



SYSTEK

Information Technology

Systemk Information Technology (Holdings) Limited

(to be renamed Tai Shing International (Holdings) Limited)

(incorporated in the Cayman Islands with limited liability)



www.systemk.com.hk

Interim Report
2003

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This document, for which the directors (the “Directors”) of Systek Information Technology (Holdings) Limited collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange for the purpose of given information with regard to Systek Information Technology (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 document 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 document misleading; and (3) all opinions expressed in this document have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

HIGHLIGHTS

- Turnover decreased by approximately 24.6% over the corresponding period in the previous year to approximately HK\$15.9 million for the six months ended 30 September 2003.
- Loss attributable to the shareholders decreased by approximately 94.5% compared to the corresponding period in the previous year to approximately HK\$0.8 million for the six months ended 30 September 2003.
- The directors do not declare any interim dividend for the six months ended 30 September 2003.

INTERIM RESULTS

The board of directors (the “Board”) of Systek Information Technology (Holdings) Limited (the “Company”) is pleased to announce the unaudited condensed consolidated financial statements of the Company and its subsidiaries (collectively the “Group”) for the three months and six months ended 30 September 2003, together with the comparative unaudited figures for the corresponding periods in 2002, as set out below:

CONDENSED CONSOLIDATED INCOME STATEMENT

	<i>Note</i>	Unaudited Three months ended 30 September 2003		Unaudited Six months ended 30 September 2003	
		2002 2003 <i>HK\$'000</i>	2002 2003 <i>HK\$'000</i>	2002 2003 <i>HK\$'000</i>	2002 2003 <i>HK\$'000</i>
Turnover	2	4,052	11,010	15,952	21,161
Cost of services and merchandise sold		(3,318)	(7,250)	(10,774)	(14,513)
Gross profit		734	3,760	5,178	6,648
Other revenue		1	6	22	19
Research and development costs		–	(2,083)	(623)	(4,111)
Selling expenses		(83)	(1,404)	(577)	(2,226)
General and administrative expenses		(1,312)	(7,378)	(4,848)	(14,489)
Loss from operations	4	(660)	(7,099)	(848)	(14,159)
Finance costs		(4)	–	(14)	–
Gain on disposal of interests in subsidiaries		92	–	92	–
Loss from ordinary activities before taxation		(572)	(7,099)	(770)	(14,159)
Taxation	5	–	–	–	–
Loss from ordinary activities after taxation		(572)	(7,099)	(770)	(14,159)
Minority interests		–	–	–	–
Loss attributable to the shareholders		(572)	(7,099)	(770)	(14,159)
Loss per share – basic (HK cents)	7	(0.055)	(0.685)	(0.074)	(1.366)

CONDENSED CONSOLIDATED BALANCE SHEET

		Unaudited 30 September 2003 <i>HK\$'000</i>	Audited 31 March 2003 <i>HK\$'000</i>
	<i>Note</i>		
NON-CURRENT ASSETS			
Fixed assets		<u>69</u>	<u>4,452</u>
		<u>69</u>	<u>4,452</u>
CURRENT ASSETS			
Gross amount due from customers			
for contracts		–	1,601
Inventories		–	240
Accounts receivable	8	5,354	6,059
Prepayment and deposits		407	792
Pledged deposits	9	–	526
Cash and cash equivalents		<u>1,671</u>	<u>2,107</u>
		<u>7,432</u>	<u>11,325</u>
CURRENT LIABILITIES			
Receipts in advance		1,273	1,971
Other payables and accruals		<u>1,936</u>	<u>8,369</u>
		<u>3,209</u>	<u>10,340</u>
NET CURRENT ASSETS		<u>4,223</u>	<u>985</u>
NET ASSETS		<u>4,292</u>	<u>5,437</u>
CAPITAL AND RESERVES			
Share capital	10	103,638	103,638
Reserves	11	<u>(99,346)</u>	<u>(98,201)</u>
		<u>4,292</u>	<u>5,437</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Unaudited					Total <i>HK\$'000</i>
	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Exchange reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	
At 1 April, 2002	103,638	33,144	–	(358)	(75,321)	61,103
Loss for the period	–	–	–	–	(14,159)	(14,159)
	<u>103,638</u>	<u>33,144</u>	<u>–</u>	<u>(358)</u>	<u>(89,480)</u>	<u>46,944</u>
At 30 September, 2002	103,638	33,144	–	(358)	(132,150)	5,437
Loss for the period	–	–	–	–	(770)	(770)
Exchange differences on translation of accounts of subsidiaries outside Hong Kong	–	–	–	(375)	–	(375)
	<u>103,638</u>	<u>33,144</u>	<u>1,200</u>	<u>(770)</u>	<u>(132,920)</u>	<u>4,292</u>
At 30 September, 2003	103,638	33,144	1,200	(770)	(132,920)	4,292

