

STARLITE

升岡國際有限公司

STARLIGHT INTERNATIONAL HOLDINGS LTD.

(Incorporated in Bermuda with limited liability)

INTERIM REPORT 2004 / 2005



FINANCIAL RESULTS

The Board of Directors (the “Directors”) of Starlight International Holdings Limited (the “Company”) is pleased to announce the unaudited condensed consolidated income statement of the Company for the six months ended 30th September, 2004 together with the comparative figures for the corresponding period in 2003 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2004

		01.04.2004	01.04.2003
		to	to
	<i>Notes</i>	30.09.2004	30.09.2003
		HK\$'000	HK\$'000
		(unaudited)	(unaudited)
Turnover	2	909,567	925,302
Cost of sales		(797,884)	(791,104)
Gross profit		111,683	134,198
Other operating income		8,418	16,123
Distribution costs		(31,514)	(34,986)
Administration expenses		(34,847)	(34,806)
Unrealised holding (loss) gain on investment in securities		(6,674)	5,190
Amortisation of goodwill arising on acquisition of subsidiaries		(829)	(829)
Profit from operations		46,237	84,890
Finance costs		(1,121)	(1,347)
Share of results of associates		(123)	(272)
Profit from ordinary activities before taxation		44,993	83,271
Taxation	4	(2,408)	(2,367)
Profit before minority interests		42,585	80,904
Minority interests		(422)	(154)
Net profit for the period		42,163	80,750
Earnings per share	5		
– Basic		5.52 cents	11.10 cents
– Diluted		5.40 cents	10.99 cents
Interim dividend per share	6	2.00 cents	3.20 cents

CONDENSED CONSOLIDATED BALANCE SHEET

AT 30TH SEPTEMBER, 2004

	<i>Notes</i>	At 30.9.2004 HK\$'000 (unaudited)	At 31.3.2004 <i>HK\$'000</i> (audited)
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties		53,810	53,810
Property, plant and equipment	7	308,196	286,330
Goodwill	8	11,008	11,837
Interest in associates		2,093	2,016
Investments in securities		24,250	25,181
		<hr/> 399,357 <hr/>	<hr/> 379,174 <hr/>
Current assets			
Inventories		333,135	303,707
Properties for sale		4,448	6,158
Debtors, deposits and prepayments	9	381,440	238,504
Taxation recoverable		4,500	572
Investments in securities		26,767	30,861
Amounts due from associates		2,800	2,800
Bank balances and cash		62,011	61,275
		<hr/> 815,101 <hr/>	<hr/> 643,877 <hr/>
Current liabilities			
Creditors and accrued charges	10	402,519	234,100
Customers' deposits		2,270	908
Amount due to an associate		2,800	2,800
Taxation payable		1,520	470
Borrowings – amount due within one year		116,801	114,378
Obligations under a hire purchase contract – amount due within one year		29	62
		<hr/> 525,939 <hr/>	<hr/> 352,718 <hr/>
Net current assets		<hr/> 289,162 <hr/>	<hr/> 291,159 <hr/>
Total assets less current liabilities		<hr/> 688,519 <hr/>	<hr/> 670,333 <hr/>
Minority interests		<hr/> 1,787 <hr/>	<hr/> 1,365 <hr/>

	<i>Notes</i>	At 30.9.2004 HK\$'000 (unaudited)	At 31.3.2004 <i>HK\$'000</i> (audited)
Non-current liabilities			
Borrowings – amount due after one year		–	–
Obligations under a hire purchase contract – amount due after one year		–	–
		<hr/>	<hr/>
		–	–
		<hr/>	<hr/>
Net assets		686,732	668,968
		<hr/>	<hr/>
CAPITAL AND RESERVES			
Share capital	<i>11</i>	305,383	302,888
Reserves		381,349	366,080
		<hr/>	<hr/>
Shareholders' funds		686,732	668,968
		<hr/>	<hr/>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th September, 2004

	Six months ended	
	30.9.2004 HK\$'000 (unaudited)	30.9.2003 HK\$'000 (unaudited)
Opening balances – Total equity	<u>668,968</u>	<u>539,284</u>
Exchange difference arising on translation of operations outside Hong Kong	274	(441)
Minority shareholders share of changes in reserves	<u>73</u>	<u>50</u>
Net gains (losses) not recognised in the consolidated income statement	<u>347</u>	<u>(391)</u>
Issue of shares upon exercise of share options	2,982	4,862
Issue of shares	–	30,000
Repurchase of shares	(487)	(716)
(Premium)/Discounts on repurchase of shares	(477)	5
Premium arising from issue of shares	–	33,056
2004 final dividend paid	(26,764)	(15,144)
Net profit for the period	<u>42,163</u>	<u>80,750</u>
	<u>17,417</u>	<u>132,813</u>
Closing balances – Total equity	<u>686,732</u>	<u>671,706</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2004

