

The Board of Directors (the "Directors") of MACRO-LINK International Holdings Limited (formerly known as Applied (China) Limited) (the "Company") announce that the unaudited condensed consolidated interim financial statements of the Company and its subsidiaries (the "Group") for the six months ended 31 December 2003 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 31 December 2003

	Notes	Six months ended	
		31/12/2003 (Unaudited) HK\$'000	31/12/2002 (Unaudited) HK\$'000
Turnover	3	41,241	37,751
Cost of sales		(30,896)	(29,765)
Gross profit		10,345	7,986
Interest income		560	1,071
Other revenue		232	303
Distribution expenses		(1,500)	(1,553)
Administration expenses		(12,985)	(13,259)
Gain on disposal of investment property		559	–
Impairment loss recognised in respect of investment properties		–	(48,292)
Allowance on trade and other receivables		(1,920)	(7,100)
Impairment loss recognised in respect of other investment		–	(28,000)
Impairment loss recognised in respect of other securities		–	(2,860)
Allowance on inventory		–	(2,000)
Loss from operations		(4,709)	(93,704)
Finance costs		(1,724)	(1,753)
Loss before taxation	4	(6,433)	(95,457)
Taxation	5	–	–
Loss before minority interests		(6,433)	(95,457)
Minority interests		(524)	379
Loss for the period		(6,957)	(95,078)
Loss per share			
– Basic	6	(0.6 cents)	(8.3 cents)
– Diluted	6	N/A	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

As at 31 December 2003

	Notes	31/12/2003 (Unaudited) HK\$'000	31/12/2002 (Unaudited) HK\$'000
Non-current Assets			
Investment properties	7	78,200	102,327
Property, plant and equipment		29,951	53,364
Goodwill		660	880
Other securities		2,861	5,559
Other investment		17,957	26,116
		129,629	188,246
Current Assets			
Inventory		9,367	5,300
Trade and other receivables	8	40,421	38,082
Short-term loans receivable		2,188	28,046
Pledged time deposits		3,229	3,207
Other time deposits		38,011	38,012
Bank balances and cash		1,528	4,707
		94,744	117,354
Less: Current Liabilities			
Trade and other payables	9	18,404	17,338
Obligations under finance leases			
– due within one year		7,029	1,711
Other borrowings – secured		–	1,930
Provision for taxation		3,400	–
Bank borrowings – due within one year		53,207	35,420
		82,040	56,399
Net Current Assets		12,704	60,955
		142,333	249,201

CONDENSED CONSOLIDATED BALANCE SHEET (Continued)

As at 31 December 2003

	Notes	31/12/2003 (Unaudited) HK\$'000	31/12/2002 (Unaudited) HK\$'000
Capital and Reserves			
Share capital	10	11,493	11,493
Reserves		93,759	179,723
		105,252	191,216
Minority Interests			
		5,541	4,940
Non-current Liabilities			
Amount due to a minority shareholder		1,084	1,073
Bank and other borrowings – due after one year		30,456	51,972
		31,540	53,045
		142,333	249,201

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 31 December 2003

	Share Capital	Share premium	Special reserve	Investment revaluation reserve	Investment property revaluation reserve	Currency translation reserve	Goodwill reserve	Deficit	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 July 2002	11,493	34,619	604,497	(3,559)	28,002	(4,867)	(2,192)	(354,815)	313,178
Deficit on revaluation of investment properties	-	-	-	-	(28,002)	-	-	-	(28,002)
Exchange differences arising on translation of financial statements of subsidiaries outside Hong Kong	-	-	-	-	-	1,118	-	-	1,118
Net loss for the period	-	-	-	-	-	-	-	(95,078)	(95,078)
At 31 December 2002	11,493	34,619	604,497	(3,559)	-	(3,749)	(2,192)	(449,893)	191,216
At 1 July 2003	11,493	34,619	604,497	(9,948)	-	(4,867)	(2,192)	(521,393)	112,209
Net loss for the period	-	-	-	-	-	-	-	(6,957)	(6,957)
At 31 December 2003	11,493	34,619	604,497	(9,948)	-	(4,867)	(2,192)	(528,350)	105,252

