



KARCE[®] INTERNATIONAL HOLDINGS COMPANY LIMITED

泰 盛 實 業 集 團 有 限 公 司

(Incorporated in Bermuda with limited liability)

technology

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Interim Report
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INTERIM RESULTS

On behalf of the board of directors (the "Directors") of Karce International Holdings Company Limited (the "Company" which, together with its subsidiaries (the "Group")), I am pleased to present the unaudited consolidated interim results of the Group for the financial six months ended 30 June 2001, together with the comparative unaudited figures for the corresponding period of 2000.

CONDENSED CONSOLIDATED INCOME STATEMENT
 FOR THE SIX MONTHS ENDED 30 JUNE 2001

	Notes	Six months ended 30 June	
		2001 HK\$'000 (unaudited)	2000 HK\$'000 (unaudited)
Turnover	3	241,641	202,554
Cost of sales		<u>(204,682)</u>	<u>(169,753)</u>
Gross profit		36,959	32,801
Other revenue	4	3,545	2,703
Distribution costs		(5,705)	(3,555)
Administrative expenses		<u>(27,171)</u>	<u>(17,301)</u>
Profit from operations	5	7,628	14,648
Finance costs	6	<u>(1,873)</u>	<u>(3,301)</u>
Profit before taxation		5,755	11,347
Taxation	7	<u>(970)</u>	<u>(845)</u>
Profit before minority interests		4,785	10,502
Minority interests		<u>(403)</u>	<u>370</u>
Net Profit attributable to Shareholders		<u><u>4,382</u></u>	<u><u>10,872</u></u>
Earnings per share	8		
Basic		<u>0.81 cents</u>	<u>2.40 cents</u>

Other than the net profit for the period attributable to shareholders, the Group had no material gains or losses. Accordingly, a consolidated statement of recognised gains and losses is not presented in the interim accounts.

CONDENSED CONSOLIDATED BALANCE SHEET

AT 30 JUNE 2001

		30 June 2001	31 December 2000
	<i>Notes</i>	<i>HK\$'000</i> (unaudited)	<i>HK\$'000</i> (audited)
Non-current assets			
Property, plant and equipment	9	264,619	265,373
Current assets			
Inventories		108,228	101,142
Trade and other receivables	10	85,779	79,522
Bills receivable		–	1,270
Tax recoverable		628	418
Bank balances and cash		65,039	46,131
		<u>259,674</u>	<u>228,483</u>
Current liabilities			
Trade and other payables	11	133,597	124,101
Tax payable		23,133	21,555
Dividend payable		1	1
Obligations under finance leases and hire purchase contracts		1,511	3,094
Bank borrowings	12	9,348	29,562
		<u>167,590</u>	<u>178,313</u>
Net current assets		<u>92,084</u>	<u>50,170</u>
Total assets less current liabilities		<u>356,703</u>	<u>315,543</u>
Non-current liabilities			
Obligations under finance leases and hire purchase contracts		871	871
Bank borrowings	12	48,598	12,150
Deferred taxation		266	266
		<u>49,735</u>	<u>13,287</u>
Minority interests		<u>4,975</u>	<u>4,572</u>
		<u>301,993</u>	<u>297,684</u>
Capital and reserves			
Share capital	13	53,976	54,000
Reserves	14	248,017	243,684
		<u>301,993</u>	<u>297,684</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT
 FOR THE SIX MONTHS ENDED 30 JUNE 2001

	Six months ended 30 June 2001 HK'000 (unaudited)
NET CASH INFLOW FROM OPERATING ACTIVITIES	18,056
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	(900)
CASH OUTFLOW FROM TAXATION	(407)
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	(10,896)
NET CASH INFLOW FROM FINANCING	<u>14,578</u>
INCREASE IN CASH AND CASH EQUIVALENTS	20,431
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	<u>44,606</u>
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	<u><u>65,037</u></u>
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS	
Bank balances and cash	65,039
Bank overdrafts	<u>(2)</u>
	<u><u>65,037</u></u>

NOTES TO THE CONDENSED FINANCIAL STATEMENTS *FOR THE SIX MONTHS ENDED 30 JUNE 2001*

1. BASIS OF PREPARATION

The condensed financial statements have been prepared in accordance with Statement of Standard Accounting Practice (“SSAP”) 25 “Interim financial reporting” issued by the Hong Kong Society of Accountants and with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”), except that comparative figures are not presented either for the condensed consolidated statement of recognised gains and losses or for the first condensed consolidated cash flow statement to be included in the interim financial report relating to accounting periods ended on or after 1 July 2000. Such departures from SSAP 25 are permitted under the Listing Rules.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed financial statements have been prepared under the historical cost convention.

