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**WANASPORTS HOLDINGS LIMITED**

**( 威 倫 堡 控 股 有 限 公 司 \* )**

(Incorporated in the Cayman Islands with Limited Liability)

**INTERIM REPORT  
2004**

**Characteristics of the Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”)**

**GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.**

**Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.**

**The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website at [www.hkgem.com](http://www.hkgem.com) in order to obtain up-to-date information on GEM-listed issuers.**

*The Stock Exchange takes no responsibility for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.*

*This report, for which the directors (the “Directors”) of Wanasports Holdings Limited (the “Company”) collectively and individually accept responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:- (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

## INTERIM RESULTS (UNAUDITED)

The board of Directors (the "Board") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 September 2004 together with the comparative figures for the corresponding periods in 2003 as follows:

### CONSOLIDATED PROFIT AND LOSS ACCOUNTS

	Note	Six months ended 30 September		Three months ended 30 September	
		2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Turnover	2	<b>4,748</b>	1,497	<b>2,681</b>	1,497
Cost of sales		<b>(3,995)</b>	(1,134)	<b>(2,299)</b>	(1,134)
Gross Profit		<b>753</b>	363	<b>382</b>	363
Other revenues	2	<b>13</b>	158	<b>12</b>	158
Selling and distribution expenses		-	-	-	-
General and administrative expenses		<b>(2,969)</b>	(1,560)	<b>(1,745)</b>	(345)
Operating profit/(loss)	4	<b>(2,203)</b>	(1,039)	<b>(1,351)</b>	176
Finance costs	3	<b>(6)</b>	(3)	<b>(3)</b>	(1)
Profit/(loss) before taxation		<b>(2,209)</b>	(1,042)	<b>(1,354)</b>	175
Taxation	5	-	-	-	-
Share of loss of an associated company		-	(7)	-	(7)
Profit/(loss) attributable to shareholders		<b>(2,209)</b>	(1,049)	<b>(1,354)</b>	168
Interim dividend per share	6	-	-	-	-
Earnings/(loss) per share - basic	7	<b>(0.44 cents)</b>	(0.21 cents)	<b>(0.27 cents)</b>	0.03 cents

## CONSOLIDATED BALANCE SHEET

		<b>As at</b>	
		<b>30 September</b>	31 March
		<b>2004</b>	2004
		<b>(Unaudited)</b>	(Audited)
<i>Note</i>		<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Non-current assets</b>			
	Interest in an associated company	8	–
	Fixed assets	239	(140)
	Intangible assets	9	230
	Club membership	1,990	2,250
		<u>288</u>	<u>288</u>
		<b>2,517</b>	<b>2,628</b>
<b>Current assets</b>			
	Accounts receivable	10	1,324
	Prepayments, deposits and other receivables	11	1,047
	Marketable securities	11	393
	Cash and bank balances	1,063	745
		<u>1,063</u>	<u>51</u>
		<b>2,831</b>	<b>1,073</b>
<b>Current liabilities</b>			
	Accounts payable	12	1,858
	Accruals, provisions and other payables	11	2,160
		<u>4,018</u>	<u>799</u>
		<b>4,018</b>	<b>2,005</b>
	<b>Net current assets/(liabilities)</b>	<b>(1,187)</b>	911
	<b>Total assets less current liabilities</b>	<b>1,330</b>	<b>3,539</b>
<b>Capital and reserves</b>			
	Share capital	5,076	5,076
	Reserves	<b>(3,746)</b>	<b>(1,537)</b>
	<b>Shareholders' funds</b>	<b>1,330</b>	<b>3,539</b>

