



**CREDIT CARD DNA SECURITY SYSTEM (HOLDINGS) LTD**

*(Incorporated in Bermuda with limited liability)*

(Stock Code: 1051)

**Interim Financial Report  
For The Six Months  
Ended 31st December, 2004**

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## **CORPORATE INFORMATION**

### **DIRECTORS**

#### **Executive Directors**

Mr. Wong Kam Fu (*Chairman*)  
Mr. Wong Hoi Keung (*Managing Director*)  
Mr. Song Xiao Hai  
Mr. Lew Mon Hung  
Mr. Wong Hong Loong

#### **Independent Non-Executive Directors**

Ms. Ha Ping  
Mr. Wong Che Man, Eddy  
Mr. Cheng Kong Ming

#### **AUDIT COMMITTEE**

Mr. Wong Che Man, Eddy (*Chairman*)  
Ms. Ha Ping  
Mr. Cheng Kong Ming

#### **COMPANY SECRETARY**

Ms. Tam Pui Ling, Elaine

#### **AUDITORS**

Deloitte Touche Tohmatsu  
*Certified Public Accountants*

#### **LEGAL ADVISORS**

*Hong Kong:* Preston Gates Ellis  
*Bermuda:* Appleby, Spurling & Kempe

### **PRINCIPAL BANKERS**

The Hongkong and Shanghai Banking  
Corporation Limited  
Industrial and Commercial  
Bank of China (Asia) Limited  
Bank of China (Hong Kong) Limited

### **SHARE REGISTRARS**

*Hong Kong*  
Union Registrars Limited  
311-312 Two Exchange Square  
Central  
Hong Kong

*Bermuda*  
Butterfield Corporate Services Limited  
Rosebank Centre  
14 Bermudiana Road  
Pembroke  
Bermuda

### **REGISTERED OFFICE**

Canon's Court  
22 Victoria Street  
Hamilton HM 12  
Bermuda

### **HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS**

Suite 1603-6, 16/F  
Great Eagle Centre  
23 Harbour Road  
Wanchai  
Hong Kong

### **WEBSITE:**

<http://www.creditcardna.com>

# Deloitte.

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## INDEPENDENT REVIEW REPORT

### TO THE BOARD OF DIRECTORS OF CREDIT CARD DNA SECURITY SYSTEM (HOLDINGS) LIMITED

#### Introduction

We have been instructed by the Company to review the interim financial report set out on page 3 to 10.

#### 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, except that the scope of our review was limited as explained below.

A review consists principally of making enquires 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.

The scope of our review was limited and we were unable to carry out all the review procedures or obtain all the information and explanation we considered necessary due to the limitation of the following evidence available to us.

The intangible asset with a carrying amount of HK\$81,639,000 (cost of HK\$86,697,000 and accumulated amortization of HK\$5,058,000) at 31st December, 2004 represents patent licence for the provision of credit card security devices and digital network authorization services. The asset was acquired as part of a business combination in first half of 2004. We are unable to obtain sufficient audit evidence to satisfy ourselves as to whether the amount originally recognized on acquisition of the asset represented its fair value. We were therefore unable to assess whether the carrying amount as at 30th June, 2004 and 31st December, 2004 is free from material misstatement. Any adjustments to the figures would have a consequential effect on the net assets of the Group as at 30th June, 2004 and 31st December, 2004 and on the net loss for the six months ended 31st December, 2004.

#### Inability to reach a review conclusion

Because of the significance of the possible effect of the limitations in evidence available to us, we are unable to reach a review conclusion as to whether material modifications should be made to the interim financial report for the six months ended 31st December, 2004.

**Deloitte Touche Tohmatsu**

*Certified Public Accountants*

Hong Kong

4th March, 2005

## GROUP RESULTS

The board of directors (the “Board”) of Credit Card DNA Security System (Holdings) Ltd (the “Company”) announced that the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 31st December, 2004 together with the comparative figures for the six months ended 31st December, 2003.

