



Q9 Technology Holdings Limited
(九方科技控股有限公司)*
(Incorporated in the Cayman Islands with limited liability)

Third Quarterly Report 2003



* For identification purposes only

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This report, for which the directors of Q9 Technology Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market (“GEM Listing Rules”) of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Company. 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.

FINANCIAL HIGHLIGHTS

- HK\$6,528,000 turnover was achieved for the nine months ended 30th September 2003, representing an increase of 116.9% from the corresponding period of last year.
- HK\$3,383,000 turnover was achieved for the three months ended 30th September 2003, representing an increase of 337% from the corresponding period of last year.
- HK\$2,874,000 OEM licensing revenue was achieved for the nine months ended 30th September 2003. The OEM licensing revenue represents 44% of the Group's turnover for the first nine months ended 30th September 2003, as compared to 4.25% in the corresponding period of 2002.
- Twelve OEM license agreements were signed by the Group and the Group's associated company in Taiwan during the first nine-month period ended 30th September 2003.
- HK\$3,394,000 Packaged software sales was achieved for the first nine-month period ended 30th September 2003, representing an increase of 23.8% from the corresponding period of last year.
- HK\$404,000 of net profit and HK\$1,660,000 of turnover were achieved for the month of September 2003, representing the first month where the Group achieved profitability and reversed the trend of losses since the Group was listed on the GEM. HK\$1,240,000 OEM licensing revenue was achieved for the month of September 2003, which represents 74.7% of the Group's turnover for the same month.
- The Group substantially reduced its operating expenses in the first nine-month period of 2003, whereby selling and distribution expenses, research and development expenses, and general and administrative expenses, and total operating expenses were reduced by 72%, 78%, 34% and 60% respectively, as compared to the first nine-month period of 2002.
- The Group recorded a net loss attributable to shareholders for the nine months ended 30th September 2003 of HK\$4,347,000 (which is a reduction of 80% from the corresponding period of 2002 with net loss attributable to shareholders for that period being HK\$22,244,000).
- The Group recorded a net loss attributable to shareholders for the three months ended 30th September 2003 of HK\$290,000 (which is a reduction of 95% from the corresponding period of 2002 with net loss attributable to shareholders for that period being HK\$5,653,000).

The unaudited consolidated results for the nine months ended 30th September 2003 and the comparison with last year are set out in the accompanying table.

NINE MONTH RESULTS (UNAUDITED)

The Board of Directors (the "Directors") of Q9 Technology Holdings Limited (the "Company") are pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the three months and nine months ended 30th September 2003, together with the unaudited comparative figures for the corresponding periods in 2002 as follows:

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT (UNAUDITED)

	Notes	Three months ended 30th September		Nine months ended 30th September	
		2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Turnover	2	3,383	774	6,528	3,010
Cost of sales		(278)	(164)	(656)	(508)
Gross profit		3,105	610	5,872	2,502
Other revenues	2	72	282	247	630
Selling and distribution expenses		(974)	(1,606)	(2,780)	(9,839)
Research and development expenses		(409)	(2,202)	(1,492)	(6,774)
General and administrative expenses		(2,084)	(2,975)	(5,996)	(9,074)
Operating loss		(290)	(5,891)	(4,149)	(22,555)
Share of losses of an associate		—	—	(198)	—
Loss for the period		(290)	(5,891)	(4,347)	(22,555)
Minority interests		—	238	—	311
Loss attributable to shareholders		(290)	(5,653)	(4,347)	(22,244)
		HK Cents	HK Cents	HK Cents	HK Cents
Loss per share	5	(0.02)	(0.45)	(0.35)	(1.78)

Notes:

1 Basis of presentation

(a) *Basis of preparation and principal accounting policies*

The principal accounting policies adopted in preparing the unaudited quarterly results conform with Statement of Standard Accounting Practice issued by Hong Kong Society of Accountants (“HKSA”) and comply with the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “GEM Listing Rules”).

