



WAFER SYSTEMS

WAFER SYSTEMS LIMITED

威發系統有限公司

(Incorporated in the Cayman Islands with limited liability)

THIRD QUARTERLY REPORT 2003

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.

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The Exchange 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 (“the Directors”) of Wafer Systems Limited (“the Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all responsible enquiries, confirm that, to the best of their knowledge and belief: (i) the information contained in this report is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this report misleading; and (iii) 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.

TO OUR SHAREHOLDERS

The board of Directors (the “Board”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the nine months ended 30 September 2003 (the “Review Period”) together with the comparative unaudited figures for the corresponding period in 2002.

During the Review Period, the Group continued to maintain a healthy growth in its business despite the soft market situation. Due to the Group’s continued progress in cost management and the leveraging of benefits generated by its scaled-up activities accrued from last year, the Group managed to turnaround from loss to profit during the Review Period.

BUSINESS OVERVIEW AND REVIEW

Financial Review

For the nine months ended 30 September 2003, the Group continued to report steady growth, with a turnover increase of 12.8% to approximately HK\$127.9 million (2002: HK\$113.4 million). Net profit attributable to shareholders amounted to approximately HK\$483,000, a significant turnaround as compared with the loss of approximately HK\$6,552,000 in the corresponding period last year.

Professional Services and Network Software continued to increase their contribution to turnover during the Review Period. The Professional Services business increased 71.5% in turnover to reach approximately HK\$24.0 million (2002: HK\$14.0 million), while the Network Software Business increased 89.6% to approximately HK\$677,000 (2002: HK\$357,000). These two business segments now together accounted for 19.3% (2002:12.7%) of the Group’s total turnover, while contribution from the Network Infrastructure business segment slightly decreased to 80.7% (2002: 87.3%). With the increasing demand for Next Generation Network (“NGN”), Professional Services and Network Software are expected to contribute an even greater share to both turnover and profit of the Group in the future.

Interim Dividend

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

Business Review

During the past three months, the Group has made significant achievements in the area of its Network Infrastructure and Network Security businesses in Hong Kong. Enjoying a strong reputation and a high customer satisfaction level, the Group also successfully broadened its clientele in winning new projects from renowned companies such as New World PCS Limited and Galaxy Satellite Broadcasting Limited. Network Infrastructure continued to be the largest contributor to the Group’s business during the Review Period.

Building on its solid foundations, the Group’s NGN business operated smoothly during the Review Period. The Group, in partnership with Cisco Systems Inc. (“Cisco”), has finalized the 2nd phase of the NGN related infrastructure project with a well-known customer in Sichuan Province. In addition, the Group now has four other similar systems on trial with major telecommunications companies in Mainland China.

Additionally, performance in the Professional Services business continues to gain momentum. This rapid growth has mainly been fueled by business from multinational corporations (“MNCs”) and domestic enterprises customers, which have rebounded as the spectre of SARS has been removed. The Group won contracts from leading companies such as Dow Chemicals and Sun Microcomputer Systems during the Review Period. Impressed by the Group’s thriving track record as well as its established reputation with MNCs, the Group was appointed by EMC Corporation, the world leader in information storage systems, software, networks, and services, as one of its Global Distribution Partner. This partnership will enhance the Group’s ability to deliver top quality and comprehensive solutions and services to its extensive client base.

The Network Software business also experienced substantial growth during the Review Period. The Group continued to benefit from the profits of its practical, effective and proprietary NextG IP Billing Software. This software is being sold in the Greater China region as well as overseas. The Group’s strong expertise in software development, which, when applied to clients from the NGN projects, creates the synergy effects with the Group’s core businesses. This has enabled the Group to reach a higher level of profitability.

PROSPECTS

Looking ahead, the Group is identifying a number of strategic opportunities that will further advance its development, and more importantly, shape its performance in the years to come.

The Group is widely recognized for its capabilities in developing NGN and for its innovative technologies and tailor-made services. In gearing up for the future, NGN will continue to be a growth driver for the Group and it will draw on the strength of its strong foothold among MNCs and domestic enterprises to proactively promote the NGN business to potential clients.

With the traditionally high season of the industry in the 4th Quarter, the Group's sound business fundamental and a backlog of approximately HK\$23 million as at 30 September 2003, the Group is confident that it will achieve better sales performances in the coming months of the year.