	Six months ended	
	30.9.2004	30.9.2003
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Net Cash generated from (used in) Operating Activities	66,447	(12,791)
Net Cash used in Investing Activities	(45,291)	(23,228)
Net Cash (outflow)/inflow from Financing Activities	(20,420)	25,229
Net Increase/(Decrease) in Cash and Cash Equivalents	736	(10,790)
Cash and Cash Equivalents at 1st April	61,275	55,853
Cash and Cash Equivalents at 30th September	62,011	45,063

NOTES TO THE INTERIM FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

The condensed financial statements have been prepared under the historical cost convention, as modified for the revaluation of investment properties and investments in securities.

The interim report has been prepared in accordance with the Statement of Standard Accounting Practice No. 25 “Interim financial reporting” issued by the Hong Kong Institute of Certified Public Accountants.

The accounting policies adopted are consistent with those followed in the Group’s annual financial statements for the year ended 31st March, 2004.

2. SEGMENT INFORMATION

Business segments

The Group is organised into three operating divisions – design, manufacture and sale of electronic products, securities trading and property development. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

Six months ended 30th September, 2004

	Design, manufacture and sale of electronic products <i>HK\$'000</i>	Securities trading <i>HK\$'000</i>	Property development <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
REVENUE	<u>894,588</u>	<u>12,336</u>	<u>2,643</u>	<u>909,567</u>
SEGMENT RESULT	<u>52,546</u>	<u>(6,227)</u>	<u>309</u>	<u>46,628</u>
Interest income				210
Unallocated corporate expenses				<u>(601)</u>
Profit from operation				<u>46,237</u>

Six months ended 30th September, 2003

	Design, manufacture and sale of electronic products <i>HK\$'000</i>	Securities trading <i>HK\$'000</i>	Property development <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
REVENUE	<u>908,829</u>	<u>16,473</u>	<u>–</u>	<u>925,302</u>
SEGMENT RESULT	<u>75,541</u>	<u>9,902</u>	<u>–</u>	85,443
Interest income				81
Unallocated corporate expenses				<u>(634)</u>
Profit from operation				<u>84,890</u>

3. DEPRECIATION

During the period, depreciation of approximately HK\$21,996,000 (HK\$18,507,000 for the six months ended 30th September, 2003) was charged to the consolidated income statement in respect of the Group's property, plant and equipment.

4. TAXATION

	Six months ended	
	30.09.2004	30.09.2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
The charge comprises:		
The Company and its subsidiaries:		
Hong Kong Profits Tax calculated at 17.50% (2003: 17.50%) on the estimated assessable profit	1,050	1,523
Under provision in prior years	144	–
	1,194	1,523
Taxation in other jurisdictions	1,214	844
Deferred taxation	–	–
	2,408	2,367

Taxation in other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

The taxation charges in Hong Kong during the period has been partly relieved by the tax losses brought forward from previous years.

No provision for deferred taxation has been made in the accounts for the current period (2003: nil) as the Group has net potential deferred tax assets at the balance sheet date. The deferred tax assets have not been recognized as it is not probable that sufficient taxable profit will be available to allow the related tax benefit to be utilized in the foreseeable future.

5. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is computed based on the following data:

	01.04.2004	01.04.2003
	to	to
	30.09.2004	30.09.2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
<i>Earnings:</i>		
Net profit for the period and earnings for the purpose of basic earnings and diluted earnings per share	42,163	80,750
<i>Number of shares:</i>		
Weighted average number of shares for the purpose of basic earnings per share	762,589,440	727,573,013
<i>Effect of dilutive potential shares:</i>		
Share options	17,919,380	7,067,519
Weighted average number of shares for the purpose of diluted earnings per share	780,508,820	734,640,532

The weighted average number of shares for the six months ended 30th September, 2003 for the purpose of basic earnings and diluted earnings per share have been adjusted for the share consolidation of four shares into one share effective from 14th November, 2003. As a consequence, the amount of basic earnings per share and diluted earnings per share for the six months ended 30th September, 2003 have been restated from 2.77 cents to 11.10 cents and 2.75 cents to 10.99 cents respectively.

