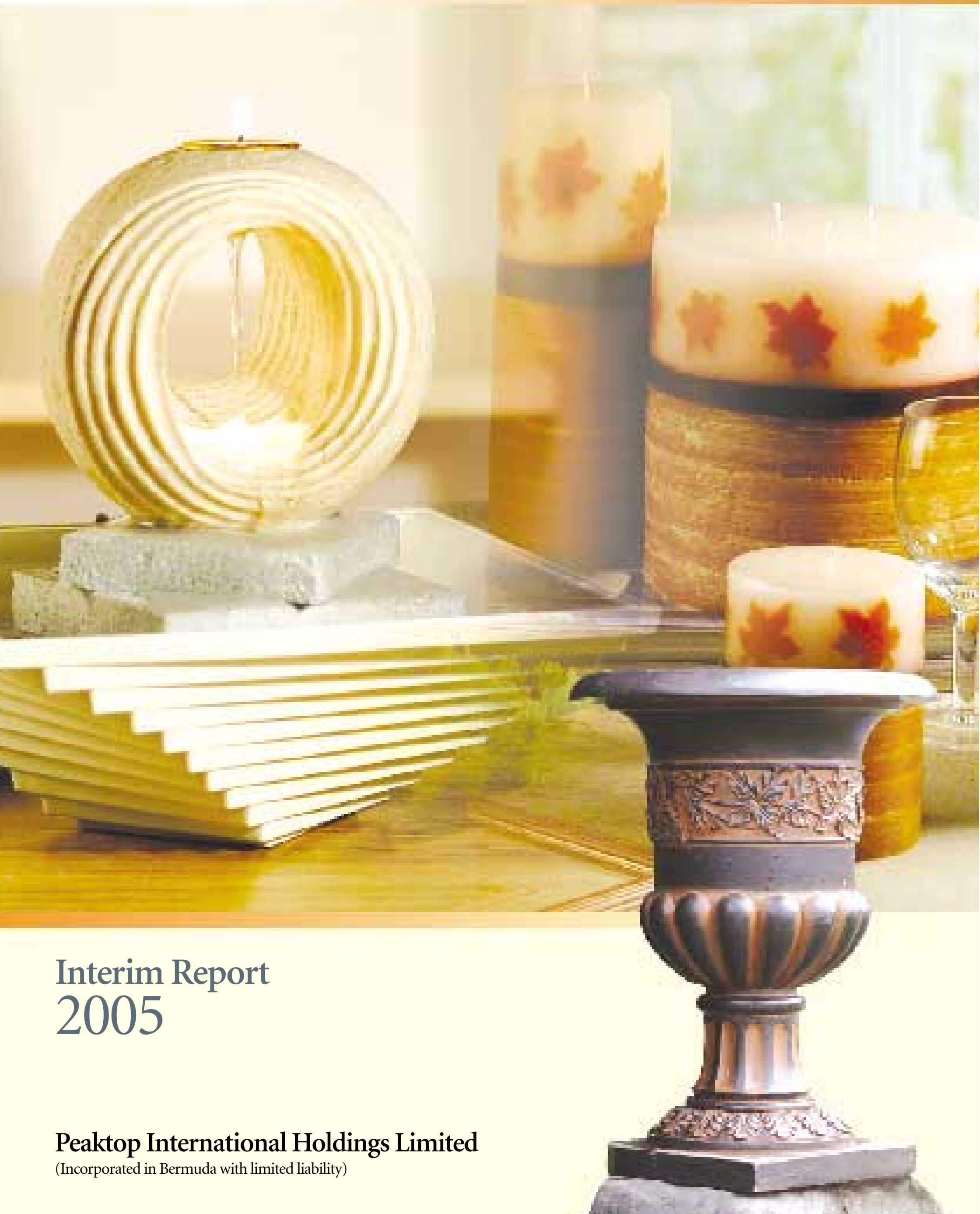

# Interim Report 2005

**Peaktop International Holdings Limited**
(Incorporated in Bermuda with limited liability)

# CONTENTS

# CORPORATE INFORMATION

## Board of Directors

*Executive Directors*

Mr. LIN Chun Kuei
*(Chairman and Chief Executive Officer)*
Mr. Andree HALIM *(Co-vice Chairman)*
Mr. NG Kin Nam *(Co-vice Chairman)*
Mr. GUO Yah Taur
*(alias Peter Ya Tao KUO)*
Mr. LI Chien Kuan
Mr. LIN Chun Fu
Mr. Graeme Stanley POPE
Mr. LIN Wei Hung*
Ms. LIN HUANG Su Feng*
Mr. Daniel HALIM*
Mr. CHEUNG Kwok Ping *

*Non-executive Director*

Mr. TAN Kong King*

*Independent Non-executive Directors*

The Hon. Bernard Charnwut CHAN
Mr. GOH Gen Cheung
Mr. MA Chiu Cheung, Andrew

## Audit Committee

Mr. MA Chiu Cheung, Andrew *(Chairman)*
The Hon. Bernard Charnwut CHAN
Mr. GOH Gen Cheung

## Nomination Committee

The Hon. Bernard Charnwut CHAN
*(Chairman)*
Mr. GOH Gen Cheung
Mr. MA Chiu Cheung, Andrew
Mr. LIN Chun Kuei
Mr. LI Chien Kuan

## Remuneration Committee

Mr. GOH Gen Cheung *(Chairman)*
The Hon. Bernard Charnwut CHAN
Mr. MA Chiu Cheung, Andrew
Mr. LIN Chun Kuei
Mr. LI Chien Kuan

## Qualified Accountant and Company Secretary

Mr. TONG Chak Wai, Wilson

* *Appointment effective 1 July 2005*

## Auditors

Ernst & Young
Certified Public Accountants

## Legal Advisors

Michael Li & Co

## Registered Office

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

## Head Office and Principal Place of Business

16th Floor
Tower II Enterprise Square
9 Sheung Yuet Road
Kowloon Bay
Kowloon
Hong Kong

## Principal Bankers

Asia Commercial Bank Limited
Bangkok Bank Public Company Limited
Bank of China (Hong Kong) Limited
Belgian Bank
DBS Bank (Hong Kong) Limited
Indover Bank (Asia) Limited
Standard Chartered Bank

## Principal Share Registrar and Transfer Office

The Bank of Bermuda Limited
Bank of Bermuda Building
6 Front Street
Hamilton HM 11
Bermuda

## Hong Kong Branch Share Registrar and Transfer Office

Tengis Limited
Ground Floor
Bank of East Asia Harbour View Centre
56 Gloucester Road
Wanchai
Hong Kong

## Share Listing

The Stock Exchange of Hong Kong Limited
(Stock code: 925)

## RESULTS

The Board of Directors (the "Board") of Peaktop International Holdings Limited (the "Company") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2005, together with the comparative figures for the corresponding period in 2004 as follows:

