



Computech Holdings Limited
駿科網絡訊息有限公司*
(Incorporated in the Cayman Islands with limited liability)

ANNOUNCEMENT OF THE 2002 FINAL RESULTS

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

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This announcement, for which the directors of Computech Holdings Limited collectively and individually accept responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to Computech Holdings Limited. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this announcement is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

* For identification purpose only

SUMMARY

- Turnover for the year ended 31st December, 2002 was approximately HK\$68,635,000 (2001: HK\$120,990,000), representing a 43% decrease.
- The audited loss attributable to shareholders for the year ended 31st December, 2002 was approximately HK\$20,852,000, representing approximately a 558% decrease as compared with 2001.
- Basic loss per share was HK8.78 cents.
- The Directors do not recommend the payment of any dividend for the year ended 31st December, 2002.

CHAIRMAN'S STATEMENT

I am pleased to present to the shareholders herewith the audited annual results of Computech Holdings Limited (the "Company") and its subsidiaries (together the "Group") for the year ended 31st December, 2002 for their consideration.

Operating results

The Group's turnover for this financial year was approximately HK\$68,635,000 (2001: HK\$120,990,000), representing a 43% decrease from last year. The audited loss attributable to shareholders for the year ended 31st December, 2002 was approximately HK\$20,852,000, representing approximately a 558% decrease as compared with 2001. The loss per share for the year ended 31st December, 2002 was HK8.78 cents. The gross profit margin for the year dropped from 23% to 20%.

Though usually the last quarter of the calendar year should be the most promising period for revenue and income source, the Group experienced an exceptional bad result in the last quarter of 2002. A lot of preparatory technical jobs, software customization, marketing and promotion activities which have been conducted in the year that originally planned for the projects predicted to be closed in the last quarter did not materialise. Though most of the projects are still being discussed with the customers, management took a conservative measure and decided to make full cost provision in the 2002 fiscal year. In view of the uncertain market situation, the Directors will continue to maintain the tight control to evaluate the marketing and technical pre-sales expenses in the future to reflect in the quarterly result.

Market overview

The global economy experienced decline for three consecutive years and the crisis in Persian Bay increases the uncertainty of the economy. Competition becomes fierce and a lot of local and foreign competitors have started to enter into the China market.

Structural reform of the financial industry in the People's Republic of China ("PRC") contributes the major reason for the unsatisfactory result last year. One of the major customers for the Group, Credit Co-operatives is now being reformed and such re-organization hindered the progress of most of the IT construction projects. The establishment of Banking Commissioner is seriously considered by the central authority and it will result in the change of the role and function of the People's Bank of China. Top management of most of the national commercial

banks will be changed which led to the delay of the purchasing decision on IT investment by PRC banks.

In view of the market uncertainty, the management has formulated several corrective measures. The management will exercise stringent cost control and aims to reduce the overall operating expense by 20% in the coming year by means of reduction of remuneration package of senior management, suspension of the less prioritized software development as well as reduction of headcount by staff re-engineering.

Operating overview

The Group will continue to focus on the software and provision of services business in IT industry in China. In addition to the in-house developed packaged software, the Group is now seeking for the partnership with the international software vendors to provide software solutions for the customers in the financial industry in the PRC. Such measure not only helps to shorten the development cycle, it can also facilitate our technical team to pick the latest technology within the shortest period.

In order to maintain our competitiveness, the Group will target to focus on the high value-added business areas. Business intelligence, management analysis and control, etc are the areas that the Group has and will invest to develop software solutions for our customers. VIP personal priority banking is being developed to cater for the banks' prestige customers and the system is planned to launch into the market shortly. A business analytical platform is now under research and development and it will be used by the banks' top management to measure and evaluate the performance of the branches.

The Directors consider Hitachi, Limited ("Hitachi"), one of the Company's major shareholders, will contribute technology know-how to the Group's research and development. The Directors further expect that based on Hitachi's proven success in its IT products in the Japanese market, the Group can customize and localize Hitachi's software products and integrate into the Group's existing products.