The accounting policies adopted for the preparation of the interim financial report are consistent with those adopted by the Group in its annual financial statements for the year ended 31 December 2000 except as described below.

In the current period, the Group has adopted, for the first time, the following revised or new SSAPs issued by the Hong Kong Society of Accountants:

Segment reporting

SSAP 26 “Segment reporting”, which has been adopted for the first time in this interim reporting period, has established principles for reporting the segmental analysis of financial information. The details are set out in note 3.

3. SEGMENT INFORMATION

The turnover and contributions to profit from operations of the Group for the six months ended 30 June 2001, analysed by business segments and by geographical segments, are as follows:

By business segments:

	For the six months ended 30 June 2001		For the six months ended 30 June 2000	
	Revenue		Revenue	
	External Sales <i>HK\$'000</i>	Segment Result <i>HK\$'000</i>	External Sales <i>HK\$'000</i>	Segment Result <i>HK\$'000</i>
Electronic calculators	132,169	3,606	110,954	8,739
Electronic organisers	45,246	1,237	44,014	4,731
Conductive silicon rubber keypads	19,848	4,368	26,678	4,570
Printed circuit boards	44,069	2,771	20,908	(2,369)
Others	309	(1,392)	–	–
Consolidated	<u>241,641</u>	10,590	<u>202,554</u>	15,671
Bank Interest Income		973		216
Unallocated corporate expenses		(3,935)		(441)
Profit from operations		<u>7,628</u>		<u>15,446</u>

3. SEGMENT INFORMATION (Continued)

By geographical segments:

	For the six months ended 30 June 2001		For the six months ended 30 June 2000	
	Revenue		Revenue	
	External Sales HK\$'000	Segment Result HK\$'000	External Sales HK\$'000	Segment Result HK\$'000
Japan	66,723	3,016	35,665	2,779
Hong Kong	51,188	2,270	41,353	2,969
America	30,211	1,359	43,778	3,320
China (Other than Hong Kong)	25,646	1,045	33,175	2,599
Europe	29,528	1,294	18,639	1,442
Other Asian Countries	19,732	845	21,891	1,938
Taiwan	11,552	486	–	–
Middle East	4,877	179	6,825	528
Africa	1,689	74	–	–
Others	495	22	1,228	96
Consolidated	<u>241,641</u>	<u>10,590</u>	<u>202,554</u>	<u>15,671</u>
Bank interest income		973		216
Unallocated corporate expenses		<u>(3,935)</u>		<u>(441)</u>
Profit from operations		<u>7,628</u>		<u>15,446</u>

4. OTHER REVENUE

	Six months ended 30 June	
	2001	2000
	HK\$'000 (unaudited)	HK\$'000 (unaudited)
Other revenue includes:		
Interest income	973	216
Net rental income	<u>117</u>	<u>117</u>

5. PROFIT FROM OPERATIONS

	Six months ended 30 June	
	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Profit from operations has been arrived at after charging:		
Exchange gain, net	212	204
Depreciation and amortisation	13,977	13,671
Operating lease rentals in respect of rented premises	141	231
Staff costs	<u>35,962</u>	<u>28,077</u>

6. FINANCE COSTS

	Six months ended 30 June	
	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Interest on:		
– bank borrowings wholly repayable within five years	1,725	3,737
– obligations under finance leases and hire purchase contracts	<u>148</u>	<u>362</u>
	<u>1,873</u>	<u>4,099</u>

7. TAXATION

	Six months ended	
	30 June	
	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
The charge comprises:		
Hong Kong Profits Tax		
– current year	–	76
Taxation in Mainland China	970	769
	<u>970</u>	<u>845</u>

Hong Kong Profits Tax is calculated at 16% (2000: 16%) of the estimated assessable profit attributable to operation in Hong Kong during the period.

Taxation arising in other jurisdiction is calculated at the rates prevailing in the relevant jurisdiction.

No provision for deferred taxation has been made as the effect of all timing differences is minimal.

8. EARNINGS PER SHARE

The calculation of the earnings per share is based on the unaudited net profit attributable to shareholders for the six months ended 30 June 2001 of approximately HK\$4,382,000 (six months ended 30.6.2000: HK\$10,872,000) and the weighted average number of 539,937,945 ordinary shares (six months ended 30.6.2000: 450,000,000 ordinary shares) in issue during the period.

