



Capital Prosper Limited

(Incorporated in Bermuda with limited liability)

Interim Report 2004

## CONDENSED CONSOLIDATED INCOME STATEMENT

For the Period ended 30th June 2004

		Six months ended 30th June	
	Notes	2004 HK\$'000 (unaudited)	2003 HK\$'000 (unaudited)
Turnover	3	69,615	56,124
Cost of sales		(60,161)	(48,662)
Gross profit		9,454	7,462
Other operating income		408	276
Distribution costs		(490)	(2,654)
Administration expenses		(11,412)	(14,593)
Other operating expenses		(522)	(438)
Impairment loss recognised in respect of goodwill		—	(5,911)
Loss from operations	4	(2,562)	(15,858)
Finance costs		(6)	(191)
Loss on disposal of subsidiaries	15	(894)	—
Loss on dilution of interests in subsidiaries		(496)	—
Loss before taxation		(3,958)	(16,049)
Income tax expense	5	(464)	—
Loss before minority interests		(4,422)	(16,049)
Minority interests		(952)	125
Net loss for the period		(5,374)	(15,924)
Loss per share — Basic	7	(0.51) cents	(2.24) cents

## CONDENSED CONSOLIDATED BALANCE SHEET

At 30th June 2004

	Notes	30th June 2004 HK\$'000 (unaudited)	31st December 2003 HK\$'000 (audited)
<b>Non-Current Assets</b>			
Property, plant and equipment	8	13,388	923
Deposit for acquisition of land use right		9,772	—
Intangible asset		—	400
Goodwill	9	6,121	—
		<u>29,281</u>	<u>1,323</u>
<b>Current Assets</b>			
Inventories		1,847	6,717
Trade and other receivables	10	18,546	8,023
Investments in securities		9,265	12,072
Pledged bank deposits		—	912
Bank balances and cash		22,163	18,946
		<u>51,821</u>	<u>46,670</u>
<b>Current Liabilities</b>			
Trade and other payables	11	16,484	10,620
Amounts due to directors		503	120
Tax payables		364	—
		<u>17,351</u>	<u>10,740</u>
<b>Net Current Assets</b>		<u>34,470</u>	<u>35,930</u>
		<u>63,751</u>	<u>37,253</u>
<b>Capital and Reserves</b>			
Share capital	12	12,785	7,124
Reserves		46,618	29,399
		<u>59,403</u>	<u>36,523</u>
<b>Minority interests</b>		4,348	730
		<u>63,751</u>	<u>37,253</u>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th June 2004

	Share capital HK\$'000	Share premium HK\$'000	Contributed surplus HK\$'000	Capital reserve HK\$'000	Translation reserve HK\$'000	Accumulated (loss) profits HK\$'000	Total HK\$'000
At 1st January 2003	71,236	97,893	—	2,099	225	(113,301)	58,152
Exchange difference arising on translation of overseas operations not recognised in the condensed consolidated income statement	—	—	—	—	(123)	—	(123)
Effect of capital reduction	(64,112)	—	64,112	—	—	—	—
Transfer of share premium	—	(97,893)	97,893	—	—	—	—
Transfer from contributed surplus to accumulated loss	—	—	(162,005)	—	—	162,005	—
Net loss for the period	—	—	—	—	—	(15,924)	(15,924)
At 30th June 2003	7,124	—	—	2,099	102	32,780	42,105
Exchange difference arising on translation of overseas operations not recognised in the condensed consolidated income statement	—	—	—	—	(85)	—	(85)
Net loss for the period	—	—	—	—	—	(5,497)	(5,497)
At 31st December 2003	7,124	—	—	2,099	17	27,283	36,523
Exchange difference arising on translation of overseas operations not recognised in the condensed consolidated income statement	—	—	—	—	(38)	—	(38)
Placing of new shares (Note 12)	1,400	5,600	—	—	—	—	7,000
Rights issue (Note 12)	4,261	17,048	—	—	—	—	21,309
Released on disposal of subsidiaries	—	—	—	—	(17)	—	(17)
Net loss for the period	—	—	—	—	—	(5,374)	(5,374)
At 30th June 2004	<u>12,785</u>	<u>22,648</u>	<u>—</u>	<u>2,099</u>	<u>(38)</u>	<u>21,909</u>	<u>59,403</u>

