SINOTRONICS HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Interim Report 2002

INTERIM REPORT

For the six months ended 31 December 2002

HIGHLIGHTS

- Turnover of the Group for the six months ended 31 December 2002 amounted to approximately RMB118 million, representing an increase of about 20.6% as compared with the corresponding period in 2001
- Net profit attributable to shareholders was approximately RMB29 million
- Earnings per share was RMB7.28 cents for the six months ended 31 December 2002
- Shareholders' funds reached approximately RMB311 million

RESULTS

The board (the "Board") of directors (the "Directors") of Sinotronics Holdings Limited ("Sinotronics" or the "Company") is pleased to present the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 31 December 2002 together with the comparative figures for the corresponding six months ended 31 December 2001, as follows:

Condensed Consolidated Income Statement
For the six months ended 31 December 2002
(Expressed in Chinese Renminbi)

		(Unaudited) Six months ended 31 December	
		2002	2001
	Notes	***RMB'000***	*RMB'000*
Turnover	3	**117,869**	97,737
Cost of sales		**(57,286)**	(48,734)
Gross profit		**60,583**	49,003
Other revenue	3	**453**	215
Selling and distribution expenses		**(5,623)**	(2,082)
General and administrative expenses		**(17,929)**	(6,058)
Profit from operations		**37,484**	41,078
Finance costs		**(1,213)**	(1,730)
Share of result of an associate		**1,501**	—
Profit before taxation	5	**37,772**	39,348
Taxation	6	**(4,050)**	(4,119)
Profit after taxation but before minority interests		**33,722**	35,229
Minority interests		**(4,391)**	(3,751)
Profit attributable to shareholders		**29,331**	31,478
Earnings per share — Basic	7	**RMB7.28 cents**	RMB9.06 cents

Condensed Consolidated Balance Sheet
As at 31 December 2002
(Expressed in Chinese Renminbi)

	Notes	**(Unaudited) As at 31 December 2002 *RMB'000***	(Audited) As at 30 June 2002 *RMB'000*
Non-Current Assets			
Property, plant and equipment	8	**103,237**	93,337
Deposits for purchase of machinery		**3,863**	29,708
Interest in an associate		**48,213**	—
Total non-current assets		**155,313**	123,045
Current Assets			
Inventories		**6,439**	7,406
Trade and other receivables	9	**101,171**	121,702
Cash and bank balances		**155,615**	124,351
Total current assets		**263,225**	253,459
Current Liabilities			
Trade and other payables	10	**33,454**	26,551
Short-term bank loans		**42,800**	33,000
Taxation		**6,675**	2,580
Total current liabilities		**82,929**	62,131
Net current assets		**180,296**	191,328
Total assets less current liabilities		**335,609**	314,373
Minority interests		**(24,847)**	(20,484)
Net assets		**310,762**	293,889
Capital and reserves			
Share capital		**42,678**	42,678
Reserves		**268,084**	251,211
		310,762	293,889

Condensed Consolidated Statement of Changes in Equity
For the six months ended 31 December 2002
(Expressed in Chinese Renminbi)

	Share capital	**Share premium**	**Capital reserve**	**Property revaluation reserve**	**Retained Profits**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 July 2001	36,848	15,280	46,115	256	63,619	162,118
Profit for the period	—	—	—	—	31,478	31,478
At 31 December 2001	36,848	15,280	46,115	256	95,097	193,596
At 1 July 2002	42,678	76,454	46,115	256	128,386	293,889
Dividend paid	—	—	—	—	(12,202)	(12,202)
Profit for the period	—	—	—	—	29,331	29,331
Deficit on revaluation of land and buildings	—	—	—	(256)	—	(256)
At 31 December 2002	42,678	76,454	46,115	—	145,515	310,762

Condensed Consolidated Cash Flow Statement
For the six months ended 31 December 2002
(Expressed in Chinese Renminbi)

	(Unaudited) Six months ended 31 December	
	2002	2001
	RMB'000	*RMB'000*
Net cash generated from operating activities	**69,365**	14,649
Net cash used in investing activities	**(34,815)**	(24,164)
Net cash used in financing activities	**(3,615)**	(1,455)
Net increase/(decrease) in cash and cash equivalents	**30,935**	(10,970)
Effect of foreign exchange rate changes	**329**	—
Cash and cash equivalents at 1 July	**124,351**	63,372
Cash and cash equivalents at 31 December	**155,615**	52,402
Analysis of balances of cash and cash equivalents:		
Cash and bank balances	**155,615**	52,402

Notes to condensed accounts:

1. BACKGROUND OF THE COMPANY

The Company was incorporated in the Cayman Islands on 29 September 2000 as an exempted company with limited liability under the Companies Law (Revised) of the Cayman Islands. Its shares had been listed on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited since 17 May 2001. On 20 January 2003, the Company withdrew the listing of its shares on the GEM and on the same date, the Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited by way of introduction.

