



China Online (Bermuda) Limited

(Incorporated in Bermuda with limited liability)

Interim Report
2002



China Online (Bermuda) Limited

(Incorporated in Bermuda with limited liability)

(website: <http://www.chinaonline.com.hk>)

UNAUDITED RESULTS OF THE GROUP

The Board of Directors (the “Directors”) of China Online (Bermuda) Limited (the “Company”) announces the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2002 together with the comparative figures for the corresponding period in 2001 as follows. The consolidated interim financial statements have not been audited, but have been reviewed by the Company’s auditors, Deloitte Touche Tohmatsu, in accordance with the Hong Kong Statement of Auditing Standards 700 “Engagements to Review Interim Financial Reports” and by the Company’s Audit Committee.

CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended 30 June	
		2002	2001
	Notes	(Unaudited)	(Unaudited)
		HK\$'000	(Note 1) HK\$'000
Turnover	3	636,351	1,334,878
Cost of sales		<u>(645,802)</u>	<u>(1,373,955)</u>
Gross loss		(9,451)	(39,077)
Net losses on investments	4	(79,960)	(309,629)
Other revenue	5	5,078	3,931
Distribution costs		(7,234)	(11,000)
Administrative expenses		(26,533)	(30,416)
Other operating expenses		<u>(25,195)</u>	<u>(12,721)</u>
Loss from operations	6	(143,295)	(398,912)
Finance costs	7	(168)	(6,438)
Impairment loss recognised in respect of goodwill	8	(2,250)	(30,035)
Share of results of associates	9	(4,169)	(12,518)
Share of result of a jointly controlled entity		<u>(93)</u>	<u>—</u>
Loss before taxation		(149,975)	(447,903)
Tax credit (charge)	10	<u>256</u>	<u>(33)</u>
Loss before minority interests		(149,719)	(447,936)
Minority interests		<u>304</u>	<u>4,719</u>
Loss for the period		<u>(149,415)</u>	<u>(443,217)</u>
Dividend	11	<u>—</u>	<u>46,432</u>
Loss per share	12		
– Basic		<u>(1.61 HK cents)</u>	<u>(4.77 HK cents)</u>
– Diluted		<u>N/A</u>	<u>N/A</u>

CONDENSED CONSOLIDATED BALANCE SHEET

At 30 June 2002

	<i>Notes</i>	30.6.2002 (unaudited) HK\$'000	31.12.2001 (audited) HK\$'000
Non-current assets			
Investment properties	13	32,880	32,880
Property and equipment	13	19,517	24,768
Interests in associates		51,463	54,379
Interest in a jointly controlled entity		1,951	2,045
Investments in securities	14	287,448	264,984
Other non-current assets		1,750	1,755
		<hr/> 395,009 <hr/>	<hr/> 380,811 <hr/>
Current assets			
Inventories		13,324	12,911
Investments in securities	14	881,483	813,429
Debtors, deposits and prepayments	15	64,474	92,097
Bank balances and cash		54,833	214,503
		<hr/> 1,014,114 <hr/>	<hr/> 1,132,940 <hr/>
Current liabilities			
Creditors and accrued charges	16	153,694	130,395
Customers' deposits and receipts in advance		23,151	55,623
Taxation payable		4,156	4,141
Bank borrowings	17	52,533	—
		<hr/> 233,534 <hr/>	<hr/> 190,159 <hr/>
Net current assets		<hr/> 780,580 <hr/>	<hr/> 942,781 <hr/>
Total assets less current liabilities		<hr/> 1,175,589 <hr/>	<hr/> 1,323,592 <hr/>
Minority interests		<hr/> — <hr/>	<hr/> 305 <hr/>
		<hr/> 1,175,589 <hr/>	<hr/> 1,323,287 <hr/>
Capital and reserves			
Share capital	18	92,865	92,865
Reserves		1,082,724	1,230,422
		<hr/> 1,175,589 <hr/>	<hr/> 1,323,287 <hr/>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2002

