



Sunny Global Holdings Limited  
新怡環球控股有限公司

*(incorporated in Bermuda with limited liability)*

(Stock Code: 1094)

INTERIM REPORT  
**2006**  
中期報告

## INTERIM RESULTS

The board of directors (the “Board”) of Sunny Global Holdings Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 31 March 2006 together with comparative figures for the corresponding period in 2005.

### CONSOLIDATED INCOME STATEMENT

		<b>For the six months ended 31 March</b>	
		<b>2006</b>	2005
		<b>(Unaudited)</b>	(Unaudited)
	<i>Notes</i>	<b>HK\$'000</b>	<i>HK\$'000</i>
<b>Revenue</b>	2, 3	<b>19,571</b>	32,026
Cost of sales		<b>(17,935)</b>	(31,292)
<b>Gross profit</b>		<b>1,636</b>	734
Administrative and other operating expenses		<b>(6,914)</b>	(9,821)
Selling and distribution costs		<b>(71)</b>	(308)
<b>Operating loss</b>		<b>(5,349)</b>	(9,395)
Other financial income		<b>260</b>	24
Finance costs		<b>—</b>	(146)
Other revenue		<b>1,000</b>	—
<b>Loss before income tax</b>	4	<b>(4,089)</b>	(9,517)
Income tax expense	5	<b>—</b>	—
<b>Loss for the period</b>		<b>(4,089)</b>	(9,517)
<b>Attributable to:</b>			
Equity holders of the Company		<b>(3,842)</b>	(9,317)
Minority interests		<b>(247)</b>	(200)
<b>Loss for the period</b>		<b>(4,089)</b>	(9,517)
		<b>HK cents</b>	<i>HK cents</i>
<b>Basic loss per share for loss attributable to equity holders of the Company</b>	7	<b>(0.3)</b>	(0.9)

## CONSOLIDATED BALANCE SHEET

		<b>As at 31 March 2006 (Unaudited) HK\$'000</b>	As at 30 September 2005 (Audited) HK\$'000
	<i>Notes</i>		
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment	8	7,545	2,064
Consideration paid for acquisition of subsidiaries		—	22,000
Goodwill		<b>24,195</b>	—
		<b>31,740</b>	24,064
<b>Current assets</b>			
Inventories		8	—
Trade receivables, other receivables and deposits	9	40,773	36,339
Cash at banks		<b>21,352</b>	19,965
		<b>62,133</b>	56,304
<b>Current liabilities</b>			
Trade and other payables	10	<b>32,838</b>	7,222
<b>Net current assets</b>		<b>29,295</b>	49,082
<b>Total assets less current liabilities</b>		<b>61,035</b>	73,146
<b>EQUITY</b>			
<b>Equity attributable to the Company's equity holders</b>			
Share capital	11	115,000	115,000
Accumulated losses		<b>(64,082)</b>	(60,240)
Other reserves		<b>9,590</b>	17,764
		<b>60,508</b>	72,524
<b>Minority interests</b>		<b>527</b>	622
<b>Total equity</b>		<b>61,035</b>	73,146

