



CyberM International (Holdings) Limited

美域數碼國際（控股）有限公司

(Incorporated in Bermuda with limited liability)



INTERIM REPORT

2003

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

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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 of CyberM International (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 of The Stock Exchange of Hong Kong Limited (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The directors of the Company, 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.



HIGHLIGHTS

- Turnover of the Group for the six months ended 30 September 2003 was approximately HK\$12,571,000, representing an increase of 109% over the corresponding period in 2002.
- Profit attributable to shareholders for the six months ended 30 September 2003 was approximately HK\$164,000 corresponding to an earnings per share of HK0.07 cents as compared to a loss attributable to shareholders and a loss per share of approximately HK\$2,693,000 and HK1.08 cents respectively reported in the corresponding period in 2002.



INTERIM RESULTS

The unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the six months and three months ended 30 September 2003 together with the comparatives for the corresponding periods in 2002 are as follows:

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Note	Unaudited			
		Six months ended		Three months ended	
		30 September		30 September	
	2003	2002	2003	2002	
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	2	12,571	6,023	9,126	3,644
Material and equipment		(4,943)	(1,708)	(3,970)	(1,047)
Staff costs		(3,442)	(4,170)	(2,011)	(1,895)
Depreciation of property, plant and equipment		(342)	(340)	(163)	(165)
Amortisation of development expenditures		(287)	(708)	(287)	(354)
Reversal of provision for bad and doubtful debts		154	406	154	136
Other operating expenses		(2,333)	(2,226)	(1,474)	(1,106)
Operating profit/(loss)		1,378	(2,723)	1,375	(787)
Interest income		25	38	11	17
Interest expense		(82)	(8)	(57)	(3)
Profit/(loss) before taxation		1,321	(2,693)	1,329	(773)
Taxation	3	-	-	-	-
Profit/(loss) after taxation		1,321	(2,693)	1,329	(773)
Minority interests		(1,157)	-	(1,250)	-
Profit/(loss) attributable to shareholders		164	(2,693)	79	(773)
Earnings/(loss) per share	4				
- Basic		HK0.07 cents	(HK1.08 cents)	HK0.03 cents	(HK0.31 cents)
- Diluted		N/A	N/A	N/A	N/A



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CONDENSED CONSOLIDATED BALANCE SHEET

	Note	Unaudited 30 September 2003 HK\$'000	Audited 31 March 2003 HK\$'000
NON-CURRENT ASSETS			
Development expenditures	5	4,105	3,939
Property, plant and equipment	5	725	1,078
Investment property		1,500	1,500
Investments in securities		580	580
Trade receivables	6	3,331	-
		<u>10,241</u>	<u>7,097</u>
CURRENT ASSETS			
Inventories		799	634
Trade receivables	6	7,125	3,105
Prepayments, deposits and other receivables		1,006	698
Cash and bank deposits	8	8,285	6,018
		<u>17,215</u>	<u>10,455</u>
CURRENT LIABILITIES			
Trade payables	7	3,393	726
Accruals and other payables		2,998	3,138
Receipts in advance		1,147	1,158
Current portion of obligations under finance leases		42	39
Current portion of secured long-term bank loan		468	-
Bank loan, unsecured		1,500	-
Bank overdrafts, secured	8	3,123	-
Taxation payable		1	2
		<u>12,672</u>	<u>5,063</u>
Net current assets		<u>4,543</u>	<u>5,392</u>
Total assets less current liabilities		<u>14,784</u>	<u>12,489</u>
NON-CURRENT LIABILITIES			
Obligations under finance leases		4	25
Bank loan, unsecured		994	-
		<u>998</u>	<u>25</u>
Minority interests		<u>1,380</u>	<u>223</u>
Net assets		<u>12,406</u>	<u>12,241</u>
FINANCED BY			
Share capital		25,006	25,006
Reserves		(12,600)	(12,765)
		<u>12,406</u>	<u>12,241</u>



