



Computech Holdings Limited
駿科網絡訊息有限公司*

(Incorporated in the Cayman Islands with limited liability)

* for identification purpose only

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.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of this report.

This report, for which the directors of Computech Holdings Limited collectively and individually accept responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to Computech Holdings Limited. 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.

HIGHLIGHTS

- Turnover was approximately HK\$31,526,000 for the half-year ended 30 June 2003.
- Net loss attributable to shareholders for the half-year ended 30 June 2003 was approximately HK\$11,690,000 with loss per share of HK4.87 cents.
- The Directors do not recommend the payment of interim dividend.

RESULTS

The board (the "Board") of directors (the "Directors") of Computech Holdings Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (together the "Group") for the half-year ended 30 June 2003 and the three months ended 30 June 2003 together with the comparative unaudited consolidated figures for the corresponding period in 2002 as follows:

		For the half-year ended 30 June 2003	For the half-year ended 30 June 2002	For the three months ended 30 June 2003	For the three months ended 30 June 2002
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	2	31,526	57,414	18,148	34,931
Cost of sales		<u>(29,849)</u>	<u>(41,506)</u>	<u>(17,004)</u>	<u>(26,232)</u>
Gross profit		1,677	15,908	1,144	8,699
Other income		10	107	10	75
Selling and distribution expenses		(2,901)	(541)	(1,528)	(209)
Administrative expenses		<u>(9,318)</u>	<u>(11,511)</u>	<u>(4,887)</u>	<u>(6,089)</u>
Operating (loss)/profit		(10,532)	3,963	(5,261)	2,476
Finance costs		(497)	(209)	(324)	(156)
Amortization of goodwill		<u>(661)</u>	<u>(793)</u>	<u>(264)</u>	<u>(396)</u>
(Loss)/profit before taxation		(11,690)	2,961	(5,849)	1,924
Taxation	3				
- Hong Kong		-	-	-	-
- PRC		-	-	-	-
(Loss)/profit for the period		<u>(11,690)</u>	<u>2,961</u>	<u>(5,849)</u>	<u>1,924</u>
Dividends		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
(Loss)/earnings per share					
- Basic	4	<u>HK(4.87) cents</u>	<u>HK1.26 cents</u>	<u>HK(2.44) cents</u>	<u>HK0.80 cents</u>

Consolidated balance sheet

	Note	At 30 June 2003 HK\$'000 (Unaudited)	At 31 December 2002 HK\$'000 (Audited)
NON-CURRENT ASSETS			
Fixed assets		1,727	2,165
Development costs		5,978	6,196
Goodwill on consolidation		-	661
		<u>7,705</u>	<u>9,022</u>
CURRENT ASSETS			
Inventories – spare parts		279	178
Debtors, deposits and prepayments	5	43,273	39,038
Value-added tax recoverable		465	-
Pledged time deposit		3,213	3,203
Cash and bank balances		724	4,997
		<u>47,954</u>	<u>47,416</u>
DEDUCT:			
CURRENT LIABILITIES			
Bank overdraft – secured		3,193	2,746
Bank overdraft – unsecured		-	43
Secured bank loan		62	107
Bills payable		2,199	466
Creditors, accruals and deposits	6	33,674	23,712
Value-added tax payable		-	1,200
Obligations under finance lease		10	16
Amounts due to related companies		431	431
Amount due to a director		63	-
		<u>39,632</u>	<u>28,721</u>
NET CURRENT ASSETS		<u>8,322</u>	<u>18,695</u>
NET ASSETS		<u>16,027</u>	<u>27,717</u>
REPRESENTING:			
SHARE CAPITAL		24,000	24,000
RESERVES	7	(8,179)	3,511
SHAREHOLDERS' FUNDS		15,821	27,511
NON-CURRENT LIABILITY			
Secured bank loan		206	206
		<u>16,027</u>	<u>27,717</u>

Consolidated cash flow statement

	For the half- year ended 30 June 2003	For the half- year ended 30 June 2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
NET CASH USED IN OPERATING ACTIVITIES	(6,316)	(23,751)
NET CASH USED IN INVESTING ACTIVITIES	(92)	(1,859)
NET CASH FROM FINANCING ACTIVITIES	1,731	20,254
NET DECREASE IN CASH AND CASH EQUIVALENTS	(4,677)	(5,356)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	2,208	11,931
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>(2,469)</u>	<u>6,575</u>

