

A significant portion of sales and purchases of the Group were either denominated in Hong Kong or US dollars. The Directors consider that the operations of the Group are not exposed to any significant foreign exchange risk in view of the stability of the exchange rates between Hong Kong and US dollars. The Group did not have any hedging instrument outstanding as at 31 December 2004.

At 31 December 2004, the Group's current assets amounted to approximately HK\$255.4 million (30 June 2004: HK\$221.5 million) and the Group's current liabilities amounted to approximately HK\$99.2 million (30 June 2004: HK\$91.3 million). The Group's current ratio remained to stay at a sound level at approximately 2.6 as at 31 December 2004 (30 June 2004: 2.4). At 31 December 2004, the Group had total assets of approximately HK\$498.6 million (30 June 2004: HK\$411.6 million) and total liabilities of approximately HK\$112.4 million (30 June 2004: HK\$97.6 million) with a gearing ratio of approximately 15.5% (30 June 2004: 16.7%). The gearing ratio was expressed as a ratio of bank borrowings to total assets. The decrease in gearing ratio was mainly attributable to the net increase in total assets as a result of the proceeds received from the exercise of share options.

NUMBER AND REMUNERATION OF EMPLOYEES

At 31 December 2004, the Group had 96 staff for its operations in Hong Kong, Macau and the PRC. The Group's employees are remunerated in accordance with their work performance and experience. The Group also participates in a defined Mandatory Provident Fund Scheme for its staff in Hong Kong and a retirement benefit scheme for its staff in the PRC. The Group has adopted a share option scheme of which the Board may, at its discretion, grant options to eligible participants of the share option scheme. At the date of this interim report, a total of 6,600,000 share options remain unexercised.

DISCLOSURE OF ADDITIONAL INFORMATION

Directors' interests and short positions in equity or debt securities

At 31 December 2004, the interests and short positions of the Directors, the chief executive of the Company and their respective associates in shares, underlying shares (in respect of equity derivatives) 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 under Section 352 of the SFO, or as

otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code"), were as follows:

Interests in the shares of the Company

| Name of director | Notes | Nature of interest | Number of ordinary shares held (% of the Issued share capital) |
|--------------------------|-------|--------------------|--|
| Mr. Lam Kwok Hing | 1 | Corporate | 216,000,000 (26.8%) |
| Ms. Lee Choi Lin, Joecy | 2 | Corporate | 61,200,000 (7.6%) |
| Mr. Fong Yiu Ming, Anson | 3 | Corporate | 19,200,000 (2.4%) |
| Mr. Chu Ki | 4 | Corporate | 12,000,000 (1.5%) |

Notes:

1. These shares are owned by Best Global Asia Limited ("Best Global"), a company incorporated in the British Virgin Islands (the "BVI"). The entire issued share capital of Best Global is beneficially owned by Mr. Lam Kwok Hing, the spouse of Ms. Lee Choi Lin, Joecy.
2. These shares are owned by World Invest Holdings Limited ("World Invest"), a company incorporated in the BVI. The entire issued share capital of World Invest is beneficially owned by Ms. Lee Choi Lin, Joecy, the spouse of Mr. Lam Kwok Hing.
3. These shares are owned by Eshanghai Holdings Limited ("Eshanghai"), a company incorporated in the BVI. The entire issued share capital of Eshanghai is beneficially owned by Mr. Fong Yiu Ming, Anson.
4. These shares are owned by Asia Startup Group Limited ("Asia Startup"), a company incorporated in the BVI. The entire issued share capital of Asia Startup is beneficially owned by Mr. Chu Ki.

Save as disclosed above, as at 31 December 2004, none of the Directors or the chief executive of the Company and their respective associates had any interests or short positions in any shares, underlying shares or debentures of the Company, its subsidiaries or any associated corporations (within the meaning of Part XV of the SFO) which were required to be entered into 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 (including interests and short positions which he was deemed or taken to have under such provisions of the SFO) or pursuant to the Model Code.

