



Global Tech (Holdings) Limited  
耀科國際（控股）有限公司

Interim Report 2005 中期報告

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The Board of Directors (the "Board") of Global Tech (Holdings) Limited (the "Company") announces the unaudited condensed consolidated financial statements of the Company and its subsidiaries (the "Group") for the six months ended 31st March, 2005 (the "Period"). The condensed consolidated income statement, condensed consolidated cash flow statement, and condensed consolidated statement of changes in equity of the Group for the Period, and condensed consolidated balance sheet of the Group as at 31st March, 2005, along with selected explanatory notes, are set out as follows:

## CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	Unaudited Six months ended 31st March	
		2005 HK\$'000	2004 HK\$'000
Turnover	3	<b>666,889</b>	892,067
Cost of sales		<b>(633,651)</b>	(872,090)
Gross profit		<b>33,238</b>	19,977
Other revenues	3	<b>1,498</b>	729
Selling and distribution expenses		<b>(7,604)</b>	(11,372)
Administrative expenses		<b>(47,283)</b>	(48,859)
Other operating expenses		<b>(12,401)</b>	(39,663)
Operating loss	4	<b>(32,552)</b>	(79,188)
Finance costs		<b>(32)</b>	(132)
Loss before taxation		<b>(32,584)</b>	(79,320)
Taxation	5	<b>(461)</b>	18
Loss after taxation		<b>(33,045)</b>	(79,302)
Loss attributable to shareholders		<b>(33,045)</b>	(79,302)
Dividends	6	–	–
Basic loss per share	7	<b>HK\$(0.006)</b>	HK\$(0.015)
Fully diluted loss per share	7	<b>HK\$(0.006)</b>	HK\$(0.015)

## CONDENSED CONSOLIDATED BALANCE SHEET

	Note	Unaudited 31st March, 2005 HK\$'000	Audited 30th September, 2004 HK\$'000
Non-current assets			
Fixed assets		<b>16,620</b>	15,423
Club debentures		<b>12,301</b>	12,301
Current assets			
Inventories		<b>91,040</b>	145,368
Trade receivables	8	<b>222,415</b>	244,619
Deposits, prepayments and other receivables		<b>155,331</b>	162,340
Cash and bank balances		<b>201,202</b>	118,071
		<b>669,988</b>	670,398
Current liabilities			
Trade payables	9	<b>55,735</b>	13,344
Other payables and accrued charges		<b>23,971</b>	34,034
Taxation		<b>119,633</b>	119,926
Current portion of long-term liabilities	10	<b>32</b>	30
		<b>199,371</b>	167,334
Net current assets		<b>470,617</b>	503,064
Total assets less current liabilities		<b>499,538</b>	530,788
Financed by:			
Share capital	11	<b>51,659</b>	51,659
Reserves	12	<b>447,104</b>	478,337
Shareholders' funds		<b>498,763</b>	529,996
Long-term liabilities	10	<b>100</b>	117
Deferred tax		<b>675</b>	675
		<b>499,538</b>	530,788

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Unaudited Six months ended 31st March	
	2005 HK\$'000	2004 HK\$'000
Net cash inflow / (outflow) from operating activities	<b>82,049</b>	(134,906)
Net cash outflow from investing activities	<b>(331)</b>	(130)
Net cash (outflow) / inflow from financing activities	<b>(15)</b>	27,596
Net increase / (decrease) in cash and cash equivalents	<b>81,703</b>	(107,440)
Cash and cash equivalents at 1st October	<b>118,071</b>	192,322
Effect of foreign exchange rate changes	<b>1,428</b>	–
Cash and cash equivalents at 31st March	<b>201,202</b>	84,882

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Unaudited Six months ended 31st March	
		2005 HK\$'000	2004 HK\$'000
Total equity at 1st October		<b>529,996</b>	709,954
Currency translation differences	12	<b>110</b>	3,568
Revaluation surplus on leasehold land and building	12	<b>1,702</b>	–
Net loss for the Period	12	<b>(33,045)</b>	(79,302)
Total equity at 31st March		<b>498,763</b>	634,220

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 1 Basis of Preparation

These unaudited condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with the Statements of Standard Accounting Practice No. 25 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

These unaudited condensed consolidated financial statements should be read in conjunction with the financial statements for the year ended 30th September, 2004.

