

dividend was declared by Tongling for its financial year ended 31 December 2002, no dividend income was received by the Company during the six months under review in respect of the investment in Tongling.

Segmental Information

With the contribution from the OEM and distribution business, the segment of Industrial Automation System (IAS) has recorded a significant increase in turnover by 70 times when compared with the corresponding period of 2001. The profit margin remained at about 34%. The Company believes such business will grow as the sales channels become more mature and more principals join hands with the Company. However, it is expected that the profit margin of this segment will drop to approximately 15% in 2003, similar to that of the international players in the automation industry.

Turnover from Building Automation System (BAS) has declined by 97%, compared with the corresponding period of 2001, due to keen competition and the delay of projects in the period. The fluctuation in turnover of this segment is mainly due to the project basis nature of BAS. The Company expects the situation to be improved in the second half of the financial year when SmartHome and the Company's other proprietary products for BAS are ready to market. In the meantime, the Company is developing the sales channels for distribution.

Employee information

For the six months ended 31 December 2002, the Group has recorded staff costs of approximately RMB3,224,000 representing 10.62% decrease from approximately RMB3,607,000 for the corresponding period in 2001. The number of staff was reduced from 100 employees (as of 31 December 2001) to 79 employees (as of 31 December 2002). The Group encourages slim organisation with high productivity and provides competitive remuneration packages to employees commensurable to market level in the business in which the Group operates their qualifications. Incentive schemes composed of discretionary bonus and other merit payments to reward employees based on performance are also offered. The Group also provides mandatory provident fund, medical benefits and external training programs for all staff.

DIRECTORS' INTERESTS IN SHARES

As at 31 December 2002, the interests of the Directors in the share capital of the Company or its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance")), as recorded in the register maintained by the Company under Section 29 of the SDI Ordinance or as notified to the Company were as follows:

Name of director	Nature of interests	Number of shares held
Dr. SZE Kwan	Corporate	161,700,000*

* These shares are held through Otto Link Technology Limited, which are beneficially owned as to 80% by Dr. Sze Kwan and 20% by Mr. Tung Fai, directors of the Company.

Saved as disclosed above, as at 31 December 2002, none of the Directors or their associates had any interests in the shares of the Company or any of its associated corporations as defined in the SDI Ordinance.