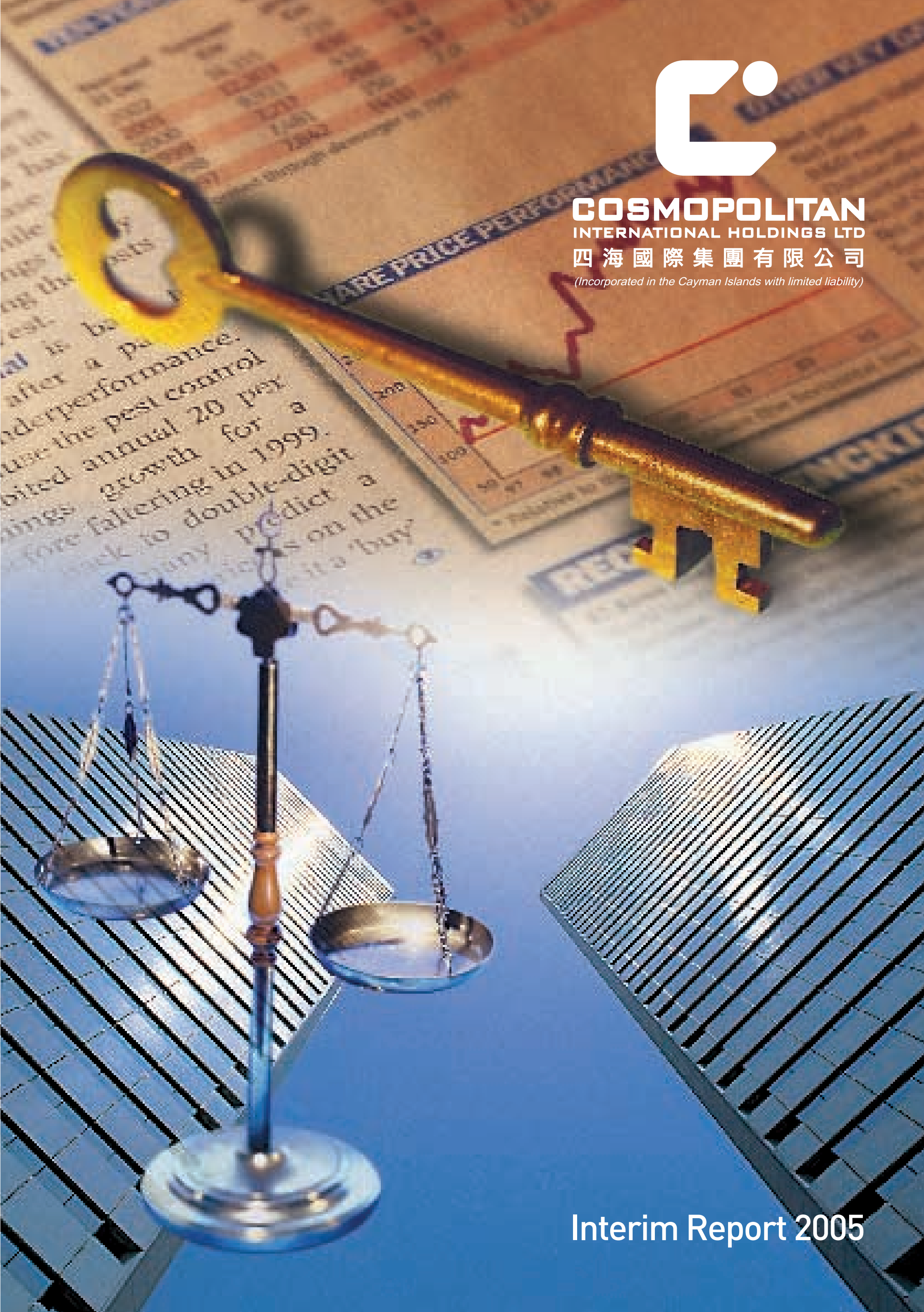

COSMOPOLITAN INTERNATIONAL HOLDINGS LTD

四海國際集團有限公司

(Incorporated in the Cayman Islands with limited liability)