Analysis of the cash and cash equivalents

	At 30 June 2003 <i>HK\$'000</i>	At 30 June 2002 <i>HK\$'000</i>
Cash and bank balances	724	6,575
Bank overdraft	<u>(3,193)</u>	<u>-</u>
	<u><u>(2,469)</u></u>	<u><u>6,575</u></u>

Notes:

1. Basis of preparation

The unaudited consolidated interim accounts (the "Interim Accounts") are prepared in accordance with Hong Kong Statements of Standard Accounting Practice ("HKSSAP") No. 25 "Interim Financial Reporting" and the requirements of the Rules governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

During the half year ended 30 June 2003, the Group adopted SSAP 12 (revised) "Income Taxes" for the first time in the preparation of the interim accounts.

The principal effect of the implementation of SSAP 12 (revised) is in relation to deferred tax. In previous years, partial provision was made for deferred tax using the income statement liability method, i.e. a liability was recognised in respect of timing differences arising, except where those timing differences were not expected to reverse in the foreseeable future. SSAP 12 (revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit, with limited exceptions. The adoption of SSAP 12 (revised) had no significant effect on the results for the current or prior accounting periods.

2. Turnover and revenue

Turnover represents the invoiced value of packaged software products sold and computer related services rendered, net of discounts, value-added tax and business tax. An analysis of the Group's turnover and other revenue is as follows:

	For the half-year ended 30 June 2003 HK\$'000	For the half-year ended 30 June 2002 HK\$'000
Sales of packaged software products and related services	4,404	25,543
System integration	26,730	31,374
Others	392	497
Turnover	31,526	57,414
Interest income	10	49
Total revenue	31,536	57,463

3. Taxation

- i. No provision for Hong Kong profits tax has been made in these income statements as the Group has no estimated assessable profits for the period.
- ii. The Company's PRC subsidiary is under the Income Tax Law of the PRC for Foreign Investment Enterprises and other relevant regulations, entitled to an income tax holiday for two years from the first profit making year of 1996 and a 50% reduction in income tax for the following six years.
- iii. Net deferred tax asset has not been recognised owing to uncertainty regarding the Group's future operating results.

4. (Loss)/earnings per share

The calculation of basic (loss)/earnings per share for the periods presented is based on the following data:

	For the half-year ended 30 June 2003 HK\$'000	For the half-year ended 30 June 2002 HK\$'000	For the three months ended 30 June 2003 HK\$'000	For the three months ended 30 June 2002 HK\$'000
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(Loss)/earnings

(Loss)/profit for the period used
in the calculation of basic

(loss)/earnings per share	<u>(11,690)</u>	<u>2,961</u>	<u>(5,849)</u>	<u>1,924</u>
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Shares

Weighted average number of
shares in issue for the
purpose of calculation of
basic (loss)/earnings
per share

<u>240,000,000</u>	<u>235,138,122</u>	<u>240,000,000</u>	<u>240,000,000</u>
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No diluted (loss)/earnings per share are shown because the potential ordinary shares issuable under the Company's share option scheme have no dilutive effect.

5. Debtors, deposits and prepayments

	At 30 June 2003 <i>HK\$'000</i>	At 31 December 2002 <i>HK\$'000</i>
Trade debts	43,637	35,899
Less: Provision for bad debts	<u>(5,640)</u>	<u>(3,704)</u>
	37,997	32,195
Other debtors, deposits and prepayments	<u>5,276</u>	<u>6,843</u>
	<u><u>43,273</u></u>	<u><u>39,038</u></u>

The credit terms given to the customers vary and are generally based on the financial strengths of individual customers. In order to effectively manage the credit risks associated with trade debtors, credit evaluations of customers are performed periodically. The following is an aging analysis of trade debtors.

