

**Interim Report**  
**2005**



**Grandtop International Holdings Limited\***

**泓錄國際控股有限公司**

(Incorporated in the Cayman Island with limited liability)

\* For identification purpose only

## CORPORATE INFORMATION

### **BROAD OF DIRECTORS**

#### *Executive Directors*

Mrs. Tsai Lai Wa, Jenny (*Chairlady*)  
Mr. Edmund Siu  
Mr. Sze Edvon Yeung Lung  
(Resigned on 8 October 2004)

#### *Independent Non-executive Directors*

Miss Lo Wing Yan, Emmy  
Mr. Poon Kuai Cheong  
Mr. Fu Wing Kwok, Ewing  
(Appointed on 28 September 2004)

### **COMPANY SECRETARY**

Mr. Edmund Siu

### **AUDIT COMMITTEE**

Miss Lo Wing Yan, Emmy  
Mr. Poon Kuai Cheong  
Mr. Fu Wing Kwok, Ewing

### **PRINCIPAL PLACE OF BUSINESS IN HONG KONG**

Suite 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

### **AUDITORS**

HLB Hodgson Impey Cheng  
*Chartered Accountants*  
*Certified Public Accountants*

### **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

### **LEGAL ADVISORS IN CAYMAN ISLAND**

Conyers Dill & Pearman, Cayman

### **LEGAL ADVISORS IN HONG KONG**

Stevenson, Wong & Co.  
Johnny K. K. Leung & Co.

### **PRINCIPAL BANKERS IN HONG KONG**

Hang Seng Bank Limited  
Shanghai Commercial Bank Limited  
Citibank, N.A.  
The Hong Kong and Shanghai Banking  
Corporation Limited  
The Bank of East Asia Limited

## 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 2004, together with comparative figures for the corresponding period in 2003, as follows:

## CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30th September 2004

		<b>Six months ended 30th September 2004 (Unaudited) HK\$'000</b>	2003 (Unaudited) HK\$'000
	Notes		
<b>Turnover</b>	2	<b>74,234</b>	16,643
<b>Cost of Sales</b>		<b>(48,683)</b>	–
<b>Gross Profit</b>		<b>25,551</b>	16,643
<b>Other revenue</b>		<b>54</b>	12
<b>Selling expenses</b>		<b>(3,877)</b>	(2,935)
<b>Administrative expenses</b>		<b>(5,218)</b>	(2,472)
<b>PROFIT FROM OPERATIONS</b>	3	<b>16,510</b>	11,248
<b>Finance costs</b>	4	<b>(98)</b>	(95)
<b>Profit before tax and Minority Interests</b>		<b>16,412</b>	11,153
<b>Taxation</b>	5	<b>(581)</b>	(23)
<b>Profit after tax and before Minority Interests</b>		<b>15,831</b>	11,130
<b>Minority Interests</b>		<b>(2,696)</b>	–
<b>NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS</b>		<b>13,135</b>	11,130
<b>DIVIDENDS</b>	6	<b>–</b>	–
<b>EARNINGS PER SHARE</b>			
Basic, HK cents	7	<b>4.1</b>	3.5
Diluted		<b>N/A</b>	N/A

## CONDENSED CONSOLIDATED BALANCE SHEET

At 30th September 2004

	Notes	As at 30th September 2004 (Unaudited) HK\$'000	As at 31st March 2004 (Audited) HK\$'000
<b>NON-CURRENT ASSETS</b>			
Fixed assets	8	20,873	17,627
Intangible assets		16,460	9,862
Advances to agents		3,145	7,863
Investment securities		31,260	31,260
		<u>71,738</u>	<u>66,612</u>
<b>CURRENT ASSETS</b>			
Inventories		1,868	544
Trade receivables	9	5,027	5,442
Advances to agents		4,717	4,717
Prepayments, deposits and other receivables		15,711	12,687
Trading securities		5,360	-
Cash and bank balances		10,478	9,168
		<u>43,161</u>	<u>32,558</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	10	1,686	1,783
Interest-bearing bank borrowings, secured		258	258
Tax payable		1,044	920
		<u>2,988</u>	<u>2,961</u>
<b>NET CURRENT ASSETS</b>			
		<u>40,173</u>	<u>29,597</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			
		<u>111,911</u>	<u>96,209</u>
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank borrowings, secured		5,971	6,100
Deferred taxation		167	167
		<u>6,138</u>	<u>6,267</u>
<b>Minority Interests</b>			
		<u>11,936</u>	<u>9,240</u>
<b>NET ASSETS</b>			
		<u>93,837</u>	<u>80,702</u>
<b>CAPITAL AND RESERVES</b>			
Share Capital	11	3,200	3,200
Reserves		90,637	77,502
<b>SHAREHOLDERS' FUNDS</b>			
		<u>93,837</u>	<u>80,702</u>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period ended 30th September 2004 (Unaudited)

