Techwayson Holdings Limited

(Incorporated in the Cayman Islands with Limited Liability)

Interim Report 2001/2002

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This report for which the directors of Techwayson Holdings Limited collectively and individually accept full 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 Techwayson 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 report 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 report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

The Board of Directors (the "Directors") of Techwayson Holdings Limited (the "Company") is pleased to present the unaudited consolidated income statement of the Company and its subsidiaries (the "Group") for the six months and three months ended 31 December 2001, condensed consolidated balance sheet of the Group as at 31 December 2001 and condensed consolidated cash flow statement for the six months ended 31 December 2001, together with the comparative figures for the corresponding periods in the preceding periods, if applicable, as follows and which have been reviewed by the Company's audit committee and the Company's independent auditors, Charles Chan, Ip & Fung CPA Limited.:

CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

		For the six months ended 31 December		**For the three months ended 31 December**	
		2001	2000	**2001**	2000
	Note	**RMB'000**	*RMB'000*	**RMB'000**	*RMB'000*
Turnover	*3*	**90,229**	95,062	**83,684**	64,824
Materials and equipment	*3*	**(47,897)**	(33,461)	**(45,546)**	(21,820)
		42,332	61,601	**38,138**	43,004
Other revenue		**3,208**	—	**2,890**	—
Staff costs		**(3,607)**	(4,688)	**(1,930)**	(1,793)
Depreciation of equipment and furniture		**(547)**	(527)	**(356)**	(238)
Provision for warranty costs		**(1,259)**	(4,753)	**(1,259)**	(3,363)
Other operating expenses		**(3,774)**	(8,088)	**(1,994)**	(5,002)
Profit from operations		**36,353**	43,545	**35,489**	32,608
Interest income		**71**	52	**51**	39
Profit before taxation		**36,424**	43,597	**35,540**	32,647
Taxation	*4*	**(818)**	—	**(702)**	—
Profit attributable to shareholders		**35,606**	43,597	**34,838**	32,647
Earnings per share — Basic	*5*	**RMB10.17 cents**	RMB15.57 cents	**RMB9.93 cents**	RMB11.66 cents

No separate statement of recognised gains and losses is presented because these were no recognised gains or losses other than the profit attributable to shareholders.

CONDENSED CONSOLIDATED BALANCE SHEET (UNAUDITED)

	Note	31 December 2001 RMB'000	30 June 2001 RMB'000
NON-CURRENT ASSETS			
Equipment and furniture		**3,811**	3,543
Software development cost		**27,710**	27,710
Investment in securities	6	**51,940**	—
Total non-current assets		**83,461**	31,253
CURRENT ASSETS			
Inventories		**114**	512
Prepayment, deposits and other current assets		**8,239**	951
Other receivable		**—**	17,490
Trade receivables	7	**65,539**	35,918
Cash and bank deposits		**48,327**	56,568
Total current assets		**122,219**	111,439
CURRENT LIABILITIES			
Trade payables	8	**(5,492)**	(887)
Accruals and other payable		**(5,802)**	(2,708)
Warranty provision		**(8,206)**	(6,946)
Loan payable		**(2,000)**	—
Taxation payable		**(2,295)**	(4,952)
Total current liabilities		**(23,795)**	(15,493)
Net current assets		**98,424**	95,946
Total assets less current liabilities		**181,885**	127,199
NON-CURRENT LIABILITIES			
Unsecured, interest-bearing loan		**(19,080)**	—
Net assets		**162,805**	127,199
CAPITAL AND RESERVES			
SHARE CAPITAL		**37,100**	37,100
RESERVES	9	**125,705**	90,099
		162,805	127,199

CONDENSED CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)

