



Thiz
Technology Group Limited*

即時科研集團有限公司

(Incorporated in the Cayman Islands with limited liability)



Interim Report

2005/06

商界展關懷

caring**company**^{2004/05}

Awarded by The Hong Kong Council of Social Service
香港社會服務聯會頒發

* For identification purpose only

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

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

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcement in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM listed issuers.

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

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

SUMMARY

- The Group recorded a turnover of approximately HK\$4,121,000 for the six months ended 30 September 2005.
- Loss attributable to shareholders was approximately HK\$10,726,000.
- The directors of the Company (the “Directors”) do not recommend the payment of an interim dividend for the six months ended 30 September 2005.

RESULTS

The board of Directors (the “Board”) of Thiz Technology Group Limited (the “Company”) is pleased to announce the unaudited condensed consolidated interim results (“interim accounts”) of the Company and its subsidiaries (together the “Group”) for the three months and six months ended 30 September 2005 together with the comparative unaudited figures for the corresponding periods in 2004 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

| | | For the three months ended 30 September | | For the six months ended 30 September | |
|--|--------------|--|---------------------------------|--|---------------------------------|
| | | 2005 (Unaudited) HK\$'000 | 2004 (Unaudited) HK\$'000 | 2005 (Unaudited) HK\$'000 | 2004 (Unaudited) HK\$'000 |
| | <i>Notes</i> | | | | |
| Turnover | 2 | 1,961 | 4,916 | 4,121 | 11,559 |
| Cost of sales | | (1,104) | (2,124) | (2,809) | (4,963) |
| Gross profit | | 857 | 2,792 | 1,312 | 6,596 |
| Other revenues | 2 | 53 | 91 | 300 | 346 |
| Selling and distribution expenses | | (847) | (1,387) | (1,471) | (2,842) |
| General and administrative expenses | | (5,451) | (5,032) | (10,546) | (8,385) |
| Loss from operations | | (5,388) | (3,536) | (10,405) | (4,285) |
| Finance costs | 3 | (380) | (88) | (468) | (151) |
| Loss before tax | 3 | (5,768) | (3,624) | (10,873) | (4,436) |
| Tax | 4 | — | (61) | — | (149) |
| Loss for the period | | <u>(5,768)</u> | <u>(3,685)</u> | <u>(10,873)</u> | <u>(4,585)</u> |
| Attributable to: | | | | | |
| Shareholders of the Company | | (5,762) | (3,591) | (10,726) | (4,491) |
| Minority interests | | (6) | (94) | (147) | (94) |
| | | <u>(5,768)</u> | <u>(3,685)</u> | <u>(10,873)</u> | <u>(4,585)</u> |
| Loss per share | | | | | |
| – Basic (in cents) | 5 | <u>(0.19)</u> | <u>(0.18)</u> | <u>(0.35)</u> | <u>(0.22)</u> |

