



MING FUNG JEWELLERY GROUP LIMITED
明豐珠寶集團有限公司

(incorporated in the Cayman Islands with limited liability)

2004

INTERIM REPORT



MING FUNG JEWELLERY GROUP LIMITED
INTERIM REPORT 2004

The board ("Board") of directors ("Directors") of Ming Fung Jewellery Group Limited ("Company") is pleased to announce the unaudited condensed consolidated financial statements of the Company and its subsidiaries (collectively, the "Group") for the six months ended 31 March 2004 ("Period"), which have been reviewed by the Company's audit committee.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 31 March 2004

		For the six months ended 31 March	
		2004	2003
		(Unaudited)	(Unaudited)
	<i>Notes</i>	HK\$'000	<i>HK\$'000</i>
Turnover	2	163,255	149,751
Cost of sales		(115,867)	(104,975)
Gross profit		47,388	44,776
Other revenue		397	599
Selling and distribution expenses		(12,069)	(11,381)
Administrative expenses		(6,828)	(6,552)
Other operating expenses		(1,593)	(5,241)
Profit from operating activities	4	27,295	22,201
Finance costs	5	(1,094)	(472)
Profit before tax		26,201	21,729
Tax	6	(4,953)	(3,634)
Net profit from ordinary activities attributable to shareholders		21,248	18,095
Dividend	7	1,625	—
Earnings per share	8		
Basic		HK3.3 cents	HK2.8 cents
Diluted		HK3.1 cents	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

At 31 March 2004

		31 March 2004 (Unaudited) HK\$'000	30 September 2003 (Audited) HK\$'000
	<i>Notes</i>		
<hr/>			
Non-Current Assets			
Fixed assets		60,090	64,946
Current Assets			
Prepayment, deposits and other receivables		7,767	7,178
Inventories		80,054	52,467
Trade receivables	9	76,835	54,539
Cash and cash equivalents		45,015	57,374
		209,671	171,558
Current Liabilities			
Interest-bearing bank borrowings, secured		44,895	37,598
Trade payables	10	14,620	14,515
Other payables and accruals		2,394	2,740
Tax payables		34,501	29,548
		96,410	84,401
Net Current Assets		113,261	87,157
Total Assets Less Current Liabilities		173,351	152,103
Capital And Reserves			
Issued capital	11	6,500	6,500
Reserves		165,226	145,603
Proposed dividend	7	1,625	—
		173,351	152,103

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 March 2004

	Share capital (Unaudited) <i>HK\$'000</i>	Share premium (Unaudited) <i>HK\$'000</i>	Retained profits (Unaudited) <i>HK\$'000</i>	Proposed dividend (Unaudited) <i>HK\$'000</i>	Total (Unaudited) <i>HK\$'000</i>
At 1 October 2003	6,500	32,240	113,363	—	152,103
Net profit for the period	—	—	21,248	—	21,248
Proposed interim dividend	—	—	(1,625)	1,625	—
At 31 March 2004	<u>6,500</u>	<u>32,240</u>	<u>132,986</u>	<u>1,625</u>	<u>173,351</u>

For the six months ended 31 March 2003

	Share capital (Unaudited) <i>HK\$'000</i>	Share premium (Unaudited) <i>HK\$'000</i>	Retained profits (Unaudited) <i>HK\$'000</i>	Proposed dividend (Unaudited) <i>HK\$'000</i>	Total (Unaudited) <i>HK\$'000</i>
At 1 October 2002	6,500	32,240	81,514	—	120,254
Net profit for the period	—	—	18,095	—	18,095
At 31 March 2003	<u>6,500</u>	<u>32,240</u>	<u>99,609</u>	<u>—</u>	<u>138,349</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 31 March 2004

	For the six months ended 31 March	
	2004	2003
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Net cash inflow/(outflow) from:		
Operating activities	(10,885)	(10,448)
Investing activities	100	(16,007)
Financing activities	(1,094)	8,301
	<hr/>	<hr/>
Decrease in cash and cash equivalents	(11,879)	(18,154)
Cash and cash equivalents at beginning of the period	49,602	72,682
	<hr/>	<hr/>
Cash and cash equivalents at end of the period	37,723	54,528
	<hr/> <hr/>	<hr/> <hr/>
Analysis of balances of cash and cash equivalents		
Cash and bank balances	23,502	9,857
Non-pledged bank deposits with original maturity of less than three months when acquired	21,513	51,501
Bank overdrafts	(7,292)	(6,830)
	<hr/>	<hr/>
	37,723	54,528
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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 March 2004

1. Significant Accounting Policies

Basis of preparation

These condensed consolidated financial statements are unaudited and have been prepared in accordance with the requirements of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") and Statement of Standard Accounting Practice ("SSAP") 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants.