	For the six months ended 31 December 2001
	RMB'000
NET CASH INFLOW FROM OPERATING ACTIVITIES	23,393
NET CASH INFLOW FROM RETURNS ON INVESTMENT AND SERVICING OF FINANCE	71
NET CASH OUTFLOW FROM TAXATION	(29)
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	(33,676)
NET CASH OUTFLOW BEFORE FINANCING ACTIVITIES	(10,241)
NET CASH INFLOW FROM FINANCING ACTIVITIES	2,000
DECREASE IN CASH AND BANK DEPOSITS	(8,241)
CASH AND BANK DEPOSITS, BEGINNING OF PERIOD	56,568
CASH AND BANK DEPOSITS, END OF YEAR OF PERIOD	48,327

NOTES TO THE INTERIM FINANCIAL STATEMENTS

1. Group reorganisation and basis of presentation

The Company was incorporated in the Cayman Islands on 1 September 2000 as an exempted company with limited liability under the Companies Law (Revised) of the Cayman Islands. Its shares have been listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 8 February 2001.

On 16 January 2001, the Company became the holding company of other companies comprising the Group pursuant to a group reorganisation (the "Reorganisation") which included exchanges of shares. The Reorganisation involved companies under common control, and the Company and its subsidiaries resulting from the Reorganisation are regarded as a continuing group. Accordingly, the Reorganisation has been accounted for on the basis of merger accounting, under which the consolidated financial statements have been prepared as if the Company had been the holding company of the other companies comprising the Group throughout the six months and three months ended 31 December 2000, rather than from the date on which the Reorganisation was completed.

The interim financial statements are prepared in accordance with Hong Kong Statement of Standard Accounting Practice ("SSAP") No. 25, "Interim Financial Reporting" and No. 26, "Segment Reporting", issued by the Hong Kong Society of Accountants, and the disclosure requirement 18.55 of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM" Listing Rules").

2. Principal accounting policies

The principal accounting policies and methods of computation used in the preparation of the interim financial statements are consistent with those used in the annual audited financial statements for the year ended 30 June 2001 except as described below.

The Group's turnover was classified as (i) sales of system control equipment and software products, and (ii) fees for system integration services in prior periods. Since the adoption of revised SSAP 26 in August 2001, the turnover classified under heading (i) and (ii) was further detailed into two parts: Industrial automation services and Building automation services. Both the interim results and comparative results have been reclassified to conform with the requirement of the revised SSAP.

Industrial automation is divided into factory automation and process automation.

Factory automation and control refers to operations which manufacture individual items used mainly within the automotive, packaging and consumer goods industries. Products mainly consist of items such as programmable logic controllers (PLCs), robots, drives and standardised solutions.

Process automation and control refers to the continuous control solutions applied in processes where the main objective is to control the continuous production of products including raw, oil, electricity and paper at preferred levels. Its products consist of process automation systems, distributed control systems (DCSs), control instrumentation and analytical products such as meters.

Building automation services comprise product lines and application solutions particularly targeted at building industries. Product lines for this market include security and alarm, ventilating, heating, fire protection, gas warning, air conditioning and access control systems.

3. Turnover

The Group's turnover represented revenue generated from fixed price contracts in respect of (i) sales of system control equipment and software products, and (ii) fees for system integration services and was further classified under the heading of industrial automation services and building automation services. The Group's revenue from fixed price contracts is stated after deducting Mainland China value-added tax and city and county maintenance tax.

	For the six months ended 31 December					
	Building automation 2001	**Industrial automation 2001**	**Total 2001**	Building automation 2000	Industrial automation 2000	Total 2000
	RMB'000	**RMB'000**	**RMB'000**	*RMB'000*	*RMB'000*	*RMB'000*
Income from fixed price contracts						
— Sales of system control equipment and software products	**63,221**	**787**	**64,008**	—	88,155	88,155
— Fees for system integration services	**26,171**	**50**	**26,221**	—	6,907	6,907
	89,392	**837**	**90,229**	—	95,062	95,062
Materials and equipment	**(47,316)**	**(581)**	**(47,897)**	—	(33,461)	(33,461)
	42,076	**256**	**42,332**	—	61,601	61,601