CONDENSED CONSOLIDATED BALANCE SHEET

| | | At 30 September 2005 (Unaudited) HK\$'000 | At 31 March 2005 (Audited) HK\$'000 |
|--|--------------|---|---|
| | <i>Notes</i> | | |
| NON-CURRENT ASSETS | | | |
| Fixed assets | | 2,123 | 2,193 |
| Product development costs | | 15,437 | 13,915 |
| | | <u>17,560</u> | <u>16,108</u> |
| CURRENT ASSETS | | | |
| Inventories | | 2,341 | 2,529 |
| Trade receivables | 6 | 33,233 | 33,321 |
| Other receivables, deposits and prepayments | | 5,885 | 4,249 |
| Cash and bank balances | | 1,223 | 3,657 |
| | | <u>42,682</u> | <u>43,756</u> |
| CURRENT LIABILITIES | | | |
| Trade payables | 7 | 696 | 2,064 |
| Other payables, accruals and deposits received | | 18,255 | 6,542 |
| Amounts due to directors | 8 | 6,844 | 6,652 |
| Amount due to a spouse of a director | 8 | 5,182 | 4,998 |
| Convertible notes | | 4,000 | 4,000 |
| Tax payable | | 5,906 | 6,184 |
| | | <u>40,883</u> | <u>30,440</u> |
| NET CURRENT ASSETS | | | |
| | | <u>1,799</u> | <u>13,316</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | | |
| | | <u>19,359</u> | <u>29,424</u> |
| NON-CURRENT LIABILITIES | | | |
| Proceeds of convertible preference shares received in advance | | – | 4,200 |
| Convertible notes | | 10,000 | 10,000 |
| | | <u>10,000</u> | <u>14,200</u> |
| NET ASSETS | | | |
| | | <u>9,359</u> | <u>15,224</u> |
| EQUITY ATTRIBUTABLE TO SHAREHOLDERS: | | | |
| Ordinary shares | | 30,617 | 30,617 |
| Non-voting convertible preference shares | | 5,200 | – |
| Reserves | | (26,458) | (15,540) |
| SHAREHOLDERS' FUNDS | | | |
| | | <u>9,359</u> | <u>15,077</u> |
| MINORITY INTERESTS | | | |
| | | – | 147 |
| | | <u>9,359</u> | <u>15,224</u> |

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

| | For the six months ended | |
|--|--------------------------|-------------|
| | 30 September | |
| | 2005 | 2004 |
| | (Unaudited) | (Unaudited) |
| | HK\$'000 | HK\$'000 |
| Net cash (used in)/generated from operating activities | (566) | 4,062 |
| Net cash (used in) investing activities | (3,244) | (4,881) |
| Net cash generated from financing activities | 1,376 | — |
| Net (decrease) in cash and cash equivalents | (2,434) | (819) |
| Cash and cash equivalents as at 1 April | 3,657 | 2,542 |
| Cash and cash equivalents as at 30 September | 1,223 | 1,723 |
| Analysis of the balances of cash and cash equivalents: | | |
| Cash and bank balances | 1,223 | 1,723 |

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

| | Attributable to shareholders of the Company | | | | | | | | | Total |
|--|---|----------------------------------|------------------------------|--|--------------------------------|---------------------------------|-----------------------------------|-------------------|-----------------------------------|---------------|
| | Ordinary shares HK\$'000 | Preference shares HK\$'000 | Share premium HK\$'000 | Capital redemption reserve HK\$'000 | Special reserve HK\$'000 | Exchange reserve HK\$'000 | Accumulated losses HK\$'000 | Total HK\$'000 | Minority interests HK\$'000 | |
| As at 1 April 2004 | 20,411 | – | 22,006 | 84 | 360 | 15 | (17,447) | 25,429 | – | 25,429 |
| Exchange adjustment on translation of the financial statements of foreign subsidiaries | – | – | – | – | – | 4 | – | 4 | – | 4 |
| Capital contribution of minority interests | – | – | – | – | – | – | – | – | 377 | 377 |
| Loss attributable to shareholders | – | – | – | – | – | – | (4,491) | (4,491) | (94) | (4,585) |
| As at 30 September 2004 | <u>20,411</u> | <u>–</u> | <u>22,006</u> | <u>84</u> | <u>360</u> | <u>19</u> | <u>(21,938)</u> | <u>20,942</u> | <u>283</u> | <u>21,225</u> |
| As at 1 April 2005 | 30,617 | – | 24,271 | 84 | 360 | (213) | (40,042) | 15,077 | 147 | 15,224 |
| Issued non-voting convertible preference shares | – | 5,200 | – | – | – | – | – | 5,200 | – | 5,200 |
| Exchange adjustment on translation of the financial statements of foreign subsidiaries | – | – | – | – | – | (192) | – | (192) | – | (192) |
| Loss attributable to shareholders | – | – | – | – | – | – | (10,726) | (10,726) | (147) | (10,873) |
| As at 30 September 2005 | <u>30,617</u> | <u>5,200</u> | <u>24,271</u> | <u>84</u> | <u>360</u> | <u>(405)</u> | <u>(50,768)</u> | <u>9,359</u> | <u>–</u> | <u>9,359</u> |

1. Basis of preparation

The Group's unaudited consolidated results have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with all applicable accounting standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). They have been prepared under the historical cost convention and comply with the disclosure requirements of the Hong Kong Companies Ordinance and the GEM Listing Rules.