	Share capital	Share premium	Negative goodwill	Goodwill	Warrant reserve	Asset revaluation reserve	Capital redemption reserve	Translation reserve	Retained profits (deficit)	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2001	92,865	1,135,685	32,883	(31,272)	90,381	(64,337)	1,922	2,609	901,452	2,162,188
Share of reserve of an associate	—	—	—	—	—	—	—	(342)	—	(342)
Revaluation decrease of other investments	—	—	—	—	—	(44,907)	—	—	—	(44,907)
Net losses not recognised in the condensed consolidated income statement	—	—	—	—	—	(44,907)	—	(342)	—	(45,249)
Impairment loss recognised in respect of goodwill	—	—	—	30,035	—	—	—	—	—	30,035
Loss for the period	—	—	—	—	—	—	—	—	(443,217)	(443,217)
Dividend paid	—	—	—	—	—	—	—	—	(46,432)	(46,432)
At 30 June 2001	92,865	1,135,685	32,883	(1,237)	90,381	(109,244)	1,922	2,267	411,803	1,657,325
Share of reserve of an associate	—	—	—	—	—	—	—	(127)	—	(127)
Revaluation decrease of other investments	—	—	—	—	—	(82,725)	—	—	—	(82,725)
Net losses not recognised in the condensed consolidated income statement	—	—	—	—	—	(82,725)	—	(127)	—	(82,852)
Impairment loss recognised in respect of other investments	—	—	—	—	—	22,851	—	—	—	22,851
Loss for the period	—	—	—	—	—	—	—	—	(274,037)	(274,037)
At 31 December 2001	92,865	1,135,685	32,883	(1,237)	90,381	(169,118)	1,922	2,140	137,766	1,323,287
Revaluation increase of other investments not recognised in the condensed consolidated income statement	—	—	—	—	—	1,717	—	—	—	1,717
Loss for the period	—	—	—	—	—	—	—	—	(149,415)	(149,415)
At 30 June 2002	<u>92,865</u>	<u>1,135,685</u>	<u>32,883</u>	<u>(1,237)</u>	<u>90,381</u>	<u>(167,401)</u>	<u>1,922</u>	<u>2,140</u>	<u>(11,649)</u>	<u>1,175,589</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2002

	Six months ended 30.6.2002 (unaudited) HK\$'000	(Restated) Six months ended 30.6.2001 (unaudited) HK\$'000
Net cash (used in) from operating activities	(196,606)	334,866
Net cash used in investing activities	(15,597)	(72,871)
Net cash from (used in) financing	51,373	(265,519)
Net decrease in cash and cash equivalents	(160,830)	(3,524)
Cash and cash equivalents at beginning of the period	214,503	41,979
Cash and cash equivalents at end of the period	53,673	38,455
Analysis of the balance of cash and cash equivalents		
Bank balances and cash	54,833	38,839
Bank overdraft	(1,160)	(384)
	53,673	38,455

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2002

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 (“HKSA”) 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.

The dividend income received by the Group has been redefined as part of turnover for the year ended 31 December 2001. In addition, the commission expenses, legal and professional fees and other distribution cost items paid by the Group have also been redefined as part of the other operating expenses instead of the administrative expenses and distribution costs for the year ended 31 December 2001. Accordingly, the comparative dividend income, commission expenses, legal and professional fees and other distribution cost items amounting to HK\$4,737,000, HK\$4,000,000, HK\$6,600,000 and HK\$690,000 respectively for the six months ended 30 June 2001 have been reclassified.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed financial statements have been prepared under the historical cost convention, as modified for the revaluation of certain properties and investments in securities.

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 2001 except as described below.

In the current period, the Group has adopted, for the first time, the following new or revised SSAPs issued by the HKSA:

SSAP 1 (Revised)	Presentation of financial statements
SSAP 11 (Revised)	Foreign currency translation
SSAP 15 (Revised)	Cash flow statements
SSAP 34	Employee benefits

The adoption of these SSAPs has resulted in a change in the format of presentation of the cash flow statement and the statement of changes in equity, but has had no significant effect on the results for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.