	For the three months ended 31 December					
	Building automation 2001	**Industrial automation 2001**	**Total 2001**	Building automation 2000	Industrial automation 2000	Total 2000
	RMB'000	**RMB'000**	**RMB'000**	*RMB'000*	*RMB'000*	*RMB'000*
Income from fixed price contracts						
— Sales of system control equipment and software products	**56,971**	**492**	**57,463**	—	60,935	60,935
— Fees for system integration services	**26,171**	**50**	**26,221**	—	3,889	3,889
	83,142	**542**	**83,684**	—	64,824	64,824
Materials and equipment	**(45,158)**	**(388)**	**(45,546)**	—	(21,820)	(21,820)
	37,984	**154**	**38,138**	—	43,004	43,004

4. Taxation

Taxation consists of:

	For the six months ended 31 December		For the three months ended 31 December	
	2001	2000	**2001**	2000
	RMB'000	*RMB'000*	**RMB'000**	*RMB'000*
Current taxation				
— Mainland China enterprise income tax	**818**	—	**702**	—

Techwayson Industrial Ltd., a wholly-owned subsidiary established and operating in a special economic zone of Mainland China, is subject to Mainland China enterprise income tax at a rate of 15%. However, it is exempted from Mainland China enterprise income tax for two years starting from the first year of profitable operations after offsetting prior year losses, followed by a 50% reduction for the next eight years. The tax exemption period expired on 31 December 2000 and thereafter, the Company is subject to Mainland China enterprise income tax at 7.5% until 31 December 2008.

5. Earnings per share

The calculation of basic earnings per share for the six months and three months ended 31 December 2001 is based on the consolidated profit attributable to shareholders of approximately RMB35,606,000 and RMB34,838,000 (2000: RMB43,597,000 and RMB32,647,000) respectively and the weighted averaged number of approximately 350,000,000 shares (2000: 280,000,000 shares) deemed to be in issue during the period.

Diluted earnings per share was not presented because there were no dilutive potential ordinary shares in issue during the six months and three months ended 31 December 2000 and 2001.

6. Investment in securities

	31 December 2001	30 June 2001
	RMB'000	*RMB'000*
Other investments		
Unlisted outside Hong Kong	**51,940**	—

7. Trade receivables

	31 December 2001		30 June 2001	
	Balance	**Percentage**	Balance	Percentage
	RMB'000		*RMB'000*	
Current to 90 days	**65,509**	**99.95%**	31,092	86.56%
91-180 days	**—**	**—**	4,826	13.44%
181-360 days	**30**	**0.05%**	—	—
Total	**65,539**	**100.00%**	35,918	100.00%

8. Trade payables

	Current to 90 days	91-180 days	Total
	RMB'000	*RMB'000*	*RMB'000*
Balance at 31 December 2001	5,492	—	5,492
Balance at 30 June 2001	820	67	887

9. Reserves

Movements of reserves of the Group are as follows:

	Share premium	Statutory reserve funds	Capital reserve	Retained profit	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 30 June 2001	7,160	5,309	13,841	63,789	90,099
Profit attributable to shareholders	—	—	—	35,606	35,606
As at 31 December 2001	7,160	5,309	13,841	99,395	125,705

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 31 December 2001. (2000: Nil)

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

For the six months ended 31 December 2001, the Group has recorded a turnover of approximately RMB90,229,000 representing a 5% decrease from approximately RMB95,062,000 for the corresponding period of 2000. Turnover for the second quarter in 2001 is approximately RMB83,684,000 which shows an increase of 29% and 1179% as compared to the corresponding period of 2000 and the previous quarter ended 30 September 2001 respectively. Turnover for the six-month period slightly declined due to certain contracts under negotiation were delayed.

