THINSOFT (HOLDINGS) INC
博軟(控股)有限公司

Interim Report 2002

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED ("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.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the internet website operated by the Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

The board of directors of ThinSoft (Holdings) Inc (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") as follows:

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	For the three months ended 30 June 2002 HK$'000	2001 HK$'000	For the six months ended 30 June 2002 HK$'000	2001 HK$'000
Turnover	4	**5,699**	7,130	**12,187**	12,938
Cost of sales		**(2,053)**	(2,148)	**(4,618)**	(5,319)
Gross profit		**3,646**	4,982	**7,569**	7,619
Other income		**8**	724	**150**	750
Selling and distribution expenses		**(295)**	(87)	**(465)**	(237)
General and administrative expenses		**(2,518)**	(1,763)	**(5,124)**	(4,167)
Other operating expenses		**(407)**	(85)	**(704)**	(270)
Profit from operating activities	5	**434**	3,771	**1,426**	3,695
Finance costs, net		**–**	(6)	**–**	(11)
Profit before tax		**434**	3,765	**1,426**	3,684
Tax	6	**(258)**	(1,367)	**(581)**	(1,367)
Profit attributable to shareholders		**176**	2,398	**845**	2,317
Dividend	7	**–**	–	**–**	–
Earnings per share	8				
– basic		**0.04 cent**	0.64 cent	**0.18 cent**	0.62 cent
– diluted		**0.03 cent**	N/A	**0.17 cent**	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	30 June 2002 HK$'000 (unaudited)	31 December 2001 HK$'000 (audited)
Non-current assets			
Deferred development expenditure		**13,383**	11,740
Fixed assets		**281**	255
		13,664	11,995
Current assets			
Inventories		**358**	438
Accounts receivable, net	*9*	**5,749**	1,436
Prepayments, deposits and other receivables		**467**	2,454
Due from the ultimate holding company		**–**	1,170
Cash equivalents		**39,778**	7,446
		46,352	12,944
Current liabilities			
Accounts and bills payable	*10*	**388**	1,004
Accrued liabilities and other payables		**3,134**	1,887
Due to fellow subsidiaries		**–**	37
Due to the ultimate holding company		**40**	21
Tax payable		**1,148**	1,800
Convertible note payable		**8,700**	7,800
		13,410	12,549
Net current assets		**32,942**	395
		46,606	12,390
Capital and reserves			
Share capital		**25,000**	150
Reserves		**21,606**	12,240
		46,606	12,390

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	For the six months ended 30 June	
	2002	2001
	HK$'000	*HK$'000*
NET CASH INFLOWS FROM OPERATING ACTIVITIES	**2,968**	1,860
NET CASH OUTFLOWS USED IN INVESTING ACTIVITIES	**(4,147)**	(3,518)
NET CASH INFLOWS FROM FINANCING ACTIVITIES	**33,351**	–
INCREASE IN CASH AND CASH EQUIVALENTS	**32,172**	(1,658)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	**7,446**	24,819
EFFECT OF FOREIGN EXCHANGE RATE CHANGES, NET	**160**	(417)
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	**39,778**	22,744
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
CASH AND BANK BALANCES	**39,778**	22,744

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Exchange translation reserve	Capital reserve	Retained profits	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2001	–	–	390	6,840	1,659	8,889
Exchange translation differences	–	–	(282)	–	–	(282)
Loss for the period	–	–	–	–	(81)	(81)
At 31 March 2001	–	–	108	6,840	1,578	8,526
Profit for the period	–	–	–	–	2,398	2,398
At 30 June 2001	–	–	108	6,840	3,976	10,924
At 1 January 2002	150	–	(47)	6,840	5,447	12,390
Premium on issuance of shares	–	43,750	–	–	–	43,750
Capitalization issue	18,600	(18,600)	–	–	–	–
New issue of shares	6,250	–	–	–	–	6,250
Share issuance expenses	–	(16,649)	–	–	–	(16,649)
Exchange translation differences	–	–	20	–	–	20
Profit for the period	–	–	–	–	669	669
At 31 March 2002	25,000	8,501	(27)	6,840	6,116	46,430
Profit for the period	–	–	–	–	176	176
At 30 June 2002	25,000	8,501	(27)	6,840	6,292	46,606

The capital reserve of the Group represents the difference between the aggregate nominal value of the share capital of subsidiaries acquired by the Company and the nominal value of share capital of the Company issued as consideration in exchange therefor.