	Share capital HK\$'000	Contributed surplus HK\$'000	Share premium account HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1st April 2004	3,200	(84)	25,146	52,440	80,702
Profit attributable to shareholders	–	–	–	13,135	13,135
<b>At 30th September 2004</b>	<b>3,200</b>	<b>(84)</b>	<b>25,146</b>	<b>65,575</b>	<b>93,837</b>

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	2,400	(84)	25,946	40,073	68,335

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30th September 2004

	Six months ended 30th September	
	2004 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000
Net cash inflow from operating activities	12,434	13,464
Net cash used in investing activities	(14,471)	(14,968)
Net cash used in financing activities	–	(95)
Decrease in cash and cash equivalents	(2,037)	(1,599)
Cash and cash equivalents at beginning of the period	12,515	14,114
Cash and cash equivalents at end of the period	10,478	12,515
<b>Analysis of the balances of cash and cash equivalents</b>		
– Cash and bank balances	10,478	12,515

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th September 2004

### 1. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements are prepared in accordance with Statement of Standard Accounting Practice ("SSAP") 25, "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants, and Appendix 16 of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("the Listing Rules").

These condensed financial statements should be read in conjunction with the annual financial statements of the Group for the year ended 31 March 2004. The accounting policies and methods of computation used in the preparation of these condensed financial statements are consistent with those used in the annual financial statements for the year ended 31 March 2004.

### 2. SEGMENT INFORMATION

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are provision of (i) apparel sourcing, quality assurance and social compliance monitoring services (ii) marketing and compliance monitoring services and (iii) sales support services.

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

#### (i) Business segment

	Apparel Sourcing, Quality Assurance and Social Compliance Monitoring Services		Marketing and Compliance Monitoring Services		Sales support Services		Consolidated	
	2004	2003	2004	2003	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Segment revenue:</b>								
Turnover	59,561	-	14,673	14,056	-	2,587	74,234	16,643
Segment results	6,081	-	11,396	10,272	(967)	976	16,510	11,248
Finance costs							(98)	(95)
Taxation							(581)	(23)
Profit before minority interests							15,831	11,130
Minority interests							(2,696)	-
Profit attributable to shareholders							13,135	11,130

#### (ii) Geographical segment

	Hong Kong		PRC		Russia		South Korea		Panama		US		Consolidated	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue	851	16,643	9,426	-	22,636	-	23,704	-	11,082	-	6,535	-	74,234	16,643
Segment results	650	11,248	6,863	-	2,421	-	2,565	-	3,423	-	588	-	16,510	11,248

### 3. PROFIT FROM OPERATIONS

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

	Six months ended 30th September	
	2004 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000
Depreciation of owned fixed assets	555	437
Operating leases in respect of land and buildings	427	148
Amortisation of intangible assets		
– Goodwill	170	–
– System development cost	232	232
Interest income	(14)	(12)
Dividend income from investment securities	(40)	–
	–	–

### 4. FINANCE COSTS

	Six months ended 30th September	
	2004 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000
Interest expenses on:		
– Mortgage loan not wholly repayable within five years	97	93
– Bank charges	1	2
	98	95

### 5. TAXATION

#### Current Taxation

Hong Kong profits tax has been provided at the rate of 17.5% (2003: 17.5%) on the estimated assessable profit for the period. Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

The amount of taxation charged to the consolidated profit and loss account represents:

	Six months ended 30th September	
	2004 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000
Current taxation:		
– Hong Kong profits tax	–	23
– Overseas taxation	581	–
	581	23



## 6. DIVIDEND

The directors do not recommend the payment of interim dividend for the six months ended 30th September 2004 (2003: Nil).

## 7. 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 2004 of HK\$13,135,000 (2003: HK\$11,130,000) and the weighted average of 320,000,000 (2003: 320,000,000, as adjusted) ordinary shares in issue during the period. The weighted average number of shares outstanding for the period ended 30th September 2003 has been retrospectively adjusted for the effects of the bonus issue on 19th March 2004.

There were no potential dilutive shares in existence for the two periods ended 30th September 2004 and 2003, accordingly, no diluted earnings per share has been presented.