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30th June 2004

	Six months ended 30th June	
	2004 HK\$'000 (unaudited)	2003 HK\$'000 (unaudited)
Net cash (used in) from operating activities	(312)	6,327
Net cash (used in) from investing activities	(26,780)	732
Net cash from (used in) financing activities		
Proceeds from Rights Issue	21,309	—
Proceeds from placing of new shares	7,000	—
Contribution from minority shareholder	2,000	1,772
Repayments of bank borrowings	—	(1,774)
Net increase in cash and cash equivalents	3,217	7,057
Cash and cash equivalents at beginning of the period	18,946	7,078
Cash and cash equivalent at end of the period	22,163	14,135
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	22,163	19,234
Bank overdraft	—	(5,099)
	22,163	14,135

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30th June 2004

### 1. BASIS OF PREPARATION

The condensed financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with Statement of Standard Accounting Practices No. 25 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants.

### 2. PRINCIPAL ACCOUNTING POLICIES

The condensed financial statements have been prepared under the historical cost convention, as modified for the revaluation of investments in securities.

The accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31st December 2003.

### 3. SEGMENT INFORMATION

The enterprise's primary format for reporting segment information is business segments.

For the six months ended 30th June 2004

	Consumer products trading HK\$'000	Securities trading and investments HK\$'000	Toy products trading HK\$'000	Consolidated HK\$'000
Turnover	9,793	6,757	53,065	69,615
Segment result	(98)	(1,945)	2,864	821
Unallocated other operating income				304
Unallocated other operating expenses				(3,687)
Loss from operations				(2,562)

### 3. SEGMENT INFORMATION *(continued)*

For the six months ended 30th June 2003

	Continuing operations		Discontinuing operation	Consolidated HK\$'000
	Consumer products trading HK\$'000	Securities trading and investments HK\$'000	Restaurants operation HK\$'000	
Turnover	29,521	10,002	16,601	56,124
Segment result	(974)	(5,561)	(6,911)	(13,446)
Unallocated other operating income				147
Unallocated other operating expenses				(2,559)
Loss from operations				(15,858)

### 4. LOSS FROM OPERATIONS

	Six months ended 30th June	
	2004 HK\$'000	2003 HK\$'000
Loss from operations has been arrived at after charging (crediting):		
Depreciation and amortisation in respect of:		
Property, plant and equipment	149	986
Goodwill (charged to other operating expenses)	247	323
Intangible asset (charged to other operating expenses)	16	57
Net unrealised holding loss on other investments (charged to other operating expenses)	694	864
Interest income	(1)	(16)

## 5. INCOME TAX EXPENSE

	Six months ended 30th June	
	2004 HK\$'000	2003 HK\$'000
Current tax		
Hong Kong	464	—

Hong Kong Profits Tax is calculated at 17.5% of the estimated assessable profit for the six months ended 30th June 2004.

No provision for tax in other jurisdictions has been made for the period as the companies operating in other jurisdictions have incurred tax losses for the six months ended 30th June 2004.

No provision for deferred taxation has been recognised in the financial statements as the amount involved is insignificant.

## 6. DIVIDENDS

No dividends were paid during the period. The directors do not recommend the payment of an interim dividend.

## 7. LOSS PER SHARE

The calculation of the basic loss per share is based on the net loss for the period of HK\$5,374,000 (HK\$15,924,000 for the six months ended 30th June 2003) and on the weighted average number of 1,043,912,000 (712,360,000 for the six months ended 30th June 2003 after adjustment for the effect of the rights issue completed in March 2004) shares in issue during the period.

