



即時科研集團有限公司*
Thiz Technology Group Limited

(incorporated in the Cayman Islands with limited liability)

Interim Report 2003

* *For identification purpose only*

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

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

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The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

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

SUMMARY

- The Group recorded a turnover of approximately HK\$23,584,000 for the six months ended 30th September, 2003.
- Loss attributable to shareholders was approximately HK\$4,795,000.
- The directors of the Company (the “Directors”) do not recommend the payment of an interim dividend for the six months ended 30th September, 2003.

RESULTS

The board of Directors (the “Board”) of Thiz Technology Group Limited (the “Company”) is pleased to announce the unaudited condensed consolidated interim results (“interim accounts”) of the Company and its subsidiaries (together the “Group”) for the three months and six months ended 30th September, 2003 together with the comparative unaudited figures for the corresponding periods in 2002 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

	<i>Notes</i>	For the three months ended 30th September,		For the six months ended 30th September,	
		2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Turnover	2	7,670	13,629	23,584	37,707
Cost of sales		(2,693)	(1,476)	(6,026)	(12,591)
Gross profit		4,977	12,153	17,558	25,116
Other revenue		187	26	271	59
Provision for doubtful debts		(1,365)	–	(10,725)	–
Operating expenses		(6,659)	(10,103)	(11,775)	(16,823)
(Loss)/profit from operations		(2,860)	2,076	(4,671)	8,352
Finance costs		(70)	–	(70)	–
(Loss)/profit before taxation	3	(2,930)	2,076	(4,741)	8,352
Taxation	4				
– Elsewhere		(36)	–	(54)	–
(Loss)/profit for the period		(2,966)	2,076	(4,795)	8,352
Dividend		–	–	–	–
(Loss)/earnings per share	5				
– Basic (in cents)		(0.18)	0.13	(0.29)	0.50
– Diluted (in cents)		N/A	0.13	N/A	0.50

CONDENSED CONSOLIDATED BALANCE SHEET

		At 30th September, 2003 (Unaudited) HK\$'000	At 31st March, 2003 (Audited) HK\$'000
	<i>Notes</i>		
NON-CURRENT ASSETS			
Fixed assets		1,718	1,603
Product development costs		2,293	2,633
		<u>4,011</u>	<u>4,236</u>
CURRENT ASSETS			
Inventories		341	302
Trade receivables	6	38,911	31,287
Other receivables, deposits and prepayments		3,952	3,338
Amount due from a related company	7	6	6
Cash and bank balances		1,194	1,212
		<u>44,404</u>	<u>36,145</u>
CURRENT LIABILITIES			
Trade payables	8	345	540
Other payables, accruals and deposits received		11,166	2,009
Secured bank loan		1,911	–
Amounts due to directors	9	5,329	3,345
Taxation	4	17	12
		<u>18,768</u>	<u>5,906</u>
NET CURRENT ASSETS		<u>25,636</u>	<u>30,239</u>
		<u>29,647</u>	<u>34,475</u>
CAPITAL AND RESERVES			
Share capital		16,461	16,461
Reserves		9,186	14,014
SHAREHOLDERS' FUNDS		25,647	30,475
NON-CURRENT LIABILITIES			
Convertible notes		4,000	4,000
		<u>29,647</u>	<u>34,475</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	For the six months ended 30th September,	
	2003	2002
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash outflow from operating activities	(1,512)	(7,689)
Net cash outflow from investing activities	(417)	(4,769)
Net cash inflow from financing activities	<u>1,911</u>	<u>42</u>
Decrease in cash and cash equivalents	(18)	(12,416)
Cash and cash equivalents at beginning of the period	<u>1,212</u>	<u>14,915</u>
Cash and cash equivalents at end of the period	<u><u>1,194</u></u>	<u><u>2,499</u></u>
Analysis of the balances of cash and cash equivalents		
Cash and bank balances	1,194	2,199
Pledged time deposit	<u>–</u>	<u>300</u>
	<u><u>1,194</u></u>	<u><u>2,499</u></u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Capital redemption reserve <i>HK\$'000</i>	Special reserve <i>HK\$'000</i>	Exchange reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 1st April, 2002	16,545	19,573	–	360	5	(11,145)	25,338
Repurchase of shares	(84)	(1,915)	84	–	–	(84)	(1,999)
Profit attributable to shareholders	–	–	–	–	–	8,352	8,352
As at 30th September, 2002	<u>16,461</u>	<u>17,658</u>	<u>84</u>	<u>360</u>	<u>5</u>	<u>(2,877)</u>	<u>31,691</u>
As at 1st April, 2003	16,461	17,658	84	360	6	(4,094)	30,475
Exchange adjustment on translation of the financial statements of foreign subsidiaries	–	–	–	–	(33)	–	(33)
Loss attributable to shareholders	–	–	–	–	–	(4,795)	(4,795)
As at 30th September, 2003	<u>16,461</u>	<u>17,658</u>	<u>84</u>	<u>360</u>	<u>(27)</u>	<u>(8,889)</u>	<u>25,647</u>