No fully diluted earnings per share is presented as the dilution effect is immaterial.

9. PROPERTY, PLANT AND EQUIPMENT

For the six months ended 30 June 2001, the Group has incurred approximately HK\$5 million on acquisition of certain machineries and equipment for printed circuit boards division. In addition, approximately HK\$8 million has been spent on the machineries, fixtures and equipment in other two factories, for the manufacture of electronic products and conductive silicon rubber keypads, located in Dongguan, Guangdong province, the People's Republic of China.

10. TRADE AND OTHER RECEIVABLES

The Group allows an average credit period of 60 days to its trade customers.

An aged analysis of trade receivables is as follows:

	As at	
	30 June 2001	31 December 2000
	<i>HK\$'000</i> (unaudited)	<i>HK\$'000</i> (audited)
Not yet due or overdue within 30 days	61,464	54,483
Overdue for 31-60 days	3,906	6,743
Overdue for 61-90 days	1,980	6,045
Overdue for more than 90 days	12,095	8,829
	<hr/>	<hr/>
	79,445	76,100
Other receivables	6,334	3,422
	<hr/>	<hr/>
	<u>85,779</u>	<u>79,522</u>

11. TRADE AND OTHER PAYABLES

An aged analysis of trade payables is as follows:

	As at	
	30 June 2001	31 December 2000
	<i>HK\$'000</i> (unaudited)	<i>HK\$'000</i> (audited)
Not yet due or overdue within 30 days	54,978	47,689
Overdue for 31-60 days	18,959	12,332
Overdue for 61-90 days	10,215	6,345
Overdue for more than 90 days	9,458	6,469
	<hr/>	<hr/>
	93,610	72,835
Other payables	39,987	51,266
	<hr/>	<hr/>
	<u>133,597</u>	<u>124,101</u>

12. BANK BORROWINGS

	AS AT	
	30 June 2001 <i>HK\$'000</i> (unaudited)	31 December 2000 <i>HK\$'000</i> (audited)
Bank overdrafts	2	546
Bank loans	57,944	40,187
Trust receipts loans	—	979
	<u>57,946</u>	<u>41,712</u>
Secured	57,944	40,187
Unsecured	2	1,525
	<u>57,946</u>	<u>41,712</u>
The terms of repayment of the bank borrowings are analysed as follows:		
Within one year	9,348	29,562
Between one to two years	2,803	9,346
Between two to five years	45,795	2,804
	<u>57,946</u>	<u>41,712</u>
<i>Less: Amount due within one year included in current liabilities</i>	<u>(9,348)</u>	<u>(29,562)</u>
Amount due after one year	<u>48,598</u>	<u>12,150</u>

13. SHARE CAPITAL

	30 June 2001 Number of shares (unaudited)	31 December 2000 Number of shares (audited)	30 June 2001 HK\$'000 (unaudited)	31 December 2000 HK\$'000 (audited)
Authorised:				
Ordinary shares of HK\$0.1 each	<u>2,000,000,000</u>	<u>2,000,000,000</u>	<u>200,000</u>	<u>200,000</u>
Issued and fully paid:				
At beginning of the period	540,000,000	450,000,000	54,000	45,000
Issue of shares	–	90,000,000	–	9,000
Shares repurchased and cancelled	(240,000)	–	(24)	–
At end of the period	<u>539,760,000</u>	<u>540,000,000</u>	<u>53,976</u>	<u>54,000</u>

During the six months ended 30 June 2001, the Company repurchased 240,000 shares of HK\$0.10 each from the market in The Stock Exchange of Hong Kong Limited. Subsequent to the balance sheet date, 240,000 shares of these issued and fully paid share capital were then cancelled by the Company. These repurchase and cancellation of 240,000 shares has been incorporated in the financial statements.

The premium of HK\$48,600 paid on the repurchase of such shares has been charged against retained profits and an amount of HK\$24,000 was transferred from retained profits to the capital redemption reserve as set out in note 14 to the financial statements.