The same principal accounting policies adopted in the Group’s annual financial statements for the year ended 31st December 2002 have been applied to the Group’s quarterly results, which are in accordance with accounting principles generally accepted in Hong Kong.

(b) *Associate*

An associate is an enterprise in which the Group has significant influence and which is neither a subsidiary nor a joint venture of the Group.

The results of the associates are accounted for by the Group using the equity method of accounting. The Group’s investments in associates are stated at its share of net assets of the associate. The Company’s investments in associates are stated at cost less impairment losses.

2 Turnover, revenue and segment information

The Group is principally engaged in software and embedded systems development. Turnover and other revenues of the Group are as follows:

	Unaudited		Unaudited	
	Three months ended		Nine months ended	
	30th September		30th September	
	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover				
Sale of goods at invoiced value, net of returns and discounts	1,417	662	3,654	2,882
Licensing fee income	1,966	112	2,874	128
	<u>3,383</u>	<u>774</u>	<u>6,528</u>	<u>3,010</u>
Other revenues				
Interest	70	166	245	504
Others	2	116	2	126
	<u>72</u>	<u>282</u>	<u>247</u>	<u>630</u>
Total revenues	<u>3,455</u>	<u>1,056</u>	<u>6,775</u>	<u>3,640</u>

In accordance with the Group's internal financial reporting, the Group has determined that business segment is presented as the primary reporting format and geographic segment as the secondary reporting format.

No business segment analysis is provided as software and embedded systems development is the Group's only business segment.

The Group's turnover by geographical segment analysis is as follows:

	Unaudited		Unaudited	
	Three months ended		Nine months ended	
	30th September		30th September	
	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	2,880	631	5,161	2,791
Mainland China	503	139	1,367	211
USA	—	4	—	8
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	3,383	774	6,528	3,010
	=====	=====	=====	=====

3 Taxation

No provision for Hong Kong profits tax has been made as the Group had no assessable profits in Hong Kong for the nine months ended 30th September 2003 (nine months ended 30th September 2002: Nil). The subsidiaries operating in Mainland China have no assessable profits during the relevant periods and accordingly no provision for Mainland China income tax has been made.

As at 30th September 2003, the Group had deferred tax assets of approximately HK\$11 million (31st December 2002: HK\$10,594,000) mainly arising from tax effect of timing difference attributable to tax losses which can be carried forward to offset against future taxable profits. The potential deferred tax asset has not been recognized due to the unpredictability of future profit streams.

4 Interim dividend

The Directors do not recommend the payment of interim dividend for the nine months ended 30th September 2003 (nine months ended 30th September 2002: Nil).

5 Loss per share

The calculation of basic loss per share for the three months and nine months ended 30th September 2003 is based on the unaudited consolidated loss attributable to shareholders of HK\$290,000 and HK\$4,347,000 respectively (three months and nine months ended 30th September 2002: HK\$5,653,000 and HK\$22,244,000 respectively) and on the weighted average of 1,246,350,000 (three months and nine months ended 30th September 2002: 1,250,000,000) ordinary shares in issue during the periods.

No diluted earnings per share is presented as the exercise of the subscription rights attached to the share options and warrants would not have a dilutive effect on the loss per share.

6 Reserves

Movements of reserves of the Group are as follows:

	Share premium (unaudited) HK\$'000	Capital redemption reserve (unaudited) HK\$'000	Warrants reserve (unaudited) HK\$'000	Reorganisation reserve (unaudited) HK\$'000	Accumulated losses (unaudited) HK\$'000	Total (unaudited) HK\$'000
At 1st January 2002	88,627	—	—	3,000	(39,323)	52,304
Issue of warrants	—	—	6,250	—	—	6,250
Warrant issue expenses	(888)	—	—	—	—	(888)
Repurchase of shares	(138)	—	—	—	—	(138)
Loss for the nine months ended 30th September 2002	—	—	—	—	(22,244)	(22,244)
At 30th September 2002	<u>87,601</u>	<u>—</u>	<u>6,250</u>	<u>3,000</u>	<u>(61,567)</u>	<u>35,284</u>
At 1st January 2003	<u>87,601</u>	<u>37</u>	<u>6,250</u>	<u>3,000</u>	<u>(71,505)</u>	<u>25,383</u>
Loss for the nine months ended 30th September 2003	—	—	—	—	(4,347)	(4,347)
At 30th September 2003	<u>87,601</u>	<u>37</u>	<u>6,250</u>	<u>3,000</u>	<u>(75,852)</u>	<u>21,036</u>