6. INTERIM DIVIDEND

The directors have determined that an interim dividend of HK2.00 cents per share for the year ending 31st March, 2005 (Year ended 31st March, 2004: HK3.20 cents*) should be paid to the shareholders of the Company whose names appear in the register of members on 20th January, 2005.

* Adjusted for the effect of the consolidation of shares on 14th November, 2003.

7. ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT

	Six months ended	
	30.9.2004	30.9.2003
	HK\$'000	HK\$'000
Net book values at 1st April	286,330	251,244
Currency realignment	(16)	–
Additions	45,608	21,275
Disposals	(1,730)	(289)
Depreciation	(21,996)	(18,507)
	<u>308,196</u>	<u>253,723</u>
Net book values at 30th September		

8. GOODWILL

	Six months ended	
	30.9.2004	30.9.2003
	HK\$'000	HK\$'000
Cost		
At the beginning of the period and at balance sheet date	<u>16,575</u>	<u>16,575</u>
Amortisation		
At the beginning of the period	4,738	2,049
Charge for the period	<u>829</u>	<u>829</u>
At balance sheet date	<u>5,567</u>	<u>2,878</u>
Net book value		
At balance sheet date	<u>11,008</u>	<u>13,697</u>

The amortisation period adopted for goodwill is 10 years.

9. DEBTORS, DEPOSITS AND PREPAYMENTS

At 30th September, 2004, the balance of debtors, deposits and prepayments included trade debtors of approximately HK\$350,863,000 (HK\$196,584,000 at 31st March, 2004). The aging analysis of trade debtors at the balance sheet date is as follows:

	30.9.2004	31.3.2004
	HK\$'000	HK\$'000
0 – 30 days	254,603	118,850
31 – 60 days	56,147	43,275
61 – 90 days	9,445	2,836
Over 90 days	<u>30,668</u>	<u>31,623</u>
	<u>350,863</u>	<u>196,584</u>

The Group allows an average credit period ranging from 30 days to 90 days to its trade customers.

10. CREDITORS AND ACCRUED CHARGES

At 30th September, 2004, the balance of creditors and accrued charges included trade creditors of approximately HK\$363,057,000 (HK195,090,000 at 31st March, 2004). The aging analysis of trade creditors at the balance sheet date is as follows:

	30.9.2004 <i>HK\$'000</i>	31.3.2004 <i>HK\$'000</i>
0 – 30 days	167,462	73,442
31 – 60 days	94,585	49,927
61 – 90 days	50,853	23,397
Over 90 days	50,157	48,324
	<u>363,057</u>	<u>195,090</u>

11. SHARE CAPITAL

	Number of shares	Issued and fully paid share capital <i>HK\$'000</i>
Balance at 1st April 2004	757,219,982	302,888
Issue of shares upon exercise of share options	7,455,632	2,982
Repurchase of shares	<u>(1,217,500)</u>	<u>(487)</u>
Balance at 30th September 2004	<u>763,458,114</u>	<u>305,383</u>

Details of the changes in the issued share capital of the Company during the period are as follows:

- (a) In July 2004, 5,455,632 shares of HK\$0.40 each were issued at HK\$0.40 per share as a result of the exercise of the certain share options of the Company by their holders.
- (b) In August 2004, 2,000,000 shares of HK\$0.40 each were issued at HK\$0.40 per share as a result of the exercise of the certain share options of the Company by their holders.
- (c) The Company repurchased its own shares on The Stock Exchange of Hong Kong Limited (“the Stock Exchange”) as follows:

Month	Number of Shares	Price per share		Aggregate Consideration <i>HK\$</i>
		Lowest <i>HK\$</i>	Highest <i>HK\$</i>	
August, 2004	<u>1,217,500</u>	0.79	0.80	<u>963,925</u>

The above shares were cancelled upon repurchase and accordingly the issued share capital of the Company was reduced by the nominal value of these shares. The premium on repurchase was debited to capital reserve. An amount equivalent to the nominal value of the shares cancelled was transferred from accumulated profits to the capital redemption reserve.

All shares issued rank pari passu with the then existing shares in issue in all respects.

12. CAPITAL COMMITMENTS

	30.9.2004 HK\$'000	31.3.2004 HK\$'000
Capital expenditure contracted for but not provided in the financial statements		
– property, plant and equipment	4,112	13,396

At the balance sheet date, the Company did not have any capital commitments.

