

PacMOS Technologies Holdings Limited

2001 Interim Report

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PacMOS

PacMOS

The Directors have the pleasure of presenting the unaudited financial statements of PacMOS Technologies Holdings Limited (formerly known as PCL Enterprises Holdings Limited) and its subsidiaries for the six months ended 30th June, 2001.

Condensed Consolidated Income Statement

For the six months ended 30th June, 2001

(Expressed in Hong Kong dollars)

		Unaudited six months ended	
	Notes	30th June, 2001 \$'000	30th June, 2000 \$'000 (Note 12)
Turnover	2,4	41,746	49,384
Cost of sales		<u>(32,944)</u>	<u>(40,542)</u>
Gross profit		8,802	8,842
Other revenue	2,3	2,477	2,300
Distribution costs		(4,298)	(2,789)
General and administrative expenses		(20,572)	(11,577)
Other operating (expenses) income	5	<u>(34,831)</u>	<u>3,408</u>
(Loss) Profit from operations	6	(48,422)	184
Finance costs		<u>(3,041)</u>	<u>(593)</u>
Loss before tax		(51,463)	(409)
Taxation	7	<u>(209)</u>	<u>(62)</u>
Loss before minority interests		(51,672)	(471)
Minority interests		<u>(655)</u>	<u>(523)</u>
Net loss attributable to shareholders		<u>(52,327)</u>	<u>(994)</u>
Basic loss per share	8	<u>(15.6 cents)</u>	<u>(0.3 cents)</u>
Diluted loss per share	8	<u>N/A</u>	<u>N/A</u>

Condensed Consolidated Statement of Recognised Gains and Losses

For the six months ended 30th June, 2001

(Expressed in Hong Kong dollars)

	Unaudited	
	six months ended	
	30th June,	30th June,
	2001	2000
	\$'000	\$'000
Net change in exchange reserve	<u>(1,714)</u>	<u>471</u>
Net (losses) gains not recognised in the income statement	(1,714)	471
Net loss for the period		
— as previously reported	—	(1,394)
— prior year adjustment arising from change in accounting policy	—	400
Net loss for the period (2000: as restated)	<u>(52,327)</u>	<u>(994)</u>
Total recognised losses	<u>(54,041)</u>	<u>(523)</u>

Condensed Consolidated Balance Sheet

As at 30th June, 2001

(Expressed in Hong Kong dollars)

	Notes	Unaudited 30th June, 2001 \$'000	Restated 31st December, 2000 \$'000 (Note 12)
ASSETS			
Non-current assets			
Fixed assets		3,002	3,101
Intangible assets		10,412	11,793
Negative goodwill		(2,538)	(2,938)
Investment property		70,000	70,000
Long-term deposits		318	318
		<u>81,194</u>	<u>82,274</u>
Current assets			
Inventories		6,448	17,042
Accounts receivable	9	10,715	29,131
Notes receivable		2,457	2,263
Receivable from a former subsidiary		—	30,600
Prepayments, deposits and others		4,565	3,900
Amounts due from related companies		—	27
Other investments		89,934	114,983
Pledged deposits		3,513	3,513
Cash and cash equivalents		99,212	82,932
		<u>216,844</u>	<u>284,391</u>
Total assets		<u><u>298,038</u></u>	<u><u>366,665</u></u>

		Unaudited	Restated
		30th June,	31st December,
<i>Notes</i>		2001	2000
		\$'000	\$'000
			<i>(Note 12)</i>
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital		33,659	33,659
Reserves	<i>11</i>	117,976	172,017
		<hr/>	<hr/>
		151,635	205,676
		<hr/>	<hr/>
Minority interests		35,234	1,766
		<hr/>	<hr/>
Current liabilities			
Accounts payable and accruals	<i>10</i>	19,553	42,094
Bills payable		—	11,859
Short-term bank loans		90,285	102,169
Amounts due to related companies		91	2,068
Amounts due to minority shareholders		656	658
Tax payable		584	375
		<hr/>	<hr/>
		111,169	159,223
		<hr/>	<hr/>
Total equity and liabilities		298,038	366,665
		<hr/> <hr/>	<hr/> <hr/>