## CONSOLIDATED CASH FLOW STATEMENTS

		<b>Six months ended</b>	
		<b>30 September</b>	
		<b>2004</b>	2003
	<i>Note</i>	<b>HK\$'000</b>	<i>HK\$'000</i>
<b>Net cash inflow/(outflow) from operating activities</b>	14	<b>195</b>	(3,341)
<b>Returns on investments and servicing of finance</b>			
Interest received		-	13
Interest element of finance leases		-	-
Proceeds from disposal of subsidiaries		-	100
		<hr/>	<hr/>
Net cash inflow/(outflow) from returns on investments and servicing of finance		-	113
		<hr/>	<hr/>
<b>Investing activities</b>			
Purchase of fixed assets		<b>(35)</b>	(438)
Increase in intangible assets		-	(2,600)
Payment on disposal of associate		<b>(170)</b>	-
Consideration paid for acquisition of subsidiaries		-	(500)
Consideration paid for acquisition of an associated company		-	(30)
Expenses paid in connection with disposal of subsidiaries		-	(300)
		<hr/>	<hr/>
<b>Net cash outflow from investing activities</b>		<b>(205)</b>	(3,868)
		<hr/>	<hr/>
<b>Net cash outflow before financing activities</b>		<b>(10)</b>	(7,096)
		<hr/>	<hr/>
<b>Financing activities</b>			
Share monies received		-	8,460
Capital element of finance lease payable		-	-
		<hr/>	<hr/>
<b>Net cash inflow/(outflow) from financing activities</b>		-	8,460
		<hr/>	<hr/>
Increase/(decrease) in cash and cash equivalents		<b>(10)</b>	1,364
Cash and cash equivalents at beginning of period		<b>1,073</b>	1,186
		<hr/>	<hr/>
<b>Cash and cash equivalents at end of period</b>		<b>1,063</b>	2,550
		<hr/>	<hr/>
<b>Analysis for balance of cash and cash equivalents</b>			
Cash and bank balances		<b>1,063</b>	2,550
		<hr/>	<hr/>

## STATEMENT OF CHANGE IN EQUITY

Six months ended 30 September 2004

	Share capital HK\$'000	Share premium HK\$'000	Merger reserve HK\$'000	Accumulated loss HK\$'000	Exchange reserve HK\$'000	Total HK\$'000
As at 1 April 2003	4,230	39,419	(52)	(42,539)	-	1,058
Adjustment on accumulated loss for the disposal of subsidiaries during the period	-	-	-	(728)	-	(728)
Share allotments in the period	846	7,614	-	-	-	8,460
Merger Reserve	-	-	(522)	-	-	(522)
Loss for the period	-	-	-	(1,049)	-	(1,049)
As at 30 September 2003	<u>5,076</u>	<u>47,033</u>	<u>(574)</u>	<u>(44,316)</u>	<u>-</u>	<u>7,219</u>
	Share capital HK\$'000	Share premium HK\$'000	Merger reserve HK\$'000	Accumulated loss HK\$'000	Exchange reserve HK\$'000	Total HK\$'000
As at 1 April 2004	<b>5,076</b>	<b>46,842</b>	<b>(74)</b>	<b>(48,304)</b>	<b>(1)</b>	<b>3,539</b>
Loss for the period	-	-	-	(2,209)	-	(2,209)
As at 30 September 2004	<u><b>5,076</b></u>	<u><b>46,842</b></u>	<u><b>(74)</b></u>	<u><b>(50,513)</b></u>	<u><b>(1)</b></u>	<u><b>1,330</b></u>

During the period ended 30 September 2003, certain subsidiaries were acquired and disposed. The gain and loss of the disposals are dealt with in the profit and loss account, and the excess of investment cost over the fair net asset value of the subsidiaries acquired are reflected in the merger reserve account. There was no material acquisition or disposal of subsidiaries in the current period ended 30 September 2004.

## NOTES TO FINANCIAL STATEMENTS

### 1. Group reorganisation and basis of presentation

The unaudited consolidated results of the Group for the six months ended 30 September 2004 include the results of the companies now comprising the Group as if the current group structure had been in existence through the period or since their respective dates of incorporation or establishment, whichever is a shorter period. All significant intra-group transactions and balances have been eliminated on consolidation.

The unaudited condensed interim financial statements of the Group have been prepared in accordance with all applicable Statements of Standard Accounting Practice ("SSAP") No. 25 "Interim Financial Reporting" and the applicable disclosure requirements of the GEM Listing Rules.

The accounting policies and basis of presentation used in interpreting of these unaudited interim financial statements are the same as those used in the Group's annual financial statements for the year ended 31 March 2004.