13. CONTINGENT LIABILITIES

	30.9.2004 HK\$'000	31.3.2004 HK\$'000
Bills discounted with recourse	13,959	168

14. RELATED PARTY TRANSACTIONS

There were no significant related party transactions undertaken by the Group at any time during the six-months period.

INTERIM DIVIDEND

The Directors have declared an interim dividend of HK2.00 cents per share for the year ending 31st March, 2005 (Year ended 31st March, 2004: 3.20 cents*) to shareholders on the register of members on 20th January, 2005. Dividend warrants will be sent to the shareholders on or about 28th January, 2005.

* *Adjusted for the effect of the consolidation of shares on 14th November, 2003.*

CLOSING OF REGISTER OF MEMBERS

The registers of members and of the Company will be closed from Friday, 14th January, 2005 to Thursday, 20th January, 2005, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the entitlement of the interim dividend, all outstanding transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Share Registrars, Secretaries Limited, G/F., Bank of East Asia Harbour View Centre, 56 Gloucester Road, Hong Kong not later than 4:00 p.m. on Thursday, 13th January, 2005.

BUSINESS REVIEW

For the six months ended 30th September, 2004, the Group's turnover was HK\$909,567,000 (2003: HK\$925,302,000), a 1.7% slight decrease compared to the corresponding period last year, which is mainly attributable to the decrease in colour TV trading turnover. Profit attributable to shareholders decreased by 47.8% to approximately HK\$42,163,000 (2003:HK\$80,750,000). As the Group had disposed a substantial amount of securities investment portfolio at the end of the previous financial year, there was no material profit contribution for the current period. During the period under review, profit from securities trading decreased by HK\$16,129,000 compared with the corresponding period last year.

Electronics Division

For the period ended 30th September, 2004, the business environment for the manufacturing of electronic consumer goods remained competitive in spite of the recovering global economy. During the first quarter of this financial year (i.e. the quarter ended 30th June, 2004), the shortage of raw materials including flash memory and Random Access Memory (RAM) resulted in a substantial increase in their respective prices. The prices of plastics, metals and packaging materials also increased sharply. Besides, adverse factors including the pressure from labour shortage in South China resulting in an increase in labour wages and the shortage of electricity supply in China affecting the operations had a negative impact upon the profit margin of the Group's products. Starting the second quarter of this financial year (i.e. the quarter ended 30th September, 2004), prices of certain raw materials began to drop and hence the gross profit margin of the Group's products increased. However, oil price still kept rising and thus the cost of metals, plastics and soldering wires remained high, which brought great pressure to the cost of production.

Oil price began to be stable from the third quarter of this financial year, which meant the price of metals and oil related products became more stable. It is expected that there should have been an improvement in the profit margin of the Group's products.

Securities Trading

The Group's policy was to reduce its holdings in investment portfolio. Due to the reduction in investment portfolio and the provision for impairment for securities investment, the Group recorded a loss of HK\$6,227,000 (2003: profit HK\$9,902,000). Amongst the impairment provision made during the period, HK\$3,400,000 was the provision for a stock listed in NASDAQ. The stock was the consideration received by the Group for disposing of a non-listed investment item in the previous financial year (for the year ended 31st March, 2004, the earning for this disposal amounted to approximately HK\$3,500,000). This stock was not disposed of at appropriate time because of a lock-up period stated in the sale and purchase contract.

Property Development

Most transactions were the disposal of the remaining properties held for sale.

OUTLOOK

While the business environment for the electronics manufacturing industry remains competitive, the Group still remains optimistic towards the future business development. As the economy is recovering, sale is expected to have a stable increase. Also the strong Euro and Canadian dollar may stimulate the sale in both European and Canadian markets. The price of raw materials is expected to stabilize during the second half of the financial year. The Group's strategy of enhancing the automation in production not only improves productivity and quality but also reduces the pressure of rising wages and production cost leading to better profit margins.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30th September, 2004, the Group's shareholders' funds amounted to approximately HK\$686,732,000 (31st March, 2004: HK\$668,968,000). Cash, deposits and marketable securities amounted to approximately HK\$88,778,000 (31st March, 2004: HK\$92,136,000).