### 2 Principal Accounting Policies

The accounting policies and methods of computation used in the preparation of these unaudited condensed consolidated financial statements are consistent with those used in the financial statements for the year ended 30th September, 2004.

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards and the Hong Kong Accounting Standards (collectively the "HKFRSs") which are effective for accounting periods commencing on or after 1st January, 2005. The Group has not early adopted these new HKFRSs in the financial statements for the six months ended 31st March, 2005.

The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to determine whether these new HKFRSs would have a significant impact on its results of operations and financial position.

### 3 Turnover, Revenues and Segment Information

The Company is engaged in investment holding and its subsidiaries are principally engaged in trading of telecommunication products. Revenues recognised during the Period are as follows:

	Unaudited Six months ended 31st March	
	2005 HK\$'000	2004 HK\$'000
Turnover		
Sales of goods	659,494	887,637
Other operations income	7,395	4,430
	666,889	892,067
Other revenues		
Interest income	295	234
Gain on revaluation of leasehold land and building	690	–
Others	513	495
	1,498	729
Total revenues	668,387	892,796

#### ***Primary reporting format – business segments***

The Group is principally engaged in trading of telecommunication products. Other operations of the Group mainly comprise provision of repair services for telecommunication products.

The Group's inter-segment transactions mainly consist of provision of repair services for telecommunication products between different business segments. The transactions were entered into on similar terms as those contracted with independent third parties and were eliminated on consolidation.

### 3 Turnover, Revenues and Segment Information (cont'd)

#### Primary reporting format – business segments (cont'd)

	Trading of telecommunication products	Other operations	Inter- segment elimination	Total
	Unaudited six months ended 31st March, 2005			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover from external customers	654,284	12,605	–	666,889
Inter-segment turnover	–	2,776	(2,776)	–
Total turnover	654,284	15,381	(2,776)	666,889
Segment results	(30,816)	(1,736)		(32,552)
Finance costs				(32)
Loss before taxation				(32,584)
Taxation				(461)
Loss after taxation				(33,045)
Loss attributable to shareholders				(33,045)

	Trading of telecommunication products	Other operations	Inter- segment elimination	Total
	Unaudited six months ended 31st March, 2004			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover from external customers	883,577	8,490	–	892,067
Inter-segment turnover	–	5,225	(5,225)	–
Total turnover	883,577	13,715	(5,225)	892,067
Segment results	(79,011)	(177)		(79,188)
Finance costs				(132)
Loss before taxation				(79,320)
Taxation				18
Loss after taxation				(79,302)
Loss attributable to shareholders				(79,302)



#### 4 Operating Loss

	Unaudited Six months ended 31st March	
	2005 HK\$'000	2004 HK\$'000
Operating loss is stated after crediting and charging the following:		
<u>Crediting</u>		
Gain on revaluation of leasehold land and building	690	–
Net exchange gain	4,717	5,870
<u>Charging</u>		
Cost of trading inventories sold	621,160	861,291
Provision for slow moving and net realisable values of inventories	11,062	45,173
Depreciation	1,778	1,582
Loss on disposals of fixed assets	82	696
Operating lease on land and buildings	6,712	10,927
Provision for bad and doubtful debts	16,865	45,225
Retirement benefit costs (including directors' retirement benefit costs)	310	1,446
Staff costs including directors' emoluments	27,767	27,972

## 5 Taxation

The amount of taxation charged/(credited) to the condensed consolidated income statement represents:

	<b>Unaudited Six months ended 31st March</b>	
	<b>2005</b>	2004
	<b>HK\$'000</b>	HK\$'000
Current tax		
Hong Kong profits tax (note (i))	<b>461</b>	(18)
Overseas taxation (note (ii))	–	–
	<b>461</b>	(18)
Deferred tax		
Current period	–	–
	–	–
Taxation attributable to the Company and its subsidiaries	<b>461</b>	(18)

Note:

- (i) Hong Kong profits tax has been provided at the rate of 17.5% (2004: 17.5%) on the estimated assessable profits.
- (ii) No overseas taxation has been provided for the Period.

## 6 Dividends

The Board has resolved not to declare any interim dividend for the Period (2004: Nil).