### CONDENSED CONSOLIDATED INCOME STATEMENT

*For the six months ended 31st December, 2004*

		<b>For the six months ended</b>	
		<b>31.12.2004</b>	31.12.2003
		<b>(unaudited)</b>	(unaudited)
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
Turnover		<b>1,442</b>	1,500
Cost of sales		<b>(1,633)</b>	(2,164)
Gross loss		<b>(191)</b>	(664)
Other operating income		<b>261</b>	557
Distribution costs and other expenses		<b>(5,362)</b>	(277)
Administrative expenses		<b>(15,308)</b>	(11,831)
Unrealised gain on investments in securities		<b>6</b>	5
Gain on disposal of investment property		<b>–</b>	591
Impairment loss recognised in respect of investment in securities		<b>–</b>	(3,420)
Loss from operations	4	<b>(20,594)</b>	(15,039)
Finance costs		<b>(207)</b>	(608)
Amortisation of premium on acquisition of an associate		<b>–</b>	(1,500)
Loss before taxation		<b>(20,801)</b>	(17,147)
Taxation	5	<b>460</b>	–
Net loss for the period		<b>(20,341)</b>	(17,147)
Loss per share			
– Basic	6	<b>(0.19) cents</b>	(0.28) cents

**CONDENSED CONSOLIDATED BALANCE SHEET***At 31st December, 2004*

		<b>31.12.2004</b> <b>(unaudited)</b> <b>HK\$'000</b>	30.6.2004 (audited) HK\$'000
	<i>Notes</i>		
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	7	<b>3,035</b>	3,147
Intangible asset	8	<b>81,639</b>	85,884
		<hr/>	<hr/>
		<b>84,674</b>	89,031
<b>CURRENT ASSETS</b>			
Debtors, deposits and prepayments	9	<b>1,340</b>	4,815
Investments in securities		<b>62</b>	56
Bank balances and cash		<b>27,307</b>	12,636
		<hr/>	<hr/>
		<b>28,709</b>	17,507
<b>CURRENT LIABILITY</b>			
Creditors and accrued charges	10	<b>3,184</b>	3,805
		<hr/>	<hr/>
<b>NET CURRENT ASSETS</b>			
		<b>25,525</b>	13,702
		<hr/>	<hr/>
		<b>110,199</b>	102,733
		<hr/>	<hr/>
<b>CAPITAL AND RESERVES</b>			
Share capital	11	<b>108,089</b>	102,776
Reserves		<b>(21,138)</b>	(23,751)
		<hr/>	<hr/>
		<b>86,951</b>	79,025
<b>NON-CURRENT LIABILITIES</b>			
Convertible notes		<b>15,900</b>	15,900
Deferred taxation		<b>7,348</b>	7,808
		<hr/>	<hr/>
		<b>23,248</b>	23,708
		<hr/>	<hr/>
		<b>110,199</b>	102,733
		<hr/>	<hr/>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*For the six months ended 31st December, 2004*

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Capital reserves <i>HK\$'000</i>	Goodwill reserves <i>HK\$'000</i>	Translation reserve <i>HK\$'000</i>	Accumulated Loss <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1st July, 2003	54,094	198,648	1,700	(5,075)	-	(259,208)	(9,841)
Issue of new shares	6,000	3,600	-	-	-	-	9,600
Exercise of share options	1,643	679	-	-	-	-	2,322
Conversion of convertible notes	9,134	2,066	-	-	-	-	11,200
Net loss for the period	-	-	-	-	-	(17,147)	(17,147)
At 31st December, 2003	70,871	204,993	1,700	(5,075)	-	(276,355)	(3,866)
Issue of new shares	14,000	11,200	-	-	-	-	25,200
Exercise of share options	3,767	6,678	-	-	-	-	10,445
Conversion of convertible notes	14,138	51,562	-	-	-	-	65,700
Realised on disposal of subsidiaries	-	-	-	112	-	-	112
Net loss for the period	-	-	-	-	-	(18,566)	(18,566)
At 30th June, 2004	102,776	274,433	1,700	(4,963)	-	(294,921)	79,025
Issue of new shares	4,000	18,400	-	-	-	-	22,400
Exercise of share options	1,313	4,593	-	-	-	-	5,906
Exchange differences on translation of overseas operations	-	-	-	-	(39)	-	(39)
Net loss for the period	-	-	-	-	-	(20,341)	(20,341)
At 31st December, 2004	<u>108,089</u>	<u>297,426</u>	<u>1,700</u>	<u>(4,963)</u>	<u>(39)</u>	<u>(315,262)</u>	<u>86,951</u>