## 2. Turnover and revenue

The Group is engaged in the design, sourcing and distribution of casualwear, sportswear and lifestyle garment products and accessories. Revenues recognised during the period are as follows:

	Six months ended 30 September 2004		Three months ended 30 September 2004	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Turnover	<b>4,748</b>	1,497	<b>2,681</b>	1,497
Other revenues	<b>13</b>	158	<b>12</b>	158
Total revenues	<b>4,761</b>	1,655	<b>2,693</b>	1,655

Other revenue consists of consultancy fees from an associated company, interest from bank deposits and net income/(loss) derived from the trading of marketable securities for treasury purposes.

## 3. Finance costs

	Six months ended 30 September 2004		Three months ended 30 September 2004	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Bank charges	<b>6</b>	3	<b>3</b>	1
Bank interest	<b>0</b>	0	<b>0</b>	0
	<b>6</b>	3	<b>3</b>	1

## 4. Operating profit/(loss)

The operating profit/(loss) is stated after charging the following:-

	Six months ended 30 September 2004		Three months ended 30 September 2004	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Cost of inventories sold	<b>3,995</b>	1,134	<b>2,299</b>	1,134
Depreciation of fixed assets	<b>27</b>	22	<b>26</b>	11
Staff cost	<b>1,772</b>	255	<b>796</b>	176
– basic salaries and allowances				
– retirement scheme contributions	<b>84</b>	24	<b>44</b>	12

## 5. Taxation

No Hong Kong profits tax has been provided for as the Group did not generate any assessable profits arising in Hong Kong during the period under review and the corresponding period in 2003.

No deferred tax assets have been recorded in the accounts as it is uncertain whether any such amounts will crystallise in the foreseeable future.

## 6. Interim dividend

The Directors do not recommend the payment of an interim dividend for the period (2003: Nil).

## 7. Earnings/(loss) per share

The calculation of the basic loss per share for the six months ended 30 September 2004 is based on the unaudited consolidated loss attributable to shareholders of HK\$2,209,000 (2003: HK\$1,049,000) and the weighted average number of 507,600,000 (2003: 500,203,279) ordinary shares outstanding during the period.

No diluted loss per share for the six months ended 30 September 2004 and the corresponding period in 2003 is presented because there were no dilutive potential ordinary shares in existence during the period.

## 8. Interest in an associated company

	<b>30 September 2004 HK\$'000</b>	31 March 2004 HK\$'000
Share of net liabilities	—	(140)

At 31 March 2004 the Group held shares in the following associate:

<b>Company</b>	<b>Place and date of incorporation</b>	<b>Issued and fully paid up capital</b>	<b>Attributable equity interest</b>	<b>Principal activities and place of operation</b>
CFL Concepts Limited	Hong Kong	Ordinary HK\$100,000	30%	General trading in Hong Kong

## 9. Intangible assets

On 7 May 2003, the Company entered into a novation agreement whereby the Company assumed all the rights, liabilities and obligations of Quest Capital Markets Limited ("QCM"), in relation to a cooperation agreement between QCM and The Stellar Group Limited at a consideration of HK\$2,600,000. Such amount is considered classifiable as an intangible asset for the generation of future benefits. The amount is stated at cost and is to be amortised over 5 years beginning from the financial year ended 31 March 2004.

## 10. Accounts receivable

Accounts receivable represent trade receivables from sale of goods. The following is an aging analysis of accounts receivable at the balance sheet date:

	<b>30 September 2004 HK\$'000</b>	31 March 2004 HK\$'000
0-3 months	<b>1,035</b>	828
4-6 months	<b>423</b>	352
	<b>1,458</b>	1,047
Less: provision for doubtful debts	<b>(134)</b>	(133)
	<b>1,324</b>	1,047

## 11. Marketable securities

Marketable securities represent short term investment in listed securities in Hong Kong for treasury purposes. Marketable securities are stated at the fair market value as at the balance sheet date after taking into account all the realised and unrealised gain or loss derived from trading in such marketable securities. Such gain and loss are dealt with in the profit and loss account.

Receivables of proceeds from, and the amounts payable to, securities dealers in relation to such trading are reflected in the "other receivables" and "other payables" accounts respectively in the balance sheet.