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	For the six months ended 31 March	
	2006	2005
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash from/(used in) operating activities	17,279	(1,385)
Net cash (used in) investing activities	(15,892)	(26,847)
Net cash from financing activities	—	1,637
	<hr/>	<hr/>
Net increase/(decrease) in cash at banks	1,387	(26,595)
Cash at bank at 1 October 2005	19,965	54,920
	<hr/>	<hr/>
Cash at bank at 31 March 2006	<u>21,352</u>	<u>28,325</u>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Equity attributable to equity holders of the Company			Minority interests	Total equity
	Share capital	Other reserves	Accumulated losses		
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Balance at 1 October 2004	103,000	13,689	(4,270)	—	112,419
Acquisition of subsidiaries	—	—	—	936	936
Disposal of subsidiaries	—	—	—	—	—
Currency translation	—	—	—	—	—
Net income recognised directly in equity	—	(66)	—	—	(66)
Loss for the period	—	—	(9,317)	(200)	(9,517)
Total recognised income and expense for the period	—	(66)	(9,317)	(200)	(9,583)
Balance at 31 March 2005	103,000	13,623	(13,587)	(736)	103,772
	Equity attributable to equity holders of the Company			Minority interests	Total equity
	Share capital	Other reserves	Accumulated losses		
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Balance at 1 October 2005	115,000	17,764	(60,240)	622	73,146
Acquisition of subsidiaries	—	—	—	152	152
Disposal of subsidiaries	—	—	—	—	—
Currency translation	—	—	—	—	—
Net income/(expense) recognised directly in equity	—	(8,174)	—	774	7,400
Loss for the period	—	—	(3,842)	(247)	(4,089)
Total recognised income and expense for the period	—	(8,174)	(3,842)	527	(11,129)
Balance at 31 March 2006	115,000	9,590	(64,082)	527	61,035

## NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

### 1. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated interim financial statements (“interim financial statements”) have been prepared in accordance with the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), and complied with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants.

The accounting policies and methods of computation used in the preparation of the interim financial statements are consistent with those used in the annual financial statements for the year ended 30 September 2005.

The interim financial statements should be read in conjunction with the annual financial statements for the year ended 30 September 2005.

The interim financial statements are unaudited and have been reviewed by the audit committee of the Company.

### 2. REVENUE

An analysis of the Group's revenue is as follows:

	Six months ended	
	31 March	
	2006	2005
	HK\$'000	HK\$'000
Revenue — Turnover		
Footwear products	—	10,921
Information technology business		
– Trading of hardware and software	16,018	21,105
– Provision of services	3,553	—
	<u>19,571</u>	<u>32,026</u>

Turnover represents total invoiced value of goods sold, net of sales tax and services rendered.

### 3. SEGMENT INFORMATION

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of other business segments.

In accordance with the Group's internal financial reporting policy, its segment information is presented by way of two segments format: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

#### Primary reporting format — Business segments

The following tables present revenue, loss and certain assets and liabilities information for the Group's business segments:

	Information technology business	Leisure and athletic footwear	Corporate	Total
2006	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>By principal activity:</b>				
Sales to external customers	<u>19,571</u>	<u>—</u>	<u>—</u>	<u>19,571</u>
Segment results	<u>(1,500)</u>	<u>—</u>	<u>(3,849)</u>	<u>(5,349)</u>
Bank interest income				260
Finance costs				—
Other revenue				<u>1,000</u>
Loss before income tax				<u>(4,089)</u>
Income tax expense				<u>—</u>
Loss for the period				<u>(4,089)</u>
<b>Segment assets</b>	<u>36,872</u>	<u>3,461</u>	<u>29,345</u>	<u>69,678</u>
<b>Segment liabilities</b>	<u>27,760</u>	<u>3,325</u>	<u>1,753</u>	<u>32,838</u>

	Information technology business	Leisure and athletic footwear	Corporate	Total
2005	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>By principal activity:</b>				
Sales to external customers	21,105	10,921	—	32,026
Segment results	(8,329)	(1,089)	—	(9,418)
Bank interest income				47
Finance costs				(146)
Loss before income tax				(9,517)
Income tax expense				—
Loss for the period				(9,517)
<b>Segment assets</b>	109,421	33,879	—	143,300
<b>Segment liabilities</b>	23,412	16,116	—	39,528



## Secondary reporting format — Geographical segments

The following tables provide an analysis of the Group's revenue and contribution to loss from operations by geographical market:

	The People's Republic of China		United States	Others	Total
	Europe	(the "PRC")	of America		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>2006</b>					
Segment revenue:					
Sales to external customers	—	16,018	—	3,553	19,571
	<u>—</u>	<u>16,018</u>	<u>—</u>	<u>3,553</u>	<u>19,571</u>
Segment results	—	(509)	—	(4,840)	(5,349)
	<u>—</u>	<u>(509)</u>	<u>—</u>	<u>(4,840)</u>	<u>(5,349)</u>
Bank interest income					260
Finance costs					—
Other revenue					1,000
					<u>1,000</u>
Loss before income tax					(4,089)
Income tax expense					—
					<u>—</u>
Loss for the period					<u>(4,089)</u>
					<u><u>(4,089)</u></u>
<b>2005</b>					
Segment revenue:					
Sales to external customers	—	11,268	—	20,758	32,026
	<u>—</u>	<u>11,268</u>	<u>—</u>	<u>20,758</u>	<u>32,026</u>
Segment results	—	(1,176)	—	(8,242)	(9,418)
	<u>—</u>	<u>(1,176)</u>	<u>—</u>	<u>(8,242)</u>	<u>(9,418)</u>
Bank interest income					47
Finance costs					(146)
					<u>(146)</u>
Loss before income tax					(9,517)
Income tax expense					—
					<u>—</u>
Loss for the period					<u>(9,517)</u>
					<u><u>(9,517)</u></u>

#### 4. LOSS BEFORE INCOME TAX

	Six months ended	
	31 March	
	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss before income tax is arrived at after charging:		
Costs of inventories recognised as expense		
– Footwear products	—	11,401
– Information technology business	<b>17,935</b>	19,891
	<hr/>	<hr/>
	<b>17,935</b>	31,292
	<hr/>	<hr/>
Depreciation and amortisation on property, plant and equipment		
– owned assets	<b>454</b>	610
– leased assets	—	—
	<hr/>	<hr/>
	<b>454</b>	610
	<hr/>	<hr/>
Loss on disposal of fixed assets	—	41
Amortisation of goodwill (included in administrative and other operating expenses)	—	5,825
Rental in respect of land and buildings under operating leases	<b>344</b>	207
	<hr/> <hr/>	<hr/> <hr/>

## **5. INCOME TAX EXPENSE**

No Hong Kong profits tax has been provided in the financial statements as the Group did not derive any assessable profit in Hong Kong for the period.

No PRC income tax has been provided in the financial statements as the Group did not derive any assessable profit in the PRC for the period.

## **6. INTERIM DIVIDEND**

The Board has resolved not to declare any interim dividend in respect of the six months ended 31 March 2006 (six months ended 31 March 2005: Nil).

## **7. LOSS PER SHARE**

The calculation of basic loss per share is based on the Group's loss attributable to equity holders of the Company for the period of HK\$3,842,000 (2005: HK\$9,317,000) and on 1,150,000,000 (2005: 1,030,000,000) ordinary shares in issue during the period.

No diluted loss per share is presented for both years as there were no dilutive potential ordinary shares in issue.

## 8. PROPERTY, PLANT AND EQUIPMENT

### Group

	Land and buildings	Plant and machinery	Equipment and furniture	Motor vehicles	Leasehold improvements	Network equipment	Total
	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000
Six months ended 31 March 2005							
Opening net book amount	4,800	4,831	616	360	—	—	10,607
Acquisition of subsidiaries	—	—	278	37	1,444	38	1,797
Additions	—	—	45	14	—	—	59
Write off	—	—	(41)	—	—	—	(41)
Depreciation and amortisation	—	(385)	(110)	(41)	(72)	(2)	(610)
Closing net book amount	<u>4,800</u>	<u>4,446</u>	<u>788</u>	<u>370</u>	<u>1,372</u>	<u>36</u>	<u>11,812</u>
At 31 March 2005							
Cost or valuation	4,800	7,719	1,268	561	1,444	38	15,830
Accumulated depreciation and amortisation	—	(3,273)	(480)	(191)	(72)	(2)	(4,018)
Closing net book amount	<u>4,800</u>	<u>4,446</u>	<u>788</u>	<u>370</u>	<u>1,372</u>	<u>36</u>	<u>11,812</u>
Six months ended 31 March 2006							
Opening net book amount	—	—	775	29	1,227	33	2,064
Acquisition of subsidiaries	—	—	298	—	109	—	407
Additions	—	—	28	—	—	5,500	5,528
Depreciation and amortisation	—	—	(287)	(4)	(159)	(4)	(454)
Closing net book amount	<u>—</u>	<u>—</u>	<u>814</u>	<u>25</u>	<u>1,177</u>	<u>5,529</u>	<u>7,545</u>
At 31 March 2006							
Cost	—	—	4,000	45	1,768	5,542	11,355
Accumulated depreciation and amortisation	—	—	(3,186)	(20)	(591)	(13)	(3,810)
Net book amount	<u>—</u>	<u>—</u>	<u>814</u>	<u>25</u>	<u>1,177</u>	<u>5,529</u>	<u>7,545</u>

