



Grandtop International Holdings Limited

泓鋒國際控股有限公司*

(Incorporated in the Cayman Island with limited liability)

I Interim Report 2003

CORPORATE INFORMATION

BROAD OF DIRECTORS

Executive Directors

Mrs. Tsai Lai Wa, Jenny (*Chairlady*)
Mr. Edmund Siu
Mr. Sze Edvon Yeung Lung

Independent Non-executive Directors

Miss Lo Wing Yan, Emmy
Mr. Poon Kuai Cheong

COMPANY SECRETARY

Mr. Edmund Siu

AUDIT COMMITTEE

Miss Lo Wing Yan, Emmy
Mr. Poon Kuai Cheong

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1110, 11th Floor,
Lippo Sun Plaza, 28 Canton Road,
Tsim Sha Tsui, Kowloon,
Hong Kong

REGISTERED OFFICE

Century yard, Cricket Square,
Hutchins Drive,
P.O. Box 2681 GT, George Town
Grand Cayman, British West Indies

SHARE REGISTRAR

Principal share registrar and transfer office

Bank of Bermuda (Cayman) Limited
P.O. Box 513 G.T.
3rd Floor, 36C Bermuda House
Dr. Roy's Drive, George Town
Cayman Islands, British West Indies

Hong Kong Branch share registrar and transfer office

Tengis Limited
G/F, Bank of East Asia Harbour View Centre,
56 Gloucester Road, Wanchai,
Hong Kong

AUDITORS

HLB Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants
6th Floor, Wheelock House,
20 Pedder Street, Central,
Hong Kong

PRINCIPAL BANKER

Hang Seng Bank Limited
Shanghai Commercial Bank Limited

WEBSITE

www.grandtop.com

UNAUDITED INTERIM RESULTS

The Board of Directors of Grandtop International Holdings Limited (the “Company”) hereby announces the unaudited condensed consolidated financial statements of the Company and its subsidiaries (the “Group”) for the six months ended 30th September 2003, together with comparative figures for the corresponding period in 2002, as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30th September 2003

		Six months ended 30th September	
		2003	2002
	Notes	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Turnover	3	16,643	17,393
Other revenue		12	90
Selling expenses		(2,935)	(1,718)
Administrative expenses		(2,472)	(2,135)
PROFIT FROM OPERATIONS	4	11,248	13,630
Finance costs	5	(95)	(8)
PROFIT BEFORE TAX		11,153	13,622
Tax	6	(23)	(140)
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		11,130	13,482
DIVIDENDS	7	-	9,600
EARNINGS PER SHARE			
Basic, HK cents	8	4.6	6.6
Diluted		N/A	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

At 30th September 2003

	Notes	As at 30th September 2003 HK\$'000	As at 31st March 2002 HK\$'000
NON-CURRENT ASSETS			
Fixed assets	9	14,604	14,991
Intangible assets		4,300	4,532
Advances to agents		10,221	12,580
Investment securities		21,320	5,520
		<u>50,445</u>	<u>37,623</u>
CURRENT ASSETS			
Trade receivables	10	2,372	3,583
Advances to agents		4,717	4,717
Prepayments, deposits and other receivables		5,914	3,863
Trading securities		–	1,000
Cash and bank balances		12,515	14,114
		<u>25,518</u>	<u>27,277</u>
CURRENT LIABILITIES			
Trade and other payables	11	928	895
Interest-bearing bank borrowings, secured		254	251
Tax payable		47	24
		<u>1,229</u>	<u>1,170</u>
NET CURRENT ASSETS		<u>24,289</u>	<u>26,107</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>74,734</u>	<u>63,730</u>
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings, secured		6,232	6,358
Deferred taxation		167	167
		<u>6,399</u>	<u>6,525</u>
NET ASSETS		<u>68,335</u>	<u>57,205</u>
CAPITAL AND RESERVES			
Share Capital	12	2,400	2,400
Reserves		65,935	54,805
SHAREHOLDERS' FUND		<u>68,335</u>	<u>57,205</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period ended 30th September 2003 (Unaudited)

	Share Capital HK\$'000	Contributed Surplus HK\$'000	Share premium account HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1st April 2003	2,400	(84)	25,946	28,943	57,205
Profit attributable to shareholders	–	–	–	11,130	11,130
At 30th September 2003	<u>2,400</u>	<u>(84)</u>	<u>25,946</u>	<u>40,073</u>	<u>68,335</u>