2. BASIS OF PREPARATION

The unaudited interim financial statements have been prepared in accordance with Statement of Standard Accounting Practice ("SSAP") 25 "Interim financial reporting" and Appendix 16 of the Rules Governing The Listing of Securities on the Stock Exchange of Hong Kong Limited. The accounting policies and methods of computation used in the preparation of the interim financial statements are the same as those used in the annual financial statements for the year ended 30 June 2002 except for the changes as described below:

(a) SSAP 1 (Revised) "Presentation of financial statements"

The consolidated statement of recognised gains and losses is replaced by the consolidated statement of changes in equity.

(b) SSAP 10 "Accounting for investments in associates"

The Group adopted SSAP 10 following its acquisition of an associate during the six months ended 31 December 2002.

An associate is an entity in which the Group has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

Interest in an associate is accounted for in the consolidated financial statements under the equity method and is initially recorded at cost and adjusted thereafter for the post acquisition change in the Group's share of the associate's net assets. The consolidated income statement reflects the Group's share of the post-acquisition result of the associate for the period, including any amortisation of positive or negative goodwill charged or credited during the period.

(c) SSAP 11 (Revised) "Foreign currency translation"

The results of foreign enterprises are translated into Chinese Renminbi at the weighted average exchange rates during the period. This is a change in accounting policy from prior years where these were translated at exchange rates rulling at the balance sheet date. The effect of such change is immaterial to the financial statements.

(d) SSAP 15 (Revised) "Cash flow statements"

A revised classification of activities from which cash flows are derived has been made. As a result, cash flow during the period has been reclassified by operating, investing and financing activities. For the period ended 31 December 2001, net cash outflow from taxation of RMB3,635,000 has been reclassified as operating cash flow, interest received of RMB215,000 have been reclassified as investing cash flow, and finance costs paid of RMB1,730,000 have been reclassified as financing cash flow.

(e) SSAP 34 "Employee benefits"

This new SSAP 34 prescribes the accounting and disclosure requirements for employee benefits. This has had no major impact on the interim financial statements.

3. TURNOVER AND OTHER REVENUE

The Company is an investment holding company. Its subsidiaries are principally engaged in the provision of electronic manufacturing services and the manufacturing and trading of printed circuit boards, and trading of electronic components.

Turnover and revenue consisted of:

	Six months ended 31 December	
	2002	2001
	RMB'000	*RMB'000*
Turnover — Sales of printed circuit boards	**117,869**	97,737
Other revenue		
Interest income from banks	**446**	215
Others	**7**	—
Total revenue	**118,322**	97,952

4. SEGMENT REPORTING

Segment information is presented in respect of the Group's business and geographical segments. Business segment information is chosen as the primary reporting format because this is more relevant to the Group in making operating and financial decisions.

(a) Business segment

Throughout each of the six months ended 31 December 2002 and 2001, the Group has been operating in a single business segment, i.e. the manufacture and sales of circuit printed boards.

(b) Geographical segment

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets and capital expenditure are based on the geographical location of the assets.

The Group's business is principally managed in the People's Republic of China (the "PRC"), and the Group's customers are mainly from the PRC (excluding Hong Kong), Australia, United States of America and Germany.

	Six months ended 31 December	
	2002	2001
	RMB'000	*RMB'000*
Revenue from external customers		
— PRC, excluding Hong Kong	**96,131**	88,652
— Australia	**17,260**	6,448
— United States of America	**428**	502
— Germany	**1,271**	2,135
— Others	**2,779**	—
	117,869	97,737
Other revenue		
— PRC, excluding Hong Kong	**326**	19
— Others	**127**	196
Total other revenue	**453**	215
Total operating revenue	**118,322**	97,952
Segments results		
— PRC, excluding Hong Kong	**45,194**	42,754
— Australia	**8,114**	3,110
— United States of America	**201**	242
— Germany	**598**	1,030
— Others	**1,306**	—
	55,413	47,136
Unallocated operating income and expenses	**(17,929)**	(6,058)
Profit from operations	**37,484**	41,078
Finance costs	**(1,213)**	(1,730)
Share of result of an associate	**1,501**	—
Taxation	**(4,050)**	(4,119)
Minority interests	**(4,391)**	(3,751)
Profit attributable to shareholders	**29,331**	31,478
Depreciation		
— PRC, excluding Hong Kong	**3,693**	3,236
— Australia	**663**	235
— United States of America	**16**	18
— Germany	**49**	78
— Others	**107**	—
	4,528	3,567

More than 90% of the segment assets and capital expenditures are in the PRC, including Hong Kong, as at and for the periods ended 31 December 2002 and 2001.