## 12. Accounts payable

The following is an aging analysis of accounts payable at the balance sheet date:

	<b>30 September 2004 HK\$'000</b>	31 March 2004 HK\$'000
0-3 months	<b>1,654</b>	431
4-6 months	<b>204</b>	368
	<b><u>1,858</u></b>	<u>799</u>

## 13. Operating lease commitments

(i) *Commitment under operating leases*

As at 30 September 2004, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and building, falling due as follows:-

	<b>30 September 2004 HK\$'000</b>	31 March 2004 HK\$'000
Not later than one year	<b>346</b>	395
Later than one year but not later than five years	<b>-</b>	98
	<b><u>346</u></b>	<u>493</u>

(ii) As at 30 September 2004, the Group did not have any material capital commitments.

## 14. Notes to consolidated cash flow statements

Reconciliation of operating loss to Net Cash Inflow/(Outflow) from Operational Activities:-

	<b>30 September 2004 HK\$'000</b>	2003 HK\$'000
Operating loss	<b>(2,209)</b>	(1,039)
Depreciation	<b>27</b>	22
Loss on disposal of fixed assets	<b>-</b>	-
Amortization of intangible assets	<b>260</b>	-
Gain on trading securities	<b>(1)</b>	-
Decrease/(increase) in trade receivables	<b>(277)</b>	(860)
Decrease/(increase) in prepayment and deposits	<b>352</b>	(4,507)
Decrease/(increase) in marketable securities	<b>-</b>	(1,078)
Increase/(decrease) in trade payables, accrued charges and provisions	<b>2,043</b>	4,121
	<b><u>195</u></b>	<u>(3,341)</u>

## **BUSINESS REVIEW**

During the six months ended 30 September 2004, the turnover of the Group was approximately HK\$4,748,000 (2003: HK\$1,497,000) and the loss attributable to shareholders was approximately HK\$2,209,000 (2003: HK\$1,049,000). Loss per share was approximately HK0.44 cents (2003: HK0.21 cents).

The Group has continued to pursue its business objectives as far as possible, despite the continued suspension of the trading of the Company's shares during the period under review. Turnover of the Group increased over the first half of the 2004/2005 financial year, primarily through the garment design and trading activities of Concepts Only Limited.

The management of the Group has recognized that the continued suspension of the trading of the Company's shares has necessarily restricted the Group's access to additional capital for the expansion of the Group's business activities. The Group has therefore taken steps to control costs and other expenditures of the Group in order to reduce the demands on its working capital resources. These steps have included, among other things, the suspension of business travel and business entertainment activities, a reduction in the number of staff employed by the Group and a review of all future business activities of the Group. As at the date of this report, the Group employs 6 full time staff. Mrs Katherine Padget-Koh has been redeployed as a design consultant to Concepts Only Limited. She was formerly the Group's design director and the managing director of Concepts Only Limited. This redeployment took place on 30 September 2004.

The Group will continue to pursue the development of its franchise arrangements with its franchisees, MQ Services Pty Ltd and Tagalder International, Inc.. However, the Group is aware that it will have to commit significant resources to the development and launch of garment products for sale by these franchisees. This will be dependent on a number of factors, including, inter alia, whether the trading of the Company's shares will be resumed in due course, and whether the Group is able to support the capital requirements of developing and launching products for sale by these franchisees.

## **FUTURE PROSPECTS**

The Company has made an application for the resumption of trading of the Company's shares to the Stock Exchange. This application has been pending for some time and the Company has been working closely with its financial adviser, Grand Vinco Capital Limited, to address the Stock Exchange's questions and enquiries. The Company is awaiting the approval of the Stock Exchange for this application.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Financial resources and liquidity

As at 30 September 2004, shareholders' interest of the Group amounted to approximately HK\$1,330,000. Current assets amounted to approximately HK\$2,831,000, of which approximately HK\$1,063,000 were cash and bank deposits. The Group had current liabilities of HK\$4,018,000, which mainly comprised of accruals and other deposits.

A summary of the liquidity position of the Group as at 30 September 2004 is as follows:

	<b>30 September 2004 HK\$'000</b>	31 March 2004 HK\$'000
Current assets	<b>2,831</b>	2,916
Current liabilities	<b>4,018</b>	2,005
Net current assets/(liabilities)	<b><u>(1,187)</u></b>	<u>911</u>

The Group's gearing ratio was 3.02 as at 30 September 2004 (31 March 2004: 0.57). Gearing ratio is calculated as current liabilities to total equity.