Interim Report 2005

GROUP RESULTS

The board of directors of Cosmopolitan International Holdings Limited (the "Company") announces the unaudited consolidated results of the Company and its subsidiaries ("the Group") for the six months ended 30 September 2005 with comparative figures for the six months ended 30 September 2004 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2005

	Notes	**Unaudited Six months ended 30 September 2005 HK$'000**	Unaudited Six months ended 30 September 2004 (restated) HK$'000
TURNOVER			
Services income		**1,365**	1,099
Other revenue		**533**	327
Administrative and operating expenses		**(6,572)**	(8,257)
Gain on disposal of investment properties		**–**	29,497
Unrealised holding gains of trading securities		**–**	164
Change in fair value of financial assets at fair value through profit or loss		**(7,266)**	–
(LOSS)/PROFIT FROM OPERATIONS		**(11,940)**	22,830
Finance costs		**(302)**	(12)
Share of results of an associate		**(909)**	(476)
(LOSS)/PROFIT BEFORE TAXATION		**(13,151)**	22,342
Income tax expenses	5	**–**	–
(LOSS)/PROFIT FOR THE PERIOD		**(13,151)**	22,342
ATTRIBUTABLE TO:			
Equity holders of the Company		**(13,154)**	22,298
Minority interests		**3**	44
		(13,151)	22,342
DIVIDENDS	6	**–**	–
(LOSS)/EARNINGS PER SHARE			
– Basic	7	**(2.47 HK cents)**	4.19 HK cents
– Diluted	7	**N/A**	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

At 30 September 2005

	Notes	Unaudited 30 September 2005 HK$'000	Audited 31 March 2005 (restated) HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**1,256**	1,268
Interests in an associate		**17,986**	18,895
Goodwill		**7,707**	8,807
Investments in securities		**–**	14,360
Available-for-sale investments		**14,000**	–
Held-to-maturity investments		**360**	–
		41,309	43,330
CURRENT ASSETS			
Accounts receivables	8	**1,437**	929
Prepayments, deposits and other receivables		**48,740**	20,556
Investments in securities		**–**	15,937
Financial assets at fair value through profit or loss		**8,671**	–
Bank balances and cash		**799**	18,166
		59,647	55,588
CURRENT LIABILITIES			
Accrued liabilities and other payables		**2,297**	1,231
Amounts due to minority shareholders		**3,208**	3,106
Borrowing		**14,021**	–
		19,526	4,337
NET CURRENT ASSETS		**40,121**	51,251
TOTAL ASSETS LESS CURRENT LIABILITIES		**81,430**	94,581
NON-CURRENT LIABILITIES			
Government lease regrant premium		**38**	38
		81,392	94,543
CAPITAL AND RESERVES			
Share capital	9	**532**	532
Reserves		**80,076**	93,230
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		**80,608**	93,762
MINORITY INTERESTS		**784**	781
		81,392	94,543

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2005

	Attributable to equity holders of the Company										
	Issued capital HK$'000	Share premium HK$'000	Capital redemption reserve HK$'000	Capital reserve HK$'000	Exchange fluctuation reserve HK$'000	Investment property revaluation reserve HK$'000	Contributed surplus HK$'000	Retained profits/ (accumulated losses) HK$'000	Total HK$'000	Minority interests HK$'000	Total equity HK$'000
At 1 April 2005, as originally stated (Audited)	532	–	209	28,309	384	–	26,801	37,467	93,702	781	94,483
Effect of changes in accounting policy	–	–	–	–	–	–	–	60	60	–	60
At 1 April 2005, as restated	532	–	209	28,309	384	–	26,801	37,527	93,762	781	94,543
Loss for the period	–	–	–	–	–	–	–	(13,154)	(13,154)	3	(13,151)
At 30 September 2005 (Unaudited)	532	–	209	28,309	384	–	26,801	24,373	80,608	784	81,392
At 1 April 2004, as originally stated (Audited)	532	–	209	28,309	384	25,753	26,801	20,020	102,008	195	102,203
Effect of changes in accounting policy	–	–	–	–	–	–	–	737	737	–	737
At 1 April 2004, as restated	532	–	209	28,309	384	25,753	26,801	20,757	102,745	195	102,940
Profit for the period, as originally stated	–	–	–	–	–	–	–	26,122	26,122	44	26,166
Effect of changes in accounting policy	–	–	–	–	–	–	–	(3,824)	(3,824)	–	(3,824)
Profit for the period, as restated	–	–	–	–	–	–	–	22,298	22,298	44	22,342
Released on disposal	–	–	–	–	–	(25,753)	–	–	(25,753)	–	(25,753)
At 30 September 2004 (Unaudited)	532	–	209	28,309	384	–	26,801	43,055	99,290	239	99,529