## 8. FIXED ASSETS

	HK\$'000
<b>Audited</b>	
Net book value	
At 31st March 2004	17,627
<b>Unaudited</b>	
Additions	3,801
Depreciation	(555)
As at 30th September 2004	20,873

## 9. 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 2004 (Unaudited) HK\$'000	As at 31st March 2004 (Audited) HK\$'000
0 – 30 days	5,427	5,442

## 10. TRADE AND OTHER PAYABLES

	As at 30th September 2004 (Unaudited) HK\$'000	As at 31st March 2004 (Audited) HK\$'000
Accrued expenses due within 30 days or on demand	1,686	1,783

## 11. SHARE CAPITAL

	As at 30th September 2004 (Unaudited) HK\$'000	As at 31st March 2004 (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:		
320,000,000 shares of HK\$0.01 each	<u>3,200</u>	<u>3,200</u>

## 12. OPERATING LEASE COMMITMENTS

As at 30th September 2004, the total future minimum lease payments under non-cancellable operating leases in respect of rented premises are payable as follows:

	As at 30th September 2004 (Unaudited) HK\$'000	As at 31st March 2004 (Audited) HK\$'000
Within one year	786	570
Between two to five years	<u>943</u>	<u>765</u>
	<u>1,729</u>	<u>1,335</u>

## 13. PLEDGE OF ASSETS

The Group's leasehold land and building, with an aggregate net book value of approximately HK\$9,351,000 as at 30th September 2004 (31st March 2004: HK\$9,436,000), was pledged to secure a mortgage loan granted to the Group.

## 14. CONTINGENT LIABILITIES

As at 30th September 2004, the Group's liability for long services payments was approximately HK\$39,000 (31st March 2004: HK\$39,000). Except of this, the Group does not have any significant contingent liabilities for the year ended 30th September 2004 (31st March 2004: Nil).

## 15. 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.

## **16. POST BALANCE SHEET EVENTS**

Pursuant to an agreement dated 20 October 2004, an wholly-owned subsidiary of the Company had entered into a sales and purchase agreement with an independent third party to dispose 100% interest of Dragon City Limited and has been completed up to the dated of this report.

## **17. APPROVAL OF INTERIM FINANCIAL REPORT**

The interim report was approved by the Board of Directors on 28 December 2004.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Financial Review

The first half of the financial year was fruitful period for the Group with some bumps along the road. The drastic recovery from an outbreak of Severe Acute Respiratory Syndrome (“SARS”) occurred in late March 2003, the sustainable recovery in the world economy, all leads to a positive economic and business environment to the Group’s performance. The Group has scored reasonably well in the majority of our business segments. However, there were certain negative impacts that the Group has confronted with. In particular, the loss of Mr Garry K.K. Siu, our former chairman has affected to certain change in our customers base and geographical locations. Also, subsidiaries of the Group have been alleged for certain wrongdoings. As a result, certain customers, bankers, and Trade Department of Hong Kong have refrained our Group to carry out our business activities. Confronting this difficult situation, the Group was committed to squeeze down its related operating expenses and diverting our resources to our overseas operations in order to maintain our Group’s performance and stability. Eventually, the dispute has been resolved in favour of the subsidiaries of the Group. The Group has consulted with certain professional parties regarding our Group’s structure in order to prevent similar alleged dispute.

The Group’s unaudited consolidated turnover for the six months ended 30th September 2004 amounted to approximately HK\$74,234,000 (2003: HK\$16,643,000), representing an increase of approximately 346% compared with the corresponding period last year. The increase was mainly due to an acquisition of apparel sourcing, quality assurance and social compliance services business segment. Further detail has been elaborated in the circular dated 18th November 2003.

For the six months ended 30th September 2004, the unaudited consolidated net profit attributable to shareholders was amounted to approximately HK\$13,135,000 (2003: HK\$11,130,000), representing an increase of approximately 18% as compared with the corresponding period last year. The increase in net profit was a result of increase in turnover and profit of the apparel sourcing, quality assurance and social compliance service.

The basic earnings per share for the six months ended 30th September 2004 amounted to approximately 4.1 HK cents (2003: 3.5 HK cents) per share, representing an increase of approximately 17% as compared with the same period last year.

## **Business Review**

The Group is principally engaged in the provision of three professional services – (i) apparel sourcing, quality assurance and compliance monitoring services; (ii) marketing and compliance monitoring services and (iii) sales support services.

*Apparel sourcing, quality assurance and compliance monitoring services (hereinafter referred as “Apparel Sourcing”)*

The apparel sourcing business was acquired in October 2003. Since this acquisition, the Group restructured its business to integrate with its existing operations and is now very trim and efficient. In addition, the Group has actively expanded its apparel sourcing services together with its established history and experience to higher magnitude.

In the general industry, the drastic recovery from an outbreak of Severe Acute Respiratory Syndrome (“SARS”) occurred in late March 2003, the sustainable recovery in the world economy, all leads to a positive economic and business environment to the apparel sourcing business performance.

With this remarkable development during the period and better economic and business conditions and recovery from the outbreak of SARS, the turnover of the Group’s apparel sourcing services achieved HK\$59,561,000. The net profit attributable to shareholders and net profit margin was HK\$6,081,000 and 10% respectively. As the business segment had not been launched, no comparative has been provided.

