ThinSoft

THINSOFT (HOLDINGS) INC

博軟(控股)有限公司

Interim Report 2005

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This report, for which the directors of ThinSoft (Holdings) Inc collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to ThinSoft (Holdings) Inc. 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.

RESULTS

The board of directors of ThinSoft (Holdings) Inc (the "Company") presents the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2005 as follows:

UNAUDITED CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

		For the three months ended 30 June		For the six months ended 30 June	
		2005	2004	**2005**	2004
	Notes	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Turnover	2	**4,643**	3,519	**8,600**	6,980
Cost of sales (before amortisation of deferred development expenditure)		**(1,222)**	(1,019)	**(2,183)**	(2,566)
Gross profit before amortisation of deferred development expenditure		**3,421**	2,500	**6,417**	4,414
Amortisation of deferred development expenditure		**–**	(1,752)	**–**	(3,525)
Gross profit		**3,421**	748	**6,417**	889
Other income	2	**114**	204	**181**	220
Selling and distribution expenses		**(175)**	(53)	**(204)**	(74)
General and administrative expenses		**(2,230)**	(1,759)	**(4,501)**	(4,522)
Profit/(loss) before tax	4	**1,130**	(860)	**1,893**	(3,847)
Tax	5	**(176)**	(129)	**(276)**	(129)
Net profit/(loss) from ordinary activities attributable to shareholders		**954**	(989)	**1,617**	(3,616)
Earnings/(loss) per share	7				
– Basic		**HK0.19 cent**	HK(0.20) cent	**HK0.32 cent**	HK(0.72) cent
– Diluted		**HK0.18 cent**	N/A	**HK0.31 cent**	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	30 June 2005 HK$'000 (unaudited)	31 December 2004 HK$'000 (audited)
NON-CURRENT ASSETS			
Fixed assets	8	4	5
		4	5
CURRENT ASSETS			
Inventories	9	435	444
Accounts receivable	10	1,202	1,091
Prepayments, deposits and other receivables		178	266
Cash and cash equivalents	11	24,324	22,190
		26,139	23,991
CURRENT LIABILITIES			
Accounts payable	12	571	47
Accrued liabilities and other payables		3,968	4,226
Tax payable		278	14
		4,817	4,287
NET CURRENT ASSETS		21,322	19,704
		21,326	19,709
CAPITAL AND RESERVES			
Issued capital		25,063	25,063
Reserves		(3,737)	(5,354)
		21,326	19,709

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Reserves					
	Issued capital	Share premium account	Exchange translation reserve	Capital reserve	Retained profits/ (accumulated losses)	Reserves/ (deficit) Total	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2004	25,063	8,634	606	6,840	(14,364)	1,716	26,779
Net loss for the period	–	–	–	–	(3,616)	(3,616)	(3,616)
At 30 June 2004	25,063	8,634	606	6,840	(17,980)	(1,900)	23,163
At 1 January 2005	25,063	8,635	1,226	6,840	(22,055)	(5,354)	19,709
Net profit for the period	–	–	–	–	1,617	1,617	1,617
At 30 June 2005	**25,063**	**8,635**	**1,226**	**6,840**	**(20,438)**	**(3,737)**	**21,326**

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	For the six months ended 30 June	
	2005	2004
	HK$'000	*HK$'000*
NET CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES	**2,134**	(409)
NET CASH FLOWS FROM INVESTING ACTIVITIES	**–**	188
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**2,134**	(221)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**22,190**	20,964
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**24,324**	20,743
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
CASH AND BANK BALANCES	**24,324**	20,743

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

1. PRINCIPAL ACCOUNTING POLICIES AND BASIS OF PREPARATION

The Group's unaudited condensed interim financial statements have been prepared in accordance with the applicable disclosure requirements of Chapter 18 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited (the "GEM Listing Rules") and with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants.

The unaudited condensed interim financial statements have been prepared under the historical cost convention. The accounting policies and basis of preparation adopted for the preparation of these accounts are consistent with those adopted by the Group in its annual financial statements for the year ended 31 December 2004.