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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Unaudited					Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Merger reserves HK\$'000	Cumulative translation adjustments HK\$'000	Accumulated losses HK\$'000	
At 1 April 2002	25,006	5,613	(341)	(4)	(15,448)	14,826
Translation adjustments	-	-	-	(1)	-	(1)
Loss for the year	-	-	-	-	(2,584)	(2,584)
At 31 March 2003	25,006	5,613	(341)	(5)	(18,032)	12,241
Translation adjustments	-	-	-	1	-	1
Profit for the period	-	-	-	-	164	164
At 30 September 2003	<u>25,006</u>	<u>5,613</u>	<u>(341)</u>	<u>(4)</u>	<u>(17,868)</u>	<u>12,406</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Unaudited	
	Six months ended 30 September	
	2003 HK\$'000	2002 HK\$'000
Net cash outflow from operating activities	(3,358)	(1,481)
Net cash outflow from investing activities	(442)	(221)
Net cash inflow/(outflow) from financing activities	2,944	(83)
Decrease in cash and cash equivalents	(856)	(1,785)
Cash and cash equivalents at the beginning of period	6,018	8,442
Cash and cash equivalents at the end of period	5,162	6,657
Analysis of balances of cash and cash equivalents:		
Cash and bank deposits	8,285	6,657
Bank overdrafts	(3,123)	-
	5,162	6,657



Notes:

1. Basis of preparation

The Group's unaudited condensed consolidated accounts have been prepared in accordance with Statement of Standard Accounting Practice (SSAP) 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants ("HKSA") and the disclosure requirements of the GEM Listing Rules. The same accounting policies and methods of computation are followed as compared with the 2003 annual accounts.

In the current period, the Group adopted SSAP 12 (Revised) "Income taxes" issued by the HKSA. SSAP 12 (Revised) requires the adoption of a balance sheet liability method in respect of deferred taxes, whereby deferred tax is recognised in respect of all temporary differences between the carrying amounts of assets and liabilities in the accounts and the corresponding tax bases used in the computation of taxable profit. In prior years, deferred taxation was accounted for at the current taxation rate in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or an asset was expected to be payable or recoverable in the foreseeable future. The adoption of the revised SSAP 12 represents a change in accounting policy, which has been applied retrospectively. Since the adoption of this revised SSAP had no material impact on the Group's accounts in prior periods/years, comparative figures have not been restated.

2. Turnover and segment information

The Group is organised into four major operating units: (i) development of customised software and sales of related computer equipment; (ii) sales and lease of packaged software; (iii) technical support and maintenance services; and (iv) lease of property. An analysis of the Group's turnover and operating profit/(loss) by business segments is as follows:

	Six months ended 30 September 2003		Six months ended 30 September 2002	
	Turnover HK\$'000	Operating profit/(loss) HK\$'000	Turnover HK\$'000	Operating profit/(loss) HK\$'000
Development of customised software and sales of related computer equipment	3,773	(496)	2,270	11
Sales and lease of packaged software	6,617	2,085	1,785	(686)
Technical support and maintenance services	2,114	911	1,898	(616)
Lease of property	67	67	70	70
	<u>12,571</u>	<u>2,567</u>	<u>6,023</u>	<u>(1,221)</u>
Unallocated corporate expenses		<u>(1,189)</u>		<u>(1,502)</u>
		<u>1,378</u>		<u>(2,723)</u>



The Group has business operations in Hong Kong and the People's Republic of China (the "PRC"). An analysis of the Group's turnover and operating profit/(loss) by geographical segments is as follows:

	Six months ended 30 September 2003		Six months ended 30 September 2002	
	Turnover HK\$'000	Operating profit/(loss) HK\$'000	Turnover HK\$'000	Operating profit/(loss) HK\$'000
Hong Kong	12,511	1,894	5,835	(1,886)
The PRC	60	(516)	188	(837)
	<u>12,571</u>	<u>1,378</u>	<u>6,023</u>	<u>(2,723)</u>

3. Taxation

No provision for Hong Kong profits tax has been made in the accounts as the Group does not have any assessable profit arising in Hong Kong for the six months ended 30 September 2003. No provision for enterprise income tax in the PRC has been made as all PRC subsidiaries were in a loss position during the six months ended 30 September 2003.

4. Earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the Group's profit attributable to shareholders for the six months and three months ended 30 September 2003 of HK\$164,000 and HK\$79,000 respectively (loss attributable to shareholders for the six months and three months ended 30 September 2002: HK\$2,693,000 and HK\$773,000 respectively) and on the weighted average number of 250,060,000 ordinary shares (2002: 250,060,000 shares) in issue during the periods.

No diluted earnings/(loss) per share is presented for the six months and three months ended 30 September 2003 and 2002 as the outstanding share options were anti-dilutive.

5. Capital expenditure

	Unaudited Six months ended 30 September 2003	
	Development expenditures HK\$'000	Property, plant and equipment HK\$'000
Net book value as at 1 April 2003	3,939	1,078
Additions	453	3
Amortisation/depreciation	(287)	(342)
Disposals	-	(14)
	<u>4,105</u>	<u>725</u>
Net book value as at 30 September 2003	<u>4,105</u>	<u>725</u>





6. Trade receivables

The ageing analysis of trade receivables is as follows:

	Unaudited 30 September 2003 HK\$'000	Audited 31 March 2003 HK\$'000
Within three months	7,525	2,493
Over three months but within six months	880	230
Over six months but within one year	1,523	382
Over one year but within two years	528	-
	10,456	3,105

The Group normally grants to its customers credit periods for sales of goods ranging from 0 to 14 days. Consideration in respect of contracts for development of customised software, sales of related computer equipment, sales and lease of packaged software, the provision of technical support and maintenance services is payable pursuant to the terms of the respective contracts. Rentals in respect of the leased property are payable by tenants on a monthly basis.

7. Trade payables

The ageing analysis of trade payables is as follows:

	Unaudited 30 September 2003 HK\$'000	Audited 31 March 2003 HK\$'000
Within three months	3,352	320
Over three months but within six months	-	365
Over one year but within two years	-	41
Over two years	41	-
	3,393	726

8. Banking facilities

As at 30 September 2003, the Group's general banking facilities were secured by a fixed bank deposit of approximately HK\$5,554,000 (31 March 2003: HK\$5,500,000).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

E-Payment Platform Building

During the period under review, the Group has been actively involved in bidding a number of projects in Hong Kong and the PRC. In order to capture the fast growing PRC market, the Group developed localised SchoolPlus Message System and Point of Sale (POS) System tailored to the need of schools and small-to-medium sized retailers in the PRC. Both systems made use of the "Octopus Smart Card" technology which has been widely adopted in Hong Kong.

Enterprise Resource Planning Solution

Recognising the increasing need of Enterprise Resource Planning (ERP) system in the small-to-medium enterprises (SME) market, the Group has become a solution partner of a well known ERP system and managed to market this ERP system to the local SME at a competitive price. During the first half of 2003/2004, the Group successfully entered into a number of service contracts which contributed approximately 41% of the Group's turnover. It is believed that the opportunities arose from the provision of these business solutions in both Hong Kong and the PRC are tremendous and will continue to boost up revenues of the Group.

Wireless Application

As an established market leader in the provision of wireless application products and services in Hong Kong, the Group's existing wireless product lines such as the mobile handheld device providing "Octopus" payment function for retail shops and fast food express counters shall be of increasing demands as they continue to upgrade their technological infrastructure so as to provide flexible and efficient customer services.