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 September 2005

	Unaudited Six months ended 30 September 2005 HK$'000	Unaudited Six months ended 30 September 2004 HK$'000
Net cash used in operating activities	**(30,893)**	(17,972)
Net cash (used in)/flow from investing activities	**(193)**	14,867
Net cash flow from/(used in) financing activities	**13,719**	(7,248)
Net decrease in cash and cash equivalents	**(17,367)**	(10,353)
Cash and cash equivalents at beginning of period	**18,166**	24,829
Cash and cash equivalents at end of period	**799**	14,476
Analysis of balance of cash and cash equivalents		
Cash and bank balances	**799**	14,476

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 (the "Listing Rules") and with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

2. PRINCIPAL ACCOUNTING POLICIES

The condensed financial statements have been prepared under the historical cost basis, except for certain properties and financial instruments, which are measured at fair values or revalued amounts, as appropriate.

The accounting policies used in the condensed financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2005 except as described below.

In the current period, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards ("HKFRS(s)"), Hong Kong Accounting Standards ("HKAS(s)") and Interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the HKICPA that are effective for accounting periods beginning on or after 1 January 2005. The application of the new HKFRSs has resulted in a change in the presentation of the income statement, balance sheet and the statement of changes in equity. In particular, the presentation of minority interests has been changed. The changes in presentation has been applied retrospectively. The adoption of the new HKFRSs has also resulted in changes to the Group's accounting policies in the following areas that have an effect on how the results for the current or prior accounting periods are prepared and presented:

(i) Business combinations

HKFRS 3 "Business Combinations" is effective for business combinations for which the agreement date is on or after 1 January 2005. The principal effects of the application of HKFRS 3 to the Group are in relation to goodwill.

In previous periods, goodwill arising on acquisitions was capitalised and amortised over its estimated useful life. The Group has applied the relevant transitional provisions in HKFRS 3. With respect to goodwill previously capitalised on the balance sheet, the Group has discontinued amortising such goodwill from 1 April 2005 onwards, the net carrying value of goodwill as at 31 March 2005 was reclassified as cost of goodwill on 1 April 2005 and goodwill will be tested for impairment at least annually. Goodwill arising on acquisitions after 1 January 2005 is measured at cost less accumulated impairment losses (if any) after initial recognition. As a result of this change in accounting policy, no amortisation of goodwill has been charged in the current period. Comparative figures for 31 March 2005 have not been restated.

(ii) Associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(ii) Associates (Continued)

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment.

The results and assets and liabilities of associates are incorporated in the financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interest that, in substance, form part of the Group's net investment in the associate) are not recognised.

The Group's investment in the China Investment Fund Company Limited ("CIF") and its subsidiaries (collectively referred to as the "CIF Group") represents approximately 26% (31 March 2005: 26%) holding of the ordinary shares of CIF. In prior years, the Group has not accounted for the CIF Group as associate but investments in securities as the investment in the shares of CIF is intended to be held for the purpose of future disposal. The investment in CIF had not been disposed of within twelve months from the date of acquisition. Under HKAS 28 "Investments in Associates", the investment in CIF is accounted for using equity method as from the date of acquisition. Financial statements for the periods/years since acquisition have been restated.

The adoption of HKAS 28 has resulted in the increase of retained earnings as at 31 March 2005 by HK$60,000, the decrease in net profits for the six months period ended 30 September 2004 by HK$3,824,000, decrease of investments in securities of HK$18,835,000 and increase of interests in associates of HK$18,895,000. Had the investment in CIF not been reclassified as interests in associates from the date of acquisition according to HKAS 28, it would have been classified as "financial assets at fair value through profit or loss" from 1 April 2005 and onward according to note 2(iii) as below.