BUSINESS REVIEW AND PROSPECTS

The consolidated turnover of the Company and its subsidiaries for the nine months ended 30th September 2003 amounted to HK\$6,528,000, representing an increase of 116.9% from the corresponding period of last year. OEM licensing revenue for the first nine-month period of 2003 amounted to HK\$2,874,000 representing about 44% of Turnover (first nine-month period of 2002: 4.25%). Loss attributable to shareholders for the nine months ended 30th September 2003 amounted to HK\$4,347,000 compared to HK\$22,244,000 for the corresponding period of last year. The loss per share for the first nine-month period was HK0.35 cent (first nine-month period of 2002: loss per share of HK1.78 cents).

In 2003, the Group continued to focus on marketing existing products to OEM customers through its own sales force, developing new products only in response to definite orders from customers, and penetrating the end user markets through the resources and network of its strategic partners. During the nine months ended 30th September 2003, the Group substantially reduced its operating expenses, whereby selling and distribution expenses, research and development expenses, general and administrative expenses, and total operating expenses were reduced by 72%, 78%, 34% and 60% respectively compared to corresponding period in 2002. Total operating expenses for the first nine-month period of 2003 amounted to HK\$10,268,000 (first nine-month period of 2002: HK\$25,687,000).

The Group continues to concentrate its marketing efforts on OEM manufacturers of mobile phones, desk-top phones and digital set-top boxes, and steady progress have been made. During the quarter ended 30th September 2003, a desk-top SMS phone manufactured by one of the Group's OEM customers was launched in Hong Kong by a large fixed line operator with good market response. As a combined result of a significant increase in OEM licensing revenue and the Group's efforts in minimizing operating expenses, HK\$404,000 of net profit was achieved in September 2003, representing the first month where the Group achieved profitability and reversed the trend of losses since the Group was listed on the GEM. HK\$1,240,000 OEM licensing revenue was achieved for the month of September 2003, which represents 74.7% of the Group's turnover for the same month. The Group expects that OEM licensing revenue will continue to grow and become a significant portion of the Group's turnover.

COMPARISON OF THE BUSINESS OBJECTIVES SET OUT IN THE PROSPECTUS WITH ACTUAL BUSINESS PROGRESS

Appointing distributors for new markets

The Group decided to defer launching Q9 CIS in new markets until definite prospects are identified, as the Group intends to focus its marketing efforts in the Greater China market, and not to divert attention and resources in other markets as originally planned.

Continuing its marketing campaign in the Greater China market

The Group signed an agreement with Shantou Idall Electronic Company Ltd (“Idall”) in February 2003, under which Idall was appointed as the sole National Distributor of Q9 CIS packaged software for the entire market in the PRC (excluding Hong Kong, Macau and Taiwan). The Group is working closely with Idall to support its marketing programmes for Q9 CIS packaged software, targeting educational institutions and the end users in the China market. Idall is preparing for the market launch of Q9 CIS packaged software in China in the last quarter of 2003.

Continuing research and development into mobile information platform, Q9 CIS for non-Asian languages and an intelligent character output system

While the Group continued its research and development efforts in the application of Q9 CIS for use in the operating systems of different mobile phones and desk-top phones, the Group decided to stop its further research and development activities on projects not requested by the customers. Hence the Group has deferred the next phase of development of its mobile information platform, Q9 CIS for non-Asian languages and the development an intelligent character output system, until there is a specific request from customers as the next phase of development will be conducted in close cooperation with customers.