	At 30 June 2003 <i>HK\$'000</i>	At 31 December 2002 <i>HK\$'000</i>
0 - 3 months	12,546	22,263
4 - 6 months	7,067	2,276
7 - 12 months	16,285	3,951
Over 12 months	<u>7,739</u>	<u>7,409</u>
	<u><u>43,637</u></u>	<u><u>35,899</u></u>

6. Creditors, accruals and deposits

	At 30 June 2003 <i>HK\$'000</i>	At 31 December 2002 <i>HK\$'000</i>
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Creditors, accruals and deposits comprise:

Trade creditors	22,604	19,108
Other creditors, accruals and deposits	11,070	4,604
	<u>33,674</u>	<u>23,712</u>

The following is an aging analysis of trade creditors:

	At 30 June 2003 <i>HK\$'000</i>	At 31 December 2002 <i>HK\$'000</i>
0 - 6 months	12,345	15,822
7 - 12 months	9,359	1,642
Over 12 months	900	1,644
	<u>22,604</u>	<u>19,108</u>

7. Reserves

	Share premium <i>HK\$'000</i>	Exchange reserve <i>HK\$'000</i>	Retained profits/ losses) <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2002 (Audited)	1,981	100	5,233	7,314
Net profit for the three months ended 31 March 2002	-	-	1,037	1,037
Premium on issuing new shares	18,000	-	-	18,000
Issuing expenses for share placing	(944)	-	-	(944)
	<u>19,037</u>	<u>100</u>	<u>6,270</u>	<u>25,407</u>
At 31 March 2002 (Unaudited)	19,037	100	6,270	25,407
Net profit for the three months ended 30 June 2002	-	-	1,924	1,924
	<u>19,037</u>	<u>100</u>	<u>8,194</u>	<u>27,331</u>
At 30 June 2002 (Unaudited)	19,037	100	8,194	27,331
At 1 January 2003 (Audited)	19,030	100	(15,619)	3,511
Net loss for the three months ended 31 March 2003	-	-	(5,841)	(5,841)
	<u>19,030</u>	<u>100</u>	<u>(21,460)</u>	<u>(2,330)</u>
At 31 March 2003 (Unaudited)	19,030	100	(21,460)	(2,330)
Net loss for the three months ended 30 June 2003	-	-	(5,849)	(5,849)
	<u>19,030</u>	<u>100</u>	<u>(27,309)</u>	<u>(8,179)</u>
At 30 June 2003 (Unaudited)	19,030	100	(27,309)	(8,179)

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the half-year ended 30 June 2003 (2002: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

The Board announced on 14 May 2003 that the Company had entered into a conditional subscription agreement with an independent third party subscriber whereby the Company shall issue and the subscriber shall subscribe for 13,000,000 new shares, representing 5.42% of the Company's existing issued share capital and approximately 5.14% of the issued share capital of the Company as enlarged by the subscription. The subscription price of the new shares is HK\$0.30 per share. The net proceeds receivable by the company under the subscription are estimated to be approximately HK\$3.8 million, all of which will be used as general working capital of the Group.

According to the subscription agreement, completion of the subscription should take place on the third business day following the satisfaction of the condition precedent or such other date as the parties thereto may agree in writing. The Company received on 12 June 2003 a letter issued by the GEM Listing Committee of the Stock Exchange granting conditionally the listing of, and permission to deal in, the new shares and the condition precedent to the subscription agreement was conditionally fulfilled thereunder. The Company accordingly exercised its right under the subscription agreement to extend the date of completion to 28 July 2003, being the 28th business day after the original completion date. Despite such extension, the subscriber still did not complete the subscription in accordance with the terms of the subscription agreement. The Company therefore instructed its legal advisers to send a demand letter to the subscriber requesting the subscriber to perform his obligations under the subscription agreement. If, after taking all necessary actions, the subscription still cannot be completed on or before 30 September 2003, the Company would exercise its right under the subscription agreement to rescind the subscription agreement.

The Directors are of the view that the failure to complete the subscription would not have material adverse effect on the Group's operation and financial conditions as the Company originally only intended to use the proceeds from the subscription as general working capital of the Group.

The interim results were getting worse due to the outbreak of the SARS in the PRC. Almost all the business in PRC has been slowed down for 3 months. In view of the market uncertainty, the management of the Group continues to implement stringent cost control and aims to further reduce the overall operating expenses. Software development has been deferred or suspended. The result is effectively reflected in the interim result.