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 31st December, 2004

	<b>For the six months ended</b>	
	<b>31.12.2004</b>	31.12.2003
	<b>(unaudited)</b>	(unaudited)
	<b>HK\$'000</b>	HK\$'000
Net cash used in operating activities	<b>(12,883)</b>	(12,635)
Net cash (used in) from investing activities	<b>(752)</b>	1,036
Net cash from financing activities	<b>28,306</b>	10,922
	<hr/>	<hr/>
Increase (decrease) in cash and cash equivalents	<b>14,671</b>	(677)
Cash and cash equivalents at beginning of the period	<b>12,636</b>	6,409
	<hr/>	<hr/>
Cash and cash equivalents at end of the period, represented by bank balances and cash	<b>27,307</b>	5,732
	<hr/> <hr/>	<hr/> <hr/>



## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

### 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 Practice 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 30th June, 2004.

### 3. SEGMENTAL INFORMATION

For management purposes, the Group is currently organised into two operating divisions as detailed below. These divisions are the bases on which the Group reports its primary information. An analysis of the Group's turnover and contributions to operating results is as follows:

*For the six months ended 31st December, 2004*

	<b>Provision of financial information services HK\$'000</b>	<b>Provision of credit card security device and digital network authorisation services HK\$'000</b>	<b>Other HK\$'000</b>	<b>Consolidated HK\$'000</b>
TURNOVER	<u>1,112</u>	<u>309</u>	<u>21</u>	<u>1,442</u>
SEGMENT RESULT	<u>(242)</u>	<u>(8,661)</u>	<u>(27)</u>	<u>(8,930)</u>
Unallocated corporate expenses				<u>(11,664)</u>
Loss from operations				<u>(20,594)</u>
Finance costs				<u>(207)</u>
Loss before taxation				<u>(20,801)</u>

For the six months ended 31st December, 2003

	Provision of financial information services <i>HK\$'000</i>	Provision of credit card security device and digital network authorisation services <i>HK\$'000</i>	Other <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
TURNOVER	<u>1,285</u>	<u>191</u>	<u>24</u>	<u>1,500</u>
SEGMENT RESULT	<u>(417)</u>	<u>(4,440)</u>	<u>(24)</u>	(4,881)
Unallocated corporate expenses				(7,329)
Gain on disposal of investment property				591
Impairment loss on investments in securities				<u>(3,420)</u>
Loss from operations				(15,039)
Finance costs				(608)
Amortisation of premium on acquisition of an associate		(1,500)		<u>(1,500)</u>
Loss before taxation				<u>(17,147)</u>

#### 4. LOSS FROM OPERATIONS

	<b>For the six months ended</b>	
	<b>31.12.2004</b>	<b>31.12.2003</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
Staff costs		
Staff costs, including Directors' emoluments	<b>8,863</b>	7,187
Retirement benefit schemes contributions	<u>172</u>	<u>122</u>
Total staff costs	<u><b>9,035</b></u>	<u>7,309</u>
Depreciation of property, plant and equipment	<b>735</b>	1,037
Amortisation of intangible assets, included in distribution costs	<u><b>4,245</b></u>	<u>–</u>

#### 5. TAXATION

The taxation credit for the period ended 31st December, 2004 represents deferred tax credit.

No provision for tax in other jurisdictions for both periods has been made as neither the Company nor any of its subsidiaries had any assessable profits subject to tax in other jurisdictions.

For the period ended 31st December, 2004 and 2003, no provision for Hong Kong Profits Tax had been made as the Group had no assessable profit.