14. RESERVES

	Share	Capital	Asset								Total
	premium account	redemption reserve	Capital reserve	Special reserve	Contributed surplus	Statutory reserve	revaluation reserve	Exchange reserve	Goodwill reserve	Retained profits	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Group											
At beginning of period	79,648	-	35,597	19,487	-	6,246	44,867	(1,847)	(31,539)	91,225	243,684
Repurchase of shares	-	24	-	-	-	-	-	-	-	(73)	(49)
Net profit for the period	-	-	-	-	-	-	-	-	-	4,382	4,382
	<u>79,648</u>	<u>24</u>	<u>35,597</u>	<u>19,487</u>	<u>-</u>	<u>6,246</u>	<u>44,867</u>	<u>(1,847)</u>	<u>(31,539)</u>	<u>95,534</u>	<u>248,017</u>

The special reserve of the Group represents the difference between the nominal amount of the share capital issued by the Company's subsidiaries in exchange for the nominal value of the issued share capital of other subsidiaries pursuant to the Group's reorganisation.

The capital reserve of the Group represents the reserve arising from the acquisition of a further interest in the share capital of a subsidiary at nil consideration pursuant to the Group's reorganisation and capitalisation of retained profits of a subsidiary.

The contributed surplus of the Company represents the difference between the consolidated shareholders' funds of the subsidiaries at the date on which they were acquired by the Company, and the nominal amount of the Company's shares issued for the acquisition pursuant to the Group's reorganisation.

MANAGEMENT DISCUSSION AND ANALYSIS

Business and Operational Review

For the six months ended 30 June 2001, the Group recorded a turnover of approximately HK\$242 million, representing an increase of approximately 19.8 per cent. as compared with approximately HK\$202 million of the corresponding period in 2000.

Net profit attributable to shareholders has dropped to approximately HK\$4.4 million (2000: approximately HK\$10.8 million) due to industry-wide drop in market prices for the parts and components used for the manufacture of the Group's products, depreciation charge and the increase in research and development costs.

Electronic calculators and organisers

During the period under review, the Group continued to focus on the sales of electronic calculators and organizers under the branded customers located throughout Japan, Europe and the United States of America. The sales of electronic calculators and organisers increased to approximately HK\$132 million and approximately HK\$45 million respectively, represented approximately 55 per cent. and approximately 19 per cent. approximately of the turnover of the Group.

The turnover derived from the electronic calculators manufactured and sold under the Group's own brandnames KARCE and COCO & JAN recorded a significant increase by approximately 60 per cent. during the period under review. The electronic calculators manufactured and sold under the Group's own brandnames KARCE and COCO & JAN are marketed to overseas markets including the Middle East, Africa and other South East Asian countries. The Group will maintain its strategy of promoting jointly with its overseas distributors to further stimulate the demand of such products.

The Group will continuously adopt its business strategy for customers diversification, high value added production, effective cost control and quality management.

Conductive silicon rubber keypads

For the six months ended 30 June 2001, the turnover of conductive silicon rubber keypads maintained at approximately HK\$19.8 million (2000: approximately HK\$26.7 million) representing approximately 8 per cent. of the turnover of the Group. During the period under review, the business strategy continued to consolidate its key client base and serve a broad range of well known customers in Japan and the PRC. The effort was rewarded as the contribution to operating profit amounted to approximately HK\$4.4 million.

Conductive silicon rubber keypads are crucial components in the production of electronic calculators, electronic organizers, mobile phones and audio visual products. The Group's conductive silicon rubber keypads are mainly made for use in electronic calculators, databanks, electronic organizers, mobile phones and remote controls. The Directors are of the view that the market for conductive silicon rubber keypads will remain fairly stable in the coming year.

Printed Circuit Boards ("PCB")

For the six months ended 30 June 2001, the turnover of PCB increased significantly to approximately HK\$44 million (2000: approximately HK\$21 million) representing approximately 18 per cent. of the turnover of the Group. During the period under review, the Group continued to reengineer its products mix and achieved a higher profits margin by increasing the complexity of PCB from single or double layers to multi-layers. The Group's effort in this direction have resulted in an improved gross profit margin to approximately 13 per cent. (2000: approximately 6.5 per cent.) of the corresponding period under review.

Along with the substantiate growth in PCB business, the Group has spent approximately HK\$8 million to acquire machineries as at the date of this report and the Directors believe that the future performance and prospects of the PCB business are optimistic.

The overall gross profit margin of the Group slightly decreased by approximately 5.6 per cent. to approximately 15.3 per cent. (2000: 16.2 per cent.).

As a result, the unaudited consolidated net profit attributable to shareholders for the six months ended 30 June 2001 amounted to approximately HK\$4.4 million, representing a decrease of approximately 59 per cent. over the corresponding period in 2000.