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 31 December 2003

	Six months ended	
	31/12/2003 (Unaudited) HK\$'000	31/12/2002 (Unaudited) HK\$'000
Net cash outflow from operating activities	(1,981)	(26,300)
Net cash outflow from returns on investments and servicing of finance	(1,163)	(682)
Net cash inflow/(outflow) from investing activities	5,924	(7,347)
Net cash inflow/(outflow) before financing	2,780	(34,329)
Net cash inflow from financing	3,800	8,732
Increase/(decrease) in cash and cash equivalents	6,580	(25,597)
Cash and cash equivalents and beginning of the period	32,176	56,810
Cash and cash equivalents at end of the period	38,756	31,213

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 31 December 2003

1 BASIS OF PREPARATION

The unaudited condensed consolidated interim accounts ("interim accounts") are prepared in accordance with Statement of Standard Accounting Practice ("SSAP") No. 25, "Interim Financial Reporting", issued by the Hong Kong Society of Accountants ("HKSA") and Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules")

2 PRINCIPAL ACCOUNTING POLICIES

In the current period, the Group has adopted SSAP 12 (Revised) "Income Taxes" issued by the HKSA, which is effective for the accounting period commencing on or after 1 January 2003. The SSAP 12 (Revised) principally prescribes the accounting treatment and disclosure for deferred tax. In prior years, deferred tax was accounted for at the current tax rate in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or an asset was expected to be payable or recoverable in the foreseeable future. The SSAP 12 (Revised) requires that deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred taxation is provided on temporary differences arising from investments in subsidiaries and associated companies, except where the timing of reversal of the temporary differences can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future. The adoption of SSAP 12 (Revised) has had no material effect on the results for the current or prior accounting periods. Accordingly, no prior period adjustments is required.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (Continued)

For the six months ended 31 December 2003

3 SEGMENT INFORMATION

Turnover represents the net amounts received and receivable for goods sold to outside customers and rental income from properties under operating leases during the year.

(a) By business segments

For management purposes, the Group is currently organised into three operating divisions – manufacture and distribution of electronic products, property and investment holding and manufacture of health care products. These divisions are the basis on which the Group reports its primary segment information.

Business segment information for the six months ended 31 December 2003:

	Manufacture and distribution of electronics products HK\$'000	Property and investment holding HK\$'000	Manufacture and marketing of nano and herbal products HK\$'000	Period ended 31 December 2003 Total HK\$'000
Turnover	<u>35,164</u>	<u>3,834</u>	<u>2,243</u>	<u>41,241</u>
Results				
Segment results	1,273	(5,314)	(872)	(4,913)
Unallocated corporate income				1,119
Unallocated corporate expenses				<u>(915)</u>
Loss from operations				(4,709)
Finance costs				<u>(1,724)</u>
Loss before taxation				(6,433)
Taxation				<u>-</u>
Loss before minority interests				<u>(6,433)</u>

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (Continued)

For the six months ended 31 December 2003

3 SEGMENT INFORMATION (Continued)**(a) By business segments** (Continued)

Business segment information for the six months ended 31 December 2002:

	Manufacture and distribution of electronics products HK\$'000	Property and investment holding HK\$'000	Manufacture and marketing of nano and herbal products HK\$'000	Period ended 31 December 2002 Total HK\$'000
Turnover	<u>32,493</u>	<u>3,258</u>	<u>2,000</u>	<u>37,751</u>
Results				
Segment results	40	(59,819)	(598)	(60,377)
Unallocated corporate income				1,374
Unallocated corporate expenses				<u>(34,701)</u>
Loss from operations				(93,704)
Finance costs				<u>(1,753)</u>
Loss before taxation				(95,457)
Taxation				<u>-</u>
Loss before minority interests				<u>(95,457)</u>

(b) By geographical segments

The Group's operations are located in Hong Kong, United States of America, Europe, the People's Republic of China other than Hong Kong (the "PRC") and other Asian countries.