## 6. LOSS PER SHARE

The calculation of the basic loss per share is based on the net loss for the period of HK\$20,341,000. (six months ended 31st December, 2003: HK\$17,147,000) and on the weighted average number of 10,483,152,339 (six months ended 31st December, 2003: weighted average number of 6,022,189,882) ordinary shares in issue during the period.

No diluted loss per share has been presented for the six months ended 31st December, 2004 and 2003 as the exercise of the share options and the conversion of convertible notes would result in a decrease in the loss per share.

## 7. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately HK\$752,000 on additions of property, plant and equipment.

## 8. INTANGIBLE ASSET

During the period, amortisation of approximately HK\$4,245,000 (six months ended 31st December, 2003: nil) was charged to the income statement in respect of the Group's intangible asset.

## 9. DEBTORS, DEPOSITS AND PREPAYMENTS

The Group allows an average credit period of 60 days to its trade customers. Included in debtors, deposits and prepayments are trade debtors with the following aged analysis:

	<b>31.12.2004</b> <i>HK\$'000</i>	30.6.2004 <i>HK\$'000</i>
0-60 days	137	167
61-90 days	–	107
Over 90 days	<u>411</u>	<u>211</u>
	548	485
Other debtors, deposits and prepayments	<u>792</u>	<u>4,330</u>
	<u><u>1,340</u></u>	<u><u>4,815</u></u>

## 10. CREDITORS AND ACCRUED CHARGES

Included in creditors and accrued charges are trade creditors with the following aged analysis:

	<b>31.12.2004</b> <i>HK\$'000</i>	30.6.2004 <i>HK\$'000</i>
0-60 days	304	128
61-90 days	395	–
Over 90 days	<u>214</u>	<u>214</u>
	913	342
Accrued charges	<u>2,271</u>	<u>3,463</u>
	<u><u>3,184</u></u>	<u><u>3,805</u></u>

## 11. SHARE CAPITAL

Ordinary shares of HK\$0.01 each	Number of shares	Value HK\$'000
<i>Authorised:</i>		
At 30th June, 2004 and 31st December, 2004	<u>60,000,000,000</u>	<u>600,000</u>
<i>Issued and fully paid:</i>		
At 1st July, 2004	10,277,550,165	102,776
Issue of new shares at HK\$0.056 per share	400,000,000	4,000
Exercise of share options	<u>131,300,000</u>	<u>1,313</u>
At 31st December, 2004	<u>10,808,850,165</u>	<u>108,089</u>

All the shares issued during the period rank pari passu in all respects with the then existing shares.

## 12. CAPITAL COMMITMENT

On 21st September, 2004, the Group contracted with Beijing Municipal Administration and Communications Card Co Ltd to establish a new joint ventures company, Beijing Superpass e-payment Co Ltd in which the Group will invest RMB1,000,000 (30th June, 2004: Nil) to develop e-payment system and digital network authorization services in the People's Republic of China. The said investment was fully paid up in March 2005.

## **INTERIM DIVIDEND**

The Board does not recommend the payment of interim dividend for the six months ended 31st December, 2004 (for the six months ended 31st December, 2003 : Nil).

## **MANAGEMENT DISCUSSION & ANALYSIS**

### **Results**

Turnover of the Group for the six months ended 31st December, 2004 was HK\$1.44 million compared to HK\$1.5 million in the same period of 2003 representing a decrease of 3.9%. Gross loss from operation was HK\$0.19 million compared to HK\$0.66 million in the same period of 2003 representing a gigantic decrease of 71.2%. Loss attributable to shareholders was HK\$20.34 million compared to HK\$17.15 million representing an increase of approximately 18.6%. The enlarged loss is mainly due to amortization of the cost on acquisition of the remaining 70% interests in the patent licence in May 2004 and the operating expenses of establishing Beijing office in improving the Group's sales network. Loss per share for the first six months in this period was HK0.19 cents compared to HK0.28 cents for the corresponding period in 2003, representing a decrease of approximately 32.1%.