Prospects and appreciation

The Group is cautiously optimistic about its future prospects. After the closing of the 16th People Congress in the PRC, most of the leaders and nation policies were finalized. Most of the uncertainties which affected the general market conditions in the year 2002 will be cleared gradually. We will carefully respond to new challenges of the PRC software market. Year 2003 will continue to be a very challenging year for the Group. The Group will continue to expand the business through penetration into other financial related sectors such as securities and insurance and collaboration with international software companies to customize their products and launched in the PRC market.

Finally, on behalf of the Board, I would like to take this opportunity to express sincere gratitude towards our shareholders, board members, business partners and employees who have rendered generous support and contribution to the Group and to those who have continuously supported us. With your continuous support, Computech will definitely grow steadily.

AUDITED CONSOLIDATED RESULTS

The Board is pleased to announce the audited consolidated results of the Company and its subsidiaries (together the “Group”) for the year ended 31st December, 2002 together with the comparative audited consolidated results for the year ended 31st December, 2001 as follows:

	<i>Note</i>	2002 HK\$’000	2001 <i>HK\$’000</i>
Turnover	2	68,635	120,990
Cost of sales		(55,012)	(92,923)
Gross profit		13,623	28,067
Other income		143	452
Provision for diminution in value of investment securities		(2,342)	–
Impairment loss of development costs		(2,532)	–
Selling and distribution expenses		(4,866)	(2,172)
Administrative expenses		(22,956)	(19,736)
Operating (loss)/profit		(18,930)	6,611
Finance costs		(335)	(472)
Amortisation of goodwill on consolidation		(1,587)	(1,587)
(Loss)/profit for the year	3	(20,852)	4,552
(Loss)/earnings per share – Basic (HK cents)	5	(8.78)	2.28

CONSOLIDATED CASH FLOW STATEMENT

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss)/profit for the year	(20,852)	4,552
Adjustments for:		
Interest income	(73)	(183)
Interest expenses	175	200
Provision for diminution in value of investment securities	2,342	–
Impairment loss of development costs	2,532	–
Loss on disposal of fixed assets	–	3
Amortisation of goodwill on consolidation	1,587	1,587
Depreciation and amortisation	3,608	1,446
	<hr/>	<hr/>
Operating (loss)/profit before working capital changes	(10,681)	7,605
Increase in inventories	(51)	–
Decrease/(increase) in debtors, deposits and prepayments	4,226	(31,214)
Increase in pledged time deposit	(32)	(86)
(Decrease)/increase in creditors, accruals and deposits	(16,344)	33,509
(Decrease)/increase in value-added tax payable	(156)	548
Decrease in amounts due to related companies	–	(1,037)
Effect on foreign exchange rate changes	–	75
	<hr/>	<hr/>
Cash (used in)/generated from operations	(23,038)	9,400
Interest income	73	183
Interest expenses	(175)	(200)
Hong Kong profits tax refunded	–	23
	<hr/>	<hr/>
NET CASH (USED IN)/FROM OPERATING ACTIVITIES	(23,140)	9,406
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	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
CASH FLOWS FROM INVESTING ACTIVITIES		
Payment to acquire fixed assets	(864)	(627)
Sales proceeds of fixed assets	–	3
Increase in development costs	<u>(3,533)</u>	<u>(4,611)</u>
NET CASH USED IN INVESTING ACTIVITIES	<u><u>(4,397)</u></u>	<u><u>(5,235)</u></u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in bank loan	313	–
(Decrease)/increase in bills payable	(2,735)	662
(Decrease)/increase in amount due to a director	(800)	800
Issue of shares for cash	22,000	–
Share issuing expenses	(951)	–
Principal repayment of obligations under finance lease	<u>(13)</u>	<u>(14)</u>
NET CASH FROM FINANCING ACTIVITIES	<u><u>17,814</u></u>	<u><u>1,448</u></u>
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(9,723)	5,619
CASH AND CASH EQUIVALENTS AT 1ST JANUARY	<u>11,931</u>	<u>6,312</u>
CASH AND CASH EQUIVALENTS AT 31ST DECEMBER	<u><u>2,208</u></u>	<u><u>11,931</u></u>
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	4,997	12,569
Bank overdrafts	<u>(2,789)</u>	<u>(638)</u>
	<u><u>2,208</u></u>	<u><u>11,931</u></u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Exchange reserve <i>HK\$'000</i>	Retained profits/ (accumulated loss) <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1.1.2001	20,000	1,981	(14)	681	22,648
Exchange difference arising from translation of financial statements of a subsidiary established in the PRC	–	–	114	–	114
Profit for the year	–	–	–	4,552	4,552
	20,000	1,981	100	5,233	27,314
At 31.12.2001					
Issue of ordinary shares	4,000	–	–	–	4,000
Premium on issue of ordinary shares	–	18,000	–	–	18,000
Share issuing expenses	–	(951)	–	–	(951)
Loss for the year	–	–	–	(20,852)	(20,852)
	–	–	–	(20,852)	(20,852)
At 31.12.2002	24,000	19,030	100	(15,619)	27,511

