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**Brighter Ideas**

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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***

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- Revenue reported at approximately US\$63,834,000 for the Quarterly Period.
- Net profit attained at approximately US\$470,000 for the Quarterly Period.
- The growth in the mass merchant channel pushed the other brand products revenue to US\$37,413,000 for the Quarterly Period.

## ***INTERIM RESULTS***

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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 2003. The interim report for the six months ended 31 December 2003 has been reviewed by the Company’s audit committee.

**UNAUDITED CONSOLIDATED INCOME STATEMENT**

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 2002 are as follows:

	Notes	Unaudited			
		Six months ended		Three months ended	
		31 December		31 December	
		2003	2002	2003	2002
		US\$'000	US\$'000	US\$'000	US\$'000
Turnover	2	<b>124,907</b>	121,621	<b>63,834</b>	59,025
Cost of sales		<b>(115,762)</b>	(112,888)	<b>(58,901)</b>	(53,526)
Gross profit		<b>9,145</b>	8,733	<b>4,933</b>	5,499
Other operating income		<b>136</b>	672	<b>84</b>	249
Profit/(Loss) from operations		<b>1,462</b>	(808)	<b>838</b>	778
Share of results of a jointly controlled entity		<b>14</b>	–	<b>(11)</b>	–
Finance costs		<b>(727)</b>	(997)	<b>(381)</b>	(544)
Profit/(Loss) before taxation	3	<b>749</b>	(1,805)	<b>446</b>	234
Taxation	4	<b>(66)</b>	(16)	<b>(35)</b>	5
Profit/(Loss) after taxation		<b>683</b>	(1,821)	<b>411</b>	239
Minority interests		<b>55</b>	(3)	<b>59</b>	(24)
Profit/(Loss) for the period		<b>738</b>	(1,824)	<b>470</b>	215
Earnings/(loss) per share (US cents)	5				
– Basic		<b>0.108</b>	(0.267)	<b>0.069</b>	0.031
– Diluted		<b>N/A</b>	N/A	<b>0.069</b>	0.030

## CONDENSED CONSOLIDATED BALANCE SHEET

The unaudited consolidated balance sheet as at 31 December 2003, together with the audited balance sheet as at 30 June 2003 are as follows:

		(Unaudited) 31 December 2003 US\$'000	(Audited) 30 June 2003 US\$'000
	Notes		
<b>Non-current assets</b>			
Property, plant and equipment		6,251	6,758
Development costs		288	347
Technical know-how		99	198
Trademarks		69	69
Investments in securities		2,408	3,371
Investments in a jointly controlled entity		5,112	5,098
Goodwill		191	196
		<u>14,418</u>	<u>16,037</u>
<b>Current assets</b>			
Inventories		24,002	21,602
Trade and other receivables	6	65,340	48,420
Amount due from a jointly controlled entity		517	72
Tax recoverable		218	145
Pledged bank deposits		5,361	5,745
Bank balances and cash		9,590	11,521
		<u>105,028</u>	<u>87,505</u>
<b>Current liabilities</b>			
Trade and other payables	7	31,246	16,203
Bills payable		597	1,524
Taxation		53	22
Bank borrowings – due within one year		35,287	33,821
Other borrowings		3,975	2,192
		<u>71,158</u>	<u>53,762</u>
<b>Net current assets</b>		<u>33,870</u>	<u>33,743</u>
		<u>48,288</u>	<u>49,780</u>
<b>Capital and reserves</b>			
Share capital		8,790	8,790
Share premium and reserves		37,966	38,217
		<u>46,756</u>	<u>47,007</u>
<b>Minority interests</b>		<u>8</u>	<u>58</u>
<b>Non-current liabilities</b>			
Bank borrowings – due after one year		1,220	2,423
<b>Deferred taxation</b>		<u>304</u>	<u>292</u>
		<u>48,288</u>	<u>49,780</u>

