



世纪阳光

CENTURY SUNSHINE ECOLOGICAL TECHNOLOGY HOLDINGS LIMITED
世紀陽光生態科技控股有限公司

2004

INTERIM REPORT

CHARACTERISTIC 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.

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This report, for which the directors (the “Directors” and individually a “Director”) of Century Sunshine Ecological Technology Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirmed 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

The overall business development of the Group was satisfactory with good results for the six months ended 30 June 2004.

Turnover of the Group for the period under review amounted to RMB34,566,000, representing an increase of 91% over the corresponding period of 2003.

Profit attributable to shareholders for the six months ended 30 June 2004 increased by approximately 59% to RMB10,902,000 as compared to the corresponding period of 2003.

New plant with annual production capacity of 20,000 tonnes of organic fertilizer products in Jianou of Fujian province, the PRC can be put into operation in August 2004.

INTERIM RESULTS

The board of Directors (the “Board”) of the Company is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (together, the “Group”) for the six months and three months ended 30 June 2004, together with the unaudited comparative figures for the corresponding periods in 2003 as follows:

UNAUDITED CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Notes	Six months ended 30 June		Three months ended 30 June	
		2004 RMB'000 (unaudited)	2003 RMB'000 (unaudited)	2004 RMB'000 (unaudited)	2003 RMB'000 (unaudited)
Turnover	2	34,566	18,142	16,956	7,230
Cost of Sales		(15,368)	(8,538)	(7,396)	(3,623)
Gross Profit		19,198	9,604	9,560	3,607
Other revenue		1	–	1	–
Distribution and selling expenses		(1,303)	(1,100)	(704)	(827)
General and administrative expenses		(2,443)	(1,517)	(1,206)	(802)
Research and development costs		(4,459)	(43)	(3,373)	(24)
Operating profit	3	10,994	6,944	4,278	1,954
Finance costs		(120)	(80)	(3)	(10)
Profit before taxation		10,874	6,864	4,275	1,944
Taxation	4	(1)	(5)	–	(4)
Profit after taxation		10,873	6,859	4,275	1,940
Minority interests		29	(1)	4	–
Profit attributable to shareholders		10,902	6,858	4,279	1,940
Dividend	5	–	–	–	–
Earnings per share	6	RMB3.4 cents	RMB2.1 cents	RMB1.3 cents	RMB0.6 cents

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET

	<i>Notes</i>	As at 30 June 2004 RMB'000 unaudited	As at 31 December 2003 RMB'000 audited
Non-current assets			
Fixed assets		17,449	16,010
Intangible assets		1,953	1,948
		19,402	17,958
Current assets			
Inventories		2,747	3,589
Trade receivables	8	11,024	9,673
Prepayment, deposits and other receivable		13,313	11,425
Cash and bank balances		42,403	4,655
		69,487	29,342
Current liabilities			
Short-term bank loans	9	–	7,800
Trade payables	10	101	63
Accruals and other payables		1,324	1,769
Taxation payables		30	29
		1,455	9,661
Net current assets		68,032	19,681
Total assets less current liabilities		87,434	37,639
Financed by:			
Share capital	11	33,920	1,802
Reserves		52,638	31,666
Shareholders' fund		86,558	33,468
Minority interests		876	905
Non-current liabilities			
Due to shareholders		–	3,266
		87,434	37,639

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six months ended 30 June	
	2004 <i>RMB'000</i> unaudited	2003 <i>RMB'000</i> unaudited
Net cash inflow from operating activities	9,579	5,337
Net cash outflow from investing activities	(2,833)	(5,199)
Net cash inflow from financing activities	31,002	2,667
Net increase in cash and cash equivalents	37,748	2,805
Cash and cash equivalents at the beginning of the period	4,655	1,694
Cash and cash equivalents at the end of the period	42,403	4,499
Analysis of balances of cash and cash equivalents Cash and bank balances	42,403	4,499