### **BUSINESS REVIEW**

Apart from the core operations of DNA security solution to electronic banking systems and electronic payment system, the Group also made effort to expand the coverage of its products to non-financial institutions with a view to enhance its operation efficiency. Despite the huge extension in coverage, the total number of staff under the Group's employment did not increase comparably and maintained at approximately 60 (including executive directors) as at 31st December, 2004. Accordingly, the overhead during the period remained at a reasonable level. We have gradually established a more competitive human resources policy, to ensure our competitiveness by attracting new talents to join the Group and retaining those loyal and competent.

### **DNA security operation**

Sales remained stagnant due to unfavorable market conditions including banks in PRC were busy in upgrading their computer system for core business to improve operation efficiency; restructuring of their operational structure and personnel adjustment and even change of shareholdings in certain target banks to meet with the anticipated competition following the opening up of banking market in 2006 to foreign competition. Banks in Hong Kong and Macau have focused their effort in capturing business opportunities arising from CEPA and Chinese RMB deposit business have adversely affecting demand for security products for electronic banking.

During the period, no new agreement was entered with any bank. However, better result is anticipated in the first half of 2005 in view of the positive feed back from target banks. In fact the negotiation with some of them were already in the final stage.

DNA service recorded a loss of HK\$8.66 million. The enlarged loss is mainly due to amortization of the cost on acquisition of the patent in May 2004 and the expenses incurred in establishing a Beijing office during the period.

Amongst the three partner banks that had implemented DNA system, two partner banks already launched DNA service. The number of subscribers though fell short of our expectation was growing steadily.

The remaining one partner bank has delayed the launch of DNA service to synchronize with the completion date of their project to centralize their computer system. The Group and the management of its subsidiaries in the PRC have working closely with the partner banks to promote DNA service, which is mutually beneficial. It is expected that the number of subscribers will reach a reasonable level in 2005.

## **DNAPAY: the platform for e-commerce and e-payment**

DNAPAY platform allow retailers/merchants to collect payment electronically from purchaser's bank card/account or any prepaid financial instruments at all sales channels. These sales channels include Internet-shops, television shopping channel, telephone and mail orders, collectively known as virtual channels and at the traditional retail shops.

In addition, purchasers of prepaid card/voucher issued by retailer/merchant, can transfer fund from their bank account including credit card account via DNAPAY platform to the retailer/merchant to recharge the card or voucher to avoid interruption of service due to insufficient fund.

DNAPAY platform is anticipated to connect with one partner bank in China in the first quarter of 2005, so that merchant can accept payment from subscribers of DNA service of said bank for all on-line purchases of either merchandises or services.

Furthermore, Beijing Superpass e-payment Co. Ltd., a joint venture company formed between the Group's wholly owned subsidiary company and Beijing Municipal Administration & Communications Card Co. Ltd., was incorporated in November of 2004. The joint venture company's electronic payment platform namely EPAY is scheduled to be operational in third quarter of 2005. This platform enables registered users of Beijing Superpass IC cardholder to settle payment for purchase at virtual channels either using Beijing Superpass IC cards or the designed bankcard registered in advance.

These two electronic platforms, DNAPAY & EPAY will be connected to capture more business opportunities via enlarged client and merchant base. It is anticipated that electronic payment business shall contribute significant revenue to the group in view of the increasing popularity of on-line shopping in China. The Group plans to deploy more electronic payments platforms in Hong Kong, Macau and in Mainland to capture business opportunities arising from the e-commerce era.

## **Internet financial information**

For the six months ended 31st December, 2004, Winfcs, which provided on-line and instant financial and share market information, reported a gross profit of HK\$99,000. The management believes that with the improved market sentiment in the currency and securities trading and stepping up of our marketing effort, the performance of Winfcs shall improve in 2005.

## **Net asset value**

As at 31st December, 2004, the Group's total net asset amounted to HK\$86.95 million represented an increase of HK\$7.93 million comparing to financial year ending 30th June, 2004. Total capital of HK\$28.31 million was raised by placement of 0.4 billion new shares and around 0.13 billion new shares were issued due to exercise of share option during the period. Loss during the period was HK\$20.34 million.