These condensed consolidated financial statements have been prepared under the historical cost convention.

The accounting policies and basis of presentation adopted in the preparation of these condensed consolidated financial statements are consistent with those adopted in the preparation of the Group's audited consolidated financial statements for the year ended 30 September 2003, except for the adoption of the following new and revised SSAP, which is effective for the first time in the preparation of the condensed consolidated financial statements for the Period. Its major effects on the Group's accounting policies and on the amounts disclosed in these condensed consolidated financial statements are summarized as follows:

During the Period, the Group has adopted SSAP 12 (Revised) "Income Taxes". The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred taxation. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognized in respect of all temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions. Prior to the Period, deferred taxation was provided using the liability method in respect of taxation effect arising from all material timing differences between the accounting and tax treatment of income and expenditure, which were expected with reasonable probability to crystallize in the foreseeable future. Prior to the Period, a deferred tax asset was not recognized until its realization was assured beyond reasonable doubt. In the absence of any specific transitional requirements in SSAP 12 (Revised), the new accounting policy has been applied retrospectively. However, SSAP 12 (Revised) had no major impact on these condensed consolidated financial statements.

2. Turnover and Revenue

Turnover represents the net invoiced value of goods sold, after allowances for returns and trade discounts, and after eliminations of all significant intra-Group transactions during the Period.

An analysis of turnover, other revenue and gains is as follows:

	For the six months ended 31 March	
	2004	2003
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Turnover – sale of goods	163,255	149,751
Other revenue		
Interest income	115	253
Others	282	346
	397	599
	163,652	150,350



3. Segment Information

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by geographical segment; and (ii) on a secondary segment reporting basis, by business segment.

The principal activity of the Group is the manufacture and sale of jewellery products, which is managed according to the geographical location of customers.

Geographical segments based on the location of customers

The following tables present revenue and results for the Group's geographical segments:

For the six months ended 31 March 2004:

	United States of America (Unaudited) <i>HK\$'000</i>	Europe (Unaudited) <i>HK\$'000</i>	Middle East and South East Asia (Unaudited) <i>HK\$'000</i>	Consolidated (Unaudited) <i>HK\$'000</i>
Segment revenue:				
Sales to external customers	<u>85,105</u>	<u>57,678</u>	<u>20,472</u>	<u>163,255</u>
Segment results	<u>15,193</u>	<u>10,987</u>	<u>3,444</u>	29,624
Unallocated revenue				397
Unallocated expenses				<u>(2,726)</u>
Profit from operating activities				27,295
Finance costs				<u>(1,094)</u>
Profit before tax				26,201
Tax				<u>(4,953)</u>
Net profit from ordinary activities attributable to shareholders				<u>21,248</u>

For the six months ended 31 March 2003:

	United States of America (Unaudited) <i>HK\$'000</i>	Europe (Unaudited) <i>HK\$'000</i>	Middle East and South East Asia (Unaudited) <i>HK\$'000</i>	Consolidated (Unaudited) <i>HK\$'000</i>
Segment revenue:				
Sales to external customers	<u>86,016</u>	<u>46,640</u>	<u>17,095</u>	<u>149,751</u>
Segment results	<u>12,590</u>	<u>7,569</u>	<u>1,697</u>	21,856
Unallocated revenue				599
Unallocated expenses				<u>(254)</u>
Profit from operating activities				22,201
Finance costs				<u>(472)</u>
Profit before tax				21,729
Tax				<u>(3,634)</u>
Net profit from ordinary activities attributable to shareholders				<u>18,095</u>

Business segments

All of the revenue and assets of the Group are derived from the manufacture and sale of jewellery products.

