

**INTERIM DIVIDEND**

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

**BUSINESS REVIEW AND OUTLOOK**

For the period ended June 30, 2002, turnover of the Group decreased by 17% to HK\$1,730,439,000 while profit for the period only dropped marginally to HK\$6,773,000 from last year's HK\$7,149,000. Earnings per share was HK2.53 cents.

Group turnover decreased is a result of economic recession and weaker demand for IT products. Hong Kong and South East Asia business activities have been slowing down and it affected our sales especially in Hong Kong and Singapore. Despite the weaker consumer demand, Thailand and Malaysia still managed to have moderate growth in sales.

Due to tighter market competition, gross profit margin has narrowed from last year's 4.6% to 4.2% in the first six months of 2002. Total sales and general administration expenses were lower than corresponding period in last year because implementation of cost reduction exercises. The Group will continue to tighten costs, improve inventories and accounts receivables management. The Board foresees the market environment and demand for IT products for second half of 2002 will remain slow. Despite of this, the Directors believe the Group's focus on core distribution business coupled with the Group's strong financial position, experienced management team and past experience in handling external adversity can help the Group to weather uncertainties ahead.

The Directors are confident that the fundamental of the Group is strong and will emerge stronger when the economy recovers. The Directors believe business opportunities will present along the way together with challenges. The management will evaluate investments which offer synergy and higher return to the Group on an ongoing basis and make selective investments when opportunities arise. The Group is committed to explore every possible opportunity to enhance our shareholders' wealth.

**FINANCIAL REVIEW AND ANALYSIS****Liquidity and financial resources**

As at June 30, 2002, the Group had HK\$122,952,000 bank balances and cash. The Group's working capital requirements were mainly financed by internal resources and short-term borrowings. As at June 30, 2002, the Group had HK\$83,819,000 short term borrowings. The Group's borrowings were charged at floating interest rates.

The Group continued to sustain a good liquidity position without any long term debt funding. At balance sheet date, the Group had a net cash surplus (bank balances and cash less borrowings due within one year) of HK\$39,133,000 compared to HK\$46,607,000 as at December 31, 2001.

Net cash from operating activities for the period was HK\$16,153,000. Net cash and cash equivalents only increased by HK\$4,545,000 for the period because HK\$16,719,000 was used in investing activities. The major component of the investing activities was increase in pledged bank deposits.

Gearing ratio, as defined by total bank loans and bank overdrafts to shareholders' funds, as at June 30, 2002 was 17.21% compared to 15.45% as at December 31, 2001.

### Charges on Group assets

At the balance sheet date, the Group had pledged bank deposits of HK\$44,795,000 (as at December 31, 2001: HK\$26,397,000) to banks to secure general banking facilities granted to foreign subsidiaries.

### Number and remuneration of employees, remuneration policies, bonus and share option schemes

During the period, staff number of the Group reduced to 518 and the salary and other benefits paid to employees, excluding Directors' emoluments, during the amounted to HK\$34,606,000. There are no significant changes in staff remuneration policies from last year end date.

### Currency risk management

The Group maintains a conservative approach on foreign exchange exposure management. There are no significant changes in the strategies to hedge against exposure to fluctuations in exchange rates from last year end date.

### Contingent liabilities

The Company's corporate guarantees extended to certain banks and vendors as security for banking facilities and goods supplied to the Group amounted to HK\$190,526,000 (as at December 31, 2001: HK\$189,775,000).

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES

### (i) Shares

At June 30, 2002, the interests of the directors and their associates in the share capital of the Company as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") were as follows:

Name of directors	Number of ordinary shares held	
	Personal Interests	Corporate Interests
Lim Siam Kwee	8,424,400	—
Lim Kiah Meng	2,531,200	178,640,000 (note)
Lim Kia Hong	2,531,200	178,640,000 (note)
Lim Hwee Hai	2,531,200	—
Lim Hwee Noi	2,276,000	—

*Note:* Gold Sceptre Limited holds 140,360,000 shares and Kelderman Limited, Valley Tiger Limited and Swan River Limited each holds 12,760,000 shares in the issued share capital of the Company. Mr. Lim Kiah Meng and Mr. Lim Kia Hong and their spouses together own 40.5% and 39.5% respectively of the issued share capital of Summertown Limited which owns the entire issued share capital of each of the above-mentioned companies.

**DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES – Continued****(ii) Options**

The Company's share option scheme (the "Old Scheme"), was adopted pursuant to a resolution passed on July 29, 1992 for the primary purpose of providing incentives to directors and eligible employees, and expired on July 28, 2002. Under the Old Scheme, the Board of Directors of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company.

A new share option scheme (the "New Scheme") was adopted by the Company at its special general meeting held on May 31, 2002. No options to subscribe shares in the Company have been granted during the period either under the Old Scheme or the New Scheme. Hence, no disclosure is made under Rule 17.08 of the Listing Rules.

The following table discloses movements in the Company's share options under the Old Scheme during the period:

	<b>Date of grant</b>	<b>Exercise price HK\$</b>	<b>Exercisable period</b>	<b>Outstanding at 1.1.2002</b>	<b>Exercised during the period</b>	<b>Outstanding at 6.30.2002</b>
<b>Directors</b>						
Lim Siam Kwee	February 21, 2000	0.94	August 20, 2000 to July 28, 2002	1,000,000	–	1,000,000
Lim Kiah Meng	February 21, 2000	0.94	August 20, 2000 to July 28, 2002	1,000,000	–	1,000,000
Lim Kia Hong	February 21, 2000	0.94	August 20, 2000 to July 28, 2002	1,000,000	–	1,000,000
Lim Hwee Hai	February 21, 2000	0.94	August 20, 2000 to July 28, 2002	1,000,000	–	1,000,000
Lim Hwee Noi	February 21, 2000	0.94	August 20, 2000 to July 28, 2002	1,000,000	–	1,000,000
				5,000,000	–	5,000,000
Employees	August 31, 2001	0.38	February 28, 2002 to July 28, 2002	7,500,000	(500,000)	7,000,000
Total				12,500,000	(500,000)	12,000,000

The closing price of the Company's shares immediately before May 16, 2002, the date of exercise, was HK\$0.52.

**DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES – Continued**

Other than as disclosed above, at June 30, 2002, none of the directors or chief executives, nor their associates, had any interests in any securities of the Company, any of its associated corporations, its ultimate holding company or its fellow subsidiaries as defined in the SDI Ordinance, and none of the directors or chief executives nor their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the period.

**SUBSTANTIAL SHAREHOLDERS**

As at June 30, 2002, the register of substantial shareholders maintained under section 16(1) of the SDI Ordinance shows that, other than the interests disclosed above in respect of the directors, the Company has not been notified of any interest representing 10% or more of the share capital of the Company.

**PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

During the period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

**AUDIT COMMITTEE**

The Group's interim report for the six months ended June 30, 2002 was reviewed by the Audit Committee ("Committee"). Regular meetings have been held by the Committee since its establishment and it shall meet at least twice each year.

**CODE OF BEST PRACTICE**

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 interim report, in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules of the Stock Exchange.

On behalf of the Board

**LIM Kía Hong**  
*Chief Executive Officer*

Hong Kong, September 23, 2002