The special reserve of the Group represents the difference between the nominal value of shares of the Company and the nominal value of the shares of the subsidiaries acquired pursuant to the Reorganisation.

Notes:

1. (a) Corporate information

The Company was incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Law (Cap. 22 Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 6th December, 2000.

The shares of the Company were listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “GEM”) on 27th July, 2001.

On 11th October, 2002, the United States Securities and Exchange Commission approved the establishment of Level 1 American Depositary Receipt (“ADR”) program for the Company’s shares in the United States of America.

(b) Basis of preparation

The interim accounts have been prepared in accordance with Statements of Standard Accounting Practice (“SSAP”) 25 “Interim Financial Reporting” issued by the Hong Kong Society of Accountants (“HKSA”) and with the applicable disclosure requirements of Chapter 18 of the Rules Governing the Listing of Securities on the Growth Enterprise Market (the “GEM Listing Rules”) of The Stock Exchange of Hong Kong Limited.

The principal accounting policies and methods of computation adopted in preparing the interim accounts are consistent with those followed in the Group’s annual financial statements for the year ended 31st March, 2003, except that the Group has adopted, for the first time, SSAP 12 (revised) “Income Taxes”, issued by the HKSA. In the opinion of the Directors, the adoption of this revised SSAP did not have a material impact on the results of the Group for the current and prior accounting periods, and accordingly, no prior period adjustment has been required.

All significant intra-group transactions and balances have been eliminated on consolidation.

2. Turnover

Turnover represents the invoiced value of computer products sold and Group’s Linux based software products distributed, training income, artwork and web design services rendered, after allowances for returns and discounts and net of value-added tax.

	For the three months ended 30th September, 2003 (Unaudited) HK\$’000		For the six months ended 30th September, 2003 (Unaudited) HK\$’000	
		(Unaudited) 2002 HK\$’000		(Unaudited) 2002 HK\$’000
By Principal activities				
Distribution of Group’s Linux based software products	3,955	12,090	15,781	24,600
Sale of computer products	2,854	1,539	6,553	13,106
Training income	861	–	1,250	–
Artwork and web design services income	–	–	–	1
	<u>7,670</u>	<u>13,629</u>	<u>23,584</u>	<u>37,707</u>
By Principal markets				
Hong Kong	232	137	437	7,111
PRC	709	43	986	299
Taiwan	4,176	12,096	16,130	24,474
USA	1,357	355	2,663	1,445
France	111	527	697	1,522
United Kingdom	551	–	588	–
Others	534	471	2,083	2,856
	<u>7,670</u>	<u>13,629</u>	<u>23,584</u>	<u>37,707</u>

3. (Loss)/profit before taxation

	For the three months ended 30th September, 2003 (Unaudited) HK\$'000		For the six months ended 30th September, 2003 (Unaudited) HK\$'000	
	2002 (Unaudited) HK\$'000		2002 (Unaudited) HK\$'000	
(Loss)/profit before taxation is arrived at after charging/(crediting)				
Cost of inventories sold	2,692	1,476	6,026	12,591
Amortisation of product development costs	170	243	340	388
Depreciation	156	138	303	273
Provision for doubtful debts	1,365	–	10,725	–
Interest on secured bank loan	20	–	20	–
Interest on convertible notes	25	–	50	–
Interest income	–	(2)	(1)	(8)

4. Taxation

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits in Hong Kong during the six months ended 30th September, 2003 and 30th September, 2002.

