

## PROSPECTS

We have extended our sales and distribution of mobile phones to Thailand and Malaysia. In addition, we will consolidate the operations of business solutions in Hong Kong, China, Singapore and USA to utilize the common resources more effectively and enjoy the synergy advantages. We hope that the continued popularity of Nokia's mobile phones and the booming of retail market will help to achieve the satisfactory results in second half of the year.

## APPRECIATION

We would like to extend our sincere gratitude to our shareholders, business counterparts and all management and the staff members of the Group for their contribution and continued support during the period.

## LIQUIDITY AND FINANCIAL RESOURCES

The Group continues to maintain a strong financial position. As at 30 September 2004, the cash and bank balances amounted to approximately HK\$41.3 million (31 March 2004: HK\$32 million) while the bank borrowings were HK\$29 million (31 March 2004: HK\$30 million). The long term bank borrowing is denominated in Hong Kong dollars and is repayable by 120 monthly installments at a fixed interest rate. The gearing ratio was 13.1% (31 March 2004: 15.8%). The gearing ratio is expressed as a percentage of total borrowings to shareholders' funds.

As substantial portion of transactions are dominated in Hong Kong Dollar, the Group's exposure to exchange fluctuation is low.

## EMPLOYEES

As at 30 September 2004, the total number of employees of the Group was approximately 300 (31 March 2004: 280) and the remuneration of employees (excluding directors' emoluments) amounted to approximately HK\$20 million for the period (2003: HK\$20 million). The remuneration and bonus packages are based on the individual merits and performance and are reviewed at least annually. The Group maintains a good relationship with its employees.

## CONTINGENT LIABILITIES

At 30 September 2004, the Company has provided corporate guarantees of HK\$97 million (31 March 2004: HK\$97 million) to secure the banking facilities granted to subsidiary companies.

## PLEDGES OF ASSETS

At 30 September 2004, certain leasehold land and buildings and investment properties with aggregate carrying values of HK\$4 million (31 March 2004: HK\$4 million) and HK\$65 million (31 March 2004: HK\$55 million) respectively were pledged to banks to secure banking facilities granted to the Group. In addition, the Group's bank deposits of HK\$253,000 (31 March 2004: HK\$280,000) were pledged to banks to secure the performance bonds.

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

As at 30 September 2004, the interests and short positions of the directors and chief executive of the Company in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) ("SFO")) which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited ("Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was 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 maintained by the Company referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained

in the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules"), to be notified to the Company and the Stock Exchange were as follows:

Name of director	The Company/ associated corporation	Capacity/ nature of interest	Number and class of securities (Note 1)	Percentage of interests in the issued share capital at 30 September 2004
Chan Chun Yee, Hubert	The Company	Founder of a trust	229,176,575 ordinary shares (each a "Share") of HK\$0.01 each (L) (Note 2)	50.97%
	The Company	Beneficial owner	4,300,000 Shares (L) (Note 7)	0.96%
	Matrix World Group Limited	Founder of a trust	1 share of US\$1.00 each (L)	100%
Chan Chung Yin, Roy	The Company	Founder of a trust	68,417,400 Shares (L) (Note 3)	15.22%
	The Company	Beneficial owner	2,000,000 Shares (L) (Note 7)	0.44%
Chan Man Min	The Company	Interest of controlled corporation	24,709,650 Shares (L) (Note 4)	5.50%
	The Company	Beneficial owner	1,000,000 Shares (L) (Note 7)	0.22%
Yeh Yui Fong	The Company	Interest of controlled corporation	2,681,550 Shares (L) (Note 5)	0.60%
	The Company	Beneficial owner	1,000,000 Shares (L) (Note 7)	0.22%
Tsui Hon Wing	The Company	Beneficial owner	2,939,200 Share (L) (Notes 6 and 7)	0.65%
Chan Ming Him, Denny	The Company	Beneficial owner	1,000,000 Shares (L) (Note 7)	0.22%
Wu Kwok Lam	The Company	Beneficial owner	1,000,000 Shares (L) (Note 7)	0.22%