5. PROFIT BEFORE TAXATION

Profit before taxation is determined after charging and crediting the following items:

	Six months ended 31 December	
	2002	2001
	RMB'000	*RMB'000*
After charging		
Depreciation of property, plant and equipment	**4,528**	3,567
Deficit on revaluation of land and buildings	**752**	—
Net exchange loss	**—**	41
After crediting		
Net exchange gain	**41**	—

6. TAXATION

Taxation consisted of:

	Six months ended 31 December	
	2002	2001
	RMB'000	*RMB'000*
PRC enterprise income tax	**4,050**	4,119

The Company is exempted from taxation in the Cayman Islands until 2019. No provision for Hong Kong profits tax was made as the Group had no assessable profit in Hong Kong.

Fujiang Fuqiang Delicate Circuit Plate Co., Ltd., a subsidiary, is a sino-foreign equity joint venture established in Fujiang, the PRC, and is subject to PRC enterprise income tax at a rate of 15% on its profit after offsetting prior year's tax losses. However, it is exempted from PRC enterprise income tax for two years starting from the first year of profitable operations after offsetting prior year's tax losses, followed by a 50% reduction for the following three years. During the six months ended 31 December 2002, Fujian Fuqiang Delicate Circuit Plate Co., Ltd. provided PRC enterprise income tax at a rate of 7.5% (2001: 7.5%).

7. EARNINGS PER SHARE

The calculation of the basic earnings per share for the six months ended 31 December 2002 was based on the unaudited consolidated profit attributable to shareholders of approximately RMB29,331,000 (2001: RMB31,478,000) and on the 402,625,000 (2001: 347,625,000) ordinary shares in issue during the period.

Diluted earnings per share was not presented as there were no dilutive potential ordinary shares in existence in both periods presented.

8. PROPERTY, PLANT AND EQUIPMENT

For the six months ended 31 December 2002, the Group acquired property, plant and equipment amounting to approximately RMB15,430,000 (six months ended 31 December 2001: RMB1,800,000).

9. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are trade debtors with the following aging analysis:

	As at 31 December 2002 *RMB'000*	As at 30 June 2002 *RMB'000*
Current — within 3 months	**59,013**	65,715
Current — 3 to 6 months	**34,981**	26,661
More than 6 months but less than 12 months overdue	**4,686**	1,851
More than 12 months overdue	**3,440**	5,948
	102,120	100,175
Less: Provision for bad and doubtful debts	**(12,230)**	(11,601)
	89,890	88,574

The Group generally allows credit period ranging from 60 to 180 days to its trade customers.

10. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade creditors with the following aging analysis:

	As at 31 December 2002 *RMB'000*	As at 30 June 2002 *RMB'000*
Due within 3 months	**8,929**	6,929
Due after 3 months but within 6 months	**2,339**	2,537
Due after 6 months but within 12 months	**3,936**	3,891
Due after 12 months	**3,046**	5,062
	18,250	18,419

11. COMMITMENTS

a. Capital Commitments outstanding at 31 December 2002 not provided for in the consolidated financial statements were as follows:

	As at 31 December 2002 *RMB'000*	As at 30 June 2002 *RMB'000*
Acquisition of fixed assets		
— contracted for	**3,622**	5,890
— authorised but not contracted for	**—**	—
	3,622	5,890

b. As at 31 December 2002, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	As at 31 December 2002 *RMB'000*	As at 30 June 2002 *RMB'000*
— within 1 year	**1,152**	1,388
— After 1 year but within 5 years	**35**	524
	1,187	1,912

12. RELATED PARTY TRANSACTIONS

The Group entered into the following transactions with related parties during the period:

	Six months ended 31 December	
	2002	2001
	RMB'000	*RMB'000*
Transportation fees charged by Fujian Furi Container Freight Transport Company *(note (i))*	**604**	553
Lease rental charged by He Yu Zhu *(note (ii))*	**211**	211

Notes:

(i) This company is owned by Fujian Furi Group Company, the holding company of Fujian Furi Electronics Co., Ltd., a minority shareholder of the PRC subsidiary.

