

Sasa

making life beautiful

Interim Report 2004/2005



New Face of Sa Sa - a "Cool" Retail Image 莎莎全新店舖形象 - “酷”

Named "The Cool Store" of the Year 2004 in Singapore, Sa Sa's new image store was officially launched in February 2004 in Hong Kong. As part of its efforts to continuously enhance the shopping experience for customers, Sa Sa's latest trend-setting, contemporary store design provides a more spacious and comfortable shopping environment and allows cosmetic brands to project their image better.

莎莎化粧品專門店憑著全新的店舖形象，於二零零四年在新加坡被選為「最“酷”商店」。為令顧客獲得更佳購物享受，莎莎化粧品專門店於二零零四年二月正式推出全新形象。新店舖設計充滿時尚氣息，為顧客提供寬敞舒適的購物環境，更可讓各化粧品品牌充分展示其獨特形象。

Interim Results

The Board of Directors (the "Board") of Sa Sa International Holdings Limited (the "Company") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 30th September 2004. The unaudited interim financial statements for the six months ended 30th September 2004 have been reviewed by the Company's Audit Committee.

The Group's unaudited profit attributable to shareholders for the six months ended 30th September 2004 rose to HK\$78.1 million from HK\$48.7 million, an increase of 60.5% over the previous corresponding period. Basic earnings per share were 6.0 HK cents.

The Board resolved to declare an interim dividend of 3.0 HK cents (2003: 2.0 HK cents) (the "Interim Dividend") and a special dividend of 3.0 HK cents (2003: 1.0 HK cent) (the "Special Dividend") per share.

Operations Review

There were several major factors contributing to the satisfactory performance of the Group. The growth momentum of our retail business in the Hong Kong market continued, stimulated by the relaxed travel policy for tourists from The People's Republic of China ("PRC") visiting Hong Kong and Macau. Overseas tourists, a sector of the tourism market that showed a significant decline last year due to the SARS outbreak, began to return to Hong Kong. The launch of yuan-denominated credit and debit cards, as well as the growing proportion of independent as opposed to group travelers, helped to promote spending. Against this improved market background we capitalized on our strong operating leverage, with strong same store growth being supplemented by additional contributions from new stores.

Highlights of the Group's achievements for the six months ended 30th September 2004 were:

- Group turnover increased by 30.1% to HK\$1,022.0 million
- Group retail and wholesale business recorded turnover of HK\$926.4 million, representing a 31.7% increase
- Sa Sa's retail and wholesale business in Hong Kong and Macau increased by 34.8% to HK\$836.6 million
- Group profit attributable to shareholders grew by 60.5%, from HK\$48.7 million to HK\$78.1 million
- Dividends per share increased by 100% to 6.0 HK cents

Retail and wholesale business

During the first half of the fiscal year 2004/05, the Group's retail and wholesale business saw growth in turnover of 31.7%, reaching HK\$926.4 million as compared to HK\$703.5 million last year. The gross profit margin of our retail and wholesale business is 37.8%, although higher than the 36.9% achieved last year, is not entirely satisfactory as it was adversely affected during the period under review by the appreciation of the Euro against the US dollar. In addition, the enhancement of gross profit margin due to increasing sales of brands under management was offset by a corresponding growth in sales of products with a lower gross profit margin.

Hong Kong and Macau

Sa Sa's core retail base in Hong Kong and Macau turned in a highly satisfactory performance. Retail and wholesale turnover for the period under review reached HK\$836.6 million, an increase of 34.8%. Comparable store growth for the first half of the fiscal year was up an impressive 24.4%. This healthy performance was founded on increased spending by tourists from Mainland China and other parts of the world, as well as by local consumers.

The year-on-year growth of 58.1% recorded in the first quarter was largely due to the low base of last year as a result of the SARS outbreak. The pent up demand built up during SARS and the slow down in traveling out of Hong Kong immediately post-SARS created a high base for comparison for the second quarter. As a result, a more measured year-on-year increase of 18.6% was recorded in the second quarter. Growth was recorded in both the average value per transaction and the total number of transactions.