The accounting policies adopted in preparing the unaudited consolidated results for the six months ended 30 September 2005 are consistent with those followed in the preparation of the Group's annual financial statement for the year ended 31 March 2005 except for the adoption of certain new applicable Hong Kong Financial Reporting Standards ("HKFRSs") and Hong Kong Accounting Standards ("HKASs") issued by the HKICPA which are effective for accounting periods beginning on or after 1 January 2005 as described below.

The adoption of HKAS 1 affects certain presentation of income statement and statement of changes in equity.

The adoption of HKFRS 2 has resulted in a change in accounting policy for share options. In prior years, when the Group granted options at nominal consideration to employees to acquire shares in the Company, no employee benefit cost or obligation was recognized at the date of grant.

The Directors also consider that the share options granted to certain employees of the Group represent share-based payments. However, as no option has been granted since 7 November 2002, the provision of HKFRS 2 is not applicable to the Group's outstanding options.

2. Turnover and other revenues

Turnover represents the invoiced value of computer products sold and Group's Linux based software and hardware products distributed and training income, after allowances for returns and discounts and net of value-added tax.

An analysis of turnover and other revenues is set out below:–

| | For the three months ended 30 September | | For the six months ended 30 September | |
|--|--|---------------------------------|--|---------------------------------|
| | 2005 (Unaudited) HK\$'000 | 2004 (Unaudited) HK\$'000 | 2005 (Unaudited) HK\$'000 | 2004 (Unaudited) HK\$'000 |
| Turnover:– | | | | |
| Distribution of Group's Linux based software and hardware products | 240 | 1,502 | 565 | 3,120 |
| Sale of computer products | 1,012 | 1,566 | 2,457 | 4,005 |
| Training income | 709 | 1,848 | 1,099 | 4,434 |
| | <u>1,961</u> | <u>4,916</u> | <u>4,121</u> | <u>11,559</u> |
| | – – – – – | – – – – – | – – – – – | – – – – – |
| Other revenues:– | | | | |
| Interest income | 1 | 1 | 2 | 3 |
| Sundry income | 52 | 90 | 298 | 343 |
| | <u>53</u> | <u>91</u> | <u>300</u> | <u>346</u> |
| | – – – – – | – – – – – | – – – – – | – – – – – |
| | <u><u>2,014</u></u> | <u><u>5,007</u></u> | <u><u>4,421</u></u> | <u><u>11,905</u></u> |

3. Loss before tax

| | For the three months ended 30 September 2005 (Unaudited) HK\$'000 | | For the six months ended 30 September 2005 (Unaudited) HK\$'000 | |
|--|---|-------|---|-------|
| | 2004 (Unaudited) HK\$'000 | | 2004 (Unaudited) HK\$'000 | |
| Loss before tax is arrived at after charging/(crediting): | | | | |
| Cost of inventories sold | 1,104 | 2,124 | 2,809 | 4,963 |
| Amortisation of product development costs | 734 | 179 | 1,461 | 558 |
| Depreciation | 160 | 191 | 331 | 348 |
| Finance costs | | | | |
| – Interest on unlisted convertible notes | 87 | 88 | 175 | 151 |
| – Interest on other payables | 293 | – | 293 | – |
| | 380 | 88 | 468 | 151 |
| Interest income | (1) | (1) | (2) | (3) |

4. Tax

The amount of taxation charged to the unaudited consolidated income statement represented the Hong Kong profits tax provided on the estimated assessable profit for the six month ended 30 September 2005. Hong Kong profits tax has been provided at the rate of 17.5% (2004: 17.5%) on the estimated assessable profit arising in or derived from Hong Kong.