4. Profit From Operating Activities

The Group's profit from operating activities is arrived at after charging:

	For the six months ended 31 March	
	2004 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000
Cost of inventories sold	115,867	104,975
Depreciation	4,871	1,822
Research and development costs	<u>1,593</u>	<u>5,241</u>

5. Finance Costs

	For the six months ended 31 March	
	2004 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000
Interest on bank overdrafts and trust receipt loans wholly repayable within five years	1,094	445
Interest on bank loans wholly repayable beyond five years	<u>—</u>	<u>27</u>
	<u>1,094</u>	<u>472</u>

6. Tax

	For the six months ended 31 March	
	2004 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000
Current period provision: Hong Kong profits tax	<u>—</u>	<u>—</u>
Overseas taxation	4,953	3,634
Tax charge for the Period	<u>4,953</u>	<u>3,634</u>

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong in respect of the Period (2003: Nil). Overseas taxation is related to Macau tax which has been provided at the applicable income tax rate on the assessable profits based on existing legislation, interpretations and practices in respect thereof.

No provision for deferred tax has been made as the Group did not have any significant unprovided deferred tax liabilities in respect of the Period (2003: Nil).

7. Dividend

The Board has resolved to declare an interim dividend of HK0.25 cents per share (2003:Nil) payable on 28 July 2004 to shareholders whose names appear on the register of members of the Company on 15 July 2004.

8. Earnings Per Share

The calculation of basic earnings per share is based on the Group's unaudited net profit from ordinary activities attributable to shareholders for the Period of approximately HK\$21,248,000 (2003: HK\$18,095,000) and the weighted average of 650,000,000 (2003: 650,000,000) ordinary shares in issue during the Period.

The calculation of diluted earnings per share for the period ended 31 March 2004 is based on the Group's unaudited net profit from ordinary activities attributable to shareholders for the Period of approximately HK\$21,248,000 and the weighted average number of 676,769,302 ordinary shares in issue during the Period. The weighted average number of ordinary shares used to calculate the diluted earnings per share comprises the weighted average number of 650,000,000 ordinary shares in issue during the Period and the weighted average number of 26,769,302 ordinary shares deemed to be issued at no consideration on exercise of all outstanding share option.

There were no potential dilutive ordinary shares in existence for the six months ended 31 March 2003 and accordingly, no diluted earnings per share amount has been presented for the Period.

9. Trade Receivables

The Group normally allows credit terms to established customers ranging from 30 to 120 days. 100% provision is made for outstanding debts aged over 365 days.

An aging analysis of the trade receivables as at the balance sheet date, based on the date of recognition of the sale, is as follows:

	31 March 2004 (Unaudited) HK\$'000	30 September 2003 (Audited) HK\$'000
1 – 30 days	38,879	36,836
31 – 60 days	25,481	15,751
61 – 90 days	12,475	1,952
	<u>76,835</u>	<u>54,539</u>

10. Trade Payables

The Group normally obtains credit terms ranging from 30 to 90 days from its suppliers.

An aging analysis of the trade payables as at the balance sheet date, based on the date of receipt of goods purchased, is as follows:

	31 March 2004 (Unaudited) HK\$'000	30 September 2003 (Audited) HK\$'000
1 – 30 days	11,549	12,073
31 – 60 days	2,488	1,935
61 – 90 days	583	507
	<u>14,620</u>	<u>14,515</u>

11. Share Capital

There were no changes in the share capital of the Company for the six months ended 31 March 2004.

12. Contingent Liabilities

As at 31 March 2004, the Company had executed corporate guarantees to banks for banking facilities granted to certain subsidiaries of the Company. These banking facilities has been utilized to the extent of approximately HK\$44.9 million as at 31 March 2004 (30 September 2003: HK\$37.6 million).

13. Operating Lease Arrangements

The Group leases certain of its leasehold land and buildings under operating lease arrangements. The original lease terms for these leasehold land and buildings range from 1 to 3 years.