FINANCIAL INFORMATION

Unaudited Consolidated Financial Results

	Note	For the three months ended 30 September		For the nine months ended 30 September	
		2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Turnover	2	33,721	40,004	127,919	113,380
Other operating income		28	84	116	243
Materials and equipment		(22,737)	(30,467)	(92,480)	(85,653)
Staff costs		(4,065)	(4,474)	(12,186)	(13,868)
Depreciation and amortization		(1,332)	(1,298)	(4,151)	(3,483)
Other operating expenses		(5,382)	(5,721)	(16,136)	(14,927)
Profit (loss) from operations	3	233	(1,872)	3,082	(4,308)
Finance costs		(815)	(54)	(2,599)	(1,653)
Profit (loss) before taxation		(582)	(1,926)	483	(5,961)
Taxation	4	-	65	-	(591)
Net profit (loss) attributable to shareholders		<u>(582)</u>	<u>(1,861)</u>	<u>483</u>	<u>(6,552)</u>
Earning (loss) per share	5				
- Basic (cents)		<u>(0.20)</u>	<u>(0.66)</u>	<u>0.17</u>	<u>(2.89)</u>
- Diluted (cents)		<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL RESULTS

(1) Basis of Presentation

The unaudited consolidated results have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants.

The principal accounting policies and basis of preparation adopted for the preparation of the unaudited consolidated results are consistent with those adopted by the Group in its annual financial statements for the year ended 31 December 2002, except for the Group's adoption of SSAP 12 (Revised) "Income taxes" issued by the Hong Kong Society of Accountants. The adoption of this SSAP has not had any material effect on the results for the current and prior period.

Certain comparative figures have been reclassified to conform with the current period's presentation.

The unaudited consolidated results have been reviewed by the audit committee of the Company (the "Audit Committee").

(2) Turnover and revenue

An analysis of the Group's turnover and revenue recognized for the three months and the nine months ended 30 September 2003 together with the comparative figures for the corresponding period in 2002 are as follows:

	For the three months ended 30 September,		For the nine months ended 30 September,	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Network infrastructure	22,218	31,682	103,252	99,033
Professional services	11,126	8,105	23,990	13,990
Network software	377	217	677	357
Total turnover	33,721	40,004	127,919	113,380
Other operating income				
- Interest income	28	84	116	243
Total revenue	<u>33,749</u>	<u>40,088</u>	<u>128,035</u>	<u>113,623</u>

(3) **Profit (loss) from operations**

Profit (loss) from operations has been arrived at after charging:

	For the three months ended 30 September, 2003		For the nine months ended 30 September, 2003	
	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Amortization of software products development cost	462	459	1,615	986
Depreciation of property, plant and equipment	870	839	2,536	2,497
Staff costs (including Directors' remuneration)	4,065	4,474	12,186	13,868
Loss on disposal of investment	—	—	360	—

(4) **Taxation**

Taxation charges consisted of:

	For the three months ended 30 September, 2003		For the nine months ended 30 September, 2003	
	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current taxation – Hong Kong profits tax	—	(245)	—	145
PRC income tax	—	180	—	446
	<u>—</u>	<u>(65)</u>	<u>—</u>	<u>591</u>

No provision for Hong Kong profits tax has been made during the Review Period as the Group had no assessable profit arising in or derived from Hong Kong (2002: 16% on estimated assessable profits). PRC income tax has not been provided during the Review Period as the Company's PRC subsidiaries had no assessable profit (2002: 15% on estimated assessable profits) or were within their tax exemption period. No deferred taxation assets were recognised as at 30 September 2003 and 2002 as their recoverability were uncertain.

(5) **Earnings (loss) per share**

The calculation of basic earnings (loss) per share for the three months and nine months ended 30 September 2003 is based on the unaudited net profit (loss) attributable to shareholders of approximately HK\$582,000 and HK\$483,000 (three months and nine months ended 30 September 2002: net loss of approximately HK\$1,861,000 and approximately HK\$6,552,000 respectively) and on the weighted average number of approximately 289,945,000 shares and approximately 286,092,000 shares, respectively (2002: approximately 282,268,000 shares and approximately 226,989,000 shares, respectively) in issue during the period.

Diluted earnings (loss) per share has not been presented for the three months and nine months ended 30 September 2003 and its corresponding period in 2002 since the effect is anti-dilutive.

