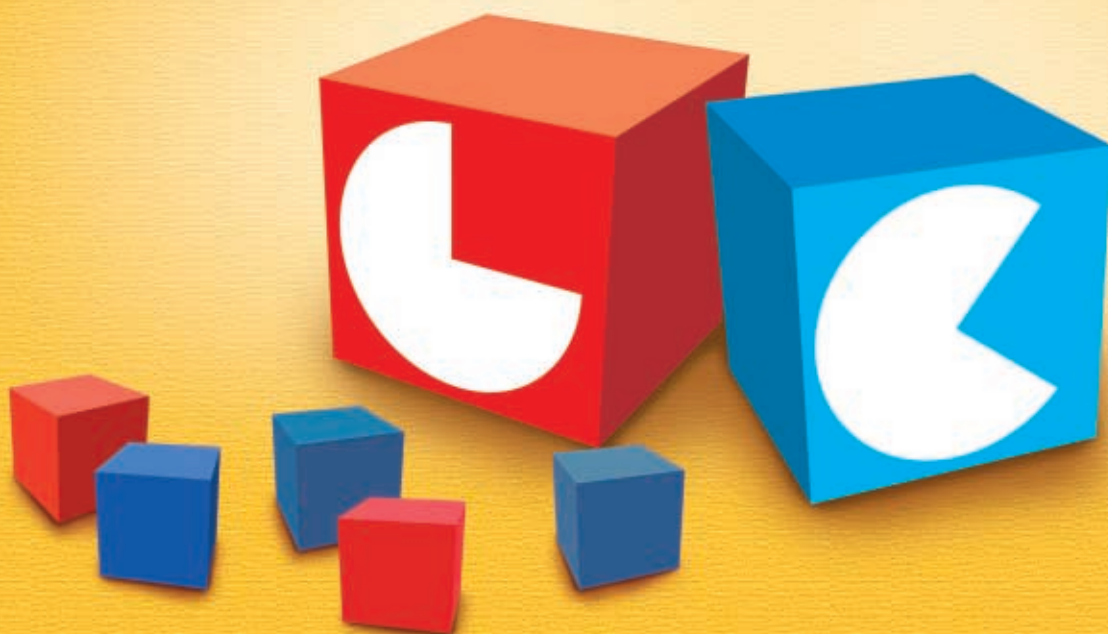


LUNG CHEONG INTERNATIONAL HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Interim Report 2004/05



The board of directors (the "Directors") of Lung Cheong International Holdings Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 September 2004 together with comparative figures for the corresponding period in 2003. These interim consolidated accounts have not been audited but have been reviewed by the Company's Audit Committee.

INTERIM DIVIDEND

The Directors have resolved to declare an interim dividend of HK0.50 cents (2003: HK0.75 cents) per share in respect of the six months ended 30 September 2004 to shareholders whose names appear on the Register of Members of the Company at the close of business on 10 December 2004. The interim dividend will be paid on or before 21 December 2004.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 13 December 2004 to 15 December 2004 both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the interim dividend, all transfer of shares, accompanied by the relevant share certificates, must be lodged with the Hong Kong branch of the Company's share registrars, Abacus Share Registrars Limited on or before 4:00 p.m. on 10 December 2004 (address at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong).

RESULTS, BUSINESS REVIEW AND PROSPECTS

Results

For the six months ended September 30 2004, the Group recorded turnover of approximately HK\$389,280,000, up 4% as compared with HK\$375,119,000 in the corresponding period last year. Profit attributable to shareholders increased to approximately HK\$26,398,000, representing an increase of approximately 4% over HK\$25,409,000 in the corresponding period last year. Leveraging the solid foundation of its OEM & ODM toy businesses, the Group explored businesses opportunities in the wireless non-toy business segment and successfully broadened its customer base and revenue stream. With the standardization of electronic components and commonly used parts for radio control products, the Group successfully maintained a gross margin of approximately 28% despite the increase in raw material costs during the review period.

