



**Info Communication Holdings Limited**  
(incorporated in the Cayman Islands with limited liability)

# Info

Communication

**2004**

INTERIM REPORT

## **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 announcement 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 the contents of this report.

This report, for which the directors of Info Communication Holdings Limited collectively and individually accept full 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 Info Communication 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.

## FINANCIAL RESULTS (UNAUDITED)

The board of directors (the "Directors") of Info Communication Holdings Limited (the "Company") is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively the "Group") for the three months and six months ended 30 September 2004 together with the comparative unaudited figures for the corresponding periods in 2003 as follows:

### UNAUDITED CONSOLIDATED INCOME STATEMENTS

For the three months and six months ended 30 September 2004

	Note	Three months ended 30 September		Six months ended 30 September	
		2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Turnover	2	<b>5,963</b>	14,895	<b>18,832</b>	15,853
Other revenue	2	<b>67</b>	38	<b>67</b>	64
Exhibition costs		<b>(867)</b>	(3,868)	<b>(4,870)</b>	(3,868)
Printing, postage and paper costs		<b>(649)</b>	(1,751)	<b>(1,668)</b>	(2,713)
Promotion expenses		<b>(523)</b>	(1,007)	<b>(2,722)</b>	(1,707)
Staff costs		<b>(1,858)</b>	(2,061)	<b>(5,878)</b>	(4,182)
Amortisation and depreciation		<b>(237)</b>	(279)	<b>(554)</b>	(376)
Other operating expenses		<b>(1,404)</b>	(2,429)	<b>(2,495)</b>	(3,345)
Profit/(Loss) from ordinary activities before taxation		<b>492</b>	3,538	<b>712</b>	(274)
Income tax	3	-	-	-	-
Profit/(Loss) from ordinary activities after taxation		<b>492</b>	3,538	<b>712</b>	(274)
Minority interests		<b>(620)</b>	-	<b>(620)</b>	-
Net profit/(loss) attributable to shareholders		<b>(128)</b>	3,538	<b>92</b>	(274)
Dividend	5	-	-	-	-
Earnings/(Loss) per share - basic, in cents	4	<b>(0.01)</b>	0.43	<b>0.01</b>	(0.03)
Earnings per share - diluted, in cents	4	<b>n/a</b>	0.41	<b>n/a</b>	n/a

## UNAUDITED CONSOLIDATED BALANCE SHEET

As at 30 September 2004

	Note	As at 30 September 2004 HK\$'000	As at 31 March 2004 HK\$'000
<b>Non-current assets</b>			
Fixed assets		4,583	677
Goodwill		8,264	8,739
		<b>12,847</b>	9,416
<b>Current assets</b>			
Trade receivables	6	2,498	4,187
Other receivables, deposits and prepayments		15,531	7,563
Current tax refundable		6	6
Cash and cash equivalents		11,892	13,102
		<b>29,927</b>	24,858
<b>Total assets</b>		<b>42,774</b>	34,274
<b>Less: Current liabilities</b>			
Trade payables	7	1,056	2,807
Other payables and accrued charges		1,220	1,589
Sales deposits received		17,363	5,341
Current tax payable		45	45
		<b>19,684</b>	9,782
<b>Net current assets</b>		<b>10,243</b>	15,076
<b>Total assets less current liabilities</b>		<b>23,090</b>	24,492
<b>Less: Minority interests</b>		<b>624</b>	4
<b>Net assets</b>		<b>22,466</b>	24,488
<i>Representing:</i>			
<b>Share capital</b>	8	<b>8,456</b>	8,456
<b>Reserves</b>			
Proposed final dividend	9	–	2,114
Others	9	14,010	13,918
		<b>22,466</b>	24,488

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2004

	<b>2004</b>	2003
	<b>HK\$'000</b>	HK\$'000
Total equity, as at 1 April	<b>24,488</b>	20,228
Issue of shares for acquisition of a subsidiary	–	1,485
Net profit/(loss) for the period	<b>92</b>	(274)
Dividends paid in respect of proposed dividend for the prior periods	<b>(2,114)</b>	(846)
<b>Total equity, as at 30 September</b>	<b>22,466</b>	20,593

## UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 September 2004

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2004</b>	2003
	<b>HK\$'000</b>	HK\$'000
Net cash from/(used in) operating activities	<b>2,775</b>	(953)
Net cash used in investing activities	<b>(3,985)</b>	(28)
Net cash used in financing activities	–	(5,973)
<b>Net decrease in cash and cash equivalents</b>	<b>(1,210)</b>	(6,954)
<b>Cash and cash equivalents at beginning of the period</b>	<b>13,102</b>	16,339
<b>Cash and cash equivalents at end of the period</b>	<b>11,892</b>	9,385
<b>Analysis of balances of cash and cash equivalents</b>		
Cash and bank balances	<b>11,892</b>	9,385

## NOTES:

### 1. Basis of preparation

These unaudited condensed consolidated interim results ("interim accounts") are prepared in accordance with the Hong Kong Statement of Standard Accounting Practice ("SSAP") No. 25, "Interim Financial Reporting", issued by the Hong Kong Institute of Certified Public Accountants and Chapter 18 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules").

The principal accounting policies and methods of computation used in the preparation of these interim accounts are consistent with those adopted in the latest annual financial statements of the Group.

### 2. Turnover, revenue and segment information

	Three months ended		Six months ended	
	30 September		30 September	
	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Turnover:</b>				
Exhibition organisation income	5,004	14,305	16,580	14,305
Promotion and marketing income	953	550	1,887	1,267
Publication income	6	40	365	281
	<b>5,963</b>	14,895	<b>18,832</b>	15,853
<b>Other revenue:</b>				
Bank interest income	–	2	–	11
Sundry income	67	36	67	53
	<b>67</b>	38	<b>67</b>	64
<b>Total revenue</b>	<b>6,030</b>	14,933	<b>18,899</b>	15,917

#### Primary reporting format – Business segment

No business segment information has been disclosed for the periods presented as the Group is operating in a single business segment which is exhibition organisation.

### **3. Income tax**

No provision for Hong Kong profits tax has been provided as the Group has no assessable profits for the periods (three months and six months ended 30 September 2003: 16%).

No provision for deferred taxation has been made as the Group had no material potential liabilities arising on temporary differences as at the balance sheet dates.

### **4. Earnings/(Loss) per share**

- (a) The calculation of basic (loss)/earnings per share for the three months and six months ended 30 September 2004 is based on the respective unaudited consolidated net loss attributable to shareholders of approximately HK\$128,000 for the three months ended 30 September 2004 and unaudited consolidated net profit attributable to shareholders of approximately HK\$92,000 for the six months ended 30 September 2004 (three months and six months ended 30 September 2003: unaudited consolidated net profit attributable to shareholders of approximately HK\$3,538,000 and unaudited consolidated net loss attributable to shareholders of approximately HK\$274,000 respectively) and on the weighted average number of 845,640,000 (three months and six months ended 30 September 2003: 827,689,181) ordinary shares in issue during the periods.
- (b) The calculation of diluted earnings per share for the three months ended 30 September 2003 is based on the unaudited consolidated net profit attributable to shareholders of approximately HK\$3,538,000 and on 862,302,514 ordinary shares, being the weighted average number of ordinary shares outstanding during that period, adjusted for the effects of the share options outstanding during that period.
- (c) No diluted (loss)/earnings per share for the three months and six months ended 30 September 2004 and for the six months ended 30 September 2003 has been presented as the share options outstanding during the periods had an anti-dilutive effect on the respective basic (loss)/earnings per share for the respective periods.

### **5. Dividend**

The Directors do not recommend the payment of any interim dividend for the six months ended 30 September 2004 (six months ended 30 September 2003: Nil).

## 6. Trade receivables

The following is an aged analysis of trade receivables as at the balance sheet date:

	<b>As at 30 September 2004 HK\$'000</b>	As at 31 March 2004 HK\$'000
Current	<b>268</b>	958
30-60 days	<b>291</b>	478
Over 60 days	<b>1,939</b>	2,751
	<b>2,498</b>	4,187

Credit terms are normally negotiable between the Group and its customers and vary for the different business activities of the Group. For the exhibition organising business, customers are normally required to pay a 50% deposit upon signing of agreements and the remaining 50% prior to the opening of exhibitions. A credit period of up to 9 months may be given to those customers who have longstanding business relationships with the Group for the remaining 50% balance, following financial assessment by the senior management and based on the established payment records of the customers. For the promotion and marketing services, the Group normally requires full payment before rendering of services and the advertising fees from placement of advertisements in newspapers and magazines are normally payable on per issue basis 30 days before the date of publication. For the publication business, customers are required to make full payment at the time of subscription to the trade magazines published by the Group.