Condensed Consolidated Statement of Cash Flows

For the six months ended 30th June, 2001

(Expressed in Hong Kong dollars)

	Unaudited	
	six months ended	
	30th June,	30th June,
	2001	2000
	\$'000	\$'000
Net cash inflow from operating activities	10,326	23,150
Net cash (outflow) inflow from returns on investments and servicing of finance	(1,342)	866
Taxes paid	—	—
Net cash outflow from investing activities	<u>(11,919)</u>	<u>(10,500)</u>
Net cash (outflow) inflow before financing activities	(2,935)	13,516
Net cash inflow from financing activities	<u>20,929</u>	<u>5,432</u>
	17,994	18,948
EFFECT OF EXCHANGE DIFFERENCE	<u>(1,714)</u>	<u>471</u>
INCREASE IN CASH AND CASH EQUIVALENTS	16,280	19,419
Cash and cash equivalents, beginning of period	<u>82,932</u>	<u>56,440</u>
Cash and cash equivalents, end of period	<u>99,212</u>	<u>75,859</u>

Notes to Condensed Financial Statements

1. BASIS OF PRESENTATION AND PRINCIPAL ACCOUNTING POLICIES

(a) Statement of compliance

The interim financial report of PacMOS Technologies Holdings Limited (the "Company") (formerly known as PCL Enterprises Holdings Limited) and its subsidiaries (the "Group") has been prepared in accordance with Statement of Standard Accounting Practice ("SSAP") Number 25 ("Interim financial reporting") issued by the Hong Kong Society of Accountants ("HKSA").

(b) Principal accounting policies

The unaudited interim financial statements are prepared on a basis consistent with the accounting policies and methods of computation in the 2000 annual financial statements except that the Group has adopted the new Statements of Standard Accounting Practice issued by HKSA effective 1st January, 2001.

(c) Changes in accounting policies

With effect from 1st January, 2001, the Group adopted SSAP 9 (revised) ("Events after the balance sheet date"), SSAP 26 ("Segment reporting"), SSAP 28 ("Provision, contingent liabilities and contingent assets"), SSAP 29 ("Intangible assets"), SSAP 30 ("Business combinations"), SSAP 31 ("Impairment of assets") and SSAP 32 ("Consolidated financial statements and accounting for investment in subsidiaries") issued by HKSA. The effects of adopting the new accounting policies to the extent that they result in changes in the Group's accounting policies are summarised below:

(i) *Restatement of negative goodwill*

Negative goodwill arising from acquisition of subsidiaries was previously credited to capital reserve. Subsequent to the adoption of SSAP 30, any negative goodwill is recognised as a separate item in the balance sheet. Negative goodwill is recognised in the income statement as follows:

- a) to the extent that negative goodwill relates to expected future losses and expenses that are identified in the

Company's plan for the acquisition and can be measured reliably, that portion of negative goodwill is recognised as income when the future losses and expenses are recognised.

- b) the amount of negative goodwill not exceeding the fair values of acquired identifiable non-monetary assets is recognised as income on a systematic basis over the remaining weighted average useful life of the identifiable acquired depreciable/amortizable assets.
- c) the amount of negative goodwill in excess of the fair values of acquired identifiable non-monetary assets is recognised as income immediately.

During the period, the Group retroactively adopted the provisions of SSAP 30 requiring the restatement of negative goodwill arising from acquisition and the recognition of the accumulated amount of negative goodwill as income since the date of acquisition. The effect of this change in accounting policy was to reduce the net loss for the six months period ended 30th June, 2000 and to increase the retained profits as at 31st December, 2000 by HK\$400,000 and HK\$1,322,000 respectively, representing the income recognised out of negative goodwill which should have been made if the negative goodwill previously credited to capital reserve were instead recognised as a separate item in the balance sheet on the date of acquisition.