Business review

The U.S. continued to be the Group's major market during the review period, accounting for approximately 47% of the Group's total turnover. The Group diversified into other channels such as sports shops, gift shops and amusement parks. With Kid Galaxy Inc. ("Kid Galaxy") well established in the U.S., the Group further expanded the market presence of the Bendos and other KG brands in international markets, such as Europe and Asia.

During the period under review, the Group actively developed and expanded its wireless non-toy business. High-end electronic products, including blue-tooth earphones, were introduced to the market and received warm response. Thanks to the continued efforts of LC Technology Limited ("LC Tech"), the Group's design and engineering arm for non-toy business segments, LC Tech recorded sales of approximately HK\$57 million, representing an increase of 84% as compared with the corresponding period last year.

With regard to the radio control business segment, the Group's "sea", "land" and "air" radio control ("R/C") toys also enjoyed remarkable results. Newly developed R/C toys, including "R/C Spymobile", "Tyco Roll Cage" and "Web Stretchin Dragster" were well received by the market. Additionally, special licenses were also obtained for the Group's R/C cars and market response was remarkable.

Standard Tooling and Products Co., Limited ("STP") continued to play an important role in the Group's business advancement. Capitalizing on the Group's continuous efforts in design and engineering, a number of innovative products were introduced to the market. The Group's "My First R/C Excavator" received the "Seal of Approval Winner, Fall 04" honor from the National Parenting Center in the U.S. On top of that, the Group's "KG Backyard Flyer" also obtained "Oppenheim Toy Portfolio Gold Seal Award", further demonstrating the Group's competitiveness in design and engineering capabilities.

Besides the prime U.S. market, the Group has been actively exploring business opportunities in the huge PRC market. Following the successful introduction of the "Bendos" brand to a prime retail outlet in Beijing, the PRC, the Group is considering introducing other KG brands to Beijing, as well as Shanghai, to gradually establish its market presence in the PRC.

Prospects

The encouraging progress made by the Group in the first half of the year points to a promising year ahead. The Group is prepared to take a great leap with its ODM business. Leveraging its expertise in wireless technology, as well as its design and engineering capabilities, the Group will allocate more resources in the development of wireless non-toy products with higher profit margins. Expanding its product offers to include not only wireless radio control cars and plastic toys, but also technologically advanced and competitive non-toy electronic products, will further expand the revenue stream of the Group.

Furthermore, building on its leading expertise in product design and engineering, the Group will introduce, for the first time, a wireless robotic product in the second half of the year for a major electronic retailer chain. The Group will continue to develop more wireless innovative products to diversify its product range.

Another new attempt of the Group was its pursuit of the licensing business. In September 2004, the Group successfully obtained from TMS the master license in Hong Kong of Sonic X – a well-known Japanese cartoon character, crafting yet another revenue stream for itself. The Group will actively promote this character through a series of complementary marketing activities. Coupled with the launch of the cartoon character on TVB in December 2004, this new Japanese character is expected to become a great hit in the local market.

The construction of the Group's new plant in Changping, the PRC, will be divided into 4 phases. The first phase of construction is scheduled to complete by the end of next year and commence operation by 2006/07. Leveraging its strategic location at the hub of railroad networks, the new plant will become the Group's logistics and warehousing center and sales base in the PRC market, supporting its strategic focus to move up the value chain and business advancements in high-end electronics and value-added products.

With increasing production capacity and a more diversified business portfolio, the Group is confident to capture the immense opportunities ahead and achieve even better results.

CORPORATE DEVELOPMENT

In August 2004, UK-based Martin Currie Investment Management Limited was reported to have acquired a 5.03% stake (equivalent to 24,352,000 ordinary shares) of the Group.

LIQUIDITY AND CAPITAL RESOURCES

At September 2004, net current assets of the Group was approximately HK\$158 million (31 March 2004: HK\$163 million). The long-term borrowings to shareholders' funds was 15.7 % (31 March 2004: 25.1%). The current assets comprised inventories of approximately HK\$226 million and trade receivables of HK\$251 million, and bank balances and cash of approximately HK\$71 million. The balances of the inventories and trade receivables as at that date are in line with the seasonal factor of the Group's business operations. As at the same date, the Group had total assets of HK\$904 million which were financed by current liabilities of approximately HK\$410 million, long-term liabilities of approximately HK\$79 million and shareholders' funds of HK\$415 million. The Group has no significant exposure to foreign exchange fluctuation.