Securing further licensing agreements

Twelve OEM license agreements were signed by the Group and the Group's associated company in Taiwan during the first nine-month period ended 30th September 2003. The Group's OEM licensing revenue for the first nine months of 2003 was HK\$2,874,000. HK\$1,240,000 OEM license revenue was achieved for the month of September 2003, which represents 74.7% of the Group's turnover for the month. A number of new models from OEM manufacturers are being ported with Q9 CIS in preparation for market launch.

The Group is also currently negotiating several license agreements with OEM manufacturers of mobile phones, desk-top phones and digital set-top boxes, and steady progress have been made.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30th September 2003, the interests of the Directors and the chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong) (the "SFO")) which (a) are 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 and short positions which they are taken or deemed to have under such provisions of the SFO); or (b) were recorded in the register required to be kept under Section 352 of the SFO, or (c) have to be notified to the Company and the Stock Exchange pursuant to the minimum standards of dealing by Directors as referred to in Rule 5.40 of the GEM Listing Rules, were as follows:

(a) LONG POSITIONS IN SHARES OF THE COMPANY

Director	Number of shares held				Total	Approximate percentage holding
	Personal interests	Family interests	Corporate interests	Other interests		
Leung Lap Yan	Nil	Nil	283,390,000 (Note 1)	Nil	283,390,000	22.73%

Note:

- 1 Mr. Leung Lap Yan was deemed to be interested in 283,390,000 shares through his controlling interest (55%) in Step Up Company Limited.

(b) **LONG POSITIONS IN UNDERLYING SHARES OF THE COMPANY**

(i) **Pre-IPO Share Option Scheme and the First Post-IPO Share Option Scheme**

The Company adopted the Pre-IPO Share Option Scheme on 5th May 2001 which was terminated on 7th May 2001 and replaced on the same date by the first Post-IPO Share Option Scheme (the Pre-IPO Share Option Scheme and the first Post-IPO Share Option Scheme are together called the "Old Share Option Schemes"). The first Post-IPO Share Option Scheme was terminated on 30th April 2002 and replaced on the same date by a second Post-IPO Share Option Scheme (the "New Share Option Scheme") which remained in force as at 30th September 2003.

Outstanding options granted under the Old Share Option Schemes remain to be exercisable. Details of the Old Share Option Schemes are set out in the sub-section headed "Old Share Option Schemes" under the section headed "Share Option Schemes" below.

As at 30th September 2003, information on share options which had been granted to Directors under the Old Share Option Schemes and which remained outstanding was as follows:

Director	Number of options outstanding as at 1st January 2003 and 30th September 2003 [#]	Exercise price	Exercise period [*]	Date of grant
Dr. Lim Yin Cheng	84,480,000	HK\$0.36	See Note 1 below	5th May 2001
Mr. Leung Lap Yan	71,720,000	HK\$0.36	See Note 1 below	5th May 2001
Mr. Leung Lap Fu Warren	14,470,000	HK\$0.36	See Note 2 below	5th May 2001
Mr. Lau Man Kin	13,390,000	HK\$0.36	See Note 1 below	5th May 2001
Mr. Tam Kam Biu William	6,400,000	HK\$0.36	See Note 2 below	5th May 2001
Mr. Fung Siu To Clement	2,560,000	HK\$0.36	See Note 2 below	5th May 2001
Mr. Kwan Kin Chung	1,150,000	HK\$0.36	See Note 2 below	5th May 2001
Mr. Kwan Po Lam Phileas	1,000,000	HK\$0.45	18th May 2001 to 17th May 2011	18th May 2001
Mr. Lun Pui Kan	1,920,000	HK\$0.36	See Note 2 below	5th May 2001
Mr. Lun Pui Kan	3,000,000	HK\$0.45	18th May 2001 to 17th May 2011	18th May 2001

No option has granted to a Director which has lapsed during the period from 1st January 2003 to 30th September 2003.