Foreign currencies

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

3. SEGMENT INFORMATION

The revenue and attributable loss from operations of the Group for the period, analysed by business segments and geographical segments are as follows:

By business segments:

For the six months ended 30 June 2002

	Mobile phone distribution HK\$'000	Securities trading and investments HK\$'000	Others HK\$'000	Consolidated HK\$'000
Revenue				
External sales	124,106	505,945	6,300	636,351
Others	747	—	3,247	3,994
	<u>124,853</u>	<u>505,945</u>	<u>9,547</u>	<u>640,345</u>
Segment result	<u>(24,593)</u>	<u>(101,537)</u>	<u>(1,685)</u>	<u>(127,815)</u>
Unallocated other revenue				1,084
Unallocated corporate expenses				<u>(16,564)</u>
Loss from operations				<u>(143,295)</u>

For the six months ended 30 June 2001

	Mobile phone distribution HK\$'000	Securities trading and investments HK\$'000	Others HK\$'000	Consolidated HK\$'000
Revenue				
External sales	123,246	1,202,996	8,636	1,334,878
Others	—	—	2,093	2,093
	<u>123,246</u>	<u>1,202,996</u>	<u>10,729</u>	<u>1,336,971</u>
Segment result	<u>(15,413)</u>	<u>(369,741)</u>	<u>(470)</u>	<u>(385,624)</u>
Unallocated other revenue				1,838
Unallocated corporate expenses				<u>(15,126)</u>
Loss from operations				<u>(398,912)</u>

By geographical segments:

The Group's operations are located in Hong Kong and the Mainland China.

The Group's distribution of mobile phones are carried out in Hong Kong and the Mainland China. Securities trading and investments are carried out in Hong Kong.

3. SEGMENT INFORMATION *(continued)*

By geographical segments: *(continued)*

The following table provides an analysis of the Group's revenue and loss from operations by geographical market:

	Revenue by geographical market		Loss from operations	
	Six months ended 30 June		Six months ended 30 June	
	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Hong Kong	578,946	1,230,267	(122,987)	(389,823)
Mainland China	61,399	106,704	(20,308)	(9,089)
	<u>640,345</u>	<u>1,336,971</u>	<u>(143,295)</u>	<u>(398,912)</u>

4. NET LOSSES ON INVESTMENTS

	Six months ended 30 June	
	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Gain on disposal of other listed investments	8,091	—
Net realised loss on equity linked notes	—	(46,688)
Net realised gain/(loss) on derivatives	14,117	(13,540)
Net unrealised loss on trading investments	(76,424)	(179,278)
Net unrealised loss on derivatives	(25,744)	(70,123)
	<u>(79,960)</u>	<u>(309,629)</u>

5. OTHER REVENUE

	Six months ended 30 June	
	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Gross rental income from investment properties	3,132	1,895
Interest income	1,145	1,556
Others	801	480
	<u>5,078</u>	<u>3,931</u>

6. LOSS FROM OPERATIONS

	Six months ended 30 June	
	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Loss from operations has been arrived at after charging:		
Depreciation and amortisation	1,808	2,040
Loss on disposal of property and equipment	3,847	358
	<u>5,655</u>	<u>2,400</u>

7. FINANCE COSTS

The finance costs represent interest on bank and other borrowings wholly repayable within five years.

8. IMPAIRMENT LOSS RECOGNISED IN RESPECT OF GOODWILL

During the six months ended 30 June 2002, the directors have assessed the recoverable amount of the goodwill arising from the acquisition of additional interest in a subsidiary amounting to HK\$2,250,000 during the period and identified that goodwill to be impaired since the subsidiary has sustained losses for several years. Accordingly, the entire amount has been impaired in the current period.

9. SHARE OF RESULTS OF ASSOCIATES

The share of results of associates for the six months ended 30 June 2002 mainly included the results of Millennium Group Limited ("MGL") up to 31 March 2002 in accordance with the Group's accounting policy. In August 2002, the Group disposed of its entire interest in MGL, for a consideration of HK\$37,569,000 at a loss of approximately HK\$13,900,000 excluding the further share of results up to 30 June 2002.

