



# ThinSoft

THINSOFT (HOLDINGS) INC  
博軟(控股)有限公司

(Incorporated in the Cayman Islands with limited liability)  
(Stock Code : 8096)

Interim Report 2006

## 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.

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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") is pleased to announce the following unaudited condensed consolidated financial statements of the Company and its subsidiaries (the "Group") for the three months and six months ended 30 June 2006 together with the comparative figures for the corresponding periods in last financial year.

### UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	For the three months ended 30 June		For the six months ended 30 June	
		2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000
Revenue	3	4,706	4,643	10,192	8,600
Cost of sales		(689)	(1,222)	(2,115)	(2,183)
Gross profit		4,017	3,421	8,077	6,417
Other income		268	114	504	181
Selling and distribution expenses		(131)	(175)	(286)	(204)
General and administrative expenses		(2,762)	(2,230)	(5,774)	(4,501)
Profit before tax	5	1,392	1,130	2,521	1,893
Tax	6	(729)	(176)	(1,372)	(276)
Profit for the period		663	954	1,149	1,617
Earnings per share	8				
Basic		HK0.13 cent	HK0.19 cent	HK0.23 cent	HK0.32 cent
Diluted		HK0.13 cent	HK0.18 cent	HK0.22 cent	HK0.31 cent

## CONDENSED CONSOLIDATED BALANCE SHEET

		At 30 June 2006	At 31 December 2005
	Notes	HK\$'000 (Unaudited)	HK\$'000 (Audited)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	9	–	1
Deferred tax assets	6	2,312	3,377
Available-for-sale investment	10	758	758
		<b>3,070</b>	4,136
<b>CURRENT ASSETS</b>			
Inventories	11	354	489
Accounts receivable	12	278	467
Prepayments, deposits and other receivables		204	322
Cash and cash equivalents	13	29,994	27,655
		<b>30,830</b>	28,933
<b>CURRENT LIABILITIES</b>			
Accounts payable	14	361	240
Accrued liabilities and other payables		3,935	4,606
Tax payable		424	192
		<b>4,720</b>	5,038
<b>NET CURRENT ASSETS</b>		<b>26,110</b>	23,895
		<b>29,180</b>	28,031
<b>CAPITAL AND RESERVES</b>			
Issued capital		25,063	25,063
Reserves		4,117	2,968
		<b>29,180</b>	28,031

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Reserves/(deficit)						Total HK\$'000
	Issued capital HK\$'000	Share premium account HK\$'000	Exchange translation reserve HK\$'000	Capital reserve HK\$'000	Accumulated losses HK\$'000	Reserves Total HK\$'000	
At 1 January 2005	25,063	8,635	1,226	6,840	(22,055)	(5,354)	19,709
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
At 1 January 2006	25,063	8,635	1,226	6,840	(13,733)	2,968	28,031
Profit for the period	-	-	-	-	1,149	1,149	1,149
At 30 June 2006	25,063	8,635	1,226	6,840	(12,584)	4,117	29,180

## UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	For the six months ended 30 June	
	2006 HK\$'000	2005 HK\$'000
NET CASH FLOWS FROM OPERATING ACTIVITIES	1,835	2,134
NET CASH FLOWS FROM INVESTING ACTIVITIES	504	–
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,339	2,134
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	27,655	22,190
CASH AND CASH EQUIVALENTS AT END OF PERIOD	29,994	24,324
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
CASH AND BANK BALANCES	29,994	24,324

## NOTES TO FINANCIAL STATEMENTS

### 1. 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.

### 2. PRINCIPAL ACCOUNTING POLICIES

The accounting policies and methods of computation used in the preparation of the unaudited consolidated results are consistent with those used in the 2005 audited financial statements.

### 3. REVENUE

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold and services rendered, less discounts, returns, and applicable goods and service taxes. All significant transactions among the companies comprising the Group have been eliminated on consolidation.

### 4. SEGMENT INFORMATION

#### (a) Business segments

The following table presents revenue, profit and certain asset, liability and expenditure information for the Group's business segments.