Gearing ratio calculated as total borrowings to shareholders' fund was 0.77 (31st March, 2004: 0.53), and net bank borrowings as a percentage to shareholders' fund was 0.08 (31st March, 2004: 0.08). Current ratio calculated as current assets to current liabilities was 1.5 (31st March, 2004: 1.8). The financial position remained stable.

FINANCING AND CAPITAL STRUCTURE

As at 30th September, 2004, total banking facilities granted to the Group amounted to approximately HK\$492,090,000, of which HK\$116,861,000 was utilized. All bank borrowings are denominated in Hong Kong dollar or US dollar and charged at prevailing market interest rate.

EXPOSURE TO EXCHANGE

The Group's transactions were mostly denominated in US dollars and Hong Kong dollars. The exposure to exchange rate was minimal.

PLEDGE OF ASSETS

At 30th September, 2004, the Group pledged certain assets and securities with carrying value of HK\$154,653,000 (year ended 31st March, 2004: HK\$80,076,000) to secure the general credit facilities and the margin accounts with brokers.

STAFF

As at 30th September, 2004, the Group had a total staff of 8,507 of which 8,398 were employed in the PRC for the Group's manufacturing and distribution businesses.

The Group provides employee benefits such as staff insurance, retirement scheme, discretionary bonus and share option scheme and also provides in-house training programmes and external training sponsorship.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the period, the Company repurchased on the Stock Exchange as follows:

Month	Number of Shares	Price per share		Aggregate Consideration HK\$
		Lowest HK\$	Highest HK\$	
August, 2004	<u>1,217,500</u>	0.79	0.80	<u>963,925</u>

The above shares were cancelled upon repurchase and accordingly the issued share capital of the Company was reduced by the nominal value of these shares. The premium on repurchase was debited to capital reserve. An amount equivalent to the nominal value of the shares cancelled was transferred from accumulated profits to the capital redemption reserve.

DIRECTORS' INTEREST AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As at 30th September, 2004, the interests and short positions of the directors and chief executives in the shares of the Company and associated corporations, as defined in Part XV of Securities and Futures Ordinance (the "SFO") and 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 pursuant to the Model Code for Securities Transactions by the Directors of Listed Companies, were as follows:

	Number of shares of the Company held			Total	% of total Issued Shares
	Personal Interest	Corporate Interest	Other Interest		
<i>Executive directors:</i>					
Lau Sak Hong, Philip	64,504,072	3,018,090 (a) 10,100,415 (b)	168,114,050 (c)	245,736,627	32.19%
Lau Sak Kai, Anthony	37,265,929	3,018,090 (a) 10,100,415 (b)	-	50,384,434	6.60%
Lau Sak Yuk, Andy	35,059,107	3,018,090 (a) 10,100,415 (b)	-	48,177,612	6.31%
<i>Non-executive director:</i>					
Hon Sheung Tin, Peter	194,645	-	-	194,645	0.03%
<i>Independent non-executive directors:</i>					
Ho Hau Chong, Norman	-	-	-	-	-
Chuck Winston Calptor	770,000	-	-	770,000	0.10%
Chan Chuk Chung	-	-	-	-	-

Notes:

- (a) These shares are held through K.K. Nominees Limited, a company which is beneficially owned by Lau Sak Hong, Philip, Lau Sak Kai, Anthony, and Lau Sak Yuk, Andy (hereinafter collectively with other family members referred to as the "Lau family"). Accordingly, Lau family is deemed to be interested in the shares held by K.K. Nominees Limited.
- (b) These shares are held through Wincard Management Services Limited, a company which is beneficially owned by the Lau family. Accordingly, Lau family is deemed to be interested in the shares held by Wincard Management Services Limited.

- (c) These shares are beneficially owned directly or indirectly by Philip Lau Holding Corporation, a company beneficially owned by a discretionary trust, the discretionary objects of which include Lau Sak Hong, Philip and his associate. Accordingly, Lau Sak Hong, Philip is deemed to be interested in the shares held by Philip Lau Holding Corporation.

Save as disclosed above and other than certain nominee shares in subsidiaries held by directors in trust for the Company or its subsidiaries, no director held any interest in the securities of the Company or any of its associated corporations as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company pursuant to the Model Code for Securities Transactions by the Directors of Listed Companies.