10. TAX CREDIT (CHARGE)

	Six months ended 30 June	
	2002	2001
	HK\$'000	HK\$'000
The credit (charge) comprises:		
Share of tax credit (charge) of associates	<u>256</u>	<u>(33)</u>

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

11. DIVIDEND

	Six months ended 30 June	
	2002	2001
	HK\$'000	HK\$'000
Final dividend paid in respect of the year ended		
31 December 2001: Nil (2000: 0.5 HK cent per ordinary share)	<u>—</u>	<u>46,432</u>

The directors do not recommend the payment of an interim dividend for both periods.

12. LOSS PER SHARE

The calculation of the basic loss per share is based on the loss for the period of HK\$149,415,000 (2001: HK\$443,217,000) and on 9,286,462,340 (2001: weighted average of 9,286,461,803) ordinary shares in issue during the period.

Diluted loss per share is not presented as the exercise price of the Company's outstanding warrants was higher than the average market price for shares for both periods.

13. INVESTMENT PROPERTIES AND PROPERTY AND EQUIPMENT

The directors consider that the values of the investment properties and leasehold land and buildings as at 30 June 2002 would not be materially different from the professional valuation made as at 31 December 2001 and, accordingly, no revaluation surplus or deficit has been recognised in the current period.

14. INVESTMENTS IN SECURITIES

	Trading investments		Other investments		Total	
	30.6.2002 HK\$'000	31.12.2001 HK\$'000	30.6.2002 HK\$'000	31.12.2001 HK\$'000	30.6.2002 HK\$'000	31.12.2001 HK\$'000
Equity securities:						
– listed in Hong Kong	729,832	665,685	304,928	285,409	1,034,760	951,094
– unlisted	134,171	127,319	—	—	134,171	127,319
	864,003	793,004	304,928	285,409	1,168,931	1,078,413
Market value of listed securities	729,832	665,685	304,928	285,409	1,034,760	951,094
Carrying amount analysed for reporting purposes as:						
– Non-current	—	—	287,448	264,984	287,448	264,984
– Current	864,003	793,004	17,480	20,425	881,483	813,429
	864,003	793,004	304,928	285,409	1,168,931	1,078,413

15. DEBTORS, DEPOSITS AND PREPAYMENTS

The Group has a policy of allowing an average credit period of 30 – 90 days to its trade debtors.

	30.6.2002 HK\$'000	31.12.2001 HK\$'000
An aged analysis of trade debtors is as follows:		
Within 90 days	39,557	18,397
91 – 180 days	51	132
181 – 360 days	287	434
Over 360 days	33	684
	39,928	19,647
Other debtors, deposits and prepayments	12,078	26,726
Net premium paid for derivatives	12,468	45,724
	64,474	92,097

16. CREDITORS AND ACCRUED CHARGES

An aged analysis of trade creditors is as follows:

	30.6.2002 <i>HK\$'000</i>	31.12.2001 <i>HK\$'000</i>
Within 90 days	31,322	8,071
91 – 180 days	162	37
181 – 360 days	704	501
Over 360 days	8,111	8,928
	<u>40,299</u>	<u>17,537</u>
Other creditors and accrued charges	113,395	112,858
	<u>153,694</u>	<u>130,395</u>

17. BANK BORROWINGS

	30.6.2002 <i>HK\$'000</i>	31.12.2001 <i>HK\$'000</i>
Bank overdraft	1,160	—
Short term bank loans – secured	51,373	—
	<u>52,533</u>	<u>—</u>

18. SHARE CAPITAL

	Number of shares	Amount <i>HK\$'000</i>
Ordinary shares of HK\$0.01 each		
Authorised:		
At 30 June 2002 and 31 December 2001	30,000,000,000	300,000
Issued and fully paid:		
At 30 June 2002 and 31 December 2001	9,286,462,340	92,865

19. LITIGATION

Save and except for the matters specified in the last annual report for the year ended 31 December 2001, the Group has no significant litigation or claims outstanding as at 30 June 2002.