### Foreign exchange exposure

The Group employs financial instruments for the hedging of its foreign exchange exposure. The net profit and loss of such hedging during the period is minimal.

### Capital structure

Other than an issue of 84,600,000 new ordinary shares of the Company at a price of HK\$0.10 each on 30 April 2003 pursuant to a placing agreement, there has been no material change in the capital structure of the Group since the Company's listing on GEM in December 2001.

### Charges on group assets

There are no assets of the Group pledged to banks as security for general banking facilities granted to the Group.

### Contingent liabilities

The Group did not have any material contingent liabilities as at 30 September 2004.

### Capital commitments

The Group had no capital commitment for future material investment as at 30 September 2004.

## Employee information

During the six months ended 30 September 2004, employee costs, excluding Directors' emoluments, totalled approximately HK\$763,000.

The Group operates a mandatory provident fund scheme (the "MPF scheme") under the Hong Kong Mandatory Provident Fund Scheme Ordinance for all eligible employees of the Group in Hong Kong. The Group's contributions are at 5% of the employee's relevant income as defined in the Hong Kong Mandatory Provident Fund Schemes Ordinance up to a maximum of HK\$1,000 per employee per month. The employees also contribute a corresponding amount to the MPF scheme if their relevant income is more than HK\$5,000 per month. The MPF contributions are fully and immediately vested in the employees as accrued benefits once they are paid. The assets of the MPF scheme are held separately from those of the Group in an independently administered fund.

As at 30 September 2004, the Group had 6 full time employees. The Directors believe that the Group has maintained a good relationship with its employees.

## DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND DEBENTURES

As at 30 September 2004, the interests or short positions of the Directors in the shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were notified to the Company and the Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rule 5.46 of the GEM Listing Rules, to be notified to the Company and the Exchange:

### A. Long positions in the ordinary shares of HK\$0.01 each of the Company

Name of Director	Type of interest	Number of shares	Percentage of issued share capital
Mr. Wan Chi Keung	Corporate ( <i>Note 1</i> )	161,750,000	31.87%
Mr. Chiang Wee Tiong	Corporate ( <i>Note 2</i> )	138,846,000	27.35%

*Note 1:* Mr. Wan Chi Keung held these shares through Charming Heart Limited, a company in which Mr. Wan Chi Keung holds 90% of its issued share capital.

*Note 2:* Mr. Chiang Wee Tiong held shares through the following companies:

Company name	Percentage control	Number of shares	Percentage of issued share capital
Even More Profits Limited	100%	124,990,000	24.62%
Soundtrade International Limited	100%	9,464,000	1.86%
Paulon Assets Limited	50%	4,392,000	0.8%
Quest Asset Management (Holdings) Limited	50%	4,392,000	0.8%

Save as disclosed above, none of the Directors had any interests in the share capital of the Company or its associated corporations. During the reporting period, there were no debt securities issued by the Group at any time.

## **B. Rights to acquire ordinary shares of HK\$0.01 each of the Company**

The Company has conditionally adopted a Share Option Scheme (the "Scheme") on 20 November 2001. A summary of the principal terms of the Scheme is set out in the subsection headed "Share Option Scheme" in Appendix IV to the prospectus. As at 30 September 2004, no option has been granted or agreed to be granted by the Company under the Scheme.

## **C. Short positions in associated corporations**

Save as disclosed above, none of the Directors or their associates had, as at 30 September 2004, any interests or short positions in any shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rule 5.46 of the GEM Listing Rules, to be notified to the Company and the Exchange.

## **INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS**

As at 30 September 2004, the persons or corporations (not being a Director or the chief executive of the Company) who have interests or short positions in the shares of the Company as recorded in the register required to be kept under Section 336 of the SFO or which have otherwise been notified to the Company were as follows:

<b>Name of shareholder</b>	<b>Number of shares</b>	<b>Percentage of issued share capital</b>
Charming Heart Limited ( <i>Note 1</i> )	161,750,000	31.87%
Even More Profits Limited ( <i>Note 2</i> )	124,990,000	24.62%
Ms. Tan Gek Huang ( <i>Note 3</i> )	138,846,000	27.35%

*Note 1:* Charming Heart Limited is a private company owned as to 90% by Mr. Wan Chi Keung and 10% by Ms. Yim Wai Ling, Catherina.