(iii) Financial instruments

HKAS 32 "Financial Instruments: Disclosure and Presentation" requires retrospective application whereas HKAS 39 "Financial Instruments: Recognition and Measurement", which is effective for annual periods beginning on or after 1 January 2005, generally does not permit to recognise, derecognise or measure financial assets and liabilities on a retrospective basis. The application of HKAS 32 has no material effect in the presentation of financial instruments in the financial statements of the Group. The principal effects on the Group resulting from the implementation of HKAS 39 are summarised below:

Classification and measurement of financial assets and financial liabilities

The Group has applied the relevant transitional provisions in HKAS 39 with respect to classification and measurement of financial assets and financial liabilities that are within the scope of HKAS 39.

(iii) Financial instruments (Continued)

Classification and measurement of financial assets and financial liabilities (Continued)

On or before 31 March 2005, the Group classified and measured its equity securities in accordance with the benchmark treatment of Statement of Standard Accounting Practice 24 "Accounting for Investments in Securities" ("SSAP 24") issued by the HKICPA. Under SSAP 24, investments in debt or equity securities are classified as "investment securities", "other investments" or "held-to-maturity investments" as appropriate. "Investment securities" are carried at cost less impairment losses (if any) while "other investments" are measured at fair value, with unrealised gains or losses included in the profit or loss. Held-to-maturity investments are carried at amortised cost less impairment losses (if any).

From 1 April 2005 onwards, the Group classifies and measures its debt and equity securities in accordance with HKAS 39. Under HKAS 39, financial assets are classified as "financial assets at fair value through profit or loss", "available-for-sale investments", "loans and receivables", or "held-to-maturity investments". The classification depends on the purpose for which the assets are acquired. "Financial assets at fair value through profit or loss" and "available-for-sale investments" are carried at fair value, with changes in fair values recognised in profit or loss and equity respectively. For certain available-for-sale investments which are investment in equity instruments whose fair value cannot be reliably measured, they are measured at cost less impairment which cannot be reversed subsequently. "Loans and receivables" and "held-to-maturity investments" are measured at amortised cost using the effective interest method.

On 1 April 2005, the Group classified and measured its debt and equity securities in accordance with the requirements of HKAS 39. The Group classifies its investments in securities as available-for-sale investments, held-to-maturity investments and financial assets at fair value through profit or loss.

Except as disclosed in note 2(ii) above, the change has had no material effect on the results for the current or prior periods.

Financial assets and financial liabilities other than debt and equity securities

From 1 April 2005 onwards, the Group classifies and measures its financial assets and financial liabilities other than debt and equity securities (which were previously outside the scope of SSAP 24) in accordance with the requirements of HKAS 39. As mentioned above, financial assets under HKAS 39 are classified as "financial assets at fair value through profit or loss", "available-for-sale investments", "loans and receivables" or "held-to-maturity investments". Financial liabilities are generally classified as "financial liabilities at fair value through profit or loss" or "financial liabilities other than financial liabilities at fair value through profit or loss (other financial liabilities)". "Other financial liabilities" are carried at amortised cost using the effective interest method. The adoption of HKAS 39 has had no material effect on the results for the current or prior periods.

3. POTENTIAL IMPACT ARISING ON THE NEW ACCOUNTING STANDARDS NOT YET EFFECTIVE

The Group has not early applied the following new HKFRSs that have been issued but are not yet effective. The directors of the Company anticipate that the application of these HKFRSs will have no material impact on the financial statements of the Group:

HKAS 1 (Amendment) Capital Disclosures

HKAS 19 (Amendment) Actuarial Gains and Losses, Group Plan and Disclosures

HKAS 39 (Amendment) Cash Flow Hedge Accounting of Forecast Intragroup Transactions

HKAS 39 (Amendment) The Fair Value Option

HKAS 39 and HKFRS 4 (Amendments) Financial Guarantee Contracts

HKFRS 6 Exploration for and Evaluation of Mineral Resources

HKFRS 7 Financial Instruments: Disclosures

HKFRS – INT 4 Determining whether an Arrangement Contains a Lease

HKFRS – INT 5 Rights to Interests Arising from Decommissing, Restoration and Environmental Rehabilitation Funds

HK (IFRIC) – INT 6 Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment

4. SEGMENT INFORMATION

Segment information is presented in respect of the Group's business and geographical segments. Business segment information is chosen as the primary reporting format because this is more relevant to the Group's internal financial reporting.