Notes:

1. Group reorganization

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands on 28 September 2001. Pursuant to a group reorganization (the "Group Reorganization") to rationalize the structure of the Group in preparation for the listing of the Company's shares on The Growth Enterprise Market ("GEM") of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 27 February 2002, the Company became the holding company of the companies now comprising the Group on 23 February 2002. Further details of the Group Reorganization are set out in the Company's prospectus (the "Prospectus") dated 19 February 2002.

2. Basis of presentation

The Group Reorganization has been accounted for by the Company using merger accounting method in accordance with the Statement of Standard Accounting Practice ("SSAP") No. 2.127 "Accounting for Group Reconstructions". The comparative figures for the three months and six months ended 30 June 2002 included the results of all companies involved in the Group Reorganization which were assumed to have been in existence throughout the said periods or since their respective dates of incorporation, where this is a shorter period.

All significant transactions and balances among the companies comprising the Group have been eliminated on combination.

3. Principal accounting policies

The accounting policies and basis of preparation adopted for the preparation of the interim financial report are consistent with those adopted by the Group in its annual financial statements for the year ended 31 December 2001, except that the Group has adopted certain revised SSAPs which are effective for accounting periods commencing on or after 1 January 2002. Comparative amounts for the prior period have been restated to conform with the current period's presentation.

The major impact on the financial statements after the adoption of the revised SSAPs is summarised as follows:

SSAP 1 (revised) "Presentation of financial statements" prescribes the basis for the presentation of financial statements and sets out guidelines for their structure and minimum requirements for the content thereof. As a result of the revision to SSAP 1, a statement of changes in equity is included on page 5, instead of the statement of recognised gains and losses, which was previously presented.

SSAP 15 (revised) "Cash flow statements" prescribes the provision of information about the changes in cash and cash equivalents of an enterprise by means of a cash flow statement which classifies cash flows during the period into those from operating, investing and financing activities. The format of the cash flow statement as set out on page 4 has been revised in accordance with the revised SSAP 15.

Basis of preparation

The condensed consolidated interim financial statements have been prepared in accordance with SSAP 25 "Interim financial reporting" and the applicable disclosure requirements of the Rules Governing the Listing of Securities on GEM of the Stock Exchange.

4. Turnover

Turnover represents the net invoiced sales and services rendered, less discounts, returns, and applicable goods and services taxes.

Details of an analysis of the Group's turnover and contribution to profit before tax from operating activities by principal activities are as follow:

	Turnover Six months ended 30 June		Contribution to profit before tax from operating activities Six months ended 30 June	
	2002	2001	**2002**	2001
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Software	**9,935**	1,428	**1,163**	813
Engineering fee	**–**	6,864	**–**	615
Upgrade kits	**368**	1,545	**42**	880
Vertical market solutions	**1,884**	2,411	**221**	1,373
Excluded business	**–**	102	**–**	3
Others	**–**	588	**–**	–
	12,187	12,938	**1,426**	3,684

The Group's turnover by geographical segments are as follows:

	Three months ended 30 June		Six months ended 30 June	
	2002	2001	**2002**	2001
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
The People's Republic of China ("PRC")	**2,239**	1,095	**3,976**	1,171
Europe	**1,252**	1,391	**1,377**	2,521
The United States	**1,712**	3,180	**4,683**	7,067
Asia Pacific except PRC	**469**	696	**1,398**	1,217
Others	**27**	768	**753**	962
	5,699	7,130	**12,187**	12,938

5. Profit from operating activities

The Group's profit from operating activities is arrived at after charging:

	Three months ended 30 June		Six months ended 30 June	
	2002	2001	**2002**	2001
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Depreciation	**72**	60	**142**	120
Deferred development cost amortized	**1,090**	450	**2,196**	908

6. Tax

Hong Kong profits tax has not been provided as the Group did not generate any assessable profits in Hong Kong during the period under review.