Notes:

1. GROUP REORGANISATION AND BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The Company was incorporated in the Cayman Islands on 29th March, 2000 as an exempted company with limited liability under the Companies Law (1998 Revision) of the Cayman Islands. Pursuant to a reorganisation scheme to rationalise the structure of the Group in preparation for the public listing of its shares in June 2000, the Company became the holding company of the companies now comprising the Group on 3rd June, 2000. The shares of the Company were listed on the Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited on 19th June, 2000.

These financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with Statements of Standard Accounting Practice issued by the Hong Kong Society of Accountants and are prepared under the historical cost convention.

2. TURNOVER AND REVENUE

Turnover represents the invoiced value of packaged software products sold and computer related services rendered, net of discounts, value-added tax and business tax. An analysis of the Group’s turnover and other revenue is as follows:

	2002 <i>HK\$’000</i>	2001 <i>HK\$’000</i>
Sales of packaged software products and related services	13,015	54,805
System integration	54,287	65,331
Others	1,333	854
	<hr/>	<hr/>
Turnover	68,635	120,990
Interest income	73	183
	<hr/>	<hr/>
Total revenue	68,708	121,173
	<hr/> <hr/>	<hr/> <hr/>

3. (LOSS)/PROFIT FOR THE YEAR

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
(Loss)/profit for the year is arrived at after charging/(crediting):		
Depreciation		
– own assets	903	680
– asset held under finance lease	14	14
	<u>917</u>	<u>694</u>
Less: Amounts capitalised as development costs	45	121
	872	573
Amortisation of development costs	2,736	873
Bad debts written off	241	714
Provision for bad debts	3,704	–
Minimum lease payments paid under operating leases	2,442	2,410
Auditors' remuneration	300	330
Loss on disposal of fixed assets	–	3
Directors' remuneration	2,260	2,419
Less: Amounts capitalised as development costs	636	724
	1,624	1,695
Other staff salaries and benefits	9,760	8,920
Less: Amounts capitalised as development costs	1,910	1,699
	7,850	7,221
Retirement scheme contributions	160	272
Less: Amounts capitalised as development costs	16	121
	144	151
Bank overdraft and bills interest	164	197
Interest on bank loan wholly repayable within five years	6	–
Finance lease interest	5	3
Exchange gain	(64)	(2)
	<u><u> </u></u>	<u><u> </u></u>

4. TAXATION

- (a) (i) No provision for Hong Kong profits tax has been made as the Group has no estimated assessable profits for the year.
- (ii) The Company's PRC subsidiary is under the Income Tax Law of the PRC for Foreign Investment Enterprises and other relevant regulations, entitled to an income tax holiday for two years from the first profit making year of 1996 and a 50% reduction in income tax for the following six years. No provision for PRC income tax has been made in accordance with the relevant legislation.
- (b) The components of unprovided deferred tax asset/(liability) are as follows:

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Accelerated depreciation allowances	–	(29)
Unutilised tax losses	<u>3,590</u>	<u>2,521</u>
Net deferred tax asset	<u><u>3,590</u></u>	<u><u>2,492</u></u>

Net deferred tax asset has not been recognised owing to uncertainty regarding the Group's future operating results.