EMPLOYEE SCHEMES

As at 30 September 2004, the Group had approximately 7,900 employees. Approximately 70, 7605, 213 and 12 employees were based in Hong Kong, Dongguan factories, Indonesia factory and the U.S. office respectively. The number of workers employed by the Group varies from time to time depending on production needs and are remunerated based on industry practice.

The Group operates different remuneration schemes for different employees. Apart from pension funds and year-end bonuses, in-house training programmes are offered. Details of share option schemes were disclosed in the 2003/2004 annual report.

SHARE OPTIONS

On 8 September 1997, a share option scheme (the "Old Scheme") was approved by the shareholders of the Company under which its Directors may, at their discretion, invite employees of the Group including any Executive Directors to take up options (the "Share Options") to subscribe for ordinary shares of HK\$0.10 each in the Company subject to the terms and conditions stipulated therein.

On 3 September 2002, the shareholders of the Company approved the termination of the Old Scheme and the adoption of a new scheme ("2002 Scheme") as a result of the amendments of Chapter 17 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). Upon termination of the Old Scheme, no further options can be granted thereunder but in all other respects, the provisions of the Old Scheme shall remain in force and all share options granted prior to such termination shall continue to be valid and exercisable in accordance therewith.

Details of the share options outstanding as at 30 September 2004 which have been granted under the Share Option Scheme are as follows:

	Options held at 1 April 2004	Options granted during period	Options exercised during period	Options cancelled during period	Options held at 30 September 2004	Exercise price HK\$	Grant date	Exercisable from	Exercisable until
Mr. LEUNG Lun	2,000,000	-	-	-	2,000,000	0.675	14 March 2000	1 October 2000	30 September 2005
Mr. LEUNG Chung Ming	2,000,000	-	-	-	2,000,000	0.675	14 March 2000	1 October 2000	30 September 2005
Mr. ZHONG Bing Quan	2,000,000	-	-	-	2,000,000	0.675	14 March 2000	1 October 2000	30 September 2005
Ms. CHENG Yun Tai	2,000,000	-	-	-	2,000,000	0.675	14 March 2000	1 October 2000	30 September 2005
Mr. WONG Tze On, Andy	2,000,000	-	-	-	2,000,000	0.675	14 March 2000	1 October 2000	30 September 2005
Continuous contract employees	800,000	-	-	-	800,000	0.675	14 March 2000	1 October 2000	30 September 2005
Total	10,800,000	-	-	-	10,800,000				

The above options granted are not recognised in the accounts until they are exercised. Rule 17.08 of the Listing Rules stipulates that the listed issuer is encouraged to disclose in its interim report the value of share options granted to the participants. The Directors consider it inappropriate to value the share options as a number of factors critical for the valuation cannot be determined accurately. Any valuation of the share options based on various speculative assumptions would be meaningless and could be misleading to the shareholders.

DIRECTORS' INTERESTS

At 30 September 2004, the interests and short positions of the Directors, Chief Executives and their Associates in the shares of the Company or any of 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 pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("SEHK") ("Listing Rules"), were as follows:

Interests in ordinary shares of HK\$0.10 each of the Company

Name	Type of interest	Number of ordinary shares
Mr. LEUNG Lun	Corporate	279,442,000
Mr. LEUNG Chung Ming	Corporate	279,442,000

Note: 279,442,000 ordinary shares in the Company were owned by Lung Cheong Investment Limited ("LC Investment") which is wholly owned by Rare Diamond Limited. Rare Diamond Limited is beneficially owned as to 70% by Mr. Leung Lun and 30% by Mr. Leung Chung Ming respectively. Accordingly, Mr. Leung Lun and Mr. Leung Chung Ming are taken to be interested in those ordinary shares.