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

Deferred taxation in respect of unused tax losses for the periods has not been recognised as it is not probable that future taxable profits will be available for setting off.

5. (Loss)/earnings per share

The calculations of the basic and diluted (loss)/earnings per share for the period are based on the following data:—

	Fox the six months ended 30th September	
	2003	2002
	HK'000	HK\$'000
(Loss)/earnings for the purpose of calculating basic (loss)/earnings per share	(4,795)	8,352
Effect of dilutive potential ordinary shares:—		
Interest on convertible notes	50	—
(Loss)/earnings for the purpose of calculating diluted (loss)/earnings per share	<u>(4,745)</u>	<u>8,352</u>
	2003	2002
	No. of shares	No. of shares
Weighted average number of ordinary shares for the purpose of calculating basic (loss)/earnings per shares	1,646,060,000	1,646,060,000
Effects of dilutive potential ordinary shares:—		
Share options	—	3,162,000
Convertible notes	50,000,000	—
Weighted average number of ordinary shares for the purpose of calculating diluted (loss)/earnings per share	<u>1,696,060,000</u>	<u>1,649,222,000</u>

The share options had no dilutive effect for the three months and six months ended 30th September, 2003 because the exercise price of the Company's share options was higher than the average market price of the shares during the periods.

No diluted loss per share has been presented for the three months and six months ended 30th September, 2003 as the conversion of the convertible notes would result in a decrease in loss per share.

6. Trade receivables

The Group's trading terms with its customers are mainly on a cash-on-delivery basis, except for major customers, where an average credit period of 30 days is normally given.

The following is an aged analysis of trade receivables (net of provision) at the reporting date:–

	30th September, 2003 (Unaudited) HK\$'000	31st March, 2003 (Audited) HK\$'000
0-30 days	244	3,902
31-60 days	2,537	3,928
61-90 days	3,806	3,904
91-180 days	6,327	11,509
181-360 days	25,997	8,044
	<u>38,911</u>	<u>31,287</u>

7. Amount due from a related company

The amount is interest-free, unsecured and repayable on demand.

8. Trade payables

The following is an aged analysis of trade payables at the reporting date:–

	30th September, 2003 (Unaudited) HK\$'000	31st March, 2003 (Audited) HK\$'000
0-30 days	88	16
31-60 days	–	524
61-90 days	101	–
Over 90 days	156	–
	<u>345</u>	<u>540</u>

9. Amounts due to directors

The amounts are interest-free, unsecured and repayable on demand.

INTERIM DIVIDEND

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

BUSINESS REVIEW AND PROSPECTS

Financial Performance

The Group recorded a consolidated turnover of HK23,584,000 for the six months ended 30th September, 2003, representing a 37.5% decrease compared to HK\$37,707,000 for the same period in 2002. The decrease in turnover was attributed to the decrease of the Group's trading activities in computer products, and a termination of recognition of a licence fee income from a customer by the Group owing to the customer's default in payment of the long outstanding trade debt. However, the Group had started generating revenue from its Linux related training activities during the period.

During the six months ended 30th September, 2003, provision for doubtful debts amounted to HK\$10,725,000 had been made for outstanding trade debtors, and accordingly, the Group recorded an operating loss of HK\$4,671,000, as opposed to a profit of HK\$8,352,000 for the same period in 2002.

As a result of the above, there was a net loss attributable to the shareholders of HK\$4,795,000 for the six months ended 30th September, 2003, while it was a net profit of HK\$8,352,000 for the corresponding period in 2002.

Business Development

In both training and enterprise sectors, the Group has recorded remarkable results.

In China, the training programme "1 + 1 + 1 Project" with Beijing IT Industry Promotion Centre has already started. The programme aims to train up 100 Linux teachers, 1,000 Linux engineers and 10,000 Linux users. Following our support to the Dalian government on "Digital Dalian", similar training programmes will be planned to be carried out in Dalian. With these projects, the Group will develop the edge and reach a sizable penetration in other provinces.

Better yet, the certification programme with the China Electronic Information Application Education Center (CEIAEC) has also been put into practice. Certificates have already been issued to students in Hong Kong. With this certification, the Group's provision of training in the region will develop at a faster pace.