Business segments

The Group comprises the following main business segments:

(a) the information technology segment – provides information technology system and service wireless Internet access; and

(b) the securities trading segment – invests in securities listed on global stock markets; and

(c) the property investment segment – invests in residential units and office space for their rental income potential.

4. SEGMENT INFORMATION (CONTINUED)

	Information Technology Unaudited		Securities Trading Unaudited		Property Investment Unaudited		Consolidated Unaudited	
	Six months ended 30 September 2005 HK$'000	Six months ended 30 September 2004 HK$'000	**Six months ended 30 September 2005 HK$'000**	Six months ended 30 September 2004 HK$'000	**Six months ended 30 September 2005 HK$'000**	Six months ended 30 September 2004 HK$'000	**Six months ended 30 September 2005 HK$'000**	Six months ended 30 September 2004 HK$'000
Segment revenue	**1,365**	1,099	**-**	–	**-**	–	**1,365**	1,099
Gain on disposals of investment properties	**-**	–	**-**	–	**-**	29,497	**-**	29,497
Unrealised holding gains on trading securities	**-**	–	**-**	164	**-**	–	**-**	164
Change in fair value of financial assets at fair value through profit or loss	**-**	–	**(7,266)**	–	**-**	–	**(7,266)**	–
Allocated expenses	**(3,688)**	(2,088)	**-**	–	**-**	(948)	**(3,688)**	(3,036)
Segment results	**(2,323)**	(989)	**(7,266)**	164	**-**	28,549	**(9,589)**	27,724
Interest Income							**175**	93
Other revenue							**358**	234
Unallocated expenses							**(2,884)**	(5,221)
(Loss)/profit from operations							**(11,940)**	22,830
Finance costs							**(302)**	(12)
Share of results of an associate							**(909)**	(476)
(Loss)/profit for the period							**(13,151)**	22,342

4. SEGMENT INFORMATION (CONTINUED)

Geographical Segments

	Hong Kong Unaudited		The People's Republic of China (excluding Hong Kong) Unaudited		Consolidated Unaudited	
	Six months ended 30 September 2005 HK$'000	Six months ended 30 September 2004 HK$'000	**Six months ended 30 September 2005 HK$'000**	Six months ended 30 September 2004 HK$'000	**Six months ended 30 September 2005 HK$'000**	Six months ended 30 September 2004 HK$'000
Segment revenue	**–**	–	**1,365**	1,099	**1,365**	1,099
Segment results	**(10,941)**	23,306	**(2,210)**	(964)	**(13,151)**	22,342

5. INCOME TAX EXPENSE

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits during the period (2004: Nil).

Oversea tax is calculated at the rates applicable in the respective jurisdictions.

The Group had no material unprovided deferred tax liabilities at the end of the period.

6. DIVIDENDS

The directors did not recommend any payment of interim dividend (six months ended 30 September 2004: Nil) for the period ended 30 September 2005.

7. (LOSS)/EARNINGS PER SHARE

The calculation of basic (loss)/earnings per share is based on the loss attributable to equity holders of the Company of HK$13,154,000 (six months ended 30 September 2004 (restated): profit of HK$22,298,000) and on the weighted average number of 532,100,000 ordinary shares.

No diluted loss per share is presented for the six months period ended 30 September 2005 as there was no potential dilutive share during the period.

No diluted earnings per share is presented for the six months period ended 30 September 2004 as the potential ordinary shares outstanding during that period was anti-dilutive.

8. ACCOUNTS RECEIVABLES

The Group normally allows an average credit period of 30 to 60 days to its trade customers. The Group extends the normal credit term to 120 days to certain major and reputable customers.