During the six month ended 30 September 2005, the tax effect of temporary differences for deferred tax assets was not recognised in the financial statements as the tax loss of the Company is subject to the agreement of the Hong Kong Inland Revenue Department and can be carried forward indefinitely.

5. Loss per share

The calculation of basic loss per share for the six months ended 30 September 2005 is based on the loss attributable to shareholders of HK\$10,726,000 (2004: HK\$4,491,000) and the weighted average of 3,061,671,600 (2004: 2,041,114,400) ordinary shares in issue during the period.

No diluted loss per share is presented as the outstanding share options and convertible notes were anti-dilutive.

6. Trade receivables

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

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

| | 30 September 2005 (Unaudited) HK\$'000 | 31 March 2005 (Audited) HK\$'000 |
|----------------|---|--|
| 0 – 30 days | 110 | 144 |
| 31 – 60 days | 47 | 24 |
| 61 – 90 days | 22 | 11 |
| 91 – 180 days | – | 21 |
| 181 – 360 days | – | 19 |
| Over 360 days | 33,054 | 33,102 |
| | 33,233 | 33,321 |

7. Trade payables

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

| | 30 September 2005 (Unaudited) HK\$'000 | 31 March 2005 (Audited) HK\$'000 |
|----------------|---|--|
| 0 – 30 days | – | 58 |
| 31 – 60 days | 5 | – |
| 61 – 90 days | – | 1,304 |
| 91 – 180 days | 14 | 675 |
| 181 – 360 days | – | 26 |
| Over 360 days | 677 | 1 |
| | 696 | 2,064 |

8. Amounts due to directors and amount due to a spouse of a director

The amounts are interest bearing with Hong Kong prime lending rate per annum, unsecured and repayable on demand, which were effective from 1 July 2005.

9. Post balance sheet events

At the annual general meeting of the Company (“AGM”) held on 30 September 2005, shareholders of the Company (the “Shareholders”) passed all ordinary resolutions, among others, (a) to increase in the authorised share capital of the Company from HK\$80,000,000 to HK\$120,000,000; and (b) to consolidate every 10 ordinary shares of HK\$0.01 each in the issued and unissued share capital of the Company into 1 ordinary share of HK\$0.10 each and to consolidate every 10 non-voting convertible preference shares of HK\$0.01 each in the issued and unissued share capital of the Company into 1 non-voting convertible preference share of HK\$0.10. Details of the results of AGM were set out in the announcement dated 30 September 2005.

Since 3 October 2005, the ordinary shares of the Company have been traded in board lots from 10,000 to 20,000.

On 21 September 2005, the Company and Baron Capital Limited entered into two conditional placing agreements whereby Baron Capital Limited has agreed (i) to place not more than 300,000,000 new non-voting convertible preference shares of HK\$0.10 each in the capital of the Company on a best effort basis; and (ii) to place not more than HK\$10,000,000 new convertible notes of the Company on a best effort basis. Reference is made to the circular of the Company dated 19 October 2005. At the extraordinary general meeting of the Company held on 11 November 2005, ordinary resolutions in relation to the above conditional placing agreements were duly passed by the Shareholders.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2005 (2004: Nil).

BUSINESS REVIEW AND PROSPECTS

Financial Performance

For the six months ended 30 September 2005, the Group's consolidated turnover amounted to HK\$4,121,000 (2004: HK\$11,559,000). During the period under review, loss from operations for the period was HK\$10,405,000, compared to HK\$4,285,000 in the corresponding period last year. Further, loss attributable to shareholders for the period was HK\$10,726,000 while the corresponding period last year was HK\$4,491,000. During the period, the provision for doubtful debts of HK\$23,923,000 (2004: HK\$22,378,000) had been made for the outstanding trade debtors. The Group has been taking aggressive procedures to collect outstanding settlements.

The satisfactory result of the "1+1+1 Project" training programme and the sales of "Thiz Easy Shop" in China and Taiwan respectively which has been already established its clients base. Moreover, the Group proved the foreseeable market growth in China and willing to invest substantial resources in sales and marketing in view of penetrating strategy for potential market increment.