**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 2002 are as follows:

	<b>Unaudited</b>	
	<b>Six months ended</b>	
	<b>31 December</b>	
	<b>2003</b>	2002
	<b>US\$'000</b>	US\$'000
Net cash outflow from operating activities	<b>(3,438)</b>	(8,760)
Net cash inflow from investing activities	<b>224</b>	720
Net cash inflow from financing activities	<b>1,304</b>	6,416
Decrease in cash and cash equivalents	<b>(1,910)</b>	(1,624)
Cash and cash equivalents at 1 July	<b>11,521</b>	11,531
Effect of foreign exchange rate changes	<b>(21)</b>	(203)
Cash and cash equivalents at 31 December	<b><u>9,590</u></b>	<u>9,704</u>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

The unaudited consolidated statement of changes in equity for the Half-Yearly Period, together with the unaudited comparative figures for the corresponding period in 2002 are as follows:

	Share capital US\$'000	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	Accum- ulated profits US\$'000	Total US\$'000
Balance at 1 July 2002	8,790	22,215	2,954	(1)	(1,578)	67	1,997	14,032	48,476
Exchange differences on translation of overseas operations	-	-	-	(302)	-	-	-	-	(302)
Release upon disposal of investments in securities	-	-	-	-	-	-	(560)	-	(560)
Loss for the period	-	-	-	-	-	-	-	(1,824)	(1,824)
Balance at 31 December 2002	<u>8,790</u>	<u>22,215</u>	<u>2,954</u>	<u>(303)</u>	<u>(1,578)</u>	<u>67</u>	<u>1,437</u>	<u>12,208</u>	<u>45,790</u>
Balance at 1 July 2003	8,790	22,215	2,954	84	(1,578)	67	1,330	13,145	47,007
Exchange differences on translation of overseas operations	-	-	-	(26)	-	-	-	-	(26)
Revaluation decrease	-	-	-	-	-	-	(963)	-	(963)
Profit for the period	-	-	-	-	-	-	-	738	738
Balance at 31 December 2003	<u>8,790</u>	<u>22,215</u>	<u>2,954</u>	<u>58</u>	<u>(1,578)</u>	<u>67</u>	<u>367</u>	<u>13,883</u>	<u>46,756</u>

## NOTES TO CONDENSED INTERIM ACCOUNTS:

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### 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 (“HKSA”) 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 2003, except that the Group has adopted the revised SSAP 12 “Income Taxes” issued by the HKSA which is effective for accounting period commencing on or after 1 January 2003.

The change to the Group’s accounting policies and the effect of adopting this revised standard is set out below:

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred taxation is provided on temporary differences arising on investments in subsidiaries and associated companies except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

In prior year, deferred taxation was accounted for at the current taxation rate in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or an asset was expected to be payable or recoverable in the foreseeable future. The adoption of the revised SSAP 12 represents a change in accounting policy, which has been applied retrospectively. Since the adoption of this revised SSAP had no material impact on the Group’s accounts in prior or current accounting periods, comparative figures have not been restated.

### 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 2002 by business segment is presented below:

	Group		Other		Consolidated	
	brand products		brand products			
	2003	2002	2003	2002	2003	2002
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
<b>Revenue</b>						
External sales	<u>53,564</u>	<u>55,929</u>	<u>71,343</u>	<u>65,692</u>	<u>124,907</u>	<u>121,621</u>
<b>Result</b>						
Segment result	<u>1,053</u>	<u>(294)</u>	<u>1,065</u>	<u>(188)</u>	<u>2,118</u>	<u>(482)</u>
Unallocated other revenue					23	419
Unallocated corporate expenses					(679)	(745)
Profit/(Loss) from operations					1,462	(808)
Share of results of a jointly controlled entity					14	-
Finance costs					(727)	(997)
Profit/(Loss) before taxation					749	(1,805)
Taxation					(66)	(16)
Profit/(Loss) before minority interests					683	(1,821)
Minority interests					55	(3)
Net profit/(loss) for the period					<u>738</u>	<u>(1,824)</u>
<b>Assets</b>						
Segment assets	70,218	69,641	40,389	33,481	110,607	103,122
Unallocated assets					8,839	9,977
Consolidated total assets					<u>119,446</u>	<u>113,099</u>
<b>Liabilities</b>						
Segment liabilities	15,967	12,203	15,877	9,135	31,844	21,338
Unallocated liabilities					40,838	45,914
Consolidated total liabilities					<u>72,682</u>	<u>67,252</u>
<b>Other information</b>						
Capital expenditure	105	325	64	31	169	356
Depreciation and amortization	<u>771</u>	<u>1,124</u>	<u>114</u>	<u>242</u>	<u>885</u>	<u>1,366</u>