ThinSoft Pte Ltd, a company incorporated in Singapore, is subject to Singapore income tax. Singapore income tax has been provided at the rate of 24.5% (2001: 24.5%) on the estimated assessable profits arising in Singapore for the period ended 30 June 2002.

ThinSoft (USA) Inc, a company incorporated in the State of Delaware in the United States of America and operating in the State of California in the United States of America, is subject to the United States federal income tax at progressive rates of between 15% to 39%, and California state corporate tax at a rate of 8% (2001: 8%) for the period ended 30 June 2002, on its estimated assessable profits arising on a world wide basis.

There were no unprovided deferred tax in respect of the period under review (2001: Nil).

7. Dividends

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2002 (2001: Nil).

8. Earnings per share

The basic earnings per share for the three months and six months ended 30 June 2002 are calculated based on the unaudited consolidated profit attributable to shareholders of the Company for the three months and six months ended 30 June 2002 of approximately HK$176,000 and HK$845,000 respectively (2001: approximately HK$2,398,000 and HK$2,317,000 respectively) and 500,000,000 shares and 462,016,575 share respectively (2001: 375,000,000 shares and 375,000,000 shares respectively) deemed to have been issued and issuable during the period under review on the assumption that the Group Reorganization and the subsequent capitalization issue of 372,000,000 shares of the Company had been effective on 1 January 2001.

The calculation of the diluted earnings per share for the three months and six months ended 30 June 2002 are based on the unaudited consolidated profit attributable to shareholders of the Company for the three months and six months ended 30 June 2002 and 545,341,606 shares and 507,283,241 shares respectively.

A diluted earnings per share for the three months and six months ended 30 June 2001 have not been presented as no diluting events existed during that period.

9. Accounts Receivable

The Group has a policy of allowing an average credit period of 30 to 90 days to its trade customers.

An aged analysis of accounts receivable at the balance sheet date, based on invoice date, is as follows:

	30 June 2002 *HK$'000* **(unaudited)**	31 December 2001 *HK$'000* (audited)
Within 30 days	**4,004**	1,434
Between 31 to 60 days	**–**	–
Between 61 to 90 days	**198**	–
Between 91 to 180 days	**1,547**	–
Over 180 days	**–**	2
	5,749	1,436

10. Accounts and bills payable

An aged analysis of accounts and bills payable as at the balance sheet date, based on invoice date, is as follows:

	30 June 2002	31 December 2001
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Within 30 days	**372**	975
Between 31 to 60 days	**10**	12
Between 61 to 90 days	**–**	1
Between 91 to 180 days	**6**	16
	388	1,004

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

During the period under review, the Group was principally engaged in the development and distribution of Thin Computing solutions and related products.

In the interim period ended 30 June 2002, sales of the Group's main software products, BeTwin and WinConnect, recorded a sterling increase of 596% in turnover as compared with the corresponding period in the previous year, which amounted to approximately HK$9.9 million, or representing 81.5% of the Group's total turnover. The remaining balance of 18.5% of turnover was derived from sales of other derivative products and services.

The Group reported an unaudited gross profit of approximately HK$7.6 million at a margin of 62.1% for the six months ended 30 June 2002 compared with an unaudited gross profit of approximately HK$7.6 million at a margin of 58.9% for the corresponding period in the previous year. Increase in gross profit margin was mainly attributed to higher margin in BeTwin and WinConnect and their significant increase in turnover during the period under review.