* The exercise period is, unless otherwise stated in that column, from 5th May 2001, the date of grant of the options (subject to such options having vested, details of which are set out below), to 4th May, 2011, ten years from the date of grant. The vesting dates of the options and the percentage of options vested or vesting on such dates are set out below.

Date of vesting of the options (that is, the date when the options become/became exercisable)	Percentage of options vested/ vesting on such dates	
	Note 1	Note 2
(a) 18th November 2001	10%	10%
(b) 18th May 2002	10%	20%
(c) 18th November 2002	10%	20%
(d) 18th May 2003	20%	20%
(e) 18th November 2003	20%	20%
(f) 18th May 2004	20%	10%
(g) 18th November 2004	10%	—

(ii) **New Share Option Scheme**

Details of the New Share Option Scheme are set out in the subsection headed "New Share Option Scheme" under the section headed "Share Option Schemes" below.

No option had been granted to the Directors under the New Share Option Scheme for the nine months ended 30th September 2003.

Save as disclosed above, as at 30th September 2003, none of the Directors or the chief executives of the Company had any interests 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 (a) are 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 and short positions which they are taken or deemed to have under such provisions of the SFO); or (b) were recorded in the register required to be kept under Section 352 of the SFO, or (c) have to be notified to the Company and the Stock Exchange pursuant to the minimum standards of dealing by Directors as referred to in Rule 5.40 of the GEM Listing Rules. During the nine months ended this period, no debt securities had been issued by the Group.

SHARE OPTION SCHEMES

(a) OLD SHARE OPTION SCHEMES

Under the Old Share Option Schemes, options to subscribe for up to an aggregate of 238,230,000 shares of HK\$0.01 each at a subscription price ranging between HK\$0.142 and HK\$0.482 per share had been granted to certain Directors, employees and advisors, of which 15,110,000 options granted to employees lapsed during the year ended 31st December 2002. During the nine months ended 30th September 2003, 2,100,000 options granted to employees lapsed and no option had been exercised or granted. A summary of the outstanding options granted under the Old Share Option Schemes is as follows:

Grantee	Date of grant	Exercise price	Outstanding options as at 1st January 2003	Exercise period*	Options lapsed during the period	Outstanding options as at 30th September 2003
Directors	5th May 2001	HK\$0.36	169,590,000	See Note 2(a) below	—	169,590,000
Directors	5th May 2001	HK\$0.36	27,140,000	See Note 2(b) below	—	26,500,000
Directors	18th May 2001	HK\$0.45	4,000,000	18th May 2001 to 17th May 2011	—	4,000,000
Director (resigned)	5th May 2001	HK\$0.36	—	See Note 2(b) below	—	640,000
Employees	5th May 2001	HK\$0.36	9,010,000	See Note 2(b) below	2,100,000 (Note 1)	6,910,000
Employee	18th May 2001	HK\$0.45	720,000	18th May 2001 to 17th May 2011	—	720,000
Employee	11th October 2001	HK\$0.142	100,000	11th October 2001 to 10th October 2011	—	100,000
Advisors	5th May 2001	HK\$0.36	12,560,000	See Note 2(b) below	—	12,560,000
			<u>223,120,000</u>		<u>2,100,000</u>	<u>221,020,000</u>

* The exercise period is, unless otherwise stated in that column, from 5th May 2001, the date of grant of the options (subject to such options having vested, details of which are set out below), to 4th May 2011, ten years from the date of grant. The vesting dates of the options and the percentage of options vested and vesting on such dates are set out below.

Note:

- These options were granted to employees and they lapsed when the employees ceased their employment with the Company.

	Date of vesting of the options (that is, the date when the options become/ became exercisable)	Percentage of options vested/ vesting on such dates	
		Note 2(a)	Note 2(b)
(a)	18th November 2001	10%	10%
(b)	18th May 2002	10%	20%
(c)	18th November 2002	10%	20%
(d)	18th May 2003	20%	20%
(e)	18th November 2003	20%	20%
(f)	18th May 2004	20%	10%
(g)	18th November 2004	10%	—

Details of options granted to Directors under the Old Share Option Schemes are set out in the sub-section headed "Long position in underlying shares of the Company" under the section headed "Directors' and Chief executives' interest and short positions in shares, underlying shares and debentures".