Financial review

Turnover and operating profit

During the six months ended 30 September 2003, the Group's turnover and profit attributable to shareholders were approximately HK\$12.6 million and HK\$0.2 million respectively compared to turnover and loss attributable to shareholders of HK\$6.0 million and HK\$2.7 million respectively in the corresponding period last year. Upon the gradual recovery of the local economy from the Severe Acute Respiratory Syndrome (SARS) outbreak, the Group achieved a significant growth in turnover for the three months ended 30 September 2003 which was about 2.5 times of that in the corresponding period last year. The significant increase in turnover was mainly attributable to the Group's successful marketing strategies which aimed to provide continuing quality and innovative products and services to customers. Despite the challenging market conditions caused by the persistent global economic downturn, the Group succeeded in strengthening its relationship with major existing customers as well as soliciting a number of new customers. These together with effective cost control procedures launched made the Group to record a great improvement in its operating results for the period under review.





Segment performance

During the six months ended 30 September 2003, the turnover contributed by the sales and lease of packaged software increased by 271% and the turnover contributed by development of customised software and sales of related computer equipment increased by 60%. Keeping a relative stable revenue derived from the technical support and maintenance services, the Group managed to shift its business to segments which are more profitable so as to optimise the overall operating results.

As the PRC was very much under the dampening influence of the SARS outbreak during the six months ended 30 September 2003, the turnover derived from the PRC dropped by approximately 68% as compared with the same period in 2002. Nevertheless, having continuously penetrating to the PRC market including Guangzhou, Shenzhen and Changsha, financial and operational resources were better planned and utilised in an efficient manner such that the operating loss was reduced by 38% during the period under review compared with the same period in 2002.

Financial resources, liquidity and gearing

As at 30 September 2003 the Group has cash and bank balances of approximately HK\$8.3 million. The Group's current assets are approximately 1.6 times (2002: 2.1 times) over its current liabilities. For the period under review, the Group was financed by bank borrowings and its own working capital and the gearing ratio which represents long-term liabilities divided by shareholders' funds was 8.0% (2002: 0.2%).

Charge of Group's assets

As at 30 September 2003, a fixed bank deposit of approximately HK\$5.5 million was pledged to a bank in Hong Kong to secure the general banking facilities granted to the Group.

Foreign currency exposure

Whilst the sales, expenditures, assets and liabilities were mainly denominated in Hong Kong dollars and Renminbi, the directors believe that the Group's exposure to foreign currency fluctuations is minimal and no hedging is considered necessary.

Contingent liabilities

As at 30 September 2003, the Group had no significant contingent liabilities.

Employees

As at 30 September 2003, the Group has 40 employees (2002: 57) in Hong Kong and the PRC. The total remuneration to employees, including to the executive directors, for the six months ended 30 September 2003 amounted to approximately HK\$3.8 million (2002: HK\$6.8 million). Employees in Hong Kong are also entitled to provident fund contributions, medical insurance

and share options. For employees in the PRC, the Group is required to contribute to state-sponsored retirement plans for them at certain prescribed rates of their basic salaries. In addition, the Group provided comprehensive on-the-job trainings to its staff and also subsidised those taking part in job-related training courses as to ensure their quality standards.

Future plan of capital investments

During the six months ended 30 September 2003, the Group acquired 30% equity interest in an associated company which entered into an agreement on 14 July 2003 to set up an equity joint venture company in Changsha to bring in the contactless smart card system and related application software to the business, learning and living environments. The total investment fund to be injected by the Group is estimated to be US\$2.1 million and it will be financed by bank borrowings and internal resources of the Group.

Acquisition and disposal

There was no material acquisition and disposal during the six months ended 30 September 2003. As at 30 September 2003, the Group had no material investment held.

Prospects

During the rest of the year, the Group will continue to explore the PRC market and to pursue new strategic business partners. Whilst the Group is in the process of finalising the formation of the joint venture in Changsha, we also look for investment opportunities to streamline our performance. Through continuous refinery and improvement of technological solutions and customer responsiveness, the Group is confident to gain an increasing market share in both Hong Kong and the PRC.