2. TURNOVER AND OTHER INCOME

Turnover represents the net invoiced value of goods sold and services rendered, less discounts, returns, and applicable goods and services taxes. All significant transactions among the companies comprising the Group have been eliminated on consolidation.

An analysis of the Group's turnover and other income is as follows:

	For the three months ended 30 June		For the six months ended 30 June	
	2005	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Turnover:				
Sales of goods	**4,643**	3,519	**8,600**	6,980
Other income:				
Gain on disposal of investment	**–**	188	**–**	188
Interest income	**114**	16	**181**	32
	114	204	**181**	220
Total income	**4,757**	3,723	**8,781**	7,200

3. SEGMENT INFORMATION

(a) Business segments

An analysis of the Group's revenues and results for the six months ended 30 June 2004 and 2005 by business segment is as follows:

	Software		Upgrade kits		Vertical market solutions		Consolidated	
	2005	2004	**2005**	2004	**2005**	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:								
Sales to external customers	**5,712**	4,524	**1,785**	1,626	**1,103**	830	**8,600**	6,980
Segment results	**3,774**	(1,549)	**293**	200	**(4)**	(41)	**4,063**	(1,390)
Interest and unallocated gains							**181**	220
Unallocated expenses							**(2,351)**	(2,317)
Profit/(loss) before tax							**1,893**	(3,487)
Tax							**(276)**	(129)
Net profit/(loss) from ordinary activities attributable to shareholders							**1,617**	(3,616)
Other segment information:								
Depreciation and amortization	**1**	3,583	**–**	–	**–**	–	**1**	3,583

(b) Geographical segments

The following table presents revenue for the Group's geographical segments:

	For the six months ended 30 June	
	2005	2004
	HK$'000	*HK$'000*
Hong Kong and China	**334**	238
Europe	**3,631**	2,323
The United States	**2,885**	2,442
Singapore	**26**	–
Asia Pacific except Hong Kong, China and Singapore	**604**	1,616
Others	**1,120**	361
	8,600	6,980

4. PROFIT/(LOSS) BEFORE TAX

The Group's profit/(loss) before tax is arrived at after charging/(crediting):

	For the three months ended 30 June		For the six months ended 30 June	
	2005	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Costs of inventory sold and services provided	**1,222**	2,771	**2,183**	6,091
Auditors' remuneration	**84**	67	**168**	134
Depreciation	**–**	29	**1**	58
Research and development costs:				
Deferred expenditure amortised	**–**	1,762	**–**	3,525
Staff costs, excluding directors' remuneration:				
Wages and salaries	**795**	794	**1,590**	1,587
Pension scheme contributions	**49**	50	**98**	99
	844	844	**1,688**	1,686
Minimum lease payments under operating leases in respect of land and buildings to:				
The ultimate holding company	**84**	81	**169**	162
An independent third party	**7**	89	**14**	179
	91	170	**183**	341
Exchange (gain)/loss, net	**129**	207	**(60)**	(121)

5. TAX

	For the three months ended 30 June		For the six months ended 30 June	
	2005	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Current:				
Hong Kong	**–**	–	**–**	–
Outside Hong Kong	**176**	129	**276**	129
	176	129	**276**	129

Hong Kong profits tax has not been provided (2004: Nil) as the Group did not generate any assessable profits in Hong Kong during the period.

ThinSoft Pte Ltd, a company incorporated in Singapore, is subject to Singapore income tax. Singapore income tax has been provided at the rate of 20% (2004: 20%) on the estimated assessable profits arising in Singapore for the period ended 30 June 2005.

ThinSoft (USA) Inc, a company incorporated in the State of Delaware in the United States of America and operating in the State of California in the United States of America, is subject to the United States federal income tax at progressive rates of between 15% to 39%, and California state corporate tax at a rate of 8.84% for the periods ended 30 June 2004 and 2005, on its estimated assessable profits arising on a world wide basis.

The Group has tax losses arising in the United States of America of approximately HK$15,639,000 for the year ended 31 December 2004 that are available for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time.

6. DIVIDENDS

No dividend has been paid or declared by the Company or any of the companies comprising the Group during the period ended 30 June 2005 (2004: Nil).