The administrative expenses for the six months under review increased to approximately HK$5.1 million as compared to approximately HK$4.2 million in the corresponding period of last year. Such increase was mainly due to the strategic sales and marketing expenses associated with driving and promoting the new suites of BeTwin and WinConnect software solutions, as well as the additional routine and mandatory expenses after the shares of the Company was listed on GEM on 27 February 2002. Details of segmental analysis on turnover and contribution to profit before tax have been set out in note 4 in the notes to the unaudited financial statements.

WinConnect is an embedded software solution that enables Linux-based terminals to connect to Windows servers to run Windows applications. A Linux-based client connected to a terminal server reduces maintenance and management cost, and this results in a reduction of the total cost of ownership. WinConnect was successfully developed and launched towards the end of the fourth quarter of 2001. During the period under review, WinConnect is rapidly gaining market recognition for its versatility through its increasing deployment within the information technology network infrastructures of Fortune 500 companies such as Raytheon as well as small to medium size enterprises. WinConnect has also been implemented by government agencies as well as in schools and universities.

The Group has granted a non-exclusive license to Proview Technology (Shenzhen) Co., Ltd ("Proview Shenzhen") for the use of BeTwin 2000/XP in the development, manufacture and delivery of a novel and innovative virtual personal computer ("VPC"), the Proview VPC on 15 May 2002. Proview Shenzhen is a subsidiary of Proview International Holdings Limited which is listed on the main board of the Stock Exchange of Hong Kong Limited. The Proview VPC, powered by BeTwin 2000/XP, is a fully functional personal computer ("PC") when it is connected to the host PC via the video and USB cable. Each host PC can connect up to four units of the Proview VPC. Proview Shenzhen will begin the shipment of the Proview VPC bundled with BeTwin 2000/XP towards the end of the third quarter of 2002 through its established international distribution network. The initial target markets are China, Taiwan, USA, India and South America.

During the period under review, the Group has established a collaborative marketing arrangement with Micro Star International Co. Ltd ("MSI") for BeTwin 2000/XP. MSI is the world's top video graphics accelerator ("VGA") card manufacturer with a monthly shipment exceeding one million units. MSI has subsidiaries and service centres located throughout the world including Australia, France, Germany, Hong Kong, the Netherlands, and the United States. The Group believed such marketing arrangement can further boosted the sales of BeTwin.

Liquidity, financial resources and capital structure

The Group continues to be in a strong financial position. The Group's net current assets as at 30 June 2002 was approximately HK$32.9 million (31 December 2001: approximately HK$0.4 million).

Cash and bank balances as at 30 June 2002 was approximately HK$39.8 million (31 December 2001: approximately HK$7.4 million). There were no bank borrowings as at 30 June 2002 (31 December 2001: Nil).

The Group continues to adopt a conservative treasury policy with all bank deposits in either Hong Kong dollars, or in the local currencies of the operating subsidiaries, keeping a minimum exposure to foreign exchange risks.

Significant investment

As at 30 June 2002, the Group did not have any significant investments.

Material acquisitions and disposals of subsidiaries

Apart from the Group Reorganization to rationalize the structure of the Group in preparation for listing of the shares of the Company on GEM, details of which had been set out in the prospectus of the Company dated 19 February 2002, there had been no material acquisitions and disposals of subsidiaries in the course of the year.

Employees

As at 30 June 2002, the Group employed approximately 27 staff. The staff cost, including directors' emoluments was approximately HK$3.6 million for the six months ended 30 June 2002 as compared with that of approximately HK$3.7 million for the corresponding period of the preceding financial year.

Pursuant to a pre-IPO share option scheme adopted by the Company on 2 February 2002, the Company had granted pre-IPO share options to 26 employees (including 4 executive directors of the Company) of the Group to subscribe for a total of 52,600,000 shares, representing in aggregate approximately 10.52% of the issued share capital of the Company immediately following the completion of the placing and the capitalization issue, at a subscription price ranging from 20% to 70% of the issue price of HK$0.40 per share.

At the date of this report, no share options have been granted under the post-IPO share option scheme adopted by the Company on 2 February 2002.