As at 31 March 2004, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	31 March 2004 (Unaudited) HK\$'000	30 September 2003 (Audited) HK\$'000
Within one year	585	855
In the second to fifth years, inclusive	—	158
	<u>585</u>	<u>1,013</u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the Period, the Group recorded a turnover of approximately HK\$163.3 million, representing an increase of approximately 9% as compared to approximately HK\$149.8 million for the six months ended 31 March 2003. During the Period, the global economy was recovered gradually from the relief of Severe Acute Respiratory Syndrome outbreak and the settlement of the United States ("US") military action against Iraq. Along with the improvement of general economic climate, sales orders for jewellery products increased during the Period. With the recovery in the operating environment, together with the effort of the management team, the Group maintained a modest growth in turnover.

Net profit from ordinary activities attributable to shareholders was approximately HK\$21.2 million, increasing by approximately 17.1% compared to approximately HK\$18.1 million in the last corresponding period. The net profit margin was approximately 13%, increasing by approximately 7.4% compared to net profit margin of 12.1% in the last corresponding period. The increase in net profit from ordinary activities attributable to shareholders and net profit margin were mainly attributable to the decrease in research and development costs of other operating expenses by approximately HK\$3.6 million as compared to that in the last corresponding period. The Group's gross profit margin remained fairly stable at approximately 29% for the Period.

During the Period, the selling and distribution expenses of the Group recorded an amount of approximately HK\$12.1 million (2003: HK\$11.4 million). The increase in selling and distribution expenses was resulted from the increasing marketing activities of the Group.

The administrative expenses of the Group for the Period amounted to approximately HK\$6.8 million (2003: HK\$6.6 million), representing an increase of approximately 3% as compared with the corresponding period in last year. This represented approximately 4.2% of the turnover of the Group for the Period and was relatively stable.

The other operating expenses for the Period amounted to approximately HK\$1.6 million (2003: HK\$5.2 million) was related to research and development costs incurred for the development of new products. As extensive program for the development of new products has been completed successfully in last period, the other operating expenses for the Period decreased accordingly.

Products manufactured by the Group are primarily sold to markets in the US, Europe, the Middle East and South East Asia. For the Period, the US is the largest market of the Group's products and sales to the US accounted for about 52.1% (2003: 57.4%) of the Group's turnover. Sales in Europe accounted for about 35.3% (2003: 31.1%) of the Group's turnover. The remaining sales of the Group's products were recorded for the markets in the Middle East and South East Asia and accounted for about 12.6% (2003: 11.5%) of the Group's turnover.

FUTURE PLANS AND PROSPECTS

Basel trade show in Switzerland has been re-opened for Hong Kong jewellery manufacturers in April 2004. Joining this together with the Group's active participation in major jewellery shows all over the world in the second half of the year, the Group continued to establish reputation for manufacturing a great variety of high quality jewellery products with its own design. In addition to the existing range of jewellery products, the Group's mission is to develop new design and high quality jewellery products by using advance techniques and expand its market coverage.

With the effort of the management team, the sales mixes from the European market have been increased for the Period. Meanwhile, in response to the highly competitive environment in the US market, the Group will continue to focus on the marketing development in Europe, the Middle East, South East Asia. People Republic of China, being a huge potential market for jewellery products, the Group will continue to examine the business opportunities and explore the marketplace in China..

LIQUIDITY AND FINANCIAL RESOURCES

An analysis of the Group's current assets and current liabilities as at 31 March 2004 and the comparison figures as at 30 September 2003 is presented in the balance sheet with the relevant notes to accounts in the interim report.

The Group's trade debtor turnover, inventory turnover and trade creditor turnover period were 86 days, 126 days and 23 days respectively and the turnover periods are consistent with the Group's respective general policy on credit terms granted to trade debtors, inventory/purchasing and trade creditors. Increase in inventory turnover was mainly due to higher inventory level to cope with potential orders which may be obtained from a number of jewellery shows in third quarter of the year.

