

INTERIM RESULTS

The Board of Directors of Oriental Explorer Holdings Limited (the “Company”) announces the unaudited interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2004 (the “period”), together with the unaudited comparative figures as follows:

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

	<i>Notes</i>	For the six months ended 30 June	
		2004 <i>(Unaudited)</i> HK\$'000	2003 <i>(Unaudited)</i> HK\$'000
TURNOVER	2	112,797	282,404
Cost of sales		(103,452)	(269,169)
Gross profit		9,345	13,235
Other revenue and gains	2	11,989	1,919
Selling and distribution costs		(3,350)	(6,728)
Operating and administrative expenses		(6,834)	(8,115)
Other operating expenses, net		(6,907)	(5,275)
PROFIT/(LOSS) FROM OPERATING ACTIVITIES	4	4,243	(4,964)
Finance costs		(105)	(139)
Share of profits of an associate		1,170	919
Negative goodwill recognised as income on acquisition of an associate		1,409	270
PROFIT/(LOSS) BEFORE TAX		6,717	(3,914)
Tax	5	330	1,510
PROFIT/(LOSS) BEFORE MINORITY INTERESTS		7,047	(2,404)
Minority interests		—	—
NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		7,047	(2,404)
EARNINGS/(LOSS) PER SHARE	6	0.39 cent	(0.13) cent

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2004

(With comparatives as at 31 December 2003)

	<i>Notes</i>	As at 30 June 2004 (Unaudited) HK\$'000	As at 31 December 2003 (Audited) HK\$'000
NON-CURRENT ASSETS			
Fixed assets		2,112	3,032
Interest in an associate		52,603	50,024
Long term investments		105,089	89,489
		<u>159,804</u>	<u>142,545</u>
CURRENT ASSETS			
Short term investments		74,645	46,241
Inventories		1,874	2,136
Trade and bills receivables	8	78,487	76,689
Prepayments, deposits and other receivables		18,640	5,062
Pledged deposits	9	2,952	7,800
Cash and cash equivalents	9	34,785	62,985
		<u>211,383</u>	<u>200,913</u>
CURRENT LIABILITIES			
Trade and bills payables	10	71,063	53,931
Tax payable		3,846	4,176
Other payables		13,250	9,370
		<u>88,159</u>	<u>67,477</u>
NET CURRENT ASSETS			
		<u>123,224</u>	<u>133,436</u>
		<u>283,028</u>	<u>275,981</u>
CAPITAL AND RESERVES			
Issued capital	11	18,000	18,000
Reserves		265,028	257,981
		<u>283,028</u>	<u>275,981</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2004

	For the six months ended 30 June	
	2004	2003
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Shareholders' equity at 1 January (audited)	275,981	268,458
Net profit / (loss) for the period	7,047	(2,404)
	<u>283,028</u>	<u>266,054</u>
Shareholders' equity at 30 June (unaudited)	<u><u>283,028</u></u>	<u><u>266,054</u></u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2004

	For the six months ended 30 June	
	2004	2003
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	11,610	(16,943)
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	(39,705)	(14,798)
NET CASH OUTFLOW FROM FINANCING ACTIVITIES	(105)	—
DECREASE IN CASH AND CASH EQUIVALENTS	(28,200)	(31,741)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	62,985	114,427
CASH AND CASH EQUIVALENTS AT END OF PERIOD	34,785	82,686
 ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS:		
CASH AND BANK BALANCES	24,438	82,395
NON-PLEDGED TIME DEPOSITS WITH ORIGINAL MATURITY OF LESS THAN THREE MONTHS WHEN ACQUIRED	10,347	291
	34,785	82,686

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1 STATEMENT OF COMPLIANCE AND ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements are prepared in accordance with the Statement of Standard Accounting Practice (“SSAP”) No. 25 “Interim financial reporting” issued by the Hong Kong Society of Accountants and Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules of the Stock Exchange”).

The accounting policies and basis of preparation used in the preparation of the condensed consolidated interim financial statements are the same as those used in the annual financial statements for the year ended 31 December 2003.