The following is an aged analysis of accounts receivables at the balance sheet date:

	Unaudited 30 September 2005 HK$'000	Audited 31 March 2005 HK$'000
< 30 days	**441**	628
31 – 60 days	**143**	141
61 – 120 days	**566**	35
> 120 days	**287**	125
	1,437	929

9. SHARE CAPITAL

During the period, there was no movement in share capital.

10. OPERATING LEASE

At the balance sheet date, the Group had commitment for future minimum lease payments under a non-cancellable operating lease which fall due as follows:

	Unaudited 30 September 2005 HK$'000	Audited 31 March 2005 HK$'000
Within one year	**26**	120

Operating lease payments represent rentals payable by the Group for its office premises. The lease was negotiated for a term of one year and with fixed rentals.

11. CONTINGENT LIABILITIES

Save as disclosed in the annual financial statements for the year ended 31 March 2005 of the Group, no member of the Group is engaged in any litigation or arbitration of material importance and there is no litigation or claim of material importance known to the directors to be pending or threatened by or against the Company or any of its subsidiaries.

12. COMPARATIVE FIGURES

Certain comparative figures as detailed in note 2(ii) above have been restated.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

For the six months ended 30 September 2005 (the "Current Period"), the Group incurred a loss before tax and minority interests of approximately HK$13,151,000 compared with a profit of approximately HK$22,342,000 for the same period last year. Net loss attributable to shareholders for the Current Period amounted to HK$13,154,000 compared with a net profit of approximately HK$22,298,000 for the same period last year. As compared to the corresponding period in last years, a substantial loss for the Current Period is principally due to the following reasons:

(i) There were no disposals of investment properties for the Current Period compared to its records high amount of disposal gains of HK$29,497,000 for the corresponding period in last year; and

(ii) significant provision made on a trading security of which the recoverable amount is less than the carrying amount. The provision has been reflected in the consolidated income statement.

GENERAL

There were no material acquisitions and disposals of subsidiaries and associates in the Current Period, except for the Group's investment in the China Investment Fund Company Limited ("CIF") and its subsidiaries (collectively referred as the "CIF Group") represents approximately 26% (31 March 2005: 26%) holding of the ordinary shares of CIF. In prior years, the Group has not accounted for the CIF Group as associates as the investment in the shares of CIF is intended to be held for the purpose of future disposal. Due to the adoption of HKAS 28 "Investments in Associates", the investment in CIF is accounted for using equity method of accounting as from the date of acquisition. Financial statements for the periods/years since acquisition have been restated, please refer to principal accounting policies in the note 2(ii) to the condensed financial statements.

INTERIM DIVIDEND

The board of directors does not recommend the payment of an interim dividend for the Current Period (2004: Nil).

REVIEW OF OPERATIONS

The principal activities of the Group continues to be securities investments and provision of information technology services. During the Current Period, the increase in turnover was mainly attributed to the contribution from the provision of information technology services.

Operating expenses had been well contained while finance cost increased as a result of the increase in borrowing.

Property Investment

The sale and purchase agreement entered on 24 September 2004, by a wholly owned subsidiary of the Group to acquire the entire issued share capital of a company which major asset is a piece of land in Hong Kong at a consideration of US$2,700,000 (equivalent to HK$21,060,000). The transaction has not been completed due to certain conditions have not been satisfied. A supplemental agreement was entered in order to extent the date of completion for three months for further negotiations in relation to the amount of premium payable to the relevant government departments and for details, please refers to the Company's announcement dated 26 September 2005. The directors of the Company (the "Directors") are monitoring closely with the progress of the negotiations and have put in continuous efforts for the interest of the Group and the shareholders of the Company as a whole.

REVIEW OF OPERATIONS (CONTINUED)

Securities Investment

During the Current Period, the change in fair value of financial assets at fair value through profit or loss was mainly attributable to a significant provision of the amount of approximately HK$7.4 million to a listed warrant, the provision made is to reflect the fair value of the warrant as at 30 September 2005.

Provision of Information Technology Services

Given the huge potentials in the China and overseas market, provision of information technology service (the "IT") is expected to be a strong and major engine of revenue growth for the Group and produced an excellent set of results for the Current Period, contributed turnover of the Group amounted to approximately HK$1,365,000, an increase of 24% compared with the turnover of approximately HK$1,099,000 for the same period last year.