Arrangement on share options are granted to Directors are set out in the previous part of this report.

Apart from the Share Option Scheme, at no time during the period was the Company, its holding companies or its subsidiaries a party to any arrangements to enable the Directors, Chief Executives or their Associates to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Save as disclosed above, as at 30 September 2004, none of the Directors of the Company had or was deemed to have any interest or short position in the shares of the Company or its associated corporations (within the meaning of Part XV of the SFO), which has been recorded in the register maintained by the Company pursuant to section 352 of the SFO or which has been notified to the Company pursuant to the Model Code of the Listing Rules.

Furthermore, at no time during the period, the Directors or Chief Executives (including their spouses or children under 18 years of age) had any beneficial or non-beneficial interests in, or had been granted, or exercised, any rights to subscribe for shares of the Company or its associated corporations.

Pursuant to a loan facility agreement entered into by the Company and a group of financial institutions, on 3 December 2002, Mr. Leung Lun and Mr. Leung Chung Ming are required to jointly hold at least 45% of the issued share capital of the Company.

SUBSTANTIAL SHAREHOLDERS

At 30 September 2004, the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance shows that the Company had not been notified of any substantial shareholders' interests, being 10% or more of the Company's issued share capital, other than those of the Directors, Chief Executives and their Associates as disclosed above.

CONNECTED TRANSACTIONS

At 30 September 2004, a wholly-owned subsidiary of the Company, Lung Cheong Toys Limited ("LC Toys"), had long-term loans and deferred trading balances amounted in aggregate to HK\$60,648,000, plus accrued interest, due by PT. Lung Cheong Brothers Industrial ("PTLC"), a 60% owned subsidiary of LC Toys. The balance of the 40% interest in PTLC is owned by independent third parties who are not connected with the Directors, Chief Executives or substantial shareholders of the Company and its subsidiaries, other than PTLC, or any of their respective associates. The long-term loans were advanced to finance the set up of the production facilities of PTLC. The amounts are unsecured, bearing interest at the rate of 3% per annum (10% per annum up to 31 March 2004) and have no fixed repayment terms. LC Toys does not intend to demand repayment of the advances in the foreseeable future.

The Directors, including the Non-Executive Directors, are of the opinion that the above transaction was entered into on normal commercial terms which are fair and reasonable.

AUDIT COMMITTEE

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters, including a review of the unaudited condensed accounts for the six months ended 30 September 2004 approved by the Directors.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company has not redeemed any of its shares during the period. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the period.

COMPLIANCE WITH THE CODE OF BEST PRACTICE OF THE LISTING RULES

Non-executive Directors are not appointed for a specific term as recommended under paragraph 7 of Appendix 14 of the Listing Rules. They are subject to retirement by rotation and re-election at the Annual General Meeting in accordance with the Articles of Association of the Company. In the opinion of the Directors this meets the same objective as the Code of Best Practice.

Except for the above, none of the Directors of the Company is aware of any information which would indicate that the Group is not, or was not, in compliance with the Code of Best Practice as set out in Appendix 14 of in the Listing Rules of The Stock Exchange of Hong Kong Limited at any time during the six months ended 30 September 2004.

On behalf of the Board

Leung Lun

Chairman

25 November 2004

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2004

	Note	Unaudited	
		2004	2003
		HK\$'000	HK\$'000
Turnover	2	389,280	375,119
Cost of sales		(281,192)	(266,854)
Gross profit		108,088	108,265
Other revenues	2	938	1,062
Selling and distribution expenses		(14,719)	(15,795)
Administrative expenses		(60,795)	(56,881)
Operating profit	3	33,512	36,651
Finance costs	4	(4,150)	(7,224)
Profit before taxation		29,362	29,427
Taxation	5	(2,964)	(4,018)
Profit attributable to shareholders		26,398	25,409
Dividends	6	2,419	3,628
Earnings per share			
– Basic	7	5.46 cents	6.13 cents
– Diluted	7	N/A	5.25 cents