As of 30th September 2004, there are 41 Sa Sa stores, one La Colline specialty store and one Elizabeth Arden counter. Further positive indicators underpinning our robust growth in the period under review included the strengthened brand building of "Sa Sa" and increased marketing efforts directed at local consumers and PRC tourists. The Group sponsored the Miss Hong Kong Pageant 2004 and we introduced a new TV advertisement both in Hong Kong and China as well as a TV advertisement for a new fragrance launched by Elizabeth Arden.

As a testament to our strength in operations and services, Sa Sa was featured in two prestigious awards judged by the Hong Kong Retail Management Association. La Colline shop was selected as the "Service Category Leader" in the Beauty Products/Cosmetics category of the Mystery Shoppers Programme for the period July to September 2004. A Sa Sa beauty consultant was awarded the 2004 Service and Courtesy Award in the "Specialty Store Category-Junior Frontline Level". A total of 349 participants representing 43 retail companies took part.

Singapore and Malaysia

Turnover increased by 7.6% for the Singaporean and Malaysian markets to HK\$50.0 million.

A small loss was recorded as a temporary result of the strategic measures taken by the Group to provide a stronger foundation for future growth. These included a new store format, the relocation of stores, the expansion of store sizes, the adjustment and strengthening of the merchandise mix, and enhanced staff training. Since one store was closed due to the renovation of the mall and others were closed to make way for better located stores, the number of stores in Singapore was eight as of 30th September 2004. The number of stores increased to eleven for Malaysia with one new shop opened in October 2004.

Our growth in the Malaysian market is expected to be affected in the short run by a new local requirement to register products to be imported. This requirement was effective from 1st January 2004 but the impact on growth will only emerge in a more significant manner in the second half of the fiscal year. However, our efforts to register products will ultimately enrich our product portfolio and will bring to us increased competitiveness and higher gross profit margin. In the period under review, we invested in additional advertising to promote house brands and to enhance the sales mix. Our gross profit margin rose as a result.

Taiwan

Turnover in the Taiwan market increased by 4.3% to HK\$28.1 million. A small loss was recorded, mainly as a result of the temporary closure of a major store for renovation and the need to retrain staff for the new store format on re-opening. The typhoons in the second quarter of our fiscal year were an additional adverse factor. Since we opened a new store in April, the Group ended the period under review with four stores in Taiwan.

E-commerce – Sasa.com

Turnover for Sasa.com during the first half of the fiscal year amounted to HK\$11.7 million, an increase of 26.2% over the corresponding period last year and a welcome sign that our e-commerce operations have reached break-even level.

The performance of Sasa.com continued to strengthen on the back of strategic marketing initiatives and improvements in the product range. Rather than concentrating on one or two markets, the platform now serves a world market with a much more balanced mixture than before. A new platform was launched in early November to allow for higher capacity, greater flexibility in operations, and an enhanced on-line shopping experience, thereby boosting sales as well as Sa Sa's profile and recognition worldwide.

Brand management

Sa Sa's popularity for a wide customer base with significant spending power increases our appeal for new brands to use us as their launch platform. Sa Sa is also increasingly attractive as the main or additional distribution channel for existing brands in the market. We have been devoting more resources to working with brand owners to promote their brands, and these have been rewarded with encouraging results and growing recognition.

Sales of private-label and exclusively distributed products increased by 42.7% and contributed to 28.2% (last year: 26.0%) of the Group's total retail and wholesale sales for the period under review. With the aim of improving the effective marketing of exclusive products and enhancing the overall profitability of our exclusive products' portfolio, we provided training to strengthen the category management skills of our managerial staff. The intensification of our marketing efforts aimed at promoting exclusive brands was reflected by an increase of over 130% in their marketing expenses. We believe that this investment will ultimately yield better recognition for our exclusive brands and higher gross profit for the Group.

During the six months ended 30th September 2004, new brands secured for Sa Sa's exclusive distributorship included fragrances such as Fiorucci and skin care brands such as Jose Eisenberg from France. In a market previously dominated by European and American brands, Sa Sa identified a demand for Australian cosmetic brands and we introduced our first exclusive Australian skin care brand in September 2004: Skin Doctors. We also launched a TV advertisement for Elizabeth Arden's latest fragrance Provocative, which sold over 10,000 bottles within three months. In the first half of the fiscal year, 26 new products were added to Sa Sa's leading exclusive brand, Suisse Programme, and overall we introduced over 550 new exclusive products to the market.