Business Review

After completion of "1+1+1 Project" by the Software Training Centre under Beijing Municipal Science & Technology Commission, the Group has commenced creating new course materials for Linux network engineers and software engineers and completed finally in a half-year period, the new curriculum which is divided into three stages. The first stage is a network engineer training programme, including Linux desktop and office application, system management, network management of Linux's security structure, implementation of router structure and business application; the second stage is a software engineer training programme, including network programming (LAMP), database development (MYSQL, Oracle), cross-platform application development (J2SE), embedded application process development (J2ME), network programming (JSP) and project management; and the third stage is a system engineer training programme, including C/C++ programming in Linux environment, Linux's core structure, occupational quality education and project development. The total class hours for the three stages is satisfactory lasts for a year. The course fees for each person is competitive in the market. Since the curriculum was implemented in August this year, of which the program was initially offered by the Changchun Jilin Longqiao Training Center as a trial, it is estimated that numerous classes will be opened for training application in Beijing and Dalian respectively.

Upon successful implementation of the classes, the Group will launch the programme named “Thizlinux IT Professionals Training Programme” on a full scale across the country, so as to ensure that the Group is able to achieve the recognition and reputation as “The No. 1 provider of training for Linux software engineers, network engineers and system engineers in the PRC”.

Prospect

As the new curriculum “Thizlinux IT Professionals Training Programme” gained much appreciation from the licensed centers, which in turn raised the morale of the staff of the Group. The Group will expand the existing 5 teaching centers with the aim of developing up to 30 teaching centers by the end of year 2005/06 in the entire country, and setting up its own teaching centers in major regions. The opening of one class in each month will generate substantial income to the Group. With the provision of satisfactory training, the Group proposed to open 300 training classes to train 6,000 persons each year, and this would become a very significant index in terms of recognition, reputation and influence as well as in the territory of Linux. It was reported several times in the PRC that professional Linux software engineers in the PRC is below 3,000, while the professional Linux software engineers which were trained by the Group accounts for more than half of this number. Thus, the Group is confident that by embarking on the course of providing training for professional Linux software engineers, the Group will definitely earn itself reputation as well as profit.

MANAGEMENT DISCUSSION AND ANALYSIS

Liquidity, financial resources and capital structure

As at 30 September 2005, the Group had current assets amounted to HK\$42,682,000, of which HK\$1,223,000 were cash and bank deposits. Current liabilities of HK\$40,883,000 mainly comprised of trade payables, other payables, accruals and deposits received, and amounts due to the directors. The current ratio of the Group was 1.04. The Group had net current assets of approximately HK\$1,799,000 as at 30 September 2005.

Net current assets show a decrease by HK\$11,517,000 at 30 September 2005. The decrease was mainly due to several significant amounts of other payables and amounts due to directors and amount due to a spouse of a director.

At the same date, the Group had outstanding unlisted convertible notes of HK\$14,000,000 bearing interest rate of 2.5% per annum both issued at 17 January 2003 with maturity at 16 January 2006 and at 26 March 2004 with maturity at 25 March 2007. The notes are convertible into new shares of the Company at a conversion price of HK\$0.034 per share.

The gearing ratio calculated on the basis of total liabilities over shareholders' funds as at 30 September 2005 was 5.44, compared with 2.96 at 31 March 2005. This was also due to the increase in other payables and amounts due to directors and amount due to a spouse of a director.

Investments held and material acquisitions and disposals

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

Segmental information

(a) Business segments

The following table presents revenue and loss information for the Group's business segments for the six months ended 30 September 2005.