7. EARNINGS/(LOSS) PER SHARE

Basic

The calculation of basic earnings per share for the three months and six months ended 30 June 2005 are based on the net profit from ordinary activities attributable to shareholders of HK$954,000 and HK$1,617,000, and the weighted average of 501,255,000 and 501,255,000 ordinary shares in issue during the three months and six months ended 30 June 2005.

The calculation of basic loss per share for the three months and six months ended 30 June 2004 are based on the net loss from ordinary activities attributable to shareholders of HK$989,000 and HK$3,616,000, and the weighted average of 501,255,000 and 501,253,434 ordinary shares in issue during the three months and six months ended 30 June 2004.

Diluted

The calculation of the diluted earnings per share for the three months and six months ended 30 June 2005 are based on the net profit from ordinary activities attributable to shareholders of HK$954,000 and HK$1,617,000, and 520,902,857 ordinary shares for both periods.

Diluted loss per share amounts for the three months and six months ended 30 June 2004 have not been presented, as the share options outstanding during these periods had an anti-dilutive effect on the basic loss per share for these periods.

8. FIXED ASSETS

	Office equipment HK$'000	Plant and machinery HK$'000	Furniture and fittings HK$'000	Total HK$'000
Cost:				
At 1 January 2005	103	222	23	348
Addition	–	–	–	–
At 30 June 2005	**103**	**222**	**23**	**348**
Accumulated depreciation:				
At 1 January 2005	98	222	23	343
Provided during the period	1	–	–	1
At 30 June 2005	**99**	**222**	**23**	**344**
Net book value:				
At 30 June 2005	**4**	**–**	**–**	**4**
At 31 December 2004	5	–	–	5

9. INVENTORIES

	At 30 June 2005 HK$'000 (unaudited)	At 31 December 2004 HK$'000 (audited)
Raw materials	**423**	441
Finished goods	**12**	3
	435	444

At 30 June 2005, no inventories were stated at net realisable value (2004: Nil).

10. ACCOUNTS RECEIVABLE

The Group has a policy of allowing an average credit period of 30 to 90 days to its trade customers.

An aged analysis of accounts receivable at the balance sheet date, based on invoice date, is as follows:

	At 30 June 2005 HK$'000 (unaudited)	At 31 December 2004 HK$'000 (audited)
Within 30 days	1,081	556
Between 31 to 60 days	107	10
Between 61 to 90 days	14	477
Between 91 to 180 days	–	48
	1,202	1,091

11. CASH AND CASH EQUIVALENTS

	At 30 June 2005 HK$'000 (unaudited)	At 31 December 2004 HK$'000 (audited)
Cash and bank balances	4,341	4,367
Time deposits	19,983	17,823
	24,324	22,190

12. ACCOUNTS PAYABLE

An aged analysis of accounts payable as at the balance sheet date, based on invoice date, is as follows:

	At 30 June 2005 HK$'000 (unaudited)	At 31 December 2004 HK$'000 (audited)
Within 30 days	505	39
Between 31 to 60 days	–	–
Between 61 to 90 days	–	–
Between 91 to 180 days	66	8
Between 181 to 365 days	–	–
	571	47

MANAGEMENT DISCUSSION AND ANALYSIS

Business review and prospects

ThinSoft solutions were designed with the cost and effectiveness of information technology resources as an underlying matter of critical importance. Today, the universal challenge for all computer-based enterprises, regardless of their size or the nature of their endeavors, is: to improve the operating costs and efficiencies of information technology without compromising the integrity of data, disrupting the operational work environment or the final computing objectives of the enterprise's systems and applications. Since its inception the ThinSoft Group has dedicated itself to meeting these challenges by providing unique software applications that reduce the Total Cost of Ownership of its customers' IT resources. The Group's BeTwin, WinConnect and WinConnect Server XP software suites which significantly improve the total costs of owning and maintaining information technology infrastructures in small, medium and large corporate enterprise environments provide compelling thin computing solution and have gained wide acceptance in global computing markets.