## 7 Loss Per Share

The calculations of basic and fully diluted loss per share are based on the Group's loss attributable to shareholders of approximately HK\$33,045,000 (2004: HK\$79,302,000) for the Period.

The basic loss per share is based on 5,165,973,933 (2004: 5,165,973,933) ordinary shares in issue during the Period.

The computations of fully diluted loss per share for the six months ended 31st March, 2005 and 2004 have not assumed the exercise of the Company's share options and warrants since the exercise prices were higher than the average market price of the Company's shares for the respective periods.

## 8 Trade Receivables

As at 31st March, 2005, the ageing analysis of the trade receivables (net of specific provisions) is as follows:

	<b>Unaudited 31st March, 2005 HK\$'000</b>	Audited 30th September, 2004 HK\$'000
Current	<b>88,750</b>	187,750
1 to 3 months overdue	<b>113,099</b>	110,832
More than 3 months but less than 12 months overdue	<b>88,095</b>	2,055
Over 12 months overdue	<b>11,037</b>	5,668
Less: general provision	<b>(78,566)</b>	(61,686)
	<b>222,415</b>	244,619

The credit terms granted to the Group's customers vary and are generally the results of negotiations between the Group and individual customers.

## 9 Trade Payables

As at 31st March, 2005, all trade payables of the Group were due within one month or on demand.

## 10 Long-term Liabilities

As at 31st March, 2005, the Group's finance lease liabilities were repayable as follows:

	<b>Unaudited 31st March, 2005 HK\$'000</b>	Audited 30th September, 2004 HK\$'000
Within one year	49	49
In the second year	49	49
In the third to fifth year	68	93
Less: future finance charges	<b>(34)</b>	(44)
Total long-term liabilities	<b>132</b>	147
Less: current portion of long-term liabilities	<b>(32)</b>	(30)
	<b>100</b>	117

## 11 Share Capital

	<b>Authorised Ordinary shares of HK\$0.01 each</b>	
	<b>No. of shares '000</b>	HK\$'000
At 1st October, 2004 and 31st March, 2005 (Unaudited)	20,000,000	200,000

	<b>Issued and fully paid Ordinary shares of HK\$0.01 each</b>	
	<b>No. of shares '000</b>	HK\$'000
At 1st October, 2004 and 31st March, 2005 (Unaudited)	5,165,974	51,659

## 12 Reserves

	Share premium	Capital reserve	Capital redemption reserve	Revaluation reserve	Exchange difference reserve	Retained earnings/ (Accumulated loss)	Total
	Unaudited six months ended 31st March, 2005						
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st October, 2004	457,804	2,450	160	-	4,620	13,303	478,337
Exchange differences	-	-	-	-	110	-	110
Revaluation	-	-	-	1,702	-	-	1,702
Loss for the period	-	-	-	-	-	(33,045)	(33,045)
At 31st March, 2005	457,804	2,450	160	1,702	4,730	(19,742)	447,104

	Share premium	Capital reserve	Capital redemption reserve	Revaluation reserve	Exchange difference reserve	Retained earnings	Total
	Unaudited six months ended 31st March, 2004						
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st October, 2003	457,804	2,450	160	-	101	197,780	658,295
Exchange differences	-	-	-	-	3,568	-	3,568
Loss for the period	-	-	-	-	-	(79,302)	(79,302)
At 31st March, 2004	457,804	2,450	160	-	3,669	118,478	582,561

## 13 Contingent Liabilities

There had been no material change in contingent liabilities of the Group since 30th September, 2004.

## 14 Operating Lease Commitments

As at 31st March, 2005, the Group had future aggregate minimum lease payments under non-cancellable operating lease as follows:

	Unaudited 31st March, 2005 HK\$'000	Audited 30th September, 2004 HK\$'000
Not later than one year	11,383	10,515
Later than one year and not later than five years	7,002	10,092
	18,385	20,607

Save as disclosed above, the Group has no other commitment as at 31st March, 2005.

## 15 Comparative Figures

Certain comparative figures have been reclassified to conform with current Period's presentation.

## BUSINESS REVIEW AND OUTLOOK

For the six months ended 31st March, 2005 the Group posted a turnover of approximately HK\$667 million (2004: HK\$892 million), a decline of approximately 25% compared with the same period last year. The Group's net loss narrowed to approximately HK\$33 million (2004: HK\$79 million). The gross profit margin was approximately 5.0%, an overall increase from that of 2.2% for same period last year, or that of 0.5% for the year ended 30th September, 2004.