Charge on group assets

As at 30 June 2002, the Group did not have any charges on its assets.

Gearing ratio

As at 30 June 2002, the Group did not have any long-term debts and its shareholders' funds amounted to approximately HK$46.6 million. In this regards, the Group had a net cash position and its gearing ratio should be zero (net debt to shareholders' funds) as at 30 June 2002.

Foreign exchange exposure

Since most of the transactions of the Group are denominated in Singapore dollars or US dollars, the Group has not experienced any material difficulties or effects on its operations or liquidity as a result of fluctuations in currency exchange rates during the period under review.

Contingent liabilities

As at 30 June 2002, the Group did not have any contingent liabilities.

Use of proceeds from the initial public offering

The net proceeds raised from the initial listing of the shares of the Company on GEM on 27 February 2002 were approximately HK$33 million. During the interim period ended 30 June 2002, the Group has utilised approximately HK$4.8 million for various purposes as detailed below, which have no significant discrepancy to the expected use of net proceeds as described in the prospectus dated 19 February 2002, except the payment of the convertible note amounted to approximately HK$8.7 million which was matured on 29 June 2002. The repayment has been withheld pending satisfactory receipt of outstanding engineering documentations and services from the note-holder.

– approximately HK$0.9 million was used on product enhancement.

– approximately HK$1.7 million was used on marketing.

– approximately HK$1.1 million was used to fund the upgrading of research and development facilities.

– approximately HK$1.1 million was used to fund the enhancement of Internet platform/website and service support platform.

REVIEW ON BUSINESS OBJECTIVES

Business objectives for the period ended 30 June 2002 as stated in the Prospectus dated 19 February 2002	Actual business progress
Product and Technology	
Product enhancement and continue development:	
BeTwin 98/ME for Windows 98/98SE and Windows ME	Enhancement of the BeTwin 98/ME product for compatibility with new software driver releases for complimentary peripheral devices as well as maintaining compatibility with MicroSoft Windows 98/98SE and Windows ME operating system updates.
BeTwin 2000 for Windows 2000	Enhancement of the BeTwin 2000 product for compatibility with new software driver releases for complimentary peripheral devices as well as maintaining compatibility with MicroSoft Windows 2000 server and 2000 Professional operating system updates.
BeTwin XP for Windows XP	Enhancement of the BeTwin XP product for compatibility with new software driver releases for complimentary peripheral devices as well as maintaining compatibility with MicroSoft Windows XP Home and Professional operating system updates.
WinConnect for Linux desktop platform	Enhancement of the WinConnect product to support serial port re-direction so as to enable local serial devices connectivity. Development project undertaken to port the WinConnect product to work on the currently available Sharp's Zaurus personal digital assistant.
Remote Desktop Protocol Server for Windows XP platform.	Development project undertaken on the Remote Desktop Protocol Server to enable multiple remote clients to connect to a Windows XP Home or Professional based PC to run Windows applications.

Business objectives for the period ended 30 June 2002 as stated in the Prospectus dated 19 February 2002	Actual business progress
Marketing	
1. Education & training to nurture and cultivate market acceptance of BeTwin and/or WinConnect.	Construction of BeTwin and WinConnect customer sites for sales and marketing reference contacts. Provided training to resellers during the period under review. During the period under review, the Group was successfully developed and implementation of: • direct sales channel strategic initiatives; • retail sales channel strategic initiatives; • retail sales packaging scheme; • US education system sales strategy; and • value added reseller sales strategy. Implementation of sales and marketing lead opportunity reporting systems during the period under review. Implementation of sales presentation materials for all channels.
2 Customer support to improve customer support services network.	Implementation of first line customer support function. Implementation of engineering support center for second line customer support.