The following table provides an analysis of the Group's sales by geographical market irrespective of the origin of the goods or services:

	Turnover	
	For the six months	
	ended 31 December	
	2003	2002
	HK\$'000	HK\$'000
Hong Kong	22,831	22,236
United States of America	6,726	10,695
Mainland China	5,574	1,492
Europe	54	408
Other Asian countries	6,056	2,920
	<u>41,241</u>	<u>37,751</u>

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (Continued)

For the six months ended 31 December 2003

4 LOSS BEFORE TAXATION

	For the six months ended 31 December	
	2003	2002
	HK\$'000	HK\$'000
Loss before taxation has been arrived at after charging:		
Amortisation of goodwill (included in administrative expenses)	110	110
Depreciation and amortisation on		
– Assets owned by the Group	494	1,858
– Assets held under finance leases	724	8
and after crediting:		
Dividend income from listed securities	(4)	(1)
Gain on disposal of property, plant and equipment	(559)	–
	<u> </u>	<u> </u>

5 TAXATION

Hong Kong profits tax is calculated at the rate of 17.5% (2002: 16%) on the estimated assessable profits for the period.

No provision for Hong Kong profits tax was made for the period ended 31 December 2003 (2002: Nil) as the Company and its subsidiaries had no assessable profit for that year.

No provision for deferred tax has been made in respect of accelerated capital allowances as the Directors consider that a liability is not expected to crystallise in the foreseeable future (2002: Nil).

6 LOSS PER SHARE

The calculation of the basic loss per share is based on the loss attributable to shareholders of HK\$6,956,568 (2002: HK\$95,077,919) and on the weighted average of 1,149,261,820 (2002: 1,149,261,820) shares in issue during the period.

No diluted loss per share has been presented as the exercise prices of the Company's outstanding warrants were higher than the average market price of the shares of the Company of both periods.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (Continued)

For the six months ended 31 December 2003

7 INVESTMENT PROPERTIES

	2003 (Unaudited) HK\$'000
VALUATION	
At 1 July 2003	82,200
Disposal	(4,000)
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At 31 December 2003	78,200
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NET BOOK VALUES	
At 31 December 2003	78,200
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At 30 June 2003	82,000
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The value of investment properties held by the Group comprises the following:

	2003 (Unaudited) HK\$'000
Under long leases in Hong Kong	71,600
Under medium-term leases in the People's Republic of China (the "PRC")	6,600
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	78,200
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8 TRADE AND OTHER RECEIVABLES

The following is an aged analysis of accounts receivable at the reporting date:

	31/12/03 (Unaudited) HK\$'000	31/12/02 (Unaudited) HK\$'000
Within due date	11,922	16,836
Overdue under 30 days	10,533	10,687
Overdue 31-60 days	6,377	5,290
Overdue over 60 days	11,589	5,269
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	40,421	38,082
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NOTES TO THE CONDENSED FINANCIAL STATEMENTS (Continued)

For the six months ended 31 December 2003

9 TRADE AND OTHER PAYABLES

The following is an aged analysis of accounts payables at the reporting date:

	31/12/03 (Unaudited) HK\$'000	31/12/02 (Unaudited) HK\$'000
Within due date	9,676	10,512
Overdue under 30 days	4,053	2,157
Overdue 31-60 days	2,129	2,900
Overdue over 60 days	2,546	1,769
	18,404	17,338

10 SHARE CAPITAL

	Number of ordinary shares	Amount HK\$
Ordinary shares of HK\$0.01 each		
Authorised:		
At 31 December 2003	<u>16,000,000,000</u>	<u>160,000,000</u>
Issued and fully paid:		
At 31 December 2003	<u>1,149,261,820</u>	<u>11,492,618</u>

11 COMPARATIVE FIGURES

Certain comparative figures have been reclassified to confirm with current year's presentation.