The profit margin derived from fixed price contracts (after deduction of related materials and equipment costs) shrank from 65% to 47% for the first half of 2001 as compared to the same period of 2000. The drop is owing to firstly, a price cut in the Group's product for industrial automation under keen competition from international suppliers with new product range; secondly, thinner profit margin for the Group's Building Automation System which contributed significantly to the Group's turnover in the second quarter of 2001. However, the Group has kept down its cost of operation and maintained its operational margin at a high level of averaging 33%.

Profit attributable to shareholders decreased by approximately RMB7,991,000 to approximately RMB35,606,000 for the first half of 2001, representing a 18% decrease as compared with the corresponding period last year. Such decrease was primarily due to a decrease in profit margin derived from fixed price contracts (after deduction of related materials and equipment costs). As a result, earnings per share for the six months period ended 31 December 2001 declined to approximately RMB10.17 cents, from approximately RMB15.57 cents for the corresponding period in 2000.

In September 2001, the Group has entered into an agreement to acquire a subsidiary, Techwire Enterprises Ltd which holds a 18.52% interest in Tongling Huarui Electronic Materials Co. Ltd., at a total consideration of HK$49 million. Upon completion of the transaction, the Directors expect that there will be a positive contribution to the future earnings of the Group from the year of 2002. This long term investment is funded from internal resources and profit of the Group as to the payment of HK$31 million cash consideration and as to the balance of HK$18 million (approximately RMB19,080,000), payable over 8 years by equal semi-annual instalments of principal with interest bearing at LIBOR plus 1%. The balance will be funded from future profit of the Groups and bank borrowing (if necessary).

The borrowing maturity profile of the Group as at 31 December 2001 is analysed as follows:

	At 31 December 2001 (Unaudited) *RMB'000*
Repayable within one year	4,385
Repayable after 1 year but within 2 years	2,385
Repayable after 2 years but within 5 years	7,155
Over 5 years	7,155
	21,080

At 31 December 2001, the Group's gearing ratio, expressed as a percentage of total borrowings over total assets, was 10% (2000: NIL). The management believes that the gearing ratio is at acceptable level for the Group and the Group would be able to create sufficient financial resources to discharge its debts.

Save as disclosed in this report, the Group's current information in respect of exchange risk has not changed materially from the information disclosed in the latest annual financial statements.

As at 31 December 2001, the Group had current assets of approximately RMB122,219,000, which principally comprised cash and bank balances of approximately RMB48,327,000, trade receivables of approximately RMB65,539,000, inventories of approximately RMB114,000, and prepayments and deposits and other current assets of approximately RMB8,239,000.

As at 31 December 2001, the Group's current liabilities were approximately RMB23,795,000, comprising trade payables of approximately RMB5,492,000, accruals and other payables of approximately RMB5,802,000, warranty provision of approximately RMB8,206,000, loan payable of RMB2,000,000 and taxation payables of approximately RMB2,295,000.

As at 31 December 2001, the Group had 100 employees.

Market for automation in traditional industries such as oil refining and petrochemical has slowed down in the last six months ending December 2001. The Group has thus focused on expanding its market base by entering the emerging industries and tapping the overseas markets. Special attention has also been given to improvement of sales network and R&D. The Group feels confident in achieving an annual turnover of approximately RMB140 millions by the end of the year, which will better the Group's performance for the year ended June 2001.

Sales and Marketing

The Group has found opportunities in supplying automation and control systems to the infrastructure related sector which includes Power Plant, Metro Transit, Building and Logistics centers. Many sizable projects are open for tenders or joint venture such as Shenzhen MRT, Tianjin Metro Transit and Shenzhen Airport Logistics Centre. As a domestic company, the Group has certain advantage over foreign suppliers. Several breakthroughs in marketing in the infrastructure related industries were recorded as below. Although it will take some time for the deals to be materialized, because of significant project size and the complicated tender process, the effort in these areas are expected to be rewarding. However, due to accounting principles adopted, the results can only be seen upon substantial completion of the projects.