Directors' rights to acquire shares or debentures

Save as disclosed under the heading "Share option scheme" below, at no time during the Period 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 children under 18 years of age, 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 operates a share option scheme (the "SO Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the SO Scheme include the Directors and other employees of the Group, suppliers of goods or services to the Group, customers of the Group, any person or entity providing research, development or other technological support to the Group, any minority shareholder in the Company's subsidiaries, and other groups or classes of participants as determined by the Directors. The SO Scheme became effective on 3 December 2001 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The exercise price of the share options is determinable by the directors, but may not be less than the higher of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer of grant, which must be a trading day; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of the offer of the grant; and (iii) the nominal value of the Company's shares.

The total number of shares which may be issued upon exercise of all options to be granted under this SO Scheme must not in aggregate exceed 10% of the total shares of the Company in issue as at the date of approval by the Company's shareholders on 3 December 2001 when this SO Scheme became effective. The Company may seek approval by its shareholders in general meeting for refreshing the 10% limit under the SO scheme. The limit on the number of shares which may be issued after refreshing and upon exercise of all outstanding options granted and yet to be exercised under the SO scheme and any other schemes must not exceed 30% of the shares of the Company in issue from time to time. No options may be refreshed or granted if this will result in the 30% limit being exceeded.

A summary of the movement of share options granted under the SO Scheme during the Period is as follows:

| Name or category of participant | Number of share options | | | | Date of grant of share options | Exercise period of share options | Closing price of Company's shares immediately before the date the options were granted/ exercised | |
|---|-------------------------|---------------------------|-----------------------------|---------------------|--------------------------------|--------------------------------------|---|------------------|
| | At 1 July 2004 | Granted during the Period | Exercised during the Period | At 31 December 2004 | | | Exercise price of share options HK\$ | the options HK\$ |
| Independent Non-executive director | | | | | | | | |
| Mr. John Handley | 600,000 | - | 600,000 | - | 30 April 2002 | 1 May 2002 to 30 April 2012 | 0.279 | 0.279/ 1.230 |
| All other eligible participants | | | | | | | | |
| In aggregate | 600,000 | - | - | 600,000 | 30 April 2002 | 1 May 2002 to 30 April 2012 | 0.279 | 0.279 |
| | - | 12,000,000 | 12,000,000 | - | 2 September 2004 | 3 September 2004 to 2 September 2014 | 0.830 | 0.760/ 0.950 |
| | - | 6,000,000 | 6,000,000 | - | 2 September 2004 | 3 September 2004 to 2 September 2014 | 0.830 | 0.760/ 1.240 |
| | - | 24,000,000 | 12,000,000 | 12,000,000 | 3 November 2004 | 4 November 2004 to 3 November 2014 | 1.100 | 1.120/ 1.300 |
| | <u>1,200,000</u> | <u>42,000,000</u> | <u>30,600,000</u> | <u>12,600,000</u> | | | | |

Subsequent to 31 December 2004 and up to the date of this report, there are movements of share options granted under the SO Scheme as follows:

| Name or category of participant | Number of share options | | | | Date of grant of share options | Exercise period of share options | Closing price of Company's shares immediately before the date | the options were granted/ exercised |
|---------------------------------|-------------------------|---------------------------|-----------------------------|----------------------------|--------------------------------|------------------------------------|---|-------------------------------------|
| | At 1 January 2005 | Granted during the period | Exercised during the period | At the date of this report | | | Exercise price of share options HK\$ | |
| All other eligible participants | | | | | | | | |
| In aggregate | 600,000 | - | - | 600,000 | 30 April 2002 | 1 May 2002 to 30 April 2012 | 0.279 | 0.279 |
| | 12,000,000 | - | 12,000,000 | - | 3 November 2004 | 4 November 2004 to 3 November 2014 | 1.100 | 1.120/ 1.450 |
| Other employees | | | | | | | | |
| In aggregate | - | 6,000,000 | - | 6,000,000 | 13 January 2005 | 14 January 2005 to 13 January 2015 | 1.340 | 1.260 |
| | <u>12,600,000</u> | <u>6,000,000</u> | <u>12,000,000</u> | <u>6,600,000</u> | | | | |

