GLORY MARK HI-TECH (HOLDINGS) LIMITED
(Incorporated in the Cayman Islands with limited liability)

INTERIM REPORT 2005

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 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 Glory Mark Hi-Tech (Holdings) Limited (the "Company") 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 for the purpose of giving information with regard to the Company. The directors of the Company 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.

Interim Results

The board of directors (the "Directors") of Glory Mark Hi-Tech (Holdings) Limited (the "Company") is pleased to present the unaudited condensed consolidated financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the three months (the "Second Quarterly Period") and six months (the "Half-Yearly Period") ended 30 June 2005 together with the comparative unaudited figures for the corresponding periods in 2004 as follows:

Condensed Consolidated Income Statements

For the three months and six months ended 30 June 2005

		Three months ended 30 June		Six months ended 30 June	
		2005	2004	**2005**	2004
	Notes	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Turnover	*3*	**57,746**	62,297	**121,084**	118,665
Cost of sales		**(47,677)**	(52,846)	**(100,506)**	(97,769)
Gross profit		**10,069**	9,451	**20,578**	20,896
Other operating income		**1,124**	1,524	**1,813**	1,988
Selling and distribution expenses		**(2,334)**	(1,986)	**(4,936)**	(3,907)
Administrative expenses		**(5,823)**	(6,166)	**(11,723)**	(11,644)
Profit from operations	*5*	**3,036**	2,823	**5,732**	7,333
Share of result of an associate		**–**	47	**–**	47
Profit before taxation		**3,036**	2,870	**5,732**	7,380
Taxation	*6*	**(518)**	(458)	**(1,196)**	(950)
Profit for the period		**2,518**	2,412	**4,536**	6,430
Dividend	*7*	**4,800**	4,800	**4,800**	4,800
Earnings per share	*8*				
Basic		**HK0.79 cents**	HK0.75 cents	**HK1.42 cents**	HK2.01 cents

Condensed Consolidated Balance Sheet

As at 30 June 2005

	Notes	30 June 2005 HK$'000 (Unaudited)	31 December 2004 HK$'000 (Audited) (Restated)
NON-CURRENT ASSETS			
Property, plant and equipment	9	31,040	25,914
Prepaid lease payments		3,783	3,825
Investment properties	9	1,250	1,250
Deposit for land use right		2,986	—
Club debenture	10	560	—
Bank deposits		11,648	3,883
		51,267	34,872
CURRENT ASSETS			
Inventories		22,495	17,244
Trade and other receivables	11	49,327	44,946
Bank balances and cash		48,393	83,548
		120,215	145,738
CURRENT LIABILITIES			
Trade and other payables	12	66,164	76,332
Amount due to a related company		126	145
Amounts due to directors		1,514	1,338
Taxation payable		8,158	6,962
		75,962	84,777
NET CURRENT ASSETS		44,253	60,961
		95,520	95,833
CAPITAL AND RESERVES			
Share capital		32,000	32,000
Reserves		63,520	63,833
		95,520	95,833

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2005

	Share Capital *HK$'000* (Unaudited)	Merger Reserve *HK$'000* (Unaudited)	Translation Reserve *HK$'000* (Unaudited)	Accumulated Profits *HK$'000* (Unaudited)	Total *HK$'000* (Unaudited)
At 1 January 2004	32,000	680	(27)	51,279	83,932
Exchange loss on translation of overseas operations not recognised in the income statement	—	—	(13)	—	(13)
Profit for the period	—	—	—	6,430	6,430
Final dividend for 2003	—	—	—	(4,800)	(4,800)
At 30 June 2004	32,000	680	(40)	52,909	85,549
At 1 January 2005	32,000	680	11	63,142	95,833
Exchange loss on translation of overseas operations not recognised in the income statement	–	–	(49)	–	(49)
Profit for the period	–	–	–	4,536	4,536
Final dividend for 2004	–	–	–	(4,800)	(4,800)
At 30 June 2005	32,000	680	(38)	62,878	95,520

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2005

	Six months ended 30 June	
	2005	2004
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
NET CASH USED IN OPERATING ACTIVITIES	**(12,415)**	(308)
NET CASH USED IN INVESTING ACTIVITIES	**(17,890)**	(4,064)
NET CASH USED IN FINANCING ACTIVITIES	**(4,801)**	(6,393)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(35,106)**	(10,765)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**83,548**	55,907
EFFECT OF FOREIGN EXCHANGE RATE CHANGE	**(49)**	(13)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**48,393**	45,129
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	**48,393**	45,129

Notes:

1. **General and Basis of Presentation**

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law (2001 Second Revision) of the Cayman Islands.