2 TURNOVER, OTHER REVENUE AND GAINS

Turnover represents the invoiced value of goods sold, net of discounts and returns. An analysis of turnover, other revenue and gains is as follows:

	For the six months ended 30 June	
	2004	2003
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	HK\$’000	HK\$’000
Turnover	112,797	282,404
Other revenue and gains:		
Interest income	508	118
Gain on disposal of listed investments	4,641	1,080
Dividend income from listed investments	966	511
Gain on disposal of fixed assets	5,874	—
Others	—	210
	124,786	284,323

3 SEGMENT INFORMATION

An analysis of the business segments and geographical segments of the operation of the Group during the period is as follows:

(a) Business segments

	Steel trading		Electronic products		Corporate and others		Consolidated	
	For the six months ended 30 June							
	2004 (<i>unaudited</i>) HK\$'000	2003 (<i>unaudited</i>) HK\$'000	2004 (<i>unaudited</i>) HK\$'000	2003 (<i>unaudited</i>) HK\$'000	2004 (<i>unaudited</i>) HK\$'000	2003 (<i>unaudited</i>) HK\$'000	2004 (<i>unaudited</i>) HK\$'000	2003 (<i>unaudited</i>) HK\$'000
Segment revenue								
Sales to external customers	106,149	275,244	6,648	7,160	—	—	112,797	282,404
Segment results	2,606	2,777	179	273	(3,624)	(4,658)	(839)	(1,608)
Other revenue and gains							11,989	1,919
Unallocated expenses							(6,907)	(5,275)
Profit/(loss) from operating activities							4,243	(4,964)
Finance costs							(105)	(139)
Share of profits of an associate							1,170	919
Negative goodwill recognised as income on acquisition of an associate							1,409	270
Profit / (loss) before tax							6,717	(3,914)
Tax							330	1,510
Profit / (loss) before minority interests							7,047	(2,404)
Minority interests							—	—
Net profit / (loss) from ordinary activities attributable to shareholders							7,047	(2,404)

(b) Geographical segments

	Hong Kong		Elsewhere in the PRC		Thailand		Corporate and others		Consolidated	
	For the six months ended 30 June									
	2004 (<i>unaudited</i>) HK\$'000	2003 (<i>unaudited</i>) HK\$'000	2004 (<i>unaudited</i>) HK\$'000	2003 (<i>unaudited</i>) HK\$'000	2004 (<i>unaudited</i>) HK\$'000	2003 (<i>unaudited</i>) HK\$'000	2004 (<i>unaudited</i>) HK\$'000	2003 (<i>unaudited</i>) HK\$'000	2004 (<i>unaudited</i>) HK\$'000	2003 (<i>unaudited</i>) HK\$'000
Segment revenue										
Sales to external customers	6,647	7,159	—	14,530	106,149	260,714	1	1	112,797	282,404
Segment results	(3,445)	(4,207)	—	(95)	2,606	2,687	—	7	(839)	(1,608)

4 PROFIT / (LOSS) FROM OPERATING ACTIVITIES

The Group's profit / (loss) from operating activities is arrived at after charging / (crediting):

	For the six months ended 30 June	
	2004	2003
	<i>(Unaudited)</i> HK\$'000	<i>(Unaudited)</i> HK\$'000
Cost of inventories sold	103,452	269,169
Depreciation of fixed assets	953	1,106
Operating lease rentals:		
Land and buildings	906	767
Unrealised loss on listed investments, net	6,907	7,749
Exchange gain, net	(485)	(7)
	<u> </u>	<u> </u>

5 TAX

	For the six months ended 30 June	
	2004	2003
	<i>(Unaudited)</i> HK\$'000	<i>(Unaudited)</i> HK\$'000
Hong Kong and the PRC:		
Overprovision in prior years	330	1,510
Tax credit for the period	330	1,510
	<u> </u>	<u> </u>

No provision for Hong Kong tax has been made as the Group had no assessable profit during the period (2003: Nil).

No provision for overseas tax has been made in respect of the subsidiaries in the PRC nor other overseas subsidiaries as these subsidiaries had no assessable profits.

6 EARNINGS / (LOSS) PER SHARE

The calculation of basic earnings per share is based on the net profit from ordinary activities attributable to shareholders for the period of HK\$7,047,000 (2003: net loss of HK\$2,404,000) and the weighted average of 1,800,000,000 (2003: 1,800,000,000) ordinary shares in issue during the period.