Beauty services

Turnover for beauty services was HK\$95.6 million, an increase of 16.4% over the HK\$82.1 million recorded for the corresponding period last year. This was mainly due to the improved performance of the Phillip Wain beauty and health clubs and to the opening of the second Sa Sa Beauty+ salon. Despite achieving operating profits of HK\$1.2 million, we recorded a small loss of HK\$0.23 million due to a one-off tax provision in respect of prior years.

Phillip Wain

Turnover for Phillip Wain reached HK\$84.6 million, an increase of 11.6% over the HK\$75.8 million recorded last year. Operating profits improved 14.3% to reach HK\$2.4 million. This healthy performance was due to an increase in the number of treatments undergone and an increase in product sales. Other contributing factors were our enhanced marketing initiatives, improvements in staff training and service levels, and more innovative and exclusive products and services.

The opening of a new men's salon called Inspire at Phillip Wain in Hong Kong brought in new customers and provided a more comprehensive service to the premium market segment. Other new treatments and facilities included 5-Elements Tui Na Massage and Ginger Body Therapy. During the period, slimming ambassadors were appointed in Malaysia and Thailand.

Sa Sa Beauty +

Turnover for Sa Sa Beauty+ reached HK\$11.0 million, a significant increase of 73.8% over last year's HK\$6.4 million. This was partly due to the addition of a new club in December 2003 and the introduction of a number of new beauty treatments and equipments including nail treatments and an eyelash lengthening service. While the first centre has been making operating profits at the beauty centre level for the period under review, the second achieved profitability at the beauty centre level in September 2004.

Outlook

Sa Sa continues to have a dynamic and well-grounded vision for the future: to reinforce our overall positioning as a Beauty Specialist and to extend “top-of-mind” awareness of Sa Sa as a cosmetics retailer in Hong Kong to other existing and new markets. With this in mind, we are focusing on the following strategic initiatives to drive growth.

1. Building the “Sa Sa” brand

Our efforts to create a strong awareness of the “Sa Sa” brand have continued to garner an increasing number of prestigious awards.

Following Sa Sa’s ranking by KPMG and Retail Asia magazine as the 9th Top Health and Beauty Specialist in Asia Pacific, in July 2004, Sa Sa was ranked 447th and Phillip Wain 498th in a survey of Asia’s Top 1000 Brands conducted by Media magazine in eight major regional markets. The survey ranked brand recognition across different categories including automobiles, department stores, audio equipments, and fashion brands. Sa Sa achieved a higher position than a number of famous multinational brands.

More recently, Sa Sa was named a Superbrand in Singapore and Malaysia for the year 2004/5 and 2005 respectively.

These awards recognized our success so far in creating a strong Sa Sa brand awareness. We will continue to devote our resources to building on this platform, thereby attracting more customers and boosting sales.

2. Capturing the growth of tourism and local spending in Hong Kong and Macau to gain further market share

The number of tourists to Hong Kong in 2004 is expected to achieve year-on-year growth of 38% between 2003 and 2004 and tourist spending is estimated to reach some HK\$85.6 billion by 2011 from a base of HK\$59.6 billion in 2003. Our past efforts in capturing tourism growth was evidenced from a year-on-year growth of 30% in Sa Sa’s retail sales in Hong Kong during the National Day holiday from 1st to 7th October 2004 and sales growth in high tourist traffic areas was even much higher than this average figure during the period. The growth in tourism, the increasing number of attractions coming on-line such as Disneyland, casinos in Macau, the ASEAN games and the Olympic games in Beijing in 2008, as well as the recovery in the local economy all give us reasons to be optimistic about the future.