## CONDENSED CONSOLIDATED INCOME STATEMENT

*For the six months ended 30 June 2005*

| | | Six months ended 30 June | |
|---|---|---|---|
| | | **2005** | 2004 |
| | | **(Unaudited)** | (Unaudited) |
| | *Notes* | ***HK$'000*** | *HK$'000* |
| **TURNOVER** | *4* | **669,736** | 519,439 |
| Cost of sales | | **(435,252)** | (345,482) |
| Gross profit | | **234,484** | 173,957 |
| Other revenue and gains | | **2,834** | 6,553 |
| Selling and distribution expenses | | **(139,703)** | (85,728) |
| General and administrative expenses | | **(70,601)** | (72,857) |
| Other operating expenses | | **(425)** | (1,544) |
| **PROFIT FROM OPERATING ACTIVITIES** | *5* | **26,589** | 20,381 |
| Finance costs | *6* | **(13,537)** | (10,469) |
| **PROFIT BEFORE TAX** | | **13,052** | 9,912 |
| Tax | *7* | **(942)** | 936 |
| **PROFIT FOR THE PERIOD** | | **12,110** | 10,848 |
| Attributable to: | | | |
| Equity holders of the Company | | **12,122** | 10,869 |
| Minority interests | | **(12)** | (21) |
| **PROFIT FOR THE PERIOD** | | **12,110** | 10,848 |
| **EARNINGS PER SHARE** | *9* | | |
| Basic | | **HK1.7 cents** | HK1.5 cents |
| Diluted | | **N/A** | N/A |

## CONDENSED CONSOLIDATED BALANCE SHEET

*As at 30 June 2005*

| | Notes | 30 June 2005 (Unaudited) HK$'000 | 31 December 2004 (Audited) (restated) HK$'000 |
|---|---|---|---|
| **NON-CURRENT ASSETS** | | | |
| Fixed assets | | **317,417** | 324,234 |
| Land lease payments | | **35,277** | 32,809 |
| Intangible assets | | **11,869** | 12,814 |
| Goodwill: | | | |
| Goodwill | | **4,223** | 4,223 |
| Negative goodwill | | **–** | (61) |
| Interests in associates | | **364** | 375 |
| Available-for-sale investments | | **5,827** | 4,500 |
| Deferred tax assets | | **5,239** | 5,920 |
| | | **380,216** | 384,814 |
| **CURRENT ASSETS** | | | |
| Inventories | | **245,588** | 244,375 |
| Accounts receivable | *10* | **142,996** | 135,375 |
| Prepayments, deposits and other receivables | | **76,704** | 52,315 |
| Tax recoverable | | **136** | 119 |
| Pledged deposits | | **3,886** | 3,111 |
| Cash and cash equivalents | | **48,119** | 69,333 |
| | | **517,429** | 504,628 |
| **CURRENT LIABILITIES** | | | |
| Bank overdrafts | *11* | **10,410** | 5,652 |
| Bank loans | *11* | **170,685** | 156,193 |
| Trust receipt loans | | **155,112** | 120,386 |
| Current portion of finance lease payables | | **2,577** | 3,511 |
| Accounts and bills payables | *12* | **169,235** | 175,992 |
| Other payables and accruals | | **75,026** | 86,246 |
| Tax payable | | **3,565** | 3,443 |
| Loans from directors | | **–** | 5,850 |
| | | **586,610** | 557,273 |
| **NET CURRENT LIABILITIES** | | **(69,181)** | (52,645) |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | **311,035** | 332,169 |

## CONDENSED CONSOLIDATED BALANCE SHEET *(continued)*

*As at 30 June 2005*

| | Notes | 30 June 2005 (Unaudited) HK$'000 | 31 December 2004 (Audited) (restated) HK$'000 |
|---|---|---|---|
| **NON-CURRENT LIABILITIES** | | | |
| Long term portion of bank loans | 11 | **34,962** | 80,032 |
| Long term portion of finance lease payables | | **2,608** | 3,789 |
| Deferred tax liabilities | | **1,422** | 1,422 |
| Shareholders' loans | | **17,550** | – |
| | | **56,542** | 85,243 |
| | | **254,493** | 246,926 |
| **CAPITAL AND RESERVES** | | | |
| Issued capital | 13 | **73,094** | 73,094 |
| Reserves | | **179,153** | 171,579 |
| Total equity attributable to equity holders of the Company | | **252,247** | 244,673 |
| **MINORITY INTERESTS** | | **2,246** | 2,253 |
| | | **254,493** | 246,926 |

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*For the six months ended 30 June 2005*

| | Attributable to equity holders of the Company | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital HK$'000 | Share premium HK$'000 | Contributed surplus HK$'000 | Exchange fluctuation reserve HK$'000 | Asset revaluation reserve HK$'000 | Statutory reserve HK$'000 | Retained profits HK$'000 | Total HK$'000 | Minority interests HK$'000 | Total equity HK$'000 |
| At 1 January 2005 | | | | | | | | | | |
| As previously reported | 73,094 | 94,478 | 18,528 | 4,265 | 11,682 | 21,496 | 23,245 | 246,788 | 2,253 | 249,041 |
| Prior period adjustment: | | | | | | | | | | |
| – leasehold land and buildings held for own use | – | – | – | – | (2,115) | – | – | (2,115) | – | (2,115) |
| As restated, before opening balance adjustments | 73,094 | 94,478 | 18,528 | 4,265 | 9,567 | 21,496 | 23,245 | 244,673 | 2,253 | 246,926 |
| Opening balance adjustments: | | | | | | | | | | |
| – available-for-sale investments | – | – | – | – | – | – | 1,387 | 1,387 | – | 1,387 |
| – negative goodwill | – | – | – | – | – | – | 61 | 61 | – | 61 |
| As restated | 73,094 | 94,478 | 18,528 | 4,265 | 9,567 | 21,496 | 24,693 | 246,121 | 2,253 | 248,374 |
| Translation differences arising on consolidation of overseas subsidiaries and not yet recognised in condensed consolidated income statement | – | – | – | (5,996) | – | – | – | (5,996) | 5 | (5,991) |
| Profit for the period | – | – | – | – | – | – | 12,122 | 12,122 | (12) | 12,110 |
| At 30 June 2005 (unaudited) | 73,094 | 94,478 | 18,528 | (1,731) | 9,567 | 21,496 | 36,815 | 252,247 | 2,246 | 254,493 |

| | Attributable to equity holders of the Company | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital HK$'000 | Share premium HK$'000 | Contributed surplus HK$'000 | Exchange fluctuation reserve HK$'000 | Asset revaluation reserve HK$'000 | Statutory reserve HK$'000 | Retained profits HK$'000 | Total HK$'000 | Minority interests HK$'000 | Total equity HK$'000 |
| At 1 January 2004 | | | | | | | | | | |
| As previously reported | 73,094 | 94,478 | 18,528 | 3,424 | 11,682 | 20,143 | 18,177 | 239,526 | 2,124 | 241,650 |
| Prior period adjustment: | | | | | | | | | | |
| – leasehold land and buildings held for own use | – | – | – | – | (2,115) | – | – | (2,115) | – | (2,115) |
| As restated | 73,094 | 94,478 | 18,528 | 3,424 | 9,567 | 20,143 | 18,177 | 237,411 | 2,124 | 239,535 |
| Translation differences arising on consolidation of overseas subsidiaries and not yet recognised in condensed consolidated income statement | – | – | – | (2,320) | – | – | – | (2,320) | (24) | (2,344) |
| Transfer to statutory reserve | – | – | – | – | – | 2,031 | (2,031) | – | – | – |
| Profit for the period | – | – | – | – | – | – | 10,869 | 10,869 | (21) | 10,848 |
| At 30 June 2004 (unaudited) (restated) | 73,094 | 94,478 | 18,528 | 1,104 | 9,567 | 22,174 | 27,015 | 245,960 | 2,079 | 248,039 |