5. (LOSS)/EARNINGS PER SHARE

The calculation of basic (loss)/earnings per share for the year is based on the following data:

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
(Loss)/earnings		
(Loss)/profit for the year used in the calculation of basic (loss)/earnings per share	<u>(20,852)</u>	<u>4,552</u>
Shares		
Weighted average number of shares in issue for the purpose of calculation of basic (loss)/earnings per share	<u><u>237,589,041</u></u>	<u><u>200,000,000</u></u>

No diluted (loss)/earnings per share are shown because the potential ordinary shares issuable under the Company's share option scheme have no dilutive effect.

6. SEGMENT REPORTING

The Group conducts its business within one business segment which is the provision of IT solutions to the financial industry in the PRC. The Group also operates within one geographical segment because over 90% of its revenue are generated from customers located in the PRC. Accordingly, no segment information is presented.

7. DEBTORS, DEPOSITS AND PREPAYMENTS

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Debtors, deposits and prepayments comprise:		
Trade debtors	35,899	39,752
Less: Provision for bad debts	3,704	–
	32,195	39,752
Other debtors, deposits and prepayments	6,843	3,512
	39,038	43,264

The credit terms given to the customers vary and are generally based on the financial strengths of individual customers. In order to effectively manage the credit risks associate with trade debtors, credit evaluations of customers are performed periodically. The following is an aging analysis of trade debtors.

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
0 – 3 months	22,263	30,793
4 – 6 months	2,276	3,424
7 – 12 months	3,951	4,998
Over 12 months	7,409	537
	35,899	39,752

8. CREDITORS, ACCRUALS AND DEPOSITS

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Creditors, accruals and deposits comprise:		
Trade creditors	19,108	24,484
Other creditors, accruals and deposits	4,604	15,572
	23,712	40,056

The following is an aging analysis of trade creditors:

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
0 – 6 months	15,822	21,594
7 – 12 months	1,642	2,890
Over 12 months	1,644	–
	19,108	24,484

DIVIDEND

The Board does not recommend the payment of any dividend for the year ended 31st December, 2002 (2001: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Financial review

Results

The Group has experienced a decrease in the operational results of the financial year. For the year ended 31st December, 2002, the Group has accomplished a turnover of approximately HK\$68,635,000 and a loss attributable to shareholders of approximately HK\$20,852,000. This represented a decrease of approximately 558% in the net profit as compared with previous year. The substantial deterioration in the financial conditions of the Group was due to a combination of 16th People's Congress in the PRC and general adverse economic environment which delay the ordering process for bankers in China.

Cost of sales

In the fourth quarter of the year 2002, there is an additional cost of sales of approximately HK\$5,342,000. The amount involved two portions. Approximately HK\$2,973,000 represents the PRC technical staff salaries and expenses incurred in the first three quarters of the year. According to the revenue matching principle applied by the Group, these expenses were capitalized first and charged to the income statement upon recognition of after-sales services for package software products. This practice has been implemented consistently for years and part of these costs incurred during the year were charged to the income statement throughout the first three quarters of the year and the residual capitalised costs would have been expected to be charged to the income statement in the last quarter of the financial year as most of the Group's sales were historically recorded in the last quarter of the financial year. However, due to a combination of 16th People's Congress in the PRC and general adverse economic environment, the sales volume did not meet the management's expectation. As a result, the directors decided to adopt a prudent approach to write off the previously capitalised technical staff costs incurred during the year against the income statement in the reported financial year. Going forward, since the general operating environment remains unclear, the directors will continue to be prudent in capitalising future technical staff salaries and expenses.

The remaining balance of approximately HK\$2,369,000 is the direct costs for technical staff salaries and expenses incurred in the last quarter of the year.

Selling and distribution expenses

The selling and distribution expenses for the last quarter increased by approximately HK\$4,000,000 when compared with the first three quarters. Approximately HK\$1,116,000 representing the salesman salaries and related commission expenses was incorrectly grouped under the administrative expenses in the first three quarters and is now reclassified as selling and distribution expenses. The remaining balance of approximately HK\$2,884,000 were marketing promotion expenses incurred for potential projects and salesman commission for completed projects in the fourth quarter. Unfortunately, these projects did not realise and no contract was signed. Thus, these related marketing and promotional costs are written off as incurred.