The Company acts as an investment holding company.

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Chapter 18 of the Rules Governing the Listing of Securities on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and with Hong Kong Accounting Standard 34 ("HKAS 34") "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

2. **Principal Accounting Policies**

The condensed consolidated financial statements have been prepared on the historical cost basis except for investment properties, which are measured at fair values. The accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2004, except as described below.

In the current period, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKAS") and Interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the HKICPA that are effective for accounting periods beginning on or after 1 January 2005. The adoption of the new HKFRSs has resulted in changes to the Group's accounting policies in the following areas and resulted in change in the presentation in the balance sheet, but has had no material effects on the results for the current or prior accounting periods and, accordingly, no prior period adjustment has been required.

Owner-occupied Leasehold Interest in Land

In previous periods, owner-occupied leasehold land and buildings were included in property, plant and equipment and measured using the cost model. In the current period, the Group has applied HKAS 17 "Leases". Under HKAS 17, the land and buildings elements of a lease of land and building are considered separately for the purposes of lease classification. The leasehold interests in land are reclassified to prepaid lease payments under operating leases, which are carried at cost and amortised over the lease term on a straight-line basis. This has resulted in a change in the presentation in the balance sheet and the comparative amounts have been restated accordingly. At 31 December 2004, HK$3,908,000 have been reclassified from property, plant and equipment to prepaid lease payments, in which HK$83,000 have been included in trade and other receivables as current portion.

2. Principal Accounting Policies *(Continued)*

Investment Properties

In the current period, the Group has, for the first time, applied HKAS 40 "Investment Property". The Group has elected to use the fair value model to account for its investment properties which requires gains or losses arising from changes in the fair value of investment properties to be recognised directly in the profit or loss for the period in which they arise. In previous periods, investment properties under the predecessor Standard were measured at open market values, with revaluation surplus or deficits credited or charged to investment property revaluation reserve unless the balance on this reserve was insufficient to cover a revaluation decrease, in which case the excess of the revaluation decrease over the balance on the investment property revaluation reserve was charged to the income statement. Where a decrease had previously been charged to the income statement and revaluation subsequently arose, that increase was credited to the income statement to the extent of the decrease previously charged. This change in accounting policy has had no material effect on the financial statements for the current or prior accounting periods.

The Group has not early applied the following new Standards or Interpretations ("Int") that have been issued but are not yet effective. The directors of the Company anticipate that the application of these Standards or Interpretations will have no material impact on the financial statements of the Group.

HKAS 19 (Amendment)	Actuarial Gains and Losses, Group Plans and Disclosures
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 (Amendment)	The Fair Value Option
HKFRS 6	Exploration for and Evaluation of Mineral Resources
HKFRS-Int 4	Determining Whether an Arrangement contains a Lease
HKFRS-Int 5	Rights to Interests arising from Decommissing, Restoration and Environmental Rehabilitation Funds

3. Turnover

Turnover represents the amounts received and receivable, net of discounts and returns, from the sales of connectivity products mainly for computers and computer peripheral products, and subcontracting service rendered during the period.

4. Segment Information

The Group is principally engaged in the design, development, manufacture and sales of connectivity products mainly for computers and computer peripheral products. The majority of the Group's products are sold to original equipment manufacturer ("OEM") customers and retail distributors. These businesses with OEM customers and retail distributors are the basis on which the Group reports its primary segment information.