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2004

	Share capital	Share premium	Capital reserve	Exchange reserve	Statutory reserve fund	Statutory welfare fund	Share issuance cost	Retained earnings	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2003	1,802	-	3,199	-	1,861	931	(636)	7,651	14,808
Profit for the year	-	-	-	-	-	-	-	21,367	21,367
Appropriation of retained earnings	-	-	-	-	1,097	548	-	(1,645)	-
Capitalisation of retained earnings of a subsidiary	-	-	5,500	-	-	-	-	(5,500)	-
Share Issuance cost	-	-	-	-	-	-	(2,707)	-	(2,707)
As at 31 December 2003 and 1 January 2004	1,802	-	8,699	-	2,958	1,479	(3,343)	21,873	33,468
Capitalisation of amount due to shareholders	-	-	3,266	-	-	-	-	-	3,266
Exchange translation differences	-	-	-	28	-	-	-	-	28
Profit for the period	-	-	-	-	-	-	-	10,902	10,902
Appropriation of retained earnings	-	-	-	-	1,049	525	-	(1,574)	-
Issuance of shares on listing	8,480	38,160	-	-	-	-	-	-	46,640
Amount utilized upon capitalization issue	23,638	(23,638)	-	-	-	-	-	-	-
Share issuance cost	-	(11,089)	-	-	-	-	3,343	-	(7,746)
As at 30 June 2004	33,920	3,433	11,965	28	4,007	2,004	-	31,201	86,558

Notes:

1. GROUP REORGANIZATION AND BASIS OF PREPARATION OF THE ACCOUNTS

The Company was incorporated in the Cayman Islands on 21 January 2003 as an exempted company with limited liability under the Companies Law, Cap.22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands.

Pursuant to a group reorganization completed on 30 January 2004 (the "Reorganization") in preparation for the listing of the Company's share on GEM, the Company became the holding company of the subsidiaries. Details of the Reorganization were set out in the prospectus issued by the Company dated 5 February 2004 (the "Prospectus"). The shares of the Company were listed on GEM on 17 February 2004 (the "Listing Date").

The unaudited condensed consolidated financial statements have been prepared on the basis of merger accounting as if the current group structure has been in existence since 1 January 2003.

The unaudited condensed consolidated interim financial statements have been prepared in accordance with Statement of Standard Accounting Practice ("SSAP") No. 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants ("HKSA") and the disclosure requirements set out in Chapter 18 of the GEM Listing Rules. Principal accounting policies adopted in these financial statements are the same as those adopted in preparing the 2003 annual financial statements.

The condensed consolidated interim financial statements are unaudited but have been reviewed by the audit committee of the Board (the "Audit Committee").

2. Turnover

The Group is engaged in the production and sale of agricultural organic fertilizers. Revenues recognized during the three months and six months ended 30 June 2004 with the comparative figures for the corresponding periods in 2003 are as follows:

	Six months ended 30 June		Three months ended 30 June	
	2004 RMB'000 (unaudited)	2003 RMB'000 (unaudited)	2004 RMB'000 (unaudited)	2003 RMB'000 (unaudited)
Sales of				
– Microbial compound fertilizers	14,958	7,129	7,670	2,238
– Organic tea fertilizers	9,229	5,385	4,246	2,853
– Premium organic fertilizers	1,591	799	805	347
– Organic compound fertilizers	8,788	4,829	4,235	1,792
Total revenues	34,566	18,142	16,956	7,230

Other revenue represented the interest income of the Group.

No segmental information is presented as the Group is principally engaged in the production and sale of agricultural organic fertilizers to customers in Mainland China. Accordingly, the Directors consider that there is only one business segment and one geographical segment.

