

In terms of liquidity, the current ratio at the end of the Period was 0.22 (31 December 2003: 0.08). The Group's gearing ratio, resulting from a comparison of the total borrowings with issued capital was 1.23 at 30 June 2004 (31 December 2003: 6.08).

For the Period, the Directors are not aware of any significant change from the position as at 31 December 2003 and the information published in the report and accounts for the year ended 31 December 2003. The capital structure of the Company only consists of share capital, no other capital instrument was issued by the Company.

## **DISCLOSURE OF ADDITIONAL INFORMATION**

### **Contingent Liabilities**

At 30 June 2004, contingent liabilities not provided for in the interim results were banking facilities, totaling HK\$13,260,000 (31 December 2003: HK\$13,260,000), guaranteed by the Company which were utilized by its subsidiaries.

### **Related Party Transactions**

Except for the disclosure in the note 8 to financial statements, there were no related party transactions in the Period (Last Period and the year ended 31 December 2003: nil).

### **Significant Issues**

During the Period, there was no significant investment and material acquisitions or disposals of subsidiaries or associated companies. Also, there is no plan for material investments or capital assets in the near future mainly because of the Group's limited funding position. Furthermore, the Company and the Group had no significant commitments during the Period (Last Period and the year ended 31 December 2003: nil).

### **Directors' Interests in Contracts**

Except as disclosed in the note 8 to financial statements, none of the Directors had a significant beneficial interest in any contract of significance to the business of the Company to which the Company or any of its subsidiaries was a party during the Period (Last Period and the year ended 31 December 2003: nil).

### **Directors' and Chief Executives' Interests in Share Capital of the Company**

At the end date of the Period, the interests of the Directors and chief executives of the Company in the share capital of the Company and its associated corporations, as recorded in the register required to be kept by the Company under Section 352 of the Securities and Futures Ordinance (the "SFO"), or as notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

*(a) The Company:*

Name of Directors	Number of shares held (other interest)
Chan Chun Choi	540,377,586
Lam Mo Kuen, Anna	540,377,586

Of the above shares:

- (i) 110,377,586 shares are held by Eternal Victory Enterprises Inc. ("EVEI"), a company incorporated in the British Virgin Islands, as trustee of a unit trust, the units of which are held by a discretionary trust established for the family members of Mr. Chan, including Madam Lam. Mr. Chan holds all the issued share of EVEI; and
- (ii) 430,000,000 shares are held by Winsley.

*(b) Associated Corporations:*

Names of associated corporation	Name of Directors	Number of shares held	Class of shares	Type of interest
Victory Motors Centre Limited	Chan Chun Choi	100,000	Non-voting deferred	Personal
		2,800,000	Non-voting deferred	Corporate <i>(Note)</i>
Victory Motors Centre Limited	Lam Mo Kuen, Anna	100,000	Non-voting deferred	Personal
		2,800,000	Non-voting deferred	Corporate <i>(Note)</i>

*Note:* The 2,800,000 non-voting deferred shares are held by Kwong Hung Hing Enterprises Company Limited of which Mr. Chan and Madam Lam together hold the entire issued share capital.

Save as disclosed above, none of the Directors or their associates had any personal, family, corporate or other interest in the equity or debt securities of the Company or any of its associated corporations, as defined in the SFO.

**Directors' Service Contracts**

No Directors have service contracts with the Company except Ms. Lu Shu Hua and Mr. Yuen Kwok Wah, Bernard, both of whom have entered into a service contract with the Company for an initial term of 2 years commencing on 1 January 2004.

**Directors' Remunerations**

	Six months ended 30 June	
	2004	2003
	HK\$'000	HK\$'000
(a) Fees and emoluments:		
Chan Chun Choi	416,940	7,190
Lu Shu Hua	50,000	–
Lam Mo Kuen, Anna	–	–
Liu Kwok Fai Alvan	50,000	50,000
Ng Chi Shing	50,000	50,000
Yuen Kwok Wah, Bernard	50,000	50,000
	616,940	157,190
	616,940	157,190
(b) Mandatory Provident Fund contributions		
	6,000	7,000
	6,000	7,000

**Pledge of Assets**

The Group's land and buildings with an aggregate net book value of HK\$7.9 million (31 December 2003: HK\$7.9 million) were pledged to secure bank loans and overdraft of the Group.

**Major Customers and Suppliers**

In the Period under review, the aggregate turnover attributable to the five largest customers of the Group accounted for approximately 100 per cent of the Group's turnover for the Period and sales to the largest customer included therein amounted to about 55 per cent.

The aggregate purchases attributable to the four suppliers accounted for the total 100 per cent of the Group's purchases for the Period and purchases from the largest supplier included therein amounted to approximately 90 per cent. None of the Directors and their respective associates or any shareholders (which to the knowledge of the Directors own more than 5 per cent of the Company's issued share capital) have interest in the Group's five largest customers and five largest suppliers.

## **Employees**

Same as Last Period, the Group had a total of 10 employees during the Period and at 30 June 2004, of whom 7 were based in Hong Kong and 3 was employed in China. The remuneration package for Hong Kong staff was strictly on monthly-salary basis and that for mainland employee was mainly based on the performance oriented. Year-end bonus was linked to the financial results of the Group as well as the performance of individual staff. The remuneration policies of the Group's employees are subject to review regularly. Total staff costs for the Period were about HK\$1.02 million (Last Period: HK\$0.76 million). On irregular but necessary basis, the Company organised product seminars, salesmanship and computer training courses and recreational activities.

The Group did not operate any pension or retirement schemes for its Directors or employees until the implementation of the Mandatory Provident Fund in December 2000. The Group has a share options scheme, which was duly approved by the shareholders on 22 January 1998, available for any full time employees of the Company or any of its subsidiaries, including any executive directors of the Company or of any subsidiaries. No options have been granted since the approval of the scheme.

## **Purchase, Sale or Redemption of Shares in the Company**

There was no purchase, sale or redemption of the Company's shares by the Company or any of its subsidiaries during the Period (Last Period and the year ended 31 December 2003: nil).

## **Corporate Governance**

In the opinion of the Directors, the Company has complied with the Code of Best Practices (the "Code") as set out in Appendix 14 to the Listing Rules throughout the accounting period covered by the interim report. The Company's audit committee, which had been developed in compliance with the Code by the Company in 1999, had reviewed with management the accounting principles and practices adopted by the Group and also discussed internal controls and financial reporting matters, including a review of the unaudited interim accounts for the Period.

**Ultimate Holding Company and Substantial Shareholder**

The Directors consider the ultimate holding company at 30 June 2004 to be Winsley, details of whose share interests are set out under the section headed "Directors' and Chief Executives' Interests in Share Capital of the Company".

During the Period, EVEI and Forex hold 110,377,586 and 265,100,000 shares of the Company respectively, representing approximately 10.27 per cent and 24.66 per cent of the share capital of the Company, respectively. No persons, other than Winsley, EVEI and Forex, were registered as having an interest of 5 per cent or more in the share capital of the Company that were required to be recorded in pursuant to Section 336 of the SFO.

On behalf of the Board

Chan Chun Choi

*Chairman*

Hong Kong, 8 September 2004