DIRECTORS' RIGHT TO ACQUIRE SHARES

Under the Company's share option scheme ("Old Scheme") which was approved and adopted at the special general meeting of the Company held on 7th April, 1997 for a period of 4 years, the directors might grant options to any eligible employees of the Group, including directors, of the Company and its subsidiaries to subscribe for shares in the Company. Options granted are exercisable within a period of five years commencing from the date of grant of the options. The Old Scheme was expired on 6th April, 2001 and thereafter, no more option could be granted pursuant to the Old Scheme. In respect of the options already granted under the Old Scheme, the provisions shall remain in force. Movements of the options granted pursuant to the Old Scheme during the period ended 30 September 2004 are as follows:

Name of grantee	Date of grant	Exercise price HK\$	Number of option shares outstanding at 1.4.2004	Number of shares lapsed /cancelled during the period	Number of option shares exercised during the period	Number of option shares at 30.9.2004
Employee	2.7.1999	0.40*	<u>5,455,632</u>	<u>-</u>	<u>5,455,632</u>	<u>-</u>

The weighted average closing price per share immediately before the date on which the options were exercised was HK\$1.07.

- * *The exercise price was adjusted with effect from the close of business on 13th November, 2003, as a result of consolidation of four issued and unissued shares of HK\$0.10 par value each into one share of HK\$0.40 par value each in the ordinary share capital of the Company.*

A new share option scheme (“New Scheme”) was approved and adopted at the special general meeting of the Company held on 12th September, 2002 for a period of 5 years.

Movements of the options granted pursuant to the New Scheme during the period ended 30th September 2004 are as follows:

Name of grantee	Date of grant	Exercise price HK\$	Number of option shares outstanding at 1.4.2004	Number of shares lapsed/ cancelled during the period	Number of option shares granted during the period	Number of option shares exercised during the period	Number of option shares outstanding at 30.9.2004
Employees	2.5.2003	0.40*	6,700,500	–	–	2,000,000	4,700,500
	10.10.2003	0.86*	15,144,000	–	–	–	15,144,000
	24.8.2004	0.808	–	–	3,000,000	–	3,000,000
			<u>21,844,500</u>	<u>–</u>	<u>3,000,000</u>	<u>2,000,000</u>	<u>22,844,500</u>

Notes:

- (1) The above options were granted for an exercise period of five years from the date of grant of the options.
- (2) No option was lapsed or cancelled during the period.
- (3) The closing price per share immediately before the date on which the options were granted was HK\$0.80.
- (4) The weighted average closing price per share immediately before the date on which the options were exercised was HK\$0.82.
- (5) The Directors consider it inappropriate to value the options granted during the period as a number of factors critical for the valuation cannot be determined accurately. Any valuation of the options based on various speculative assumptions would be meaningless and could be misleading to the shareholders.

* The exercise price were adjusted with effect from the close of business on 13th November, 2003, as a result of consolidation of four issued and unissued shares of HK\$0.10 par value each into one share of HK\$0.40 par value each in the ordinary share capital of the Company.

Save as aforesaid, at no time during the period was the Company or any of its subsidiaries a party to any arrangement to enable a director of the Company to acquire benefits by means of the acquisition of shares in the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

As at 30th September 2004, the following persons, other than the interest disclosed above in respect of the directors, interest in 5% or more in the shares and underlying shares of the Company have been notified to the Company and recorded in the register of substantial shareholders' interest in shares and short positions required to be kept under section 336 of Part XV of the SFO:

Name of Shareholders	Number of Ordinary Shares in which interested	% of total issued shares
Lee Yu Chiang (<i>Note 1</i>)	42,140,878	5.56%
Cheah Cheng Hye (<i>Note 2</i>)	53,220,000	6.97%
Value Partners Limited (<i>Note 3</i>)	53,220,000	6.97%

Notes:

1. Lee Yu Chiang hold the interest as person having a security interest in shares.
2. Cheah Cheng Hye beneficially owned 31.82% controlling interest in Value Partners Limited and was deemed to have interest in shares hold by Value Partners Limited.
3. The shares were held by Value Partners Limited as investment manager.

Save as mentioned above and in section of "Directors' Interests in Securities", as at 30th September, 2004, the register maintained by the Company pursuant to section 336 of the SFO recorded no other interests or short positions in shares of the Company.

CODE OF BEST PRACTICE

None of the directors is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the accounting period covered by the interim report, in compliance with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange.

AUDIT COMMITTEE

The interim report for the six months ended 30th September, 2004 has been reviewed by the audit committee which has been established for review and supervision of the Group's financial reporting process and internal controls.

By Order of the Board
Lau Sak Hong, Philip
Chairman

Hong Kong, 22nd December, 2004