Diluted earnings per share reflecting the exercise of subscription rights under the share options granted pursuant to the Company's share option scheme is not presented because the share options had no dilutive effects for both the six months ended 30 June 2004 and 2003.

7 INTERIM DIVIDEND

The Board of Directors has resolved not to recommend the payment of an interim dividend in respect of the six months ended 30 June 2004 (2003: Nil).

8 TRADE AND BILLS RECEIVABLES

	As at 30 June 2004 (Unaudited) HK\$'000	As at 31 December 2003 (Audited) HK\$'000
Trade receivables	2,056	54,863
Less: Provisions for doubtful debts	—	(215)
	<u>2,056</u>	<u>54,648</u>
Bills receivables	76,431	22,041
	<u>78,487</u>	<u>76,689</u>

An aged analysis of trade receivables is as follows:

	As at 30 June 2004 (Unaudited) HK\$'000	As at 31 December 2003 (Audited) HK\$'000
Aged:		
Within three months	<u>2,056</u>	<u>54,648</u>

An aged analysis of bills receivables is as follows:

	As at 30 June 2004 (Unaudited) HK\$'000	As at 31 December 2003 (Audited) HK\$'000
Aged:		
Within three months	<u>76,431</u>	<u>22,041</u>

The Group's trading terms with customers are largely on credit. Invoices are normally payable within two months of issuance, except for certain well established customers, where the terms are extended to three months to six months in some cases, subject to the approval of senior management. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are regularly reviewed by senior management.

9 CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	As at 30 June 2004 (Unaudited) HK\$'000	As at 31 December 2003 (Audited) HK\$'000
Cash and bank balances	24,438	52,690
Time deposits	10,347	10,295
	<u>34,785</u>	<u>62,985</u>
Pledged deposits	2,952	7,800
	<u>37,737</u>	<u>70,785</u>

The time deposits of HK\$2,952,000 (2003: HK\$7,800,000) were pledged as security for banking facilities granted.

10 TRADE AND BILLS PAYABLES

	As at 30 June 2004 (Unaudited) HK\$'000	As at 31 December 2003 (Audited) HK\$'000
Trade payables	708	481
Bills payables	70,355	53,450
	<u>71,063</u>	<u>53,931</u>

An aged analysis of trade payables is as follows:

	As at 30 June 2004 (Unaudited) HK\$'000	As at 31 December 2003 (Audited) HK\$'000
Aged:		
Within three months	531	313
Within four to six months	177	168
	<u>708</u>	<u>481</u>

An aged analysis of bills payables is as follows:

	As at 30 June 2004 (Unaudited) HK\$'000	As at 31 December 2003 (Audited) HK\$'000
Aged:		
Within three months	70,355	53,450

11 SHARE CAPITAL

	As at 30 June 2004 (Unaudited) HK\$'000	As at 31 December 2003 (Audited) HK\$'000
<i>Authorised:</i>		
20,000,000,000 (2003: 20,000,000,000) ordinary shares of HK\$0.01 each	<u>200,000</u>	<u>200,000</u>
<i>Issued and fully paid:</i>		
1,800,000,000 (2003: 1,800,000,000) ordinary shares of HK\$0.01 each	<u>18,000</u>	<u>18,000</u>

Share options

Details of the Company's share option schemes and the share options issued under the schemes are included in note 12 to the condensed interim financial statements.

12 SHARE OPTION SCHEMES

(a) The 1993 Scheme

On 8 March 1993, the Company adopted a share option scheme (the "1993 Scheme") for the purpose of providing incentives and rewards to eligible participants who contributed to the success of the Group's operations. Eligible participants of the 1993 Scheme included the Company's directors, including independent non-executive directors and employees of the Group. The 1993 Scheme remained in force for 10 years from that date and expired on 7 March 2003.

The maximum number of shares over which options could be granted could not exceed 10% of the ordinary share capital in issue from time to time, excluding those shares which had been issued under the 1993 Scheme.

Under the 1993 Scheme, the directors could, at their discretion, at any time during the 10 years from the date of approval of the 1993 Scheme, grant to directors, including independent non-executive directors, and employees of the Group options to subscribe for shares in the share capital of the Company. The share subscription price of any options granted under the 1993 Scheme was the higher of 80% of the average of the closing prices of the Company's shares on The Stock Exchange of Hong Kong Limited for the five trading days immediately preceding the date on which an option is granted and the nominal value of the shares.