As at 31 December 2002, the Group had an amount due to Fujian Furi Container Freight Transport Company of approximately RMB541,000 (30 June 2002: RMB895,000) arising from transportation fees charged by this related company included in trade payables. Such amount is unsecured, non-interest bearing and without pre-determined repayment terms.

(ii) During the six months ended 31 December 2002, the Group entered into lease arrangement with Ms. He Yu Zhu, the spouse of Mr. Lin Wan Quing who is the controlling shareholder and a director of the Company, for leasing of an office property in Fuzhou the PRC.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Established in 1996, the Group is driven by its mission to be the PRC's leading Electronic Manufacturing Services (EMS) provider, offering integrated EMS service solutions from design to production of advanced Printed Circuit Board (PCBs) to satisfy different customer needs. With the successful transfer of its listing to the Main Board of The Stock Exchange of Hong Kong Limited in January 2003, the Group has every confidence that this move will boost its reputation in both Hong Kong's financial markets and the PRC's EMS industry. This, in turn, will facilitate its future business growth and expansion, while also enlarging its shareholder base.

The continuing increase recorded in turnover, was mainly attributable to the Group's excellent relationships with existing customers, such as Newland, Start Network and Amoisonic. The Group's EMS services facilitate its launch of niche products in a time-to-market manner that increases the Group's market competitiveness.

The Group's commitment to exploring new markets and segments has also contributed to the Group's success in maintaining the increasing momentum in turnover. The acquisition of a 49% equity in an associate, namely Floret Industries Limited, which indirectly holds a 83% equity interest in Fuzhou Tin Fong, has facilitated the Group's exploration into the rapidly growing industry of electricity supply systems. This move proved to be highly optimistic and resulted in a considerable contribution to the Group. During six months ended 31 December 2002, the associate made a profit contribution of approximately RMB1,501,000 to the Group.

Expanding nationwide sales network for the second quarter of 2001, the Group has successfully established 6 sales offices in the PRC's rapidly developing economic provinces and cities. The Group captured business opportunities through local market research, sales promotion and closer and more frequent customers contacts to raise new sales orders. This strategy, which has required considerable effort, has also proven to be highly successful for the period under review. The Group currently operates sales offices in Shanghai, Xiamen, Wuhan, Chengdu, Xian and Shenzhen, in additional to our headquarters in Fuzhou.

To cater for our increasing sales orders, the Group has enlarged its service scope and quality to cover more value-added services. This includes the design of sub-systems and assembly outsourcing services. Together with the provision of diversified products that facilitates the Group's wider application range in new market segments as well as upgrading production capacities to 18,000 square meters per month at the Group's Fuqing production base.

The niche products produced through the Group's strong design-to-manufacture capability, latest world-class facilities from Germany and strict adoption of international ISO/TS16949 standards in the work process, allows the Group to produce faultless single-side, double-side and multilayer PCBs. Leveraging the specific technology from Fuzhou Tin Fong, the Group began developing the thick copper large power supply PCB, diffraction PCB and steel diffraction composite PCB markets to assist the Group to explore these new segments. During the period under review, sample production of these newly developed products are well-received by customers.

Prospects

With promising annual economic growth at 7.7% in the PRC, increasing disposable income is pushing up demand for electronic consumer goods as well as communication products. Together with the rapidly growing electronics information industry, this growth is boosting demand for well-designed PCBs which provide faultless and ongoing product operation, increased efficiencies and improved market competition with lower cost.

To tap these escalating market opportunities, the Group will continue to boost its market competitiveness — enlarging its EMS service scope with additional value added services; enhancing service quality by enriching customer services with added sales oriented professionals located at the Group's extensive network of sales offices, and upgrading the Group's design and fabrication capability with the latest design engineering and manufacturing technology to ensure cutting-edge facilities and advanced niche products to suit specific customer needs. This serves to consolidate the Group's existing customer base while also a platform for developing new customers from the different market segments and regions.