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Unaudited	
	Six months ended	
	30 September	
	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash inflow/(outflow) from operating activities	169	(11,242)
Net cash inflow/(outflow) from investing activities	(230)	1,163
	<u>–</u>	<u>–</u>
Net decrease in cash and cash equivalents	(61)	(10,079)
Effects of foreign exchange rate	(375)	–
Cash and cash equivalents at 1 April	2,107	13,600
	<u>1,671</u>	<u>3,521</u>
Cash and cash equivalents at 30 September	1,671	3,521
	<u>1,671</u>	<u>3,521</u>
Analysis of the balances of cash and cash equivalents		
Cash at bank and in hand	1,671	3,521
	<u>1,671</u>	<u>3,521</u>

NOTES TO THE ACCOUNTS

1 Basis of presentation

The unaudited condensed consolidated financial statements of the Group (the “financial statements”) have been prepared in accordance with Statement of Standard Accounting Practice (“SSAP”) No. 25 “Interim Financial Reporting” issued by the Hong Kong Society of Accountants, and with the applicable disclosure requirements of Chapter 18 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited. The financial statements should be read in conjunction with the 2003 audited annual accounts.

The accounting policies and methods of computation used in the preparation of the financial statements are consistent with those used in the audited annual accounts for the year ended 31 March, 2003, except that the Group has adopted the new and revised SSAPs which became effective on 1 January, 2002.

All significant intra-group transactions and balances have been eliminated in the preparation of the consolidated results.

2 Turnover

The principal activities of the Group are the provision of systems development and consultancy services and sale of software and hardware products. Turnover represents income arising from the provision of systems development and consultancy services, provision of IT engineering and technical support services, provision of training courses and the sales of software and hardware products.

An analysis of the turnover by principal activities of the operations of the Group during the reporting periods is as follows:

	Three months ended		Six months ended	
	30 September		30 September	
	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<i>Principal activities</i>				
Systems development	1,411	7,183	8,637	13,337
Sales of software and hardware products	215	842	2,732	1,071
Professional service fees	2,024	2,532	3,835	5,746
Training fees	402	453	748	1,007
	<u>4,052</u>	<u>11,010</u>	<u>15,952</u>	<u>21,161</u>

3 Segment Reporting

Segment information is presented in respect of the Group's business and geographical segments. Business segment information is chosen as the primary reporting format because this is more relevant to the Group's internal financial reporting.

An analysis of the Group's turnover and results for the six months period by business segments is as follows:

	Systems development		Software and hardware products		Professional services		Training		Combined	
	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external customers	<u>8,637</u>	<u>13,337</u>	<u>2,732</u>	<u>1,071</u>	<u>3,835</u>	<u>5,746</u>	<u>748</u>	<u>1,007</u>	<u>15,952</u>	<u>21,161</u>
Contribution from operations	1,516	3,440	2,199	477	1,152	2,488	311	243	5,178	6,648
Unallocated operating income and expenses									(5,934)	(20,807)
Loss from operations									(756)	(14,159)
Finance costs									(14)	-
Taxation									-	-
Minority interests									-	-
Loss attributable to shareholders									<u>(770)</u>	<u>(14,159)</u>
Depreciation & amortization for the period	<u>644</u>	<u>5,341</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>112</u>	<u>62</u>	<u>756</u>	<u>5,403</u>
Significant non-cash expenses (other than depreciation and amortization)									-	251
Unallocated significant non-cash expenses (other than depreciation and amortization)									<u>5</u>	<u>-</u>
									<u>5</u>	<u>251</u>

The Group does not have any inter-segments sales.