(6) **Reserves**

	Share premium	Statutory surplus reserves fund	Enterprise expansion fund	Staff welfare fund	Deficit	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 1 January 2002	20,059	543	272	272	(559)	20,587
Premium on new issue of shares to the public	30,251	—	—	—	—	30,251
Share issuance expenses	(11,642)	—	—	—	—	(11,642)
Premium on exercise of warrants	73	—	—	—	—	73
Premium on conversion of convertible note	17,084	—	—	—	—	17,084
Loss for the nine months ended 30 September 2002	—	—	—	—	(6,552)	(6,552)
As at 30 September 2002	<u>55,825</u>	<u>543</u>	<u>272</u>	<u>272</u>	<u>(7,111)</u>	<u>49,801</u>
As at 1 January 2003	55,824	1,003	502	502	(7,328)	50,503
Profit for the nine months ended 30 September 2003	—	—	—	—	483	483
As at 30 September 2003	<u>55,824</u>	<u>1,003</u>	<u>502</u>	<u>502</u>	<u>(6,845)</u>	<u>50,986</u>

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS OR SHORT POSITION IN SHARES AND UNDERLYING SHARES

As at 30 September, 2003, the interests and short positions of the Directors, chief executive of the Company and their respective associates in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Exchange pursuant to minimum standards of dealing by Directors as referred to in Rule 5.40 of the GEM Listing Rules, were as follows:

(i) Long positions in shares in the Company

Number of shares held

Name of Director	Personal interest		Family interest	Corporate interest		Other interest	Total interest in shares	Approximate percentage of the Company's issued share capital
	Capacity			Capacity				
Mr. Chan Sek Keung, Ringo	1,896,000	<i>Beneficial owner</i>	-	56,400,000	<i>Interest of a controlled corporation</i>	-	58,296,000	20.11%

Note: Such shares in the Company are held by Woodstock Management Limited ("Woodstock"), a company wholly owned by Mr. Chan Sek Keung, Ringo, who is deemed (by virtue of the SFO) to be interest in these shares.

(ii) Long positions in underlying shares in the Company (Directors' rights to acquire shares)

Unlisted options *(Note)* (Cash settled equity derivatives) As at 30 September 2003

Name of Director	Capacity	Number of		Aggregate interest	Approximately percentage of the Company's issued share capital
		Pre-IPO Options (granted on 30 April 2002)	Post-IPO Options (granted on 20 February 2003)		
Mr. Chan Sek Keung, Ringo	<i>Beneficial owner</i>	3,000,000	1,200,000	4,200,000	1.45%
Mr. Pang Hing Chung, Alfred	<i>Beneficial owner</i>	750,000	750,000	1,500,000	0.52%
Mr. Tsoi Tai Wai, David	<i>Beneficial owner</i>		750,000	750,000	0.26%
Mr. Alasdair Gordon Nagle	<i>Beneficial owner</i>		375,000	375,000	0.13%
Ms. Clara Ho	<i>Beneficial owner</i>		375,000	375,000	0.13%
Mr. Kwan Kit Tong	<i>Beneficial owner</i>		375,000	375,000	0.13%

Note: Each of these Directors' interests represents their long positions in the underlying shares in the Company by virtue of options granted to the Directors pursuant to a pre-IPO share option scheme and a post-IPO share option scheme, both adopted by the Company on 20 April 2002 (further details are set out under the section headed "Share Option Schemes" in this report).

Save as disclosed above, as at 30 September 2003, none of the Directors nor the chief executive of the Company or their respective associates had any interest or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Exchange pursuant to the minimum standards of dealing by Directors as referred to in Rule 5.40 of the GEM Listing Rules.

SUBSTANTIAL SHAREHOLDERS AND OTHER SHAREHOLDERS WHOSE INTEREST ARE RECORDED UNDER SECTION 336 OF THE SFO

As at 30 September 2003, the following persons or corporations had interests in the shares and underlying shares in the Company which were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions in shares in the Company

Name of shareholder	Notes	Capacity	Type of interests	Number of shares	Approximate percentage of the Company's issued share capital
Woodstock	(a)	<i>Beneficial owner</i>	Corporate	56,400,000	19.45%
Mr. Chan Sek Keung, Ringo	(b)	<i>Beneficial owner</i>	Personal	1,896,000	0.65%
		<i>Interest of a controlled corporation</i>	Corporate	56,400,000	19.45%
The Applied Research Council ("ARC")	(c)	<i>Beneficial owner</i>	Corporate	48,460,000	16.71%