(ii) *Segment reporting*

In accordance with the Group's internal financial reporting, the Group has determined that business segments be presented as the primary reporting format and geographical as the secondary reporting format. Segmental information on business and geographical segments is presented in Note 2 to the interim financial statement.

2. SEGMENT INFORMATION

The Group is primarily engaged in (i) the design and trading of integrated circuits, provision of agency services and distribution of products, (ii) investment property holding and (iii) investment holding.

	Unaudited six months ended 30th June											
	2001					2000						
	Design and trading of integrated circuits, provision of agency services and distribution of products \$'000	Investment property holding \$'000	Investment holding \$'000	Unallocated amounts \$'000	Elimination \$'000	Total \$'000	Design and trading of integrated circuits, provision of agency services and distribution of products \$'000	Investment property holding \$'000	Investment holding \$'000	Unallocated amounts \$'000	Elimination \$'000	Total \$'000
Turnover												
External	38,568	3,178	—	—	—	41,746	46,264	3,120	—	—	—	49,384
Inter-segments	259	—	—	—	(259)	—	1,869	—	—	—	(1,869)	—
Total turnover	<u>38,827</u>	<u>3,178</u>	<u>—</u>	<u>—</u>	<u>(259)</u>	<u>41,746</u>	<u>48,133</u>	<u>3,120</u>	<u>—</u>	<u>—</u>	<u>(1,869)</u>	<u>49,384</u>
Cost of sales	(32,944)	—	—	—	—	(32,944)	(40,542)	—	—	—	—	(40,542)
Gross profit	5,883	3,178	—	—	(259)	8,802	7,591	3,120	—	—	(1,869)	8,842
Other revenue												
External	739	7	566	1,165	—	2,477	2,070	59	171	—	—	2,300
Inter-segments	224	—	3,635	—	(3,859)	—	331	—	3,724	—	(4,055)	—
	<u>963</u>	<u>7</u>	<u>4,201</u>	<u>1,165</u>	<u>(3,859)</u>	<u>2,477</u>	<u>2,401</u>	<u>59</u>	<u>3,895</u>	<u>—</u>	<u>(4,055)</u>	<u>2,300</u>
Segment expenses												
Distribution costs	(4,298)	—	—	—	—	(4,298)	(2,789)	—	—	—	—	(2,789)
General and administrative expenses	(18,634)	(964)	(3,864)	(19)	2,909	(20,572)	(9,723)	(901)	(5,460)	(2)	4,509	(11,577)
Other operating income (expenses)	1,178	—	(36,628)	619	—	(34,831)	3,338	—	(330)	400	—	3,408
(Loss) Profit from operations	(14,908)	2,221	(36,291)	1,765	(1,209)	(48,422)	818	2,278	(1,895)	398	(1,415)	184
Finance cost	—	—	—	—	—	(3,041)	—	—	—	—	—	(593)
Loss before tax	—	—	—	—	—	(51,463)	—	—	—	—	—	(409)
Taxation	—	—	—	—	—	(209)	—	—	—	—	—	(62)
Loss before minority interests	—	—	—	—	—	(51,672)	—	—	—	—	—	(471)
Minority interests	—	—	—	—	—	(655)	—	—	—	—	—	(523)
Net loss attributable to shareholders	—	—	—	—	—	<u>(52,327)</u>	—	—	—	—	—	<u>(994)</u>
Total segment assets	65,233	71,014	90,429	71,362	—	298,038	96,136	70,693	202,687	(2,851)	—	366,665
Total segment liabilities	17,675	1,656	968	90,870	—	111,169	53,296	1,545	1,151	103,231	—	159,223
Capital expenditures for segment assets	508	—	—	—	—	508	10,633	—	47	—	—	10,680
Depreciation and amortisation	2,023	—	15	—	—	2,038	7,332	—	166	—	—	7,498
Provision for inventory obsolescence	2,801	—	—	—	—	2,801	—	—	—	—	—	—
Provision for doubtful debts	311	—	—	—	—	311	—	—	—	—	—	—