The decrease in overall sales compared with the previous period was largely due to the scaling down of the Group's operations of distribution of mobile handsets in Taiwan ("Taiwan Operations") as well as greatly intensifying competition from existing and new manufacturers and suppliers of mobile handsets across the region.

As regards the Hong Kong mobile telecommunication retail market, there seems to be little opportunity for further growth in per-capita expenditure despite an increasing flow of tourists from mainland China with their appetite for digital consumer electronics.

The Group's main supplier now faces growing competition from existing rivals who try to outdo each other by constantly pushing new models onto the market, and this problem is exacerbated by the new players streaming into the market. Due to increasingly frequent launches of updated models, with hundreds of new model debuts during the Period, product life cycles are becoming shorter than ever. As a result, the combination of all these factors has somewhat worked against the Group's attempts to maintain a reasonable net margin, although the gross profit has improved over the Period.

Aiming to avoid production bottlenecks and to maintain a timely delivery schedule for its new models, the Group has been working closely with its suppliers to come up with measures to safeguard its margins. Meanwhile, in the face of ever-increasing customer demands and requirements, the Group has committed its best resources to expanding its product mix and selection.

During 2004, the operations in Taiwan were cut back to limit the Group's exposure to the cut-throat price competition in that market. In December 2004, the Board resolved to implement a scaling down of the Taiwan Operations in order to minimize anticipated losses. The Board believes that this action will have little adverse effect on the Group since the losses had already been anticipated and taken into account.

### Financial Review

As at 31st March, 2005, the Group held total cash reserves of approximately HK\$201 million (30th September, 2004: HK\$118 million). This increase in cash-in-hand was primarily due to the lowering of inventory levels as a result of the scaling down of the Taiwan Operations. In addition, the Group has revamped its trading arrangements with major suppliers in order to secure improvements to the cash-in-hand and trade payables positions. In turn, this has caused the Group's current ratio and liquidity ratio to drop slightly to approximately 3.36 (30th September, 2004: 4.01) and 2.90 (30th September, 2004: 3.14) respectively.

During the Period, the Group's borrowings were kept to a minimum and the gearing ratio as at 31st March, 2005 remained fairly constant at approximately 0.02% (30th September, 2004: 0.02%).

Overall, the Group's inventories have been significantly reduced due to the scaling down of the Taiwan Operations. However, this effect has been partly offset by a general increase in the levels of inventory kept in the Hong Kong region to support the launch of several new models during the Period. To properly support these product debuts, the Group has maintained a wider range of models in stock and, as a result, higher levels of inventory. As at 31st March, 2005, the overall stock level of the Group stood at approximately HK\$91 million (30th September, 2004: HK\$145 million).

Unfortunately some of these new models encountered a less than ready acceptance in the Hong Kong market. As at 31st March, 2005, the stock provision of the Group stood at approximately HK\$15 million (30th September, 2004: HK\$25 million). Majority of such provision was made for the Hong Kong market.

As at 31st March, 2005, the Group's trade receivables remained relatively steady at approximately HK\$301 million (30th September, 2004: HK\$306 million). As a prudent measure and in accordance with Group policy, a provision for bad and doubtful debts of approximately HK\$17 million (2004: HK\$45 million) against trade receivable balances outstanding at 31st March, 2005, was made during the Period.

During the Period, the Group has revised its trade finance arrangements. As at 31st March, 2005, no banking facilities were maintained by the Group (30th September, 2004: approximately HK\$174 million) and there were no charges against any Group's assets (30th September, 2004: Nil).

The Group conducts its core business transactions mainly in Hong Kong and United States dollar currencies. The greater part of its cash and bank balances are in either Hong Kong or United States dollar currencies, hence the Hong Kong dollar peg presents a natural hedge against currency fluctuations under normal trading circumstances.

### **Prospects and Planning for the Future**

In view of intensifying competition, the Group has gone through and will continue to experience an extremely difficult operating environment in 2005, although signs of economic recovery in Hong Kong are now becoming more apparent.