Business segments

	Three months ended 30 June		Six months ended 30 June	
	2005	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Turnover				
OEM customers	**38,248**	42,346	**86,010**	81,556
Retail distributors	**19,498**	19,951	**35,074**	37,109
	57,746	62,297	**121,084**	118,665
Results				
OEM customers	**6,260**	5,238	**13,226**	12,464
Retail distributors	**3,809**	4,213	**7,352**	8,432
	10,069	9,451	**20,578**	20,896
Unallocated income	**1,124**	1,524	**1,813**	1,988
Unallocated expenses	**(8,157)**	(8,152)	**(16,659)**	(15,551)
Profit from operations	**3,036**	2,823	**5,732**	7,333

Geographical segments

Sales analysis by geographical customer market:

	Three months ended 30 June				Six months ended 30 June			
	2005		2004		**2005**		2004	
	HK$'000	*%*	*HK$'000*	*%*	***HK$'000***	*%*	*HK$'000*	*%*
	(Unaudited)		(Unaudited)		**(Unaudited)**		(Unaudited)	
Republic of China	**15,695**	**27.2%**	30,859	49.5%	**36,594**	**30.2%**	57,607	48.5%
Korea	**15,121**	**26.2%**	7,091	11.4%	**32,903**	**27.2%**	12,091	10.2%
Japan	**13,885**	**24.0%**	13,080	21.0%	**24,647**	**20.3%**	25,185	21.2%
United States of America	**7,213**	**12.5%**	6,259	10.1%	**14,995**	**12.4%**	12,195	10.3%
Others	**5,832**	**10.1%**	5,008	8.0%	**11,945**	**9.9%**	11,587	9.8%
	57,746	**100.0%**	62,297	100.0%	**121,084**	**100.0%**	118,665	100.0%

5. Profit from Operations

Profit from operations has been arrived at after charging:

	Three months ended 30 June		Six months ended 30 June	
	2005	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Depreciation and amortisation	**1,035**	963	**2,352**	1,911
Loss on disposal of property, plant and equipment	**–**	8	**–**	8

6. Taxation

The amount represents current tax charge on assessable profit arising in jurisdiction other than Hong Kong and is calculated at the rates prevailing in the relevant jurisdiction.

No provision for Hong Kong Profits Tax has been made in the condensed consolidated financial statements, as the Group has no assessable profit arising in Hong Kong in both periods.

No provision for deferred taxation has been made in the condensed consolidated financial statements, as it is not probable that taxable profit will be available against which the deductible temporary differences and unused tax losses can be utilised.

7. Dividend

During the period, a dividend of HK1.5 cents per share (2004: HK1.5 cents) was paid to shareholders as the final dividend for 2004.

The Directors do not recommend the payment of any interim dividend for the six months ended 30 June 2005 (2004: Nil).

8. Earnings Per Share

The calculation of basic earnings per share for the three months and six months ended 30 June 2005 is based on the consolidated profit attributable to shareholders of approximately HK$2,518,000 and HK$4,536,000 respectively (three months and six months ended 30 June 2004: HK$2,412,000 and HK$6,430,000 respectively) and on the number of 320,000,000 shares (2004: 320,000,000 shares) in issue.

No dilutive earnings per share has been presented for the Second Quarterly Period and Half-Yearly Period because the exercise price of the Company's share options was higher than the average closing market price for shares in the respective periods.

9. Property, Plant and Equipment, and Investment Properties

During the period, the Group acquired property, plant and equipment at a total cost of approximately HK$7,436,000.

The investment properties were valued at HK$1,250,000 on 31 December 2004 by DTZ Debenham Tie Leung Limited, an independent registered professional surveyor, on an open market existing use basis. The Directors consider that the fair value of the investment properties at 30 June 2005 was not significantly different from their carrying value at 31 December 2004.

10. Club Debenture

The club debenture represents entrance fee paid to a golf club held on a long-term basis. The directors of the Group are of the opinion that the underlying value of the club debenture is at least equal to its cost.

11. Trade and Other Receivables

The Group allows an average credit period ranging from 30 days to 150 days to its trade customers.