## 7. Trade payables

The following is an aged analysis of trade payables as at the balance sheet date:

	<b>As at 30 September 2004 HK\$'000</b>	As at 31 March 2004 HK\$'000
Current	<b>791</b>	1,812
30-60 days	<b>265</b>	995
	<b>1,056</b>	2,807



## 8. Share capital

	<b>As at 30 September 2004 HK\$'000</b>	As at 31 March 2004 HK\$'000
Authorised:		
2,000,000,000 ordinary shares of HK\$0.01 each	<b>20,000</b>	20,000
Issued and fully paid:		
845,640,000 ordinary shares of HK\$0.01 each	<b>8,456</b>	8,456

During the six months ended 30 September 2003, the Company issued and allotted 45,000,000 of the Company's ordinary shares at an issue price of HK\$0.033 each, totalling HK\$1,485,000, as part of the purchase consideration to acquire 50.1% interest in the issued capital of Chan Chao International Co., Ltd, details of which has been set out in the Company's Annual Report 2004.

## 9. Reserves

	<b>Share premium HK\$'000</b>	<b>Capital reserve HK\$'000</b>	<b>Retained profits HK\$'000</b>	<b>Total HK\$'000</b>
As at 1 April 2004	4,552	900	10,580	16,032
Net profit for the period	–	–	92	92
Proposed dividends for prior year paid during the current period	–	–	(2,114)	(2,114)
As at 30 September 2004	4,552	900	8,558	14,010
As at 1 April 2003	3,517	900	7,805	12,222
Issue of shares for acquisition of a subsidiary	1,035	–	–	1,035
Net loss for the period	–	–	(274)	(274)
Proposed dividends for prior year paid during the current period	–	–	(846)	(846)
As at 30 September 2003	4,552	900	6,685	12,137

### 10. Operating lease commitments

As at 30 September 2004, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of rented premises as follows:

	<b>As at 30 September 2004 HK\$'000</b>	As at 31 March 2004 HK\$'000
Within one year	<b>268</b>	321
Two to five years	<b>259</b>	160
	<b>527</b>	481

As at 30 September 2004 and 31 March 2004, the Company had no commitment under operating lease.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business review

During the six months ended 30 September 2004, the Group organised certain exhibitions in Malaysia and in the major cities of the People's Republic of China (the "PRC"), details of which are set out below:

Dates and venues	Exhibitions
13-16 April 2004 Suzhou Industrial Park-Logistics Centre Exhibition Hall, Suzhou, the PRC	Suzhou International Machine Tool & Mould Technology Exhibition Suzhou International Plastics, Packaging & Rubber Exhibition
31 May 2004 - 3 June 2004 Guangzhou International Convention & Exhibition Centre, Guangzhou, the PRC	11th South China International Machinery & Materials Exhibition 11th South China Plastics & Packaging Exhibition Mould & Die South China 2004
8-11 July 2004 The Mines International Exhibition Centre	15th Malaysia International Rubber, Plastics, Mould and Die Industry Technology Exhibition 2004 ("MIMF")
15-17 September 2004 Guangdong Modern International Exhibition Centre ("GMIEC")	3rd South China International Electronic Circuit & Assembly Expo
23-26 September 2004 Wuhan International Convention & Exhibition Centre, Wuhan, the PRC	5th China Wuhan International Electrical Products Expo-International Machinery & Materials Exhibition 2004

Turnover for the three months ended 30 September 2004 was approximately HK\$5,963,000, representing a decrease of approximately HK\$8,932,000 as compared with the same period last year which amounted to approximately HK\$14,895,000. Such decrease in turnover was due to the fact that the Group has implemented a contingency plan in response to the SARS outbreak during the three months ended 30 June 2003, as a result of which, all of its recurrent exhibitions which were planned to be held in the first quarter of 2003/2004 have been postponed to the second quarter of 2003/2004.