Based on the total number of 10,808,850,165 ordinary shares issued as at 31st December, 2004, net asset value per share was HK0.80 cents, an increase of 3.9% comparing with HK0.77 cents per share as at 30th June, 2004.

## **Liquidity and financing**

The Group's bank balance and cash increased by HK\$14.67 million from HK\$12.64 million as at 30th June, 2004 to HK\$27.31 million as at 31st December, 2004. The increase of bank balance and cash was due to the net proceeds of HK\$28.31 million raised by financing activities after deducting HK\$12.88 million used in operating activities and HK\$0.75 million used in purchase of furniture, fixtures and equipment.

Other than the convertible notes in the amount of HK\$15.9 million which bear interest at 2% per annum, there were no other material contingent liabilities and no bank loan for the Group as at 31st December, 2004. Also there was no asset of the Group being charged nor pledged.

## BUSINESS OUTLOOK

The gradual recovering of Hong Kong's economy and the increasing spending power in Mainland China; growing popularity of e-banking and e-payment in China have improved the market condition for the Group's DNA security systems and DNAPAY systems. It is expected that the Group's performance will improve gradually.

During the period under review, though business result was not satisfactory despite the tremendous effort spent by the management to explore and develop business opportunities in China, Hong Kong and Macau, however, it is believed that a solid foundation has been founded and all these efforts shall pay-off in the years to come.

## DIRECTORS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31st December, 2004, the interests and short positions of the Directors and chief executives in the shares and underlying shares of the Company and its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register maintained by the Company under section 352 of the SFO or as notified to the Company were as follows:

Name of Directors	Number of shares held		Total interests	Total interests As % of the issued share capital	Share Options (Note 2)	Underlying Shares Convertible Notes (Note 3)	Total interest (including underlying shares) as % of the issued share capital
	Personal interest	Corporate interest					
Wong Kam Fu	129,000,000	2,847,266,543 (note 1)	2,976,266,543	27.54	100,000,000	198,750,000	30.30
Song Xiao Hai	-	-	-	-	100,000,000	-	0.93
Wong Hoi Keung	26,000,000	-	26,000,000	0.24	74,000,000	-	0.93
Lew Mon Hung	-	-	-	-	100,000,000	-	0.93
Wong Hong Loong	-	-	-	-	50,000,000	-	0.46
Ha Ping	-	-	-	-	1,000,000	-	0.01
Wong Che Man, Eddy	-	-	-	-	1,000,000	-	0.01
Cheng Kong Ming	-	-	-	-	1,000,000	-	0.01

### Notes:

- 2,183,516,543 of these shares were beneficially owned by Sheung Hai Developments Limited ("Sheung Hai"), the remaining 663,750,000 shares are beneficially owned by Alpha Logistics Group Limited ("Alpha Logistics"). The entire share capital of both Sheung Hai and Alpha Logistics are held by Mr. Wong Kam Fu.
- These options were granted under the Share Option Scheme adopted on 8th June, 2004. These Share Options were exercisable during the period from 18th October, 2004 to 17th October, 2006 at exercise price of HK\$0.067 per share.
- Convertible note of HK\$15,900,000 of conversion price of HK\$0.08 per share of underlying shares of 198,750,000 were beneficially owned by Alpha Logistics.

## INTEREST AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS OTHER THAN THE DIRECTORS AND THEIR ASSOCIATES

As at 31st December, 2004, the following parties, other than the Directors and their associates as disclosed in the above section, held an interest in the shares or underlying shares of the Company as recorded in the register maintained by the Company under section 336 of the SFO:

<b>Name of shareholders</b>	<b>Personal interest</b>	<b>Corporate interest</b>	<b>Total interest</b>	<b>Total interests as % of issued share capital</b>
Lam Ching Kui	787,688,000	254,288,000	1,041,976,000	9.64%
The Hong Kong Beijing Finance and Investment Limited		1,020,000,000	1,020,000,000	9.43%

Save as disclosed herein, as at 31st December, 2004, the Company had not been notified by any other person (other than the Directors and their associates) who had interests or short positions in the shares or underlying shares of the Company which were required to be recorded in the register maintained by the Company under section 336 of the SFO.