20. PLEDGE OF ASSETS

At 30 June 2002, investment securities with carrying values of HK\$398,002,000 (31 December 2001: HK\$218,368,000) were pledged to banks to secure banking facilities granted to the Group.

21. RELATED PARTY TRANSACTION

During the six months ended 30 June 2002, the Group paid a reimbursement of expenses of HK\$3,000,000 to China Sci-Tech Holdings Limited (“CST”), a then substantial shareholder of the Company. The reimbursement was based on the actual costs incurred by CST.

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2002 (2001: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL RESULTS

Turnover of the Group for the first six months ended 30 June 2002 was HK\$636,351,000 representing approximately a 52.3% decrease as compared to that of the corresponding period in year 2001. Loss for the period was HK\$149,415,000 as compared with a net loss of HK\$443,217,000 recorded for the corresponding period in year 2001.

REVIEW OF OPERATIONS

The Group’s mobile handset distribution business in Hong Kong continued to be adversely affected by the poor consumer market condition resulting mainly from the rising unemployment rate and adverse economic environment. During the period under review, Star Telecom Limited, the Group’s mobile handset distribution arm in Hong Kong, has focused on its core product lines including mobile handset, DECT series and LCD computer monitor and has expanded its distribution coverage by cooperation with a major department store group in Hong Kong.

Of the Group’s operations in the People’s Republic of China (the “PRC”), 上海星際通電子通訊產品連鎖銷售有限公司 (Shanghai Tristar Telecom Co., Ltd.), the mobile handset distribution arm in the PRC, has completed the restructuring program which included the closure of non-performing retail outlets and is re-organizing its mobile handset and accessories distribution business. 上海得信佳通信設備有限公司 (Shanghai Tricom Telecom Equipment Co., Ltd.), the Group’s intelligent building system integration operation, has been operating in a highly competitive market environment with tight profit margin. The Group has embarked on a cost cutting program for both operations with a view to minimizing the loss and maintaining the competitiveness in the PRC market.

During the period under review, the Group's portfolio of financial instruments for investment was under-performed due to the sluggish pace of recovery of the U.S. and local economy, the deteriorating investment environment and the series of major corporate scandals in the U.S. that all adversely affecting the confidence of investors globally which, in turn, affects the stock market condition tremendously.

As at 30 June 2002, the Group has invested for strategic investment of 269,093,000 shares of Sun Hung Kai & Co. Limited ("SHK & Co") representing approximately 17.9% in the issued share capital of SHK & Co. For SHK & Co, it has recorded a turnover of HK\$288,556,000 and profit attributable to shareholders of HK\$103,608,000 for the six months ended 30 June 2002.

LIQUIDITY AND FINANCING

As at 30 June 2002, the Group's non-current assets comprised mainly of investment properties of HK\$33 million, property and equipment of HK\$20 million, interests in associates of HK\$51 million, long term investments of HK\$287 million. These non-current assets were principally financed by shareholders' funds. As at 30 June 2002, the Group has net current assets of HK\$781 million.

All of the Group's borrowings are arranged on short term basis and repayable within 1 year. As at 30 June 2002, the Group's borrowings amounted to HK\$53 million versus no borrowing recorded as at 31 December 2001.

As at 30 June 2002, the Group continued to maintain an insignificant gearing ratio, calculated on the basis of the Group's net borrowing (after deducting cash and bank balances) over shareholders' funds.

The Group has little foreign exchange exposure and the majority of the borrowings were denominated in Hong Kong Dollars.

CHARGE ON GROUP ASSETS

As at 30 June 2002, investment securities with carrying values of HK\$398,002,000 (31 December 2001: HK\$218,368,000) were pledged to banks to secure banking facilities granted to the Group.

CONTINGENT LIABILITY

There was no material change in the contingent liabilities of the Group as compared to the position disclosed in the last annual report for the year ended 31 December 2001 except for the following:

The Company has given guarantees to banks in respect of general facilities granted to a subsidiary. The extent of facility utilized by the subsidiary at 30 June 2002 amounted to HK\$51,373,000 (31 December 2001: Nil).