3. Operating Profit

Operating profit is arrived at after charging the following:

	Six months ended 30 June		Three months ended 30 June	
	2004 RMB'000 (unaudited)	2003 RMB'000 (unaudited)	2004 RMB'000 (unaudited)	2003 RMB'000 (unaudited)
Amortisation of intangible assets	658	540	330	275
Depreciation of fixed assets	719	431	373	216

4. Taxation

	Six months ended 30 June		Three months ended 30 June	
	2004 RMB'000 (unaudited)	2003 RMB'000 (unaudited)	2004 RMB'000 (unaudited)	2003 RMB'000 (unaudited)
The charge comprises:				
Hong Kong profits tax	-	-	-	-
Mainland China Enterprise income tax	1	5	-	4

(a) Hong Kong profits tax

No provision for Hong Kong profit tax has been made as the Group had no assessable profit arising in or derived from Hong Kong for the six months ended 30 June 2004 (2003: Nil)

(b) Mainland China enterprise income tax ("Mainland China EIT")

福建省尤溪縣綠地生物製品有限公司(Green Land Bio-Products Co., Ltd.) ("Greenland"), a subsidiary engaged in the production and sale of agricultural organic fertilizers, is exempted from Mainland China EIT of a rate of 33% according to a written approval from relevant Mainland China tax bureaus for the one-year period ended 31 December 2002.

In October 2002, Greenland became a wholly-foreign-owned enterprise and is entitled to full exemption from Mainland China EIT for two years starting from the year ended 31 December 2003 followed by 50% reduction for the following three consecutive years in accordance with the relevant tax rules and regulations applicable to foreign investment enterprises in Mainland China. Accordingly, no Mainland China EIT was provided for the six months ended 30 June 2004. (2003: Nil)

For the six months ended 30 June 2003 and 2004, taxation represented the Mainland China EIT of 三明市世紀陽光農業科技開發有限公司(Sanming Municipality Century Sunshine Agricultural Technological Development Company Limited) (“Sanming”) which was provided for at a rate of 27%.

(c) Mainland China value-added tax

The Group’s sale of agricultural organic fertilizers were carried out by Greenland and Sanming, which are exempted from Mainland China value-added tax according to relevant Mainland China tax regulations.

(d) Others

No profit tax was provided for the Company and its subsidiaries operating outside Hong Kong and Mainland China as they were not subject to taxation in their respective jurisdiction of incorporation/operation.

(e) Deferred taxation

The Group had no material unprovided deferred tax. (2003: Nil)

5. Dividend

No dividend has been paid or declared by the Group for the six months ended 30 June 2004. (2003: Nil)

6. Earnings per share

The calculation of the basic earnings per share for the three months and six months ended 30 June 2004 is based on the respective unaudited consolidated profit attributable to shareholders of approximately RMB4,279,000 and RMB10,902,000 respectively (three months and six months ended 30 June 2003: approximately RMB1,940,000 and RMB6,858,000) and on weighted average of 320,000,000 ordinary shares that have been in issue throughout the period on the assumption that the Group’s Reorganization had been completed on 1 January 2003.

Diluted earnings per share is not presented as the Company has no dilutive potential ordinary shares as at 30 June 2004 (2003: Nil).



7. Fixed assets

During the six months period, the Group acquired RMB2,174,000 fixed assets, mainly included office equipment, vehicles and plant machinery.

8. Trade receivables

The normal credit period granted by the Group ranges from 30 days to 90 days. Overdue balances are reviewed regularly by the senior management. Provision for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred. Aging analysis of the Group's trade receivables was as follows:

	As at 30 June 2004 RMB'000 (unaudited)	As at 31 December 2003 RMB'000 (audited)
0 to 30 days	6,751	8,426
31 days to 60 days	2,966	1,281
61 days to 90 days	514	202
91 days to 180 days	801	273
Over 180 days	572	–
	11,604	10,182
Less: Provision for bad and doubtful debts	(580)	(509)
	11,024	9,673

9. Bank loans

As at 30 June 2004, the Group did not have any outstanding bank loans. The Group had repaid the short-term bank loans of RMB7,000,000 and RMB800,000 in March and April 2004 respectively

10. Trade payables

	As at 30 June 2004 RMB'000 (unaudited)	As at 31 December 2003 RMB'000 (audited)
0 to 30 days	79	55
31 days to 90 days	20	8
Over 90 days	2	–
	101	63