For the period ended 30th September 2002 (Unaudited)

	Share Capital HK\$'000	Contributed Surplus HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1st April 2002	200	(84)	13,859	13,975
Profit attributable to shareholders	–	–	13,482	13,482
Proposed dividend	–	–	3,600	3,600
Dividends	–	–	(9,600)	(9,600)
At 30th September 2002	<u>200</u>	<u>(84)</u>	<u>21,341</u>	<u>21,457</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th September 2003

	Six months ended 30th September	
	2003 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000
Net cash inflow (outflow) from operating activities	13,464	12,000
Net cash used in investing activities	(14,968)	(3,862)
Net cash used in financing activities	(95)	(6,000)
(Decrease)/Increase in cash and cash equivalents	(1,599)	2,138
Cash and cash equivalents at beginning of the period	14,114	2,297
Cash and cash equivalents at end of the period	12,515	4,435
Analysis of the balances of cash and cash equivalents		
– Cash and bank balances	12,515	4,435

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th September 2003

1. BASIS OF PREPARATION

The Company was incorporated in Cayman Islands as an exempted company with limited liability on 21st June 2002 under the Companies Law, (Cap. 22 (Law 3 of 1961, as consolidated and revised)) of the Cayman Islands. Pursuant to a group reorganisation (the "Group Reorganisation") to rationalise the structure of the Company and its subsidiaries in preparation for the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company became the holding company of the Group on 22nd October 2002. Details of the Group Reorganisation are set out in the prospectus of the Company date 30th October 2002.

Accordingly, the comparative figures for the preceding financial period have been prepared on the basis of merger accounting in accordance with Statement of Standard Accounting Practice ("SSAP") No. 27 "Accounting for group reconstructions" issued by the Hong Kong Society of Accountants ("HKSA"). On this basis, the Company has been treated as the holding company of its subsidiaries through the Group Reorganisation for the six months ended 30th September 2002 rather than from the date of their acquisitions. Accordingly, the condensed consolidated results and cash flows of the Group for the six months ended 30th September 2002 include the results and cash flows of the Company and subsidiaries with effect from 1st April 2002, or since their respective dates of incorporation, where this is a shorter period, as if the existing Group structure had been in existence throughout the six months ended 30th September 2002.

The unaudited condensed consolidated financial statements have been prepared in accordance with SSAP No. 25 (revised) "Interim Financial Reporting" issued by the HKSA and with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange.

2. PRINCIPAL ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the condensed consolidated interim financial statements are consistent with those used in the annual financial statements for the year ended 31st March 2003 except that the Group has adopted the revised SSAP 12 "Income Taxes" issued by the HKSA which is effective for the accounting periods commencing on or after 1st January 2003.

The changes to the Group's accounting policy and the effect of adopting the new policy is as follows:

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Taxation rates enacted or substantially enacted by the balance sheet date are used to determine deferred taxation. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred taxation is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with equity.

In prior years, deferred taxation was accounted for at the current taxation rate in respect of temporary differences between profit as computed for taxation purposes and profit as stated in the financial statements to the extent that a liability or an assets was expected to be payable or recoverable in the foreseeable future. The adoption of the revised SSAP 12 represents a change in accounting policy and should be applied retrospectively. However, since the effect on prior periods was not material, no prior period adjustment has been made.

3. SEGMENT INFORMATION

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are provision of (i) marketing and compliance monitoring services and (ii) sales support services.

An analysis of the Group's turnover and operating results by business segments during the period is shown as follows:

	Marketing and compliance monitoring services HK\$'000	Sales support services HK\$'000	Total HK\$'000
For the period ended			
30th September 2003 (Unaudited)			
Sales	14,056	2,587	16,643
Profit from operating activities	<u>10,272</u>	<u>976</u>	<u>11,248</u>
For the period ended			
30th September 2002 (Unaudited)			
Sales	14,320	3,073	17,393
Profit from operating activities	<u>12,534</u>	<u>1,096</u>	<u>13,630</u>

Throughout the period, all of the Group's services were provided in a single geographical segment, to Hong Kong garment and fashion manufacturers.