Since last year, the IT has embarked on an expansion plan with an aim to build full range of information technology services into a stronger position in the China market over the next few years. In 2005, IT has stepped up its marketing campaign through exhibitions and promotional events, and has generated strong and positive responses from its customers. Existing distribution channels are being expanded due to positive demand and requests from potential customers.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group has continued to adopt prudent financial policies. The Group's current assets and current liabilities as at 30 September 2005 were HK$59,647,000 and HK$19,526,000 respectively (31 March 2005: HK$55,588,000 and HK$4,337,000 respectively). As at 30 September 2005, the Group had bank balances and cash of approximately HK$799,000 (31 March 2005: HK$18,166,000), and borrowing of HK$14,021,000 (31 March 2005: Nil). As at 30 September 2005, the Group's gearing ratio, which was calculated on the basis of borrowing to shareholders' equity was 17.39% (31 March 2005: Nil).

As at 30 September 2005, there was no charge on the assets of the Group.

The Group has limited exposure to the foreign exchange fluctuations risks as most of its revenue are denominated in Hong Kong dollars and Renminbi, being the same currencies in which the Group's costs and expenses are denominated. The Directors considered that the recent appreciation of Renminbi may have positive but immaterial impact to the Group. During the Current Period, the Group did not use any financial instruments for hedging purposes and the Group did not have any hedging instruments outstanding as at 30 September 2005.

During the Current Period, there was no change to the share capital of the Company.

FUTURE PROSPECTS

With a view to strengthen the growth and profitability potentials, the Directors have been proactively identifying suitable investment opportunities to expand the Group's investments. Given the prospects of local economy and capital market, the Group continually exercises caution when looking for investments opportunities which offer outstanding returns and within the acceptable risk.

HUMAN RESOURCES

As at 30 September 2005, the Group has 2 executive directors and 3 independent non-executive directors in Hong Kong. There are 18 full time employees working in the PRC and the Group ensures that the salary levels of its employees are competitive and employees are rewarded on a performance related basis within the general framework of the Group's salary and bonus system.

SHARE OPTION SCHEME

On 20 August 2003, the Company adopted a share option scheme ("Share Option Scheme") in accordance with Chapter 17 of the Listing Rules. At as the date of this report, no share options have been offered and/or granted to any participants under the Share Option Scheme.

PURCHASE, REDEMPTION OR SALE OF OWN LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the period under review.

DIRECTORS' SERVICE CONTRACTS

No directors proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not terminable by the Company within one year without payment of compensation other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted as at 30 September 2005 or at any time during the six months ended 30 September 2005.

DIRECTORS' INTERESTS IN SHARES

According to the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("SFO"), as at 30 September 2005, none of the directors or their associates had any personal, family, corporate or other interests in the equity or debt securities of the Company or any of its associated corporations as defined in SFO.

ARRANGEMENT TO PURCHASE SHARES OF DEBENTURES

At no time during the period was the Company or any of its subsidiaries a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and neither the directors nor the chief executive, nor any of their spouses'or children under the age of 18 had any right to subscribe for the securities of the Company, or had exercised any such right.

SUBSTANTIAL INTERESTS IN THE SHARE CAPITAL OF THE COMPANY

As at 30 September 2005, so far as being known to the directors, the following parties (other than a director or chief executive of the Company) were recorded in the register kept by the Company under section 336 of the SFO as being directly or indirectly interested in 5% or more of the issued share capital of the Company:

Name	Number of shares held	Percentage of the Company's share capital
Gold Capital Investments Limited *(Note 1)*	154,146,092	28.97%
Eric Edward Hotung, C.B.E. *(Note 2)*	29,952,608	5.63%
Hotung Investment (China) Limited *(Notes 2 and 3)*	16,171,000	3.04%
Genesee Company Limited *(Note 2)*	15,161,000	2.85%
Hotung Enterprises Limited *(Note 3)*	1,000,000	0.19%
Prosperity Investment Holdings Limited (formerly known as "GR Investment International Limited")	52,777,026	9.92%
Kenfair International (Holdings) Limited *(Note 4)*	92,800,000	17.44%

Note 1: Mr. Ma Ching Chung, Robert is deemed to be interested in 154,146,092 shares held by Gold Capital Investments Limited, which is beneficially owned by City Leader International Limited, which is beneficially owned as to 100% by Mr. Ma.