12 WARRANTS

As at 31 December 2003, the Company had outstanding 114,926,182 2004 Warrants to be exercised at any time on or before 30 April 2004. No 2004 Warrants were exercised during the period. Exercise in full of such warrants would result in the issue of 114,926,182 additional shares of HK\$0.01 each.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (Continued)

For the six months ended 31 December 2003

13 PLEDGE OF ASSETS

As at 31 December 2003, the Group pledged its time deposits, investment properties and a leasehold property amounting to approximately HK\$3,229,000 (2002: HK\$3,207,000), HK\$71,000,000 (2002: HK\$91,000,000) and HK\$17,200,000 (2002: HK\$39,961,000), respectively, to secure general banking facilities granted to the Group.

14 POST BALANCE SHEET EVENTS

Completion of the Sale and Purchase Deed and the Disposal Agreement and the General Offer

On 9 February 2004, the Disposal took place immediately prior to the completion of the Sale and Purchase Deed (the "Completion"), which also took place on the same day.

Immediately after the Completion, the Purchaser, together with parties acting in concert with it, were interested in approximately 74.99% of the issued share capital of the Company. Pursuant to Rule 26 of the Takeovers Code, the Purchaser and the parties acting in concert with it were obliged to make mandatory unconditional cash offers (the "Offers") to acquire all the issued Shares at a cash price of HK\$0.1427 per Share and all the outstanding warrants of the Company (the "Warrant(s)") (other than those already owned by the Purchaser and parties acting in concert with it) at a cash price of HK\$0.001 per Warrant.

Quam Capital Limited was appointed by the Purchaser to make the Offers on behalf of the Purchaser.

The composite offer and response document was despatched to the shareholders and warrant holders of the Company on 11 February 2004.

The Offers were closed at 4:00 p.m. on Wednesday, 3 March 2004. As at 4:00p.m. on Wednesday, 3 March 2004, being the latest time and date for the acceptance of the Offers, the Offeror had received valid acceptances in respect of 292,361 Shares, in aggregate and valid acceptances in respect of 6,049,013 Warrants, in aggregate, under the Offers, representing approximately 0.025% of the issued share capital of the Company and approximately 5.26% of the total number of Warrants, respectively. As a result, the Purchaser and parties acting in concert with it were interested in 862,180,281 Shares, in aggregate, and 6,049,013 Warrants, in aggregate, representing approximately 75.02% of the issued share capital of the Company and approximately 5.26% of the total number of Warrants (without taking into account of the 59,202,503 Warrants held by AHL and parties acting in concert with it), respectively.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (Continued)

For the six months ended 31 December 2003

14 POST BALANCE SHEET EVENTS (Continued)**Change of Name**

As the approval of the Registrar of Companies in Bermuda was obtained on 17 February 2004, the name of the Company has changed from "Applied (China) Limited" to "MACRO-LINK International Holdings Limited" with effect from that date and the Company adopted the Chinese name of "新華聯國際控股有限公司" for identification purpose.

The new Company's name is under registration with the Companies Registry in Hong Kong. Further announcement will be made once the Certificate of Incorporation on Change of Name of the Company is to be issued by the Hong Kong Companies Registry.

Change of Board Composition and Company Secretary

Mr. Fu Kwan, Mr. Wang Xiao Ming, Mr. Wu Xiang Dong, Mr. Chan Yeuk and Mr. Zhang Jian were appointed as executive directors of the Company and Mr. Cao Kuangyu and Mr. Ting Leung Huel, Stephen were appointed as independent non-executive directors of the Company, all with effect from 25 February 2004. Mr. Hung Kin Sang, Raymond was re-designated as non-executive director of the Company also with effect from 25 February 2004. In addition, Mr. Fu Kwan and Mr. Wang Xiao Ming was appointed as the Chairman and Managing Director of the Company, respectively.

