	14,259
Between 31 days and 120 days	33,663	23,860
More than 120 days	8,338	6,572
	54,586	44,691
Other receivables	2,904	1,651
	57,490	46,342

11. TRADE AND OTHER PAYABLES

The following is an aged analysis of trade payables as at 30 June 2003:

	30 June 2003	31 December 2002
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Trade payables		
Within 30 days	7,436	8,233
Between 31 days and 90 days	20,005	14,719
More than 90 days	11,216	8,258
	38,657	31,210
Other payables	14,140	10,435
	52,797	41,645

12. CAPITAL COMMITMENTS

At 30 June 2003, the Group had outstanding capital expenditure of HK\$1,281,000 (31 December 2002: HK\$25,000) in respect of acquisition of property, plant and equipment contracted for but not provided in the condensed financial statements.

13. RELATED PARTY TRANSACTIONS

During the period, the Group entered into the following transactions with related parties:

Name of related party	Nature of transactions	Three months ended 30 June		Six months ended 30 June	
		2003 <i>HK\$'000</i> (Unaudited)	2002 <i>HK\$'000</i> (Unaudited)	2003 <i>HK\$'000</i> (Unaudited)	2002 <i>HK\$'000</i> (Unaudited)
Glory Mark Enterprises Limited ("GM Enterprises")	Rentals paid (<i>Note b</i>)	63	63	174	126
Glory Mark Electronic Limited (incorporated in Taiwan) ("GM Taiwan")	Rental paid (<i>Note b</i>)	33	—	67	—
San Chen Company ("San Chen")	Rental paid (<i>Note b</i>)	33	—	67	—
C & C Technic Taiwan Co., Ltd. ("C & C")	Sales of goods (<i>Note a</i>)	29	240	69	322
	Purchases of goods (<i>Note b</i>)	141	1,778	868	3,710

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.

Mr. Steve Pang Kuo-Shi ("Mr. Pang"), Mr. Wong Chun and Mr. Hsia 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 holds 40% interest in San Chen. Mr. Pang's wife holds 11.67% interest in C & C.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Turnover and profit

During the six months ended 30 June 2003 (“the discussing period”), the Group’s turnover increased by 26.3% to HK\$87,338,000 as compared to last corresponding period. This was achieved despite challenging marketing conditions caused by the continuing global economic slowdown. The increase in turnover was mainly attributable to the successfully marketing and quality management strategies of the Group and the marketing effort made by the Taiwan branch. It is the marketing strategy of the Group to allocate its resources to provide the best services to the valuable customers. Aided by its continuing policy of emphasis on quality control and the belief of providing quality products and services to the customers, the Group succeeded in enhancing its relationships as well as the sales to its major customers. During the period, the Taiwan branch succeeded in soliciting a number of new valuable customers.

During the discussing period, sales to OEM customers and retail distributors were HK\$60.4 million and HK\$27.0 million respectively, representing a growth of 22.8% and 35.1% respectively as compared to last corresponding period.

Compared to last corresponding period, sales to Taiwan, Japan and other regions increased by 39.2%, 33.8% and 248.9% respectively whereas sales to United States of America and Korea dropped by 19.3% and 1.3% respectively.

The gross profit margin was 25.5%, dropped slightly by 0.5% as compared to last corresponding period. The decrease in gross profit margin was a result of keen competition.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)***Financial Review** *(Continued)****Turnover and profit*** *(Continued)*

Net profit was HK\$11,962,000, up by HK\$5,130,000 or 75.1% as compared to last corresponding period. This satisfactory result was mainly attributable to the increase in turnover and the commission income acquired during the period in lining up the cooperation between a reputable computer and communication products manufacturer in Taiwan and a famous PRC mobile handset manufacturer and distributor. During the discussing period, a series of new TFT GPRS mobile handsets developed under this cooperation relationship were launched to the PRC marketing.