Pursuant to a directors' resolution passed on 7 February 1998, options to subscribe for an aggregate of 58,500,000 shares in the Company within 10 years from the date of grant, at a subscription price of HK\$0.112 per share, were granted by the Company. None of these share options has since been exercised by the grantees.

Name or category of participant	Date of grant of share options	Exercise price of share options* HK\$	At 1 January and 30 June 2004	Exercise period of share options	Price of Company's shares at grant date of options HK\$
Directors					
Lau Chi Yung, Kenneth	7-2-1998	0.112	19,500,000	7-2-1998 to 6-2-2008	0.19
Tsang Pak Chung, Eddy	7-2-1998	0.112	19,500,000	7-2-1998 to 6-2-2008	0.19
Other					
Leung Wei San, Saskia	7-2-1998	0.112	19,500,000	7-2-1998 to 6-2-2008	0.19
			<u><u>58,500,000</u></u>		

No share options were granted, exercised, cancelled or lapsed during the period.

* The exercise price of the share options is subject to adjustment in the case of rights or bonus issues or other similar changes in the Company's share capital.

At 30 June 2004, 58,500,000 share options remained outstanding under the 1993 Scheme, which represented approximately 3.25% of the Company's shares in issue as at that date. The exercise in full of such share options would, under the present capital structure of the Company, result in the issue of 58,500,000 additional ordinary shares of the Company and additional share capital of HK\$585,000 and share premium of HK\$5,967,000 (before issue expenses).

(b) The 2003 Scheme

On 27 June 2003, a new share option scheme (the "2003 Scheme"), in compliance with the requirements of Chapter 17 of the Listing Rules, was adopted by the Company for a period of 10 years, for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the 2003 Scheme include any employee (including any executive and non-executive director), adviser, consultant, agent, contractor, client or customer, or supplier of any member of the Group.

The maximum number of unexercised share options currently permitted to be granted under the 2003 Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the 2003 Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of the grant) in excess of HK\$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 5 days from the date of the offer upon payment of a nominal consideration by the grantee. The exercise period of the share options granted is determinable by the directors, commences after a certain vesting period and ends on a date which is not later than 10 years from the date of grant of the option.

The subscription price is determined by the directors, but in any event may not be less than the higher of (i) the closing price of the shares on the date of grant, which must be a trading date; (ii) the average closing price of the shares for the five trading days immediately preceding the date of grant; and (iii) the nominal value of share.

No share options were granted, exercised, cancelled or lapsed during the period.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

13 RELATED PARTY TRANSACTIONS

During the period, the following related party transactions were recorded:

- (1) The Group received rental income in the amount of HK\$57,000 (2003: HK\$57,000) from Alpha Japan Limited (“Alpha Japan”), the minority shareholder of a subsidiary of the Group.
- (2) The Group paid rental expenses in the amount of HK\$450,000 (2003: HK\$450,000) to Verywell Properties Limited, a wholly-owned subsidiary of Multifield International Holdings Limited (“MIHL”), a company controlled by Mr. Lau Chi Yung, Kenneth, a director and a substantial shareholder of the Company. The terms of the office rental was on annual renewal basis and were arrived at after negotiations between both parties with reference to the prevailing market rentals.
- (3) A subsidiary sold finished goods of HK\$2,726,000 (2003: HK\$1,614,000) to and purchased raw materials and parts of HK\$20,000 (2003: HK\$32,000) from Alpha Japan. These transactions were based on published prices and conditions normally offered by the Group to third party customers in the ordinary course of business of the Group.

14 CONTINGENT LIABILITIES

As at 30 June 2004, the amount of guarantees given by the Company to banks in connection with facilities granted to its subsidiaries and a fellow subsidiary was HK\$297,000,000 (2003: HK\$273,000,000).

15 APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

The condensed interim financial statements were approved and authorised for issue by the Board of Directors on 17 September 2004.

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF OPERATION

During the first half of 2004, the Group remained focused on our core international steel trading business and cost efficiencies. Significant activity was undertaken during the period to improve efficiency and streamline our administrative functions.