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

*For the six months ended 30 June 2005*

| | Six months ended 30 June | |
|---|---|---|
| | **2005** | 2004 |
| | **(Unaudited)** | (Unaudited) |
| | ***HK$'000*** | *HK$'000* |
| Net cash inflow/(outflow) from operating activities | **(11,237)** | 33,899 |
| Net cash outflow from investing activities | **(33,912)** | (20,631) |
| Net cash inflow from financing activities | **13,019** | 3,773 |
| Net increase/(decrease) in cash and cash equivalents | **(32,130)** | 17,041 |
| Cash and cash equivalents at beginning of period | **63,681** | 22,350 |
| Effect of foreign exchange differences, net | **6,158** | (2,546) |
| Cash and cash equivalents at end of period | **37,709** | 36,845 |
| Analysis of balances of cash and cash equivalents: | | |
| Cash and cash equivalents | **48,119** | 52,285 |
| Bank overdrafts | **(10,410)** | (15,440) |
| | **37,709** | 36,845 |

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM REPORT

*For the six months ended 30 June 2005*

## 1. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements are prepared in accordance with the requirements of the Appendix 16 to the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") (Main Board), including compliance with the Hong Kong Accounting Standard ('HKAS') No. 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants.

The accounting policies and basis of preparation used in the preparation of the unaudited condensed consolidated interim financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2004 except for new adoption of the new and revised Hong Kong Financial Reporting Standards (HKFRSs, which term collectively includes HKASs and interpretations) that are effective on or after 1 January 2005. Details of these changes in accounting policies are set out in note 2.

## 2. CHANGES IN ACCOUNTING POLICIES

The adoption of the HKFRSs that has a material impact on the accounting policies of the Group and the methods of computation in the Group's condensed consolidated financial statements is summarized as follows:

*(a) HKAS 17 – Leases*

In prior years, leasehold land and buildings held for own use were stated at revalued amounts less accumulated depreciation and any impairment losses.

Under the adoption of HKAS 17, the leasehold interest in the land and buildings is separated into leasehold land and leasehold buildings. The leasehold land is classified as an operating lease, because the title of the land is not expected to be passed to the Group by the end of the lease term, and is reclassified from fixed assets to land lease payments, while leasehold buildings continue to be classified as part of property, plant and equipment. Prepaid land premiums for land lease payments under operating lease are initially stated at cost and subsequently amortised on the straight-line basis over the lease term. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

This new accounting policy has been adopted retrospectively, with the opening balance of the asset revaluation reserve adjusted for the amount relating to prior periods as disclosed in note 2 (d), and the comparative information restated to reflect the reclassification of leasehold land.

## 2. CHANGES IN ACCOUNTING POLICIES *(continued)*

### *(b) HKAS 32 and HKAS 39 – Financial instruments*

In prior years, the Group classified its investments in equity securities as long term investments which were held for non-trading purposes and were stated at cost less any impairment losses.

Upon adoption of HKAS 32 and HKAS 39, these securities are classified as available-for-sale investments. Available-for-sale investments are those non-derivatives investments in listed and unlisted equity securities that are designated as available-for-sale or are not classified in any of the other categories of financial assets as defined in HKAS 39. After initial recognition, available-for-sale investments are measured at fair value with gains or losses being recognized as a separate component of equity until the investment is sold, collected or otherwise disposed of or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in the income statement.

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; and discounted cash flow analysis and option pricing models.

When the fair value of unlisted equity securities cannot be reliably measured because (1) the variability in the range of reasonable fair value estimates is significant for that investment, or (2) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such securities are stated at cost.

The Group assesses at each balance sheet date whether there is any objective evidence that an available-for-sale investment is impaired as a result of one or more events that occurred after the initial recognition of the assets ("loss events"), and that the loss event has an impact on the estimated future cash flows that can be reliably estimated.

If there is objective evidence of impairment, the cumulative loss that had been recognized directly in equity shall be removed from equity and recognized in the income statement. The amount of the loss recognized in the income statement shall be the difference between the acquisition cost and current fair value, less any impairment loss on that available-for-sale investment previously recognized in the income statement.

The effects of the above changes are summarized in note 2 (di). In accordance with the transitional provisions of HKAS 39, comparative amounts have not been restated.

## 2. CHANGES IN ACCOUNTING POLICIES *(continued)*

*(c) HKFRS 3 – Business combinations and HKAS 36 – Impairment of assets*

In prior years, goodwill arising on acquisition was capitalized and amortised on the straight-line basis over its estimated useful life and was subject to impairment testing when there was any indication of impairment. Negative goodwill was carried in the balance sheet and was recognized in the consolidated income statement on a systematic basis over the remaining average useful life of the acquired amortizable assets, except to the extent it related to expectations of future losses and expenses that were identified in the acquisition plan and that could be measured reliably, in which case, it was recognized as income in the consolidated income statement when the future losses and expenses were recognized.

Upon the adoption of HKFRS 3 and HKAS 36, goodwill arising on acquisition is no longer amortised but subject to an annual impairment review. Any impairment loss recognized for goodwill is not reversed in a subsequent period. Any excess of the Group's interest in the net fair value of the acquirees' identifiable assets, liabilities and contingent liabilities over the cost of the acquisition of subsidiaries and associates (previously referred to as "negative goodwill"), after reassessment, is recognized immediately in the income statement.

The transitional provisions of HKFRS 3 have required the Group to eliminate at 1 January 2005 the carrying amounts of accumulated amortisation with a corresponding entry to the cost of the goodwill and to derecognise the carrying amounts of negative goodwill against retained profits.

The effects of the above changes are summarized in note 2 (di). In accordance with the transitional provisions of HKFRS 3, comparative amounts have not been restated.