CONDENSED CONSOLIDATED BALANCE SHEET

AS AT 30 SEPTEMBER 2004

	Note	Unaudited 30 September 2004 HK\$'000	Audited 31 March 2004 HK\$'000
Goodwill	8	20,057	20,873
Fixed assets	9	251,266	266,801
Other investments		36,657	33,350
Deferred tax assets		4,680	2,718
Other long-term assets		23,365	15,440
Current assets			
Inventories		225,726	191,308
Trade receivables	10	251,491	164,361
Other receivables, deposits and prepayments		20,080	19,348
Bank balances and cash		70,873	137,592
		568,170	512,609
Current liabilities			
Trade payables and deposits received	11	40,362	64,370
Other payables and accrued charges		31,106	29,845
Trust receipt bank loans		138,628	83,803
Short-term bank loans		35,900	15,000
Current portion of long-term liabilities	13	149,480	146,980
Taxation payable		14,919	9,595
		410,395	349,593
Net current assets		157,775	163,016
Total assets less current liabilities		493,800	502,198
Financed by:			
Share capital	12	48,373	48,373
Other reserves		112,820	110,467
Retained profits			
Proposed dividends		2,419	3,628
Other		251,208	227,229
Shareholders' funds		414,820	389,697
Long-term liabilities	13	78,980	112,501
		493,800	502,198

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2004

	Unaudited	
	Six months ended	
	30 September	
	2004	2003
	HK\$'000	HK\$'000
Net cash outflow from operating activities	(30,352)	(19,958)
Net cash outflow from investing activities	(22,778)	(2,822)
Net cash outflow from financing activities	(16,877)	(35,440)
Decrease in cash and cash equivalents	(70,007)	(58,220)
Cash and cash equivalents at 1 April	137,592	140,252
Effect on foreign exchange rate changes	3,288	(2,377)
Cash and cash equivalents at 30 September	70,873	79,655
Bank balances and cash	70,873	79,655

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2004

	Unaudited						
	Share	Share	Exchange	Capital	Fixed assets	Retained	Total
	capital	premium	fluctuation	reserve	revaluation	profits	
	HK\$'000	HK\$'000	reserve	reserve	reserve	HK\$'000	
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000		
At 1 April 2004	48,373	112,967	(52,066)	27,081	22,485	230,857	389,697
Exchange difference arising from translation of accounts of overseas subsidiaries	-	-	2,354	(1)	-	-	2,353
Profit for the period	-	-	-	-	-	26,398	26,398
Dividends	-	-	-	-	-	(3,628)	(3,628)
At 30 September 2004	48,373	112,967	(49,712)	27,080	22,485	253,627	414,820

	Unaudited						
	Share	Share	Exchange	Capital	Fixed assets	Retained	Total
	capital	premium	fluctuation	reserve	revaluation	profits	
	HK\$'000	HK\$'000	reserve	reserve	reserve	HK\$'000	
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000		
At 1 April 2003, as previously reported	72,400	88,940	(49,911)	26,566	16,186	204,433	358,614
Effect of adopting SSAP 12 (revised)	-	-	-	-	-	(2,662)	(2,662)
At 1 April 2003, as restated	72,400	88,940	(49,911)	26,566	16,186	201,771	355,952
Exchange difference arising from translation of accounts of overseas subsidiaries	-	-	(1,968)	-	-	-	(1,968)
Profit for the period	-	-	-	-	-	25,409	25,409
Dividends	-	-	-	-	-	(3,628)	(3,628)
At 30 September 2003	72,400	88,940	(51,879)	26,566	16,186	223,552	375,765

NOTES TO THE CONDENSED INTERIM ACCOUNTS

1. PRINCIPAL ACCOUNTING POLICIES

These unaudited condensed consolidated interim accounts have been prepared in accordance with Hong Kong Statement of Standard Accounting Practice (“SSAP”) No. 25, “Interim Financial Reporting”, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

These condensed accounts should be read in conjunction with the audited accounts for the year ended 31 March 2004.

The accounting policies and methods of computation used in the preparation of these condensed accounts are consistent with those used in the annual accounts for the year ended 31 March 2004.