Financial review

Results

The Global economics environment continues to be challenging so that the Group recorded a decline of turnover approximately 45% to HK\$31,526,000 for the six months period ended 30 June 2003, as compared to the previous corresponding period in 2002. A loss attributable to shareholders of approximately HK\$11,690,000 was recorded. This represented a decrease of approximately 495% as compared with corresponding period last year. The loss per share for the period ended 30 June 2003 was HK4.87 cents. The gross profit margin for the year was dropped from 27.7% to 5.3%.

The deterioration in the financial conditions of the Group was due to a combination of factors which included the outbreak of SARS in the PRC and the structural reform of the financial industry in the PRC is still undergoing and not finish yet. Both factors have hindered the banks in the PRC from acquiring new hardware and software.

Administrative expenses for the six months ended 30 June 2003 decreased by 19% compared with the same period last year, to approximately HK\$9,318,000. The reduction in administrative expenses was mainly the result of various cost-saving measures implemented from the beginning of the year 2003. For the half-year ended 30 June 2003, the management make 25% further provision for bad debts on debtors balances overdue for more than 12 months. This amount to approximately HK\$1,936,000.

Financial resources and liquidity

As at 30 June 2003, shareholders' funds of the Group amounted to approximately HK\$15,821,000 which is 31% of the amount in the corresponding period. Current assets amounted to approximately HK\$47,954,000, of which approximately HK\$3,937,000 were cash and bank deposits and approximately HK\$43,273,000 were debtors, deposits and prepayments. The Group only non-current liability is the secured bank loan of the amount approximately HK\$206,000. Its current liabilities amounted to approximately HK\$39,632,000, mainly comprised of creditors, accruals and deposits and bills payable amounted to approximately HK\$33,674,000 and HK\$2,199,000 respectively. The net asset value per share was HK\$0.066. The Group expresses its gearing ratio as a percentage of bank borrowing and long-term debts over total assets. As at 30 June 2003, the Group had a gearing ratio of 0.10. The liquidity ratio of the Group, represented by a ratio between current assets over current liabilities, was 1.21, reflecting the adequacy of financial resources.

Foreign exchange

The Group is exposed to foreign currency risk as most of its payable to hardware suppliers and certain accounts receivable from the PRC sales are denominated in Renminbi. Fluctuation of exchange rates of Renminbi against foreign currencies could affect the Group's results of operations.

Significant investments and acquisitions

During the half-year ended 30 June 2003, the Group had no material acquisitions and disposals of subsidiaries and affiliated companies.

As at 30 June 2003, the Group had no material investment.

Charges on the Group's assets

As at 30 June 2003, the Group's time deposit of approximately HK\$3,213,000 has been pledged to a bank to secure banking facilities granted to the Group.

Capital commitments

As at 30 June 2003, the Group had no future plans for material investment.

Contingent liabilities

As at 30 June 2003, the Group had no material contingent liabilities.

Employees and Remuneration Policies

As at 30 June 2003, the Group had 60 employees. Remuneration is determined by reference to market terms and the performance, qualification and experience of individual employee. Other benefits include contributions to Statutory Mandatory Provident Fund and medical scheme to its employees in Hong Kong and the statutory central pension schemes to its employees in the PRC.

Prospect

Structural reform of Credit Co-operatives has been undergoing. Basic policy has been determined and some of the bank start the IT project again. We forecast that we will have new contract signed in the second half of the year because of our experience and proven solution.

Business intelligent application software, F-BAS has launched to the market and get positive feedback. We forecast more orders will come in second half year.

F-BAS is a new software product that launched last year. The system provides analytical tools for the bank management to access their financial status down to the branch level. It is web enabled application software that can support Internet and intranet connection. Using the data-warehousing technology, it provides direct, interactive access to the database. It can assist banker to review their financial status from multi-dimensional view. User can use the built-in user-friendly extraction tools to customize the application if necessary.