Steel trading

Succeeding from 2003, the first half of 2004 was still a period with intense competition in the international steel trading. Steel prices were escalating at a fast pace and customers were not willing to acquire bulk volume and accumulate stock of steel products at a high price. The Group also adopted a more prudent approach on the international steel trading in order to minimize the risk on suffering the loss by the price fluctuation. Against this background, for the first half of 2004, our steel trading division recorded a trading volume of steel products of approximately 31,000 mt with a turnover of HK\$106 million, representing a drop of 61% when compared to the previous corresponding period.

In order to further enhance the performance on steel trading operations, weekly steel trading meetings have been constantly carried out to review and assess the business logistics and risk portfolio and all the way, critical review and assessment have ensured that all steel trading transactions have been undertaken in a smooth and professional manner. Moreover, continued efforts have been devoted to develop new sources and expand business opportunities.

Steel manufacturing

Regarding our steel manufacturing operation, as mentioned in the 2003 annual report, arrangement to dispose of our joint ventures with four steel manufacturing mills in China, namely Jiangyin Bofeng, to third party was in progress and expected to be completed within this year. However, during the interim period, the China joint venture partner of Jiangyin Bofeng has undertaken to bear the operation losses of the steel mills, if there is any. This has the effect of curbing further losses of the steel manufacturing division and the current period has not reflected the financial results of Jiangyin Bofeng.

Electronics

For the 6 months under review, the electronics division continued to deliver small portion of income to the Group and reported a net profit of approximately HK\$0.2 million based on a turnover of HK\$6.6 million. Considering the unsatisfactory performance in electronics division of the Group for the past years, the management intends to seek a potential buyer to dispose the related business of electronics division.

Portfolio Investments

During the period, the Group realised more than HK\$4.6 million profit from portfolio investing activities. The Group undertakes portfolio investments for 2 reasons. First, the Group takes positions in businesses considered to be undervalued and which might evolve into strategic investments in the longer term if certain conditions are met. If those conditions are not met or the share price rises beyond the point where an investment is considered to be fully valued, the Group will then realise the profit on the investment. Secondly, the Group invests in market disequilibrium opportunities in shares where the management team of the Group has particular knowledge and expertise. The current financial structure of the Group means that substantial cash balances can be generated from time to time and limited portfolio investing activities will improve the return on cash balances and enhance the Group's profitability.

In order to diversify the investment risk, apart from the Hong Kong market, the Group also focused and had portfolio investments on stock markets in Thailand, Japan and Korea.

However, the Hong Kong and overseas stock markets were very volatile and vulnerable for the first half of the year and as a result, the Group incurred an unrealized loss of HK\$6.9 million when marking the investment portfolio to the market valuation as at 30 June 2004.

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its operations with internally generated cash flow and banking facilities provided by its principal bankers in Hong Kong. As at 30 June 2004, the Group had available aggregate banking facilities of approximately HK\$297 million, out of which approximately HK\$70 million had been utilized. The Group's cash and bank balances and short term bank deposits as at 30 June 2004 amounted to approximately HK\$37.7 million. The Group had no bank borrowing as at 30 June 2004.

Taking into account available credit facilities, cash on hand and recurring cash flows from its core steel trading business, the Group has sufficient working capital for its present requirements.

NUMBER AND REMUNERATION OF EMPLOYEES

The Group had approximately 110 employees, consisted of 20 staff and 90 workers in Hong Kong and China as at 30 June 2004. Remuneration is reviewed annually and in addition to the basic salaries, the Group also provides staff benefits including discretionary bonus, contributory provident fund and professional tuition/training subsidies in order to retain quality employees.

PROSPECTS

The Group remains well positioned to deliver solid performance into the future after the rationalization of the operation structure of the joint venture steel mills in China. It is envisaged that the Group will continue to develop its core business activities in the Asia Pacific region in order to enhance its standing as a focused steel group. As we look to the future, the Group will again concentrate on organic growth while remaining attuned to market opportunities that can sustain growth and deliver a strong recurring income to the Group.

In line with this corporate direction and philosophy, detailed feasibility study on the Shanghai property market has been performed and active participation in this sector of the business will be carried out once we consider the timing is appropriate. We strongly believe that we have the necessary skills and expertise to enable us to step into this sector of the new business.

In addition to tapping into the Shanghai property market, the Group will be working towards the goal of maximizing the returns for our shareholders through restructuring our business mix and strengthening the competitiveness of our business. In addition, our management will focus its attention more on expansion and opportunities which are profitable and have a promising outlook. Whether expansion will be organically driven or by way of acquisition, we can only say it will be a calculated and measured expansion, tempered by caution.