## 2. CHANGES IN ACCOUNTING POLICIES *(continued)*

*(d) Summary of the impact of changes in accounting policies*

The effects of changes of the above accounting policies to the opening balance of total equity and impact on profit after tax are summaries as follows:

(i) Effect on opening balance of total equity at 1 January 2005

| Effect of new policies (Increase/(decrease)) | *Notes* | **Asset revaluation reserve (Unaudited)** *HK$'000* | **Retained profits (Unaudited)** *HK$'000* | **Total (Unaudited)** *HK$'000* |
|---|---|---|---|---|
| Prior period adjustment: | | | | |
| HKAS 17 | | | | |
| – Leasehold land and buildings held for own use | *(2a)* | **(2,115)** | **–** | **(2,115)** |
| Net decrease in total equity before opening adjustments | | **(2,115)** | **–** | **(2,115)** |
| Opening adjustments: | | | | |
| HKAS 39 | | | | |
| – Available-for-sale investments | *(2b)* | **–** | **1,387** | **1,387** |
| HKFRS 3 | | | | |
| – Derecognition of negative goodwill | *(2c)* | **–** | **61** | **61** |
| Total effect at 1 January 2005 | | **(2,115)** | **1,448** | **(667)** |

(ii) Effect on opening balance of total equity at 1 January 2004

| Effect of new policies (Increase/(decrease)) | *Note* | Asset revaluation reserve (Unaudited) *HK$'000* | Retained profits (Unaudited) *HK$'000* | Total (Unaudited) *HK$'000* |
|---|---|---|---|---|
| Prior period adjustment: | | | | |
| HKAS 17 | | | | |
| – Leasehold land and buildings held for own use | *(2a)* | (2,115) | – | (2,115) |
| Total effect at 1 January 2004 | | (2,115) | – | (2,115) |

## 2. CHANGES IN ACCOUNTING POLICIES *(continued)*

*(d) Summary of the impact of changes in accounting policies (continued)*

(iii) Effect on profit after tax for the six months ended 30 June 2005 and six months ended 30 June 2004

| Effect of new policies (Increase/(decrease)) | *Note* | Six months ended 30 June<br>**2005**<br>**Equity holders of the Company (Unaudited)**<br>***HK$'000*** | <br>2004<br>Equity holders of the Company (Unaudited)<br>*HK$'000* |
|---|---|---|---|
| Effect on profit after tax: | | | |
| HKFRS 3 | | | |
| – Discontinuation of amortisation of goodwill | *(2c)* | **334** | – |
| Effect on earnings per share: | | | |
| Basic | | **HK0.05 cents** | N/A |
| Diluted | | **N/A** | N/A |

## 3. PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the Group are the design, manufacture and sales of home garden and plastic decorative products.

## 4. SEGMENTAL INFORMATION

An analysis of the Group's turnover and results for the period ended 30 June 2005 by geographical segments is as follows:

*Geographical segments by location of customers*

| | Six months ended 30 June 2005 (Unaudited) | | | | |
|---|---|---|---|---|---|
| | United States of America *HK$'000* | Europe *HK$'000* | Asia Pacific *HK$'000* | Others *HK$'000* | Consolidated *HK$'000* |
| Turnover | **397,693** | **214,381** | **57,027** | **635** | **669,736** |
| Segment results | **25,441** | **30,949** | **2,668** | **84** | **59,142** |
| Unallocated costs | | | | | **(32,553)** |
| Profit from operating activities | | | | | **26,589** |
| Finance costs | | | | | **(13,537)** |
| Profit before tax | | | | | **13,052** |
| Tax | | | | | **(942)** |
| Profit for the period | | | | | **12,110** |

| | Six months ended 30 June 2004 (Unaudited) | | | | |
|---|---|---|---|---|---|
| | United States of America *HK$'000* | Europe *HK$'000* | Asia Pacific *HK$'000* | Others *HK$'000* | Consolidated *HK$'000* |
| Turnover | 263,562 | 204,479 | 49,378 | 2,020 | 519,439 |
| Segment results | 27,563 | 24,720 | 472 | 277 | 53,032 |
| Unallocated costs | | | | | (32,651) |
| Profit from operating activities | | | | | 20,381 |
| Finance costs | | | | | (10,469) |
| Profit before tax | | | | | 9,912 |
| Tax | | | | | 936 |
| Profit for the period | | | | | 10,848 |

## 5. PROFIT FROM OPERATING ACTIVITIES

The Group's profit from operating activities is arrived at after charging:

| | Six months ended 30 June | |
|---|---|---|
| | **2005** | 2004 |
| | **(Unaudited)** | (Unaudited) |
| | | (Restated) |
| | ***HK$'000*** | *HK$'000* |
| Cost of inventories sold | **435,252** | 345,482 |
| Depreciation | **17,392** | 17,411 |
| Amortisation of intangible assets | **10,043** | 9,600 |
| Amortisation of land lease payment | **557** | 495 |
| Provision for doubtful debts | **262** | 499 |
| Amortisation of goodwill | **–** | 329 |
| Loss on disposal of fixed assets | **163** | 716 |

## 6. FINANCE COSTS

| | Six months ended 30 June | |
|---|---|---|
| | **2005** | 2004 |
| | **(Unaudited)** | (Unaudited) |
| | ***HK$'000*** | *HK$'000* |
| Interest on bank loans and overdrafts wholly repayable | | |
| Within five years | **13,017** | 9,730 |
| Over five years | **296** | 486 |
| Interest on finance leases | **224** | 253 |
| Total finance costs | **13,537** | 10,469 |

## 7. TAX

| | Six months ended 30 June | |
|---|---|---|
| | **2005** | 2004 |
| | **(Unaudited)** | (Unaudited) |
| | ***HK$'000*** | *HK$'000* |
| Current year provision: | | |
| Hong Kong | **–** | – |
| Elsewhere | **924** | (936) |
| | **924** | (936) |
| Under provision in prior years: | | |
| Hong Kong | **–** | – |
| Elsewhere | **18** | – |
| | **942** | (936) |

## 7. TAX *(continued)*

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising from Hong Kong during the period. Taxes on profits assessable elsewhere overseas have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

A reconciliation of the tax expense applicable to profit before tax using the statutory rates for the countries in which the Company and its subsidiaries and associates are domiciled to the tax expense at the effective tax rates are as follows:

| | **Six months ended 30 June** | |
|---|---|---|
| | **2005** | 2004 |
| | **(Unaudited)** | (Unaudited) |
| | ***HK$'000*** | *HK$'000* |
| Profit before tax | **13,052** | 9,912 |
| Tax at domestic rates applicable to profits/(losses) in the countries concerned | **9,082** | 5,402 |
| Lower tax rate for specific provinces in Mainland China | **(3,363)** | (55) |
| Tax holiday | **(595)** | (8) |
| Adjustment in respect of current tax of previous periods | **18** | – |
| Income not subject to tax | **(59,630)** | (60,980) |
| Expenses not deductible for tax | **62,602** | 61,659 |
| Unrecognised tax losses | **2,193** | 2,039 |
| Tax losses from previous years utilised | **(9,365)** | (8,993) |
| Tax charge at effective rate | **942** | (936) |

In accordance with the relevant approval documents issued by the Mainland China tax authorities, certain subsidiaries of the Group operating in the Mainland China are exempted from Mainland China corporate income tax for the first two profitable calendar years of operation and thereafter are eligible for a 50% relief from Mainland China corporate income tax for the following three years.

## 8. INTERIM DIVIDEND

The Board resolved not to declare any interim dividend for the period (six months ended 30 June 2004: Nil).

## 9. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the net profit attributable to equity holders for the period of HK$12,122,000 (six months ended 30 June 2004: HK$10,869,000) and the weighted average of 730,938,000 (six months ended 30 June 2004: 730,938,000) ordinary shares in issue during the period.