Business objectives for the period ended 30 June 2002 as stated in the Prospectus dated 19 February 2002	Actual business progress
Upgrading of research and development	
Increase of headcount of technical engineers, depending on the progress of product development and technological research from time to time.	Development project undertaken for Sharp Laboratories in the US. The project makes use of existing manpower resources and outside engineering resources as an alternative to adding increased headcount as it has been determined to be a much more cost effective delivery system for the project. The development are expected to be completed in the fourth quarter of 2002.
	Development project undertaken to port the WinConnect product to work on the currently available Sharp's Zaurus personal digital assistant. The project made use of existing manpower resources and outside engineering resources as an alternative to adding increased headcount as it has been determined to be a much more cost effective delivery system for the project. Development work was completed during the period under review.
Enhancement of e-commerce Platform	
Upkeeping of existing platform. In particular, efforts will be made to continue to revamp and/or enhance the existing enactions on its e-Commerce trading website.	Implementation of automated email repsonses to customers for on-line website purchases.
	Migration to verisign merchant charge authorization system for more effective transaction security and verification processes.
	Implementation of capability to capture customer information from website purchases and inquiries.
	Developed website customer database.
	Upgraded the website registration system

OTHER INFORMATION

Directors' interests in shares

At 30 June 2002, the interests of the directors and their associates in the listed share capital of the Company or its associated corporations as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance"), are set out below:

Name of director	Type of interest	Percentage of holding
Ngiam Mia Hai Bernard	other	*(note)*
Ngiam Mia Hong Alfred	other	*(note)*

Note: IPC Corporation Ltd ("IPC"), the ultimate holding company of the Company, is a company incorporated under the laws of Singapore and whose securities are listed on The Singapore Exchange Securities Trading Limited. At 30 June 2002, approximately 65.3% of its issued share capital of IPC is held by the public. At the date of this report, IPC holds 75% (or 375,000,000 shares) of the issued share capital of the Company.

As at 30 June 2002, each of Ngiam Mia Hai Bernard and Ngiam Mia Hong Alfred directly held approximately 1.4% and 1.4% respectively in the issued share capital of IPC and each of them further owned approximately 0.001% of IPC's issued share capital as a result of the conversion shares received by each of them pursuant to a scheme of arrangement of IPC.

Ngiam Mia Je Patrick and Ngiam Mia Kiat Benjamin are the brothers of Ngiam Mia Hai Bernard and Ngiam Mia Hong Alfred. As at 30 June 2002, Ngiam Mia Je Patrick, Ngiam Mia Kiat Benjamin and Essex Investment (Singapore) Pte Ltd (whose entire issued share capital is held by Ngiam Mia Je Patrick and Ngiam Mia Kiat Benjamin in the proportion of 50:50) together beneficially owned approximately 22.2% of the issued share capital of the IPC.

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

Substantial shareholders

As at 30 June 2002, the following interests of 10% or more of the share capital of the Company were recorded in the register of interests in shares required to be kept by the Company pursuant to Section 16(1) of the SDI Ordinance.

Name	Number of shares held	Percentage of holding
IPC Corporation Ltd	375,000,000	75%

Note: IPC Corporation Ltd, the ultimate holding company of the Company, is a company incorporated under laws of Singapore and whose securities are listed on The Singapore Exchange Securities Trading Limited.

Save as disclosed above, no person, other than the directors of the Company whose interests are set out in the section "Directors' interests in shares" above, had registered an interest in the share capital of the Company that was required to be recorded under Section 16(1) of the SDI Ordinance.

Directors' interests in contracts

Save for transactions in connection with the Group Reorganization in preparation for the placing and as disclosed under the heading "Share Option Scheme" below, no director had a significant beneficial interest, directly or indirectly, in any contract of significance to the business of the Group to which the company, its holding company or any of its subsidiaries and fellow subsidiaries was a party during the period under review.

Directors' rights to acquire shares

Save as disclosed under the heading "Share option schemes" below, and other than in connection with the Group Reorganization in preparation for the Company's placing, at no time since its incorporation was the Company, its holding company or any of its subsidiaries and fellow subsidiaries a party to any arrangement to enable the 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.