Liquidity and financial resources

The financial position of the Group was strong. The Group has cash in hand of about HK\$47.1 million as of 30 June 2003, most of which were placed as short-term US dollars deposits with reputable banks. The group had no interest-bearing debt as at 30 June 2002 and 30 June 2003 respectively.

Operation review***Production capacity and capability***

To cope with the anticipated increase in demand of the Group's products and its development plan, the Group entered into an agreement to purchase a land of 38,000 square metres with quarter premise of about 10,000 square metres at Tangxia Town in August 2003, where is nearby the existing production factory of the Group. The Group planned to construct a new factory premise of floor area about 10,000 to 15,000 square metres on it. The new factory was expected to be completed and commence production in mid 2004 and will increase by double the production capacity of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)***Operation review** *(Continued)***Employees**

At 30 June 2003, the Group had 1,842 (2002: 1,084) employees. Employee remuneration, excluding directors' emoluments, for the period ended 30 June 2003 was approximately HK\$12.1 million (2002: HK\$9.5 million). The increase in employee remuneration during the period was in line with the expansion of the Group.

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.

OUTLOOK

During the discussing period, the growth of the global computer and communication industries remains strong. The increasing in demand for digital transmissions and the ongoing integration of mobile communication products with computers and digital home appliances would generate new business opportunities to the Group.

With the indication of the recovery of the global economy, the Group's presence in China, Taiwan and Hong Kong as well as the anticipated expansion in production capacity, the Group is in the position to achieve further business growth.

Looking ahead, the Directors are optimistic in the prospect of the Group.

USE OF PROCEEDS FROM INITIAL PUBLIC OFFER

For the six months ended 30 June 2003, the Group has invested approximately HK\$2.1 million for the following business objectives.

- Approximately HK\$1.9 million was used for expansion of production capacity and capability
- Approximately HK\$0.2 million was used for sales and marketing

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 2003
--	---

New factory building

- | | | | |
|---|-------------------------------------|---|--|
| 1 | acquire new machinery and equipment | 1 | liaising to purchase a land of 38,000 square metres with a quarter premise of approximately 10,000 square metres at Tangxia Town |
|---|-------------------------------------|---|--|

Production capability and capacity

- | | | | |
|---|---|---|---|
| 1 | new production plant comes into operation | 1 | commence production of IEEE-1394b and electronic connectors |
| 2 | commence production of IEEE-1394b and electronic connectors | 2 | continue to upgrade the production and testing equipment |
| 3 | continue to upgrade the production and testing equipment | | |

**COMPARISON OF BUSINESS OBJECTIVES LISTED IN THE PROSPECTUS
WITH ACTUAL BUSINESS PROGRESS** *(Continued)*

Business Objectives as stated in the Prospectus	Actual Business Progress for the Six Months Ended 30 June 2003
--	---

Research and development

- | | | | |
|---|--|---|--|
| 1 | continue to enhance the quality of existing products | 1 | continue to enhance the quality of existing products |
| 2 | increase research and development staff by two engineer/technician | | |

Sales & marketing

- | | | | |
|---|--|---|---|
| 1 | engage sales and marketing distribution agents in European countries and Singapore | 1 | participated in computer-related trade fairs in different countries such as Germany and Japan |
| 2 | form strategic alliances with leading computer manufacturers | 2 | promoted the corporate image of the Group through selected media channels |

The Group did not have any plan to significantly alter the application of proceeds from the initial public offer.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN EQUITY SECURITIES

As at 30 June 2003, the interests and short positions of the directors and chief executives of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Future Ordinance (“SFO”)) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.40 to 5.58 of the GEM Listing Rules, relating to the minimum standards of dealings by directors of listed issuers, to be notified to the Company and the Stock Exchange were as follows:

Name of director	Name of company	Nature of interest	Number of ordinary shares held	Approximate percentage of shareholding
Mr. Pang Kuo-Shi ("Mr. Pang")	The Company	Family interest	139,808,000 <i>(Note 1)</i>	43.7%
Mr. Wong Chun ("Mr. Wong")	The Company Feng Hua Advanced Technology (Hong Kong) Limited	Personal interest Corporate interest	58,272,000 372,549	18.2% 19.0%
Mr. Hsia Chieh-Wen ("Mr. Hsia")	The Company	Personal interest	34,944,000	10.9%

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN EQUITY SECURITIES

(Continued)

Note:

- (1) 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. Mr. Pang's wife is the discretionary object of the Pang's Family Trust.