We will therefore continue our store expansion plan by adding two to three more stores and expanding selected stores in both tourist and non-tourist areas for the second half of current fiscal year. In line with this, we opened a sparkling new flagship store in Causeway Bay in October 2004. We also aim to reinforce Sa Sa’s Beauty Specialist image and increase penetration of the local and PRC tourism market. During the period under review, we sponsored

a TV programme by the Hong Kong Federation of Women to celebrate National Day, as well as the Hong Kong Jockey Club's Sa Sa Cup and Horse Across Hong Kong 2004 campaign. All of these initiatives were aimed at promoting Sa Sa's brand image in Hong Kong and among PRC tourists.

Our enhanced advertising and promotion activities targeting PRC tourists now include joint promotions with banks and the media in China. Such efforts have helped contribute to the significant growth in PRC tourist spending in Hong Kong. We will intensify these efforts to gain further market share in the PRC tourist market. We will also strengthen staff training and customer service, and reinforce our clear image as a trend-setting market leader by gradually converting existing stores to our new store format.

3. *Strengthening overseas market growth*

We aim to continue building a stronger foundation in all overseas markets to facilitate aggressive growth in the coming years. The consolidation measures will include improving our store portfolio by converting our overseas stores to the new store format, changing and strengthening the merchandise mix, increasing marketing efforts, intensifying selling skills training and raising the level of customer service.

4. *Building our exclusive brand portfolio*

Our strategy includes more strenuous marketing efforts for exclusive brands, strengthening our brand portfolio by adding more quality and trendy brands, in particular those from Australia, Korea and Japan, and enhancing product category management to boost product sales. We will also seek partnership with foreign brands in developing Asian markets, and we will develop new and exclusive product lines.

Our strategy will result in a broader selection of quality products for our customers and stronger distribution channels for the brands involved. We also anticipate that the growth in sales of brands under management will accelerate and result in improvements in the company's gross profit.

5. *Expanding into the PRC market*

We aim to open a directly managed store in Shanghai by end of the current fiscal year. At the same time, we are maintaining our positioning in the PRC as a one-stop cosmetics specialty store with a broad customer base as an additional/alternative distribution channel for cosmetic brands. By leveraging our strong brand name in China, we intend to provide professional and value-added services to our mainland customers.

Preparations in progress include selecting store locations, negotiating with local suppliers, recruiting staff, product registration of exclusive brands and preparing our application for a wholly owned retail license as permitted under the Closer Economic Partnership Agreement (CEPA).

6. Continuing the drive for management improvements

Our Chairman and CEO Simon Kwok was one of ten elite businessmen to receive the Hong Kong Business Masterminds Award as judged by East Week magazine of Hong Kong. The criteria of excellence included growth of market capitalization and profit, market share, innovative products and services, and geographical expansion. The award recognized his outstanding leadership and entrepreneurial skills in building Sa Sa into the successful enterprise that it is today.

A popular financial magazine in Hong Kong, Economic Digest, chose Sa Sa as one of the 20 choices for its Hong Kong Outstanding Enterprises Parade 2004 as judged in the area of management, business performance and shareholders' respect.

We will continue to drive for improvements in our management to improve our competitiveness.

In order to provide stronger support to our strategic initiatives and to enhance scalability, we will also strengthen our operational and management efficiency by upgrading our Point-of-Sales system, adopting a business intelligence system, enhancing our Customer Relationship Management system, and strengthening staff training.

In terms of beauty services, we will focus on further improvement of profitability and synergy with our core retail business by increasing the operational and management efficiency of our existing beauty clubs and centers. Although the competition is keen, we see significant potential for improvement in the performance of both Phillip Wain and Sa Sa Beauty+.

We are glad to say that our past efforts to improve our investors relations programme has resulted in improvements in the awareness and understanding of our company by the investment community as well as higher liquidity in the stock market. This in turn has resulted in the inclusion of our company in Morgan Stanley's MSCI Small Cap Index Series as of 30th November 2004.

Employees

As at 30th September 2004, the Group had a total of 1,946 employees. Staff costs for the period under review were HK\$162.5 million. To ensure that the Group is able to attract and retain staff with good performance, remuneration packages are reviewed on a regular basis and performance bonus and share options are offered to qualified employees. Staff development initiatives were implemented during the period through in-house training programmes and the provision of financial subsidies for external training courses.