The Group generally finances its operations through a combination of shareholders' equity, internally generated cash flows and bank borrowings. The capital structure of the Company only consists of share capital. As at 31 March 2004, the shareholders' equity of the Group amounted to about HK\$173.4 million (30 September 2003: HK\$152.1 million). The Group's total bank borrowings as at 31 March 2004 amounted to approximately HK\$44.9 million (30 September 2003: HK\$37.6 million) representing an increase of approximately HK\$7.3 million. The bank borrowings were mainly used for working capital purpose and they were not at fixed interest rates. All of the bank borrowings as at 31 March 2004 was repayable within one year. The Group's gearing ratio, represented by the interest bearing borrowings over the Group's shareholders' equity, was approximately 25.9% (30 September 2003: 24.7%).

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The sales and purchases of the Group's products and raw materials are mainly denominated in US dollars and Hong Kong dollars. The cash and bank balances and bank borrowings of the Group are mainly denominated in US dollars, Hong Kong dollars and Renminbi. The Group's exposure to fluctuations in foreign exchange rates is minimal and the Group does not engage in any hedging contracts.

As at 31 March 2004, the Group did not have any significant capital commitments (*30 September 2003: Nil*). As at 31 March 2004, the Group did not have any significant contingent liabilities (*30 September 2003: Nil*).

Apart from those set out, the current information in other management and discussion analysis for the Period has not changed materially from those information disclosed in the last published 2003 annual report.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 13 July 2004, Tuesday to 15 July 2004, Thursday both dates inclusive, during which period no transfer of shares of the Company will be recorded. In order to qualify the aforesaid interim dividend, all transfer accompanied by the relevant share certificate(s) must be lodged with the Company's branch registrar, Tengis Limited at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not later than 4:30pm on 12 July 2004, Monday.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ANY ASSOCIATED CORPORATION

As at 31 March 2004, the interests of the Directors and chief executive in the shares and underlying shares, all of which are long positions, of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register maintained by the Company pursuant to section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited ("Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code") were as follows:

Director	Number of ordinary shares held				Total interestsshareholding	Percentage of
	Corporate Interests	Personal interests	Family interests	Other interests		
Mr. Wong Chi Ming, Jeffrey	416,000,000 <i>(Note 1 and 2)</i>	—	—	—	416,000,000	64%

Note 1: These shares are held by Equity Base Holdings Limited, the entire issued share capital of which is beneficially owned by Mr. Wong Chi Ming, Jeffrey.

Note 2: Ms. Lui Ching Han, Magda, director, who is the spouse of Mr. Wong Chi Ming, Jeffrey and will be deemed to be interested in these shares under the SFO.

Mr. Wong Chi Ming, Jeffrey beneficially owns 800 shares of US\$1 each in Equity Base Holdings Limited, an associated corporation (within the meaning of Part XV of the SFO) of the Company, representing the entire issued shares in Equity Base Holdings Limited. Ms. Lui Ching Han, Magda, is also deemed to be interested in these shares of the associated corporation under the SFO.

In addition to the above, certain Directors have non-beneficial personal equity interests in certain subsidiaries of the Company held in trust for the Company solely for the purpose of complying with the statutory minimum shareholders requirements.

Save as disclosed above as at 31 March 2004, none of the Directors, chief executive or their associates had any interests or short position in the shares or underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from as disclosed under the heading "Share option scheme" below, at no time during the Period were the 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 ("Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The Scheme became effective on 3 September 2002 and unless otherwise cancelled or amended, will remain in force for 10 years from its date of adoption on 12 August 2002.

On 3 March 2004, pursuant to the Scheme, the Company granted 65,000,000 share options to certain eligible participants at a nominal consideration of HK\$1 in total per grantee for the subscription of the ordinary shares of the Company at an exercise price of HK\$0.26 per share. The closing price of the Company's shares on 2 March 2004, immediately before the date of grant of the aforesaid share options was HK\$0.27. The share options granted are exercisable during the period from 3 March 2004 to 2 March 2007 (both dates inclusive). None of these share options has been exercised since the date of grant.