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

At 30 June 2004, the interests of the directors in the share capital of the Company or its associated corporations, (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise 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, were as follows:

Long position in ordinary shares of the Company:

Name of director	Nature of interest	Number of shares held	Percentage of the Company's issued share capital
Lau Chi Yung, Kenneth	Through a controlled corporation	1,018,154,999 [#]	56.56

Long position in shares of associated corporations:

Name of director	Name of associated corporation	Relationship with the Company	Shares	Number of shares held	Capacity and nature of interest	Percentage of the associated corporation's issued share capital
Lau Chi Yung, Kenneth	Multifield International Holdings Limited	Company's intermediate holding company	Ordinary shares	2,327,424,000 [#]	Through a controlled corporation	58.18

[#] The above shares are ultimately controlled by Power Resources Holdings Limited, which acts as the trustee under the Power Resources Discretionary Trust, a family discretionary trust, the discretionary objects of which include Mr. Lau Chi Yung, Kenneth and his family.

The interests of the directors in the share options of the Company are separately disclosed in note 12 to the condensed interim financial statements.

Other than certain nominee shares in subsidiaries held by a director in trust for the companies in the Group, no director held an interest in the share capital of the Company's subsidiaries during the period.

Save as disclosed above, none of the directors had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to 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 Directors of Listed Companies.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Save as disclosed in the share option schemes disclosures in note 12 to the condensed interim financial statements, at no time during the period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company, or any of its holding companies, subsidiaries and fellow subsidiaries a party to any arrangement to enable the Company's directors to acquire such rights in any body corporate.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES

At the balance sheet date, the following shareholders had notified the Company of a direct or indirect interest in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company:

Long positions:

Name	Notes	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital
Limitless Investment Limited	(1)	Directly beneficially owned	1,018,154,999	56.56
Multifield International Holdings (BVI) Limited	(1)	Through a controlled corporation	1,018,154,999	56.56
Multifield International Holdings Limited	(2)	Through a controlled corporation	1,018,154,999	56.56
Lucky Speculator Limited	(2)	Through a controlled corporation	1,018,154,999	56.56
Power Resources Holdings Limited	(2)	Through a controlled corporation	1,018,154,999	56.56

Notes:

- (1) Limitless Investment Limited directly owned 1,018,154,999 shares in the Company. Multifield International Holdings (BVI) Limited has also declared an interest in these same 1,018,154,999 shares by virtue of its direct shareholding in Limitless Investment Limited.
- (2) Multifield International Holdings Limited, Lucky Speculator Limited and Power Resources Holdings Limited have also declared their interests in the same 1,018,154,999 shares in which Limitless Investment Limited has declared an interest, by virtue of their indirect shareholdings in Limitless Investment Limited.

Save as disclosed above, no person, other than the directors of the Company, whose interests are set out in the section "Directors' interests in shares and underlying shares" above, had registered an interest in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

PURCHASE, SALES OR REDEMPTIONS OF THE COMPANY'S LISTED SECURITIES

During the period, there were no purchases, sales or redemptions of the Company's listed securities by the Company or by any of its subsidiaries.

REVIEW BY AUDIT COMMITTEE

The Audit Committee of the Company currently has a membership comprising two independent non-executive directors of the Company. The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed the auditing, internal control and financial reporting matters including the review of the Group's unaudited interim results for the six months ended 30 June 2004.

CODE OF BEST PRACTICE

In the opinion of the Directors, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange, throughout the accounting period covered by the interim report, except that the independent non-executive directors of the Company are not appointed for a specific term as required by paragraph 7 of the Code, but are subject to retirement by rotation and re-election at the Annual General Meeting of the Company, in accordance with the provisions of the Company's bye-laws.

By order of the Board
Lau Chi Yung, Kenneth
Chairman

Hong Kong, 17 September 2004

DIRECTORS

As at the date of this report, the Company's executive directors include Mr Lau Chi Yung, Kenneth, Mr Lau Michael Kei Chi and Mr Cho Po Hong, Jimmy; and independent non-executive directors include Mr Albert Thomas da Rosa, Junior and Mr Choy Tak Ho.