## 9. TRADE RECEIVABLES, OTHER RECEIVABLES AND DEPOSITS

	<b>As at</b>	As at
	<b>31 March</b>	30 September
	<b>2006</b>	2005
	<b>(Unaudited)</b>	(Audited)
	<b>HK\$'000</b>	HK\$'000
Trade receivables	<b>27,398</b>	11,344
Prepayments and deposits	<b>8,622</b>	5,944
Other receivables	<b>4,753</b>	19,051
	<b>40,773</b>	36,339

The Group's policy is to allow an average credit period of 30 to 90 days to its trade customers. At 31 March 2006, the ageing analysis of the trade receivables were as follows:

	<b>As at</b>	As at
	<b>31 March</b>	30 September
	<b>2006</b>	2005
	<b>(Unaudited)</b>	(Audited)
	<b>HK\$'000</b>	HK\$'000
0-30 days	<b>16,161</b>	4,603
31-60 days	—	48
61-90 days	—	1,152
91-180 days	<b>542</b>	2,439
181 days or above	<b>10,695</b>	3,102
	<b>27,398</b>	11,344

## 10. TRADE AND OTHER PAYABLES

	<b>As at</b>	As at
	<b>31 March</b>	30 September
	<b>2006</b>	2005
	<b>(Unaudited)</b>	(Audited)
	<b>HK\$'000</b>	HK\$'000
Trade payables	20,396	3,919
Accrued expenses	12,442	3,303
	<u>32,838</u>	<u>7,222</u>

At 31 March 2006, the ageing analysis of the trade payables were as follows:

	<b>As at</b>	As at
	<b>31 March</b>	30 September
	<b>2006</b>	2005
	<b>(Unaudited)</b>	(Audited)
	<b>HK\$'000</b>	HK\$'000
0-30 days	15,856	449
31-60 days	370	20
61-90 days	—	1,082
91-180 days	1,043	2,119
181 days or above	3,127	249
	<u>20,396</u>	<u>3,919</u>

## 11. SHARE CAPITAL

	<b>As at 31 March 2006 (Unaudited) HK\$'000</b>	<b>As at 30 September 2005 (Audited) HK\$'000</b>
<b>Authorised:</b>		
5,000,000,000 ordinary shares of HK\$0.10 each	<b>500,000</b>	500,000
<b>Issued and fully paid:</b>		
1,150,000,000 (2005: 1,030,000,000) ordinary shares of HK\$0.10 each	<b>115,000</b>	115,000