And despite ongoing aggressive marketing promotions, including the launch of the Group's first third-generation ("3G") mobile phone, the demand for advanced-technology handsets has not kept pace as predicted with the sharp growth in the number of 3G mobile service suppliers and their offerings. As part of its strategy of staying on the cutting edge of the mobile-phone industry, the Group continues to carefully monitor consumer tastes and market demands. At the same time, it continues to focus on upgrading and streamlining its current distribution network in order to make way for innovative new models with greater appeal to customers, as well as to work on improving efficiencies and effectiveness of its distribution operations and processes.

To enhance overall operational efficiency in the face of the increasingly challenging market environment, the Group will enhance supply-chain management, including the control of inventories of new handset models, to avoid overstocking of obsolete products. The Group will also redouble its ongoing efforts to sustain a healthy financial position to support its business operations.

The Group will exert its best efforts to consolidate operations and leverage and exploit its key strengths in preparation for any unforeseeable challenges ahead.

### Employee Information

As at 31st March, 2005, the Group employed a workforce of 113 (2004: 135). The staff costs of the Group, including salaries and bonuses, was approximately HK\$28 million (2004: HK\$29 million).

The remuneration policy of the Group is to ensure the fairness and competitiveness of total remuneration in order to motivate and retain existing employees as well as to attract potential employees. The remuneration packages mainly include salary payments, medical subsidies and discretionary bonuses on performance basis. The Group provides pension schemes for the employees as part of their staff benefits.

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

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

### DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31st March, 2005, the following Directors and chief executive of the Company had the following interests in long positions in the shares and underlying shares of the Company as recorded in the register required to be kept under section 352 of the Securities and Futures Ordinance (Chapter 571 of the Laws of the Hong Kong) (the "SFO"):

#### (a) Ordinary shares

Name of Director	Number of shares held as at 31st March, 2005	Approximate percentage of shareholding	Capacity in which interests are held
Mr. CHEUNG Wing Yin, Vigny Wiley	10,000,000	0.19%	Beneficial owner
Mr. SUNG Yee Keung, Ricky	72,913,303*	1.41%	Beneficial owner
Mr. WAN Kwok Cheong	11,000,000	0.21%	Beneficial owner

\* These shares include 250,000 shares which were jointly owned by Ms. SUNG Mei Ling, the sister of Mr. SUNG Yee Keung, Ricky.



## (b) Share options

Name of Director	Date of grant	Number of options held as at 1st October, 2004 and 31st March, 2005	Exercise price per share HK\$	Exercise period	Capacity in which interests are held
Mr. SY Ethan, Timothy	26th April, 1999	100,000,000	0.150	25th May, 1999 to 24th May, 2009	Beneficial owner

The above share options are unlisted cash settled options granted pursuant to a share option scheme adopted on 16th March, 1999 (the "Old Scheme"), details of which are set out in the section below under the heading "Share Option Schemes". Upon exercise of the share options in accordance with the Old Scheme, ordinary shares of HK\$0.01 each in the share capital of the Company are issuable.

Save as disclosed above, as at 31st March, 2005, none of the Directors, chief executive of the Company or their respective associates 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 were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code").

## INTERESTS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS DISCLOSEABLE UNDER THE SECURITIES AND FUTURES ORDINANCE

As at 31st March, 2005, the register of substantial shareholders maintained under section 336 of the SFO shows that the following companies (not being Directors or chief executive of the Company) had long positions of 5% or more in the shares of the Company which fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO:

Name of shareholder	Capacity	Number of shares	Approximate percentage of shareholding
Optimum Pace International Limited	Beneficial owner	2,942,608,695 (Note)	56.96%
LGT Trust Management Limited	Interest of controlled corporation	2,942,608,695 (Note)	56.96%

Note: These shares are registered in the name of Optimum Pace International Limited, the entire issued share capital of which is held by LGT Trust Management Limited as trustee of The Optimum Pace Trust, a discretionary trust.

Save as disclosed above, no other person was recorded in the register required to be kept under section 336 of the SFO as having an interest or short position in the shares or underlying shares of the Company as at 31st March, 2005.

