

## PROSPECTS

The relaxed travel policy for mainland travelers and the announcement of the CEPA will help to stimulate both consumer and corporate spending in the second half of the year. The Group will strengthen the operations in Mainland China and build its own brand of telecommunication products under the brand name of "Circle" for sales in USA, Hong Kong and other areas. A new product, 5.8G wireless PABX, is expected to be delivered in December 2003.

Finally, we would like to extend our sincere gratitude to all the staff members of the Group for their contribution and continued support during the period.

## LIQUIDITY AND FINANCIAL RESOURCES

The Group continues to maintain a strong financial position. As at 30 September 2003, the cash and bank balances amounted to approximately HK\$27.8 million (31.3.2003: HK\$22.0 million) while the bank borrowings were HK\$31.8 million (31.3.2003: HK\$33.4 million). The gearing ratio was 15.9% (31.3.2003: 16.6%). The gearing ratio is expressed as a percentage of total borrowings to shareholders' funds.

As substantial portion of transactions are dominated in Hong Kong Dollar, the Group's exposure to exchange fluctuation is low.

## USE OF PROCEEDS OF NEW ISSUE

Up to 30 September 2003, the use of the listing proceeds are analysed as follows:

	<b>Forecast</b> HK\$'000	<b>Actual</b> HK\$'000
Repackaging and expanding the existing stores	5,000	5,000
Setting up sales and distribution network in United Kingdom and the United States	4,000	500
Expanding the distribution channel in PRC	4,000	-
Establishing a joint venture in Shanghai, the PRC for provision of systems integration services	2,000	2,000
Research and development	8,000	8,000
General working capital	7,500	7,500
	<u>30,500</u>	<u>23,000</u>

The unused balance of approximately HK\$7.5 million has been placed into short-term bank deposits.

## EMPLOYEES

As at 30 September 2003, the total number of employees of the Group was approximately 300 (30.9.2002: 230, 31.3.2003: 300) and the remuneration of employees (excluding directors' emoluments) amounted to approximately HK\$20 million for the period (1.4.2002 – 30.9.2002: HK\$18 million). The remuneration and bonus packages are based on the individual merits and performance and are reviewed at least annually. The Group maintains a good relationship with its employees.

## DIRECTORS' INTERESTS IN SECURITIES

At 30 September 2003, the interests of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Future Ordinance ("SFO") were as follows:

Name of directors	Number of ordinary shares held		
	Personal interest	Family interest	Corporate interest
Chan Chung Yee Hubert	–	226,176,575 (a)	–
Chan Chung Yin Roy	–	68,417,400 (b)	–
Chan Man Min	–	–	24,709,650 (c)
Yeh Yui Fong	–	–	2,681,550 (d)
Tsui Hon Wing	1,939,200	–	–

Notes:

- (a) 217,691,727 shares were held by Matrix World Group Limited, a company wholly-owned by Newcourt Trustees Limited as the trustee of the Mr. Chan Chung Yee Hubert's family trust. 8,484,848 shares were held by Light Emotion Limited, a company wholly-owned by Matrix World Group Limited.
- (b) 68,417,400 shares were held by Star Global International Limited, a company wholly-owned by Newcourt Trustees Limited as the trustee of the Mr. Chan Chung Yin Roy's family trust.
- (c) 24,709,650 shares were held by Ocean Hope Group Limited which was wholly owned by Mr. Chan Man Min.
- (d) 2,681,550 shares were held by CIT Company Limited of which Mr. Yeh Yui Fong and his wife each owned 50% of the issued share capital.

As at 30 September 2003, none of the directors or chief executive of the Company were interested in or deemed to be interested in short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations.

## SHARE OPTIONS

At 30 September 2003, the number of shares in respect of which options had been granted under the scheme was 17,100,000, representing approximately 4% of shares of the Company in issue at that date.

The details of the share options outstanding as at 30 September 2003 are as follows:

	Exercisable period	Exercise price per share HK\$	Outstanding at 1 April 2003	Lapsed during the period	Outstanding at 30 September 2003
<b>1. Directors</b>					
Chan Chung Yee Hubert	21.2.2003 – 20.2.2005	0.17	4,300,000	–	4,300,000
Chan Chung Yin Roy	21.2.2003 – 20.2.2005	0.17	2,000,000	–	2,000,000
Chan Man Min	21.2.2003 – 20.2.2005	0.17	1,000,000	–	1,000,000
Yeh Yui Fong	21.2.2003 – 20.2.2005	0.17	1,000,000	–	1,000,000
Tsui Hon Wing	21.2.2003 – 20.2.2005	0.17	1,000,000	–	1,000,000
Kwok Cheuk Tim Rockie	21.2.2003 – 20.2.2005	0.17	2,000,000	–	2,000,000
Chan Ming Him Denny	21.2.2003 – 20.2.2005	0.17	1,000,000	–	1,000,000
Wu Kwok Lam	21.2.2003 – 20.2.2005	0.17	1,000,000	–	1,000,000
			13,300,000		13,300,000
<b>2. Employees</b>	23.5.2002 – 23.11.2003	0.38	3,800,000	–	3,800,000
<b>3. Customers</b>	23.5.2002 – 30.6.2003	0.38	6,500,000	(6,500,000)	–
			23,600,000	(6,500,000)	17,100,000

No share options have been granted during the period.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES

At no time during the period was the Company or 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 debentures of, the Company or any other corporate and none of the directors, their spouses or children under the age of 18, had any rights to subscribe for securities of the Company, or had exercised any such rights.

A share scheme was adopted by the Company on 23 October 2001, under which the directors of the Company may be granted options to subscribe for shares in the Company. No option was granted to any of the directors of the Company or its subsidiaries during the period.

## SUBSTANTIAL SHAREHOLDERS

At 30 September 2003, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that the following shareholders had notified the Company of relevant interests and short position, being 5% or more of the company's issued share capital:

<u>Name</u>	<u>Number of shares held</u>	<u>Percentage of holding</u>
Matrix World Group Limited	217,691,727	48.41%
Light Emotion Limited (note 1)	8,484,848	1.89%
Star Global International Limited	68,417,400	15.22%
Newcourt Trustees Limited (note 2)	294,593,975	65.52%
Ocean Hope Group Limited	24,709,650	5.50%

Notes:

1. Matrix World Group Limited owns 100% of Light Emotion Limited.
2. Newcourt Trustees Limited owns 100% of Matrix World Group Limited and Star Global International Limited and is accordingly deemed by the SDI Ordinance to be interested in the shares of the Company beneficially owned by Matrix World Group Limited, Star Global International Limited and Light Emotion Limited.

The shareholdings are duplicated in the directors' interests in shares disclosed above.

Save as disclosed above, the Company has not been notified of any other relevant interests representing 5% or more of the Company's issued share capital as at 30 September 2003.

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

During the six months ended 30 September, 2003, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## **AUDIT COMMITTEE**

The audit committee has reviewed with management the accounting policies adopted by the Group and discussed auditing, internal control, and financial reporting matters, including the review of interim financial statements which have not been audited.

## **CODE OF BEST PRACTICE**

None of the directors of the Company is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the six months ended 30 September 2003, in compliance with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

On behalf of the Board  
**Chan Chung Yee Hubert**  
*Chairman*

Hong Kong, 15 December 2003