2. TURNOVER, REVENUE AND SEGMENTAL INFORMATION

The Group is principally engaged in the development, engineering, manufacture and sale of toys and moulds.

Revenues recognised during the periods are as follows:

	Unaudited	
	Six months ended 30 September	
	2004	2003
	HK\$'000	HK\$'000
Turnover		
Sale of goods	373,209	360,264
Mould income	16,071	14,855
	389,280	375,119
Other revenues		
Interest income	330	69
Other	608	993
	938	1,062
Total revenues	390,218	376,181

Primary reporting format – business segments

The Group’s turnover and results are substantially derived from the manufacturing of toys. Accordingly, no analysis by business segment is presented.

Secondary reporting format – geographical segments

	Turnover	
	Unaudited	
	Six months ended 30 September	
	2004	2003
	HK\$'000	HK\$'000
United States	181,822	162,504
Europe	75,079	97,416
Japan	52,995	36,717
Mainland China	40,797	24,911
Other	38,587	53,571
	389,280	375,119

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No analysis of contribution to operating profit by geographical segment has been prepared as no contribution to operating profit from any of the above segments is substantially out of line with the normal ratio of profit to turnover.

The turnover derived from Europe represents sales of toys to multiple customers with goods shipped directly to Europe under the instruction of these customers. The respective trade receivables are included in the United States of America, Japan and Hong Kong segments.

3. OPERATING PROFIT

Operating profit is stated after crediting and charging the following:

	Unaudited	
	Six months ended 30 September	
	2004	2003
	HK\$'000	HK\$'000
Crediting:		
Bad debts written back	173	–
Charging:		
Depreciation of owned fixed assets	17,589	22,538
Amortisation of goodwill (included in administrative expenses)	816	817
Provision for bad and doubtful debt	–	1,382

4. FINANCE COSTS

	Unaudited	
	Six months ended 30 September	
	2004	2003
	HK\$'000	HK\$'000
Interest on loans from banks and financial institutions and overdrafts	3,504	5,976
Arrangement fees on bank loans	646	1,248
	4,150	7,224

5. TAXATION

	Unaudited	
	Six months ended 30 September	
	2004	2003
	HK\$'000	HK\$'000
Current taxation		
Hong Kong profits tax	1,552	523
Mainland China enterprise income tax	4,430	3,658
	5,982	4,181
Deferred taxation	(3,018)	(163)
	2,964	4,018

Hong Kong profits tax has been provided at the rate of 17.5% (2003: 17.5%) on the estimated assessable profit for the period. Taxation on profits of Mainland China subsidiaries has been calculated on the estimated assessable profit for the period at the rates of taxation as applicable to the local subsidiaries. No provision for taxation of the subsidiaries in Indonesia and the United States has been made as they have tax losses as at 30 September 2004 and 30 September 2003.

6. DIVIDENDS

	Unaudited	
	Six months ended 30 September	
	2004	2003
	HK\$'000	HK\$'000
Ordinary shares		
Interim dividend, declared, of HK0.50 cents (2003: HK0.75 cents) per ordinary share (Note)	2,419	3,628

Note: At the board meeting held on 25 November 2004, the directors declared an interim dividend of HK0.50 cents per ordinary share.

7. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the Group's profit attributable to shareholders of HK\$26,398,000 (2003: HK\$25,409,000). The calculation of diluted earnings per share in prior period is based on the Group's profit attributable to shareholders of HK\$25,409,000.

The basic earnings per share is based on the weighted average number of 483,733,333 (2003: 414,400,000) ordinary shares in issue during the period. No diluted earnings per share in current period is presented as the Company has no financial instruments with dilutive effect in existence.