Movements in the share options granted and outstanding under the Scheme are as follows:

Eligible participants	Date of grant	Exercise price	Exercise period	Number of shares issuable under share options			
				At beginning of the period	Granted during the period	Exercised during the period	At end of the period
Employees (excluding directors)	29 Apr 2003	HK\$0.138	29 Apr 2003 to 28 Apr 2006	42,500,000	—	—	42,500,000
	3 Mar 2004	HK\$0.26	3 Mar 2004 to 2 Mar 2007	—	32,500,000	—	32,500,000
Suppliers of goods or services and others	29 Apr 2003	HK\$0.138	29 Apr 2003 to 28 Apr 2006	22,500,000	—	—	22,500,000
	3 Mar 2004	HK\$0.26	3 Mar 2004 to 2 Mar 2007	—	32,500,000	—	32,500,000
				<u>65,000,000</u>	<u>65,000,000</u>	<u>—</u>	<u>130,000,000</u>

Since adoption of the Scheme, no share options have been offered and/or granted to the Directors and chief executives of the Group under the Scheme.

The Directors consider it inappropriate to disclose the value of options granted under the Scheme. Any such valuation will have to be made on the basis of certain option pricing model or other methodology, which depends on various assumptions including exercise price, exercise period, interest rate, expected volatility and other variables. The Directors believe that any calculation of the value of options as at the date of this report based on a number of speculative assumptions would not be meaningful.

Any options granted under the Scheme would not be recorded in the Company's or the Group's balance sheet until such time as the share options were exercised, and no charge would be recorded in the income statement or the balance sheet for their cost. Upon the exercise of the share options, the resulting shares issued would be recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over its nominal value of the shares would be recorded by the Company in the share premium account. Share options which were cancelled prior to their exercise dates would be deleted from the register of outstanding share options.

SUBSTANTIAL SHAREHOLDERS

As at 31 March 2004, the following party, other than the Directors and chief executive of the Company as disclosed above, had interests of 5 per cent. or more of the nominal value of the issued ordinary shares that carry a right to vote in all circumstances at general meetings of the Company as recorded in the register required to be kept pursuant to section 336 of the SFO or as notified to the Company:

Name	Number of ordinary shares held	Percentage of shareholding
Equity Base Holdings Limited (<i>Note</i>)	416,000,000 (<i>Note</i>)	64%
Ms. Wong Siu Han	35,000,000	5.38%

Note: Mr. Wong Chi Ming, Jeffrey is the beneficial owner of the entire issued share capital in Equity Base Holdings Limited. Ms. Lui Ching Han, Magda, the spouse of Mr. Wong Chi Ming, Jeffrey will be deemed to be interested in these shares under the SFO.

All the interests stated above represent long positions. As at 31 March 2004, no short positions were recorded in the register required to be kept pursuant to section 336 of the SFO.

Save as disclosed above, the Company had not been notified by any other person, other than the Directors and chief executive of the Company, who had interests in 5% or more of the nominal value of the issued ordinary shares that carry a right to vote in all circumstances at general meetings of the Company which were required to be recorded in the register maintained by the Company pursuant to section 336 of the SFO.

EMPLOYEES AND EMPLOYMENT POLICIES

As at 31 March 2004, the Group had approximately 36 employees with remuneration of approximately HK\$4.1 million for the Period under review. The Group's emolument policies are formulated on the performance of individual employee and will be reviewed regularly every year.

The Group has established a share option scheme for its employees and other eligible participants with a view to providing an incentive to or as a reward for their contribution to the Group.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the Period.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

In the opinion of the Directors, the Company has complied with the code of Best Practice ("Code") as set out in Appendix 14 of the Listing Rules, except that the independent non-executive directors of the Company are not appointed for specific terms as required by paragraph 7 of the Code, but are subject to retirement by rotation and re-election at the annual general meeting in accordance with the Company's articles of association.

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. Currently the audit committee comprises the three independent non-executive directors of the Company. The unaudited interim report for the Period has been reviewed by the audit committee.

APPRECIATION

On behalf of the Board, I would like to express our appreciation to all our management and staff members for their ongoing contribution and hard work. We would also like to thank our shareholders for their continuing support.

As at the date of this report, the board of director of the Company consists of:

Executive Director:

Wong Chi Ming, Jeffry
Lui Ching Han, Magda
Chung Yuk Lun
Yu Fei Philip

Independent non-executive Director:

Lee Pak Chung
Chen Nien Chong
Chan Man Kiu

By order of the Board
Wong Chi Ming, Jeffry
Chairman

Hong Kong
25 June 2004