The following is an aged analysis of trade receivables at the reporting date:

	30 June 2005	31 December 2004
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Within 30 days	**17,283**	15,651
From 31 days to 120 days	**25,318**	22,968
From 121 days to 180 days	**702**	314
Over 180 days	**1,386**	677
	44,689	39,610

12. Trade and Other Payables

The Group has been granted an average credit period ranging from 30 days to 150 days from its trade suppliers.

The following is an aged analysis of trade payables at the reporting date:

	30 June 2005 HK$'000 (Unaudited)	31 December 2004 HK$'000 (Audited)
Within 30 days	**10,286**	15,122
From 31 days to 90 days	**26,955**	27,906
From 91 days to 150 days	**9,462**	8,200
Over 150 days	**3,320**	2,794
	50,023	54,022

13. Capital Commitments

At 30 June 2005, the Group had commitments for capital expenditure of approximately HK$13,173,000 (31 December 2004: HK$22,136,000) in respect of acquisition of property, plant and equipment contracted but not provided for in the condensed consolidated financial statements.

14. Related Party Transactions

During the period, the Group entered into the following transactions with related parties:

Name of related party	Nature of transactions	Three months ended 30 June 2005 HK$'000 (Unaudited)	Three months ended 30 June 2004 HK$'000 (Unaudited)	Six months ended 30 June 2005 HK$'000 (Unaudited)	Six months ended 30 June 2004 HK$'000 (Unaudited)
Glory Mark Enterprises Limited ("GM Enterprises")	Rentals paid	**63**	63	**126**	126
Glory Mark Electronic Limited (incorporated in Republic of China) ("GM Taiwan")	Rental paid	**37**	36	**74**	70
San Chen Company ("San Chen")	Rental paid	**37**	36	**74**	70
Directors	Remuneration	**1,392**	1,392	**2,786**	2,786

14. Related Party Transactions *(Continued)*

Mr. Pang Kuo-Shi ("Mr. Pang"), Mr. Wong Chun and Mr. Hsia Chieh-Wen, directors and shareholders of the Company, together hold 79% interest in GM Taiwan and 100% interest in GM Enterprises. Mr. Pang holds 40% interest in San Chen.

Management Discussion and Analysis

Financial Review

Turnover and profit

The Group recorded a turnover of HK$121,084,000 for the six months ended 30 June 2005 ("the discussing period"), which was slightly increased by 2.0% as compared to the corresponding period last year. During the Second Quarterly Period, a short-term sluggishness occurred in the global computer market. Some major computer suppliers were forced to temporarily suspend placing new orders in order to clear their stocks. Suffered from this marketing condition, the increasing trend in turnover of the Group slowed down during the discussing period.

The adverse cost effects continue to influence the Group. The net profit of the discussing period dropped to HK$4,536,000.

The turnover to OEM customers during the discussing period increased slightly by 5.5% whereas the turnover to retail distributors dropped slightly by 5.5%.

The turnover to Korea during the discussing period recorded an encouraging increment, up 172.1% as compared to corresponding period last year. This was attributable to the success in gaining considerable orders from a valuable Korea OEM customer during the discussing period. The turnover to the United States of America and other regions increased moderately by 23.0% and 3.1% respectively. The turnover to the Republic of China and Japan dropped by 36.5% and 2.1% respectively.

Similar to many other manufacturers in the region, the Group was influenced by the rises in material and labour costs during the discussing period. The prices of copper and PVC persistently stayed at high levels. The labour cost in the PRC increased significantly. All these unfavourable impacts eroded the profit of the Group.

Liquidity and financial resources

The financial position of the Group was strong. The Group had cash and bank balances of about HK$60 million as of 30 June 2005. The Group had no interest bearing debt for the six months ended 30 June 2005 and 2004 respectively.

Operation review

Production capacity and capability

The construction of the new factory located at Tangxia Town will be completed at late 2005, which will double the production capacity of the Group.

Employees

At 30 June 2005, the Group had 2,081 (2004: 1,934) employees. Employee remuneration, excluding directors' emoluments, for the period ended 30 June 2005 was approximately HK$16.4 million (2004: HK$13.8 million). The increase in employee remuneration during the period was due to the increase in labour rate in the PRC and the expansion of the Group.