8. GOODWILL

	HK\$'000
At 1 April 2004	20,873
Amortisation charges for the period	(816)
At 30 September 2004	20,057

9. FIXED ASSETS

	HK\$'000
At 1 April 2004	266,801
Additions	9,006
Depreciation	(23,641)
Exchange adjustment	(900)
At 30 September 2004	251,266

10. TRADE RECEIVABLES

The Group's sales are on letter of credit or open account terms. Credit terms are reviewed on a regular basis. The normal trade term is between 30 to 90 days but business partners with strong financial background may be offered longer credit terms. The ageing analysis of trade receivables is as follows:

	0-30 days HK\$'000	31-60 days HK\$'000	61-90 days HK\$'000	Over 90 days HK\$'000	Total HK\$'000
At 30 September 2004	101,294	61,810	36,587	51,800	251,491
At 31 March 2004	66,511	27,904	12,826	57,120	164,361

11. TRADE PAYABLES AND DEPOSITS RECEIVED

	Unaudited 30 September 2004 HK\$'000	Audited 31 March 2004 HK\$'000
Trade payables (Note)	39,453	59,048
Deposits received	909	5,322
	40,362	64,370

Note: The ageing analysis of trade payables is as follows:

	0-30 days HK\$'000	31-60 days HK\$'000	61-90 days HK\$'000	Over 90 days HK\$'000	Total HK\$'000
At 30 September 2004	16,079	10,186	6,277	6,911	39,453
At 31 March 2004	19,293	23,358	6,140	10,257	59,048

12. SHARE CAPITAL

	Authorised			
	Convertible cumulative redeemable preference shares of US\$100,000 each		Ordinary shares of HK\$0.10 each	
	No. of shares	US\$'000	No. of shares (thousands)	HK\$'000
At the beginning and the end of the period/year	40	4,000	1,000,000	100,000

	Issued and fully paid			
	Convertible cumulative redeemable preference shares of US\$100,000 each		Ordinary shares of HK\$0.10 each	
	No. of shares	HK\$'000 (equivalent)	No. of shares (thousands)	HK\$'000
At 1 April 2003/30 September 2003	40	30,960	414,400	41,440
Conversion of preference shares (Note)	(40)	(30,960)	69,333	6,933
At 31 March 2004/30 September 2004	–	–	483,733	48,373

Note: During the year ended 31 March 2004, 69,333,333 ordinary shares of HK\$0.10 each were issued at HK\$0.45 each as a result of the conversion of the convertible preference shares. Such issued ordinary shares rank pari passu with the existing shares.

13. LONG-TERM LIABILITIES

	Unaudited 30 September 2004 HK\$'000	Audited 31 March 2004 HK\$'000
Loans from banks and financial institutions-secured Wholly repayable within five years (Note (a))	214,757	244,757
Deferred taxation	12,780	13,823
Provision for long service payment	923	901
	228,460	259,481
Current portion of long-term liabilities	(149,480)	(146,980)
	78,980	112,501

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(a) The loans from banks and financial institutions were repayable as follows:

	Unaudited 30 September 2004 HK\$'000	Audited 31 March 2004 HK\$'000
Within one year	149,480	146,980
In the second year	36,000	97,777
In the third to fifth year	29,277	–
	214,757	244,757

14. CONTINGENT LIABILITIES

At 30 September 2004, the Group had contingent liabilities of HK\$19,743,000 and HK\$800,000 in respect of letters of credit issued and shipping guarantee respectively.

15. COMMITMENTS

At 30 September 2004, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	Unaudited 30 September 2004 HK\$'000	Audited 31 March 2004 HK\$'000
Not later than one year	5,074	6,576
Later than one year and not later than five years	12,964	13,876
Over five years	9,751	11,799
	27,789	32,251

16. BANKING AND OTHER FACILITIES

At 30 September 2004, the Group's banking and other facilities are as follows:

- (1) There was an outstanding bank loan of US\$3,753,000 (HK\$29,277,000) which was borrowed to finance the single lump sum payment for premiums of life insurance policies as mentioned in Note 15 to the accounts in the 2003/2004 annual report. The bank loan is secured by the three life insurance policies with a combined death benefit of US\$25 million (HK\$195 million) and a corporate guarantee executed by the Company; and
- (2) Other general banking facilities of HK\$324,007,000 utilized for working capital purposes are supported by a corporate guarantee executed by the Company.