Analysis of turnover and contribution to (loss) profit from operations by geographical location is as follows:

	Turnover	
	Unaudited six months ended	
	30th June, 2001 \$'000	30th June, 2000 \$'000 <i>(Note 12)</i>
Hong Kong	3,178	45,456
Taiwan	31,721	10
The People's Republic of China	6,847	3,918
	41,746	49,384
	Contribution to (loss) profit from operation	
	Unaudited six months ended	
	30th June, 2001 \$'000	30th June, 2000 \$'000 <i>(Note 12)</i>
Hong Kong	3,178	5,444
Taiwan	(140)	10
The People's Republic of China	5,764	3,388
Gross profit	8,802	8,842
Other revenue	2,477	2,300
Expenses *	(59,701)	(10,958)
	(48,422)	184

* Amounts included the distribution costs of approximately \$947,000 (2000 - \$1,103,000), \$3,351,000 (2000 - \$61,000) in relation to the operations in the People's Republic of China and Taiwan respectively. Also, it included the provision for diminution in value in other investments of approximately \$36,409,000 (2000 - \$330,000) (*Note 5*).

	Unaudited 30th June, 2001 \$'000	Restated 31st December, 2000 \$'000 (Note 12)
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Segment assets

Hong Kong	161,442	270,529
Taiwan	101,626	58,848
The People's Republic of China	34,970	37,288
	<u>298,038</u>	<u>366,665</u>

Unaudited six months ended

30th June, 2001 \$'000	30th June, 2000 \$'000 (Note 12)
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Capital expenditure

Hong Kong	—	47
Taiwan	446	5,362
The People's Republic of China	62	5,271
	<u>508</u>	<u>10,680</u>

3. OTHER REVENUE

Analysis of other revenue is as follows:

Unaudited six months ended

30th June, 2001 \$'000	30th June, 2000 \$'000 (Note 12)
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Interest income	1,881	1,459
Exchange gain, net	119	—
Gain on sale of other investments	—	40
Handling and probing fees	—	172
Others	477	629
	<u>2,477</u>	<u>2,300</u>

4. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

During the period, the Group had certain significant transactions with related companies as set out below:

- (a) Rental income of approximately \$251,000 and \$606,000 (2000 - \$251,000 and \$606,000) were received and/or became receivable from Fong Wing Shing Construction Company Limited and PCL Holdings Limited respectively. The directors of the Company, Mr. Yip Chi Hung and Mr. Pang Hong, are in a position to exercise significant influence over these companies.
- (b) In January 2001, SyncMOS Technologies, Inc. (BVI) ("SyncMOS"), a wholly-owned subsidiary of the Company, entered into an agreement with Mao-Fu Investment Co., Ltd. ("MF"), a related company, to set up a joint venture company in Taiwan named 新茂國際科技股份有限公司 ("JV Co."), for the wholesale distribution of electronic materials and components and the provision of industrial and commercial services and product design. Upon and since the incorporation of the JV Co., the JV Co. has been held as to 55% by SyncMOS, approximately 10.94% by MF and approximately 34.06% by other minority shareholders (including certain connected persons of the Group). The capital contribution by SyncMOS in the JV Co. was NT\$176 million (equivalent to approximately \$41.9 million) in cash.

The above-mentioned related party transaction also constitutes a connected party transaction as defined under the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited.

