

In addition, the global economy plunged further as a consequence of the “9.11” tragedy in the U.S.. However, the Directors believe that this may accelerate the structural consolidation of the IT business worldwide and attract more funds into the Asia-Pacific region. The Group will try its best to turn adversity into opportunity and look for new growth areas for our business.

As for the motherboard market, the Group will focus on developing new models with advanced features, such as Pentium 4 embedded with DDR in order to capture more potential markets.

As for internet infrastructural facilities, the Group will focus on developing new models with advanced management capabilities, such as SNMP, RMON, with routing function and Gigabit features, etc. We will also focus on expanding the European market, such as the U.K., Germany, as well as Asian markets like China, South Korea, Japan, etc.

The Directors believe that with our aggressive development strategy firmly on stage, while keeping abreast with the global economic and IT development trend to strengthen our research and development in technology, our management and production capacity and hopefully with our joint effort in exploiting markets for these products with our partners, we will be able to realize our goal of becoming the leading supplier of networking, communication and computer products in the world.

FINANCIAL ANALYSIS

As at 30th September, 2001, the Group had a total of HK\$76,326,000 (2000: HK\$102,405,000) in cash and bank balances. The Group had trade and other receivables of HK\$6,964,000 (2000: HK\$12,028,000). As at 30th September, 2001, total assets of the Group amounted to HK\$166,074,000 while bank borrowings and finance lease obligations were HK\$42,201,000. The Directors believe that the Group has sufficient cashflow to meet all its commitments and operating needs, and we will continue to maintain a healthy financial position.

REPORT OF THE BOARD

DIRECTORS' INTERESTS IN SECURITIES

(a) Shares

At 30th September, 2001, the interests of the directors in the ordinary shares of the Company as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") were as follows:

Director	Type of interest	Number of shares
Mr. Chang Chung Wa, Eddie ("Mr. Chang")	Family (<i>Notes 1 and 2</i>)	112,800,000
Ms. Tang Kit Ching, Venus ("Ms. Tang")	Corporate (<i>Notes 1 and 3</i>)	28,200,000

Notes:

- (1) Tactful Finance Limited, a company incorporated in the British Virgin Islands, held 141,000,000 shares. Tactful Finance Limited is beneficially owned as to 80% by Spiritrider Development Inc., a company incorporated in the British Virgin Islands and as to 20% by Rubyrider Development Corp., a company incorporated in the British Virgin Islands.
- (2) The entire issued share capital of Spiritrider Development Inc. is owned by A-One International Limited, a company incorporated in the British Virgin Islands, the entire issued share capital of which is beneficially owned by Maple Securities Limited, a limited liability company incorporated in the British Virgin Islands, which is a discretionary trust set up by Mr. Chang, the trustee of which is HSBC International Trustee Limited. Beneficiaries of the trust include the family members of Mr. Chang.
- (3) Rubyrider Development Corp. is a company incorporated in the British Virgin Islands, the entire issued share capital of which is owned by Ms. Tang.

Save as disclosed above and other than certain nominee shares in the subsidiaries held in trust for the Group by certain directors, none of the directors or the chief executives, or their associates, had any interests in the securities of the Company or any of its associated corporations as defined in the SDI Ordinance.

(b) Options

At 30th September, 2001, the directors had personal interests in share options to subscribe for shares in the Company as follows:

Name of Director	Date of Grant	Number of Share Options			Outstanding at Sept 30, 2001
		Outstanding at April 1, 2001	Granted during the period	Exercised during the period	
Mr. Yau Kwan Shan	July 15, 2000	1,000,000	–	–	1,000,000 <i>(note 1)</i>
Dr. Li Chi Kwong	Sept 5, 2000	500,000	–	–	500,000 <i>(note 2)</i>
Prof. Pan Xiao Mei	Sept 5, 2000	100,000	–	–	100,000 <i>(note 2)</i>
Mr. Chang Chung Wa	May 21, 2001	–	5,000,000	–	5,000,000 <i>(note 3)</i>
Ms. Tang Kit Ching	May 21, 2001	–	5,000,000	–	5,000,000 <i>(note 3)</i>

Notes:

- (1) The exercise price is HK\$0.568 per share and the exercisable period is divided into 3 tranches with 40% exercisable during the period from 15th January, 2001 to 14th July, 2005, 30% exercisable during the period from 15th July, 2001 to 14th July, 2005 and 30% exercisable during the period from 15th January, 2002 to 14th July, 2005. Mr. Yau Kwan Shan had resigned as director of the company on 31st July, 2001 and the options granted to him lapsed on 31st October, 2001.
- (2) The exercise price is HK\$0.77 per share and the exercisable period is divided into 2 tranches exercisable during the periods from 26th August, 2001 to 25th August, 2005 and 26th August, 2002 to 25th August, 2005.
- (3) The exercise price is HK\$0.26 per share and the exercisable period is 7th May, 2002 to 6th May, 2006.

Save as disclosed above, at no time during the period was the Company, its holding company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of the Company or any other body corporate. None of the directors, their spouses or children under the age of 18 had any rights to subscribe for the shares in the Company or had exercised any such rights during the period.

REPORT OF THE BOARD

SUBSTANTIAL SHAREHOLDERS

The register of substantial shareholders maintained by the Company pursuant to Section 16(1) of the SDI Ordinance showed as of 30th September 2001 that, other than the interests disclosed under the heading “Directors’ interests in securities”, the Company had not been notified of any interests representing 10% or more of the company’s issued share capital.

PURCHASE, SALE AND REPURCHASE OF LISTED SHARES

During the period under review, neither the Company nor any of its subsidiaries purchased or redeemed any of the Company’s listed shares.

EMPLOYEES AND REMUNERATION POLICY

As at 30th September 2001, the Company had a total of 271 employees based in China and Hong Kong. Remuneration packages of employees are reviewed annually. Employees’ salaries as well as their bonuses and share options are determined according to the assessment of individual performance.

AUDIT COMMITTEE

The audit committee and the management audited the accounting principles and practices adopted by the Group, and discussed issues relating to the auditing of internal control and financial reporting, including the auditing of unaudited interim financial reports.

CODE OF BEST PRACTICE

In the opinion of the Directors, except that the independent non-executive directors have no fixed term of office and they must resign by rotation and may be reappointed for successive terms as prescribed by the Company’s bye-laws, none of the Directors is aware of any information which would indicate that the Company was not (or has not been) in compliance with the Code of Best Practice set out in Appendix 14 of the Rules governing the Listing of Securities on The Stock Exchange of Hong Kong Limited at any time during the six months ended 30th September, 2001.

By order of the Board
Chang Chung Wa, Eddie
Chairman

Hong Kong, 6th November, 2001