No diluted loss per share for the six months ended 30th June 2004 and 2003 have been presented as there was no potential ordinary shares outstanding during the period.

## 8. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the period, the Group through acquisition of subsidiaries, incurred approximately HK\$11,626,000 on additions to manufacturing plant in subsidiaries operated in the People's Republic of China in order to upgrade their manufacturing capacity. The details of capital commitment was disclosed in note 13.

## 9. MOVEMENTS IN GOODWILL

During the period, goodwill of approximately HK\$6,864,000 has arisen from acquisition of subsidiaries and HK\$496,000 has been released to the condensed consolidated income statement as a result of dilution of interests in certain subsidiaries. Amortisation of goodwill of approximately HK\$247,000 was provided for in the condensed consolidated income statement during the period.

## 10. TRADE AND OTHER RECEIVABLES

The Group allows an average credit periods ranging from 30 days to 90 days to its trade customers. Included in trade and other receivables are trade receivables of HK\$14,257,000 (31st December 2003: HK\$6,908,000) and their aged analysis is as follows:

	<b>30.6.2004</b> <b>HK\$'000</b>	<b>31.12.2003</b> <b>HK\$'000</b>
0 to 60 days	<b>10,538</b>	5,060
61 to 90 days	<b>2,767</b>	732
Over 90 days	<b>952</b>	1,116
	<hr/>	<hr/>
	<b>14,257</b>	<b>6,908</b>
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## 11. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of HK\$13,332,000 (31st December 2003: HK\$7,767,000) and their aged analysis is as follows:

	<b>30.6.2004</b> <b>HK\$'000</b>	<b>30.6.2003</b> <b>HK\$'000</b>
0 to 60 days	<b>10,411</b>	6,736
61 to 90 days	<b>1,390</b>	335
Over 90 days	<b>1,531</b>	696
	<hr/>	<hr/>
	<b>13,332</b>	<b>7,767</b>
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## 12. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Authorised:		
Ordinary shares of HK\$0.01 each at 30th June 2004	50,000,000,000	500,000
Issued and fully paid:		
Ordinary shares of HK\$0.01 each at 1st January 2004	712,360,000	7,124
Placing of new shares	140,000,000	1,400
Rights issue	426,180,000	4,261
Ordinary shares of HK\$0.01 each at 30th June 2004	1,278,540,000	12,785

Pursuant to resolutions passed by the directors of the Company in directors' meetings held on 15th January 2004 and 12th February 2004, the Company carried out the following:

- (a) On 31st March 2004, a rights issue ("Rights Issue") on the basis of one rights share for every two existing shares held by shareholders on the register of members on 5th March 2004 was allotted at an issue price of HK\$0.05 per rights share, resulting in the issue of 426,180,000 shares at HK\$0.05 each for a total cash consideration, before share issue expenses, of approximately HK\$21.3 million.
- (b) The substantial shareholder of the Company, Charm Management Limited ("Charm") placed its 140,000,000 shares ("Placing of Shares") in the Company to independent investors at a price of HK\$0.05 per share. Charm was then allotted 140,000,000 new shares in the Company at the same price of HK\$0.05 per share. The Company received proceeds of HK\$7 million from the placing and subscription of 140,000,000 shares.

Details of the Placing of Shares and Rights Issue were set out in the announcement and the circular of the Company dated 15th January 2004 and 9th March 2004 respectively.

## 13. COMMITMENTS

As at 30th June 2004, the Group was committed to capital expenditure of HK\$5.6 million (2003: Nil) for the completion of its manufacturing plant.