To enhance our training business, the Group has developed Linux Executive Pool with CareerTimes. Graduates can register with this talent pool, which will expand their employment opportunities. CareerTimes is a leading classified post in Hong Kong.

In enterprise sector, through supporting high profile Linux activities including Linux Adoption Award organized by Hong Kong Productivity Council, bundling business with reputable vendors and increased media exposure, the Group has expanded both awareness and penetration in the market.

Prospect

With increasing support from the government, universities and hardware vendors, the Group steps closer to accomplishing the corporate core business directions – namely implementation of e-government, innovation of Linux education model, design solutions for enterprises and expansion of sales channels.

It is expected that the Group's training programmes will be integrated into more than one university in Hong Kong, and a number of universities in China. This will be a long-term investment in building a solid base for Linux applications.

For the government sector, the Group has been in constant communication with Hong Kong SAR government and provincial governments in China, offering training support and advices on office automation.

For the enterprise sector, through bundling with leading vendors, the Group has been introducing different solutions for enterprises on a regular basis. In addition, sales channels have been expanded to retail distribution.

Evidenced by the strong development along with the above core directions, the Group has a positive view on the future development of Linux, growth of the Group and stock value to the shareholders.

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

**According to the business objectives
as stated in the Company’s prospectus
dated 20th July, 2001**

**Actual business progress
in respect of the six months
ended 30th September, 2003**

**Develop application software on Linux
platform with joint venture partners**

- | | |
|---|---|
| <ul style="list-style-type: none">– Start development work of point of sale system with Yuen Wang– Launch web-based education platform | <ul style="list-style-type: none">– In the course of studying the possibility of developing in-house– The project has been postponed |
|---|---|

Marketing strategies

- | | |
|---|--|
| <ul style="list-style-type: none">– Road show tour in the PRC/Hong Kong to promote the Group’s Linux products | <ul style="list-style-type: none">– The Group is actively promoting its Linux products in various educational institutes and government departments in the PRC and Hong Kong through providing ThizLinux courses, attending exhibitions and seminars |
|---|--|

USE OF PROCEEDS

The Group has applied the net proceeds from the issue of new shares pursuant to a placing in July 2001 as follows. The excess amount used had been financed by reserve and other sources of funds.

	Originally planned* <i>HK\$'000</i>	Amount utilized up to 30th September, 2003 <i>HK\$'000</i>
Contribution to the joint ventures to develop application software on Linux	5,000	3,494
Setting up sales office in Beijing	3,000	4,684
Marketing and promotion	3,000	4,622
Enhancement of the Group's existing Linux products	2,000	6,978
Development of web applications and other computing products/services	500	3,633
Purchase of hardware equipment	400	1,012
	<u>13,900</u>	<u>24,423</u>

* Amounts are extracted from the Company's prospectus dated 20th July, 2001 issued in relation to the Company's placing and proposed listing of shares on GEM.

MANAGEMENT DISCUSSION AND ANALYSIS

Liquidity, financial resources and capital structure

As at 30th September, 2003, the Group had current assets amounted to HK\$44,404,000, of which HK\$1,194,000 were cash and bank deposits. Current liabilities of HK\$18,768,000 mainly comprised of trade payables, other payables and accruals, and amounts due to the directors. The current ratio of the Group was 2.36. The Group had net current assets of approximately HK\$25,636,000 as at 30th September, 2003.

Current ratio and net current assets show a notable decrease from 6.12 and HK\$30,239,000 at 31st March, 2003. The sharp drop was mainly due to several significant amounts of trade deposits received.

At the same date, the Group had outstanding unlisted convertible notes of HK\$4,000,000 bearing interest rate of 2.5% per annum, issued at 17th January, 2003 with maturity at 16th January, 2006. The notes are convertible into new shares of the Company at a conversion price of HK\$0.04 per share. Proceeds from the issue of unlisted convertible notes had been used as general working capital of the Group.

The gearing ratio calculated on the basis of total liabilities over shareholders' funds as at 30th September, 2003 was 0.88, compared with 0.33 at 31st March, 2003. This was also due to the increase in trade deposits received.