In future, the Group will continue to adopt highmix production strategy to cope with the EMS service model that has been proved to be success for the years. To tap the tremendous growth potential in the areas of consumer electronics, communications, networking and related industry, medical as well as the industrial electronics, the Group will first expand the sales and marketing activities in the 6 established sales office where located in the economy is rapidly developing. The Group will also enhance the engineering design and support capability through training and recruitment of experts while remain close tie with the strategic R&D centers to provide innovative time-to-market PCBs. To cater for the potential business growth, the Group will plan to upgrade the current fabrication facilities as well as expand the capacity to 24,000 square meters per month by 2004.

Financial Performance

For the six months ended 31 December 2002, the Group recorded a turnover of approximately RMB117,869,000, representing an increase of approximately 21% as compared to the same period in 2001. The gross profit for the period under review was approximately RMB60,583,000 as compared to approximately RMB49,003,000 for the previous period. Profit attributable to shareholders for the period was approximately RMB29,331,000, representing a decrease of approximately 7% compared with that of last period. The decrease was mainly due to the expenses related to transferal of the shares listed from GEM to main board during the period, amounting approximately RMB7,436,000. Earnings per share for the period amounted to RMB7.28 cents compared with earnings per share of RMB9.06 cents last period.

Segmental Information

Turnover by product category and their respective contributions to profit from operations are as follows:

	Turnover *RMB'000*	Profit from operations *RMB'000*
Single and double-sided PCBs	53,468	14,740
Multilayer PCBs	64,401	22,744
	117,869	37,484

The increase in the Group's turnover for the period ended 31 December 2002 was mainly attributable to the increase in sales of both the single and double-sided PCBs and multilayer PCBs and the provision of relevant design and assembly services to the customers. During the period ended 31 December 2002, sales of single and double-sided PCBs and multilayer PCBs amounted to approximately RMB53,468,000 and RMB64,401,000 respectively, representing an increase of approximately 16% and approximately 24% respectively over the last period. Sales within the PRC represented approximately 82% of the Group's total turnover, posting an increase of approximately 8% as compared to the last period. Sales to Australia represented approximately 15% of the Group's total turnover, posting a tremendous increase in turnover of approximately 168% to approximately RMB17,260,000 as a result of active market presentation. Sales to the US, Germany and other overseas countries represented the remaining approximately 4% of the Group's total turnover.

Liquidity, Financial Resources and Capital Structure

During the six months ended 31 December 2002, the Group's working capital requirement was principally financed by its internal resources and banking facilities.

As at 31 December 2002, the Group had loan facilities of approximately RMB42,800,000 (as at 30 June 2002: RMB33,000,000) from several banks which were fully utilized as at the date thereof. The loan facilities were secured by guarantees provided by the Company. The Group's borrowings were mainly denominated in Renminbi. Loan facilities were granted to the Group at the normal market interest rates.

The shareholders' equity of the Group as at 31 December 2002 increased by approximately RMB16,873,000 to approximately RMB310,762,000 (30 June 2002: RMB293,889,000). The gearing ratio (calculated as the ratio of current liabilities plus non-current liabilities: shareholders' equity) of the Group as at 31 December 2002 was approximately 0.27 (30 June 2002: 0.21).

The finances cost of the Group for the six months ended 31 December 2002 amounted to approximately RMB1,213,000, representing approximately 1% of the Group's turnover and decrease of approximately RMB517,000, or approximately 30% over the corresponding period last year. The decrease in finances cost was principally due to the decrease of annual interest rate of the bank loans from average over 8% in last corresponding period to approximately 6% in current period.

There is no change in the Company's share capital since the latest annual date of 30 June 2002.

Significant Investments

Saved as the acquisition disclosed elsewhere on the Management Discussion and Analysis, the Group had no other significant investment held as at 31 December 2002. As at 30 June 2002, the Group had no significant investment held.

Acquisition of an Associated Company

On 15 August 2002, the Group entered into the sale and purchase agreement with an independent third party in relation to the acquisition of 49 shares of Floret Industries held by him, representing 49% of the issued share capital of Floret Industries. The consideration of the acquisition amounted to RMB47.0 million (equivalent to approximately HK$44.6 million), which was satisfied wholly in cash as announced by the Company on 14 June 2002. The acquisition was completed on 8 October 2002.

Floret Industries is an investment holding company whose sole asset comprises the entire equity interest in Fuzhou Wei Mei, which in turns holds as 83% equity interest in Fuzhou Ting Fong as its sole asset. Fuzhou Tin Fong is a company principally engaged in the research, development, manufacture and sale of products as well as the provision of ancillary services in relation to the automation and intellectualisation of electric supply systems. These systems are composed of a variety of data processing hardware which, in general, would utilize PCBs as their components.