The Group will also take steps to rationalise itself to be more competitive. The Group's results for the second half of 2003/2004 are expected to perform well assuming the local and PRC economy continue to recover and the customer sentiment is not adversely affected.

OTHER INFORMATION

Dividend

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



Directors' and chief executives' interests in securities

As at 30 September 2003, the following directors of the Company had or were deemed to have interests in the equity securities of the Company within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), as recorded in the register kept by the Company pursuant to Part XV of the SFO or otherwise notified to the Company pursuant to the minimum standards of dealings by the directors as referred to in Rules 5.40 to 5.58 of the GEM Listing Rules:

Name of directors	Type of interest	Number of shares ordinary shares in the Company	Percentage of shareholding
Lau Chiu Pui (Mr. Lau)	Discretionary trust (Note)	191,250,000	76.48
Lai Shu Pui, Fergus (Mr. Lai)	Discretionary trust (Note)	191,250,000	76.48
Wong Kit Mei (Mr. Wong)	Discretionary trust (Note)	191,250,000	76.48

Note: The 191,250,000 shares in the Company are beneficially owned by and registered in the name of Noble Class Group Limited. The entire issued share capital in Noble Class Group Limited is in turn held by Sunrise International (Holdings) Limited ("Sunrise"), a company incorporated in the Cayman Islands. Mr. Lau and his spouse, Mr. Lai, Mr. Wong, Mr. Fung Yiu Fai (Mr. Fung) and Mr. Yip Ho Pong (Mr. Yip) (both Mr. Fung and Mr. Yip were executive directors of the Company whose respective resignation became effective on 18 July 2001 and 7 August 2002), are the holders of all the issued non-voting redeemable and retractable preferred shares of Sunrise with the rights to a fixed 5% cumulative dividend and redemption at fixed redemption prices in the aggregate amount of HK\$9 million only. All the issued ordinary shares of Sunrise are held by Arawak Trust Company Limited, a corporate trustee of a discretionary trust, the discretionary objects of which include:

- (i) Prophecy Associates Limited *
- (ii) Mr. Yip, his spouse, their issue and spouses of their issue **
- (iii) Mr. Lai, his spouse, their issue and spouses of their issue **
- (iv) Mr. Wong, his spouse, their issue and spouses of their issue **
- (v) Mr. Fung, his spouse, their issue and the spouses of their issue **
- (vi) Mr. Chan Wing Fuk, his spouse, their issue and the spouses of their issue **



The discretionary trust described above is subject to a non-binding arrangement that any distribution of trust funds will be in the following proportions:

Discretionary objects	Proportion
Prophecy Associates Limited*	86.68%
Mr. Yip (upon his death, his spouse, and upon the death of Mr. Yip and his spouse, their children)	3.33%
Mr. Lai (upon his death, his spouse, and upon the death of Mr. Lai and his spouse, their children)	3.33%
Mr. Wong (upon his death, his spouse, and upon the death of Mr. Wong and his spouse, their children)	3.33%
Mr. Fung (upon his death, his spouse, and upon the death of Mr. Fung and his spouse, their children)	3.33%

* All the issued ordinary shares of Prophecy Associates Limited are held by AMS Trustees Limited, a corporate trustee of a discretionary trust, the discretionary objects of which are the lineal descendants of the paternal and maternal grandfathers of Mr. Lau and his spouse but exclude, *inter alia*, residents of Canada.

** The families of Mr. Lau, Mr. Yip, Mr. Lai, Mr. Wong, Mr. Fung and Mr. Chan Wing Fuk as described above are not relatives of each other. Mr. Chan Wing Fuk is the godfather of Mr. Lau's spouse.

Each of Mr. Lau, Mr. Lai and Mr. Wong is therefore taken to have an interest in the 191,250,000 shares held by Noble Class Group Limited under Part XV of the SFO.

Save as disclosed above, none of the directors or their spouses or children under the age of 18 had any right to subscribe for the securities of the Company, or had exercised any such right.