The Group's turnover for the six months ended 30 September 2004 was approximately HK\$18,832,000 and represented an increase of approximately HK\$2,979,000 or 18.8% as compared to the corresponding six months ended 30 September 2003 which amounted to approximately HK\$15,853,000. Such increase in turnover was mainly attributable to the satisfactory results from its recurring exhibitions in the PRC and Malaysia during the current period and in additions, such recurring exhibitions have been adversely affected by the SARS outbreak during the corresponding six months period ended 30 September 2003 as mentioned above.

The Group recorded net profit attributable to shareholders of approximately HK\$92,000 for the six months ended 30 September 2004, whereas net loss attributable to shareholders for the corresponding six months ended 30 September 2003 amounted to approximately HK\$274,000.

The Directors attribute such increase in turnover and improvement in profitability for the six months ended 30 September 2004 to the continuous improvement on the operating environment for most Hong Kong and PRC businesses and the postponement of exhibitions and the adverse effects during the SARS outbreak in the same period last year.

#### **Liquidity, financial resources and capital structure**

The Group generally finances its daily operations and investing activities from internally generated cash flows. During the period, the Group has commenced its investment project in relation to the outdoor advertising billboards in primary and secondary schools in Guangzhou, the PRC, the first batch of advertising billboards are under construction as planned. Accordingly, the Group's total assets increased by approximately 25% to approximately HK\$42,774,000 as at 30 September 2004, compared to approximately HK\$34,274,000 as at 31 March 2004 as a result of the significant increase in construction in progress included in fixed assets.

The Group's current assets as at 30 September 2004 amounted to approximately HK\$29,927,000 and comprised trade and other receivables of approximately HK\$18,029,000, tax refundable of approximately HK\$6,000 and cash and bank balances of approximately HK\$11,892,000. As at 30 September 2004, the Group had net assets of approximately HK\$22,466,000 and had no bank and other borrowings or long-term liabilities. The Group's financial position is healthy, positioning the Group advantageously to expand its core business and to achieve its business objectives.

The gearing ratio, calculated on the basis of total liabilities over total shareholders' funds as at 30 September 2004, is approximately 87.6% (31 March 2004: 39.9%). Such increase was mainly due to the significant increase in sales deposits received during the six months ended 30 September 2004 which amounted to approximately HK\$17,363,000, represented an increase of 225% as compared to approximately HK\$5,341,000 as at 31 March 2004.

Since the functional currencies of the Group's operations are Hong Kong dollars and Renminbi, the Directors consider that the potential foreign exchange exposure of the Group is limited.

### **Investment held and material acquisitions and disposals**

There were no material acquisitions and disposals of subsidiaries in the course of the period.

### **Employees and remuneration policies**

As at 30 September 2004, the Group had 30 employees, including Directors. Total staff costs for the first six months of the year ending 31 March 2005, including Directors' remuneration, amounted to approximately HK\$5,878,000 (six months ended 30 September 2003: approximately HK\$4,182,000). The Group's employment and remuneration policies remained the same as detailed in the Annual Report 2004.

### **Charges on Group's assets and contingent liabilities**

There were no charges on the Group's assets or any significant contingent liabilities as at 30 September 2004 and 31 March 2004.

## Future plans and prospects

The Group will continue in organising its profitable recurring exhibitions during the second half of the financial year ending 31 March 2005. With the continuous improvement on the operating environment for most Hong Kong and PRC businesses and the Group's past success in organising exhibitions in Hong Kong and the PRC, the Group believes its exhibition business will continue to make good progress and deliver reasonable returns to the Group as excellent response has been received from exhibitors who have already signed up to participate in the upcoming exhibitions. On the international front, the Group's subsidiary, Chan Chao International Co., Ltd, will continue to expand its presence in Vietnam in the manufacturing exhibition sector in the second half of the financial year ending 31 March 2005. Set out below is a schedule of exhibitions that will be organised by the Group, together with the proposed dates and venues, for the rest of the financial year ending 31 March 2005:

### Proposed dates and venues

14-17 October 2004  
Ho Chi Minh International Exhibition  
& Convention Centre ("HCMIECC")