The diluted earnings per share for the period ended 30 June 2005 and 30 June 2004 have not been calculated as no diluting events existed during both period.

## 10. ACCOUNTS RECEIVABLE

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally for a period of 45 to 90 days, extending up to 120 days for major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimize credit risk. Overdue balances are reviewed regularly by senior management.

An aged analysis of the trade receivables as at the balance sheet date, based on payment due date and net of provisions, is as follows:

| | **30 June 2005 (Unaudited) *HK$'000*** | 31 December 2004 (Audited) *HK$'000* |
|---|---|---|
| Current | **126,841** | 92,611 |
| 30 – 60 days | **6,553** | 23,428 |
| 61 – 90 days | **3,573** | 9,597 |
| Over 90 days | **6,029** | 9,739 |
| | **142,996** | 135,375 |

At 30 June 2005, trade receivables of the Group of approximately HK$31,026,000 (31 December 2004: HK$22,540,000) were pledged to the Group's bankers to secure banking facilities granted to the Group.

## 11. BANK LOANS AND OVERDRAFTS

| | **30 June 2005 (Unaudited)** ***HK$'000*** | 31 December 2004 (Audited) *HK$'000* |
|---|---|---|
| Bank overdrafts repayable on demand: | | |
| Secured | **4,375** | – |
| Unsecured | **6,035** | 5,652 |
| | **10,410** | 5,652 |
| Bank loans: | | |
| Secured | **185,476** | 212,914 |
| Unsecured | **20,171** | 23,311 |
| | **205,647** | 236,225 |

The maturity of bank loans is as follows:

| | **30 June 2005 (Unaudited)** ***HK$'000*** | 31 December 2004 (Audited) *HK$'000* |
|---|---|---|
| Bank loans repayable: | | |
| Within one year | **170,685** | 156,193 |
| In the second year | **10,872** | 50,252 |
| In the third to fifth years, inclusive | **18,709** | 23,483 |
| Over five years | **5,381** | 6,297 |
| | **205,647** | 236,225 |
| Portion classified as current liabilities | **(170,685)** | (156,193) |
| Long term portion | **34,962** | 80,032 |

## 12. ACCOUNTS AND BILLS PAYABLES

An aged analysis of the trade and bills payables as at the balance sheet date, based on payment due date, is as follows:

| | **30 June 2005 (Unaudited)** ***HK$'000*** | 31 December 2004 (Audited) *HK$'000* |
|---|---|---|
| Current | **130,373** | 77,664 |
| 30 – 60 days | **21,276** | 32,603 |
| 61 – 90 days | **12,215** | 33,960 |
| Over 90 days | **5,371** | 31,765 |
| | **169,235** | 175,992 |

## 13. SHARE CAPITAL

| | **Number of shares 30 June 2005 (Unaudited) *'000*** | **Nominal value 30 June 2005 (Unaudited) *HK$'000*** | Number of shares 31 December 2004 (Audited) *'000* | Nominal value 31 December 2004 (Audited) *HK$'000* |
|---|---|---|---|---|
| **Authorised:** | | | | |
| Ordinary shares of HK$0.10 each | **1,000,000** | **100,000** | 1,000,000 | 100,000 |
| **Issued and fully paid:** | | | | |
| Ordinary shares of HK$0.10 each | **730,938** | **73,094** | 730,938 | 73,094 |

## 14. CONTINGENT LIABILITIES

| | **Group** | | **Company** | |
|---|---|---|---|---|
| | **30 June 2005 (Unaudited) HK$'000** | 31 December 2004 (Audited) HK$'000 | **30 June 2005 (Unaudited) HK$'000** | 31 December 2004 (Audited) HK$'000 |
| Bills discounted with recourse | **8,294** | 36,973 | **–** | – |
| Standby letters of credit to an independent party | **–** | 7,800 | **–** | – |
| Guarantees of banking facilities granted to subsidiaries | **–** | – | **391,214** | 363,666 |
| Guarantees of finance leases granted to subsidiaries | **–** | – | **11,400** | 11,400 |

As at 30 June 2005, banking facilities granted to the subsidiaries subject to guarantees given to the banks by the Company were utilised to the extent of approximately HK$231,358,000 (31 December 2004: HK$243,377,000).

## 15. RELATED PARTY TRANSACTIONS

During the period, the Group had the following material related party transactions:

(i) The Group made sales in the amount of approximately HK$149,008,000 (six months ended 30 June 2004: HK$41,732,000) to Peaktop Technologies (USA) Hong Kong Limited, a subsidiary of the Group in which the Company had 51% indirect equity interests, with the remaining 49% equity interests held by Geoglobal Partners LLC.

(ii) The Group made sales in the amount of approximately HK$12,735,000 (six months ended 30 June 2004: Nil) to Peaktop Technologies (USA), Inc., a company in which the Company had 19% indirect equity interests, with the remaining 49% and 32% equity interests held by Geoglobal Partners LLC and an independent third party respectively.

(iii) The Group paid to Geoglobal Partners LLC, a substantial shareholder of a subsidiary of the Group, sales commission in the amount of HK$54,686,000 (six months ended 30 June 2004: HK$7,897,000). As at 30 June 2005, the accrued sales commission payable to Geoglobal Partners LLC amounted to HK$12,318,000 (31 December 2004: HK$23,009,000).

(iv) According to loan agreements dated 29 March 2005 entered into between the Company and each of Mr. Lin Chun Kuei, Mr. Andree Halim and Mr. Ng Kin Nam, all being directors of the Company (the "Three Directors"), each of the Three Directors advanced to the Company a loan of approximately HK$5,850,000 (together, the "Shareholders' Loans"). The Shareholders' Loans were unsecured, interest-free and were repayable within one year. On 18 May 2005, the Company then entered into the capitalization of loan agreements (the "Capitalization Agreements") with the Three Directors. According to the Capitalization Agreements, each of the Three Directors conditionally agreed to subscribe for an aggregate of 42,086,000 ordinary shares of the Company (the "Subscription Shares") each in cash at a subscription price of approximately HK$0.139 per Subscription Share that was satisfied by capitalizing each of the Shareholders' Loans. The Subscription Shares were subsequently allotted and issued on 5 July 2005.

## 16. POST BALANCE SHEET EVENTS

(i) On 18 May 2005, the Company entered into the Capitalization Agreements with each of the Three Directors, pursuant to which each of the Three Directors have conditionally agreed to subscribe for an aggregate of 42,086,000 Subscription Shares each in cash at a subscription price of approximately HK$0.139 per Subscription Share by capitalizing the Shareholders' Loans. A special general meeting was held on 30 June 2005 to approve the Capitalization Agreements and the approval from the Stock Exchange for the listing of and permission to deal in the Subscription Shares was obtained after the balance sheet date and the Subscription Shares were subsequently issued and allotted on 5 July 2005. At 30 June 2005, the Shareholders' Loans in an aggregate amount of HK$17,550,000 were classified under non-current liabilities.