| | Software development | | Computer products | | Training services | | 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 | 565 | 3,120 | 2,457 | 4,005 | 1,099 | 4,434 | 4,121 | 11,559 |
| Segment results | (3,372) | (926) | (1,904) | (615) | (2,069) | 1,870 | (7,345) | 329 |
| Interest income | | | | | | | 2 | 3 |
| Unallocated income | | | | | | | – | – |
| Unallocated expenses | | | | | | | (3,062) | (4,617) |
| Loss from operations | | | | | | | (10,405) | (4,285) |
| Finance costs | | | | | | | (468) | (151) |
| Loss before tax | | | | | | | (10,873) | (4,436) |
| Tax | | | | | | | – | (149) |
| Loss for the period | | | | | | | (10,873) | (4,585) |
| Attributable to: | | | | | | | | |
| Shareholders of the Company | | | | | | | (10,726) | (4,491) |
| Minority interests | | | | | | | (147) | (94) |
| | | | | | | | (10,873) | (4,585) |

(b) *Geographical segments*

The following table presents revenue information for the Group's geographical segments for the six months ended 30 September 2005.

| | Hong Kong | | Taiwan | | PRC | | USA | | Vietnam | | Denmark | | Others | | Consolidated | |
|-----------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| | 2005 | 2004 | 2005 | 2004 | 2005 | 2004 | 2005 | 2004 | 2005 | 2004 | 2005 | 2004 | 2005 | 2004 | 2005 | 2004 |
| | (HK\$'000) | | | | | | | | | | | | | | | |
| Segment revenue:- | | | | | | | | | | | | | | | | |
| Sales to external customers | 42 | 749 | 334 | 3,052 | 1,322 | 3,806 | 65 | 1,119 | 2,033 | 338 | 216 | - | 109 | 2,495 | 4,121 | 11,559 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |

Employee information

As at 30 September 2005, the Group had approximately 210 employees spreading over Hong Kong, PRC and Taiwan.

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

Capital commitments and contingent liabilities

As at 30 September 2005, the Group had no material capital commitments and contingent liabilities.

Exposure to foreign exchange risk

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

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES OF THE COMPANY

As at 30 September 2005, the interests or short positions of the directors and chief executive in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”), Chapter 571 of the Laws of Hong Kong), which were notified to the Company and The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they have taken or deemed to have taken under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rule 5.61 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:–

(a) Long positions in ordinary shares of HK\$0.01 of the Company

| Name of Directors | Type of interest | Total number of shares held | Percentage of shareholding |
|--|-------------------------|------------------------------------|-----------------------------------|
| Mr. Lin Chien Hsin | Personal | 529,500,000 | 17.3% |
| Mr. Wong Hoi Wong (“Mr. Albert Wong”) (<i>Note</i>) | Other | 449,700,000 | 14.7% |
| Ms. Wanzi Huang | Personal | 129,688,500 | 4.2% |

Note: These 449,700,000 shares are registered in name of Eaglemax International Investment Limited, a company wholly owned by Intelligent Management Limited as the trustee of Intelligent Management Discretionary Trust, a family discretionary trust, the objects of which include Mr. Albert Wong and his family and any charity in the world. As at 30 September 2005, Mr. Albert Wong held the entire issued share capital of Intelligent Management Limited. By virtue of SFO, Mr. Albert Wong has interest of such shares.

Long positions in underlying shares of equity derivatives of the Company

The Company adopted a share option scheme (the “2001 Scheme”) on 6 July 2001, pursuant to which it may grant options to full-time employees of the Group including executive directors of the Company to subscribe for shares in the Company. On 5 August 2004, the Company adopted a new share option scheme (the “2004 Scheme”), pursuant to which it may grant options to eligible participants including executive directors of the Company to subscribe for shares in the Company and on the same day, the 2001 Scheme was terminated.

| Name of Directors | Type of interest | Date of grant | Exercise price per share HK\$ | Exercisable period | Number of ordinary shares eligible for subscription under options granted and outstanding as at |
|-------------------|------------------|------------------|----------------------------------|------------------------------|---|
| | | | | | 30 September 2005 |
| Mr. Wong Hoi Wong | Personal | 21 November 2001 | 0.266 | 30 June 2002 to 29 June 2012 | 1,942,105 |
| Ms. Wanzi Huang | Personal | 21 November 2001 | 0.266 | 30 June 2002 to 29 June 2012 | 19,586,843 |

No options were granted or exercised under the 2001 Scheme and the 2004 Scheme during the six months ended 30 September 2005.