Analysis of assets and liabilities by business segment and by geographical segment have not been prepared as most of the Group's assets and liabilities were unable to be allocated in view of the nature of the Group's business.

4. PROFIT FROM OPERATIONS

The Group's profit from operations is arrived at after charging/(crediting):

	Six months ended 30th September	
	2003 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000
Depreciation of owned fixed assets	437	249
Operating leases in respect of land and buildings	148	194
Amortisation of intangible assets	232	-
Interest income	(12)	(34)
Dividend income from investment securities	-	(56)
	<u> </u>	<u> </u>

5. FINANCE COSTS

	Six months ended 30th September	
	2003 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000
Interest expenses on:		
Mortgage loan not wholly repayable within five years	93	-
Bank charges	2	8
	<u> </u>	<u> </u>
	95	8

6. TAXATION

Hong Kong profits tax has been provided at the rate of 17.5% (2002:16%) on the estimated assessable profits for the six months ended 30th September 2003.

	Six months ended 30th September	
	2003 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000
Hong Kong profit tax		
- current provision	23	140
	<u> </u>	<u> </u>

7. DIVIDENDS

	Six months ended 30th September	
	2003 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000
Special dividend paid (Note (i))	–	6,000
Interim dividend declared and paid	–	3,600
	<u>–</u>	<u>9,600</u>

Note:

- (i) The special dividend for the period ended 30th September 2002 was paid on 31 July 2002 and represents special dividend paid by the relevant subsidiaries of the Group to its then shareholders prior to the Group Reorganisation as explained in note 1, which was completed on 22nd October 2002.
- (ii) The Board of Directors do not recommend the payment of an interim dividend for the period ended 30th September 2003 (2002: HK\$3,600,000).

8. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the net profit attributable to shareholders for the period ended 30th September 2003 of HK\$11,130,000 (2002: HK\$13,482,000) and the weighted average of 240,000,000 (2002: 204,000,000) ordinary shares in issue during the period.

The weighted average number of shares used to calculate the basic earnings per share for the period ended 30th September 2002 included the pro forma issued share capital of the Company on the basis as if the Group restructuring had been completed, comprising an aggregated of 10,000,000 ordinary shares nil paid upon incorporation of the Company issued on 3rd July 2002 and 22nd October 2002, 10,000,000 ordinary shares issued for the acquisition of Sun Ace Group Limited and the capitalization issue of 184,000,000 ordinary shares.

There were no potential dilutive shares in existence for the two periods ended 30th September 2002 and 2003, accordingly, no diluted earnings per share has been presented.

9. FIXED ASSETS

	HK\$'000
Audited	
Net book value	
At 31st March 2003	14,991
Unaudited	
Additions	50
Depreciation	(437)
As at 30th September 2003	<u>14,604</u>

10. TRADE RECEIVABLES

General credit terms granted by the Group to its customers ranged from 0-30 days. The following is an aged analysis of the trade receivables at the balances sheet date.

	As at 30th September 2003 (Unaudited) HK\$'000	As at 31st March 2002 (Audited) HK\$'000
0 – 30 days	1,731	2,985
30 – 60 days	641	598
	<u>2,372</u>	<u>3,583</u>

11. TRADE AND OTHER PAYABLE

	As at 30th September 2003 (Unaudited) HK\$'000	As at 31st March 2002 (Audited) HK\$'000
Accrued expenses due within 30 days or on demand	<u>928</u>	<u>895</u>

12. SHARE CAPITAL

	As at 30th September 2003 (Unaudited) HK\$'000	As at 31st March 2002 (Audited) HK\$'000
Authorised:		
1,000,000,000 shares of HK\$0.01 each	<u>10,000</u>	<u>10,000</u>
Issued and fully paid:		
240,000,000 shares of HK\$0.01 each	<u>2,400</u>	<u>2,400</u>

13. OPERATING LEASE COMMITMENTS

As at 30th September 2003, the total future minimum lease payments under non-cancellable operating leases in respect of rented premises are payable as follows:

	As at 30th September 2003 (Unaudited) HK\$'000	As at 31st March 2002 (Audited) HK\$'000
Within one year	170	292
Between two to five years	—	25
	<u>170</u>	<u>317</u>

14. PLEDGE OF ASSETS

The Group's leasehold land and building, with an aggregate net book value of approximately HK\$9,522,000 as at 30th September 2003 (31st March 2003: HK\$9,608,000), was pledged to secure a mortgage loan granted to the Group.