Name of shareholder	Notes	Capacity	Type of interests	Number of shares	Approximate percentage of the Company's issued share capital
HSBC Private Equity Technology (Asia) Limited	(d)	Investment manager	Corporate	48,460,000	16.71%
HSBC Private Equity (Asia) Limited	(d)	Interest of a controlled corporation	Corporate	48,460,000	16.71%
North 22 Nominees Limited		Beneficial owner	Corporate	36,900,000	12.73%
Mr. Ng Lai Yick	(e)	Interest of a controlled corporation	Corporate	36,900,000	12.73%
QPL International Holdings Limited ("QPL")		Beneficial owner	Corporate	35,456,745	12.23%
Mr. Li Tung Lok	(f)	Interest of a controlled corporation	Corporate	35,456,745	12.23%
Madam Su Ching Wah	(f)	Interest of spouse	Family	35,456,745	12.23%
North 22 Capital Partners Inc.		Beneficial owner	Corporate	19,652,000	6.78%

Notes:

- (a) These shares are held by Woodstock, a company wholly owned by Mr. Chan Sek Keung, Ringo.
- (b) Mr. Chan Sek Keung, Ringo is deemed (by virtue of the SFO) to be interested in the 56,400,000 shares held by Woodstock as Woodstock is wholly owned by Mr. Chan Sek Keung, Ringo.
- (c) In addition to these shares, ARC also holds three convertible bonds issued by the Company with a face value of HK\$12,460,000 in aggregate. If these three convertible bonds were fully converted on their respective maturity dates, ARC would hold an additional 23,656,730 shares in the Company.
- (d) HSBC Private Equity Technology (Asia) Limited is deemed (by virtue of the SFO) to be interested in these shares as it is the investment manager of ARC.
HSBC Private Equity (Asia) Limited is deemed (by virtue of the SFO) to be interested in these shares as HSBC Private Equity Technology (Asia) Limited is its wholly owned subsidiary.
- (e) Mr. Ng Lai Yick is deemed (by virtue of the SFO) to be interested in these shares as North 22 Nominees Limited is beneficially wholly owned by him.
- (f) Mr. Li Tung Lok is the controlling shareholder of QPL and is deemed (by virtue of the SFO) to be interested in the 35,456,745 shares held by QPL.
Madam Su Ching Wah is the spouse of Mr. Li Tung Lok and is deemed (by virtue of the SFO) to be interested in the 35,456,745 shares held by QPL.

Long positions in underlying shares in the Company

Name of Shareholder	Notes	Capacity	Amount of convertible bonds of the Company issued	Number of underlying Shares
Mr. Chan Sek Keung, Ringo	(a)	Beneficial owner	–	4,200,000
ARC	(b)	Beneficial owner	HK\$12,460,000	23,656,730
HSBC Private Equity Technology (Asia) Limited	(c)	Investment manager	HK\$12,460,000	23,656,730
HSBC Private Equity (Asia) Limited	(c)	Interest of a controlled corporation	HK\$12,460,000	23,656,730

Notes:

- (a) Particulars of these underlying shares are disclosed in the paragraph headed “Long position in underlying shares in the Company” in the section headed “Directors’ and chief executive’s interests or short positions in shares and underlying shares” above.
- (b) Pursuant to an agreement dated 26 April 2002 entered into among ARC, the Group and Woodstock, ARC would subscribe for five convertible bonds to be issued by the Company with respective face values of HK\$4,188,100, HK\$3,400,000, HK\$4,800,000, HK\$4,660,000 and HK\$3,000,000. As at 30 September 2003, the Company has redeemed two convertible bonds of face value of HK\$4,188,100 and HK\$3,400,000 respectively on their maturity date leading to ARC’s underlying interests in Company’s shares being decreased from 38,063,603 shares to 23,656,730 shares.
- (c) HSBC Private Equity Technology (Asia) Limited is deemed (by virtue of the SFO) to be interested in 23,656,730 underlying shares held by ARC as the Company is the investment manager of ARC.

HSBC Private Equity (Asia) Limited is deemed (by virtue of the SFO) to be interested in 23,656,730 underlying shares held by ARC as HSBC Private Equity Technology (Asia) Limited is its wholly owned subsidiary.

Save as disclosed above, as at 30 September 2003, the Company had not been notified by any person or corporation who/which had interests or short positions in the shares or underlying shares in the Company which would fall to be disclosed to the Company or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

SHARE OPTION SCHEMES

The Company in a general meeting held on 20 April 2002 adopted both a pre-IPO share option scheme (the “Pre-IPO Share Option Scheme”) and a post-IPO share option scheme (the “Post-IPO Share Option Scheme”).

Save as disclosed below, no options granted pursuant to either the Pre-IPO Share Option Scheme or the Post-IPO Share Option Schemes had been exercised during the Review Period.