In the absence of any provisions to the contrary set out in the SO Scheme, all the share options were deemed to be fully vested in the grantees on the commencement dates of the respective exercise periods. Because the indetermination of a number of factors crucial for the valuation and in the absence of a readily market value of the share options on the ordinary shares of the Company, the Directors do not consider it appropriate to arrive at an assessment of the value of these share options.

Substantial shareholders' interests in securities

As at 31 December 2004, the interests and short positions of the substantial shareholders of the Company in the shares and underlying shares (in respect of positions held pursuant to equity derivatives) of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Interests in shares of the Company

| Name of substantial shareholder | Notes | Number of issued ordinary shares held | Percentage of the issued share capital |
|---|-------|---|--|
| Best Global | 1 | 216,000,000 | 26.8% |
| World Invest | 2 | 61,200,000 | 7.6% |
| Arisaig Greater China Fund ("Arisaig") | 3 | 75,024,000 | 9.3% |
| Arisaig Partners (Mauritius) Limited ("Arisaig Mauritius") | 4 | 75,024,000 | 9.3% |
| Lindsay William Ernest Cooper | 5 | 75,024,000 | 9.3% |
| Value Partners Limited | 6 | 55,777,000 | 6.9% |
| Mr. Cheah Cheng Hye | 6 | 55,777,000 | 6.9% |
| UBS AG | 7 | 47,738,000 | 5.9% |
| Emerging Markets Management, LLC | | 46,904,000 | 5.8% |

Notes:

1. This represented a direct shareholding of the Company by Best Global and duplicated the interest held by Mr. Lam Kwok Hing in the Company.
2. This represented a direct shareholding of the Company by World Invest and duplicated the interest held by Ms. Lee Choi Lin, Joecy in the Company.
3. This represented a direct shareholding of the Company by Arisaig.
4. Arisaig Mauritius was the investment manager of Arisaig. This represented an interest in the shares arising by virtue of Arisaig Mauritius acting as discretionary investment manager of Arisaig pursuant to the SFO.
5. Lindsay William Ernest Cooper was deemed to be interested, through his indirect 33.33% beneficial interest, in Arisaig Mauritius.
6. Value Partners Limited was holding the 55,777,000 shares as investment manager. Mr. Cheah Cheng Hye was deemed to be interested in the shares through his 31.82% interest in Value Partners Limited.
7. These shares were held by UBS AG as a person having a security interest in shares.

Save as disclosed above, the Company has not been notified of any other person (other than Directors) who had an interest or short position in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO as at 31 December 2004.

Purchase, sale or redemption of the Company's shares

The Company did not redeem any of its shares during the Period under review. Neither the Company, nor any of its subsidiaries purchased or sold any of the Company's shares during the Period.

Compliance with the Code of Best Practice 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 Listing Rules throughout the Period.

Audit Committee

The Company has an Audit Committee which was established in accordance with the requirements of the Code, for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The Audit Committee consists of three independent non-executive directors of the Company. This interim report has been reviewed by the Audit Committee, but has not been audited by the auditors of the Company.

As at the date of this report, the Board comprised seven executive Directors, namely Mr. Lam Kwok Hing (Chairman), Mr. Chu Ki, Mr. Fong Yiu Ming, Anson, Ms. Lee Choi Lin, Joecy, Ms. Chan Yuk, Foebe, Mr. Peng Zhanrong and Mr. Chiau Che Kong, and three independent non-executive Directors, namely Mr. John Handley, Mr. Poon Yiu Cheung, Newman and Ms. Mak Yun Chu.

On behalf of the Board
Lam Kwok Hing
Chairman

Hong Kong, 25 February 2005