Capital

With a strong financial position, the Group has been repurchasing its shares in the market. The purpose of the repurchase is to enhance the net assets value of the Group and also the earnings per share of the Group.

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its operation by internally generated cashflow and banking facilities provided by its bankers.

Prudent financial management and selective investment criteria have enabled us to maintain a strong financial position. As at 30 June 2001, the Group has cash in hand of approximately HK\$65 million (2000: HK\$46 million).

The Group currently has aggregated banking facilities of approximately HK\$170 million (2000: HK\$160 million). The trade and overdraft banking facilities of approximately HK\$112 million (2000: HK\$102 million) in Hong Kong and the term loan banking facilities of approximately HK\$58 million (2000: HK\$45 million) in the PRC. All the term loan banking facilities in the PRC are denominated in Renminbi.

As at 30 June 2001, total indebtedness including bank borrowings and obligations under finance leases and hire purchase contracts amounted to approximately HK\$60 million (2000: approximately HK\$46 million).

The total indebtedness as at 30 June 2001 represented approximately 20 per cent. of the total shareholders' equity (2000: approximately 15 per cent.).

The Directors are of the opinion that the Group shall have enough and strong financial resources to meet its future expansion plan and working capital requirement after a due consideration of the net cash position and the availability of the existing banking facilities.

APPLICATION FOR THE PROCEEDS OF PRIVATE PLACEMENT

The Group raised approximately HK\$39 million net of related expenses from the issue of 90 million new shares of HK\$0.10 each in the capital of the Company at a price of HK\$0.45 per share to independent professional and institutional investors in August 2000.

The net proceeds from the private placing is subsequently applied up to the date of this report as follows:—

- approximately HK\$8 million for the promotion of the electronic organisers and other electrical products;
- approximately HK\$10 million for developing new products including Personal Digital Assistants (“PDA”), web cameras, Electronic books, Digital Enhanced Cordless Telephone (“DECT”) and other telecommunication products; and
- approximately HK\$15 million as working capital of the Group.

The remaining balance of approximately HK\$6 million from the private placing are now placed on short term deposits with banks and it is the Directors' present intention to use such sums for developing new products including Electronic books, DECT and other telecommunication products in the coming year. The Directors believe that the proceeds of the private placing will be utilized as planned and in the best interests of the Group and its shareholders taken as a whole.

FUTURE PLANS AND PROSPECTS

During the period under review, the Group has maintained positive momentum. Nevertheless, the Directors anticipate a much more difficult business environment ahead originating from the political and financial instability in the global economy and accordingly, the Directors will strive for a healthy balance sheet and low debt ratio.

In the future, the Directors will continue to consolidate existing business and pursue new growth areas, while keeping tight control over costs and stringent risk management, against mounting instability in the world economy.

The Group will continue to focus on its core businesses and reinforce its leadership position by capitalizing on its research and development strengths and expanding its international sales and marketing network.

The Directors also believe that with its strong management team, product diversification, closed and established customer relations and effective strategic planning, the Group is confident in maintaining its development direction and will achieve success for the Group in the future.

DIRECTORS' INTERESTS IN SECURITIES

Shares

As at the date of this report, the interests of the Directors in the shares or other securities of the Company or any associated corporation, within the meaning of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance"), as recorded in the register maintained by the Company pursuant to section 29 of the SDI Ordinance or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:—

Name	Number of shares held	
	Personal interests	Corporate interests
Mr. Tong Shek Lun	1,532,000	231,180,000 (Note)
Mr. Li Ka Fai, Fred	1,100,000	Nil (Note)
Mr. Tam Lung Shor	696,000	Nil (Note)
Ms. Ko Lai King, Kinny	764,000	Nil (Note)
Ms. Chung Wai Yu, Regina	928,000	Nil (Note)
Mr. Wu Yong Yei	850,000	Nil

Note: These shares represented approximately 42.8% equity interests in the Company and are owned by Sapphire Profits Limited. The issued share capital of Sapphire Profits Limited is beneficially owned by Mr. Tong Shek Lun as to approximately 88.06%, Mr. Li Ka Fai, Fred as to approximately 3.37%. Ms. Ko Lai King, Kinny as to approximately 3.37%, Mr. Tam Lung Shor as to approximately 2.6% and Ms. Chung Wai Yu, Regina as to approximately 2.6%.