First, building automation. Following the first contract for Building Automation System (BAS) in Shanghai, the Group has secured contracts of total amount of RMB63 million from major residential estates in Beijing and Fuzhou. This is a significant contribution to our turnover in the second quarter of 2001. The BAS contracts cover design, supply and contracting of the intelligent system, providing total solutions to our clients.

Second, the power generation industry. Shenzhen West Power Co., Ltd.（深圳西部電力公司）has signed with the Group a contract for control system for chemical water processing, following the previous one signed in July 2001 for transformer system. The total contract sum of both is around RMB 20 million. This is expected to contribute to the Group's turnover in the third and fourth quarter.

Third, metro transit railway. The Group has entered into strategic partnership with Qinghua Tongfang Corp.（清華同方）, Shanghai Electrical Automation Institute（上海電氣集團）and Guangzhou Auto Control Engineering Limited（奧特控制工程有限公司）to service this emerging industry. Furthermore, the Group has signed a Memorandum of Understandings with GE Transportation, a worldwide leader in Metro Railway, in November 2001 for the incorporation of a joint venture to be established in the PRC. Progress of the establishment of the joint venture will be made known to the shareholders as soon as practicable when a final agreement is reached.

To complement our product range and strengthen our sales network, the Group has confirmed with Rockwell to become its sole distributor in Southern China (Guangdong, Guangxi and Hainan). Rockwell is the largest automation system supplier and driving system manufacturer in the United States. The Group will represent Rockwell's products such as controllers, controlling software, motor automation and electrical products. The turnover is expected to reach approximately RMB30 million in 2002.

In tapping the overseas markets, the Group has started discussion with counter partners in Hong Kong and North America for the supply of the Group's automation in BAS, SmartHome, and Rail Transit Automation. Marketing survey is being conducted to identify the best distribution channel and pricing strategy relating to this project.

Research And Development

To keep pace with the development of the hi-tech industry, the Group has been investing in R&D to maintain its leading position. As a result, some of the Group's proprietary products have gained the industry's attention. Negotiation with General Electric (GE) regarding the sales and application of the Group's rail control system is already in progress. Subject to the formalization of the joint venture with GE, the new joint venture will be responsible for the sales of the Group's rail products and GE's transportation products in the PRC.

The Group has completed internal testing for its hot back-up controller and the anti-explosion intrinsic safe modules to ensure that its products can withstand extreme environmental situations such as in oil refineries and petrol-chemical plants. Further field tests and official tests will be carried out in the future.

The Group has enhanced its Tailored Control System (TCS) compatibility with other softwares. This will shorten the installation and run-in time of the system, especially in traditional industries such as petrol-chemical, oil refining and steel refining. The advantages of TCS will raise our clients' productivity and minimize their resources wastage.

In BAS, the Group has made advancement in its digital image control technology which has dramatically raised the transmission speed by five times. This advancement is in complement its other product range in systems integration and engineering application.

The Group will continue to make investment in R&D which is maintained at approximately 5% of the revenue. The Group believes that, to stay abreast in this competitive market of hi technology, constant reviewing and upgrading of products are essential. Therefore, R&D plays an important part in the Group's expansion in its technology and services.

COMPARISON OF THE BUSINESS OBJECTIVES SET OUT IN THE PROSPECTUS WITH ACTUAL BUSINESS PROGRESS

Business Objectives as disclosed in the Prospectus dated 31 January 2001	Actual Business Progress
Product Research and Development	
1. Conduct testing and inspections on new TCS systems incorporated with flammable controller modules and hot back-up/redundancy characteristics.	1. Developments of both the hot back-up/redundancy controller modules and those modules based on intrinsic safety (flammable safe) have been completed. Tests will be held in January and February 2002.
2. Specialization of TCS products. Automation systems that are tailor-made for specialized industries such as steel refining, iron refining, steel rolling, refining of oil, ethylene and sulphuric acid, cigarette manufacturing, paper, sewage, waterworks, distribution and supply of electricity on grids may be developed through incorporating APC tailored for each specific industry onto the TCS platform. At the same time, software blocks will be developed to include the basic functions common to various industries. They will then be incorporated into control systems with industry-specific designs. It is expected that through a combination of standardization and industry specific functions, the Group will be able to achieve product standardization, reduction in time spent on project engineering and speeding up of the application of TCS products in various industries.	2. All have been completed. The Company has enhanced its Tailored Control System (TCS) with compatibility with other software. This will shorten the installation and run-in time of the system especially in traditional industries such as petrol-chemical, oil refining and steel refining.