During the six months period ended 30 June 2005, the Group has concentrated its efforts on expanding sales of these software solutions in key geographic markets. It has attained particularly strong successes in Europe and the United States which, when combined, comprised 75.8 percent of the Group's total turnover in the first 6 months of 2005 and have grown 36.7 percent when compared with the same period last year.

These sales demographics give rise to good prospects for future growth as the customer base within key geographic markets is broadening. While the Group has developed and nurtured key distributors and strategic partners, the end-user customer base is "fanning out" to include stronger participation in important business segments such as health services, veterinary medicine, home entertainment and financial services. Most encouraging is the continued improved reach of web-based sales to smaller enterprises and individuals which is a clear indication that ThinSoft's message is being spread dynamically through user communities and that the Group's thin computing solutions are compelling.

Strong emphasis in the coming periods will be placed on further developing the Group's cyber reach where management has undertaken to optimize web advertising and messaging; the ease of access to the ThinSoft website; transactional efficiencies and internet security.

At the same time, the Group will continue to promote the use of BeTwin, WinConnect and WinConnect Server XP in the Education, Healthcare, Retail and Financial sectors through its distribution network relationships and trade exhibitions such as CeBit, the world's largest annual trade show held in Hannover, Germany.

Financial review

For the 6 months period ended 30 June 2005, the Group has concluded 2 successive quarters of improving sales and profitability.

The Group's overall turnover for the period ended 30 June 2005 increased by 23.2 % to approximately HK$8.6 million when compared to that of the corresponding period in last year of approximately HK$7.0 million. Approximately 66.4% of the turnover was attributable from the sales of software which amounted to approximately HK$5.7 million during the period ended 30 June 2005.

Europe is the largest single geographic market for the Group, where turnover for the period ended 30 June 2005 amounted to approximately HK$3.6 million or 42.2% of total sales. Sales in the United States amounted to HK$2.9 million or 33.5% of total sales.

Gross profit margin for the period ended 30 June 2005 increased to 74.6% as compared with 12.7% in the corresponding previous period as the costs of sales from 1 January 2005 are no longer burdened by the amortisation of deferred development expenditures which were fully accounted for by the end of 2004.

General and administrative expenses in the period under review slightly decreased by 0.5% to approximately HK$4.5 million despite the increase in turnover. The decrease was the result of continuing cost containment efforts instituted by senior Group management.

In summary, as the IT industry continues to recognize the compelling arguments supporting thin computing solutions and the Group benefits from its early belief and investments in these technologies, in combination with its continued strong sales, marketing and cost containment efforts, the Group is pleased to report a profit attributable to shareholders for the six months ended 30 June 2005 of approximately HK$1.6 million.

The Group continues to be in a strong financial position. Cash and bank balances as at 30 June 2005 was approximately HK$24.3 million (31 December 2004: approximately HK$22.2 million). There were no bank borrowings as at 30 June 2005 (31 December 2004: Nil).

Capital structure

There has been no change in the capital structure of the Company during the period under review. The capital of the Company comprises only ordinary shares. The Company and the Group has no borrowing and long-term debts.

Significant investment

As at 30 June 2005, the Group did not have any significant investments.

Material acquisitions and disposals of subsidiaries/future plans for material investment

There had been no material acquisitions and disposals during the period under review. At present, the Company and the Group have no plans for material investments or capital assets.

Gearing ratio

As at 30 June 2005, the Group did not have any long-term debts and its shareholders' funds amounted to approximately HK$21.3 million. In this regard, the Group had a net cash position and its gearing ratio should be zero (net debt to shareholders' funds) as at 30 June 2005.

Liquidity and financial resources

The Group generally financed its operations with internally generated cash flows.

As at 30 June 2005, the Group had cash and cash equivalents of approximately HK$24.3 million as compared to approximately HK$22.2 million as at 31 December 2004.

Foreign exchange exposure

It is the Group's policy to deposit in local currencies to minimise currency risk.

Charges on group assets and contingent liabilities

As at 30 June 2005, the Group did not have any charges on its assets.

Contingent liability

The Group did not have any significant contingent liabilities as at 30 June 2005.