(ii) On 17 August 2005, the Group entered into the provisional sale and purchase agreement with an independent third party in relation to the disposal of an office unit in Hong Kong for an aggregate cash consideration of HK$43,000,000 (the "Disposal"). The Disposal is conditional upon obtaining the necessary shareholders' approval on or before 29 November 2005 and completion will take place on or before 17 August 2006. After deducting the expenses in relation to the Disposal, it is expected that approximately HK$19,500,000 net gain will accrue to the Group. The net proceeds of the Disposal of approximately HK$42,000,000 will be used as to approximately HK$6,000,000 and HK$10,000,000 for settling the mortgage and repayment of bank loans secured by the property respectively, approximately HK$5,000,000 will be used for research and development, and approximately HK$15,000,000 to purchase additional raw materials and the remaining HK$6,000,000 for the Group's general working capital.

## 17. COMPARATIVE AMOUNTS

As further explained in note 1 and 2 to the unaudited condensed consolidated interim report, due to the adoption HKFRSs during the current period, the accounting treatment and presentation of certain items and balances have been revised to comply with the new requirements. Accordingly, certain prior year adjustments have been made and certain comparative amounts have been restated to conform with current period's presentation.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Financial Review

For the six months ended 30 June 2005, the Group's unaudited turnover was HK$669,700,000, representing an increase of 28.9% when compared with the corresponding period in the previous year of HK$519,400,000. The increase in turnover was mainly attributed to the continuing significant growth in the U.S. market as compared with the corresponding period in the previous year, with the continuing of the successfulness of marketing new garden and water gardening products since 2004.

Following the substantial growth in turnover, profit attributable to shareholders of the Company for the six months ended 30 June 2005 increased by 11.0% to HK$12,100,000 (six months ended 30 June 2004: HK$10,900,000).

During the period under review, the U.S. and Europe remained the Group's largest selling markets and accounted for 59.4% (six months ended 30 June 2004: 50.7%) and 32.0% (six months ended 30 June 2004: 39.4%) of the Group's turnover respectively.

## Selling, General and Administrative and Other Operating Expenses

During the period under review, the Group incurred selling expenses for a total amount of HK$139,700,000 (six months ended 30 June 2004: HK$85,700,000), representing 20.9% (six months ended 30 June 2004: 16.5%) of the total turnover and an increase of 63.0% when compared to the corresponding period last year. The increase in total selling expenses was mainly due to an increase of sales commission expenses in US market and freight charges etc.

During the period under review, the Group incurred general and administrative expenses for a total amount of HK$70,600,000 (six months ended 30 June 2004: HK$72,900,000), representing 10.5% (six months ended 30 June 2004: 14.0%) of total turnover and a slight decrease of 3.2% when compared to the corresponding period last year. The slight decrease is mainly due to the re-structuring of the European operations.

During the period under review, the Group incurred other operating expenses for HK$430,000 (six months ended 30 June 2004: HK$1,500,000), less than 0.1% (six months ended 30 June 2004: 0.3%) of total turnover.

### Liquidity, Financial Resources and Finance Costs

The Group generally finances its operations with internally generated cash flows and banking facilities. As at 30 June 2005, the Group had aggregate available banking facilities of HK$482,500,000 (31 December 2004: HK$486,500,000), of which HK$379,500,000 (31 December 2004: HK$411,300,000) was utilized and subject to floating market rates. The Group's cash and cash equivalents at that date amounted to HK$48,100,000 (31 December 2004: HK$69,300,000), denominated in United States dollar, Hong Kong dollar, Euro and Renminbi. This together with unutilized banking facilities will enable the Group to fund its operational needs.

As at 30 June 2005, the Group's current ratio and quick ratio were 88.2% (31 December 2004: 90.6%) and 46.3% (31 December 2004: 46.7%) respectively. At that date, the Group's total borrowing amounted to HK$393,900,000 (31 December 2004: HK$375,400,000), which included short-term borrowing and long-term borrowing of HK$338,800,000 (31 December 2004: HK$291,600,000) and HK$55,100,000 (31 December 2004: HK$83,800,000) respectively. Total borrowing amount increased due to an increase of trade financing as a result of higher turnover. As at 30 June 2005, the Group's gearing ratio, defined as total borrowing as percentage of total assets, was 43.9% (31 December 2004: 42.2% (restated)).

Total financial costs incurred by the Group for the six months ended 30 June 2005 was HK$13,500,000 (six months ended 30 June 2004: HK$10,500,000). The Group continues to implement prudent financing policy to reduce short-term borrowing as much as possible in order to ensure that the Group will not be affected by short-term uncertainties and exchange rate fluctuation.

### Capital Expenditure

The Group incurred a total capital expenditure of HK$34,000,000 (six months ended 30 June 2004: HK$21,700,000) for six months ended 30 June 2005, which included HK$14,900,000 (six months ended 30 June 2004: HK$2,200,000) for expanding the manufacturing plants and acquiring machinery and equipment in the PRC, HK$3,400,000 (six months ended 30 June 2004: HK$3,000,000) for acquiring machinery, office and production equipment in Europe, HK$15,700,000 (six months ended 30 June 2004: HK$16,500,000) for acquiring other fixed assets and intangible assets.

### Shareholders' Loans and Placement of New Shares

On 29 March 2005, the Company entered into the loan agreements with each of Mr. Lin Chun Kuei, Mr. Andree Halim and Mr. Ng Kin Nam (the "Three Directors"), pursuant to which each of the Three Directors has agreed to lend a sum of approximately HK$5,900,000 to the Company (the "Shareholders' Loans"). On 18 May 2005, the Company entered into the capitalization of loan agreements with each of the Three Directors, pursuant to which each of the Three Directors agreed to subscribe for approximately 42,100,000 shares of the Company in cash at a subscription price of HK$0.139 per share. The subscription price payable by each of the Three Directors was satisfied by capitalizing the entire amount of the Shareholders' Loans. The approval from the Stock Exchange for the listing of, and permission to deal in the subscribed shares was obtained on 5 July 2005 and these subscribed shares were subsequently issued and allotted on 5 July 2005.

The net proceeds of approximately HK$17,600,000 was used as to approximately HK$12,000,000 for the purchase of raw materials and packing materials, as to approximately HK$2,000,000 as salaries of factory workers in the PRC and as to approximately HK$3,600,000 as general working capital of the Group.

### Foreign Exchange Exposure

During the period under review, the Group's major revenue was denominated in United States dollars and Euros, while banking facilities repayment and purchase were made essentially in the corresponding currencies and Renminbi, thus establishing a natural hedge. During the period under review, the Group was exposed to low risks of exchange fluctuations. To further reduce exchange risks, the Group has utilized foreign exchange hedging tools and will continue to closely monitor exchange rate movements.

### Impact of the Revaluation of Renminbi

The People's Bank of China announced on 21 July 2005 that the exchange rate of the U.S. dollar against Renminbi would be adjusted to RMB8.11 per U.S. dollar and that Renminbi's peg to the U.S. dollar would be replaced with a more elastic exchange rate regime. The revaluation of Renminbi has caused slightly adverse impacts to the Group. To reduce the further impact in the future, the Group has negotiated to reduce the bank borrowing facilities nominated in Renminbi and transfer the exchange loss to the suppliers.