Sales & marketing

1. Enter into a strategic partnership with Baosteel Information Industry Holdings (寶鋼信息產業集團), which specializes in industrial and building automation and other IT services, and apply TCS systems with implemented APC functions on complex manufacturing and control process involving high-technology such as steel rolling, electric furnaces. Baosteel Information Industry Holdings is a subsidiary of Baoshan Iron and Steel Company Limited (寶山鋼鐵股份有限公司), a major state-owned steel refining conglomerate in the PRC whose A shares are listed on the Shanghai Stock Exchange.	1. Entered into a strategic partnership with Qinghua tongfang Corp (清華同方), Shanghai Electrical Automation Institute (上海電氣集團), Guangzhou Auto Control Engineering Limited (奧特控制工程有限公司) to service the urban railway transit sector. The Company has signed a Memorandum of Understandings with GE Transportation, a worldwide leader in Metro Railway, for the incorporation of a joint venture to be established in the PRC. The Company is seeking for the cooperation opportunities with General Electric (美國通用電氣) regarding the MRT projects in Shenzhen, Tianjin and other cities.
2. Broaden the range of products and services with the aim to improve the productivity of customers' manufacturing process.	2. Signed an agreement with Rockwell, the largest industrial automation system supplier in the US, to become its sole distributor in Southern China representing its PLC, driving product and electrical products.

Overseas Business Development

1. Conduct pilot projects targeted at specific industry sectors such as waster water treatment in Hong Kong and the Southeast Asian region as the first step for entering the overseas markets.	1. Started discussion with counter partners in Hong Kong and North America for the supply of the Company's automation products in BAS, SmartHome, and Rail Transit Automation. Marketing survey is being conducted to identify the best distribution channel and pricing strategy relating to this project..Negotiation with General Electric (GE) regarding the sales and application of the Company's train control system is already in progress.
2. Conduct testing of the Group's products with the aim to attain recognition certificates from various international industry standard accrediting organizations.	2. Postponed. Planned to be held in the second half of 2002

USE OF PROCEEDS

The net proceeds from the issue of new shares for the listing on GEM of The Stock Exchange of Hong Kong Limited, after deduction of share issuance expenses, amounted to approximately HK$41,754,000 (equivalent to approximately RMB44,259,000) and have been applied as follows:

	Balance as at* 20 September 2001		Amount utilised for the six months ended 31 December 2001	
	HK$'000	*RMB'000*	*HK$'000*	*RMB'000*
Research and development of new control system technologies	7,754	8,219	—	—
Corporation and investment projects with large-scale customers and government departments in Mainland China	7,000	7,420	7,000	7,420
Marketing and promotional activities	5,000	5,300	370	392
Geographical expansion of the Group	6,000	6,360	—	—
Establishment of a training centre for the Group's customers	2,000	2,120	—	—
Development of e-automation.com.con website	1,000	1,060	—	—
	28,754	30,479	7,370	7,812

* Amounts are extracted from the Company's annual report 2001 dated 20 September 2001.

COMPETING INTEREST

None of the directors or the management shareholders (as defined in the GEM Listing Rules) of the Company have any interest in any business which competes with the Company or may compete with the business of the Group.