*Notes:*

1. The Letter "L" represents the director's interests in the shares and underlying shares of the Company or its associated corporations.
2. Of these Shares, 8,484,848 Shares were held by Light Emotion Limited, a company wholly owned by Matrix World Group Limited and 220,691,727 Shares were held by Matrix World Group Limited, a company wholly owned by Trustcorp Limited as the trustee of a discretionary trust of which Mr. Chan Chung Yee, Hubert is the founder (within the meaning ascribed to it under Part XV of the SFO). By virtue of the provisions of Divisions 7 and 8 of Part XV of the SFO, Matrix World Group Limited was deemed to be interested in the Shares held by Light Emotion Limited and Mr. Chan Chung Yee, Hubert was deemed to be interest in the Shares in which Matrix World Group Limited was interested.
3. These Shares were held by Star Global International Limited, a company wholly owned by Trustcorp Limited as the trustee for a discretionary trust of which Mr. Chan Chung Yin, Roy is the founder (within the meaning ascribed to it under Part XV of the SFO). By virtue of the provisions of Divisions 7 and 8 of Part XV of the SFO, Mr. Chan Chung Yin, Roy was deemed to be interested in the Shares held by Star Global International Limited.
4. These Shares were held by Ocean Hope Group Limited, a company wholly owned by Mr. Chan Man Min. By virtue of the provisions of Divisions 7 and 8 of Part XV of the SFO, Mr. Chan Man Min was deemed to be interested in the Shares held by Ocean Hope Group Limited.
5. These Shares were held by CIT Company Limited, a company wholly owned by Mr. Yeh Yui Fong and his wife in equal share. By virtue of the provisions of Divisions 7 and 8 of Part XV of the SFO, Mr. Yeh Yui Fong was deemed to be interested in the Shares held by CIT Company Limited.
6. Of these Shares, 1,000,000 Shares represented the Shares that would fall to be allotted and issued upon exercise in full of the option granted to Mr. Tsui Hon Wing under the share option scheme of the Company. Please refer to note 7 below for details.
7. These respective number of Shares that would fall to be allotted and issued upon exercise in full of the options granted to each of Mr. Chan Chung Yee, Hubert, Mr. Chan Chung Yin, Roy, Mr. Chan Man Min, Mr. Yeh Yui Fong, Mr. Tsui Hon Wing, Mr. Chan Ming Him, Denny and Mr. Wu Kwok Lam under the share option scheme of the Company which was adopted pursuant to a resolution in writing passed by all shareholders of the Company on 23 October 2001. These options, all of which remained exercisable as at 30 September 2004, were exercisable at the subscription price of HK\$0.17 per Share at any time during a period of two years commencing from and including 21 February 2003 to 20 February 2005.

Save as disclosed above, as at 30 September 2004, none of the directors and chief executive of the Company had any interest and short positions in the share, underlying shares and debentures of the Company or its associated corporations (within the meaning of the SFO) which were required to be notified to the Company and the Stock Exchange of Hong Kong Limited ("the Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he 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 maintained by the Company referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, to be notified to the Company and the Stock Exchange.

## **DIRECTORS' RIGHTS TO ACQUIRE SHARES**

Apart from those disclosed under the heading "Directors' interests and short positions in shares, underlying shares and debentures of the Company and its associated corporations" above and in the share option scheme disclosures below, at no time during the period under review or up to the date of this report were there any rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company, or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

## SHARE OPTIONS

At 30 September 2004, the number of shares in respect of which options had been granted under the Company's share option scheme was 15,996,000 representing approximately 3.6% of the shares of the Company in issue at that date.