With effect from the close of the Offers, being 4:00 p.m. on 3 March 2004, Ms. Hung Wong Kar Gee, Mimi and Mr. Fang Chin Ping resigned as executive directors of the Company, Mr. Lun Tsan Kau and Mr. Lo Yun Tai resigned as independent non-executive directors of the Company, while Mr. Lam Che Wah, Danny resigned as the company secretary of the Company. Ms. Wong Yin Wah, Donna was appointed as the company secretary of the Company with effect from the same day.

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the period ended 31 December 2003 (No interim dividend was recommended or paid for the period ended 31 December 2002).

REVIEW OF OPERATION AND PROSPECTS

The Group's turnover for the period ended 31 December 2003 was approximately HK\$41.2 million, which represented an increase of 9.2% as compared to the period ended 31 December 2002. The administrative expenses for the period ended 31 December 2003 were approximately HK\$13 million, which represented an decrease of 2% as compared to the period ended 31 December 2002 the expenses which was incurred last period.

The unaudited consolidated loss for the period ended 31 December 2003 was approximately HK\$7 million (as compared to an unaudited consolidated loss of HK\$95 million for the period ended 31 December 2002). This included an allowance on trade and other receivables of approximately HK\$1.9 million.

Other losses incurred for the period were mainly due to the marketing costs spent in diversification of the Group's business into Chinese herbal supplements.

Sale and Purchase Deed

On 1 December 2003, Applied International Holdings Limited ("AIHL"), Macro-Link International Investment Co, Ltd. (the "Purchaser") and Mr. Hung Kin Sang, Raymond entered into a conditional deed (the "Sale and Purchase Deed") for, inter alia, the sale and purchase of 861,887,920 shares (the "Sale Shares") of HK\$0.01 each in the issued share capital of the Company (the "Share(s)"), representing approximately 74.99% of the then issued share capital of the Company and AIHL's entire interest therein. The total consideration for the Sale Shares was HK\$123 million, equivalent to approximately HK\$0.1427 per Share. The purchase price for the Sale Shares was determined by AIHL and the Purchaser after arm's length negotiations. Completion was conditional upon the fulfilment or waiver of certain conditions, including, but not limited to, the Disposal (as defined below).

REVIEW OF OPERATION AND PROSPECTS (Continued)

Disposal

On 1 December 2003, the Company entered into an agreement (the "Disposal Agreement") with AIHL pursuant to which, among other things, the Company agreed to dispose of, and AIHL agreed to acquire, the Company's entire interest in iQuorum Cybernet Limited (the "Disposal"). The Disposal constituted a discloseable and connected transaction of the Company under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. It also constituted a special deal under Rule 25 of the Hong Kong Code on Takeovers (the "Takeovers Code"). Accordingly, the Disposal was conditional upon the approval by (a) the independent shareholders of the Company (i.e., shareholders of the Company other than the Purchaser, and its associates and parties acting or presumed to be acting in concert with any of them) and (b) the shareholders of AIHL.

Chinese Herbs Products

During the period, the Group continues its strategic direction by taking advantage of the sustained economic growth, the increase of elderly population and the substantial growth of healthcare products in China. The Group has set up a manufacturing plant in China to produce and distribute herbal products.

The Group is manufacturing Chinese herbal products, which include Lingzhi, Cordyceps, Yunzhi, and other fat reduction, skin radiance and nutritional health herbs.

Some of the herbal products have been sold to the Group's parent company for overseas distribution via Quorum Global Limited.

Electronic Products

During the period, the business of Sharp Win Holdings Limited, a subsidiary of the Company engaged in the trading of connectors used in personal computers, can continue to keep its marketing share due to the downturn of the global economy, after the occurrence of SARS and the sluggish sales in personal computers.

The Company has continued to diversify its products lines into other electronic products and has successfully established on OEM business with a leading conglomerate. The business has also implemented cost control measures to reduce cost. The business has already picked up after the SARS event. With gradual rebound of the economy an improvement in sales of the products is expected.