11. Capital structure

	Notes	Number of shares	Par value per share	Paid up amount
Share allotted and issued upon incorporation	a,c	1,000,000	HK\$0.10	HK\$100,000
Share allotted and issued for acquisition of subsidiaries	b,c	16,000,000	HK\$0.10	HK\$1,600,000
Capitalization issue credited as fully paid conditional on the share premium account of the Company being credited as a result of the placing and public offer of the Company's shares	f	223,000,000	HK\$0.10	HK\$22,300,000
Issuance of the Company's shares on listing	e	80,000,000	HK\$0.10	HK\$8,000,000
Share capital as at 30 June 2004		320,000,000	HK\$0.10	HK\$32,000,000
				RMB33,920,000

Notes:

- (a) The Company was incorporated in the Cayman Islands on 21 January 2003 with an authorized share capital of HK\$100,000 divided into 1,000,000 shares of HK\$0.10 each. On 11 March 2003, one share was issued at par and fully paid. At the same day, 999,999 shares were issued at par, nil paid (see Note (c)).
- (b) On 30 January 2004, the authorized share capital of the Company was increased from HK\$100,000 to HK\$1,700,000 by the creation of an additional 16,000,000 shares of HK\$0.10 each to rank pari passu with the existing shares in all respects, all such shares were allotted and issued, credited as fully paid, as described in Note (c) below.
- (c) On 30 January 2004, Alpha Sino International Limited ("Alpha Sino") transferred 20 shares of US\$1 each in the capital of New Bright Group Limited to the Company in consideration of, and in exchange for, the allotment and issue of 16,000,000 shares, credited as fully paid, to Alpha Sino (see Note (b)), and all 999,999 unpaid shares held by Alpha Sino (see Note (a)) were credited as fully paid at par.
- (d) On 31 January 2004, the authorized share capital of the Company were increased from HK\$1,700,000 to HK\$100,000,000 by the creation of an additional 983,000,000 shares of HK\$0.10 each.

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- (e) On 17 February 2004, 80,000,000 shares of HK\$0.10 each were issued at HK\$0.55 each by way of placing and public offer, generating net cash proceeds of approximately HK\$33,000,000. The premium over the par value of the shares was credited to the share premium account.
 - (f) Immediately after the placing and public offer mentioned in Note (e) above, share premium of HK\$22,300,000 was capitalized for the issuance of 223,000,000 shares of HK\$0.10 each on a pro-rata basis to shareholders of the Company at the close of business on 5 February 2004.

12. Capital commitments and contingent liabilities

As at 30 June 2004, the Group did not have any material capital commitment and/or contingent liabilities.

13. Subsequent events

There have been no material events which took place subsequent to 30 June 2004.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Turnover of the Group for the six months ended 30 June 2004 amounted to RMB34,566,000, representing an increase of 91% compared with that of the corresponding period in 2003. The increase was mainly attributable to the continued rise in demand for the Group's products among farmers in Fujian province, the PRC. Turnover of microbial compound fertilizer, organic tea fertilizer, premium organic fertilizer and organic compound fertilizer increased by approximately 110%, 71%, 99% and 82% respectively.

For the six months ended 30 June 2004, the total operating expenses of the Group amounted to approximately RMB8,205,000, representing a significant increase by about 208% over the corresponding period of 2003.

Distribution and selling expenses

Distribution and selling expenses amounted to approximately RMB1,303,000, representing an increase of RMB203,000 or 18% from the corresponding period in 2003. Such increase was mainly due to strengthened sales and marketing activities of the Group such as recruitment of new sales personnel and participation in products exhibitions in some agricultural areas in Fujian province, the PRC.

General and administrative expenses

General and administrative expenses amounted to approximately RMB2,443,000, recorded an increase of RMB926,000 or 61% over the corresponding period of 2003. Such increase was mainly due to the increase in administrative expenses at the Group's Hong Kong office following the listing of the Company's shares on GEM.

Research and development (“R&D”) costs

R&D costs of the Group increased from approximately RMB43,000 to approximately RMB4,459,000. The significant increase was mainly due to the Group’s engagement in a number of new R&D projects in the first half of 2004 including organic fertilizers for grapes, chinese herbs, peanuts and encalypts.