*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 number of new manufacturing clients in the PRC and Panama 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 in the PRC and Panama during the period, due to loss of our former chairman, Garry K.K. Siu, certain dispute arising from our operating subsidiaries causing certain damages to our relationship with customers in Hong Kong and change of customer base towards the PRC and Panama, the turnover of the Group's marketing and compliance monitoring services almost remained flat from HK\$14,056,000 to HK\$14,673,000, representing a slightly increase of 4% as compared with previous corresponding period.

The net profit attributable to shareholders and net profit margin were HK\$11,396,000 and 78% respectively, representing an increase of 11% and 7% as compared with previous corresponding period. The increase in net profit attributable to shareholders widened in current fiscal period as the turnover was due to a number of new manufacturing clients in the PRC and Panama have engaged from the Group for its marketing and compliance monitoring services.

*Sales support services*

The Group's sales support services is based in Hong Kong, the turnover has been hard hit by certain dispute arising from our operating subsidiaries causing certain damages to our relationship with customers in Hong Kong and change of customer base towards the PRC. For the period ended 30th September 2004, the turnover and net loss derived from the provision of sales support services amounted to HK\$Nil and HK\$967,000 respectively, representing 100% and 199% decrease as compared with previous corresponding period.

## PROSPECT

The Group has achieved an important strategy to transform from the existing sales support services into one-stop sourcing and supply chain management solutions for PRC customers and overseas buyers. On 12 August 2004, the Group has entered and completed into a sale and purchase agreement with an independent third party to acquire the entire interest of Gala Consultants Limited ("Gala Consultants") for an aggregate cash consideration of HK\$3.5 million. Gala Consultants primarily provides social compliance services to garment customers in the northern part of the PRC. Customers of Gala Consultants manufacture its garment to Korea and Japan. It is envisaged that the acquisition of Gala Consultants will benefit from the Group's existing business resources and support. In order to cater additional demands from the northern part of the PRC, the Group is planning to establish a PRC company to serve our existing and future customers in the region.

In order to focus and reinforce our strategy, the Group has disposed Dragon City Limited, a subsidiary of the Group, which did not provide business opportunity and synergy due to change of customer base and our existing operational support of the Group. However, despite of loss of customers in Hong Kong, the Company has appointed a Macau agent to acquire a Macau Offshore Corporation in order to rebuild up our business network.

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 2004, the Group had total current assets of approximately HK\$43,161,000 (31st March 2004: HK\$32,558,000) and total current liabilities of approximately HK\$2,988,000 (31st March 2004: HK\$2,961,000). Current assets mainly consist of cash and bank balances of approximately HK\$10,478,000 (31st March 2004: HK\$9,168,000), representing an approximately 14% increase as compared with 31st March 2004. 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\$6,229,000 as at 30th September 2004 (31st March 2004: HK\$6,358,000) 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, US dollars and Renminbi, 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 2004, the gearing ratio, calculated as the bank borrowings divided by shareholders' equity, was approximately 0.07 (31st March 2004: 0.08). The current ratio of the Group, calculated by dividing the total current assets by the total current liabilities, was approximately 14.44 times as at 30th September 2004 (31st March 2004: 10.99 times). The Board of Directors is in the opinion that both gearing ratio and current ratio were maintained at a very healthy level.

## INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30th September 2004 (2003: nil).

## EMPLOYEES

As at 30th September 2004, the Group had 41 employees in Hong Kong, overseas and the PRC.

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 2004, 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:

<b>Director</b>	<b>Long position/ short position</b>	<b>Nature of interest</b>	<b>Number of shares of the Company held</b>
Mrs. Tsai Lai Wa, Jenny	Long position	Corporate (Note)	209,166,666
Mr. Edmund Siu	Long position	Corporate (Note)	209,166,666

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 Mrs. Tsai Lai Wa, Jenny and Mr. Edmund Siu, being the executive directors of the Group.

Save as disclosed herein, as at 30th September 2004, 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 2004, 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:

<b>Name of shareholders</b>	<b>Long position/ short position</b>	<b>Number of shares held</b>	<b>Percentage of the Company's share capital</b>
Nerine Trust Company Limited	Long Position	209,166,666	65.36%
Huge Gain Development Limited (Note)	Long position	209,166,666	65.36%

Note: Nerine Trust Company Limited 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 Mrs. Tsai Lai Wa, Jenny and Mr. Edmund Siu, being the executive director 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 5% 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 2004, 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 2004.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

During the interim period under review, the Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules. Following specific enquiry, the director of the Company confirmed that they had complied with the required standard set out in the Model Code during the period under review.

## AUDIT COMMITTEE

The Company has established an Audit Committee, comprising three 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 ended 30th September 2004 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, 28th December 2004