Save as disclosed above and the interests of certain directors of the Company in the shares options of the Company as disclosed in the section headed "SHARE OPTIONS SCHEME" below, as at 30 June 2003, none of the directors or chief executives of the Company had any interests or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.40 to 5.58 of the GEM Listing Rules, relating to the minimum standards of dealing by directors of listed issuers, 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 and were outstanding. Details of the options granted are as follows:

Categories of grantees	Total number of grantees	Number of options granted on 13 December 2001	Exercised/lapsed during the period	Number of options outstanding at 30 June 2003	Exercise price HK\$	Exercisable period
Directors:						
Mr. Pang	8,000,000	8,000,000	—	8,000,000	0.3	30% in 13.12.2002 — 12.12.2006 30% in 13.12.2003 — 12.12.2006 40% in 13.12.2004 — 12.12.2006
Mr. Wong	6,000,000	6,000,000	—	6,000,000	0.3	30% in 13.12.2002 — 12.12.2006 30% in 13.12.2003 — 12.12.2006 40% in 13.12.2004 — 12.12.2006
Mr. Hsia	3,000,000	3,000,000	—	3,000,000	0.3	30% in 13.12.2002 — 12.12.2006 30% in 13.12.2003 — 12.12.2006 40% in 13.12.2004 — 12.12.2006
Mr. Wong Ngok Chung	3,000,000	3,000,000	—	3,000,000	0.3	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	0.3	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>—</u>	<u>32,000,000</u>		

SUBSTANTIAL SHAREHOLDERS

So far as is known to any directors of the Company, as at 30 June 2003, shareholders who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who were directly, or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any other members of the Group were as follows:

Name of shareholders	Name of company	Nature of interest	Number of ordinary shares held	Approximate percentage of shareholding
Modern Wealth Assets Limited	The Company	Family interest	139,808,000 (Note)	43.7%
Mr. Wong Chun	The Company	Personel interest	58,272,000	18.2%
Mr. Hsia Chieh-Wen	The Company	Personel interest	34,944,000	10.9%

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. Mr. Pang's wife is the discretionary object of the Pang's Family Trust.

Save as disclosed above, as at 30 June 2003, the directors of the Company were not aware of any other person who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any other members of the Group.

SPONSOR'S INTEREST

As at 30 June 2003, neither Kingston Corporate Finance Limited (the "Sponsor"), nor 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 2003 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 2003, 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.

CONNECTED TRANSACTIONS AND DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in note 13 above:

- (i) there were no transactions, which need to be disclosed as connected transactions in accordance with the requirements of the GEM Listing Rules; and
- (ii) no contract of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the period or at any time during the period.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares during the period ended 30 June 2003.

INTERIM DIVIDEND

At a board meeting held on 13 August 2003, the Board of Directors has resolved to declare an interim dividend of HK0.6 cents (2002: nil) per share for the six months ended 30 June 2003 absorbing a total of HK\$1,920,000 on 320,000,000 shares issued as at 13 August 2003.

The interim dividend will be payable on 23 September 2003 to shareholders whose names appear on the register of members of the Company on 5 September 2003.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 3 September 2003 (Wednesday) to 5 September 2003 (Friday), both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the interim dividend, all transfers accompanied by the relevant shares certificates must be lodged with the Company's Branch Share Registrars in Hong Kong, Hong Kong Registrars Limited at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:00 p.m. on 2 September 2003 (Tuesday).

On behalf of the Board

Pang Kuo-Shi

Chairman

Hong Kong Special Administrative Region of the People's Republic of China
13 August 2003