Other than as disclosed above, none of the directors, chief executives or their associates had any interest or short positions in the shares, underlying shares or debentures of the company or its associated corporation within the meaning of Part XV of the SFO which were required to be notified to the Stock Exchange of Hong Kong Limited (the "Stock Exchange") and the Company pursuant to Part XV of the SFO or pursuant to the Model Code for Securities Transactions by Directors of Listed Companies or which are required to be entered in the register under section 352 of the SFO.



## SHARE OPTION SCHEME

The following shows the particulars of the share options of the Company granted to the Directors, executives and employees of the Group that are required to be disclosed pursuant to Rule 17.07 of Chapter 17 and sub-paragraph 13(1) of Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”).

	Exercisable period	Exercise price	Outstanding as at 1.07.2004	Granted during the period	Exercise during the period	Cancelled during the period	Outstanding at 31. 12.2004
Wong Kam Fu	30.10.2002-29.10.2004	0.0386	100,000,000	nil	100,000,000	nil	nil
	18.10.2004-17.10.2006	0.067	nil	100,000,000	nil	nil	100,000,000
Wong Hoi Keung	18.10.2004-17.10.2006	0.067	nil	100,000,000	26,000,000	nil	74,000,000
Lew Mon Hung	18.10.2004-17.10.2006	0.067	nil	100,000,000	nil	nil	100,000,000
Wong Hong Loong	18.10.2004-17.10.2006	0.067	nil	50,000,000	nil	nil	50,000,000
Song Xiao Hai	18.10.2004-17.10.2006	0.067	nil	100,000,000	nil	nil	100,000,000
Ha Ping	3.11.2004-2.11.2006	0.06	nil	1,000,000	nil	nil	1,000,000
Wong Che Man, Eddy	3.11.2004-2.11.2006	0.06	nil	1,000,000	nil	nil	1,000,000
Cheng Kong Ming	3.11.2004-2.11.2006	0.06	nil	1,000,000	nil	nil	1,000,000
Total for directors			<u>100,000,000</u>	<u>453,000,000</u>	<u>126,000,000</u>	<u>nil</u>	<u>427,000,000</u>
Employees and supplier of group	2.8.2001-1.8.2004	0.4	256,250	nil	nil	256,250	nil
	1.9.2001-31.8.2004	0.4	100,000	nil	nil	100,000	nil
	28.11.2003-27.11.2005	0.0127	300,000	nil	300,000	nil	nil
	3.11.2004-2.11.2006	0.06	nil	101,500,000	5,000,000	nil	96,500,000
Total for employees and supplier of group			<u>656,250</u>	<u>101,500,000</u>	<u>5,300,000</u>	<u>356,250</u>	<u>96,500,000</u>
TOTAL FOR THE SCHEME			<u>100,656,250</u>	<u>554,500,000</u>	<u>131,300,000</u>	<u>356,250</u>	<u>523,500,000</u>

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the period ended 31st December, 2004, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities.

## CODE OF BEST PRACTICE

In the opinion of the directors, during the relevant accounting period, the Company complied with the Code of Best Practice as set out in the old Appendix 14 to the Listing Rules except that the non-executive directors were not appointed for specific terms but were subject to retirement by rotation and re-election at the annual general meetings in accordance with the Company’s Bye-Laws.

As to the new Appendix 14 (Code on Corporate Governance Practices) of the Listing Rules, the Directors will adopt the principles set out therein. A detailed Corporate Governance Report will be prepared and disclosed in the Company’s 2005 Annual Report.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

During the period, the Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard set out in the Model Code (Appendix 10) of the Listing Rules.

The Board of Directors of the Company did not aware of any non-compliance by any Directors of the Company regarding the required standard set out in the Model Code and its code of conduct regarding securities transactions.

## **AUDIT COMMITTEE**

The Audit Committee has reviewed the Company's unaudited interim results for the six months ended 31st December, 2004.

By order of the Board  
**Wong Kam Fu**  
*Chairman*

Hong Kong, 4th March, 2005