*Note 2:* Even More Profits Limited is a private company wholly owned by Mr. Chiang Wee Tiong.

*Note 3:* Ms. Tan Gek Huang is the wife of Mr. Chiang Wee Tiong and is deemed to be a substantial shareholder by virtue of her spousal relationship with Mr. Chiang and her control of 50% of Paulon Assets Limited and Quest Asset Management (Holdings) Limited. Reference should be made to the details of the interests of Mr. Chiang disclosed in the section above entitled "directors' interests and short positions in shares and debentures"

## **INTERESTS AND SHORT POSITIONS OF OTHER PERSONS**

As at 30 September 2004, no other persons or corporations (other than those already disclosed above) have interests or short positions in the shares of the Company as recorded in the register required to be kept under Section 336 of the SFO or which have otherwise been notified to the Company.

## **SHARE OPTION SCHEME**

The Company has conditionally adopted the Scheme on 20 November 2001. As at 30 September 2004, no option has been granted or agreed to be granted by the Company under the Scheme.

## **DIRECTORS' AND CHIEF EXECUTIVES' RIGHT TO ACQUIRE SHARES AND DEBENTURES**

Save as the share option scheme disclosed above, neither the Company nor any of its subsidiaries was a party to any arrangements to enable the Directors and chief executive of the Company to acquire benefits by means of the acquisition of shares in or debt securities, including debentures, of the Company or any other body corporate, and none of the Directors, chief executive or their spouses or children under the age of 18 had any right to subscribe for the securities of the Company, or had exercised any of such right.

## **COMPETING INTERESTS**

As at 30 September 2004, none of the Directors or the management shareholders of the Company (as defined in the GEM Listing Rules) has an interest in a business which competes or may compete with the business of the Group.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

During the six months ended 30 September 2004, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## **COMPLIANCE WITH THE CODE OF BEST PRACTICE**

The Directors are of the opinion that the Company has complied with the Code of Best Practice as set out in Rules 5.34 to 5.45 of the GEM Listing Rules since the Company's listing on GEM in December 2001.

## **AUDIT COMMITTEE**

The Company established an audit committee on 12 July 2001. The audit committee now has two members comprising of two Independent Non-Executive Directors, Mr. Terry Ian Butcher and Mr. Vincent Yu. Mr. Terry Ian Butcher was appointed as the chairman of this committee. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control of the Group.

## **NON COMPLIANCE WITH REQUIREMENTS FOR INDEPENDENT NON-EXECUTIVE DIRECTORS AND AUDIT COMMITTEE**

Pursuant to Rules 5.05, 5.08 and 5.28 of the Rules governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange (the "GEM Listing Rules"), the board of directors of every listed issuer must include at least three independent non-executive directors, at least one of whom has appropriate professional accounting or financial management qualification, and must establish an audit committee comprising at least three independent non-executive directors by 30 September 2004.

The attention of the Directors has been focused on achieving the resumption of trading of the Company's shares, and the continued suspension of trading of the Company's shares has made it more difficult for the Company to interest suitably qualified candidates for appointment as a new independent non-executive director of the Company. However, the Company will continue its efforts to seek a suitable candidate for appointment as a new independent non-executive director of the Company as soon as practicable. The Company aims to rely on referrals and personal introductions to seek a potential candidate for appointment as a new independent non-executive director. Further reports will be made by the Company as and when appropriate.

By order of the Board  
**Ngan Kam Sau**  
*Company Secretary*

Hong Kong, 12 November 2004

As at the date thereof, the Board comprises the following directors:

*Executive Directors*

Mr. Wan Chi Keung  
Mr. Koh Ee Woon John  
Ms. Luk Siu Hung  
Mr. Chiang Wee Tiong

*Independent Non-Executive Directors*

Mr. Terry Ian Butcher  
Mr. Vincent Yu