## SHARE OPTION SCHEMES

On 16th March, 1999, the Company adopted the Old Scheme pursuant to which employees, including executive directors of the Group, were given opportunity to obtain equity holdings in the Company. The Old Scheme was subsequently terminated at the annual general meeting of the Company held on 27th March, 2003 whereby a new share option scheme (the "New Scheme") which complies with the new requirements of the Listing Rules was adopted. Any share options which were granted under the Old Scheme prior to such termination shall continue to be valid and exercisable in accordance with the terms of the Old Scheme.

Details of the share options outstanding during the six months ended 31st March, 2005 which were granted under the Old Scheme are as follows:

Grantees	Date of grant	Exercise price per share HK\$	Exercise period	Number of options outstanding as at 1st October, 2004 and 31st March, 2005
Executive Director, Mr. SY Ethan, Timothy	26th April, 1999	0.150	25th May, 1999 to 24th May, 2009	100,000,000
Employees	15th November, 2000	0.715	15th November, 2000 to 14th November, 2010	1,800,000

No share option had been granted, exercised, cancelled or lapsed under the Old Scheme during the period under review.

No share option had been granted under the New Scheme since its adoption.

## CONTINUING OBLIGATIONS UNDER CHAPTER 13 OF THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE OF HONG KONG LIMITED

In accordance with the requirements under rule 13.20 of the Listing Rules, the Board reported that as at 31st March, 2005, the Group advanced approximately HK\$245 million to Great Stars (Hong Kong) Limited ("Great Stars") which exceeded 8% of the Company's market capitalisation as at the Period end. Such advances represented trade receivables arising in the ordinary course of business of the Group with this customer. Great Stars is an independent third party not connected with the Directors, chief executive, substantial shareholders of the Company or any of its subsidiaries or an associate of any of them. These trade receivables are unsecured and interest free and with payment terms of 120 days.

Note: The market capitalisation of the Company as at 31st March, 2005 amounted to HK\$278,962,592 is based on the total number of 5,165,973,933 shares of the Company in issue on 31st March, 2005 and the average closing price per share of HK\$0.054 for the five business days immediately preceding the shares of the Company were suspended trading on the Stock Exchange on 19th July, 2004.

## CORPORATE GOVERNANCE

Throughout the period of the six months ended 31st March, 2005, the Company has complied with the Code of Best Practice as previously set out in Appendix 14 to the Listing Rules prior to 1st January, 2005, which remains applicable to the period under review.

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as the code for dealing in securities of the Company by the Directors. Having made specific enquiry of all Directors, the Company considers that the Directors complied with the required standard set out in the Model Code throughout the period under review.

During the period under review, the Company had an insufficient number of Independent Non-executive Directors ("INEDs") as required under Rule 3.10 of the Listing Rules. On 17th December, 2004, two INEDs, namely Messrs. Andrew David ROSS and Geoffrey William FAWCETT, were appointed to the Board. On 29th June, 2005, Mr. Charles Robert LAWSON was appointed as an additional INED of the Company. Consequent upon the appointment of Mr. LAWSON as an INED of the Company, the Company has, since that point in time, been in compliance with and is currently compliant with Rule 3.10 of the Listing Rules regarding the appointment of INEDs.

The existing Audit Committee of the Company was established on 17th December, 2004 following the appointment of two INEDs of the Company on the same date. The then Audit Committee comprised two INEDs and one Non-executive Director, which is in compliance with Rule 3.21 of the Listing Rules in respect of the composition of an audit committee.

The Audit Committee of the Company currently comprises three INEDs, namely Messrs. Andrew David ROSS, Geoffrey William FAWCETT and Charles Robert LAWSON and one Non-executive Director, namely Mr. KO Wai Lun, Warren.

The unaudited interim results of the Group for the six months ended 31st March, 2005 have been reviewed by the Audit Committee.

On behalf of the Board  
**SY Ethan, Timothy**  
Chairman

Hong Kong, 23rd September, 2005

*As at the date of this Interim Report, the Board comprises 9 directors, of which 5 are executive directors, namely Mr. SY Ethan, Timothy, Mr. CHEUNG Wing Yin, Vigny Wiley, Mr. PANG Leung Ming, Mr. SUNG Yee Keung, Ricky and Mr. WAN Kwok Cheong, 1 is a non-executive director, namely Mr. KO Wai Lun, Warren and 3 are independent non-executive directors, namely Mr. Andrew David ROSS, Mr. Geoffrey William FAWCETT and Mr. Charles Robert LAWSON.*