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INTERIM REPORT 2003

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ThinSoft

THINSOFT (HOLDINGS) INC
博軟(控股)有限公司



Cover Design Theme

The Cover Design synergises the modern and the traditional. The stylised and modernised numeral "1" provides the canvas on which the stylised calligraphic words "Forward" are painted.

Together they express the theme:

*"ThinSoft - The Thin Computing Solutions Market Leader
Moving Forward With Vision and Momentum".*

Characteristics of The Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "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 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”) presents the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2003 as follows:

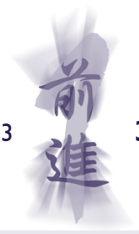
UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	For the three months ended 30 June		For the six months ended 30 June	
		2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
TURNOVER	2	6,228	5,699	9,340	12,187
Cost of sales		(4,091)	(959)	(6,393)	(2,415)
Gross profit		2,137	4,740	2,947	9,772
Other income		25	8	59	150
Selling and distribution expenses		(82)	(295)	(202)	(465)
General and administrative expenses		(3,342)	(2,518)	(6,836)	(5,124)
Other operating expenses		(1,709)	(1,501)	(3,418)	(2,907)
(LOSS)/PROFIT FROM OPERATING ACTIVITIES	3	(2,971)	434	(7,450)	1,426
Finance costs, net		–	–	–	–
(LOSS)/PROFIT BEFORE TAX		(2,971)	434	(7,450)	1,426
Tax	4	(17)	(258)	(17)	(581)
(LOSS)/PROFIT ATTRIBUTABLE TO SHAREHOLDERS		(2,988)	176	(7,467)	845
Dividend	5	–	–	–	–
(LOSS)/EARNINGS PER SHARE	6				
– basic		(0.60) cent	0.04 cent	(1.49) cent	0.18 cent
– diluted		N/A	0.03 cent	N/A	0.17 cent



CONDENSED CONSOLIDATED BALANCE SHEET

		30 June 2003 HK\$'000 (unaudited)	31 December 2002 HK\$'000 (audited)
NON-CURRENT ASSETS			
Deferred development expenditure		11,773	15,312
Fixed assets		310	370
		12,083	15,682
CURRENT ASSETS			
Inventories		241	182
Accounts receivables	7	4,477	4,221
Prepayments, deposits and other receivables		580	1,034
Tax recoverable		–	254
Other investment		6,000	6,000
Cash and cash equivalents		12,406	17,067
		23,704	28,758
CURRENT LIABILITIES			
Accounts and bills payable	8	825	1,519
Accrued liabilities and other payables		4,272	4,797
Due to the ultimate holding company		45	55
Tax payable		401	554
		5,543	6,925
NET CURRENT ASSETS		18,161	21,833
		30,244	37,515
CAPITAL AND RESERVES			
Issued capital		25,063	25,000
Reserves		5,181	12,515
		30,244	37,515



UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	For the six months ended 30 June	
	2003 HK\$'000	2002 HK\$'000
NET CASH INFLOWS/(OUTFLOWS) FROM OPERATING ACTIVITIES	(4,857)	2,968
NET CASH OUTFLOWS USED IN INVESTING ACTIVITIES	–	(4,147)
NET CASH INFLOWS FROM FINANCING ACTIVITIES	196	33,351
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(4,661)	32,172
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	17,067	7,446
EFFECT OF FOREIGN EXCHANGE RATE CHANGES, NET	–	160
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	12,406	39,778
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
CASH AND BANK BALANCES	12,406	39,778



UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital HK\$'000	Share premium HK\$'000	Exchange translation reserve HK\$'000	Capital reserve HK\$'000	Retained profits/ (accumu- lated losses) HK\$'000	Total HK\$'000
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
At 1 January 2003	25,000	8,501	(27)	6,840	(2,799)	37,515
New issue of shares	40	120	–	–	–	160
Loss for the period	–	–	–	–	(4,479)	(4,479)
At 31 March 2003	25,040	8,621	(27)	6,840	(7,278)	33,196
New issue of shares	23	13	–	–	–	36
Loss for the period	–	–	–	–	(2,988)	(2,988)
At 30 June 2003	25,063	8,634	(27)	6,840	(10,266)	30,244

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. Basis of preparation and principal accounting policies

The basis of preparation and accounting policies adopted for the preparation of the interim financial statements are consistent with those adopted by the Group in its annual financial statements for the year ended 31 December 2002.

2. Turnover

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

Business segments

The following table presents revenue, profit/(loss) and certain expenditure information for the Group's business segments for the six months ended 30 June 2002 and 2003.