	Software		Upgrade kits		Vertical market solutions		Total	
	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000
Segment revenue:								
Sales to external customers	6,055	5,712	3,164	1,785	973	1,103	10,192	8,600
Segment results	4,275	3,774	261	293	(83)	(4)	4,453	4,063
Interest and allocated gains							504	181
Unallocated expenses							(2,436)	(2,351)
Profit before tax							2,521	1,893
Tax							(1,372)	(276)
Profit for the period							1,149	1,617
Segment assets	1,188	1,210	354	435	-	-	1,542	1,645
Unallocated assets							32,358	24,498
Total assets							33,900	26,143
Segment liabilities	-	-	361	572	-	-	361	572
Unallocated liabilities							4,359	4,245
Total liabilities							4,720	4,817
Other segment information								
Depreciation	1	1	-	-	-	-	1	1

**(b) Business segments**

The following table presents revenue and certain asset and expenditure information for the Group's geographical segments.

	HK and China		Europe		US		Singapore		Asia Pacific except HK, China and Singapore		Others		Total	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Sales to external customers	56	334	2,947	3,631	5,030	2,885	10	26	635	604	1,514	1,120	10,192	8,600
Other segment information:														
Segment assets	4,574	3,226	-	-	9,044	1,841	15,315	17,513	-	-	-	-	28,933	22,580
Unallocated assets													4,967	3,563
Total assets													33,900	26,143

**5. PROFIT BEFORE TAX**

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

	For the three months ended 30 June		For the six months ended 30 June	
	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000
Costs of inventory sold and services provided	689	1,222	2,115	2,183
Auditors' remuneration	79	84	184	168
Depreciation	-	-	1	1
Interest income	(268)	(114)	(504)	(181)
Staff costs, excluding directors' remuneration:				
Wages and salaries	660	795	1,370	1,590
Pension scheme contributions	38	49	80	98
	698	844	1,450	1,688
Minimum lease payments under operating leases in respect of land and buildings to:				
The ultimate holding company	84	84	169	169
An independent third party	7	7	14	14
	91	91	183	183
Exchange (gains)/losses, net	975	129	1,324	(60)



## 6. TAX AND DEFERRED TAX ASSETS

	For the three months ended 30 June		For the six months ended 30 June	
	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000
Current:				
Hong Kong	–	–	–	–
Outside Hong Kong	156	176	307	276
	156	176	307	276
Deferred	573	–	1,065	–
Total tax charge for the period	729	176	1,372	276

No provision for Hong Kong profits tax has been made as the Group had no estimated assessable profits arising 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% (2005: 20%) on the estimated assessable profits arising in Singapore for the period ended 30 June 2006.

ThinSoft (USA) Inc is a company incorporated in the State of Delaware in the United States of America. During the period under review, it has been operating in the State of New York in the United States of America and is subject to the United States federal income tax at progressive rates ranging from 15% to 39% and New York state corporate tax at a rate of 7.5% on its estimated assessable profits arising on a world wide basis.

## 7. 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 2006 (2005: Nil).

## 8. EARNINGS PER SHARE

The calculation of basic earnings per share for the three months and six months ended 30 June 2006 are based on the profit for the period attributable to equity holders of the parent of HK\$663,000 (2005: HK\$954,000) and HK\$1,149,000 (2005: HK\$1,617,000), and the weighted average of 501,255,000 (2005: 501,255,000) and 501,255,000 (2005: 501,255,000) ordinary shares in issue during the period.

The calculation of diluted earnings per share for the three months and six months ended 30 June 2006 are based on the profit for the period attributable to equity holders of the parent of HK\$663,000 (2005: HK\$954,000) and HK\$1,149,000 (2005: HK\$1,617,000), and the weighted average number of 522,465,619 (2005: 520,902,857) and 522,926,365 (2005: 520,902,857) ordinary shares in issue during the period, adjusted for the effects of all dilutive potential shares.

The weighted average of number of shares used in the calculation of diluted earnings per share for the three months and six months ended 30 June 2006 are calculated based on the weighted average of 501,255,000 (2005: 501,255,000) and 501,255,000 (2005: 501,255,000) ordinary shares in issue during the period plus the weighted average of 21,210,619 (2005: 19,647,857) and 21,671,365 (2005: 19,647,857) ordinary shares deemed to be issued at no consideration as if all of the Company's outstanding share options have been exercised.