An analysis of the Group's turnover for the period by geographical segments is as follows:

	Turnover	
	Six months ended	
	30 September	
	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	14,591	19,029
The PRC	1,018	1,114
Other countries	343	1,018
	<hr/>	<hr/>
Total external sales	15,952	21,161
	<hr/> <hr/>	<hr/> <hr/>

4 Loss from operations

Loss from operations is stated after charging/(crediting):

	Three months ended		Six months ended	
	30 September		30 September	
	2003	2002	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Auditors' remuneration	67	150	145	300
Depreciation	299	636	756	1,265
Finance costs				
Bank interests	3	–	14	–
Operating leases	483	1,367	1,190	2,706
Retirement benefit costs	101	–	101	–
Net exchange (gain)/loss	(5)	27	(350)	11
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

5 Taxation

No provision for Hong Kong profits tax has been made for the three months and six months ended 30 September, 2003 and 2002 as the Group sustained losses for taxation purpose during both periods.

Subsidiaries operating in the PRC are exempted from PRC income tax for two years commencing from the first profit making year and are entitled to a 50% relief from PRC income tax for the following three years, after which the profits are subject to PRC income tax at the standard rate of 33%. These subsidiaries sustained losses since incorporation and the two-year tax exemption period has not commenced.

6. Dividend

The Board does not recommend the payment of any interim dividend for the six months ended 30 September 2003 (six months ended 30 September 2002: Nil).

7 Loss per share

The calculation of basic loss per share for the three months and six months ended 30 September, 2003 was based on the loss attributable to the shareholders of approximately of HK\$572,000 and HK\$770,000 (2002: loss of HK7,099,000 and HK\$14,159,000) divided by the weighted average number of 1,036,375,000 (2002: 1,036,375,000) shares in issue during the year.

There were no potential dilutive ordinary shares in issue during the three months and six months ended 30 September, 2003 and 2002.

8 Accounts receivable

An aged analysis of accounts receivable is as follows:

	Unaudited At 30 September 2003 <i>HK\$'000</i>	Audited At 31 March 2003 <i>HK\$'000</i>
Within one month	1,218	4,511
More than 1 month but within 3 months	4,058	1,013
More than 3 months but less than 12 months	78	497
Beyond 1 year	—	38
	<u>5,354</u>	<u>6,059</u>

9 Pledged Deposits

	Unaudited At 30 September 2003 <i>HK\$'000</i>	Audited At 31 March 2003 <i>HK\$'000</i>
Pledged deposits	<u>—</u>	<u>526</u>
Banking facilities granted	<u>—</u>	<u>526</u>
Banking facilities utilised	<u>—</u>	<u>526</u>

10 Share Capital

	30 September 2003		31 March 2003	
	No. of shares		No. of shares	
	'000	HK\$'000	'000	HK\$'000
Authorised:				
Ordinary share of \$0.1 each	2,000,000	200,000	2,000,000	200,000
Issued and fully paid:				
At beginning and end of the period	1,036,375	103,638	1,036,375	103,638

On 26 August, 2000, the company had conditionally adopted a share option scheme pursuant to which full-time employees and executive directors of the Company and its subsidiaries excluding non-executive directors and independent non-executive directors of the Group, may be granted options to subscribe for shares of the Company.

During the six months ended 30 September, 2003, no option was granted under the share option scheme (2002: Nil).

11 Reserves

	Share premium	Capital reserves	Exchange reserves	Accumulated losses	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April, 2003	33,144	1,200	(395)	(132,150)	(98,201)
Loss for the period	-	-	-	(770)	(770)
Exchange differences on translation of accounts of subsidiaries outside Hong Kong	-	-	(375)	-	(375)
At 30 September, 2003	33,144	1,200	(770)	(132,920)	(99,346)

According to the relevant PRC accounting rules and regulations, the PRC subsidiaries may appropriate part of its profits after tax to general reserve, at the discretion of the board of directors of the subsidiaries. The general reserve can be used to make good losses and to convert into paid-up capital.