15. CONTINGENT LIABILITIES

As at 30th September 2003, the Group's liability for long services payments was approximately HK\$38,000 (31st March 2003: HK\$32,000). Except of this, the Group does not have any significant contingent liabilities for the year ended 30th September 2003 (31st March 2003: Nil).

16. RELATED PARTY TRANSACTIONS

During the period, a corporate guarantee executed by the Company to secure a mortgage loan granted to a subsidiary of the Group.

17. POST BALANCE SHEET EVENTS

- (i) Pursuant to an agreement dated 31st October 2003, the Company had entered into a sales and purchase agreement with an independent third party to acquire 100% interest of Fair Good Limited, in which Fair Good Limited owns 100% direct interest in Easy Billion International Enterprise Limited and both 51% indirect interest in each of View Joy Limited and Xiong Yuan Spinning Clothing Limited, all of which are currently subsidiaries of the independent third party, for an aggregate cash consideration of HK\$10.6 million. The transaction has been completed up to the date of this report.
- (ii) On 29th December 2003, the directors of the Company proposed to grant bonus shares on the basis of one bonus ordinary share for every three existing shares in the issued share capital of the Company held by the shareholders whose names appeared on the register of members of the Company on 19th March 2004.

18. APPROVAL OF INTERIM FINANCIAL REPORT

The interim report was approved by the Board of Directors on 29th December 2003.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

The first half of the financial year was a challenging period for the Group. The outbreak of Severe Acute Respiratory Syndrome (“SARS”) occurred in late March, the slow recovery in the US economy and decline in US dollars, all leads to a severely negative impact on the Group’s performance. Confronted with this difficult market situation, the Group was committed to reviewing its strategies and rationalising the Group’s operations. During the period ended 30th September 2003, the Group’s focus was to strike a careful balance between revenues to maintain growth and streamlining structures to minimize expenses.

The Group’s unaudited consolidated turnover for the six months ended 30th September 2003 amounted to approximately HK\$16,643,000 (2002: HK\$17,393,000), representing a decreased of approximately 4% compared with the corresponding period last year. The decrease is mainly due to the decrease in the import of garment products from the Group’s US buyers.

For the six months ended 30th September 2003, the unaudited consolidated net profit attributable to shareholders was amounted to approximately HK\$11,130,000 (2002: HK\$13,482,000), representing a decrease of approximately 17% as compared with the corresponding period last year. The decrease in net profit is a result of addition expenses have been incurred for business expansion such as overseas agents expenses for establishment of new branch offices in the US and the PRC.

The basic earnings per share for the six months ended 30th September 2003 amounted to approximately 4.6 HK cents (2002: 6.6 HK cents) per share, representing a decrease of approximately 30% as compared with the same period last year.

Business Review

The Group is principally engaged in the provision of two professional services – marketing and compliance monitoring services and sales support services.

Marketing and compliance monitoring services

As one of the core operation of the Group, the marketing and compliance monitoring services has successful developed its market in the PRC during the period under review. A numbers of new manufacturing clients in the PRC have engaged the Group for its marketing and compliance monitoring services. Together with successful expansion in the US, the Group’s marketing and compliance monitoring services achieved a remarkable development during the period under review.

Despite this remarkable development during the period, due to the US economy continued to be volatile with weak consumer sentiment due to instability in the Middle East after the US-led war on Iraq and the outbreak of SARS, the turnover of the Group's marketing and compliance monitoring services declined from HK\$14,320,000 to HK\$14,056,000, representing a slightly decrease of 2% as compared with previous corresponding period.

The net profit attributable to shareholders and net profit margin were HK\$10,272,000 and 73% respectively, representing a decrease of 18% and 17% as compared with previous corresponding period. The decrease in net profit attributable to shareholders widened in current fiscal period as the turnover was hit by the SARS saga while the Group was expanding its operation and incurred additional expenses and costs such as overseas agents expenses. In response to the increase in expenses, the Broad of Directors has review the operations and scaled back all operating expenses of the Group to maintain the net profit margin. During the period, the Group's marketing consultants fees were cut to match the level of revenue. In the opinion of the Directors, the duty of the marketing consultants has been overlapped by the overseas agents which were engaged to expand the PRC and the US market. As a result, the Directors believe that cut down of marketing consultants will not affect the operation of the Group's marketing and compliance monitoring services.