Provision for long outstanding debts

Provision for long outstanding debts of approximately \$3,704,000 was included in the administrative expenses. As at the year ended 31st December, 2002, after a thorough review of the trade debtors, the directors decided to make a provision for doubtful debts on the trade debts aged over 12 months. The provision is 50% on the outstanding balance and amounting to approximately HK\$3,704,000.

Although the directors are of the opinion that as the trade debts aged over 12 months are all due from large banking customers in China which have been major customers of the Group for many years and the directors are confident that these trade debts will finally be settled, However, due to the structural reform of the financial industry in the PRC as mentioned above and top management of these major customers had undergone changes, the debt payment process from these customers has been delayed. For prudence purpose, a 50% provision was made on the trade debts aged over one year.

Impairment loss of development costs

The development costs for the product, Corporate Banking System (CBS), had been capitalised and amortised according to the Group's accounting policy. However, since the product had been launched into the market for over 1 year with no success, the directors considered it prudent to fully provide for the remaining capitalised amount in the income statement.

Financial resources and liquidity

As at 31st December, 2002, the shareholders' funds of the Group amounted to approximately HK\$27,511,000 (2001: HK\$27,314,000). Current assets amounted to approximately HK\$47,416,000 (2001: HK\$59,131,000) of which approximately HK\$8,200,000 (2001: HK\$15,740,000) were cash and bank deposits and approximately HK\$39,038,000 (2001: HK\$43,264,000) were debtors, deposits and prepayments. The Group's only non-current liability being secured bank loan amounted to approximately HK\$206,000 (2001: being obligations under finance lease of HK\$16,000). Its current liabilities amounted to approximately HK\$28,721,000 (2001: HK\$46,495,000) mainly comprised of creditors, accruals and deposits and bills payable amounted to approximately HK\$23,712,000 (2001: HK\$40,056,000) and HK\$466,000 (2001: HK\$3,201,000) respectively. The net asset value per share was HK\$0.115 (2001: HK\$0.137). The Group expresses its gearing ratio as a percentage of bank borrowings and long-term debts over total assets. As at 31st December, 2002, the Group had a gearing ratio of 0.06 (2001: 0.05). The liquidity ratio of the Group, represented by a ratio between current assets over current liabilities, was 1.65 (2001: 1.27), reflecting the adequacy of financial resources.

Foreign exchange

The Group is exposed to foreign currency risk as most of its payable to hardware suppliers and accounts receivable from the PRC sales are denominated in Renminbi. Fluctuation of exchange rates of Renminbi against foreign currencies could affect the Group's results of operations.

Significant investments and acquisitions

During the two years ended 31st December, 2002, the Group had no material acquisitions and disposals of subsidiaries and affiliated companies.

As at 31st December, 2002 and 31st December, 2001, the Group had no material investment other than the 4% shareholding in the joint venture of World Master Resources Limited.

Charges on the Group's assets

As at 31st December, 2002, the Group's time deposit of approximately HK\$3,203,000 (2001: HK\$3,171,000) has been pledged to a bank to secure general banking facilities granted to the Group.

Capital commitments

As at 31st December, 2002 and 31st December, 2001, the Group had no future plans for material investment.

Contingent liabilities

As at 31st December, 2002 and 31st December, 2001, the Group had no material contingent liabilities.

Employees and remuneration policies

As at 31st December, 2002, the Group had 98 employees (2001: 96). Remuneration is determined by reference to market terms and the performance, qualification and experience of individual employee. Year-end bonus based on individual performance will be paid to employees as recognition of and reward for their contributions. Other benefits include share option scheme as detailed in note 21(b) to the annual report, contributions to statutory mandatory provident fund scheme and medical scheme to its employees in Hong Kong and the statutory central pension schemes to its employees in the PRC.

BUSINESS OBJECTIVES AND BUSINESS PROGRESS COMPARISON

In compliance with the GEM Listing Rules, the Company sets out below a summary of actual business progress as measured against the business objectives set out in the Prospectus for the six months ended 31st December, 2002 (the "Review Period").

Business objectives for the Review Period as set out in the Prospectus

Actual business progress in the Review Period

Sales

Revenue is expected to grow by about 20-30% as compared to previous year as more income will be generated from new products

Revenue drops due to the reform of the financial institutions in China. Establishment of Banking Commissioner, positioning of credit co-operations and etc, prohibit the purchase of banking solutions.