The Directors considered the Group's financial position was healthy.

Investments held and material acquisitions and disposals

The Group had no material investments, acquisitions or disposals during the reporting period.

Material contracts

On 9th September, 2003, the Company entered into an underwriting agreement with CSC Securities (HK) Limited (the "Underwriter"), Eaglemax International Investment Limited, Mr. Lin and Ms. Wanzi Huang (the "Undertaking Shareholders") and Mr. Wong Hoi Wong in respect of a proposed rights issue. Details of the agreement and rights issue were stated in the announcement of the Company dated 10th September, 2003.

Segmental information

An analysis of business and geographical segments is as follows:

	Turnover		Contribution to (Loss)/profit from operations	
	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Principal activities:				
Distribution of Group's Linux based software products	15,781	24,600	2,664	21,047
Sale of computer products	6,553	13,106	(1,198)	(720)
Training income	1,250	–	(65)	–
Artwork and web design services income	–	1	–	1
	<u>23,584</u>	<u>37,707</u>	<u>1,401</u>	<u>20,328</u>
Other income			271	59
Other operating expenses			<u>(6,343)</u>	<u>(12,035)</u>
Operating (loss)/profit			<u><u>(4,671)</u></u>	<u><u>8,352</u></u>
Principal markets:				
Hong Kong	437	7,111	29	(686)
PRC	986	299	(213)	(750)
Taiwan	16,130	24,474	2,884	22,300
USA	2,663	1,445	(591)	24
Others	3,368	4,378	(708)	(560)
	<u>23,584</u>	<u>37,707</u>	<u>1,401</u>	<u>20,328</u>
Other income			271	59
Other operating expenses			<u>(6,343)</u>	<u>(12,035)</u>
Operating (loss)/profit			<u><u>(4,671)</u></u>	<u><u>8,352</u></u>

Employee information

As at 30th September, 2003, the Group had 86 employees spreading over Hong Kong, PRC and Taiwan.

The staff were remunerated based on their work performance, professional experience and prevailing marketing practices. In addition to the basic salaries and retirement schemes, the Group also offered staff benefits including medical insurance, share options, performance bonus and sales commission.

Capital commitments and contingent liabilities

As at 30th September, 2003, the Group had no material capital commitments and contingent liabilities.

Exposure to foreign exchange risk

Since the functional currencies of the Group's operations are Hong Kong dollars, Renminbi and New Taiwan Dollars, the Directors consider that the potential foreign exchange exposure of the Group is limited.

Post balance sheet events

Rights issue

The Company proposed to raise approximately HK\$9 million before expenses, by way of rights issue, of not less than 395,054,400 rights shares and not more than 419,054,400 rights shares on the basis of six rights shares for every twenty-five shares of HK\$0.01 each of the Company held, at a price of HK\$0.023 per rights share to the qualifying shareholders.

On 9th September, 2003, an underwriting agreement was entered between the Underwriter, the Undertaking Shareholders and Mr. Wong Hoi Wong in respect of the rights issue. Details of the rights issue have been set out in the announcement of the Company dated 10th September, 2003 and the prospectus of the Company dated 30th September, 2003.

All the conditions of the rights issue set out in the prospectus had been fulfilled and the rights issue became unconditional on 23rd October, 2003. Details of results of rights issue have been set out in the announcement of the Company dated 23rd October, 2003. Share certificates for fully-paid rights shares had been dispatched to the entitled shareholders by ordinary post on 24th October, 2003. Dealings in fully-paid rights shares on GEM commenced on 28th October, 2003.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES

As at 30th September, 2003, the interests (including interests in shares and short positions) of the Directors and Chief Executive 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, relating to securities transactions by the Directors, to be notified to the Company and the Stock Exchange, were as follows:

Long Positions in Ordinary Shares of HK\$0.01 of the Company

Name of Director	Type of interest	Total number of shares held	Percentage of shareholding
Mr. Lin Chien Hsin ("Mr. Charles Lin")	Personal	250,000,000	15.19%
Mr. Wong Hoi Wong ("Mr. Albert Wong") (<i>Note</i>)	Other	360,000,000	21.87%
Ms. Wanzi Huang	Personal	69,725,000	4.24%

Note: These 360,000,000 shares are held by Eaglemax International Investment Limited, a company wholly owned by Intelligent Management Limited as the trustee of Intelligent Management Discretionary Trust, a family discretionary trust the objects of which include Mr. Albert Wong and his family and any charity in the world.