Employment Information

As at 31 December 2002, the Group employed a total of 516 employees (2001: 456). It is a policy of the Group to review its employee's pay levels and performance bonus system regularly to ensure that the remuneration policy is competitive within the relevant industry. During the six months ended 31 December 2002, the employment cost (including directors' emoluments) amounted to approximately RMB5,911,000 (six months ended 31 December 2001 — RMB4,737,000). The increase in total employment cost the Group of approximately RMB1,174,000 was resulted from the fact that the directors' emolument and labour costs was increased.

The Company has adopted an employee share option scheme (2001 scheme) as detailed in the Prospectus, under which it may grant options to employees of the Group (including executive directors of the Company) to subscribe for shares in the Company. The 2001 scheme was superseded by a new share option scheme (2003 scheme) at 9:30 a.m. on 20 January 2003. As at the date thereof, no option has been granted pursuant to the 2001 scheme. The 2003 scheme as detailed in the listing document, under which it may grant options to employees of the Group (including executive directors of the Company) to subscribe for shares in the Company, was approved by the Shareholders at the extraordinary general meeting of the Company being held on 9 January 2003. As at the date of this report, no option has been granted under the 2003 scheme.

Charge on Assets

As at 31 December 2002 there were no charges on group assets, and it is the same as the year ended 30 June 2002.

Future Plans for Material Investments and Expected Sources of Funding

Save as disclosed elsewhere on the Management Discussion and Analysis, as at 31 December 2002, the Group had no future plans for material investments except that capital assets will be purchased in accordance with the details set out in the section headed "Statement of business objectives" in the prospectus and "Future Plan and Prospects" in the listing document of the Company dated 11 May 2002 and 24 December 2002 respectively.

Exposure to Fluctuations in Exchange Rates

During the six months ended 31 December 2002, the Group experiences only immaterial exchange rate fluctuations as most of the Group's monetary assets and liabilities are denominated in Hong Kong Dollar and Renminbi, and the Group conducted its business transactions principally in Hong Kong Dollars, US Dollars and Renminbi, all of which were relatively stable during the year under review. The Group considered that as the exchange rate risks of the Group is considered to be minimal, the Group did not employ any financial instruments for hedging purposes.

Contingent Liabilities

As at 31 December 2002, the Group had no contingent liabilities, and it is the same as the year ended 30 June 2002.

DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 31 December 2002 (2001: Nil)

DIRECTORS' INTERESTS IN SECURITIES

As at 31 December 2002, according to the register to be kept under Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance"), the interests of the Company's directors, chief executives and their associates in the securities of the Company or any associated corporations (as defined in the SDI Ordinance) were as follows:

	Number of ordinary shares held					
Name of Director	**Personal Interests**	**Family interests**	**Corporate interests**	**Other interests**	**Total**	**Percentage of interests**
Lin Wan Qaing	232,203,780	—	—	—	232,203,780	57.67%

Save as disclosed above, none of the directors, chief executives or their associates had any personal, family, corporate or other interests in the equity securities of the Company or any of its associated corporations as defined in the SDI Ordinance.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As at 31 December 2002, so far as are known to the Directors, Mr. Lin Wan Qaing (as disclosed in the heading "Directors' Interests in Securities" above) is the only person recorded in the register kept by the Company under Section 16(1) of the SDI Ordinance as being directly or indirectly interested in 10% or more of the nominal value of the issued share capital of the Company.

AUDIT COMMITTEE

The Company has established an audit committee on 8 May 2001 with written terms of reference based upon the guidelines published by the Hong Kong Society of Accountants. The duties of the audit committee include reviewing the Group's annual report and accounts and half-year report and to provide advise and comments thereon to the board of Directors. The audit committee is also responsible for reviewing and supervising the Group's financial reporting and internal control.

The audit committee comprised three Independent Non-executive Directors, namely Mr. Lam Ming Yung, Mr. Pan Chang Chi and Mr. Cai Xun Shan. As at the date of this report, the audit committee had met twice to review the quarterly results and half-year results of the Group.

CORPORATE GOVERNANCE

None of the Directors is aware of any information that would reasonably indicate that the Company is not or was not, for any part of the accounting period for the six months ended 31 December 2002, in compliance with the Code of Best Practice as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 31 December 2002, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

On behalf of the Board
Lin Wan Qaing
Chairman

Hong Kong, 25 March 2003