A material portion of the revenue will be generated from Hong Kong (through PRC will still contribute the major portion and is expected to account for approximately about 70-75% of the Group's total revenue)

Distribution of anti-virus software in Hong Kong can not reach the original plan because of the economic recession. Most of the customers defer their buying processes. E-business environment is not so encouraging therefore affecting the sales of network safety software.

Research and development

Invite both local and foreign bank representatives to participate in the Group's studies

Pending because of complication to define the ownership of the developed software products.

Commence the development of the next generation banking system based on the architecture developed by the Group. The system is expected to be able to support more features and functions, and to enlarge the database of nationwide scale

Done. Our latest version include many decision support functionalities, business intelligence and etc, in order to facilitate our banking customers to become more competitive after China accession to the World Trade Organisation.

Marketing

Promote the Group's image by attending local and international IT conferences and exhibitions

Join computer exhibitions together with our partner Hitachi.

Liaise with the international suppliers to gather latest technology information

Constant negotiation to form partnership with international database suppliers for business intelligence and datawarehousing technology.

Liaise with the international suppliers to put the Group's software products on it's solution recommended list

Under processing.

Resources employment

Increase research and development headcount by 10-15%

Done. Headcount on research and development increased by 10%.

Collaboration

Continue to explore the opportunities of strategic partnership, joint-venture or acquisition in line with the Group's defined business objectives and strategies

Hitachi has become the Group's shareholder in January 2002. Also, the Group has entered into a strategic partnership with Brios, which is a business intelligence tool platform provider.

DIRECTORS' INTERESTS IN SECURITIES

As at 31st December, 2002, the directors and their associates had the following interests in shares of the Company as recorded in the Register of Directors' Interests kept by the Company under Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance"):

Director	Type of interest	Number of shares
Mr. Lee Man Lung, Vincent (<i>Note 1</i>)	Corporate	55,860,000
Mr. Fung Pak Chuen, Alphonso (<i>Note 2</i>)	Family	55,860,000
Mr. Lo, Richard (<i>Note 3</i>)	Family	55,860,000
Mr. Yip Tai Chee, Alick	Personal	1,000,000
Mr. Tang Chi Lap	Personal	280,000

Notes:

1. As Mr. Lee Man Lung, Vincent is interested in 100% of the issued share capital of Brilliant Time Limited, Mr. Lee Man Lung, Vincent is taken to have an interest in the 55,860,000 shares held by Brilliant Time Limited.
2. Gumpton Investments Limited, which holds 75% of the issued share capital of CL Investments Limited ("CL Investments"), is taken to have an interest in the 55,860,000 shares in which CL Investments is interested under the SDI Ordinance. As 50% of the issued share capital of Gumpton Investments Limited is held by AFS Holdings Limited, AFS Holdings Limited is taken to have an interest in the 55,860,000 shares under the SDI Ordinance.

AFS Holdings Limited is wholly-owned by The General Trust Co. Ltd. The General Trust Co. Ltd. is the trustee of AFS Trust, one of the beneficiaries of which is the wife of Mr. Fung Pak Chuen, Alphonso. Mr. Fung Pak Chuen, Alphonso is taken to have an interest in the 55,860,000 shares by virtue of his spouse's interest under the SDI Ordinance.

3. Gumpton Investments Limited, which holds 75% of the issued share capital of CL Investments, is taken to have an interest in the 55,860,000 shares in which CL Investments is interested under the SDI Ordinance. As 50% of the issued capital of Gumpton Investments Limited is held by Ardian Holdings Limited, Ardian Holdings Limited is taken to have an interest in the 55,860,000 shares under the SDI Ordinance.

Ardian Holdings Limited is wholly-owned by The General Trust Co. Ltd. The General Trust Co. Ltd. is the trustee of Ardian Trust, the beneficiaries of which include the wife and a child (who is under 18 years of age) of Mr. Lo, Richard. Mr. Lo, Richard is taken to have an interest in the 55,860,000 shares by virtue of his spouse's and his child's (who is under 18 years of age) interests under the SDI Ordinance.