	Software		Upgrade kits		Vertical market solutions		Consolidated	
	2003	2002	2003	2002	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:								
Sales to external customers	2,962	9,935	2,806	368	3,572	1,884	9,340	12,187
Segment results	(649)	2,087	(2,516)	75	(2,902)	397	(6,067)	2,559
Interest and unallocated gains							59	41
Unallocated expenses							(1,442)	(1,174)
(Loss)/profit before tax							(7,450)	1,426
Tax							(17)	(581)
(Loss)/profit attributable to shareholders							(7,467)	845



Geographical segments

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

	Three months ended 30 June		Six months ended 30 June	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
The People's Republic of China ("PRC")	1,820	2,239	2,380	3,976
Europe	2,684	1,252	4,034	1,377
The United States	796	1,712	1,432	4,683
Asia Pacific except PRC	390	469	635	1,398
Others	538	27	859	753
	6,228	5,699	9,340	12,187

3. (Loss)/profit from operating activities

The Group's (loss)/profit from operating activities is arrived at after charging:

	Three months ended 30 June		Six months ended 30 June	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Depreciation	30	72	60	142
Deferred development cost amortized	1,769	1,090	3,539	2,196

4. 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 22% (2002: 22%) on the estimated assessable profits arising in Singapore for the period ended 30 June 2003.

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 8.84% (2002: 8.84%) for the period ended 30 June 2003, on its estimated assessable profits arising on a world wide basis.

There were no unprovided deferred tax in respect of the period under review (2002: Nil).



5. Dividends

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2003 (2002: Nil).

6. (Loss)/earnings per share

The basic loss per share for the three months and six months ended 30 June 2003 are calculated based on the consolidated loss attributable to shareholders of the Company for the three months and six months ended 30 June 2003 of approximately HK\$2,988,000 and HK\$7,467,000 respectively (2002: profit of approximately HK\$176,000 and HK\$845,000) and 500,973,077 shares and 500,498,066 shares respectively (2002: 500,000,000 shares and 462,016,575 shares respectively) deemed to have been issued and issuable during the period under review on the assumption that the Group Reorganisation and the subsequent capitalisation issue of 372,000,000 shares of the Company had been effective on 1 January 2002.

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.

No diluted loss per share is presented for the three months and six months ended 30 June 2003 because the share options outstanding had an anti-dilutive effect on the basic loss per share for the period.

7. 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 2003 HK\$'000 (unaudited)	31 December 2002 HK\$'000 (audited)
Within 30 days	1,373	1,025
Between 31 to 60 days	470	86
Between 61 to 90 days	30	2
Between 91 to 180 days	2,604	–
Between 181 to 365 days	–	3,108
	<hr/> 4,477 <hr/>	<hr/> 4,221 <hr/>



8. 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 2003 HK\$'000 (unaudited)	31 December 2002 HK\$'000 (audited)
Within 30 days	511	1,449
Between 31 to 60 days	42	40
Between 61 to 90 days	-	-
Between 91 to 180 days	272	30
	<hr/> 825 <hr/>	<hr/> 1,519 <hr/>

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.

Product development

The Group launched the Buddy B-680 Premium and Lite software suites in the period under review.

Buddy B-680 Premium and Lite is a kit bundled with Buddy software which enables two to five users to share the computing power and resources of a single computer.

The Group also successfully rolled out WinConnect S, an enhanced version of its flagship software product series WinConnect.

WinConnect S is a Remote Desktop Protocol ("RDP") client for the Solaris operating system. Using RDP, a user can create remote connection to Windows computers to run Windows applications. The connection can be over a local area network or over the Internet.

WinConnect S seamlessly delivers Windows applications to Sunray and SPARC station users. Also, as most of the processing is done on the Windows Terminal Server, Windows applications can be displayed on Sunray and SPARC stations.



Market development

In terms of market development, the Group secured a contract with Beijing ZhongQing Elegant Technology Corporation (“Beijing ZhongQing”) to bundle its WinConnect Server XP software on the PRC company’s Power Edu line of personal computers (“PCs”). The contract is valued at approximately HK\$1.4 million.

Beijing ZhongQing, established in 1992, is a high-technology enterprise that specialises in the design, development, manufacture and sales of computing products for the PRC market.

WinConnect Server XP bundled with Beijing ZhongQing’s Power Edu PCs is a boon for PRC educational institutions as it results in a reduction in the Total Cost of Ownership (“TCO”) in terms of hardware investments and provides optimal maximisation and utility of computing resources in the demanding PRC educational environment.