The unaudited geographical segment information for the Half-Yearly Period together with the corresponding half-yearly period in 2002 is as follows:

	Turnover by geographical market		Carrying amount of segment assets		Capital expenditures	
	2003	2002	2003	2002	2003	2002
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
North America	<b>86,386</b>	73,422	<b>40,819</b>	28,912	<b>54</b>	12
Europe	<b>16,477</b>	23,422	<b>8,587</b>	8,971	<b>7</b>	17
Asia	<b>20,547</b>	20,833	<b>69,023</b>	73,024	<b>108</b>	327
Others	<b>1,497</b>	3,944	<b>1,017</b>	2,192	<b>-</b>	-
	<b><u>124,907</u></b>	<u>121,621</u>	<b><u>119,446</u></b>	<u>113,099</u>	<b><u>169</u></b>	<u>356</u>

### 3. Profit/(Loss) before taxation

	Six months ended 31 December		Three months ended 31 December	
	2003	2002	2003	2002
	US\$'000	US\$'000	US\$'000	US\$'000
Profit/(Loss) before taxation has been arrived at after charging/(crediting):				
Depreciation and amortization	<b>885</b>	1,366	<b>477</b>	783
Profit on disposal of investment in securities	<b>-</b>	(375)	<b>-</b>	-
	<b><u>-</u></b>	<u>(375)</u>	<b><u>-</u></b>	<u>-</u>

### 4. Taxation

	Six months ended 31 December		Three months ended 31 December	
	2003	2002	2003	2002
	US\$'000	US\$'000	US\$'000	US\$'000
The charge comprises:				
- Hong Kong Profits Tax	<b>-</b>	-	<b>-</b>	-
- Taxation arising in other jurisdictions	<b>(66)</b>	(16)	<b>(35)</b>	5
	<b><u>(66)</u></b>	<u>(16)</u>	<b><u>(35)</u></b>	<u>5</u>

No provision for Hong Kong Profits Tax has been made in the financial statements as the Group has no assessable profit for the period.

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

## 5. Earnings/(Loss) per share

No diluted earnings per share has been presented for the Half-Yearly Period because the exercise price of the Company's share options was higher than the average market price of shares for the period.

No diluted earnings per share has been presented for 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 earnings/(loss) per share for the Half-Yearly Period, the Quarterly Period, the corresponding half-yearly period and quarterly period in 2002, and diluted earnings per share for the Quarterly Period and the corresponding quarterly period in 2002 are based on the following data:

	Six months ended		Three months ended	
	31 December		31 December	
	2003	2002	2003	2002
	US\$'000	US\$'000	US\$'000	US\$'000
Earnings/(losses) for the purpose of:				
basic earnings/(losses) per share	<b>738,000</b>	(1,824,000)	<b>470,000</b>	215,000
Effect of dilutive potential ordinary shares in respect of:				
– Interest on convertible bonds	–	–	–	22,500
Earnings for the purpose of calculating diluted earnings per share	<b><u>738,000</u></b>	<b><u>(1,824,000)</u></b>	<b><u>470,000</u></b>	<b><u>237,500</u></b>
Number of ordinary shares for the purpose of basic earnings/(losses) per share	<b>682,786,000</b>	682,786,000	<b>682,786,000</b>	682,786,000
Effect of dilutive potential ordinary share in respect of:				
– Convertible bonds	<b>N/A</b>	N/A	–	109,808,893
– Share options	<b>N/A</b>	N/A	<b>176,369</b>	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<b><u>N/A</u></b>	<b><u>N/A</u></b>	<b><u>682,962,369</u></b>	<b><u>792,594,893</u></b>