#### 14. POST BALANCE SHEET EVENT

Subsequent to 30th June 2004, the Group entered into agreements with Mr. Leung Wai Ho ("Mr. Leung"), Mr. Wong Chung Shun ("Mr. Wong") and I Agent Limited (collectively referred to the "Vendors") for the acquisition of 100% interest in the issued share capital of GFT Holding Limited ("GFT") and its subsidiaries. Mr. Leung and Mr. Wong are directors and substantial shareholders of both the Company and GFT. The transaction was approved by independent shareholders of the company on 17th September 2004 at the aggregate consideration of HK\$5 million which was satisfied as to HK\$2.5 million in cash and as to HK\$2.5 million by the issue of convertible notes by the Company to the Vendors. The completion of this acquisition will be taken place on or before 30th September 2004. Details of the acquisition are set out in the Company's circular dated 31st August 2004.

#### 15. ACQUISITION AND DISPOSAL OF SUBSIDIARIES

##### Disposal

On 19th January 2004, the Group disposed of its entire interest in the issued share capital of Capital Bright International Ltd., which was engaged in securities trading. On 8th December 2003, the Group also entered into a sale agreement to dispose of its entire interest in a subsidiary, T G Securities Limited. The disposal was completed on 19th March 2004, on which date control of T G Securities Limited passed to the acquirer. On 30th March 2004, the Group further entered into a sale agreement to dispose of its entire interest in a subsidiary, Bestcorp Investments Inc., which carried out the Group's sourcing, distribution and retailing of wines and spirits business. The disposal was completed on 6th April 2004, on which date control of Bestcorp Investments Inc. passed to the acquirer.

The net assets of subsidiaries at the dates of disposals were as follows:

	HK\$'000
Net assets disposed of	9,994
Loss on disposal	(894)
Total consideration	<u>9,100</u>
Satisfied by:	
Cash	<u>9,100</u>
Net cash inflow arising on disposals:	
Cash consideration	9,100
Bank balances and cash disposed of	(3,963)
	<u>5,137</u>

A loss of approximately HK\$894,000 was resulted from the disposal of subsidiaries.

The subsidiaries disposed of during the period contributed HK\$9,793,000 to the Group's turnover and operating profit of HK\$99,000 to the Group's loss from operations.

## 15. ACQUISITION AND DISPOSAL OF SUBSIDIARIES (continued)

### Acquisition

On 8th January 2004, the Group acquired 60% of the issued share capital of Yanyan Force Limited for cash consideration of approximately HK\$6 million. On 13th January 2004, the Group acquired 100% of the issued share capital of Sky Union (Far East) Limited for cash consideration of HK\$3 million. On 31st March 2004, the Group acquired 51% of the issued share capital of Thunder Tech Electronic Co., Limited for cash consideration of HK\$1 million. On 30th June 2004, the Group acquired 100% of the issued share capital of Maple Printing Limited ("Maple Printing") through a wholly-owned subsidiary, Maple Force Limited ("Maple Force"), for cash consideration of HK\$1.75 million, interest in Maple Printing was eventually diluted from 100% to 70% upon the issue of new shares of Maple Force to a third party. These transactions have been accounted for using the purchase method of accounting.

The effect of the acquisition is summarised as follows:

	HK\$'000
Net assets acquired	4,928
Goodwill arising on acquisition	<u>6,864</u>
Cash consideration	<u><u>11,792</u></u>
Net cash outflow arising on acquisition:	
Cash consideration	11,792
Bank balances and cash acquired	<u>(2,429)</u>
	<u><u>9,363</u></u>

The subsidiaries acquired during the period ended 30th June 2004 contributed HK\$53,065,000 to the Group's turnover and operating profit of HK\$2,864,000 to the Group's result for the period.



### **TO THE BOARD OF DIRECTORS OF CAPITAL PROSPER LIMITED**

*(Incorporated in Bermuda with limited liability)*

We have been instructed by the Company to review the interim financial report set out on pages 1 to 11.

#### **Directors' responsibilities**

The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with Statement of Standard Accounting Practice No. 25 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants and the relevant provisions thereof. The interim financial report is the responsibility of, and has been approved by, the directors.