Save as disclosed above, at no time during the period was the Company or any of its subsidiaries a party to any arrangement to enable any of the Company's directors or members of its management to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of, the Company or any other body corporate.

Save as disclosed above, none of the directors, chief executives or their associates had any interests in any securities of the Company or any of its associated corporations as defined in Part XV of the SFO which was discloseable for the six months ended 30 September 2003.



Share option scheme

Pursuant to the share option scheme ("Old Scheme") adopted by the Company on 1 August 2000, the Company may grant options to full-time employees of the Group including executive directors of the Company to subscribe for shares in the Company.

Details of the share options granted under the Old Scheme and remain outstanding as at 30 September 2003 are as follows:

Grantee	Date of grant	Exercise price HK\$	Exercise period	No. of ordinary shares eligible for subscription under the share options	Type of interest
Executive directors					
Lai Shu Pui, Fergus	4th September 2000	1.18	4th September 2000 to 3rd September 2010	1,000,000	Personal
Wong Kit Mei	4th September 2000	1.18	4th September 2000 to 3rd September 2010	1,000,000	Personal
Other participants					
Full time employees	4th September 2000	1.18	4th September 2000 to 3rd September 2010	6,408,000	

During the six months ended 30 September 2003, options to subscribe for 1,192,000 shares in the Company granted to certain full time employees have lapsed upon their resignations. As at 30 September 2003, options to subscribe for 6,408,000 shares in the Company granted to the full-time employees of the Company remained outstanding.

Save as disclosed above, during the six months ended 30 September 2003, none of the options being granted to the executive directors have been exercised or cancelled.

At an annual general meeting held on 18 August 2003, a new share option scheme ("New Scheme") was approved and adopted by the shareholders of the Company. Up to 30 September 2003, no share options have been granted to any eligible participants under the New Scheme.



Substantial shareholders

Other than the interests as disclosed above in respect of the directors and their associates, as at 30 September 2003, the register of substantial shareholders maintained under Part XV of the SFO shows that the Company had been notified of the following substantial shareholders' interests, being 5 percent or more of the Company's issued share capital:

Name	Number of shares held	Percentage of shareholding
Noble Class Group Limited	191,250,000	76.48*
Sunrise International (Holdings) Limited	191,250,000	76.48*
Arawak Trust Company Limited	191,250,000	76.48*
Fung Yiu Fai	191,250,000	76.48*
Yip Ho Pong	191,250,000	76.48*

* *Duplication, all shareholdings are under a discretionary trust as stated above.*

Save as disclosed above, no other person was recorded in the register pursuant to Part XV of the SFO as having an interest being 5 per cent or more of the issued share capital of the Company as at 30 September 2003.

Competing interests

None of the directors or the management shareholders of the Company (as defined under the GEM Listing Rules) had any interest in a business which competes or may compete with the business of the Group.

Audit committee

The Company established an audit committee on 1 August 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 primary duties of the audit committee are to review and to provide supervision over the financial reporting process and internal control system of the Group. The audit committee comprises two independent non-executive directors (Mr. Chan Wai Choi, Glenn and Ms. Kwan Ngan Hing, Edith) and an executive director (Mr. Wong Kit Mei). The Group's unaudited results for the six months ended 30 September 2003 have been reviewed by the audit committee. Members of the committee were of the opinion that the preparation of such results complied with applicable accounting standards, the Exchange and legal requirements and that adequate disclosures had been made.



Board practices and procedures

Throughout the six months ended 30 September 2003, the Company has complied with the board practices and procedures as set out in rules 5.28 to 5.39 of the GEM Listing Rules. None of the independent non-executive directors have been paid any fees or other reimbursements or emoluments during the period.

Purchase, sale or redemption of securities

During the six months ended 30 September 2003, neither the Company nor any of its holding companies or subsidiaries purchased, sold or redeemed any listed securities of the Company.

On behalf of the Board
Lau Chiu Pui
Chairman

13 November 2003, Hong Kong