Sales support services

As the principal market of the Group's sales support services is United States, the turnover has been hit by the recession in the US economy. For the period ended 30th September 2003, the turnover and net profit derived from the provision of sales support services amounted to approximately HK\$2,587,000 and HK\$976,000 respectively, representing 16% and 11% decrease as compared with previous corresponding period. However, the Broad of Directors believe that the performance of the Group's sales support services will be improved following by the recovery of the US economy in the future.

PROSPECT

The Group has laid down an important strategy to transform from the existing sales support services into one-stop sourcing and supply chain management solutions for both the PRC manufacturing clients and the US buyers and to diversify its export market rather than focus on single export market. On 27th October 2003, the Group entered into a sale and purchase agreement with an independent third party to acquire the entire interest of Fair Good Limited and its subsidiaries ("Fair Good") for an aggregate cash consideration of HK\$10.6 million. Fair Good primarily provide apparel sourcing, quality assurance and social compliance monitoring services to customers located in the Russia, South Korea, Panama and the US. It has also engaged in the sales of quality denim and jeans products with its registered brand name and sales network in the PRC since June 2003.

The Directors are of the view that the acquisitions integrate the Company's existing business into one-stop sourcing and supply chain management business with strong emphasis and proven track record in social compliance monitoring and strong sales network of the Group in the US and expand its network into the Russia, South Korea and Panama. It is envisaged that the acquisition of Fair Good will benefit from the Group's existing business resources and support.

Other than the aforementioned, the Group will continue to explore and identify investment and acquisition opportunities so as to enhance shareholders' value.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30th September 2003, the Group had total current assets of approximately HK\$25,518,000 (31st March 2003: HK\$27,277,000) and total current liabilities of approximately HK\$1,229,000 (31st March 2003: HK\$1,170,000). Current assets mainly consist of cash and bank balances of approximately HK\$12,515,000 (31st March 2003: HK\$14,114,000), representing an approximately 11% decrease as compared with 31st March 2003. Nevertheless, with the strong and stable financial position of the Group, the Board is therefore in the opinion that the Group has sufficient resources and working capital to meet its daily operation and future development.

The Group serviced its debts primarily through cash generated by operations. The Group's bank borrowings amounted to approximately HK\$6,486,000 as at 30th September 2003 (31st March 2003: HK\$6,650,000) represents a mortgage loan obtained for the purpose of facilitating the acquisition of a land and building, which were denominated in Hong Kong dollars and subject to floating interest rates. Except for this, the Group does not have any bank overdrafts and banking facilities obtained during the period under review.

The cash and bank balances and bank borrowings of the Group's were mainly denominated in Hong Kong dollars, such that the Group does not have significant exposure to foreign exchange fluctuation. No hedging for the foreign currency transaction has been carried out during the period under review.

As at 30th September 2003, the gearing ratio, calculated as the bank borrowings divided by shareholders equity, was approximately 0.09 (31st March 2003: 0.12). The current ratio of the Group, calculated by dividing the total current assets by the total current liabilities, was approximately 20.8 times as at 30th September 2003 (31st March 2003: 23.31 times). The Board of Directors is in the opinion that both gearing ratio and current ratio were maintained at a very healthy level.

During the period ended 30th September 2003, with the surplus cash inflows generated from ordinary operating activities, the Group has made two investments during the period. Firstly, the Group invested in listed shares in Hong Kong with the intention of seeking for long-term capital gains and returns. In order to reduce the investment risk arising from the investment, the Board of Directors has taken detailed research on the investee company and the shares of which is listed on the main board of the Stock Exchange of Hong Kong Limited. Secondly, the Group has invested in an overseas company which was engaged in the provision of IT application system solution and IT consultation services. In the opinion of the Directors, both investments will bring the positive return to shareholders.

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30th September 2003 (2002: 1.5 HK cents per share).

EMPLOYEES

As at 30th September 2003, the Group had 14 employees in Hong Kong and overseas.