## 12. POST BALANCE SHEET EVENTS

On 20 February 2006, Appraise Asia Investments Limited ("Appraise Asia"), a wholly owned subsidiary of the Company, entered into a conditional sale and purchase agreement with certain independent third parties. Pursuant to the conditional sale and purchase agreement, Appraise Asia agreed to acquire the entire issued share capital of SLS Investments Limited ("SLS") at a total consideration of HK\$54,000,000, which is to be satisfied to the extent of HK\$12,000,000 by cash and to the extent of HK\$42,000,000 by issue and allotment 300,000,000 new shares ("Consideration Shares") in the Company at an issue price of HK\$0.14 per share. SLS is principally engaged, through its subsidiaries, in the provision of broadband Internet access, telecommunication value added services and related business via proprietary Internet network in Beijing, the PRC. The proposed transaction is subject to, inter alia, the approval of the Company's shareholders at a special general meeting to be convened at a later date, the relevant parties obtaining all consents or approval from the PRC government authorities and the approval of the Stock Exchange to grant the listing of, and permission to deal in, the Consideration Shares. Details of this transaction are set out in the Company's announcement dated 20 February 2006.

On 8 May 2006, Open Challenge Group Limited ("Open Challenge"), a wholly-owned subsidiary of the Company, entered into the sale and purchase agreement with an independent third party. Pursuant to the sale and purchase agreement, Open Challenge agreed to acquire the entire issued share capital of China Rainbow Technology Limited ("China Rainbow") at a consideration of HK\$6,500,000. China Rainbow is principally engaged in the provision of technical support and management consultancy services to telecommunication and internet services providers in the People's Republic of China. Detail of this transaction are set out in the Company's announcement dated 8 May 2006.

## MANAGEMENT DISCUSSION AND ANALYSIS

### OPERATING AND FINANCIAL REVIEW

During the financial year under review, the Group recorded a turnover of approximately HK\$19.6 million, representing a decrease of around 38.9% as compared to the previous period HK\$32.0 million, because of the suspension of the footwear business development. The suspension is attributable to the adverse market sentiment in connection with the fluctuation in raw material at a high prices and tough competition footwear business environment.

Regarding the Information Technology ("IT") business unit, it contributed a turnover of HK\$19.6 million (31 March 2005: HK\$21.1 million), whereas it was underlying a decrease around 7.1% for the period.

The following table provides an analysis of the Group's revenue by geographical market and business segmentation.

	For the		For the		Percentage
	six months ended		six months ended		of change
	31 March 2006		31 March 2005		Yr. to Yr.
	HK\$'000	%	HK\$'000	%	%
Footwear Business	—	—	10,921	34	—
IT Business					
– Trading	16,018	82	21,105	66	(24)
– Services	3,553	18	—	—	—
	<u>19,571</u>	<u>100</u>	<u>21,105</u>	<u>66</u>	<u>(7)</u>
TOTAL	<u>19,571</u>	<u>100</u>	<u>32,026</u>	<u>100</u>	<u>(38)</u>

The gross profit margin further improved from 2.3% to 8.4% in reflection of the implementation of an appropriate strategy under the adverse atmosphere in the footwear industry and the diversification into the IT business.

Restricted to the already implemented conservative strategy by the Group to acquire trading business with an acceptable rate of return under footwear division, the Company was decided to suspend business development in the footwear trading until a reasonable gross profit margin figure could be obtained.



Regarding the IT division, it also furnished a growth of gross profit margin during the period under review while this division was still going through its development stage to build up an IT business platform for the Group.

Due to the shrinkage of sales volumes in footwear stream and the development stage of the IT stream under our revenue model, the net profit margin reported a figure of negative 20.9% as a result of haven't been attaining an optimal economies of scale in IT operation. Nevertheless, the Group is still implementing a tight cost control policy in order to improve the net profit margin in the coming year.

The Group has recorded a loss attributable to shareholders amounted to approximately HK\$3.8 million or a loss of HK\$0.3 cent per share because of (1) suspension of the footwear trading business and (2) haven't been achieving the optimal economies of scale in IT sector.

## **NEW BUSINESS**

During the period since last financial year end, The Group has been undergoing the acquisitions of two IT companies in Hong Kong and the PRC, they are SLS Investments Limited ("SLS") and China Rainbow Technology Limited ("China Rainbow").