Save as disclosed above, at 31st December, 2002, none of the directors or their associates had any interests in any securities of the Company or any of its associated corporations as defined in the SDI Ordinance.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBT SECURITIES

Under the terms of a share option scheme (the "Scheme") adopted by the Company on 2nd June, 2000, the board of directors is authorised, at its absolute discretion, to grant options to executive directors and full time employees of the Company or its subsidiaries, to subscribe for shares in the Company. Further details of the Scheme are set out in note 21(b) to the annual report. No options had been granted to any directors under the Scheme up to the balance sheet date.

Apart from the foregoing, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the Company's directors, their respective spouse, or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

At 31st December, 2002, according to the register required to be kept under Section 16(1) of the SDI Ordinance, the following persons were interested in 10% or more of the issued share capital of the Company:

Name	Number of shares	Percentage of issued share capital
Hitachi, Ltd.	60,000,000	25.00%
Anstalt Pacific Techvest Inc. (Note 1)	55,860,000	23.28%
CL Investments (Note 2)	55,860,000	23.28%
CL Strategic Holdings Limited (Note 3)	55,860,000	23.28%
Brilliant Time Limited (Note 4)	55,860,000	23.28%

Notes:

1. Anstalt Pacific Techvest Inc. ("Anstalt Pacific") is beneficially and wholly-owned by Lam Soon (Hong Kong) Limited, the shares of which are listed on the Stock Exchange of Hong Kong Limited. Anstalt Pacific has a 50% interest in the issued share capital of CL Strategic Holdings Limited ("CLSH") and is accordingly taken to have an interest in the shares in which CLSH is interested in.
2. CL Investments is deemed to be owned as to 37.5% by Mr. Fung Pak Chuen, Alphonso and as to 37.5% by Mr. Lo, Richard, and is beneficially owned as to 20% by Mr. Chan Kin Wah, Charles and as to 5% by Mr. Wong Siu Sik, Alex. Both Mr. Chan Kin Wah, Charles and Mr. Wong Siu Sik, Alex are independent third parties not connected with the Company, any of its subsidiaries, the directors, chief executives, substantial shareholders and management shareholders of the Company or any of their respective associates.

CL Investments has a 50% interest in the issued share capital of CLSH and is accordingly taken to have an interest in the shares in which CLSH is interested in.

3. CLSH is owned as to 50% by Anstalt Pacific and 50% by CL Investments.
4. Brilliant Time Limited is beneficially and wholly-owned by Mr. Lee Man Lung, Vincent.

Save as disclosed above, the Company has not been notified of any other interests as at 31st December, 2002 representing 10% or more of the issued share capital of the Company.

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

During the year, the Group has not purchased, sold or redeemed any of the Company's listed shares.

SPONSORS' INTERESTS

As at 31st December, 2002, neither the Company's sponsor, DBS Asia Capital Limited ("DBS Asia"), nor its directors or employees, had any interest in the share capital of the Company.

Pursuant to the agreement dated 10th April, 2000 entered with the Company, DBS Asia received and will receive, fees for acting as the Company's continuing sponsor for the period from 19th June, 2000 to 31st December, 2002.

COMPETING INTERESTS

As at 31st December, 2002, the Directors are not aware of any business or interest of the directors, the initial management shareholders of the Company and their respective associates, that competes or may compete with the business of the Group and any other conflicts of interest which any such person has or may have with the Group.

AUDIT COMMITTEE

The Company has established an Audit Committee with written terms of reference for the purpose of reviewing and providing supervision over the financial reporting process and internal control procedures of the Group. The Audit Committee has three members comprising Mr. Lee Sai Yeung, Mr. Tsang Link Carl, Brian and Mr. Lee Man Lung, Vincent.

Up to the date of approval of this Announcement, the Audit Committee has held four meetings and has reviewed the Company's draft annual, interim and quarterly financial reports.

COMPLIANCE

In the opinion of the directors, the Company has complied with Rules 5.28 to 5.39 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited concerning board practices and procedures throughout the financial year ended 31st December, 2002.

By order of the Board
Lee Man Lung, Vincent
Chairman

Hong Kong, 20th March, 2003

This announcement will remain on the GEM website on the "Latest Company Announcements" page for 7 days from the date of its posting.