Treasury policies

The Group adopts a conservative approach towards its treasury policies. The Group strives to reduce exposure to credit risk by performing ongoing credit evaluations of the financial conditions of its customers. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the group's assets, liabilities and commitments can meet its funding requirements.

Employee information

As at 30 June 2005, the Group had 18 full-time employees. The aggregate remuneration of the Group's employees, including that of the directors, for the period under review and the corresponding previous period amounted to approximately HK$2.9 million and approximately HK$3 million respectively. The Group remunerates its employees based on their performance, experience and the prevailing industry practice. Staff remuneration is reviewed by the Group from time to time depending on their performance. In addition to salaries, share options and bonuses are also available to employees of the Group at the discretion of the directors.

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

As at 30 June 2005, the interests and short positions of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (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 Stock Exchange pursuant to Rules 5.46 to 5.68 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange (the "GEM Listing Rules"), were as follows:

Long positions in ordinary shares of the Company:

Name of director	Type of interest	Percentage of the Company's issued share capital as at 30 June 2005
Ngiam Mia Hai Bernard	Other	(note)
Ngiam Mia Hong Alfred	Other	(note)

Note: IPC Corporation Ltd ("IPC"), the ultimate holding company of the Company, is a company incorporated under the laws of Singapore and whose securities are listed on the Singapore Exchange Securities Trading Limited. As at 30 June 2005, approximately 65.6% of the issued share capital of IPC is held by the public. As at 30 June 2005, IPC holds approximately 74.81% (or 375,000,000 ordinary shares) of the issued share capital of the Company.

As at 30 June 2005, each of Ngiam Mia Hai Bernard and Ngiam Mia Hong Alfred directly held approximately 1.4% and 1.3%, respectively, in the issued share capital of IPC.

Ngiam Mia Je Patrick and Ngiam Mia Kiat Benjamin are the brothers of Ngiam Mia Hai Bernard and Ngiam Mia Hong Alfred. As at 30 June 2005, Ngiam Mia Je Patrick, Ngiam Mia Kiat Benjamin and Essex Investment (Singapore) Pte Ltd (whose entire issued share capital is held by Ngiam Mia Je Patrick and Ngiam Mia Kiat Benjamin in the proportion of 50:50) together beneficially owned approximately 12.2% of the issued share capital of IPC.

Interest in underlying shares of the Company:

Pursuant to a Pre-IPO share options scheme (the "Pre-Scheme") adopted by the Company on 2 February 2002, the Company had granted Pre-Scheme share options on the Company's ordinary shares to 26 employees (included all executive directors). Details of share options to subscribe for shares in the Company granted to the directors were as follows:

Directors of the Company	**Number of share options beneficially and directly held by the directors and outstanding as at 30 June 2005**	**Percentage of the Company's issued share capital as at 30 June 2005**
Ngiam Mia Hai Bernard	7,600,000	1.52
Ngiam Mia Hong Alfred	7,200,000	1.44
Directors of subsidiaries		
Ngiam Mia Je Patrick	3,600,000	0.72
Ngiam Mia Kiat Benjamin	3,600,000	0.72
Lauw Hui Kian	3,600,000	0.72

Save as disclosed above, as at 30 June 2005, none of the directors or chief executive of the Company had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules.

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

As at 30 June 2005, the following company had interests or short positions in the shares and underlying shares of the Company which as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions in ordinary shares of the Company:

Name	**Capacity and nature of interest**	**Number of ordinary shares held**	**Percentage of the Company's issued share capital**
IPC	Directly beneficially owned	375,000,000	74.81

Save as disclosed above, as at 30 June 2005, there was no person or company (other than the directors and chief executive of the Company whose interests are set out in the section "Directors' and chief executive's interests and short position in shares, underlying shares and debentures" above), had an interest or short position in the shares or underlying shares of the Company as recorded in the register to be kept under Section 336 of the SFO.