Financial Review

Capital Resources and Liquidity

As at 30th September 2004, the Group's total shareholders' funds were HK\$824.8 million including reserves (which also include proposed dividends) of HK\$694.3 million. The Group continued to maintain a strong financial position with cash and bank balances plus held-to-maturity securities in aggregate of HK\$673.6 million (please see table below). The Group's working capital was HK\$786.8 million. Based on the Group's steady cash inflow from operations and coupled with its existing cash and bank facilities, the Group has adequate financial resources to fund its future expansion.

	30th September 2004 HK\$'000	31st March 2004 HK\$'000
Held-to-maturity securities	7,803	35,181
Cash and bank balances	665,837	704,954
Total	673,640	740,135

As at 30th September 2004, the Group's held-to-maturity security represented a bank note with maturity date falling within one year. This is in line with the Group's policy to invest in investment grade securities with maturity periods of less than two years. When compared with short-term deposit interest rates, the Group was able to achieve a higher yield based on its investment strategy.

During the period, the majority of the Group's cash and bank balances were in U.S. dollars and were deposited in leading banks.

Financial Position

Total funds employed (comprising shareholders' funds only) as at 30th September 2004 were HK\$824.8 million, which represented a 2.9% decrease over the total funds employed of HK\$849.6 million as at 31st March 2004 subsequent to the payment of final dividends.

The gearing ratio, defined as the ratio of total loans less cash and bank balances to total assets, was nil as at 30th September 2004 and 31st March 2004.

Treasury Policies

It is the Group's treasury management policy not to engage in any highly leveraged or speculative derivative products. In this respect, the Group continued to adopt a conservative approach to financial risk management with no significant borrowing during the period. Most of the assets, receipts and payments of the Group are either in Hong Kong dollars or U.S. dollars. However, the Group will monitor its foreign exchange position and, when appropriate, the Group will hedge its non U.S. dollar foreign exchange exposure by way of forward foreign exchange contracts. As at 30th September 2004, the Group had HK\$31.0 million outstanding forward foreign exchange contracts committed for payment in foreign currencies in the coming year.

Charge on Group Asset

At 30th September 2004, no Group asset was under charge to a financial institution.

Contingent Liabilities

The Group had no significant contingent liabilities as at 30th September 2004.

Condensed Consolidated Profit and Loss Account

	Note	Unaudited Six months ended 30th September	
		2004 HK\$'000	2003 HK\$'000
Turnover	2	1,022,008	785,612
Cost of sales		(583,458)	(448,818)
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Gross profit		438,550	336,794
Other revenues		13,116	11,942
Staff costs		(162,539)	(132,197)
Depreciation		(17,441)	(16,274)
Other operating expenses		(175,235)	(142,430)
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Operating profit		96,451	57,835
Finance costs		–	(2)
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Profit before taxation	2	96,451	57,833
Taxation	3	(18,321)	(9,169)
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Profit attributable to shareholders		78,130	48,664
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Dividends	4	78,842	38,436
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Earnings per share	5		
Basic		6.0 cents	3.8 cents
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Diluted		6.0 cents	3.8 cents
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Condensed Consolidated Balance Sheet

	Note	Unaudited 30th September 2004 HK\$'000	Audited 31st March 2004 HK\$'000
Non-current assets			
Property, plant and equipment	6	109,600	98,347
Investment securities		870	1,070
Deferred tax assets		17,706	19,275
		128,176	118,692
Current assets			
Inventories		357,819	262,152
Trade receivables	7	21,130	15,653
Other receivables, deposits and prepayments		83,413	78,920
Tax recoverable		666	1,569
Investment securities		7,803	35,181
Cash and bank balances		665,837	704,954
		1,136,668	1,098,429
Current liabilities			
Trade and bills payables	8	122,762	72,587
Other payables and accrued charges		96,860	93,323
Taxation payable		39,535	32,153
Current portion of receipts in advance		90,675	83,415
		349,832	281,478
Net current assets		786,836	816,951
Total assets less current liabilities		915,012	935,643
Non-current liabilities			
Receipts in advance		79,623	75,018
Retirement benefits obligations		9,264	8,954
Deferred tax liabilities		1,300	2,087
		90,187	86,059
Net assets		824,825	849,584
Capital and reserves			
Share capital	9	130,492	129,306
Reserves		615,491	603,237
Proposed dividends		78,842	117,041
Shareholders' funds		824,825	849,584