No transfer to the general reserve was made by the PRC subsidiaries which sustained losses during the period.

12 Commitments under operating leases

At 30 September, 2003, the total future minimum lease payments under non-cancellable operating lease in respect of a number of properties are payable as follows:

	Unaudited At 30 September 2003 <i>HK\$'000</i>	Audited At 31 March 2003 <i>HK\$'000</i>
Within 1 year	429	2,046
After 1 year but within 5 years	—	1,914
	<hr/>	<hr/>
	429	3,960
	<hr/> <hr/>	<hr/> <hr/>

MANAGEMENT'S DISCUSSION AND ANALYSIS

Business Review

During the period under review, the Company announced a discloseable transaction and a series of proposals on 9 September, 2003 which involved (i) a capital reorganization; (ii) changing the name of the Company to “Tai Shing International (Holdings) Limited” and adopting a Chinese name “泰盛國際(控股)有限公司” for identification purpose upon completion of the capital reorganization; (iii) adopting new share option scheme and terminating the existing share option scheme; and (iv) the grant of new general mandates to issue and repurchase reorganized shares. Details of these proposals have been set out in the circular of the Company dated 30 September 2003. An extraordinary general meeting had been concluded on 22 October 2003 and all resolutions to approve these proposals were duly passed by the shareholders of the Company.

On 9 September, 2003, the Company announced the acquisition of a 40% interest (the “Acquisition”) in 北京中廣鴻聯網絡技術有限公司 (“Hung Luen”), an information technology company incorporated in Beijing, the People’s Republic of China (the “PRC”). Hung Luen is principally engaged in the business of research, development and provision of information-on-demand (“IOD”) system solutions, telecommunication and broadcasting media network solutions and the provision of related products and services. An IOD system solution enables Internet users to obtain and process information via the Internet. In addition, it is also engaged in distribution of computers and computer-related hardware, medical equipments, domestic appliances, general merchandises and spare parts of automobiles.

We believe that the Acquisition provides an opportunity for the Company to widen its assets and earning base and to diversify its business portfolio by capturing a suitable investment opportunity in the information technology industry in the PRC. In addition, by leveraging on the technical know-how possessed by Hung Luen in computer systems design, development and its distribution network, we feel positive that the Acquisition will provide synergy to the existing business operation of the Group. As a consequence, the Group will be able to enhance its existing products and services with the technical support from Hung Luen, to expand its existing products range by introducing the products of Hung Luen to its clients in Hong Kong and the United States of America, and to market and distribute its products and services to potential clients in the PRC through Hung Luen.

The Board will use its best endeavor to take every measure to reduce the loss sustained by the Group and explore suitable business opportunities and new investments which are in the best interests of the Group and the shareholders.

Financial Performance

During the six months ended 30 September, 2003, the Group recorded a turnover of HK\$15.9 million (2002: HK\$21.1 million) representing a decrease of approximately 24.6% as compared with the comparative figures of the corresponding period. General and administrative expenses were reduced to approximately HK\$4.8 million as compared to HK\$14.5 million of the previous corresponding period, representing a decrease of approximately 66.5%. The loss attributed to the shareholders amounted to HK\$0.8 million (2002: HK\$14.1 million) representing an improvement of approximately 94.5% over the same period in 2002.

Liquidity and Financial Resources

As at 30 September, 2003, shareholders' funds of the Group amounted to approximately HK\$4.3 million (2002: \$46.9 million). Current assets amounted to approximately HK\$7.4 million (2002: \$19.8 million), of which approximately HK\$1.7 million (2002: \$3.5 million) were cash and cash equivalents. Current liabilities of HK\$3.2 million (2002: \$ 9.5 million) comprised of receipts in advance and other payables and accruals.

Gearing Ratio

The gearing ratio calculated on the basis of total liabilities over the total shareholders' fund as at 30 September, 2003 was 74.8% (2002: 20.3%).