The Group’s profit attributable to shareholders for the six months ended 30 June 2004 was approximately RMB10,902,000 representing an increase of 59% as compared with the corresponding period of 2003.

Liquidity and financial resources

The shares of the Company was successfully listed on GEM on the Listing Date and raised net proceeds of approximately HK\$33,000,000 (RMB34,980,000). As at 30 June 2004, the Group had cash and bank balances and deposits of approximately RMB42,403,000 (as at 31 December 2003: RMB4,655,000), representing 61% of its current assets and 48% of its total assets. During the period under review, the Group had repaid all the bank loans of around RMB7.8 million by its internal generated financial resources. The current ratio of the Group as at 30 June 2004 was 48 as compared to three as at 31 December 2003. The gearing ratio (total liabilities over total assets) of the Group dropped significantly from 29% as at 31 December 2003 to 2.6% as at 30 June 2004. With its profitability and support from the investors, the Directors believe that the Group’s cash and bank deposits are sufficient for its future business expansion.

BUSINESS REVIEW AND OUTLOOK

For the six months ended 30 June 2004, the overall business development of the Group was satisfactory with good results. Although the period between April and June is traditionally a low season for sales of organic fertilizers, market demand for our organic fertilizer products remained strong. The main reason is that our “Century Sunshine” corporate image and “LU DI” brand have won customers’ confidence and popularity following the successful listing of the Company on GEM in February 2004. In addition, our products’ high water preserving capacity were well-received by peasants during the prolonged drought season in Southern China last year, resulting in a steady growth in sales during the period under review.

In order to meet the market demand, the Group followed its original plan to build a new factory in Jianou of Fujian province, the PRC, with an annual production capacity of 20,000 tonnes of organic fertilizer products. The construction was completed in late June 2004 and trial production is currently underway. It is expected the plant can be put into operation in August 2004. In addition, Century Sunshine (Jiangxi) Ecological Technology Limited, an indirect wholly-owned subsidiary of the Group, was established in Jiangxi province, the PRC, in February 2004 to facilitate the preparations for the construction of a new plant in the second half of the year. Preparatory work such as site selection and market research are currently in process. The Directors believe that this new plant will help the Group to expand its business outside Fujian provinces, the PRC.



We have always emphasized on R&D of new products with market potentials in order to maintain a sustainable growth. During the period, we have activated eight R&D projects including the organic fertilizer for eucalypts. The development of encalypts fertilizer is currently at the field-testing stage and the preliminary results has been satisfactory.

The Directors believe that the Group's financial results and growth momentum in the first half of 2004 were encouraging. It is expected that the Group's growth momentum to be continued following the commencement of operation of the new plant in Jianou in the second half of the year. We are looking forward to attaining new milestones for our business and making returns for shareholders.

PLEDGES OF ASSETS

As at 30 June 2004, the Group did not have any charges or pledges on its assets.

SIGNIFICANT INVESTMENTS

Save for the Company's investment in its subsidiaries, the Group did not have any significant investments during the period under review.

MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES AND AFFILIATED COMPANIES

The Group had no material acquisition and disposal of subsidiaries and affiliated companies for the period under review.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed in the Prospectus, there are no future plans for material investments or capital assets.

FOREIGN EXCHANGE EXPOSURES

Since most of the income and expenses as well as assets and liabilities of the Group are denominated in Renminbi, the Directors consider that the Group has no material foreign exchange exposures.

HUMAN RESOURCES

As at 30 June 2004, the Group had 108 employees. Salaries are determined by reference to prevailing market rates. Staff benefits include medical protection, pension, discretionary bonus and share options. The Group has not experienced any labour disputes or significant changes in its headcount which may undermine its normal operation. The Directors consider that the Group enjoys good relationship with its staff.