REVIEW OF OPERATION AND PROSPECTS (Continued)

Investment Properties

For the period ended 31 December 2003, the Group's rental properties contributed a revenue of HK\$3.8 million (as compared to HK\$3.3 million for the period ended 31 December 2002).

Prospects

Looking to the future, the management of the Group will focus on the business consolidation targeting at further improving the overall efficiency and operations management to enhance profitability. At the same time, it will prudently assess and analyze market environment and selectively identify profitable investment opportunities.

DIRECTOR'S INTERESTS IN SHARES AND OPTIONS

Shares

(a) Disclosure of interests by the Directors

As at 31 December 2003, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies of the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

DIRECTOR'S INTERESTS IN SHARES AND OPTIONS (Continued)**(a) Disclosure of interests by the Directors** (Continued)

(i) Long positions in Shares

Name	Number of Shares held – Corporate interests (Note)	Number of Warrants held – Corporate interests (Note)
Hung Wong Kar Gee, Mimi	861,887,920	59,202,503
Hung Kin Sang, Raymond	861,887,920	59,202,503

Note: 604,263,167 Shares and 58,702,517 Warrants were held by Batimate Limited, and 1,118 Shares and 111 Warrants were held by Applied Electronics Limited, both of which are wholly-owned subsidiaries of AIHL. The remaining 257,623,635 Shares and 499,875 Warrants were held by AIHL. Mrs Hung Wong Kar Gee, Mimi and Mr Hung Kin Sang, Raymond, are the substantial shareholders of AIHL.

(ii) Long position in shares of associated corporations

Name	Number of underlying Shares/capacity			Total number of shares	Approximate % shareholding
	Beneficial	Other	Name of associated corporation		
Fang Chin Ping	199,999	1 (Note)	Quorum Bio-Tech Limited (Note)	200,000	2%

Note: Fang Chin Ping is the registered holder of 200,000 shares of Quorum Bio-Tech Limited, a 89.00001% owned subsidiary of iQuorum, of which he holds 1 shares on trust for iQuorum.

DIRECTOR'S INTERESTS IN SHARES AND OPTIONS (Continued)

(b) Particulars of Directors' other interests

As at 31 December 2003, no Director had a services contract with any member of the Group which is not determinable by the Company within one year without payment other than statutory compensation.

Save as disclosed above, as at 31 December 2003, none of the Directors and chief executive of the Company held any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of the SFO) notifiable to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which are required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which are required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies of the Listing Rules, to be notified to the Company and the Stock Exchange.

DIRECTOR'S INTERESTS IN SHARES AND OPTIONS (Continued)

Share Options

On 16 September 2002, the Company adopted a new share option scheme ("2002 Scheme") for the primary purpose of providing incentives to directors and eligible employees. The 2002 Scheme will expire on 15 September 2012. Under the 2002 Scheme, the Board of Directors of the Company may grant options to eligible employees, including executive directors of the Company and its subsidiaries, to subscribe for shares in the Company.

The total number of shares in respect of which options may be granted under the 2002 Scheme is not permitted to exceed the higher of 10% of the shares of the Company in issue as at the date of adoption of the 2002 Scheme. The number of shares in respect of which options may be granted to any individual is not permitted to exceed the higher of 1% of the number of shares issued and issuable under the 2002 Scheme or any other limit as may be permitted under the Listing Rules.

Options granted must be taken up within 30 days of the date of grant, upon payment of HK\$1 per grant. Options may be exercised at any time from the date of grant to the 10th anniversary of the date of grant. In each grant of options, the Board of Directors may at their discretion determine the specific exercise period. The exercise price is determined by the directors of the Company, and will be less than the higher of (i) the closing price of the Company's share on the date of grant; (ii) the average closing price of the Company's shares for the five business days immediately preceding the date of grant, and (iii) the nominal value of the Company's shares.