Foreign Currency Exposure

During the six months period ended 30 September, 2003, the Group experienced only immaterial exchange rate fluctuations as the functional currencies of the Group's operations are mainly Hong Kong dollars and Renminbi. As the risk on exchange rate difference considered to be minimal, the Group did not employ any financial instruments for hedging purposes.

Capital Structure

There had been no change to the capital structure of the Company during the six months ended 30 September, 2003 (2002: HK\$103 million).

During the review period, the Company announced a proposal for capital reorganization under which, among other matters, the paid-up and the nominal value of each of the 1,036,375,000 issued shares will be reduced by HK\$0.098 from HK\$0.10 to HK\$0.002 whereby the Company's issued share capital of HK\$103,637,500 would be reduced by the amount of HK\$101,564,750 to HK\$2,072,750 ("Share Capital Reduction"), every 25 intermediate shares of HK\$0.002 each would be consolidated into one reorganized share of HK\$0.05 each. The amount standing to the credit of the share premium account would be applied towards the elimination of the same amount of the accumulated losses of the Company as permitted by the laws of the Cayman Islands. An extraordinary general meeting was held on 22 October, 2003 during which, all relevant resolutions for, among other things, the said capital reduction were passed as special resolutions by the shareholders. The relevant petition for the Share Capital Reduction and the elimination of share premium accounts is scheduled on 19 December, 2003 subject to the availability of the Grand Court of the Cayman Islands. The Company will issue separate announcement informing the shareholders of the effective date of the capital reorganization.

New Products and Services

The information technology market is characterized by rapidly changing technologies, evolving industry standards, frequent new platform and application launch and ever-changing customer requirements. The Group's future direction will depend on its ability to enhance its products and to develop and introduce, on a timely and cost-effective basis, new products and product features that keep pace with the technological developments and emerging industry standards and address the increasingly sophisticated needs of its customers. The Group is attempting to ensure future success by continuing to invest in its research and development effort in a cost-effective way.

Material Acquisitions and Significant Investments

The Board announced on 9 September, 2003 that a sale and purchase agreement was entered between a wholly owned subsidiary of the Company and an independent third party not connected with any of the directors, chief executive or substantial shareholders of the Company or its subsidiaries or any of their respective associated pursuant to which the Group acquired a 40% interest in Hung Luen at a consideration of HK\$1,800,000 which was satisfied by issuing promissory note in the nominal amount of HK\$1,800,000. The information of Hung Luen were set out in the paragraph headed "Business Review".

The completion of the sale and purchase agreement is conditional upon, among other matters, the fulfillment of certain conditions precedent on or before the date of expiry of a period of 3 months from the date of the sale and purchase agreement, which is 7 December, 2003.

The Group disposed of an unprofitable subsidiary in August 2003. In view of the persisting loss sustained by the subsidiary, the Group believed that the disposal was in its best interests and that of our shareholders.

Save as disclosed above, as at 30 September, 2003, the Group did not have any other material acquisitions and disposals of subsidiaries and affiliated companies and no other plans for material investments during the current period.

Segmental Performance

The Group is principally engaged in four business segments mainly in Hong Kong and the other regions of the PRC. The Group presents its segmental information based on the nature of the products and services provided.

In accordance with the Group's internal financial reporting, the Group has determined that business segments be presented as the primary reporting format and geographical segments as the secondary reporting format. The Group reports its businesses in four business segments namely:

Systems development:	Provision of systems development, maintenance and installation as well as consulting services.
Software and hardware products:	Sales of computer software and hardware products.
Professional services:	Provision of IT engineering and technical support services.
Training:	Provision of training courses.

Among the four business segments, only activities under software and hardware products increased and therefore the overall turnover of the Group is declined.

With respect to geographical segments, there was overall decrease during the period under review. Turnover generated from PRC represented approximately 6.4% of the total turnover of the Group during the six months ended 30 September, 2003 as compared to approximately 5.3% in the previous year. It is expected that the level of the Group's activities in PRC will remain stable in future.

