

MANAGEMENT DISCUSSION AND ANALYSIS

Use of Proceeds from the Company's Initial Public Offering

In connection with the listing of the Company's shares on The Stock Exchange of Hong Kong Limited on 26 July 2001, the Group raised approximately HK\$46 million, net of related expenses, of which approximately HK\$32 million were applied as at 31 December 2002.

The balance of the proceeds of approximately HK\$14 million was placed on short term deposits with financial institutions in Hong Kong as at 30 June 2003.

The actual and intended applications of the net proceeds from the issue of new shares are consistent with the plans set out in the prospectus of the Company dated 16 July 2001.

DISCLOSURE OF ADDITIONAL INFORMATION

Director's interest in shares

As at 30 June 2003, the interests of the directors of the Company in the shares and underlying shares of the Company recorded in the register required to be kept under Section 352 of the Securities and Futures Ordinance (the "SFO") or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") are as follows:

(a) *Ordinary shares of HK\$0.10 each in the Company*

Name of Director	Capacity	Number of ordinary shares held	% of the issued share capital
Mr. Lam Yat Sing	Attributable interest of controlled corporate	736,925,000	59.18

Note 1: Brilliant Path Limited ("Brilliant Path"), Prosperous Statesman Limited ("Prosperous Statesman") and Sinotime Limited ("Sinotime") owned 296,364,000, 68,200,000 and 372,361,000 ordinary shares of the Company, respectively. These companies are incorporated in the British Virgin Islands. The entire issued share capitals of Brilliant Path, Prosperous Statesman and Sinotime are beneficially owned by Mr. Lam Yat Sing.

Note 2: Mr. Lam was formerly an executive director and the Chairman of the Group. He resigned from the above positions on 8 July 2003.

DISCLOSURE OF ADDITIONAL INFORMATION**Director's interest in shares** (continued)*(b) Derivatives to ordinary shares of HK\$0.10 each in the Company*

Name of Director	Capacity	Number of unlisted underlying shares	% of the issued share capital
Mr. Lam	Beneficial owner	1,244,000	0.10
Mr. Chew Kean Eng	Beneficial owner	4,962,000	0.40
Mr. Khoo Chuan Teng	Beneficial owner	4,962,000	0.40
Mr. Wong Kwai Wah	Beneficial owner	5,956,000	0.48
Mr. Liu Ngai Wing	Beneficial owner	1,244,000	0.10
Mr. Ong Hong Hoon	Beneficial owner	1,244,000	0.10

Note: Details of the interests of directors and chief executive of the Company in the underlying shares of equity derivatives in respect of options granted to them pursuant to the share option scheme adopted by the Company on 6 June 2002 are stated in the "Share options scheme" section below.

All the interests stated above represent long positions. Save as disclosed above, as at 30 June 2003, none of the directors or chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DISCLOSURE OF ADDITIONAL INFORMATION**Substantial shareholders' interest in shares**

As at 30 June 2003, the interests of the substantial shareholder (as defined in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules")), other than directors or chief executives, of the Company in the shares of the Company as recorded in the register required to be kept under section 336 of the SFO are as follows:

Name of shareholders	Capacity	Number of shares held	% of the issued share capital
Sinotime	Beneficial owner	372,361,000#	29.91
Brilliant Path	Beneficial owner	296,364,000#	23.80

The interest is also disclosed under the paragraph headed "Director's interest in shares" disclosed above.

All the interests stated above represent long positions. Save as disclosed above, as at 30 June 2003, none of the substantial shareholders, other than directors or chief executives, of the Company had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

DISCLOSURE OF ADDITIONAL INFORMATION**Other persons' interest in shares**

As at 30 June 2003, the interests of the other persons (as defined in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules")), other than directors or chief executives, of the Company in the shares of the Company as recorded in the register required to be kept under section 336 of the SFO are as follows:

Name of shareholders	Capacity	Number of shares held	% of the issued share capital
Prosperous Statesman	Beneficial owner	68,200,000#	5.47

The interest is also disclosed under the paragraph headed "Director's interest in shares" disclosed above.

All the interests stated above represent long positions. Save as disclosed above, the register required to be kept under section 336 of the SFO shows that as at 30 June 2003, the Company had not been notified of any other person who had an interest or short position in shares and underlying shares of the Company.

Share option scheme

Under the terms of the share option scheme of the Company adopted on 6 June 2002 (the "Scheme"), the Company granted options to eligible participants (including executive directors, independent non-executive directors, other employees, suppliers of goods or services and any person or entity that provides research, development or other technological support to the Group) on 1 December 2002 to subscribe for shares of the Company.

DISCLOSURE OF ADDITIONAL INFORMATION**Share option scheme** (continued)

The following share options were outstanding under the Scheme during the Period:

Category or name of participant	Number of share options		
	At 1 January 2003	Exercised during the Period	At 30 June 2003
Executive directors			
Mr. Lam Yat Sing	1,244,000	–	1,244,000
Mr. Chew Kean Eng	4,962,000	–	4,962,000
Mr. Khoo Chuan Teng	4,962,000	–	4,962,000
Mr. Wong Kwai Wah	5,956,000	–	5,956,000
Independent non-executive directors			
Mr. Ong Hong Hoon	1,244,000	–	1,244,000
Mr. Liu Ngai Wing	1,244,000	–	1,244,000
Other employees			
In aggregate	45,152,000	–	45,152,000
Suppliers of goods or services			
In aggregate	6,000,000	–	6,000,000
Person or entity that provides research, development or other technological support			
In aggregate	15,376,000	–	15,376,000
	86,140,000	–	86,140,000

All the above outstanding options are exercisable from 2 December 2002 to 1 December 2003 at an exercise price of HK\$0.30 per share.

DISCLOSURE OF ADDITIONAL INFORMATION**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 Period.

Code of best practice

In the opinion of the directors of the Company, the Company has complied with the Code of Best Practice (the "Code") as set out in Appendix 14 of the Listing Rules of the Stock Exchange, throughout the accounting period covered by the interim report.

Audit Committee

The Company has an Audit Committee which was established in accordance with the requirements of the Code for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The Audit Committee comprises the two independent non-executive directors of the Company.

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and discussed financial reporting matters, including a review of the unaudited condensed accounts for the six months ended 30 June 2003, with the management.

On behalf of the Board

Anthony Henry Serra

Executive Director and Chief Executive Officer

Hong Kong, 25 September 2003