## 9. PROPERTY, PLANT AND EQUIPMENT

	Office equipment <i>HK\$'000</i>	Plant and machinery <i>HK\$'000</i>	Furniture and fittings <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost:				
At 1 January 2005, 31 December 2005, 1 January 2006 and 30 June 2006	103	222	23	348
Accumulated depreciation:				
At 1 January 2005	98	222	23	343
Provided during the year	4	–	–	4
At 31 December 2005 and 1 January 2006	102	222	23	347
Provided during the period	1	–	–	1
<b>At 30 June 2006</b>	<b>103</b>	<b>222</b>	<b>23</b>	<b>348</b>
Net book value:				
<b>At 30 June 2006 (Unaudited)</b>	–	–	–	–
At 31 December 2005 (Audited)	1	–	–	1

## 10. AVAILABLE-FOR-SALE INVESTMENT

	At 30 June 2006	At 31 December 2005
	<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Audited)
Unlisted equity investments, at cost	758	758

The unlisted equity investment of the Group is not stated at fair value but at cost less any accumulated impairment losses because it does not have a quoted market price in an active market. The directors of the Company consider that the fair value cannot be measured reliably as the variability of the range of reasonable fair value estimates is significant and the probabilities of the various estimates cannot be reasonably assessed.

## 11. INVENTORIES

	At 30 June 2006	At 31 December 2005
	<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Audited)
Raw materials	354	474
Finished goods	–	15
	<b>354</b>	<b>489</b>

At 30 June 2006, none of the inventories was stated at fair value less costs to be incurred for sale (2005: Nil).

## 12. 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 2006	At 31 December 2005
	<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Audited)
Within 30 days	268	448
Between 31 to 60 days	5	12
Between 61 to 90 days	5	–
Between 91 to 180 days	–	7
	<b>278</b>	<b>467</b>

## 13. CASH AND CASH EQUIVALENTS

	At 30 June 2006	At 31 December 2005
	<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Audited)
Cash and bank balances	1,027	785
Time deposits	28,967	26,870
	<b>29,994</b>	27,655

## 14. ACCOUNTS PAYABLE

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

	At 30 June 2006	At 31 December 2005
	<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Audited)
Within 30 days	6	160
Between 31 to 60 days	-	69
Between 61 to 90 days	-	-
Between 91 to 180 days	355	11
	<b>361</b>	240

## MANAGEMENT DISCUSSION AND ANALYSIS

### Operations review

ThinSoft is now beginning to benefit from the tremendous potential of the American market. The Group's customer base there is widening and deepening as individuals and enterprises discover the power of our patented flagship thin computing products.

Sales in the United States and Canada for the period under review increased to HK\$5 million, 74.4% better than the first half of 2005. This latest result affirms that North America is the single largest global market segment for the Group, accounting for 49.4% of total sales. In all, the Group's total revenues increased 18.5% in the period under review reaching HK\$10.2 million for the first half compared to HK\$8.6 million for the same period a year ago.

The strength of the Group's products is a powerful marketing dynamic. ThinSoft's flagship products are known to improve the Total Cost of Ownership in a variety of computing environments. This is a message that is being echoed and repeated throughout the Group's customer base. Many new customers have been referred to ThinSoft by other professional software companies. For example, one of the most successful, small business accounting software companies in the United States continuously recommends WinConnect Server to its customers as the best available solution for remote desktop protocol.

### Financial review

Turnover from the sales of software for the period ended 30 June 2006 increased by approximately 6% to approximately HK\$6.1 million when compared to last year of approximately HK\$5.7 million.

Overall turnover for the six months ended 30 June 2006 increased by approximately 18.5% to approximately HK\$10.2 million when compared to last year of approximately HK\$8.6 million.

Sales in the United States amounted to approximately HK\$5 million or 49.4% of total turnover and represents the largest single geographic market for the Group for the period ended 30 June 2006.

Gross profit margin for the period ended 30 June 2006 increased to approximately 79.2% as compared with approximately 74.6% in the corresponding previous year. The increase in gross margin was attributable to increase sales of software products which have relatively higher margins.

General and administrative expenses in the period under review increased to approximately HK\$5.8 million when compared to approximately HK\$4.5 million incurred in the previous corresponding period. The increase was the result of exchange difference realized during the period under review.