Note 2: Hotung Investment (China) Limited and Genesee Company Limited are considered as concert parties of Eric Edward Hotung, C.B.E. as the acquisition of the shares by each of these companies were financed by Eric Edward Hotung, C.B.E..

Note 3: In addition to the 1,000,000 shares which are beneficially owned by Hotung Enterprises Limited, Hotung Enterprises Limited is also deemed to be interested in the 16,171,000 shares held by Hotung Investment (China) Limited as 93.75% shareholding in Hotung Investment (China) Limited is controlled by Hotung Enterprises Limited.

Note 4: Kenfair International (Holdings) Limited is deemed to be interested in 92,800,000 shares in the issued capital held by Kenfair Publications Limited. Kenfair Publications Limited is wholly-owned by Pro-Capital Investments Limited and Pro-Capital Investments is wholly-owned by Kenfair International (Holdings) Limited. Mr. Ip Ki Cheung is beneficially interested in 50% of the entire issued share capital of Capital Concord Profits Limited which has 50.05% shareholding in Kenfair International (Holdings) Limited. Kenfair International (Holdings) Limited is a company whose shares are listed on the Stock Exchange.

Other than as disclosed above, the Company had not been notified of any other interest representing 5% or more of the Company's shares and underlying shares as at 30 September 2005.

COMPLIANCE WITH CODE OF BEST PRACTICE

The Company has complied throughout the period ended 30 September 2005 with the Code of Best Practice (the "Code") as set out in Appendix 14 of the Listing Rules. In the opinion of the Directors, the Company has complied with the Code of Best Practice (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), throughout the reporting period, except the following deviations:

COMPLIANCE WITH CODE OF BEST PRACTICE (CONTINUED)

The Company does not have any officer with the title of "chief executive officer" or "chairman" at present. The role of chairman and chief executive officer is not separated as there are only two executive directors, namely, Mr. Yu Tat Chi, Michael and Mr. Williamson Lam who are in charge of the overall management of the Company. The Directors intented to maintain this structure for the time being as it believes that this structure can ensure efficient and effective formulation and implementation of business strategies without comprising the balance of power and authority between the Directors and management of the Company. Beside, all Directors are subject to retirement by rotation and re-election at the annual general meeting in accordance with the Company's articles of association. (Code Provision A.2.1)

The independent non-executive directors of the Company are not appointed for specific terms as required by the Code, but are subject to retirement by rotation in accordance with the Company's articles of association. (Code Provision A.4.1)

AUDIT COMMITTEE

In accordance with the Appendix 14 of the Listing Rules, the Directors established an Audit Committee since 1999 and the Audit Committee currently comprises three independent non-executive directors. The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group, and discussed auditing, internal control and financial reporting matters including the review of the unaudited interim financial statements.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules. Upon enquiry by the Company, all Directors of the Company have confirmed that they have complied with the required standards set out in the Model Code throughout the six months ended 30 September 2005.

REMUNERATION COMMITTEE

A Remuneration Committee was established by the Company on 20 December 2005, in accordance with the requirement of the Code. The Remuneration Committee, comprising an executive director, Mr. Williamson Lam and two independent non-executive directors, namely, Mr. Chan Cheong Yee and Mr. Tang Ping Sum is held at least once a year. The principal responsibilities of the Remuneration Committee include formulation of the remuneration policy, review and recommending to the Board the annual remuneration policy, and determination of the remuneration of the executive director and members of the Senior Management. Remuneration and the employment contracts of new appointing directors have to be reviewed and approved by the Remuneration Committee. Compensation of removal or dismissal of directors has to be reviewed and approved by the Remuneration Committee in accordance with relevant contractual terms and any compensation payment is otherwise reasonable and appropriate.

By order of the Board

WILLIAMSON LAM
Executive Director

Hong Kong, 20 December 2005