DIRECTORS' INTERESTS IN CONTRACTS

No director had a material beneficial interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, its holding company or any of its subsidiaries and fellow subsidiaries was a party during the period under review.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Save as disclosed under the headings "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures" and "Share option schemes", at no time during the period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries and fellow subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

COMPETITION AND CONFLICT OF INTERESTS

None of the directors, the management shareholders or substantial shareholders of the Company or any of their respective associates has engaged in any businesses that competes or may compete, either directly or indirectly, with the business of the Group, as defined in the GEM Listing Rules, or has any other conflict of interests with the Group during the period under review.

SHARE OPTION SCHEMES

Pre-IPO share option scheme (the "Pre-Scheme")

The Company adopted the Pre-Scheme on 2 February 2002. The purpose of the Pre-Scheme is to recognize the contribution of certain directors, employees, consultants and advisers of the Group to the growth of the Group and/or the listing of the Company's shares on the GEM. The Company had granted pre-IPO share options to 26 employees (including all executive directors of the Company) of the Group to subscribe for a total of 52,600,000 shares at a subscription price ranging from HK$0.08 to HK$0.28 per share. No further share options would be granted under the Pre-Scheme after listing of the Company's shares on the GEM. All these share options were granted on 2 February 2002. The Pre-Scheme remains in force for a period of 10 years with effect from 2 February 2002. Each grantee has paid HK$1 to the Company as the consideration for such grant.

Name of participant	At 1 January 2005	Exercised/ lapsed	At 30 June 2005	Exercise period	Exercise price of share options *HK$*
Directors of the Company					
Ngiam Mia Hai Bernard	7,600,000	–	7,600,000	27 February 2003 to 1 February 2008	0.08
Ngiam Mia Hong Alfred	7,200,000	–	7,200,000	27 February 2003 to 1 February 2008	0.08
Directors of subsidiaries					
Ngiam Mia Je Patrick	3,600,000	–	3,600,000	27 February 2003 to 1 February 2008	0.08
Ngiam Mia Kit Benjamin	3,600,000	–	3,600,000	27 February 2003 to 1 February 2008	0.08
Lauw Hui Kian	3,600,000	–	3,600,000	27 February 2003 to 1 February 2008	0.08
Other employees in aggregate	22,045,000	–	22,045,000	27 February 2003 to 1 February 2008	0.08 to 0.2
	47,645,000	–	47,645,000		

Post-IPO share option scheme (the "Post-Scheme")

On 2 February 2002, a further share option scheme (the "Post-Scheme") was approved. The purpose of the Post-Scheme is to provide incentives and rewards to eligible participants who contribute to the success of the Group's operations. No share options were granted by the Company under the Post-Scheme during the period under review.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 June 2005.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

The Company applied the principles and, subject to the following deviations, complied with all the code provisions as set out in the Code on Corporate Governance Practices contained in Appendix 15 of the GEM Listing Rules throughout the period under review, except that:

A2.1 The chairman and chief executive officer of the Company are the same individual;

A4.2 Not all directors are subject to retirement by rotation at least once every three years;

B1 The remuneration committee has not yet set up by the Company.

COMPLIANCE WITH RULES 5.48 TO 5.67 OF THE GEM LISTING RULES

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all directors, the Company's directors have complied with such code of conduct and the required standard of dealings and its code of conduct regarding securities transactions by the Directors throughout the period ended 30 June 2005.

AUDIT COMMITTEE

The Company established an audit committee with written terms of reference in compliance with Rules 5.28 and 5.33 of the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal controls system of the Group. The audit committee comprises three members, Mr Chen Tzyh Trong, Mr Lee Chung Mong and Mr Yeung Chi Hung. All of them are independent non-executive directors of the Company.

The Group's unaudited results for the six ended 30 June 2005 have been reviewed by the audit committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosure have been.

DIRECTORS OF THE COMPANY

Executive directors of the Company as at the date of this report are Mr Ngiam Mia Hai Bernard, Mr Ngiam Mia Hong Alfred and the independent non-executive directors of the Company as at the date of this report are Mr Lee Chung Mong, Mr Chen Tzyh Trong and Mr Yeung Chi Hung.

ON BEHALF OF THE BOARD

Ngiam Mia Hai Bernard
Chairman

Hong Kong
11 August 2005