It is our responsibility to form an independent conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

#### **Review work performed**

We conducted our review in accordance with Statement of Auditing Standards No. 700 "Engagements to Review Interim Financial Reports" issued by the Hong Kong Institute of Certified Public Accountants. A review consists principally of making enquiries of group management and applying analytical procedures to the interim financial report and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the interim financial report.

#### **Review conclusion**

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the interim financial report for the six months ended 30th June 2004.

**Deloitte Touche Tohmatsu**

*Certified Public Accountants*

Hong Kong

22nd September 2004

## INTERIM DIVIDEND

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The board of directors does not recommend the payment of an interim dividend for the six months ended 30th June 2004. (2003: Nil)

## REVIEW OF RESULTS

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The Group reported a turnover of approximately HK\$69.6 million for the six months ended 30th June 2004, representing an increase of 24% from approximately HK\$56.1 million for the corresponding period in the last year. Compared with last period, the turnover generated from securities trading decreased by HK\$3.2 million as the Group ceased investment in securities in Singapore. In addition, during the period, the Group disposed of loss making subsidiaries, which were engaged into distribution of wines products in Singapore, and the turnover therefore generated from this section was decreased by approximately HK\$20 million when compared with that of last period. On the other hand, the Group recorded turnover from trading of toys products as at 30th June 2004 in the amount of approximately HK\$53.1 million which represents 76% of the total consolidated turnover for the Group.

During the period, the management focuses on the development of trading of toy products. In view of the global economy recovery, the Group is aggressively in developing the Japan, Europe and United States' markets. As a result, the Group recorded a net loss of approximately HK\$5.4 million for the six months ended 30th June 2004 compared to a net loss of approximately HK\$15.9 million in last period.

## LIQUIDITY AND FINANCIAL RESOURCES

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The financial position of the Group was further improved after the disposal of loss making subsidiaries. All bank borrowings were settled so that there was no bank borrowing at the period ended 30th June 2004 and the gearing ratio of the Group, expressed as the percentage of the Group's total liability and minority interest over the shareholders' fund of approximately HK\$59.4 million was decreased from 47.5% to 36.5%

The Group also maintains sufficient working capital with net current assets of approximately HK\$34.4 million as at 30th June 2004 (2003 : HK\$35.9 million). Current ratio was maintained at a healthy level of around 3.0 times (2003 : 4.3 times). The Group's bank and cash balances amounted to approximately HK\$22.2 million at the period ended 30th June 2004 (2003 : HK\$18.9 million).

The Group currently earns revenue and incurs expenses mainly in Hong Kong dollars and United States dollars. The Group's borrowings and bank and cash balances are also denominated in Hong Kong dollars and United States dollars. The Group will conduct periodic review of its exposure of foreign exchange risk.

## BUSINESS REVIEW AND PROSPECTS

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In the first half of this year, the Group has ceased to operate food and beverage business in Singapore. The Group has re-focused on trading and manufacturing of toys. To broaden the income source bases, the Group had also developed into trading and manufacturing of gift, premium and electronic products.

In order to implement the new business section, the Group had conducted fund raising exercise through placing of shares and a rights issue. The Group raised over approximately HK\$28 million. The fund was utilized as general working capital and development of new business.

### Trading and manufacturing of consumer products

The corporate strategy to grow will continue and include, but not limited to, by way of acquisition of companies with highly potential growth. The Group had acquired over 50% equity interest in a number of companies, which are specialized in trading of toys, gifts, premium and electronic products, in the first half of this year. The performance of these recently acquired subsidiaries might not truly reflect in the interim results of the Group in view of such short period of time and the different level of customers' demand due to seasonality factors. Apart from a subsidiary namely Yanyan Force Limited, a member of the Group in January 2004, with remarkable outstanding performance had made substantial profit contribution to the Group in the amount of approximately HK\$45 million which represents over 65% of the total profit of the Group. As the Group is in the transitional stage of change of its core business during the past months, the management of the Group is satisfied with the progress of the new business development.