Share option schemes

Pursuant to a pre-IPO share option scheme (the "Pre-Scheme") adopted by the Company on 2 February 2002, the Company had granted pre-IPO share options on the Company's ordinary shares in favour of 26 employees (including 4 executive directors of the Company) of the Group, details of which are as follows:

Name of participant	Number of share options granted on 2 February 2002	Exercise period of share options	Exercise price per share
			HK$
Directors			
William Michael Driscoll	3,600,000	27 February 2003 to 1 February 2008	0.08
Ngiam Mia Hai Bernard	7,600,000	27 February 2003 to 1 February 2008	0.08
Ngiam Mia Hong Alfred	7,200,000	27 February 2003 to 1 February 2008	0.08
Wong Kui Ming	3,600,000	27 February 2003 to 1 February 2008	0.20

Name of participant	Number of share options granted on 2 February 2002	Exercise period of share options	Exercise price per share *HK$*
Directors of subsidiaries			
Ngiam Mia Je Patrick	3,600,000	27 February 2003 to 1 February 2008	0.08
Ngiam Mia Kiat Benjamin	3,600,000	27 February 2003 to 1 February 2008	0.08
Lauw Hui Kian	3,600,000	27 February 2003 to 1 February 2008	0.08
Other employees	19,800,000	27 February 2003 to 1 February 2008	0.08-0.28
	52,600,000		

No further options will be granted under the Pre-Scheme after listing of the Company's shares on GEM. Upon exercise of all outstanding pre-IPO share options in full, a total of 52,600,000 shares, representing in aggregate approximately 10.52% of the issued share capital of the Company immediately following the completion of placing and the capitalization at a subscription price ranging from 20% to 70% of the issue price of HK$0.40 per share. All these options were granted on 2 February 2002 and may be exercised from 27 February 2003 to 1 February 2008. No pre-IPO share options have, therefore, been exercised up to the date of this report.

On the same date as the adoption of the aforesaid Pre-Scheme, a further share option scheme (the "Post-Scheme") was also approved by the Company. No share options were granted by the Company under the Post-Scheme up to the date of this report.

Save as disclosed above, and other than in connection with the Group Reorganisation in preparation for the Company's placing, at no time since its incorporation was the Company, any of its holding companies or 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.

Sponsor's interest

ICEA Capital Limited (the "Sponsor") has confirmed, up to and as of the date of this report, that none of the Sponsor nor its associates, directors or employees has or may have, as a result of the Placing, have any interest in any class of securities of the Company or any of member company of the Group (including options or rights to subscribe for such securities).

Pursuant to a sponsor agreement dated 18 February 2002 between the Company and the Sponsor, the Sponsor is entitled to receive a fee for acting as the Company's sponsor for the period commencing from 27 February 2002 and ending on (and including) the last day of the second full (and not part thereof) financial year after the Company's listing on GEM.

Competition and conflict of interests

None of the directors, the management shareholders or substantial shareholders of the Company or any of their respective associates has engaged in any business that competes or may compete with the business of the Group or has any other conflict of interests with the Group.

Purchase, redemption or sale of listed securities

The Company's shares were listed on GEM on 27 February 2002. Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities since that date.

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 GEM on 27 February 2002.

Audit committee

The Company established an audit committee on 2 February 2002 with written terms of reference in compliance with Rules 5.23 and 5.24 of GEM Listing Rules. The primary duties of the audit committee are (i) to review the Company's annual reports and accounts, half-yearly and quarterly reports, (ii) to provide advice and comments thereon to the board of directors, and (iii) to review and supervise the financial reporting process and internal controls system of the Group. The audit committee comprises three members, Lee Chung Mong and Chen Tzyh-Trong, independent non-executive directors of the Company and Wong Kui Ming, the executive director of the Company. The Group's unaudited results for the period ended 30 June 2002 have been reviewed by the audit committee, who was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures have been made.

On behalf of the board
William Michael Driscoll
Chairman and Executive Director

Hong Kong, 13 August 2002