The pay scale of the Group's employees is maintained at a competitive level and employees are rewarded on a performance-related basis within the general framework of the Group's salary and bonus systems, which is reviewed annually. The Company had granted options to its employees prior to its listing.

Outlook

The directors anticipated that the coming seasons are full of challenges. There is no symptom that the prices of copper and PVC will go down soon. Adding to the recent PRC government's labour policy that will result in pushing up the labour cost in the PRC and the currency appreciation of Renminbi, the overall manufacturing costs of the Group will be inevitably pushed up in the nearing future. The magnitude of these prolonged adverse factors could only be partly offset by enhancing efficiency of the Group. The competition remains keen. This disallows the Group to completely shift the increasing costs to its customers. All these severe conditions might affect the results of the cable business of the Group.

Outlook *(Continued)*

To minimise these adverse effects, the Group is focusing its efforts to expand its electronics business, which will be comparatively less sensitive to the above unfavourable factors.

Despite the recent ordering positions are satisfactory, the directors retain a conservative view to its results in the coming quarters in considering of the cost factors.

Directors' and Chief Executive's Interests in Shares and Underlying Shares

As at 30 June 2005, the interests of the directors, the chief executive and their associates in the shares and underlying shares of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Future Ordinance, or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of listed issuer as referred to in Rule 5.46 to 5.67 of Chapter 5 of the GEM Listing Rules were as follows:

(a) Ordinary shares of HK$0.1 each of the Company

Name of director	Capacity	Number of Issued Ordinary Shares held	Percentage of Issued share capital of the Company
Mr. Pang Kuo-Shi ("Mr. Pang")	Held by family trust *(Note 1)*	139,808,000	43.69%
Mr. Wong Chun ("Mr. Wong")	Beneficial owner	58,447,000	18.26%
Mr. Hsia Chieh-Wen ("Mr. Hsia")	Beneficial owner	34,944,000	10.92%
		233,199,000	72.87%

Directors' and Chief Executive's Interests in Shares and Underlying Shares *(Continued)*

(b) Share options

Name of director	Capacity	Number of share options held	Number of underlying shares to be issued upon exercise of the options
Mr. Pang	Beneficial owner	8,000,000	8,000,000
Mr. Wong	Beneficial owner	6,000,000	6,000,000
	Held by spouse *(Note 2)*	3,050,000	3,050,000
Mr. Hsia	Beneficial owner	3,000,000	3,000,000
Mr. Wong Ngok Chung	Beneficial owner	3,000,000	3,000,000
		23,050,000	23,050,000

Notes:

(1) The 139,808,000 shares were held by Modern Wealth Assets Limited. Modern Wealth Assets Limited is a wholly-owned subsidiary of True Profit Management Limited, which in turn is a wholly-owned subsidiary of HSBC International Trustee Limited, the trustee of a discretionary trust, Mr. Pang's Family Trust.

(2) Mr. Wong is deemed to be interested in the options to acquire shares of the Company, being the interests held beneficially by his spouse, who is an employee of a subsidiary of the Company.

Other than as disclosed above, none of the directors or the chief executive, nor their associates had any interests or short positions in any shares or underlying shares of the Company or any of its associated corporations at 30 June 2005.

Share Option Schemes

On 13 December 2001, the Directors approved Post-IPO Share Option Scheme and Pre-IPO Share Option Scheme (the "Schemes"). The summary of the terms of the Schemes has been set out in Appendix IV of the Prospectus dated 18 December 2001 under the section headed "Share Option Schemes". On 13 December 2001, the Directors granted options to subscribe for an aggregate of 32,000,000 ordinary shares of the Company and were outstanding. Details of the options granted are as follows:

Categories of grantees	Total number of grantees	Number of options granted on 13 December 2001	Exercised/ lapsed during the period	Number of options outstanding at 30 June 2005 and 1 January 2005	Exercise price	Exercisable period
					HK$	
Directors						
Mr. Pang	8,000,000	8,000,000	–	8,000,000	0.3	30% in 13.12.2002 – 12.12.2006 30% in 13.12.2003 – 12.12.2006 40% in 13.12.2004 – 12.12.2006
Mr. Wong	6,000,000	6,000,000	–	6,000,000	0.3	30% in 13.12.2002 – 12.12.2006 30% in 13.12.2003 – 12.12.2006 40% in 13.12.2004 – 12.12.2006
Mr. Hsia	3,000,000	3,000,000	–	3,000,000	0.3	30% in 13.12.2002 – 12.12.2006 30% in 13.12.2003 – 12.12.2006 40% in 13.12.2004 – 12.12.2006
Mr. Wong Ngok Chung	3,000,000	3,000,000	–	3,000,000	0.3	30% in 13.12.2002 – 12.12.2006 30% in 13.12.2003 – 12.12.2006 40% in 13.12.2004 – 12.12.2006
Employees	12,000,000	12,000,000	–	12,000,000	0.3	30% in 13.12.2002 – 12.12.2006 30% in 13.12.2003 – 12.12.2006 40% in 13.12.2004 – 12.12.2006
Total	32,000,000	32,000,000	–	32,000,000		

No share option was exercised by the Directors/other employees to subscribe for shares in the Company during the period.

Substantial Shareholders

Other than the interests disclosed under the section headed "Directors' and Chief Executive's Interests in Shares and Underlying Shares" above, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the Securities and Future Ordinance discloses no person having a notifiable interest or short position in the issued share capital of the Company at 30 June 2005.

Management Shareholders

So far as the Directors are aware, other than the interest of Mr. Pang, Mr. Wong and Mr. Hsia as disclosed under the heading "Directors' and Chief Executive's Interests in Shares and Underlying Shares", there was no other person during the period who was directly or indirectly interested in 5% or more of the shares then in issue and who was able, as a practical matter, to direct or influence the management of the Company.

Pre-Emptive Rights

There are no provisions for pre-emptive rights under the Company's bye-laws, or the laws of Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

Corporate Governance

Save for the followings, none of the directors of the Company is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the six months ended 30 June 2005, in compliance with the applicable code provision set out in the Code on Corporate Governance Practice contained in Appendix 15 of the Rules Governing the Listing of Securities on the GEM (the "Code") of the Stock Exchange: (a) the Company has not yet established a remuneration committee to consider the remuneration of directors and senior management and (b) terms of reference of the audit committee has not been modified to incorporate certain relevant Code provisions. The board of directors is in the progress of finding suitable candidates to be members of the remuneration committee and modifying the existing terms of reference of the audit committee, which is expected to be done by the end of financial year 2005.

Code of Conduct Regarding Securities Transactions by Directors

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all directors, all directors confirmed they have complied with the required standard of dealing regarding securities transactions by directors.

Interests in Competitors

During the period ended 30 June 2005, none of the directors or the management shareholders or their respective associates of the Company had an interest in a business, which competes or may compete with the business of the Group.

Connected Transactions and Directors' Interests in Contracts

Save as disclosed in note 14 above:

(i) there were no transactions, which need to be disclosed as connected transactions in accordance with the requirements of the GEM Listing Rules of the Stock Exchange; and

(ii) no contract of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the period or at any time during the period.

Audit Committee

The audit committee of the Company comprises three members, Mr. Lau Ho Kit, Ivan, Dr. Hon. Lui Ming Wah, JP and Mr. Wong Kwong Chi, who are independent non-executive directors of the Company. The primary duties of the audit committee are to review and supervise the financial reporting and internal control procedures. The interim results presented herein has not been audited but has been reviewed by the Audit Committee who has provided advice and comments thereon.

Purchase, Sale or Redemption of Shares

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares during the period ended 30 June 2005.

On behalf of the Board
Wong Chun
Chief Executive Officer

Hong Kong Special Administrative Region of the People's Republic of China
12 August 2005

As at the date of this report, the board comprises Messrs. Pang Kuo-Shi also known as Steve Pang, Wong Chun, Hsia Chieh-Wen also known as Paul Hsia and Wong Ngok Chung being Executive Directors and Dr. Hon. Lui Ming Wah, JP, Mr. Lau Ho Kit, Ivan and Mr. Wong Kwong Chi being Independent Non-Executive Directors