DIRECTORS' INTEREST IN SHARES

As at 31 December 2001, according to the register required to be kept under Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI" Ordinance) or otherwise notified to the Company pursuant to the minimum standards of dealings by the Directors as referred to in Rule 5.40 to 5.59 of the GEM Listing Rules, the interests of Directors in the securities of the Company and its associates were as follows:

Name of director	Personal Interests	Family Interests	Corporate Interests	Other Interests	Total
Dr. SZE Kwan	—	—	168,000,000*	—	168,000,000

* These shares are held through Otto Link Technology Limited, which are beneficially owned as to 80% by Dr. Sze Kwan and 20% by Mr. Tung Fai, directors of the Company.

Saved as disclosed above, as at 31 December 2001, none of the Directors or their associates had any interests in the issued share capital of the Company or any of its associates (within the meaning of the SDI Ordinance).

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBT SECURITIES

Except for the employee share option scheme of the Company, neither the Company nor any of its subsidiaries was a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of the Company or any other body corporate, and none of the directors of the Company or 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.

EMPLOYEE SHARE OPTION SCHEME

On 22 January 2001, the Company conditionally adopted the employee share option scheme, the principal terms of which are set out in the Company's prospectus dated 31 January 2001.

As at 31 December 2001, no option was granted by the Company under the employee share option scheme.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2001, save for the interests of the Directors disclosed above, according to the register maintained by the Company pursuant to Section 16(1) of the SDI Ordinance, the following shareholders (other than the Directors) were directly or indirectly interested in 10% or more of the Company's issued share capital:

Name	Number of shares hold	Approximate Shareholding
Otto Link Technology Limited[1]	168,000,000	48.00%
Goldwiz Technology Limited	61,824,000	17.66%
Goldwiz Holdings Limited[2]	61,824,000	17.66%
Mr. Siu Ting	38,976,000	11.14%

Note:

1. Otto Link Technology Limited is beneficially owned as to 80% by Dr. Sze Kwan who is the Chairman of the Company and 20% by Mr. Tung Fai who is also a Director.

2. Goldwiz Holdings Limited ("Goldwiz Holdings") is the holding company of Goldwiz Technology Limited ("Goldwiz") which holds 100% of the issued share capital of Goldwiz and is therefore deemed to be interested in the 61,824,000 Shares held by Goldwiz.

SPONSOR'S INTEREST

Pursuant to an agreement dated 16 July 2001 entered into between the Company and Celectial Capital Limited ("CASH"), CASH has been appointed as the Company's sponsor for the period from 16 July 2001 to 30 June 2003 in return for a monthly advisory fee.

None of the Company's sponsor, CASH, its directors, employees or associates (as referred to in Note 3 to Rule 6.35 of the GEM Listing Rules) had any interests in any class of securities of the Company or any other company in the Group (including options or rights to subscribe for such securities) as at 31 December 2001.

COMPLIANCE WITH RULES 5.28 TO 5.39 OF THE GEM LISTING RULES

The Company has complied with the board practices and procedures as set out in Rules 5.28 to 5.39 of the GEM Listing Rules since the listing of the Company's Shares on the GEM on 8 February 2001.

AUDIT COMMITTEE

The Company established an audit committee on 27 November 2000 with written terms of reference in compliance with the requirements as set out in Rules 5.23 to 5.25 of the GEM Listing Rules. The duties of the audit committee are to review and to provide supervision over the financial reporting process and internal control system of the Group. The audit committee comprises three independent non-executive directors, namely Mr. Kuang Ding Bo, Mr. Wee Soon Chiang and Mr. Wong Kam Kau. The Group's unaudited results for the six months ended 31 December 2001 have been reviewed by the audit committee, who were of the opinion that the preparation of such result complied with applicable accounting standards, the GEM Listing Rules and legal requirements and that adequate disclosures had been made.

The Group's independent auditors, Charles Chan, Ip & Fung CPA Ltd, has carried out a review of the unaudited interim financial statements in accordance with the statement of Auditing Standards 700 issued by the Hong Kong Society of Accountants.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares during the period.

By Order of the Board
SZE Kwan
Chairman

Hong Kong, 5th February, 2002