The Group remunerated its employees mainly based on industrial practice, individual's performance and experience. Apart from the basic remuneration, discretionary bonus may be granted to eligible employees with reference to the Group's performance as well as the individual performance. In addition, share options may also be granted from time to time in accordance with the term of the Company's approved Share Option Scheme. During the period under review, no share options had been granted under the Share Option Scheme.

SHARE OPTIONS

Under the terms of the Company's Share Option Scheme, the Directors of the Company may, at their absolute discretion, invite full-time employees including executive directors of the Company representing up to a maximum 30% of the total issued share capital of the Company from time to time. The Share Option Scheme became effective on 22nd October 2002.

No options had been granted or agreed to be granted under the Scheme up to the date of approval of these interim report.

DIRECTORS' INTEREST IN SECURITIES

As at 30th September 2003, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Future Ordinance ("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 are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules (collectively "Discloseable Interests or Short Positions"), were as follows:

Long position/Director	short position	Nature of interest	Number of shares of the Company held
Mr. Siu Kwok Kin, Garry	Long position	Corporate (Note)	180,000,000
Mrs. Tsai Lai Wa, Jenny	Long position	Corporate (Note)	180,000,000
Mr. Edmund Siu	Long position	Corporate (Note)	180,000,000

Note: These shares are registered in the name of Huge Gain Development Limited ("Huge Gain"). The entire issued share capital of Huge Gain is owned by Nerine Trust Company Limited ("Nerine Trust"). Nerine Trust is the trustee of SB Unit Trust and holds properties for the benefit of holders of units issued by SB Unit Trust. All the units issued by SB Unit Trust were held by the family members of Mr. Siu Ban, co-founder of the Group and the discretionary objects of which include Mr. Siu Kwok Kin, Garry Mrs. Tsai Lai Wa, Jenny and Mr. Edmund Siu, being the executive directors of the Group.

Save as disclosed herein, as at 30th September 2003, none of the Directors or the chief executive of the Company had, under Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules or any interest which are required to be entered into the register kept by the Company pursuant to section 352 of the SFO.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the period under review, neither the Company nor any of the companies comprising the Group had purchased, sold or redeemed any of the Company's shares.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the heading "Share Options", at no time during the period was the Company or any of its subsidiaries a party to any arrangements to enable the directors, their respective spouse or children under 18 years of age of the Company to acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

As at 30th September 2003, according to the register kept by the company pursuant to section 336 of the SFO and so far as is known to, or can be ascertained after reasonable enquiry by the Directors, the following persons had an interest or short position in the shares and 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:

Name of shareholders	Long position/ short position	Number of shares held	Percentage of the Company's share capital
Huge Gain Development Limited (Note)	Long position	180,000,000	75%

Note: These shares are registered in the name of Huge Gain Development Limited ("Huge Gain"). The entire issued share capital of Huge Gain is owned by Nerine Trust Company Limited ("Nerine Trust"). Nerine Trust is the trustee of SB Unit Trust and holds properties for the benefit of holders of units issued by SB Unit Trust. All the units issued by SB Unit Trust were held by the family members of Mr. Siu Ban, co-founder of the Group and the discretionary objects of which include Mr. Siu Kwok Kin, Garry Mrs. Tsai Lai Wa, Jenny and Mr. Edmund Siu, being the executive directors of the Group.

Saved as disclosed above, so far as is known to the Directors, there is no other person who had an interest or short position in the shares and 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, had a direct or indirect interests amounting to 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any members of the Group. As at 30th September 2003, no short positions were recorded in the register kept by the Company under section 336 of the SFO.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

None of the Directors of the Company is aware of any information that would reasonably indicate that the Company is not, or was not, or was not, in compliance with the Code of Best Practice as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange at any time during the six months ended 30th September 2003.

AUDIT COMMITTEE

The Company has established an Audit Committee, comprising two Independent Non-Executive Directors. The primary duties of the audit committee are to review and supervise the Group's internal control and financial reporting process (including the interim report before recommending them to the Board of Directors for approval). The Group's unaudited result for the six months for the six months ended 30th September 2003 have been reviewed by the audit committee of the Company, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures have been made.

By Order of the Board
Tsai Lai Wa, Jenny
Chairlady

Hong Kong, 29th December 2003