(b) NEW SHARE OPTION SCHEME

The Company adopted the New Share Option Scheme in its annual general meeting of 2002 on 30th April 2002. Up to the nine months ended 30th September 2003, 10,000,000 options had been granted under the New Share Option Scheme by the Company.

Grantee	Date of grant	Exercise price	Exercise Period	Outstanding options as at	Outstanding options as at
				1st January 2003	30th September 2003
Advisors	10th July 2003	HK\$0.042	10th July 2003 to 9th July 2013	—	10,000,000

The closing price of the shares immediately before the date of grant of the options was HK\$0.035.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30th September 2003, according to the register of interests kept by the Company under Section 336 of the SFO, the following parties (other than the directors and chief executives of the Company) had interests or short positions in the shares or underlying shares of the Company which were required to be recorded in the register required to be kept under Section 336 of the SFO and/or were directly or indirectly interested in 5% or more of the issued share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group:

LONG POSITION IN SHARES OF THE COMPANY

Name of shareholder	Number of shares	Approximate percentage holding
Mega Fusion Limited	400,000,000	32.09%
Asia Orient Holdings Limited (Note 1)	400,200,000	32.10%
Mr. Poon Jing (Note 2)	400,200,000	32.10%
Step Up Company Limited	283,390,000	22.73%
Mr. Leung Lap Yan (Note 3)	283,390,000	22.73%
Winway H.K. Investments Limited	300,635,000	24.12%
Culturecom Holdings Limited (Note 4)	300,635,000	24.12%

Notes:

- 1 Asia Orient Holdings Limited is deemed to be interested in 400,200,000 shares through its controlling interest (100%) in Mega Fusion Limited and in Asia Orient Company Limited.
- 2 Mr. Poon Jing is deemed to be interested in 400,200,000 shares through his controlling interest (47.47%) in Asia Orient Holdings Limited.
- 3 Mr. Leung Lap Yan is deemed to be interested in 283,390,000 shares through his controlling interest (55%) in Step Up Company Limited.
- 4 Culturecom Holdings Limited is deemed to be interested in 300,635,000 shares through its controlling interest (100%) in Winway H.K. Investments Limited.

BOARD PRACTICES AND PROCEDURES

The Company has complied with the minimum standards of good practice concerning the general management responsibilities of the board as set out in rules 5.28 to 5.39 of the GEM Listing Rules throughout the accounting period covered by the third quarterly report.

DIRECTORS' INTEREST IN COMPETING BUSINESS

None of the Directors or the management shareholders of the Company (as defined in the GEM Listing Rules) has an interest in a business which competes or may compete with the business of the Group.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the nine months ended 30th September 2003, neither the Company nor its subsidiaries purchased, sold or redeemed any of the shares of the Company.

SPONSOR INTERESTS

As updated and notified by the Company's sponsor, Anglo Chinese Corporate Finance, Limited ("Anglo Chinese"), 3,660,000 shares and 850,000 shares of the Company are held by its holding company and two directors of Anglo Chinese as at 30th September 2003. Save as disclosed above, neither Anglo Chinese nor its directors or employees or associates (as referred to in Note 3 to rule 6.35 of the GEM Listing Rules) had any interests in the securities of the Company, including options or rights to subscribe for such securities.

Pursuant to the agreement dated 18th May 2001 entered into between the Company and Anglo Chinese, Anglo Chinese will receive a fee for acting as the Company's retained sponsor for the period from 18th May 2001 to 31st December 2003.

AUDIT COMMITTEE

The third quarterly results have been reviewed by the audit committee in accordance with rule 5.25 of the GEM Listing Rules.

APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved by the board of directors on 10th November 2003.

By order of the Board
Leung Lap Yan
Chairman

Hong Kong, 10th November, 2003