**6. Trade and other receivables**

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

	<b>31 December</b>	30 June
	<b>2003</b>	2003
	<b>US\$'000</b>	US\$'000
Current	<b>38,983</b>	26,522
1 to 30 days	<b>9,554</b>	4,078
31 to 60 days	<b>3,851</b>	695
Over 60 days	<b>7,066</b>	11,199
	<hr/>	<hr/>
Trade receivables	<b>59,454</b>	42,494
Deposits, prepayments and other receivables	<b>5,886</b>	5,926
	<hr/>	<hr/>
	<b>65,340</b>	48,420
	<hr/> <hr/>	<hr/> <hr/>

**7. Trade and other payables**

The following is an aged analysis of accounts payable:

	<b>31 December</b>	30 June
	<b>2003</b>	2003
	<b>US\$'000</b>	US\$'000
Current	<b>17,736</b>	7,507
1 to 30 days	<b>3,306</b>	1,692
31 to 60 days	<b>894</b>	1,287
Over 60 days	<b>567</b>	1,341
	<hr/>	<hr/>
Trade payables	<b>22,503</b>	11,827
Deposits in advance, accruals and other payable	<b>8,743</b>	4,376
	<hr/>	<hr/>
	<b>31,246</b>	16,203
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## **INTERIM DIVIDEND**

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The directors do not recommend the payment of any 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 2002.

## **BUSINESS REVIEW**

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Despite the uncertain and lackluster economy that continue to overcast many technology companies, PINE was able to deliver another satisfactory quarter. Net profit after tax for the Quarterly Period was US\$470,000, increased by 118.6 percent as compared with US\$215,000 in the quarterly period of 2002. Revenue for the Quarterly Period totaled US\$63,834,000, achieving steady revenue growth at 8.1 percent compared to US\$59,025,000 in the prior year period. Taking the view of the full Half-Yearly Period, the performance improvement is more remarkable with the Net Profit improved to US\$738,000 and revenue to US\$124,907,000 compared to the Net Loss of US\$1,824,000 and revenue to US\$121,621,000 respectively of the corresponding half-yearly period last year.

As of 31 December 2003, cash on hand totaled US\$9,590,000 a slight decline of US\$1,931,000 from last year end 30 June 2003. The aggregate borrowing increased by US\$2,046,000 from last year end to a total of US\$40,482,000, resulting in a debt to equity ratio at approximately 86.6 percent compared to that of 81.8% of 30 June 2003.

Our business revenue continues to be contributed very much equally and healthily from our own branded XFX video graphic line and our distribution line in the amount of approximately US\$53,564,000 and US\$71,343,000 respectively.

During the Half-Yearly Period, the Group achieved fruitful results in product development. We have taken the lead in applying the latest DDRII memory technology and launched the highest performance XFX 5700 Ultra with Dual DVI VIVO feature, one of the top model of our video graphic family of the time.

Innovative R&D has effectively differentiating and making our XFX video graphic line unique and distinctive with speed and performance continue to outrun those of our competitors. This is well demonstrated by some of the major awards our XFX models been awarded during the period. We were encouraged to see the XFX GeForce FX 5600 Ultra receiving both Editor's Choice Award, which stated, "This 5600 Ultra card performed well against card priced \$150+ more and is a sleek and useful tool in gaming performance," and OCModShop Seal of Approval Award, which stated, "very impressed with this video card and am going to give it a 9/10".

At the same time, the Distribution arm of the Group also brought in the strategically important product line, namely our private labeled digital camera and USB drive. These two product lines are at its growth stage and we are confident their addition will contribute significant growth to our Distribution revenue; and most importantly, it will also bring in strategic synergy to both our product profile and also to our major customers.

All these time-to-market product development and new product offerings plus the growing recognition of our XFX brand and its gaming image are continue to attract top notch partnership customers to PINE. We are very excited to see the adding of Circuit City Stores into our top tier customer list. Circuit City is a national retailer of brand-name consumer electronics, Personal Computers, and entertainment software. It operates both the Superstores and mall-based Circuit City Express stores with a total of 626 retail locations throughout the United States. We are convinced this new network and direct end user exposure will bring to PINE important medium term benefit to both our market position and our future growth and profitability.