Employee information

As at 30 September, 2003, the Group had a total of 52 staff including the executive directors of the Company. Total staff costs including directors' remuneration for the six months period under review amounting to approximately HK\$11.3 million (2002: HK\$20.9 million). The decrease was mainly attributable to headcount reduction during the pervious year. The Group's remuneration policies are in line with the prevailing market practices and are determined on the basis of performance and experience of individual employees.

The Company has conditionally adopted a share option scheme pursuant to which the executive directors of the Company and full-time employees of the Company and its subsidiaries may be granted options to subscribe for shares of the Company. During the six months ended 30 September, 2003, no option was granted under the share option scheme.

Charges on Group Assets and Contingent Liabilities

As at 30 September, 2003, the Group did not have any material charge on assets or any contingent liabilities (2002: HK\$0.3 million).

Change of Company Name

In order to reflect the change of the single largest shareholder and the management of the Company, during the six months period ended 30 September, 2003, the Board proposed to change the name of the Company to “Tai Shing International (Holdings) Limited “ and to adopt a Chinese name of “泰盛國際(控股)有限公司” for identification purpose.

An extraordinary general meeting was held on 22 October, 2003 during which, all relevant resolutions in relation to, among other things, the change of company name were passed as special resolutions by the shareholders. The change of name of the Company will be subject to the approval of the Companies Registry in the Cayman Islands and the adoption of Chinese name will be subject to the approval of Companies Registry in Hong Kong being obtained respectively and shall take effect from the effective date of the capital reorganization as detailed in the paragraph headed “Capital Structure”. The Company will issue separate announcement informing the shareholders of the effective date of the change of the name of the Company.

Future Prospects

The Board will continue to simplify the organization of the Group, tightly manage expenses, develop new products and services, dispose of unprofitable businesses and execute strategic acquisitions in order to enhance the profitability of the Group. We remain cautiously optimistic about the prospects of the Group.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Up to 30 September, 2003, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

As at 30 September, 2003, the relevant interests or short positions of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571, the Laws of Hong Kong) ("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 have taken or deemed to have under such provisions of the SFO), or which are required, pursuant to Section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which are required, pursuant to Rules 5.40 to 5.58 of the GEM Listing Rules relating to securities transactions by the directors, to be notified to the Company and the Stock Exchange, were as follows:

Long positions in the shares of the Company

Name of Director	Number of ordinary shares held			Total	Percentage of issued share capital
	Personal	Family	Corporate		
Mr. Luk Yat Hung (<i>Note</i>)	–	–	538,561,914	538,561,914	51.97%

Note: Mr. Luk Yat Hung will be taken to be interested in 538,561,914 shares in the Company as a result of him being beneficially interested in 50% of the issued share capital of Wide Source Group Ltd. which in turn holds 538,561,914 shares in the Company.

Long positions in underlying shares of equity derivatives and debentures of the Company

As at 30 September, 2003, no long positions of directors and chief executives in the underlying shares of equity derivatives and debentures of the Company and its associated corporations were recorded in the register or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.40 of the GEM Listing Rules.

Short positions in shares, underlying shares of equity derivatives and debentures of the Company

During the period under review, no short positions of directors and chief executives in the shares, underlying shares of equity derivatives and debentures of the Company and its associated corporations were recorded in the register or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.40 of the GEM Listing Rules.

Save as disclosed above, as at 30 September, 2003, none of the directors or chief executives of the Company or their respective associates had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have 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 are taken or deemed to have under such provisions of the SFO), or which were required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the minimum standards of dealing by directors of listed issuers as referred to in Rules 5.40 to 5.58 of the GEM Listing Rules.

SUBSTANTIAL SHAREHOLDERS

During the six months period ended 30 September, 2003, Trouble Free Technology Limited (“Trouble Free”) and Brainy Technology Limited (“Brainy”) which are 100 per cent. beneficially owned by Mr. To Cho Kei (“Mr. To”) had entered into a sale and purchase agreement (the “Agreement”) with Wide Source Group Ltd. (“Wide Source”) on 8 April, 2003. Pursuant to the Agreement, Wide Source agreed to purchase and Mr. To agreed to sell an aggregate of 529,421,914 shares, representing approximately 51.08% of the issued share capital of the Company, as to 449,421,914 shares by Trouble Free and as to 80,000,000 shares by Brainy for an aggregate consideration of HK\$7,300,000. Upon the completion of the Agreement on 14 May, 2003, Wide Source had replaced Mr. To as the controlling shareholder of the Company.