Save as disclosed above, as at 30 June 2001, none of the Directors, chief executive or their respective associates had any beneficial interests in the securities of the Company or any of its associated corporations (within the meaning of the SDI Ordinance) as recorded in the register required to be kept under section 29 of the SDI Ordinance.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OF THE COMPANY

Share Options

Under the terms of the Share Option Scheme which became effective on 14 February 1998, the board of Directors may offer to any director and full-time employees of the Company, or any of its subsidiaries, options to subscribe for shares in the Company at a price equal to the higher of the nominal value of the shares and 80% of the average of the closing prices of the shares on the Stock Exchange on the five trading days immediately preceding the date of grant of the options, subject to a maximum of 10% of the issued share capital of the Company from time to time.

At 24 July 2000, options were granted under the scheme to subscribe for an aggregate of 12,210,000 ordinary shares of the Company at any time between 24 July 2000 and 23 July 2003 at an exercise price of HK\$0.528 per share.

No consideration was received by the Company for the options granted during the six months ended 30 June 2001.

A summary of the movements in share options granted under the share option scheme during the six months ended 30 June 2001 is as follows:

Name	Capacity	Balance		Granted	Exercised	Balance		Exercised price HK\$
		at 31.12.2000				at 30.6.2001		
Mr. Tong Shek Lun	Director	1,532,000		-	-	1,532,000		0.528
Mr. Li Ka Fai, Fred	Director	1,100,000		-	-	1,100,000		0.528
Ms. Ko Lai King, Kinny	Director	764,000		-	-	764,000		0.528
Ms. Chung Wai Yu, Regina	Director	928,000		-	-	928,000		0.528
Mr. Tam Lung Shor	Director	696,000		-	-	696,000		0.528
Mr. Wu Yong Yei	Director	850,000		-	-	850,000		0.528
Others	Employees	6,340,000		-	-	6,340,000		0.528
		<u>12,210,000</u>		<u>-</u>	<u>-</u>	<u>12,210,000</u>		<u>0.528</u>

Save and except the above options granted, no option was granted to the Directors under the Share Option Scheme during the six months ended 30 June 2001.

Apart from the foregoing, at no time during the six months ended 30 June 2001 was the Company or any of its subsidiaries a party to any arrangements to enable the Directors, their respective spouses or children under 18 years of age to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

As at the date of this report, the register of substantial shareholder maintained by the Company pursuant to Section 16(1) of the SDI Ordinance showed that, other than the interest disclosed above in respect of the directors and the shareholder set out below, the Company had not been notified of any interest representing 10% or more of the issued share capital of the Company.

Name	Number of shares	% of interest
Perfect Treasure Investment Limited (<i>note</i>)	88,900,000	16.5

Note: Perfect Treasure Investment Limited is a company incorporated in Hong Kong and owned by Global Chian Technology Group Limited, a company listed on The Stock Exchange of Hong Kong Limited.

CORPORATE GOVERNANCE

None of the Directors is aware of any information which would reasonably indicate that the Company is not, or, was not during the six months ended 30 June 2001 in compliance with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of securities on The Stock Exchange of Hong Kong Limited, save and except that all non-executive Directors are not appointed for any specific term of office but are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the bye-laws of the Company.

AUDIT COMMITTEE

The Audit Committee (“Committee”) has reviewed with management, the accounting principles and practices adopted by the Group and discussed the auditing, internal control and financial reporting matters including a review of the unaudited consolidated interim results for the six months ended 30 June 2001.

The members of the Committee included the two independent non-executive Directors of the Company.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

During the six months ended 30 June 2001, the Company repurchased certain of its own shares on the Stock Exchange. All these listed securities were subsequently cancelled by the Company, the details of which are set out below:

Month of repurchase	Number of ordinary shares repurchased	Price per share		Aggregate price paid HK\$
		Highest HK\$	Lowest HK\$	
April 2001	88,000	0.310	0.30	26,880
May 2001	152,000	0.335	0.27	45,720
	<u>240,000</u>			<u>72,600</u>

The repurchases mentioned above were made for the purpose of enhancing the net assets and earnings per share of the Company.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company’s listed securities during the period.

ACKNOWLEDGEMENTS

Finally, on behalf of the Directors, I wish to express my sincere appreciation to all the staff of the Group for their continuing dedication and support. I would also like to thank our shareholders, our suppliers, our bankers and our customers for their continued support.

By Order of the Board
Tong Shek Lun
Chairman and Managing Director

Hong Kong, 24 September 2001