5. OTHER OPERATING (EXPENSES) INCOME

	Unaudited six months ended	
	30th June, 2001 \$'000	30th June, 2000 \$'000 <i>(Note 12)</i>
Provision for diminution in value in other investments <i>(Note 2)</i>	(36,409)	(330)
Write-back of provision for doubtful debts	1,178	3,338
Negative goodwill recognised as income arising from change in accounting policy	400	400
	<u>(34,831)</u>	<u>3,408</u>

6. (LOSS) PROFIT FROM OPERATIONS

(Loss) Profit from operations is arrived at after charging:

	Unaudited six months ended	
	30th June, 2001 \$'000	30th June, 2000 \$'000
Depreciation of fixed assets	452	6,633
Amortisation of intangible assets	1,586	865
Provision for inventory obsolescence	2,801	—
Provision for doubtful debts	311	—
Research and development costs	8,721	—

7. TAXATION

The Company is exempt from taxation in Bermuda. Hong Kong profits tax has been provided at the rate of 16% (2000 - 16%) on the estimated assessable profit for the period. Overseas taxation has been calculated on the estimated assessable profit for the period at the rates prevailing in the respective jurisdictions.

	Unaudited six months ended	
	30th June, 2001 \$'000	30th June, 2000 \$'000
Hong Kong profits tax	76	62
Overseas taxation	133	—
	<u>209</u>	<u>62</u>

There was no significant unprovided deferred taxation.

8. LOSS PER SHARE

The calculation of basic loss per share for the six months ended 30th June, 2001 was based on the consolidated net loss attributable to shareholders of approximately \$52,327,000 (2000 - \$994,000) and the weighted average number of 336,587,142 (2000 - 336,587,142) shares in issue during the period.

Diluted loss per share for the six months ended 30th June, 2001 was not presented as there was no dilution effect on the loss per share.

9. ACCOUNTS RECEIVABLE

	Unaudited 30th June, 2001 \$'000	Restated 31st December, 2000 \$'000
Accounts receivable	11,016	29,673
Less: Provision for doubtful debts	(301)	(542)
	<u>10,715</u>	<u>29,131</u>

Aging analysis of accounts receivable after provision for doubtful debts was as follows:

	Unaudited 30th June, 2001 \$'000	Restated 31st December, 2000 \$'000
Within 3 months	10,715	24,893
Between 4 to 6 months	—	3,767
Between 6 to 12 months	—	—
Over 12 months	—	471
	<u>10,715</u>	<u>29,131</u>

The Group normally grants credit period to customers ranging from 1 month to 4 months.

10. ACCOUNTS PAYABLE AND ACCRUALS

Included in accounts payable and accruals were accounts payable, accrued charges and other payable as follows:

	Unaudited 30th June, 2001 \$'000	Restated 31st December, 2000 \$'000
Accounts payable	10,340	30,095
Accrued charges and other payable	9,213	11,999
	<u>19,553</u>	<u>42,094</u>

Aging analysis of accounts payable was as follows:

	Unaudited 30th June, 2001 \$'000	Restated 31st December, 2000 \$'000
Within 3 months	10,228	28,662
Between 4 to 6 months	—	1,321
Between 6 to 12 months	—	—
Over 12 months	112	112
	<u>10,340</u>	<u>30,095</u>

11. RESERVES**Group**

	Unaudited 30th June, 2001				Restated 31st December, 2000	
	Share premium \$'000	Investment property revaluation reserve \$'000	Exchange reserve \$'000	Retained profits \$'000	Total \$'000	Total \$'000
Beginning of year	101,263	17,694	(404)	53,464	172,017	198,751
Adjustment of negative goodwill due to subsequent adjustments to the net asset value of a subsidiary	—	—	—	—	—	2,306
Restatement of negative goodwill arising from change in accounting policy	—	—	—	—	—	(4,260)
Revaluation deficit on investment property	—	—	—	—	—	(2,000)
Write-back of negative goodwill resulting from disposal of a subsidiary	—	—	—	—	—	(28,072)
Movement in exchange difference	—	—	(1,714)	—	(1,714)	(183)
(Loss) profit for the period/year	—	—	—	(52,327)	(52,327)	4,153
Prior period adjustment — Accumulated amount of negative goodwill recognised as income arising from change in accounting policy	—	—	—	—	—	1,322
End of period/year	<u>101,263</u>	<u>17,694</u>	<u>(2,118)</u>	<u>1,137</u>	<u>117,976</u>	<u>172,017</u>