No option has been granted or exercised under the 2002 Scheme since its adoption.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2003, so far as known to the Directors, the following persons (other than a Director or chief executive of the Company) had an interest or short position in the Shares or underlying Shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of Shareholders	Number of Shares	Approximate % of the issued share capital as at 31 December 2003
Batimate Limited (Note)	604,263,167	52.578%
AIHL (Note)	257,623,635	22.416%
Applied Electronics Limited (Note)	1,118	0.0001%

Note: Batimate Limited and Applied Electronics Limited are both wholly-owned subsidiaries of AIHL. AIHL is controlled by Capita Company Inc., a company wholly-owned by Marami Foundation as the trustee for a discretionary trust named Raymond Hung/Mimi Hung & Family Trust. The beneficiaries of the Raymond Hung/Mimi Hung & Family Trust include Mr Hung Kin Sang, Raymond and Mrs Hung Wong Kar Gee, Mimi, both of whom are Directors; and their family members.

As at 31 December 2003, so far as is known to the Directors and the chief executive of the Company, the following persons (other than a Director or chief executive of the Company) are directly or indirectly, beneficially interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any other member of the Group:

Name of subsidiaries of the Company	Name of substantial shareholders	Approximate % of the issued share capital as at 31 December 2003
Sharp Win Holdings Limited	Ricky Hung Kin Nam	48.9%
Sharp Win Industrial Limited	Ricky Hung Kin Nam	19.96%

SUBSTANTIAL SHAREHOLDERS (Continued)

Save as disclosed above, so far as was known to the Directors, there is not other person (other than the Directors or chief executive of the Company) who, as at 31 December 2003, had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under provisions of divisions 2 and 3 of Part XV of the SFO, or, who is, directly or indirectly, beneficially interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any other member of the Group.

LIQUIDITY AND FINANCIAL INFORMATION

As at 31 December 2003, the Group's total borrowings amounted to approximately HK\$90.7 million with approximately HK\$60.2 million repayable within one year, approximately HK\$4.8 million repayable between one to two years, approximately HK\$6.9 million repayable between two to five years and approximately HK\$18.8 million repayable after five years. Cash, bank balances and deposits at 31 December 2003 amounted to approximately HK\$42.8 million. The Group's current ratio was 1.2 and the gearing ratio which is expressed as a ratio of total bank liabilities to total assets was 0.4. Bank balances and cash and deposits were in Hong Kong dollars.

The Group had no significant exposure to foreign exchange fluctuation.

ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATES

Except the events that are mentioned in "POST BALANCE SHEET EVENTS", during the accounting period, there was no material acquisition or disposal of the Company's subsidiaries and associates.

EMPLOYEE INFORMATION

As at 31 December 2003, the Group employed a total of 430 full-time employees. The Group's emolument policies are formulated on the performance of individual employees and are reviewed annually. The Group also provides medical insurance coverage, and provident fund scheme (as the case may be) to its employees depending on the location of such employees.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the period ended 31 December 2003.

AUDIT COMMITTEE

The written term of reference which describe the authority and duties of the Audit Committee were prepared and adopted with reference to "A Guide for the Formation of an audit Committee" published by the Hong Kong Society of accountants.

The Audit Committee of the Company held a meeting on 26 March 2004 and reviewed the relevant interim financial statements and report of the Group for the six months ended 31 December 2003. The Committee was content that the accounting policies of the Group are in accordance with current best practice in Hong Kong. The Committee found no unusual items that were omitted from the financial statements and was satisfied with the disclosures of date and explanations shown in the financial statements.

The interim financial statements for the six months ended 31 December 2003 have not been audited by the Company's external auditors.

CORPORATE GOVERNANCE

In the opinion of the directors, the Company has complied throughout the year with the Code of Best Practice as set out in Appendix 14 of the Listing Rules.

APPRECIATION

The Directors would like to express their sincere appreciation for all the dedicated efforts of all the management and staff of the Group during the period.

By order of the Board

Fu Kwan

Chairman

Hong Kong, 26 March 2004