The details of the share options outstanding as at 30 September 2004 are as follows:

	Exercise Period	Exercisable price per share HK\$	Outstanding at 1 April 2004	Lapsed during the period	Granted during the period	Outstanding at 30 September 2004
Directors:						
Chan Chung Yee, Hubert	21.2.2003 – 20.2.2005	0.17	4,300,000	-	-	4,300,000
Chan Chung Yin, Roy	21.2.2003 – 20.2.2005	0.17	2,000,000	-	-	2,000,000
Chan Man Min	21.2.2003 – 20.2.2005	0.17	1,000,000	-	-	1,000,000
Chan Ming Him, Denny	21.2.2003 – 20.2.2005	0.17	1,000,000	-	-	1,000,000
Kwok Cheuk Tim, Rockie	21.2.2003 – 20.2.2005	0.17	2,000,000	(2,000,000)	-	-
Tsui Hon Wing	21.2.2003 – 20.2.2005	0.17	1,000,000	-	-	1,000,000
Wu Kwok Lam	21.2.2003 – 20.2.2005	0.17	1,000,000	-	-	1,000,000
Yeh Yui Fong	21.2.2003 – 20.2.2005	0.17	1,000,000	-	-	1,000,000
			<u>13,300,000</u>	<u>(2,000,000)</u>	<u>-</u>	<u>11,300,000</u>
Employees	4.11.2004 – 3.5.2006	0.196	-	-	4,696,000	4,696,000
			<u>13,300,000</u>	<u>(2,000,000)</u>	<u>4,696,000</u>	<u>15,996,000</u>

The closing price of the Company's shares immediately before the date of grant of option to employees on 4 May 2004 was HK\$0.196.

## SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS WHO ARE REQUIRED TO DISCLOSE THEIR INTERESTS PURSUANT TO PART XV OF THE SFO

At 30 September 2004, the following persons, other than a director or chief executive of the Company, had an interest or a short position in the shares and underlying shares in the Company as recorded in the register required to be kept under section 336 of the SFO:

Name	Number of shares held	Capacity/nature of interest	Percentage of holding
Matrix World Group Limited (Note 2)	220,691,727 (L) 8,484,848 (L)	Beneficial owner Interest of controlled corporation	49.08% 1.89%
Star Global International Limited (Note 3)	68,417,400 (L)	Beneficial owner	15.22%
Ocean Hope Group Limited (Note 4)	24,709,650 (L)	Beneficial owner	5.50%
Trustcorp Limited (Note 2 and 3)	297,593,975 (L)	Trustee	66.19%

Notes:

- The letter "L" represents the person's interests in Shares
- 8,484,848 Shares were held by Light Emotion Limited, a company wholly owned by Matrix World Group Limited and 220,691,727 Shares were held by Matrix World Group Limited, a company wholly owned by Trustcorp Limited as the trustee of a discretionary trust of which Mr. Chan Chung Yee, Hubert is the founder (within the meaning ascribed to it under Part XV of the SFO). By virtue of the provisions of Divisions 7 and 8 of Part XV of the SFO, Matrix World Group Limited was deemed to be interested in the Shares held by Light Emotion Limited and Trustcorp Limited was deemed to be interested in the Shares in which Matrix World Group Limited was interested.
- Star Global International Limited was a company wholly owned by Trustcorp Limited as the trustee for a discretionary trust of which Mr. Chan Chung Yin, Roy is the founder (within the meaning ascribed to it under Part XV of the SFO). By virtue of the provisions of Divisions 7 and 8 of Part XV of the SFO, Trustcorp Limited was deemed to be interested in the Shares held by Star Global International Limited.
- Ocean Hope Group Limited is a company wholly owned by Mr. Chan Man Min.

Save as disclosed above, as at 30 September 2004, no person, other than a director or chief executive of the Company, had an interest or a short position in the shares and underlying shares in the Company as recorded in the register required to be kept under section 336 of the SFO.

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

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

## **AUDIT COMMITTEE**

The audit committee has reviewed with management the accounting policies adopted by the Group and discussed auditing, internal control, and financial reporting matters, including the review of interim financial statements which have not been audited.

## **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 for any part of the six months ended 30 September 2004, in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules.

On behalf of the Board  
**Chan Chung Yee, Hubert**  
*Chairman*

Hong Kong, 15 December 2004