EMPLOYEES

The Group, including its subsidiaries but excluding associates, employed approximately 116 employees as at 30 June 2002 (31 December 2001: 311). The Group ensures that the pay levels of its employees are competitive and employees are rewarded on a performance related basis within the general framework of the Group's salary and bonus system.

PROSPECTS

Subsequent to 30 June 2002, the Group has realized its entire long-term investment in Millennium Group Limited ("MGL") for a total consideration of HK\$37,569,000. The realization was completed on 21 August 2002 and the estimated loss on realization amounted to HK\$13,904,000. Having considered (i) the consequential dilution of the Group's shareholdings in MGL from approximately 22.6% to 18.9% due to the placement of new MGL shares as announced by MGL on 8 August 2002 and (ii) the fact that the Group has no control over this investment as it has no board representation in MGL, the Group decided to unwind this long-term investment. Proceed of the realization will be used for the Group's general working capital.

The business outlook of the rest of the year 2002 depends critically on market sentiments, both domestically & globally. The Group will continue to control its cost and cautiously seek for investment opportunity with good cashflow and capital appreciation potential.

DIRECTORS' INTERESTS IN EQUITY OR DEBT SECURITIES

As at 30 June 2002, none of the directors of the Company or their associates had any personal, family, corporate or other interest 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")) which are required, pursuant to Section 29 of the SDI Ordinance, to be recorded in the register maintained by the Company (the "Register").

According to the Register, up to the date of this Report, China Spirit Limited ("China Spirit"), in which Ms. Chong Sok Un ("Ms. Chong") – the Chairman of the Company maintains a beneficial interest of 80%, completed the purchase of the entire issued share capital of Vigor (as defined in the section – Substantial Shareholders), which held 2,631,200,000 shares in the Company (*Note #*) and 1,164,132,547 warrants of the Company, from CST (as defined in the section – Substantial Shareholders) on 23 August 2002. Therefore, Ms. Chong was deemed by the SDI Ordinance to have a corporate interest in 2,631,200,000 shares and 1,164,132,547 warrants of the Company.

Note #: During the period from 1 July 2002 to 22 August 2002, Vigor disposed of a total of 118,800,000 shares in the Company and therefore, held a total of 2,631,200,000 shares in the Company on 23 August 2002.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the period was the Company or any of its subsidiaries a party to any arrangement to enable the directors of the Company to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate. In addition, none of the directors of the Company, their spouses or their children under the age of 18, had any right to subscribe for the securities of the Company.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2002, the following interests of 10% or more of the share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 16(1) of the SDI Ordinance (the "Register of Interests"):

Name	Number of shares held	%
China Sci-Tech Holdings Limited ("CST") (<i>Note</i>)	2,750,000,000	29.61
Vigor Online Offshore Limited ("Vigor")	2,750,000,000	29.61

Note: Vigor was a wholly-owned subsidiary of CST as at 30 June 2002. Accordingly, CST was deemed by the SDI Ordinance to be interested in 2,750,000,000 shares.

Save as disclosed above, no person had registered an interest in the share capital of the Company as at 30 June 2002 that was required to be recorded pursuant to Section 16(1) of the SDI Ordinance.

According to the Register of Interests, up to the date of this Report, CST completed the sale of the entire issued share capital of Vigor to China Spirit on 23 August 2002. CST has then ceased to be deemed by the SDI Ordinance to have any interest in the Company. Ms. Chong and China Spirit were then deemed by the SDI Ordinance to be interested in 2,631,200,000 shares in the Company (*Note# on page 13*).

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

There was no purchase, sale or redemption by the Company or any of its subsidiaries of any listed securities of the Company during the period.

CODE OF BEST PRACTICE

The Company had complied throughout the six months ended 30 June 2002 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.

By Order of the Board
Chong Sok Un
Chairman

Hong Kong, 25 September 2002