12. COMPARATIVE FIGURES

Amounts of HK\$3,338,000, HK\$40,000 and HK\$318,000 have been reclassified from other revenue to other operating income, from turnover to other revenue and from prepayments, deposits and other current assets to long-term deposits respectively, so as to conform to the current period's presentation. Also, an amount of HK\$11,793,000 has been reclassified from fixed assets to intangible assets so as to conform with the classification of computer software in accordance with SSAP 29 effective 1st January, 2001.

CHANGE OF COMPANY NAME

Pursuant to a special resolution passed on 12th July, 2001 at a special general meeting of the Company and approval from the Registrar of Companies in Bermuda, the Company changed its name from PCL Enterprises Holdings Limited to PacMOS Technologies Holdings Limited with effect from 12th July, 2001.

DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30th June, 2001.

BUSINESS REVIEW

For the six months under review, the Group recorded a reduction in turnover from approximately HK\$49.4 million to approximately HK\$41.7 million as compared to the same period last year. The loss attributable to shareholders amounted to approximately HK\$52.3 million for the reporting period, as compared to approximately HK\$1.0 million last year. The disappointing performance is attributable to the global downturn of the semiconductor industry, indicating by substantial decline in demand of electronic products and increasing pricing pressure arising from fierce competition.

Owing to the negative market sentiment, the Group, among its other competitors, has been operating in significant difficulties. For the period under review, a provision of approximately HK\$36.6 million was made for the diminution in value of the Company's investment in ChipMOS Technologies Inc. ("ChipMOS"), a company engaged in backend packaging of semiconductor products and commenced listing on NASDAQ in early June 2001.

Integrated Circuits Design

Following the disposition of the 4-inch wafer fabrication plant in Tai Po, the Group has been focusing in the design, marketing and sale of integrated circuits ("IC") products. For the period under review, a turnover of approximately HK\$38.6 million was derived from the above mentioned business segment, representing approximately 92.4% of the total turnover of the Group.

The design house in Taiwan, which has commenced operation since June 2000, contributed the bulk of the Group's turnover. For the reporting period, the Taiwan design house registered a turnover of approximately HK\$31.7 million. However, owing to the substantial overhead cost incurred for the period, which included research and development costs of approximately HK\$8.7 million and a provision of approximately HK\$2.8 million made for its obsolete inventories, a loss of approximately HK\$15.7 million was recorded for the period under review. Furthermore, the management has determined to drop the LCD driver product line in view of the saturated market.

For the period under review, the design team in Shanghai managed to record a small profit of approximately HK\$0.1 million. The design team has solidly been built after two years of hard works devoted by the management. The design house has successfully developed a number of proprietary products since the Group's acquisition in September 1999. Furthermore, though under severe competition, the marketing teams in Shanghai and Shenzhen continued to strive for expanding both the sale channels and customer base for its IC products. For the six months under review, there was a commission income of approximately HK\$1.1 million earned by the Group.

Investment Property

The investment property located in Chai Wan continued to provide a stable source of income to the Group. A gross rental income of approximately HK\$3.2 million was registered for the six months ended 30th June, 2001 with an average occupancy rate of 93%.

Investment in ChipMOS Technologies, Inc.

A substantial provision, which amounted to approximately of HK\$36.6 million, was made for the Company's investment in ChipMOS to reflect its market price as of the last trading date of the reporting period. The provision was made in accordance with SSAP 24 ("Accounting for investments in securities") issued by HKSA. The adverse economic environment has resulted in a significant downturn in worldwide securities market. Inevitably, the share price of ChipMOS has been facing the same kind of pressure as other companies in the semiconductor industry, despite ChipMOS has been profitable since its operation in 1997.