4-7 November 2004  
HCMIECC

12-15 November 2004  
HCMIECC

20-23 November 2004  
HCMIECC

10-13 November 2004  
GMIEC

7-10 December 2004  
Guangzhou International Convention  
& Exhibition Centre

### Exhibitions

4th Vietnam International Woodworking Industry  
Fair – Vietnam Linkage Industry Exhibition

4th Vietnam International Machine Tool &  
Automation Industry Show – Vietnam Linkage  
Industry Exhibition

4th Textile & Garment Machinery – Vietnam  
Linkage Industry Exhibition

4th Plastics & Packaging & Printing Industry Show  
– Vietnam Linkage Industry Exhibition

6th China Dongguan International Machinery &  
Materials Exhibition

6th China Dongguan International Plastics,  
Packaging & Rubber Exhibition

1st China (Guangzhou) Machinery & Equipment  
Manufacturing Expo – International Automotive  
Manufacturing Industry Exhibition

## Proposed dates and venues

8-11 March 2005  
GMIEC

9-12 March 2005  
Chang Ping Exhibition Centre

16-19 March 2005  
Chang Ping Exhibition Centre

## Exhibitions

6th China Dongguan International Textiles &  
Clothing Industry Fair

6th China Dongguan International Footwear  
Machinery & Material Industry Fair

Linkage 2005 – 17th International Linkage  
Industry, Mould and Die Exhibition (Chang  
Ping Dongguan)

Linkage 2005 – 13th International Plastic and  
Packaging Exhibition (Chang Ping, Dongguan)

## DIRECTORS' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As at 30 September 2004, the interests or short positions of the Directors in the shares, underlying shares and debentures of the Company and its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provision of the SFO) or which were required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the minimum standards of dealing by directors of listed issuers as referred to in Rules 5.46 to 5.68 of the GEM Listing Rules were as follows:

### Long position in shares of the Company

*Number of ordinary shares beneficially held*

Name of Directors	Personal interest	Family interest	Corporate interest	Total interests	Percentage of interests
Mr. Leung Tin Fu ( <i>Note 1</i> )	–	–	509,840,000	509,840,000	60.29%
Mr. Cheng Kwok Lai ( <i>Note 2</i> )	–	6,800,000	–	6,800,000	0.80%
Mr. Chan Wing Sum ( <i>Note 3</i> )	4,800,000	8,000,000	–	12,800,000	1.51%
Mr. Kwok Kam Tim	8,000,000	–	–	8,000,000	0.95%

*Notes:*

1. These shares are held by Advagate Holdings Limited, a company incorporated in the BVI and wholly and beneficially owned by Mr. Leung Tin Fu.
2. These shares are owned by Ms. Cheng Mei Ching, the wife of Mr. Cheng Kwok Lai. Mr. Cheng Kwok Lai is deemed to be interested in such shares pursuant to the SFO.
3. The 8,000,000 shares of family interest are owned by Ms. Lok Suet Lin, the wife of Mr. Chan Wing Sum. Mr. Chan Wing Sum is deemed to be interested in such shares pursuant to the SFO.



### Long position in underlying shares of the Company

Pursuant to the share option scheme adopted by the Company on 22 October 2001 (as more particularly described in Appendix IV to the Company's prospectus), certain Directors were granted share options as at 30 September 2004 to subscribe for the Company's shares, details of which were as follows:

Name	Date of grant	Number of share options granted and outstanding as at 30 September 2004	Option period	Exercise price per share
Mr. Cheng Kwok Lai	10 July 2002	8,000,000	10 July 2002 - 9 July 2012	HK\$0.08
Mr. Chan Wing Sum	10 July 2002	8,000,000	10 July 2002 - 9 July 2012	HK\$0.08
Mr. Kwok Kam Tim	10 July 2002	8,000,000	10 July 2002 - 9 July 2012	HK\$0.08

*Note:* The weighted average closing price of the shares immediately before the date on which the options were offered is HK\$0.08.

Save as disclosed above, as at 30 September 2004, none of the Directors or their respective associates had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provision of the SFO) or which were required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the minimum standards of dealing by directors of listed issuers as referred to in Rules 5.46 to 5.68 of the GEM Listing Rules.