In addition, a strategic business alliance was established for the European market during the interim period under review. An original equipment manufacturer (“OEM”) agreement was signed with eSeSIX Computer GmbH (“eSeSIX”) to embed the Group’s unique WinConnect software as the Thin Computing solution standard within the German’s company range of THINTUNE Linux-based Thin Clients. eSeSIX will also distribute the Group’s WinConnect Server XP software.

Another strategic alliance was formed in the second quarter of 2003 with ACMA Computers Inc (“ACMA”), an United States-based one-stop Information Technology solution provider, to offer an ideal combination for the budget-conscious consumer. This solution integrated ACMA’s value-engineered desktops and ThinSoft’s BeTwin software to provide a price-competitive solution that offers better features, value and price than most standard desktop computing solutions in today’s marketplace. It also offers the ultimate multi-PC system for home and business users.

Ongoing marketing efforts are focused and targeted in various countries. Similarly, the Group is also intensifying its efforts by working closely with its resellers and distributors to enhance its market presence and penetrate into newer market segments.

The Group is likewise focusing its efforts on e-marketing in order to generate an increase in web traffic from end-customers, resellers and distributors, as well as online sales.



FINANCIAL REVIEW

The Group's unaudited turnover for the three months ended 30 June 2003 amounted to approximately HK\$6.2 million, an increase of 9.3% when compared to approximately HK\$5.7 million for the corresponding previous quarter.

Gross profit margin for the three months ended 30 June 2003 decreased to 34.3%. Gross profit margin was weighed down by the sales contribution of upgrade kits and vertical market solutions that have relatively lower gross profit margins.

General and administrative expenses rose from approximately HK\$2.5 million to approximately HK\$3.3 million in the quarter under review. The increase was mainly due to the administrative expenses associated with driving and promoting the new suites of software products, investments associated with implementing the strategies of e-commerce platform and e-marketing activities, and including necessary investments in research and development to deliver new and upgraded suites of derivative products.

Other operating expenses mainly represented the amortisation of deferred development expenditure for software and website during the period under review.

The Group consequently registered a loss attributable to shareholders of approximately HK\$7.5 million for the interim period under review.

Use of proceeds from the initial public offering

The Company was listed on The Growth Enterprise Market ("GEM") of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 27 February 2002 through a placement of 125,000,000 shares ("Placing"). The net proceeds from the Placing after deduction of the relevant expenses incurred were approximately HK\$33 million. During the interim period under review, the Group has utilised approximately HK\$5.7 million for various purposes as detailed below, which has no significant discrepancy to the expected use of net proceeds as described in the prospectus of the Company dated 19 February 2002 ("Prospectus").

- approximately HK\$3 million was used on product enhancement and launching new products.
- approximately HK\$1.7 million was used on marketing.
- approximately HK\$0.6 million was used to fund the upgrading of research and development facilities.



- approximately HK\$0.4 million was used to fund the enhancement of Internet Platform/Website and service support platform.

The remaining net proceeds at 30 June 2003 was approximately HK\$6.3 million. The directors intend to use the net proceeds in the manner as disclosed in the Prospectus.

Capital structure

The shares of the Company were listed on GEM of the Stock Exchange on 27 February 2002. There has been no change in the capital structure of the Company since that date to 30 June 2003. The capital of the Company comprises only ordinary shares. The Company and the Group has no borrowing and long-term debts.

Significant investment

As at 30 June 2003, the Group did not have any significant investments.

Material acquisitions and disposals/Future plans for material investment

There had been no material acquisitions and disposals during the period under review. At present, the Company and the Group have no plans for material investments or capital assets other than those set out in the Prospectus.

Gearing ratio

As at 30 June 2003, the Group did not have any long-term debts and its shareholders' funds amounted to approximately HK\$30.2 million. In this regard, the Group had a net cash position and its gearing ratio should be zero (net debt to shareholders' funds) as at 30 June 2003.

Liquidity and financial resources

The Group generally financed its operations with internally generated cash flows and balance of proceeds from Placing.

As at 30 June 2003, the Group had cash and cash equivalents of HK\$12.4 million as compared to HK\$17.1 million as at 31 December 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.

Charge on group assets

As at 30 June 2003, the Group did not have any charges on its assets.

Contingent liabilities

As at 30 June 2003, the Group did not have any significant contingent liabilities.