We are pleased with this quarter's result especially it is amid an intense competition and uncertain economy. These further reinforce our belief and confidence that the worst in PINE is over. We are confident that our focusing on the core business is the right direction to pursue; and our ongoing operation streamlining and uplifting is the right strategy to take. This business model will continue to uplift our competitiveness and to put PINE onto a solid foundation which surely will enable us to gain share across our strategic businesses once the global economy and IT industry enters its growth cycle.

### **Business Prospects**

At the beginning of 2004, we are beginning to see signs of recovery of the global economy, as well as the capital spending on the IT equipments. We believe we are well poised to benefit from this surge of the overall business activities in both our revenue and profitability in the year 2004. However, as we foresee the overall economy foundation still exists a high degree of uncertainty and instability, we will continue to exercise a high degree of execution discipline to ensure execution capabilities, distribution efficiency, inventory level, and operating cost are streamlined and optimized at all times.

Lastly, on behalf of the Board of Directors, I would like to extend my gratitude and sincere appreciation to our suppliers, customers, bankers, and shareholders for their support of the past year restructuring and remodeling endeavor. Their continual and increased supports are the key catalyst to the successful achievement of our remodeling exercise. And most importantly, I would like to thank the whole team who has made this a successful quarter through their creativity and continuing dedication.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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### **Liquidity, financial resources and charge of group asset**

As at 31 December 2003, the Group's borrowings comprised mainly short-term loans of approximately US\$39,262,000 (30 June 2003: approximately US\$36,013,000) and long-term loans of approximately US\$1,220,000 (30 June 2003: approximately US\$2,423,000). The aggregate borrowings approximately US\$40,482,000 (30 June 2003: approximately US\$38,436,000) were partially secured by pledged bank deposits, freehold land and buildings, share of investments in securities or by all assets of certain subsidiaries as floating charges to banks.

As at 31 December 2003, total pledged bank deposits, freehold land and buildings and all assets of certain subsidiaries as floating charges were amounted approximately US\$5,361,000, US\$2,195,000 and US\$47,197,000 respectively (30 June 2003: approximately US\$5,745,000, US\$2,187,000 and US\$33,477,000). The Group continued to maintain a healthy financial and cash position. As at 31 December 2003, the total cash on hand amounted approximately US\$9,590,000 (30 June 2003: approximately US\$11,521,000).

### **Capital structure**

The Group's overall treasury policies are prudent, with a focus on risk management.

US\$1,000,000 being the second installment of a three years term loan of US\$4,000,000 has been repaid during the Half-Yearly Period, the outstanding term loan reduced to US\$2,000,000 at 31 December 2003.

### **Significant investments and material acquisitions**

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

The Group had 42.5% interests in a joint venture which is principally engaged in manufacture and distribution of computer related hardware.

The Group beneficially held approximately 10% shareholding interests in QUASAR Communication Technology Holdings Limited ("QUASAR"), in which 5% shareholding interests of QUASAR were charged to bank for securing banking facilities.

## **Staff**

As at 31 December 2003, 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\$3.1 million for the Half-Yearly Period as compared with that of approximately US\$4.1 million for the corresponding half-yearly period in 2002. The decrease was resulted from the streamlining of activities and reorganisation.

## **Gearing ratio**

As at 31 December 2003, the gearing ratio of the Group based on total liabilities over total assets was approximately 60.9% (30 June 2003: approximately 54.6%).

## **Exchange risk**

During the period under review, the Group's major foreign exchange payments arose from the import of components and materials, and repayments of foreign currency loans, that were 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 maintained its foreign exchange balance by its export revenue, that were 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 2003, the Group has no significant exposure under foreign exchange.

## **Contingent liabilities**

The Group had no material contingent liabilities as at 31 December 2003 (30 June 2003: Nil).



## Segment information

### *Group Brand Products*

Revenue sustained at US\$53,564,000 for the Half-Yearly Period (2002: US\$55,929,000), the segment profit from group brand product surged to US\$1,053,000 compared with loss US\$294,000 in the corresponding period in 2002. The stable revenue demonstrates a smooth transition of shifting customer profile from medium small to major top tier player in various market. Revenue can be sustained during the transition is very encouraging, at the same time this strategic transformation further streamlining of infrastructure to keep overheads low and contribute to turnaround this division to profit.