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

On the Listing Date, the Company obtained net proceeds, after deducting all relevant expenses, of approximately HK\$33 million from the new issue of shares by way of public offer and placing. Up to 30 June 2004, the Group has applied the net proceeds as follows:

	Proposed amount required from the Listing Date to 30 June 2004 HK\$ (in million)	Actual amount applied from the Listing Date to 30 June 2004 HK\$ (in million)
Construction of new production facilities	7	7
R&D	0.7	0.7
Installation of computer system	-	-
Marketing and advertising of the Group's products	0.4	0.4
Working capital	2	2
	10.1	10.1

	Proposed total amount stated in the Prospectus HK\$ (in million)	Actual total amount applied from the Listing Date up to 30 June 2004 HK\$ (in million)	Remaining net proceeds HK\$ (in million)
Construction of new production facilities	21	7	14
R&D	4	0.7	3.3
Installation of computer system	0.4	-	0.4
Marketing and advertising of the Group's products	1.6	0.4	1.2
Working capital	6	2	4
	33	10.1	22.9

The remaining net proceeds as at 30 June 2004 of approximately HK\$22.9 million have been placed as short-term interest bearing deposit with banks or financial institutions in Hong Kong and/or the PRC.



Below shows a comparison of the actual business progress of the Group during the period under review and the business objectives stated in the Prospectus:

	Expected progress From the Listing Date to 30 June 2004	Actual progress From the Listing Date to 30 June 2004
Production	Complete the construction of a new production facilities in Jianou, Fujian province, the PRC with an annual production capacity of 20,000 tonnes of organic fertilizer products.	The construction has been completed at the end of June. Production of organic fertilizer will formally commence after the completion of production testing.
Sales and distribution	Additional marketing and advertising spending to increase market penetration of "LU DI" microbial compound fertilizer products and organic fertilizer products within the Fujian province, the PRC.	Marketing and advertising of "LU DI" microbial compound fertilizer products and organic fertilizer products within the Fujian province, the PRC are in progress as planned.
	Recruit additional sales and marketing staff.	The Group has recruited additional 5 sales and marketing staff.
R&D	Secure the registration of newly developed organic fertilizers with the Ministry of Agriculture of the PRC.	Registration of newly developed products such as organic fertilizers for lotus plan and bamboo shoot, humic acid organic fertilizer for general application are in progress as planned.
	Complete R&D of the biological insecticides for general purposes.	The development stage of biological insecticides for general purposes was completed as planned and the testing stage was entered.
	Complete R&D of the soil fertility replenish technology and the city waste treatment project.	The development of soil fertility replenish technology and the city waste treatment project were completed as planned and the testing stage was entered.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ANY ASSOCIATED CORPORATION

As at 30 June 2004, the interests and short positions of each director and chief executive in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of the Hong Kong Special Administrative Region ("SFO")), as recorded in the register maintained by the Company under Section 352 of the SFO or required to be notified to the Company and the Stock Exchange in accordance with Rule 5.46 of the GEM Listing Rules were as follows:

(a) Long positions in the shares of the Company


Name	Number of shares of the Company of HK\$0.10 each				Percentage of holding
	Personal interests	Family interests	Corporate interests	Other interests	
Chi Wen Fu	-	-	193,696,970 (Note 1)	-	60.53%
Shum Sai Chit	-	-	30,303,030 (Note 2)	-	9.47%
Wong May Yuk	-	-	30,303,030 (Note 3)	-	9.47%

Notes:

1. Chi Wen Fu is beneficially interested in 80% of the entire issued share capital of Alpha Sino, which in turn holds 193,696,970 shares of the Company as at 30 June 2004. The interests of Chi Wen Fu are accordingly "corporate interests" as described in Section 344 of the SFO.
2. Shum Sai Chit is beneficially interested in 50% of the entire issued share capital of Go Modern Limited, which in turns holds 30,303,030 shares of the Company as at 30 June 2004. The interests of Shum Sai Chit are accordingly "corporate interests" as described in Section 344 of the SFO.
3. Wong May Yuk is beneficially interested in 50% of the entire issued share capital of Go Modern Limited, which in turns holds 30,303,030 shares of the Company as at 30 June 2004. The interests of Wong May Yuk are accordingly "corporate interests" as described in Section 344 of the SFO.