(b) Short positions in the shares and underlying shares of the Company

Save as disclosed herein, as at 30 September 2005, none of the directors has short positions in the shares or underlying shares of equity derivatives of the Company.

Save as disclosed herein, as at 30 September 2005, none of the directors 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 were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have taken under such provisions of the SFO), or which were required pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rule 5.61 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 30 September 2005, the following persons (not being the directors and chief executives of the Company) had interests or short positions in the shares, underlying shares or debentures of the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO,

or which were recorded in the register required to be kept under Section 336 of the SFO as follows:—

| Name of shareholders | Ordinary shares | Preference shares | Percentage of holding of the ordinary shares | Percentage of holding of the preference shares |
|--|------------------------|--------------------------|---|---|
| Eaglemax International Investment Limited (<i>Note 1</i>) | 449,700,000 | — | 14.7% | — |
| Richagain International Limited | 66,580,000 | 323,076,920 | 2.2% | 80.8% |
| United Fu Shen Chen Technology Corporation (<i>Note 2</i>) | 324,340,000 | — | 10.6% | — |

Note 1: These 449,700,000 ordinary shares are registered in the name of Eaglemax International Investment Limited, a company wholly owned by Intelligent Management Limited as the trustee of Intelligent Management Discretionary Trust, a family discretionary trust, the objects of which include Mr. Albert Wong and his family and any charity in the world. As at 30 September 2005, Mr. Albert Wong held the entire issued share capital of Intelligent Management Limited. By virtue of the SFO, Mr. Albert Wong is deemed to have interest in such shares. The shares held in the name of Eaglemax International Investment Limited are duplication of the shares held by the director, Mr. Albert Wong.

Note 2: Formerly known as Applied Component Technology Corporation.

Save as disclosed above, as at 30 September 2005, there was no person (not being the directors and chief executives of the Company) who had any interests or short positions in the shares, underlying shares and debentures of the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under Section 336 of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the heading “Directors’ and Chief Executives’ Interests in Securities of the Company”, at no time during the six months ended 30 September 2005 was the Company or any of its subsidiaries a party to any arrangements to enable any director or their respective spouse or children under 18 years of age to acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.

MANAGEMENT SHAREHOLDERS' INTERESTS

Save for the interests disclosed above in respect of the Directors, chief executive and their associates, the Directors are not aware of any person who, as at 30 September 2005, was entitled to exercise or control the exercise of 5 per cent or more of the voting power at general meetings of the Company and who was able, as a practical matter, to direct or influence the management of the Company.

COMPETING INTERESTS

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

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

Neither the Company, nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares during the six months ended 30 September 2005.

COMPLIANCE WITH RULES 5.34 TO 5.45 OF THE GEM LISTING RULES

The Company has complied with Rules 5.34 to 5.45 of the GEM Listing Rules concerning board practices and procedures during the six months ended 30 September 2005.

AUDIT COMMITTEE

The Company has established an audit committee since August 2001 with its written terms of reference being in compliance with Rules 5.28 to 5.29 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 control systems of the Group and to provide advices and comments to the Board.

The audit committee comprises three members, namely, Ms. Li Zhe, Mr. Ko Ming Tung, Edward and Mr. Chu Wei Jen, all being independent non-executive directors of the Company.

The Group's financial statements for the six months ended 30 September 2005 have been reviewed by the audit committee who was of the opinion that such financial statements complied with applicable accounting standards, the GEM Listing Rules, and that adequate disclosures had been made.

By Order of the Board
Lin Chien Hsin
Chairman

Hong Kong, 11 November 2005

As at the date hereof, the board of directors of the Company comprises three executive directors, namely Mr. Lin Chien Hsin, Mr. Wong Hoi Wong and Mr. Yuan Luke Tsu, two non-executive directors, namely Ms. Hsieh Yi Chen and Ms. Wu Chiao Ru and three independent non-executive directors, namely Ms. Li Zhe, Mr. Ko Ming Tung, Edward and Mr. Chu Wei Jen.