People's Bank of China (the "PBC") has launched the High Value Settlement System. Instead of internal R&D, we target to work together with other partners to provide solution to the customers. It not only shortens the development time, but also more effectively controls the overhead.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN THE SECURITIES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30 June 2003, the interests and short positions of the Directors in the securities of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, including interests and short positions which they are deemed or taken to have under such provisions of the SFO, or which are required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which are required, pursuant to Rules 5.40 to 5.58 of the GEM Listing Rules relating to securities transactions by directors to be notified to the Company and the Stock Exchange were as follows:

(a) Long positions in shares and underlying shares of equity derivatives of the Company

Name of Director	Capacity in which such interests were held	Number of shares	Percentage of nominal value of issued share capital
Mr. Lee Man Lung, Vincent (<i>Note 1</i>)	Interests of corporation controlled by him	55,860,000	23.28%
Mr. Fung Pak Chuen, Alphonso (<i>Note 2</i>)	Interests of spouse	55,860,000	23.28%
Mr. Lo, Richard (<i>Note 3</i>)	Interests of spouse and child under 18	55,860,000	23.28%
Mr. Yip Tai Chee, Alick	Beneficial owner	1,000,000	0.42%
Mr. Tang Chi Lap	Beneficial owner	280,000	0.12%

Notes:

1. As Mr. Lee Man Lung, Vincent is interested in 100% of the issued share capital of Brilliant Time Limited, he is taken to have an interest in the 55,860,000 shares held by Brilliant Time Limited.
2. CL Investments Limited ("CL Investments") has a 50% interest in the issued share capital of CL Strategic Holdings Limited ("CLSH") and is accordingly taken to have an interest in the 55,860,000 shares in which CLSH is interested under the SFO.

Gumpton Investments Limited ("Gumpton"), which holds 75% of the issued share capital of CL Investments, is taken to have an interest in the 55,860,000 shares in which CL Investments is interested under the SFO.

As 50% of the issued share capital of Gumpton is held by AFS Holdings Limited ("AFS"), AFS is taken to have an interest in the 55,860,000 shares in which Gumpton is interested under the SFO.

AFS is wholly-owned by The General Trust Co. Ltd. ("General Trust"). General Trust is the trustee of AFS Trust, one of the beneficiaries of which is the wife of Mr. Fung Pak Chuen, Alphonso. Mr. Fung Pak Chuen, Alphonso is taken to have an interest in the same 55,860,000 shares by virtue of his spouse's interest under the SFO.

3. Ardian Holdings Limited ("Ardian") has a 50% interest in the issued share capital of Gumpton and is accordingly taken to have an interest in the 55,860,000 shares in which Gumpton is interested under the SFO.

Ardian is wholly-owned by General Trust. General Trust is the trustee of Ardian Trust, the beneficiaries of which include the wife and a child (who is under 18 years of age) of Mr. Lo, Richard. Mr. Lo, Richard is taken to have an interest in the same 55,860,000 shares by virtue of his spouse's and his child's (who is under 18 years of age) interest under the SFO.

(b) Short positions in the shares and underlying shares of equity derivatives of the Company

Save as disclosed herein, as at 30 June 2003, none of the Directors has short positions in the shares or underlying shares of equity derivatives of the Company.

PERSONS WHO HAVE AN INTEREST OR SHORT POSITION WHICH IS DISCLOSEABLE UNDER DIVISIONS 2 AND 3 OF PART XV OF THE SFO AND SUBSTANTIAL SHAREHOLDING

So far as is known to any Director or chief executive of the Company, as at 30 June 2003, persons who have an interest or a short position in the shares or underlying shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO or be interested in, directly or indirectly, 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any member of the Group were as follows:

(a) Long positions in shares and underlying shares of equity derivatives of the Company

Name of Shareholder	Capacity in which such interests were held	Number of shares	Percentage of nominal value of issued share capital
Hitachi, Ltd.	Beneficial owner	60,000,000	25.00%
CLSH	Beneficial owner	55,860,000	23.28%
Anstalt Pacific Techvest Inc. ("Anstalt") (Note 1)	Interests of corporation controlled by it	55,860,000	23.28%
Lam Soon (Hong Kong) Limited ("Lam Soon") (Note 2)	Interests of corporation controlled by it	55,860,000	23.28%