### Contingent Liability

As at 30 June 2005, the Group had contingent liabilities of HK$8,300,000 (31 December 2004: HK$44,800,000) for bills discounted with recourse and standby letters of credit.

### Charges on Assets

As at 30 June 2005, certain assets of the Group with aggregate carrying value of HK$356,400,000 (31 December 2004: HK$344,800,000) were pledged to secure loan facilities utilized by the Group.

### Employees

As at 30 June 2005, the Group had a total of 7,607 (30 June 2004: 7,302) employees. Total staff cost incurred during the six months ended 30 June 2005 amounted to approximately HK$85,600,000 (six months ended 30 June 2004: HK$79,000,000). The Group offers a comprehensive remuneration policies which are reviewed by the management on a regular basis.

The company adopts a share option scheme which complies with the requirements of Chapter 17 of the Listing Rules.

### Disposal of the Office Premises

On 17 August 2005, the Group entered into a provisional agreement with an independent third party to sell the office premises in Hong Kong in view of the current improving financial and property markets. The aggregate consideration is HK$43,000,000, and the completion of the transaction is pending for the shareholders' approval and is expected to be not later than 17 August 2006. Consequently the Group will record a gain on disposal of approximately HK$19,500,000. Besides, the net proceeds will be used to reduce the bank borrowing and further enhance the liquidity of the Group.

### Business Review

Despite the costs increasing elements during the period under review, such as raising raw materials worldwide and labour costs increase due to shortage of labour supply at certain areas in the PRC, the Group recorded positive operating results for the six months ended 30 June 2005. The Group has transferred gradually part of the raising costs to the customers through selling prices increase and stocked up raw material inventory to avoid the possible increase of the raw material cost; consequently, the gross profit margin was slightly improved to 35.0% (six months ended 30 June 2004: 33.5%). The management expected that the above elements will continuously affect the Group, and therefore the management has been closely monitoring the cost trend in order to maintain satisfactory operating results.

With the continuing well acceptance of the new products in the markets, the Group achieved a significant growth of turnover of 28.9% as compared with the corresponding period last year. During the period under review, the Group has received a large amount of recurring orders of planter, water fountain, water pump, candles, from the major chain store customers in the U.S. The products have become the best selling products in the market since last quarter of 2004.

## Business Prospects and Outlook

The candle factory in Ho Chi Minh City, Vietnam and polyresin factories in Shanwei City, Guangdong Province in the PRC have since commenced operations. The Group's production capacity has been greatly increased and is sufficient to fulfill all of the orders in the next few years.

The latest feedback from our customers had strengthened the Group's confidence on the business growth and profitability. The management forecasted that the Group would achieve a record high turnover for year 2005. However, to maximize the shareholders' returns, the management will continue to take conservative approach and streamline the operations.

# OTHER INFORMATION

## Directors' and Chief Executive's Interests in the Company

At as 30 June 2005, the interests or short positions of the directors (the "Directors") and chief executive of the Company in the shares (the "Shares"), underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), which (a) 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 they were taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) 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, were as follows:

Long positions in ordinary Shares of the Company:

| Name of Director | *Notes* | Number of Shares held, capacity and nature of interest<br>Personal | Family | Corporate | Total | Percentage of the Company's issued share capital |
|---|---|---|---|---|---|---|
| Mr. Lin Chun Kuei | *1* | 74,873,200 | – | – | 74,873,200 | 10.24 |
| Mr. Lin Chun Fu | | 33,690,800 | – | – | 33,690,800 | 4.61 |
| Mr. Andree Halim | *2* | – | – | 102,300,000 | 102,300,000 | 14.00 |
| Mr. Ng Kin Nam | *3* | 24,157,200 | 7,601,000 | 88,359,800 | 120,118,000 | 16.43 |
| | | 132,721,200 | 7,601,000 | 190,659,800 | 330,982,000 | 45.28 |

*Notes:*

1. On 5 July 2005, 42,086,000 new Shares were allotted to Mr. Lin Chun Kuei in accordance with a Capitalisation Agreement between Mr. Lin Chun Kuei and the Company.

2. Tian Wan Pte. Ltd. is the beneficial owner of 102,300,000 Shares. The entire issued share capital of Tian Wan Pte. Ltd. is beneficially owned as to 50% each by Mr. Andree Halim and Mr. Daniel Halim, the son of Mr. Andree Halim. Accordingly, Mr. Andree Halim is deemed to be interested in the 102,300,000 Shares beneficially owned by Tian Wan Pte. Ltd.

   On 5 July 2005, 42,086,000 new Shares were allotted to Mr. Andree Halim in accordance with a Capitalisation Agreement between Mr. Andree Halim and the Company.

3. Jade Investment Limited is the beneficial owner of 88,359,800 Shares. The entire issued share capital of Jade Investment Limited is beneficially owned as to 50% each by Mr. Ng Kin Nam and Ms. Jocelyn O. Angeleslao, the spouse of Mr. Ng Kin Nam. Accordingly, Mr. Ng Kin Nam is deemed to be interested in the 88,359,800 Shares beneficially owned by Jade Investment Limited.

   Mr. Ng Kin Nam is also deemed to be interested in the 7,601,000 Shares beneficially owned by Ms. Jocelyn O. Angeleslao.

   On 5 July 2005, 42,086,000 new Shares were allotted to Mr. Ng Kin Nam in accordance with a Capitalisation Agreement between Mr. Ng Kin Nam and the Company.

### Directors' and Chief Executive's Interests in the Company *(continued)*

In addition to the above, certain Directors hold shares in certain subsidiaries of the Company, in a non-beneficial capacity, solely for the purpose of complying with minimum company membership requirements.

Save as disclosed above, as at 30 June 2005, so far as is known to, or can be ascertained after reasonable enquiry by, the Directors, none of the Directors or chief executive of the Company had any interest or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO, which (a) 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 (b) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) 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.

### Directors' rights to Acquire Shares or Debentures

Apart from as disclosed under the headings "Directors' and Chief Executive's Interests in the Company" and "Share Option Scheme", at no time during the six months ended 30 June 2005 were 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 Option Scheme

The Company adopts a share option scheme which complies with the requirements of Chapter 17 of the Listing Rules.

During the six months ended 30 June 2005, no options were granted or exercised under the share option scheme.