All the below-mentioned options are unlisted and represent cash settled equity derivatives.

(a) Pre-IPO Share Option Scheme

One single grant of 11,913,000 shares in aggregate, was made to various participants on 30 April 2002 at an exercise price of HK\$0.55 under this scheme.

No options had lapsed under the Review Period. As at 30 September 2003, options comprising an aggregate of 10,073,000 shares were outstanding, as detailed below:

Type of Participants	As at 31 December 2002	Cancelled during Review Period	As at 30 September 2003
Directors	3,750,000	0	3,750,000
Adviser	750,000	0	750,000
Employees	5,913,000	340,000 (<i>Note</i>)	5,573,000
Total	10,413,000	340,000	10,073,000

Note: These options, granted to 4 employees, were cancelled according to the rules of this scheme due to the employees having left the Group.

The above outstanding options may be exercised, in accordance with the terms of the Pre-IPO Share Option Scheme, before 30 April 2012.

(b) Post-IPO Share Option Schemes

- (i) The first grant of 5,277,000 shares in aggregate, was made to various participants on 12 July 2002 at an exercise price of HK\$0.384 under this scheme.

No options had lapsed under the Review Period. As at 30 September 2003, options comprising an aggregate of 3,529,000 shares were outstanding, as detailed below:

Type of Participants	As at 31 December 2002	Cancelled during Review Period	As at 30 September 2003
Employees	5,007,000	1,478,000 (<i>Note</i>)	3,529,000

Note: These options, granted to 22 employees, were cancelled according to the rules of this scheme due to the employees having left the Group.

The above outstanding options may be exercised, in accordance with the terms of the Post-IPO Share Option Scheme, before 12 July 2012.

- (ii) The second grant of 7,859,000 shares in aggregate, was made to various participants on 20 February 2003 at an exercise price of HK\$0.138 per share under this scheme.

No options had lapsed during the Review Period. As at 30 September 2003, options under this grant, comprising an aggregate of 7,629,000 shares, were outstanding, as detailed below:

Type of Participants	As at 20 February 2003 (Date of Grant)	Cancelled during Review Period	As at 30 September 2003
Directors	3,825,000	0	3,825,000
Adviser	300,000	0	300,000
Employees	3,734,000	230,000 (Note)	3,504,000
Total	7,859,000	230,000	7,629,000

Note: These options, granted to 9 employees, were cancelled according to the rules of this scheme due to the employees having left the Group.

The above outstanding options may be exercised in accordance with the terms of the Post-IPO Share Option Scheme between 20 February 2004 and 19 February 2013, ten years from the date of grant of the options.

COMPETITION AND CONFLICT OF INTERESTS

Each of the Directors and the management shareholders of the Company and their respective associates (as defined in the GEM Listing Rules) has confirmed that none of them had any business or interest in companies that competes or may compete with the business of the Group or any other conflict of interests with the interests of the Group.

SPONSOR'S INTERESTS

As confirmed by the Company's sponsor, CSC Asia Limited (the "Sponsor"), as at 30 September 2003, neither the Sponsor nor its directors, employees and associates (as referred in Note 3 to Rule 6.35 of the GEM Listing Rules) had any interest 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 members of the Group.

At the time of and subsequent to the listing of shares in the Company on GEM, the Sponsor received and will receive fees under a sponsor's agreement dated 10 May 2002 between the Company and the Sponsor in connection with services rendered and to be rendered by the Sponsor pursuant to Rules 6.01 and 17.81 of the GEM Listing Rules.

AUDIT COMMITTEE

The Company established an Audit Committee on 29 October 2001 with written terms of reference in compliance with Rules 5.23 to 5.25 of the GEM Listing Rules and with reference to the guidelines published by the Hong Kong Society of Accountants.

The Audit Committee consists of two independent non-executive Directors, namely, Mr. Tsoi Tai Wai, David and Mr. Pang Hing Chung, Alfred and the executive Director, Mr. Chan Sek Keung, Ringo. Mr. Tsoi is the Chairman of the Audit Committee.

The Audit Committee has reviewed the draft of this report and has provided advice and comments thereon.

BOARD PRACTICES AND PROCEDURES

The Company has complied with the board practices and procedures as set out in Rule 5.28 to 5.39 of the GEM Listing Rules during the Review Period.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the nine months ended 30 September 2003, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

By Order of the Board
Wafer Systems Limited
CHAN Sek Keung, Ringo
Chairman and Chief Executive Officer