As disclosed in the latest annual financial report dated 30 September 2005, the Company is going to acquire SLS. SLS Group engaged in the provision of system development, integration and consulting services on internet network & applications development and holding 40% interest in Beijing Haidian District Cable Television Broadcasting and Network Information Limited ("Haidian"). Details of this acquisition were disclosed in the Company's announcement date 20 February 2006, 14 March 2006 and 16 May 2006.

China Rainbow engaged in the provision of technical support and management consultancy services to telecommunication and internet services providers in the PRC. Details of this acquisition were disclosed in the Company's announcement dated 11 April 2006 and 8 May 2006.

Throughout these acquisitions, our IT platform of the Group is expected to be strengthened to broaden our revenue bases and enhance the Group's profit margin in the long run.

## OUTLOOK

Looking ahead towards the coming year, the Group is still confronting envisaged challenges with respect to the development of the IT business platform and the adverse footwear market sentiment in the coming year.

Throughout the past few years, the footwear industry has been encountered a tough challenge regarding volatile high raw material price. As a result, the footwear trading business development has been suspended with respect to our existing tighten policy in acquiring future footwear trading transaction until which is able to contribute a restricted acceptable rate of return. The Group will closely scrutinize the operating environment from time to time while implementing prompt and suitable strategy in this business line to cope with the market sentiment.

Currently, the Group has participated in the IT business of system integration, IT & telecommunication facility management services, telecom-related & software development services and financial information content provider. Although the Group has involved in the IT area for over two years, the IT business unit is still undergoing its development stage due to its industrial nature. The Group will continue to execute the inorganic growth strategy in acquisition of potential business opportunities (especially those opportunities in relation to IPTV) with synergy to our existing IT portfolio. If any of the investment is materialized, the Company will make appropriate disclosure and/or obtain shareholders' approval in accordance to the provision of the Listing Rules. On the other hand, the group will review the existing IT portfolio periodically in assessing whether the resources-effective allocation is accomplished. Given the potential of the information technology market in the PRC and Hong Kong, the Group looks forward to establish a concrete IT business platform so that it will generate broaden and stable revenue in the long run.

The Group will be very cautious in allocating its resources and will keep on exploring other suitable business opportunities and diversifying its investment to other potential industries with favorable investment return and prospect.

## **LIQUIDITY AND FINANCIAL RESOURCES**

As at 31 March 2006, the Group maintained cash and bank balances of approximately HK\$21.4 million (30 September 2005: HK\$20.0 million) without any borrowings (30 September 2005: nil).

The gearing ratio of the Group as of 31 March 2006 was reduced to null (30 September 2005: nil) after the disposal of the manufacturing factory.

As of 31 March 2006, the Group's working capital (net current assets) and current ratio were approximately HK\$29.3 million (30 September 2005: HK\$49.1 million) and 1.9x (30 September 2005: 7.8x) respectively. In term of the quality of current assets, over 34% of current assets were cash at banks whereas the Group is expected to preserve a healthy liquidity position.

The existing available cash and bank balances are considered sufficient to adequate liquidity and capital resources for the Group's operating requirements.

## **PLEDGE OF ASSETS AND CONTINGENT LIABILITIES**

As at 31 March 2006, no asset (30 September 2005: nil) was pledged by the Group to secure any bank facility after the disposal of the manufacturing arm.

The Group had no significant contingent liabilities as at 31 March 2006 (30 September 2005: Nil).

## **FOREIGN EXCHANGE EXPOSURE**

The Group has limited exposure to fluctuation in foreign currencies as most of its transactions are denominated in HK dollars, US dollars and Renminbi. Exchange rates between these currencies with Hong Kong dollars were relatively stable during the year under review. The Group has not entered into any foreign currency forward exchange contract for the purpose of hedging against foreign exchange risks involved in the Group's operations.

## PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's bye-laws or the laws of Bermuda, being the jurisdiction in which the Company is incorporated, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

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

Neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities during the six months ended 31 March 2006.

## SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") which was adopted on 12 June 2002. During the period, no share option was granted or exercised under the Scheme.

## DIRECTORS' INTERESTS IN THE SHARE CAPITAL

As at 31 March 2006, the interests and short positions of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

### Long positions in the shares of the Company

Name of director	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital
Mr. Lee Man Fa	Corporate	302,500,000	26.30%

*Note:* The 302,500,000 shares referred to above comprise 196,792,000 shares and 105,708,000 shares held by Info Fortune Holdings Limited and Rainbow Bridge Group Limited respectively, both of which are wholly owned by Mr. Lee Man Fa.

Save as disclosed above, as at 31 March 2006, none of the directors nor their associates (as defined under the Listing Rules) had any interests 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 were required to be entered in the register kept by the Company pursuant to Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

## SUBSTANTIAL SHAREHOLDERS

As at 31 March 2006, according to the register of interests required to be kept by the Company under Section 336 of the SFO, the following persons, other than the directors 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 under Divisions 2 and 3 of Part XV of the SFO:

Name of shareholder	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital
Info Fortune Holdings Limited	Beneficial owner <i>(Note)</i>	196,792,000	17.11%
Rainbow Bridge Group Limited	Beneficial owner <i>(Note)</i>	105,708,000	9.19%
Grandtech Management Limited	Beneficial owner	160,544,458	13.96%
Win Power Limited	Beneficial owner	141,360,000	12.29%
Jet Palace Development Limited	Beneficial owner	120,000,000	10.43%

*Note:* Both Info Fortune Holdings Limited and Rainbow Bridge Group Limited are wholly owned by Mr. Lee Man Fa.

Save as disclosed above, the Company had not been notified of any other person (other than a director or chief executive of the Company) who had an interest (whether direct or indirect) in 5% or more of the shares comprised in the relevant share capital or a short position which were required to be recorded in the register kept by the Company pursuant to Section 336 of the SFO at 31 March 2006.

## **CORPORATE GOVERNANCE**

### **Compliance with the Code on Corporate Governance Practices**

The Company has complied with the code provisions of the Code on Corporate Governance Practices (the “Code”) as set out in Appendix 14 to the Listing Rules during the period under review, except for the deviations as below:

Under the code provision A.4.1 of the Code, non-executive directors should be appointed for a specific term and subject to re-election. The independent non-executive directors of the Company are not appointed for a specific term of office. However, all independent non-executive directors are subject to retirement by rotation and re-election at annual general meetings in accordance with the bye-laws of the Company.

The code provision E.1.2 stipulated that the chairman of the board should attend the annual general meeting. The Chairman of the Board did not attend the annual general meeting of the Company held on 24 March 2006 because of another business engagement.

### **AUDIT COMMITTEE**

The audit committee of the Company comprises three members namely Mr. Leung Sai Cheong, Mr. Liu Kwok Wah and Mr. Wong Chi Chung, the independent non-executive directors of the Company.

The audit committee has reviewed with management the accounting principles and practices adopted by the Group and discussed with management in respect to the financial reporting matters, including a review of the unaudited interim accounts of the Group for the period, who are of the opinion that such statements comply with the applicable accounting standards and the Listing Rules and that adequate disclosure have been made.

### **REMUNERATION COMMITTEE**

The Remuneration Committee comprises three members namely Mr. Leung Sai Cheong, Mr. Liu Kwok Wah and Mr. Wong Chi Chung, the independent non-executive directors of the Company. The Remuneration Committee is to review and determine the remuneration policy and other remuneration related matters of the Directors and senior management of the Group.

## **CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted a code of conduct regarding securities transactions by the directors of the Company on terms no less exacting than the required standard of the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules. The Company, having made specific enquiry of all directors, confirmed that all directors have complied with the required standard of dealings set out therein throughout the six months ended 31 March 2006.

On behalf of the Board

**Lee Man Fa**

*Chairman*

Hong Kong, 28 June 2006