### *Other Brand Products*

Revenue growth by 8.6% to US\$71,343,000 for the Half-Yearly Period, this is contributed through our previously executed strategy to focus on Mass Merchant channel development. The Mass Merchant segment started to contribute revenue growth in the other brand product division.

## **DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARE CAPITAL AND OPTIONS**

As at 31 December 2003, the interests and short positions of the directors and the chief executive of the Company and their respective associates in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO") which require notification to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 or 345 of Part XV 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, to be notified to the Company and the Stock Exchange, were as follows:

### **A) Ordinary Shares of HK\$0.1 each of the Company**

<b>Name of director</b>	<b>Capacity</b>	<b>Number of issued ordinary shares held</b>	<b>Approximate percentage of the issued share capital of the Company</b>
Chiu Hang Tai	Held by controlled corporation ( <i>note</i> )	161,766,000	23.69%
Chiu Hang Chin, Samson	Beneficial owner	12,098,000	1.77%

*Note:* 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.

In addition to above, Mr. Chiu Hang Tai and Madam Leung Sin Mei, spouse of Mr. Chiu Hang Tai, both beneficially owned 600,000 non-voting deferred shares in Pineview Industries Limited ("PIL"), a subsidiary of the Company as at 31 December 2003. 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 PIL. On winding up, the holders of the deferred shares are entitled to distribution out of the remaining assets of PIL only after the distribution of HK\$1,000 million, as specified in the articles of association of PIL, to holders of ordinary shares.

Saved as disclosed above and other than certain nominee shares in subsidiaries of the Company held by directors in trust, as at 31 December 2003, none of the directors or the chief executive of the Company, nor their respective associates had, or was deemed to have, any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 or 345 of Part XV 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, to be notified to the Company and the Stock Exchange.

## B) 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 in the Company.

As at 31 December 2003, the following directors of the Company were granted share options to subscribe for shares in the Company, details of which are as follows:

Name of director	Date of grant	Exercisable period (both dates inclusive)	Exercise price per share HK\$	Number of options 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
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

## SUBSTANTIAL SHAREHOLDERS

So far as the directors and chief executive of the Company are aware of, as at 31 December 2003, the following persons (not being a director or a chief executive of the Company), had, or were deemed to have, interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed under the provisions of the Divisions 2 and 3 of Part XV of the SFO, or 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 meetings of any member of the Group:

Name of shareholder	Capacity	Number of issued ordinary shares held	Approximate percentage of the issued share capital of the Company
Mr. Chiu Kwong Chi	Held by controlled corporations (Note 1)	174,998,732	25.63%
Madam Wong Wai Ying	Held by controlled corporations (Note 1)	174,998,732	25.63%
Alliance Express Group Limited	Beneficial owner (Note 2)	161,766,000	23.69%
Concept Express Investments Limited	Beneficial owner (Note 1)	122,760,000	17.98%
Fireball Resources Limited	Beneficial owner (Note 1)	52,238,732	7.65%

Notes:

- Mr. Chiu Kwong Chi is the husband of Madam Wong Wai Ying. Mr. Chiu Kwong Chi and Madam Wong Wai Ying are each deemed to be interested in 174,998,732 shares of which (i) 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 (ii) 52,238,732 shares are beneficially owned and registered in the name of Fireball Resources Limited which is wholly and beneficially owned by Madam Wong Wai Ying.
- The entire issued share capital of Alliance Express Group Limited is beneficially owned by Mr. Chiu Hang Tai.

Saved as disclosed above, the directors are not aware of any person who, as at 31 December 2003, had, or was deemed to have, an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed under Division 2 and 3 of Part XV of the SFO, or was interested in 10% or more of the nominal value of any class of the share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

## **COMPETING INTERESTS**

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

## **AUDIT COMMITTEE**

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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**

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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 throughout the Half-Yearly Period.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

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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, 4 February 2004