Furthermore, the management ambitiously entered into new product categories by acquiring 100% equity interests in GFT Holding Limited in September 2004. GFT Holding Limited and its subsidiaries are specialized in trading of electronic toys and they own a toy manufacturing plant in Mainland China. The management believes that this acquisition could further enhance the Group's operating efficiency, competitiveness and profitability.

The operating efficiency is also in line with the goal of the Group aiming at the effectiveness of operating cost control. To minimize the manufacturing cost, all the production process is carried out in Mainland China. Moreover, the management will conduct periodic review on the cost control measures.

## Prospects

With the recovery of the global economy, the trading business of the Group has shown improvement following an upsurge in consumers' demand. Manufacturing and trading of toys and electronic consumer products will be the business development focus of the Group in current year. With the increased production capacity and enlarged client base after the acquisition of GFT Holding Limited, the Group will actively develop the American and European market and further strengthen its market share in the Japanese market. The Directors are confident that the financial performance of the Group will be further improved by effective cost control and operating synergy generated from horizontal and vertical integration.

## ACQUISITION AND DISPOSAL

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Details of acquisition and disposal during the period ended 30 June 2004 are set out in note 15 to the financial statements.

## POST BALANCE EVENT

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Details of significant event occurring after the balance sheet date is set out in note 14 to the financial statements.

## EMPLOYEE

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As at 30th June 2004, the Group had approximately 78 employees in Hong Kong and Mainland China.

The Group's employees are remunerated in line with the prevailing market terms and individual performance, with the remuneration package and policies reviewed on a regular basis. In addition to salaries and sales commission, discretionary bonuses may be rewarded to employees after assessment of the performance of the Group and the individual employee.

## DIRECTORS' INTERESTS IN SHARES OR SHARE OPTIONS

As at 30th June 2004, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required to be recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or which were otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

### *Long positions in Shares of the Company*

Name of Directors	Capacity	Number of issued ordinary shares held	Approximate percentage of the issued share capital
Leung Wai Ho	Interest of controlled corporations	301,500,000 <i>(note)</i>	23.58%
Wong Chung Shun	Interest of controlled corporations	301,500,000 <i>(note)</i>	23.58%

### *Note:*

These Shares are held by Charm Management Ltd., which is beneficially owned as to 50% by Mr. Leung Wai Ho and 50% by Mr. Wong Chung Shun.

Save as disclosed above, as at 30th June 2004, none of the directors nor their associates had any long or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations.

## SUBSTANTIAL SHAREHOLDER

As at 30th June 2004, so far is known to any Director or chief executive of the Company, the following persons had an interest in the Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept under Section 336 of the SFO:

### *Long positions in shares of the Company*

Name of Shareholders	Number of issued ordinary shares held		Approximate percentage of the issued share capital
	Direct Interest	Deemed Interest	
Charm Management Limited	301,500,000	—	23.58%
Leung Wai Ho <i>Note 1</i>	—	301,500,000	23.58%
Wong Chung Shun <i>Note 1</i>	—	301,500,000	23.58%
New Spread Investments Limited <i>Note 2</i>	—	301,500,000	23.58%
Grand Achieve Group Limited <i>Note 2</i>	—	301,500,000	23.58%
Excel Advance Holdings Limited <i>Note 2</i>	—	301,500,000	23.58%
Good Achieve Holdings Limited <i>Note 2</i>	—	301,500,000	23.58%
Kingsway Lion Spur Technology Limited	118,342,970	—	9.26%
SW Kingsway Capital Holdings Limited <i>Note 3</i>	—	118,342,970	9.26%
Kingsway China Holdings Limited <i>Note 3</i>	—	118,342,970	9.26%
Festival Developments Limited <i>Note 3</i>	—	118,342,970	9.26%