Employees

As at 30 June 2003, the Group employed approximately 20 staff. The staff cost, including directors' emoluments was approximately HK\$5.5 million for the six months ended 30 June 2003 as compared with that of approximately HK\$3.6 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 on 26 employees (including all 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.



REVIEW ON BUSINESS OBJECTIVES

Business objectives for the period ended 30 June 2003 as stated in the Prospectus

Actual business progress

Product and Technology

Product enhancement and continue development:

BeTwin 2000 for Windows 2000

Upgrading of the BeTwin 2000 product for compatibility with new software driver releases for important peripheral devices as well as maintaining compatibility with Microsoft Windows 2000 Professional operating system software updates.

BeTwin XP for Windows XP

Upgrading of the BeTwin XP product for compatibility with new software driver releases for important peripheral devices as well as maintaining compatibility with Microsoft Windows XP operating system software updates.

BeTwin Bundle Software

Upgrading of the BeTwin product for compatibility with certain key hardware components that will allow for bundling of BeTwin software with the hardware. This will enhance the Group's ability to broaden its marketing efforts.

WinConnect for Linux desktop platform

Enhancement of the WinConnect product to support Windows Server 2003 as well as maintaining compatibility with Microsoft Windows 2000 Server and Windows Server 2003 operating systems software updates.



**Business objectives for the period ended
30 June 2003 as stated in the Prospectus**

Actual business progress

WinConnect S for Solaris platform

Enhancement of the WinConnect S product to support Windows Server 2003 as well as maintaining compatibility with Microsoft Windows 2000 Server and Windows Server 2003 operating systems software updates.

WinConnect Server XP

Maintaining compatibility with Microsoft Windows operating system software updates.

License Server

Under development to enhance the Group's ability to serve its customers by implementing a licensing server with greatly improved license issuance and license security capabilities.

WinConnect – Local Drive Support

Development project undertaken to add local drive system management capability under remote Desktop Protocol. Completed during the period under review.

WinConnect – Audio Performance

Development project undertaken to improve the WinConnect audio performance. Completed during the period under review.

WinConnect VX

Development undertaken to enable the standard WinConnect to support multiple users when used under the VNC and X-Windows environment. Completed during the period under review.

WinConnect – RDP 5.2

Under development to enhance WinConnect to support RDP 5.2 specification.

WinConnect Copy Protection

Under development to enhance WinConnect copy protection.

Customize BeTwin for Acer Veriton Corporate PC

Development project undertaken to customize BeTwin for Acer's Veriton Corporate PC. Completed during the period under review.



Business objectives for the period ended 30 June 2003 as stated in the Prospectus

Customize BeTwin for USB Audio Hub and USB-to-PS/2 Converter

BeTwin Copy Protection

WinConnect for Palm platform

WinConnect for Multimedia streaming

WinConnect for Java

Remote Desktop Protocol Server for Linux platform system

Marketing

Continue to create brand name awareness through promotional activities, marketing campaigns and conferences etc. to strengthen its established foothold and to penetrate further into each of the education and training centers, retail stores and Small Office/Home Office and small and medium enterprises sectors

Trading Broking Houses – start penetrating into and cultivate BeTwin and/or WinConnect

Actual business progress

Development project undertaken to design, develop, test and release a uniquely customized Universal Serial Bus Audio Hub and USB-to-PS/2 Converter that will enhance USB Connectivity for BeTwin software. Completed during the period under review.

Under development to enhance BeTwin copy protection.

Ongoing

Ongoing

Ongoing

Ongoing

Participation in international tradeshow such as Cebit 2003 in Germany. Tradeshows, roadshows and seminars are also conducted by the Group's appointed resellers and distributors in their own countries. The Group, including its resellers and distributors have also managed to get leading magazines to do product reviews on its flagship products to create further product and brand awareness. Amongst other product reviews, the Group's WinConnect Server XP was reviewed by:

- PC Magazine 8 April 2003 issue
- Small Business Computing.com 21 May 2003

One of the vertical markets the Group is focusing to expand.



Business objectives for the period ended 30 June 2003 as stated in the Prospectus

Upgrading of research and development

Explore the opportunities in forming technical alliances with international high-tech and/or research companies

Explore the possibilities and feasibility of collaborating with outside consultancy experts in working out the concept of “corporate re-engineering via Thin Client technology”

Enhancement of e-commerce Platform

Examine the possibility of implementing an online real time help function to facilitate the international customers’ services

Study on the implementation of additional security measures on the website

Research on the development of country specific website for potential targets like the PRC, Japan and the Middle East Countries

Actual business progress

Development project undertaken to customize BeTwin for Acer’s Veriton Corporate PC. It was completed during the period under review.