Name of Shareholder	Capacity in which such interests were held	Number of shares	Percentage of nominal value of issued share capital
CL Investments (Note 3)	Interests of corporation controlled by it	55,860,000	23.28%
Gumpton (Note 4)	Interests of corporation controlled by it	55,860,000	23.28%
AFS (Note 5)	Interests of corporation controlled by it	55,860,000	23.28%
Ardian (Note 5)	Interests of corporation controlled by it	55,860,000	23.28%
General Trust (Note 6)	Interests of corporation controlled by it	55,860,000	23.28%
Mrs. Fung, Pui Lan Angela (Note 7)	Beneficiary of trust	55,860,000	23.28%
Mrs. Lo, Lilian (Note 8)	Beneficiary of trust	55,860,000	23.28%
Mr. Theodore Lo (Note 8)	Beneficiary of trust	55,860,000	23.28%
Brilliant Time Limited (Note 9)	Beneficial owner	55,860,000	23.28%

Notes:

1. Anstalt has a 50% interest in the issued share capital of CLSH and is accordingly taken to have an interest in the 55,860,000 shares in which CLSH is interested under the SFO.
2. Anstalt is a wholly-owned subsidiary of Lam Soon and Lam Soon is accordingly taken to have an interest in the 55,860,000 shares in which Anstalt is interested under the SFO.
3. CL Investments has a 50% interest in the issued share capital of CLSH and is accordingly taken to have an interest in the 55,860,000 shares in which CLSH is interested under the SFO.
4. Gumpton, which holds 75% of the issued share capital of CL Investments, is taken to have an interest in the 55,860,000 shares in which CL Investments is interested under the SFO.
5. Gumpton is owned as to 50% by AFS and 50% by Ardian. Accordingly, AFS and Ardian are each taken to have an interest in the 55,860,000 shares in which Gumpton is interested under the SFO.
6. AFS and Ardian are in turn wholly-owned by General Trust. Therefore, General Trust is taken to have an interest in the 55,860,000 shares in which AFS and Ardian are interested under the SFO.
7. General Trust is the trustee of AFS Trust. Being a beneficiary of AFS Trust, Mrs. Fung, Pui Lan Angela is taken to have an interest in the 55,860,000 shares in which General Trust is interested under the SFO.
8. General Trust is also the trustee of Ardian Trust. Mrs. Lo, Lilian and Mr. Theodore Lo are beneficiaries of Ardian Trust and therefore are taken to have an interest in the 55,860,000 shares in which General Trust is interested under the SFO.
9. Brilliant Time Limited is beneficially and wholly-owned by Mr. Lee Man Lung, Vincent.

(b) Short positions in the shares and underlying shares of equity derivatives of the Company

So far as the Directors are aware, save as disclosed herein, no persons have short positions in the shares or underlying shares of equity derivatives of the Company.

SHARE OPTION SCHEME

On 11 October 2000, options comprising a total of 7,824,000 underlying shares were granted to employees of the Group at an exercise price of HK\$1.16 per share and expiring on 10 October 2003. These shares represent approximately 3.26% of the issued share capital of the Company at the date of this report. Save as disclosed herein, no option has been granted, exercised or cancelled during the period from 2 June 2000 (adoption date of the share option scheme) to 30 June 2003.

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

As at 30 June 2003, there were no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's listed securities.

COMPETING INTERESTS

As at 30 June 2003, the Directors are not aware of any business or interest of the directors, the initial management shareholders of the Company and their respective associates, that competes or may compete with the business of the Group and any other conflicts of interest which any such person has or may have with the Group.

AUDIT COMMITTEE

As required by Rule 5.23 of the GEM Listing Rules, the Company has established an audit committee with written terms of reference which deal clearly with its authority and duties. The audit committee's principal duties are the review and supervision of the Group's financial reporting process and internal control systems.

BOARD PRACTICES AND PROCEDURES

The Group has complied with the board practices and procedures as set out in Rules 5.28 to 5.39 of the GEM Listing Rules throughout the half-year ended 30 June 2003.

By order of the Board
Lee Man Lung, Vincent
Chairman

Hong Kong, 11 August 2003