(b) Long position in the shares of Alpha Sino, an associated corporation of the Company

Name	Number of shares of Alpha Sino of US\$1 each				Percentage of holding
	Personal interests	Family interests	Corporate interests	Other interests	
Chi Wen Fu	8	-	-	-	80%
Zou Li	2	-	-	-	20%



Save as disclosed above, as at 30 June 2004, none of the Directors and chief executives of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which were required to be recorded pursuant to section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2004, the register of substantial shareholders maintained by the Company under Section 336 of the SFO shows that the following companies had interests or long position in the shares of the Company:

	Number of shares of the Company of HK\$0.10 each	Percentage of holding of shares of the Company
Alpha Sino (<i>Note 1</i>)	193,696,970	60.53%
Go Modern Limited (<i>Note 2</i>)	30,303,030	9.47%
Qi Yuan Asset Management (H.K.) Ltd.	19,295,000	6.03%

Notes:

1. The entire issued share capital of Alpha Sino is beneficially owned as to 80% and 20% by Chi Wen Fu, executive Director and Zou Li, non-executive Director respectively.
2. The entire issued share capital of Go Modern Limited is beneficially owned as to 50% each by Shum Sai Chit, executive Director and Wong May Yuk, non-executive Director.

RIGHTS OF DIRECTORS OR EMPLOYEES TO ACQUIRE SHARES

Pursuant to a written resolution of the shareholders of the Company passed on 31 January 2004, the Company has adopted a share option scheme (the "Share Option Scheme"). The principal terms of the Share Option Scheme are summarized under the sub-section headed "Share Option Scheme" in Appendix V to the Prospectus. During the six-month period ended 30 June 2004, none of the directors or the employees of the Group was granted options under the Share Option Scheme to subscribe for shares of the Company. As at 30 June 2004, none of directors or the employees of the Group had any rights to acquire the shares of the Company.

COMPETING INTERESTS

During the period under review, none of the Directors or the management shareholders of the Company had any interest in a business that competed or might compete with the business of the Group.

SPONSOR'S INTERESTS

To the best knowledge of the Company's sponsor, CSC Asia Limited, its directors, employees or associates (as referred to in Note 3 Rule 6.35 of the GEM Listing Rules) did not have any interest in the securities of the Company as at 30 June 2004.

Pursuant to the sponsor's agreement dated 4 February 2004 entered into between the Company and the sponsor, the sponsor has received and shall continue to receive an annual fee for acting as the Company's sponsor for the period from the Listing Date to 31 December 2006.

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

During the period under review, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

BOARD PRACTICES AND PROCEDURES

The Company had complied with the board practices and procedures as set out in Rules 5.34 to 5.45 of the GEM Listing Rules throughout the period under review.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

During the period under review, the Company had adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company also had made specific enquiry of all Directors and the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transaction by Directors.

AUDIT COMMITTEE

The written terms of reference which describe the authority and duties of the Audit Committee were prepared and adopted with reference to "A Guide for The Formation of An Audit Committee" published by HKSA.

The Audit Committee provides an important link between the Board and the Company's auditors in matters coming within the scope of the Group audit. It also reviews the effectiveness of both the internal and external audit and of internal controls and risk evaluation. The Audit Committee has three members comprising the two independent non-executive Directors, namely Mr. Shen Yi Min and Mr. Cheung Soung Poon, and an executive Director, Mr. Shum Sai Chit. Mr. Cheung Sound Poon is the chairman of the Audit Committee.

By order of the Board
Chi Wen Fu
Chairman

Hong Kong, 10 August 2004

As at the date hereof, the executive Directors are Mr. Chi Wen Fu, Mr. Shum Sai Chit and Mr. Zhou Xing Dun; the non-executive Directors are Ms. Zou Li and Ms. Wong May Yuk and the independent non-executive Directors are Mr. Shen Yi Min and Mr. Cheung Sound Poon.