## OUTSTANDING SHARE OPTIONS

Save as those share options granted to the Directors as disclosed above, certain share options were granted by the Company under the share option scheme to four individuals who are employees and consultant of the Company at the date of grant, details of which were as follows:

	<b>Date of grant</b>	<b>Number of share options granted and outstanding as at 30 September 2004</b>	<b>Option period</b>	<b>Exercise price per share</b>
Employees	10 July 2002	16,000,000	10 July 2002 - 9 July 2012	HK\$0.08
Consultant	10 July 2002	4,000,000	10 July 2002 - 9 July 2012	HK\$0.08

*Note:* The weighted average closing price of the shares immediately before the date on which the options were offered is HK\$0.08.

None of the Directors, employees and consultant of the Company had exercised their share options during the six months ended 30 September 2004.

No options were granted and/or exercised under the share option scheme during the six months ended 30 September 2004.

## VALUATION OF SHARE OPTION

The options granted to Directors, employees and consultant of the Company are not recognised in the financial statements until they are exercised. The Directors consider that it is not appropriate to state the value of the share options granted on the ground that a number of variables which are crucial for the valuation of the option value cannot be reasonably determined. Accordingly, the Directors believe that any valuation of the share options based on a great number of speculative assumptions would not be meaningful and may be misleading to the shareholders.

## INTERESTS DISCLOSEABLE UNDER THE SFO AND SUBSTANTIAL SHAREHOLDERS

As at 30 September 2004, the following shareholders (including Directors) had interests or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO were as follows:

### Long position in shares of the Company

*Number of ordinary shares beneficially held*

<b>Name</b>	<b>Capacity</b>	<b>Nature of interest</b>	<b>Number of shares</b>	<b>Percentage of interest</b>
Advagate Holdings Limited ( <i>Note</i> )	Beneficial owner	Corporate	509,840,000	60.29%
Mr. Leung Tin Fu ( <i>Note</i> )	Interest of a controlled corporation	Corporate	509,840,000	60.29%
Mr. Chung Horng-l	Beneficial owner	Personal	55,330,000	6.55%

*Note:* These shares are held by Advagate Holdings Limited, a company incorporated in the BVI and wholly and beneficially owned by Mr. Leung Tin Fu.

Save as disclosed above, as at 30 September 2004, the Directors were not aware of any other person who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any other member of the Group.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities throughout the six months ended 30 September 2004.

## COMPETING INTERESTS

The Directors are not aware of, as at 30 September 2004, any business or interest of each of the Directors, management shareholders (as defined in the GEM Listing Rules) and their respective associates that competes or may compete with business of the Group or any other conflicts of interest which any such person has or may have with the Group.

## AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference in compliance with the GEM Listing Rules. The audit committee has 3 members, namely Mr. Leung Chi Kong, Ms. Lam Tung Ming, Eileen and Mr. Chan Kam Fuk, all being independent non-executive Directors. Mr. Leung Chi Kong is the chairman of the audit committee. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group and to review the Company's annual reports and accounts, and interim and quarterly reports. The audit committee has met thirteen times since its establishment.

## BOARD PRACTICES AND PROCEDURES

In the opinion of the Directors, during the six months ended 30 September 2004, the Company has complied with the "Board Practices and Procedures" as set out in Rules 5.34 to 5.45 of the GEM Listing Rules.

## CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the code of conduct for securities transactions by Directors set out in Rules 5.48 to 5.67 of the GEM Listing Rules as its own code of conduct regarding securities transactions by Directors. The Company confirms that, having made specific enquiry from all Directors, the Directors have complied with the required standard of dealings and its code of conduct regarding securities transactions by Directors for the six months ended 30 September 2004.

By order of the Board

**Leung Tin Fu**

*Chairman*

Hong Kong, 8 November 2004

*As at the date of this report, the Executive Directors of the Company are Mr. Leung Tin Fu (Chairman), Mr. Chan Wing Sum, Mr. Cheng Kwok Lai and Mr. Kwok Kam Tim; and the Independent Non-executive Directors of the Company are Mr. Leung Chi Kong, Ms. Lam Tung Ming, Eileen and Mr. Chan Kam Fuk.*