Development project undertaken in cooperation with Sun Microsystems Inc to create a unique WinConnect product for compatibility with Sun Microsystems’ Solaris operating system. It was completed during the period under review.

Explore the opportunities in forming technical alliances with international high-tech and/or research companies.

Explore the possibilities and feasibility of collaborating with outside consultancy experts in working out the concept of corporate re-engineering via Thin Client technology.

Development project undertaken to enhance the website for ease of online purchases.

Development project undertaken to enhance the website design for ease of access to product information.

Development project undertaken to develop the License Server’s online purchase and website registration system.



OTHER INFORMATION

Directors' and chief executives' interests in shares

As at 30 June 2003, the interests and/or short positions of the directors and the chief executives of the Company in shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required, pursuant to Rules 5.40 to 5.58 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

Interests in shares

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 2003, approximately 65.3% of its issued share capital is held by the public. At the date of this report, IPC holds approximately 75% (or 375,000,000 shares) of the issued share capital of the Company.

As at 30 June 2003, 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 2003, 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 IPC.



Interests in share options

Name of director	Number of share options		Outstanding at 30 June 2003	Exercise period of share options	Exercise price per share HK\$
	Granted on 2 February 2002	Lapsed/ exercised during the period			
Directors of the Company					
William Michael Driscoll	3,600,000	–	3,600,000	27 February 2003 to 1 February 2008	0.08
Ngiam Mia Hai Bernard	7,600,000	–	7,600,000	27 February 2003 to 1 February 2008	0.08
Ngiam Mia Hong Alfred	7,200,000	–	7,200,000	27 February 2003 to 1 February 2008	0.08
Directors of subsidiaries					
Ngiam Mia Je Patrick	3,600,000	–	3,600,000	27 February 2003 to 1 February 2008	0.08
Ngiam Mia Kiat Benjamin	3,600,000	–	3,600,000	27 February 2003 to 1 February 2008	0.08
Lauw Hui Kian	3,600,000	–	3,600,000	27 February 2003 to 1 February 2008	0.08

Save as disclosed above, as at 30 June 2003, none of the directors, chief executives of the Company and their associates had any personal, family, corporate or other interest or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required, pursuant to Rules 5.40 to 5.58 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.



Substantial shareholders

As at 30 June 2003, the following company was interested in more than 5% of the issued share capital of the Company as recorded in the register maintained under Section 336 of the SFO:

Name	Number of shares held	Percentage of holding
IPC Corporation Ltd	375,000,000	approximately 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’ and chief executives’ interests in shares” above, was interested in or had a short position in the shares, underlying shares or debentures of the Company which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

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 Schemes” 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 all executive directors of the Company) of the Group.



The following share options were outstanding under the Pre-Scheme:

Name of participant	Number of share options		At 30 June 2003	Exercise period of share options	Exercise price per share HK\$
	Granted on 2 February 2002	Lapsed/ exercised during the period			
Directors of the Company					
William Michael Driscoll	3,600,000	–	3,600,000	27 February 2003 to 1 February 2008	0.08
Ngiam Mia Hai Bernard	7,600,000	–	7,600,000	27 February 2003 to 1 February 2008	0.08
Ngiam Mia Hong Alfred	7,200,000	–	7,200,000	27 February 2003 to 1 February 2008	0.08
Directors of subsidiaries					
Ngiam Mia Je Patrick	3,600,000	–	3,600,000	27 February 2003 to 1 February 2008	0.08
Ngiam Mia Kiat Benjamin	3,600,000	–	3,600,000	27 February 2003 to 1 February 2008	0.08
Lauw Hui Kian	3,600,000	–	3,600,000	27 February 2003 to 1 February 2008	0.08
Other employees	23,400,000	(1,250,000)	22,150,000	27 February 2003 to 1 February 2008	0.08-0.28
	<u>52,600,000</u>	<u>(1,250,000)</u>	<u>51,350,000</u>		



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 issue, 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.

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

On 27 February 2002, the shares of the Company were listed on GEM of the Stock Exchange by way of placing of 125,000,000 new shares at an issue price of HK\$0.40. The sponsor of the Placing was ICEA Capital Limited (the "Sponsor").

Save as disclosed herewith, 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 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 two members, Lee Chung Mong and Chen Tzyh-Trong, independent non-executive directors of the Company. The Group's unaudited results for the period ended 30 June 2003 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, 7 August 2003