Long Positions in Underlying Shares of Equity Derivatives of the Company

The Company adopted the Share Option Scheme (the “Scheme”) on 6th July, 2001, pursuant to which it may grant options to full-time employees of the Group including Executive Directors of the Company to subscribe for shares in the Company:

Name of Director	Type of interest	Date of grant	Exercise price per share	Exercisable period	Number of ordinary shares eligible for subscription under options granted and outstanding as at
					30th September, 2003
		<i>HK\$</i>			
Mr. Albert Wong	Personal	21st November, 2001	0.315	30th June, 2002 to 29th June, 2012	1,640,000
Ms. Wanzi Huang	Personal	21st November, 2001	0.315	30th June, 2002 to 29th June, 2012	16,540,000

No options were granted or exercised under the Scheme during the six months ended 30th September, 2003.

Save as disclosed above, as at 30th September, 2003, none of the Directors, Chief Executive of the Company and their associates had any 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, relating to securities transactions by the Directors, to be notified to the Company and the Stock Exchange.

Save as disclosed above, at no time during the six months ended 30th September, 2003 was the Company or any of its subsidiaries a party to any arrangements to enable any Director or their respective spouse or children under 18 years of age to acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

As at 30th September, 2003, so far is known to the Directors, save as the following persons (not being a Director or a Chief Executive of the Company), there was no person who had an interest and/or a short position in the shares and/or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO and/or required to be entered in the register maintained by the Company pursuant to Section 336 of the SFO and/or were 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 members of the Group:

Name of Shareholder	Nature of interest	Number of ordinary shares held	Percentage of shareholding
Eaglemax International Investment Limited (Note)	Corporate	360,000,000	21.87%
Applied Component Technology Corporation	Corporate	324,340,000	19.70%

Note: These 360,000,000 shares are held by Eaglemax International Investment Limited, a company wholly owned by Intelligent Management Limited as the trustee of Intelligent Management Discretionary Trust, a family discretionary trust the objects of which include Mr. Albert Wong and his family and any charity in the world. The shareholding is duplicated in the Directors and Chief Executive's Interests disclosed above.

MANAGEMENT SHAREHOLDERS

Save for the interests disclosed above in respect of the Directors, Chief Executive and their associates, the Directors are not aware of any person who, as at 30th September, 2003, was entitled to exercise or control the exercise of 5% or more of the voting power at general meetings of the Company and who was able, as a practical matter, to direct or influence the management of the Company.

INTEREST OF THE SPONSOR

CSC Asia Limited ("CSC") had entered into a sponsorship agreement with the Company whereby, for a fee, CSC acts as the Company's continuing sponsor for the purpose of Chapter 6 of the GEM Listing Rules for the period from 27th July, 2001 to 31st March, 2004.

None of CSC, its directors, employees nor associates had any interests in the securities of the Company or any member of the Group, or any right to subscribe for or to nominate persons to subscribe for the securities of the Company or any member of the Group as at 30th September, 2003.

COMPETING INTERESTS

None of the Directors or the management shareholders (as defined in the GEM Listing Rules) of the Company or their respective associates had any interest in a business which competed or might compete with businesses of the Group.

COMPLIANCE WITH RULES 5.28 TO 5.39 OF THE GEM LISTING RULES

The Company has complied with Rules 5.28 to 5.39 of the GEM Listing Rules concerning board practices and procedures during the six months ended 30th September, 2003.

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

During the six months ended 30th September, 2003, there was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's listed securities.

AUDIT COMMITTEE

The Company has established an audit committee in August 2001 with its written terms of reference being in compliance with Rules 5.23 to 5.25 of the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control systems of the Group and to provide advices and comments to the Board.

The audit committee comprises two members, namely, Ms. Li Zhe and Mr. Kwok Ming Wa, both being independent non-executive Directors of the Company.

By Order of the Board

Lin Chien Hsin

Chairman

Hong Kong, 13th November, 2003