So far as is known to the directors or chief executive of the Company, as at 30 September, 2003, the following persons who had an interest or a short position in the shares and underlying shares in the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:–

Name of Shareholders	<i>Note</i>	Number of shares held	Approximate Percentage of shareholding
Wide Source Group Ltd.	1	538,561,914	51.97%
Mr. Luk Yat Hung	2	538,561,914	51.97%
Mr. Ma Bing	3	538,561,914	51.97%
Suez Asia Holdings Pte Ltd.	4	85,300,000	8.23%

Notes:

1. Wide Source Group Ltd. (“Wide Source”) is a company incorporated in the British Virgin Islands with limited liability and is ultimately and beneficially owned as to 50% by Mr. Luk Yat Hung and as to 50% by Mr. Ma Bing.
2. Mr. Luk Yat Hung will be taken to be interested in 538,561,914 shares in the Company as a result of him being beneficially interested in 50% of the issued share capital of Wide Source which in turn holds 538,561,914 shares in the Company.
3. Mr. Ma Bing will be taken to be interested in 538,561,914 shares in the Company as a result of him being beneficially interested in 50% of the issued share capital of Wide Source which in turn holds 538,561,914 shares in the Company.
4. Suez Asia Holdings Pte Ltd. is a private equity investor in Asia holding the share of the Company in trust.

Save as disclosed above, as at 30 September, 2003, the directors are not aware of any other person who has an interest or a short position in the shares and underlying shares (including interests in options, if any) of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance in relation to the Group's business to which the Group was a party and in which a director of the Group had a material interest, whether directly or indirectly, subsisted at the end of the six months period ended 30 September, 2003 or at any time during such period.

DIRECTORS' COMPETING INTERESTS

As of 30 September, 2003, none of the directors or the initial management shareholders of the Company or their respective associates (as defined under the GEM Listing Rules) had any business or interest in a business which competes or may compete with the business of the Group.

SHARE OPTION SCHEME

The share option scheme of the Company was adopted on 26 August, 2000, the principal terms of which were set out in the Company's prospectus dated 4 September, 2000. During the year, no option was granted by the Company under the share option scheme during the period under review or outstanding as at 30 September, 2003.

To be in line with the changes of the GEM Listing Rules in relation to share option scheme and in order for the Company to attract, retain and motivate talented employees to strive for the goals of the Group and to provide the Company with a flexible means of giving incentives to, rewarding, remunerating and/or providing benefits to the employees, on 9 September, 2003, the directors proposed the termination of the existing share option scheme and an adoption of a new share option scheme for the employees of the Group. A summary of the principal terms of the new share option scheme has been set out in the circular of the Company dated 30 September, 2003. An extraordinary general meeting was held on 22 October, 2003 during which, all relevant resolutions for, among other things, the said termination of the existing share option scheme and an adoption of the new share option scheme were passed as ordinary resolutions by the shareholders.

Save as disclosed herein, as at 30 September, 2003, none of the directors, chief executive or management shareholders or their respective associates (as defined under the GEM Listing Rules) had any right to subscribe for the shares of the Group.

AUDIT COMMITTEE

The Company has established an audit committee on 18 May, 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 audit committee members comprise two independent non-executive directors, namely, Mr. Chung Shui Ming, Timpson and Professor Ip Ho Shing, Horace and Mr. Chung Shui Ming, Timpson is the chairperson of the audit committee. The primary duties of audit committee are to review and to supervise the financial reporting process and internal control system of the Group and to provide advice and comments to the directors.

The audit committee has reviewed the draft of this interim result and has provided advice and comments thereon.

BOARD PRACTICES AND PROCEDURES

Up to 30 September, 2003, the Company has complied with Board Practices and Procedures as set out in Rules 5.28 to 5.39 of the GEM Listing Rules.

By Order of the Board

Luk Yat Hung

Chairman

Hong Kong, 7 November, 2003