## Substantial Shareholders

At as 30 June 2005, so far as is known to the Directors, the following persons (other than a Director or chief executive of the Company) had an interest or short position in the Shares, or underlying Shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 and Part XV of the SFO, or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital (including any options in respect of such capital) carrying rights to vote in all circumstances at general meetings of any other member of the Group:

(i) Long positions in Shares of the Company:

| Name | *Notes* | Capacity and nature of interest | Number of ordinary Shares held | Percentage of the Company's issued share capital |
|---|---|---|---|---|
| Jocelyn O. Angeleslao | *1* | Through a controlled corporation | 88,359,800 | 12.09 |
| | *1* | Directly beneficially owned | 7,601,000 | 1.04 |
| | *1* | Through the spouse | 24,157,200 | 3.30 |
| | | | 120,118,000 | 16.43 |
| Tian Wan Pte. Ltd. | *2* | Directly beneficially owned | 102,300,000 | 14.00 |
| Daniel Hailm | *2* | Through a controlled corporation | 102,300,000 | 14.00 |
| Jade Investment Limited | *3* | Directly beneficially owned | 88,359,800 | 12.09 |
| Lin Huang Su Feng | *4* | Through the spouse | 74,873,200 | 10.24 |
| Huang Chun Chieh | *5* | Directly beneficially owned | 35,053,000 | 4.80 |
| | *5* | Through the spouse | 8,300,000 | 1.13 |
| | | | 43,353,000 | 5.93 |
| Huang Chiu Kuei | *6* | Directly beneficially owned | 8,300,000 | 1.13 |
| | *6* | Through the spouse | 35,053,000 | 4.80 |
| | | | 43,353,000 | 5.93 |

## Substantial Shareholders *(continued)*

*Notes:*

1. Ms. Jocelyn O. Angeleslao is the spouse of Mr. Ng Kin Nam, an Executive Director, and the beneficial owner of 50% of the existing issued share capital of Jade Investment Limited. Accordingly, she is deemed to be interested in the 24,157,200 Shares beneficially owned by Mr. Ng Kin Nam and the 88,359,800 Shares beneficially owned by Jade Investment Limited. She is also the beneficial owner of 7,601,000 Shares.

   On 5 July 2005, 42,086,000 new Shares were allotted to Mr. Ng Kin Nam in accordance with a Capitalisation Agreement between Mr. Ng Kin Nam and the Company. Accordingly, she is deemed to be interested in the 42,086,000 Shares beneficially owned by Mr. Ng Kin Nam.

2. Tian Wan Pte. Ltd. is the beneficial owner of 102,300,000 Shares. The entire issued share capital of Tian Wan Pte. Ltd. is beneficially owned as to 50% each by Mr. Andree Halim and Mr. Daniel Halim, the son of Mr. Andree Halim. Accordingly, Mr. Daniel Halim is deemed to be interested in the 102,300,000 Shares beneficially owned by Tian Wan Pte. Ltd.

3. Jade Investment Limited is the beneficial owner of 88,359,800 Shares.

4. Ms. Lin Huang Su Feng is the spouse of Mr. Lin Chun Kuei, an Executive Director. Accordingly, she is deemed to be interested in the 74,873,200 Shares which are beneficially owned by Mr. Lin Chun Kuei.

   On 5 July 2005, 42,086,000 new Shares were allotted to Mr. Lin Chun Kuei in accordance with a Capitalisation Agreement between Mr. Lin Chun Kuei and the Company. Accordingly, she is deemed to be interested in the 42,086,000 Shares beneficially owned by Mr. Lin Chun Kuei.

5. According to a Form 1 of Individual Substantial Shareholder Notice filed with the Stock Exchange on 7 April 2004, Mr. Huang Chun Chieh is the beneficial owner of 35,053,000 Shares and is deemed to be interested in the 8,300,000 Shares beneficially owned by his spouse, Ms. Huang Chiu Kuei.

6. According to a Form 1 of Individual Substantial Shareholder Notice filed with the Stock Exchange on 7 April 2004, Ms. Huang Chiu Kuei is the beneficial owner of 8,300,000 Shares and is deemed to be interested in the 35,053,000 Shares beneficially owned by her spouse, Mr. Huang Chun Chieh.

(ii) Long positions in Shares of subsidiaries of the Company:

| Name of subsidiary | Name of substantial shareholder | Percentage of shareholding |
|---|---|---|
| Peaktop Technologies (USA) Hong Kong Limited | Geoglobal Partners LLC | 49 |
| Waterwerks Pty. Ltd. | Infiniti Marketing Group Pty. Ltd. | 10 |

Save as disclosed above, as at 30 June 2005, so far as is known to the Directors, no other person (other than a Director or chief executive of the Company) had an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital (including any options in respect of such capital) carrying rights to vote in all circumstances at general meetings of any other member of the Group.

### Post Balance Sheet Events

Details of the significant post balance sheet events of the Group are set out in note 16 to the Unaudited Condensed Consolidated Interim Report.

### Purchase, Sale or Redemption of Listed Securities of the Company

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2005.

### Corporate Governance

The Company has complied with the Code of Corporate Governance Practices (the "CG Code") as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2005, with deviations from code provisions A.2.1, A.4.1 and A.4.2 of the CG Code in respect of the separate roles of Chairman and Chief Executive Officer ("CEO"), appointment of Independent Non-executive Directors for specific terms and rotation of Directors.

Code A.2.1 of the CG Code provides that the roles of Chairman and CEO should be separate and should not be performed by the same individual and the division of responsibilities between the Chairman and CEO should be clearly established and set out in writing. However, Mr. Lin Chun Kuei has been the Chairman and CEO of the Company since his appointment to the Board. Mr. Lin is responsible for formulating the overall business strategy and plans of the Group.

Code A.4.1 of the CG Code provides that Non-executive Directors should be appointed for a specific term, subject to re-election. Currently, the three Independent Non-executive Directors are not appointed for a specific term but are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provisions of the Bye-laws of the Company.

Code A.4.2 of the CG Code provides that all Directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment, and every Director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. According to Bye-law 111(A) of the Bye-laws of the Company, no Director holding office as Chairman or Deputy Chairman or the office of managing Director or joint managing Director shall be subject to retirement by rotation or be taken into account in determining the number of Directors to retire. This constitutes a deviation from the CG Code. In order to comply with the CG Code, the Board is reviewing the Bye-laws of the Company and relevant amendments to the same will be proposed to the shareholders of the Company for approval.

### Corporate Governance *(continued)*

The Company is committed to high standards of corporate governance practices. In April 2005, the Company has set up a remuneration committee responsible for formulating and making recommendation to the Board on the Group's policy and structure for all the remunerations of the Directors and senior management and on the establishment of a formal and transparent procedures for developing policy on such remuneration.

At the same time, the Company has also set up a nomination committee responsible for nominating and affirming candidates approved by the Board, reviewing the structure and composition of the Board on a regular basis, ensuring the competitive position of the organization, evaluating the leadership abilities of Executive and Non-executive Directors and ensuring fair and transparent procedures for the appointment of Directors to the Board.

### Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors by Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules. Upon enquiry by the Company, all Directors have confirmed that they have complied with the required standards set out in the Model Code throughout the six months ended 30 June 2005.

### Audit Committee

The Audit Committee comprises the three Independent Non-executive Directors of the Company. The Audit Committee has reviewed with the management of the Company the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters including the review of the unaudited interim financial statements for the six months ended 30 June 2005.

### Appreciation

The Board would like to express its sincere appreciation to the bankers, suppliers, customers, shareholders and staff for their continued support to the Group.

On behalf of the Board
**Lin Chun Kuei**
*Chairman*

Hong Kong, 9 September 2005