FINANCIAL REVIEW

As at 30th June, 2001, the outstanding bank loans of the Group amounted to approximately HK\$90.3 million and the cash and cash equivalents held by the Group amounted to approximately HK\$99.2 million. The Group's gearing ratio, defined as total liabilities (excluding capital and reserves and minority interests) expressed as a percentage of the total assets, was approximately 37.3% as at 30th June, 2001. The Group will continue to exercise due care in managing its funding arrangements with an objective of maintaining a comfortable cash flow to meet its operational requirements.

HUMAN RESOURCES

The Group recognized the importance of human resources to the success of the Group and rewarded its employees through fair remuneration packages and other fringe benefits. As at 30th June, 2001, the Group hired approximately 130 employees. The remuneration of employees was determined based on the employees' responsibility and performance, while maintained competitive in the market.

Under the terms of a share option scheme (the “Scheme”) approved by shareholders of the Company on 25th January, 1994, the board of directors may, at their discretion, grant options to senior executives and executive directors of the Group to subscribe for shares in the Company. Details of the Scheme are set out in the separate heading named “Directors’ rights to acquire shares or debentures”.

FUTURE PLANS AND PROSPECTS

Despite the prevailing gloomy market sentiment, the Group remains optimistic about the long-term development of the IC industry. The Group, therefore, will continue to devote resources to the research and development of its proprietary IC products. Looking forward, the Group will undertake a structural enhancement plan to streamline its operation and management process in order to improve operational efficiency and productivity. The Directors are confident of the Group’s growth prospects and will continue to be proactive to capture any new opportunities arising in the future.

PURCHASE, SALES OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company’s listed securities during the period.

DIRECTORS’ INTERESTS IN SECURITIES

As at 30th June, 2001, none of the directors or their associates had any personal, family, corporate or other interests in the equity or debt securities of the Company or any of its associated corporations as defined in the Securities (Disclosure of Interests) Ordinance (the “SDI Ordinance”).

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Pursuant to the Scheme, the share options granted to and held by the directors during the six months ended 30th June, 2001 were as follows:

Name	Subscription price per share	Number of share options		End of period
		Beginning of period	Cancelled/ exercised during the period	
Seto Yee Woon, John	HK\$0.824	5,000,000	—	5,000,000
Pang Hong	HK\$0.824	1,500,000	—	1,500,000

Save as disclosed above, at no time during the six months ended 30th June, 2001 was the Company or any of its holding companies, fellow subsidiaries or subsidiaries a party to any arrangement to enable any of the Company's directors, their respective spouses or children under the age of 18 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 30th June, 2001, the following entities (not being a director or chief executive of the Company) had registered an interest of 10% or more of the issued share capital of the Company:

Name	Notes	Number of issued shares	Percentage holdings
Texan Management Limited	(i)	145,610,000	43.3%
Vision2000 Venture Ltd.	(ii)	106,043,142	31.5%

Notes:

- (i) Texan Management Limited is a wholly owned subsidiary of All Dragon International Limited.
- (ii) Vision2000 Venture Ltd. is a wholly owned subsidiary of Mosel Vitelic Inc. which is a public listed company in Taiwan.

Save as disclosed above, the Company had no notice of any interests required to be recorded under Section 16(1) of the SDI Ordinance as at 30th June, 2001.

AUDIT COMMITTEE

The audit committee of the Company had duly convened a meeting on 20th September, 2001 and reviewed the unaudited consolidated interim financial statements of the Group for the six months ended 30th June, 2001 and discussed internal control and financial reporting matters with the management.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

In the opinion of the Directors, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules of The Stock Exchange of Hong Kong Limited throughout the period except that the independent non-executive directors are not appointed for a specific term as they are subject to retirement by rotation at the annual general meeting in accordance with the Bye-laws of the Company.

By Order of the Board
Seto Yee Woon, John
Chairman

Hong Kong, 21st September, 2001