Name of Shareholders	Number of issued ordinary shares held		Approximate percentage of the issued share capital
	Direct Interest	Deemed Interest	
World Developments Limited <i>Note 4</i>	—	118,342,970	9.26%
Innovation Assets Limited <i>Note 4</i>	—	118,342,970	9.26%
Kingsway International Holdings Limited <i>Note 4</i>	—	118,342,970	9.26%
Choi Koon Shum Jonathan <i>Note 4</i>	—	118,342,970	9.26%
Kwan Wing Kum Janice <i>Note 5</i>	—	118,342,970	9.26%
Lam William Ka Chung <i>Note 6</i>	—	118,342,970	9.26%
Lam Wong Yuk Sin Mary <i>Note 6</i>	—	118,342,970	9.26%

*Notes:*

1. Details of Mr. Leung Wai Ho's and Mr. Wong Chung Shun's interest have been disclosed under section "Directors' Interests in Shares or Share Options".
2. Charm Management Limited, a wholly owned subsidiary of New Spread Investments Limited, holds 301,500,000 shares in the Company. Each of Grand Achieve Group Limited, Excel Advance Holdings Limited and Good Achieve Holdings Limited is interested in one-third of the issued share capital of New Spread Investments and therefore, each of them is deemed to be interested in 301,500,000 Shares.
3. Festival Developments Limited ("FDL") beneficially owns or controls the entire equity interests in Kingsway Lion Spur Technology Limited and, in turn, FDL was deemed to have 118,342,970 Shares. In addition, Kingsway China Holdings Limited ("KCHL") beneficially owns or controls the entire equity interest in FDL. SW Kingsway Capital Holdings Limited ("SW") beneficially owns or controls the entire equity interests in KCHL. Therefore, both KCHL and SW were deemed to have 118,342,970 Shares.
4. World Developments Limited ("WDL") beneficially owns or controls more than two-third equity interest in SW and WDL was deemed to have 118,342,970 shares interest in the Company. Innovation Assets Limited ("IAL") beneficially owns or controls the entire equity interests in SW. Kingsway International Holdings Limited ("KIHL") beneficially owns or controls the entire equity interests in IAL. Therefore, both IAL and KIHL were deemed to have 118,342,970 Shares.

5. Mr. Choi Koon Shum Jonathan beneficially owns or controls 36,929,651 shares (approximately 47%) of the issued share capital of KHL. He was deemed to be interested in the shares of the subsidiaries of KHL and Kwan Wing Kum Janice, the spouse of Mr. Choi, was also deemed to have 118,342,970 shares interest in the Company.
6. Mr. Lam William Ka Chung and his spouse, Lam Wong Yuk Sin Mary, who beneficially own or control 31,932,317 common shares (approximately 40%) of the issued share capital of KHL, were deemed to have 118,342,970 Shares.

Save as disclosed above, the Company has not been notified of any other relevant long or short positions in the issued share capital of the Company as at 30th June 2004.

## AUDIT COMMITTEE

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The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and the unaudited interim accounts for the six months ended 30th June 2004.

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

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During the six months ended 30th June 2004, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## CORPORATE GOVERNANCE

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None of the directors is aware of any information that would reasonably indicate that the Company is not, or was not during the six months ended 30th June 2004, in compliance with the Code of Best Practice stipulated in Appendix 14 to the Listing Rules, except the independent non-executive directors of the Company are not appointed for a specific term but are subject to retirement by rotation in accordance with the Company's Bye-law.

## APPRECIATIONS

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The Board would like to take this opportunity to thank the Company's shareholders for their continual support and wish to extend its sincere appreciation for the effort and loyalty of our staff.

By Order of the Board

**Leung Wai Ho**

*Chairman*

Hong Kong, 22nd September 2004

*As at the date of this announcement, the Board comprises Mr. Leung Wai Ho, Mr. Wong Chung Shun and Mr. Ha Kee Choy, Eugene as executive directors and Mr. Chui Chi Yun, Robert and Mr. Lam Kwok Cheong as independent non-executive directors.*