Net operating losses incurred in prior periods resulted in a Deferred Tax Asset of approximately HK\$3.4 million as of 31 December 2005. Therefore, while required tax provisions have been made in the period under review, no actual taxes will be paid in the USA until such time as the net operating losses have been fully utilized for tax purposes.

The Group consequently registered a profit of approximately HK\$1.1 million for the period under review.

The Group continues to be in a strong financial position. Cash and bank balances as at 30 June 2006 was approximately HK\$30 million (31 December 2005: approximately HK\$27.7 million). There were no bank borrowings as at 30 June 2006 (31 December 2005: Nil).

### **Capital structure**

There has been no change in the capital structure of the Company during 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 investments**

As at 30 June 2006, 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. At present, the Company and the Group have no plans for material investments or capital assets.

### **Gearing ratio**

As at 30 June 2006, the Group did not have any long-term debts and its shareholders' funds amounted to approximately HK\$29.2 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 2006.

### **Liquidity and financial resources**

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

As at 30 June 2006, the Group had cash and cash equivalents of approximately HK\$30 million as compared to approximately HK\$27.7 million as at 31 December 2005.

### **Foreign exchange exposure**

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

### **Charges on Group assets**

As at 30 June 2006, 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 2006.

### **Segmental information**

The segmental information of the Group's products is set out on pages 5 to 6.

### **Employees**

As at 30 June 2006, 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 previous period amounted to approximately HK\$2.7 million and approximately HK\$2.9 million respectively. The Group remunerates its employees based on their performance, experience and the prevailing industry practice.

Each of the executive directors has entered into a service contract with the Company for the term of three years commencing from 27 February 2005 and expiring on 26 February 2008. Under the service contracts, after each completed year of service, the remuneration payable to each of them may, subject to the discretion of the directors and they will each be entitled to a discretionary bonus provided that the audited consolidated profit after taxation and minority interests (and after the payment of such bonus) but before extraordinary items (the "Profit") of the Group for the relevant year exceeds HK\$10 million and further that the total amount of bonuses payable to all the directors for such year shall not exceed 5% of the Profit.

Pursuant to a pre-IPO share option scheme adopted by the Company on 2 February 2002, 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, representing in aggregate approximately 10.52% of the issued share capital of the Company immediately following the completion of the Placing and the capitalization issue, at a subscription price ranging from 20% to 70% of the issue price of HK\$0.40 per share.

At the date of this report, no share options have been granted under the post-IPO share option scheme adopted by the Company on 2 February 2002.

Save as disclosed hereof, no information on relation to the Group's performance has changed materially from the information disclosed in the Company's 2005 annual report.

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

As at 30 June 2006, 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 of Hong Kong Limited (the "Stock Exchange") pursuant to Rule 5.46 of the Rules Governing the Listing of Securities on the Growth Enterprise Market (the "GEM") of the Stock Exchange (the "GEM Listing Rules"), were as follows:

### Long positions in ordinary shares of the Company:

Name of director	Capacity and nature of interest	Percentage of the Company's issued share capital
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 2006, approximately 63.7% of the issued share capital of IPC was held by the public. As at 30 June 2006, IPC held approximately 74.81% (or 375,000,000 ordinary shares) of the issued share capital of the Company.

As at 30 June 2006, 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 2006, 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:**

*Share options granted under the Pre-Scheme:*

	Number of share options directly beneficially held by the directors and outstanding	Approximate percentage of the Company's issued share capital
<b>Directors of the Company</b>		
Ngiam Mia Hai Bernard	7,600,000	1.52
Ngiam Mia Hong Alfred	7,200,000	1.44
<b>Former director of the Company</b>		
William Michael Driscoll	3,600,000	0.72
<b>Directors of subsidiaries</b>		
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 2006, 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 2006, the following person 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 position**

Name	Capacity and nature of interest	Number of ordinary shares held	Approximate 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 2006, there was no person (other than the directors and chief executive of the Company whose interests are set out under the paragraph headed "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.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

During the period ended 30 June 2006, there was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's listed securities.

## **COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE PRACTICE**

The Company applied the principles and 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.

## **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 2006.

### **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 months ended 30 June 2006 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 made.

## **DIRECTORS OF THE COMPANY**

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

ON BEHALF OF THE BOARD

**Ngiam Mia Hai Bernard**

*Chairman*

Hong Kong  
4 August 2006