Condensed Consolidated Cash Flow Statement

	Unaudited Six months ended 30th September	
	2004 HK\$'000	2003 HK\$'000
Net cash flows from operating activities	57,619	49,885
Net cash flows from investing activities	468	11,729
Net cash used in financing activities	(104,007)	(40,947)
(Decrease)/increase in cash and cash equivalents	(45,920)	20,667
Cash and cash equivalents at 1st April	492,957	270,293
Effect of foreign exchange rate changes	1,710	(1,992)
Cash and cash equivalents at 30th September	448,747	288,968

Reconciliation of cash and cash equivalents in respect of cash and bank balances:

	Unaudited 30th September	
	2004 HK\$'000	2003 HK\$'000
Cash and bank balances	665,837	653,468
Cash and bank balances over three months to maturity	(217,090)	(364,500)
Cash and cash equivalents	448,747	288,968

Condensed Consolidated Statement of Changes in Equity

	Unaudited					Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Capital redemption reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Retained earnings HK\$'000	
At 1st April 2004	129,306	653,247	11,783	(25,398)	80,646	849,584
Exercise of share options	1,186	12,215	–	–	–	13,401
Exchange differences	–	–	–	1,118	–	1,118
Profit for the period	–	–	–	–	78,130	78,130
Final dividends paid	–	–	–	–	(117,408)	(117,408)
At 30th September 2004	130,492	665,462	11,783	(24,280)	41,368	824,825
Representing:						
Share capital						130,492
Reserves						615,491
Proposed dividends						78,842
At 30th September 2004						824,825

Condensed Consolidated Statement of Changes in Equity (continued)

	Unaudited					
	Share capital HK\$'000	Share premium HK\$'000	Capital redemption reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1st April 2003						
– as previously reported	126,668	665,787	11,783	(24,344)	(36,904)	742,990
– effect of adopting SSAP 12	–	–	–	136	17,150	17,286
At 1st April 2003, as restated	126,668	665,787	11,783	(24,208)	(19,754)	760,276
Exercise of share options	1,053	8,677	–	–	–	9,730
Exchange differences	–	–	–	(1,341)	–	(1,341)
Profit for the period	–	–	–	–	48,664	48,664
Final dividend paid	–	–	–	–	(50,675)	(50,675)
At 30th September 2003	127,721	674,464	11,783	(25,549)	(21,765)	766,654
Representing:						
Share capital						127,721
Reserves						600,497
Proposed dividends						38,436
At 30th September 2003						766,654

Notes:

1. Basis of preparation and accounting policies

These unaudited condensed consolidated interim accounts ("interim accounts") are 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, and Appendix 16 of the Listing Rules of The Stock Exchange of Hong Kong Limited.

These interim accounts should be read in conjunction with the 2003/2004 annual accounts.

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

2. Segment information

The Group is principally engaged in the retailing and wholesaling of a wide range of brand name cosmetic products and the provision of beauty and health club services.

(a) Primary reporting format – business segments

	Six months ended 30th September 2004			
	Retail and wholesale HK\$'000	Beauty and health club services HK\$'000	Inter-segment elimination HK\$'000	Total HK\$'000
Turnover	926,376	95,632	–	1,022,008
Results				
Segment results	88,957	1,553	–	90,510
Interest income	6,301	9	(369)	5,941
Interest expenses	–	(369)	369	–
Profit before taxation	95,258	1,193	–	96,451
Taxation				(18,321)
Profit attributable to shareholders				78,130

2. Segment information (continued)

(a) Primary reporting format – business segments (continued)

	Six months ended 30th September 2003			
	Retail and wholesale HK\$'000	Beauty and health club services HK\$'000	Inter-segment elimination HK\$'000	Total HK\$'000
Turnover	703,471	82,141	–	785,612
Results				
Segment results	49,753	1,663	–	51,416
Interest income	6,757	15	(353)	6,419
Interest expenses	–	(355)	353	(2)
Profit before taxation	56,510	1,323	–	57,833
Taxation				(9,169)
Profit attributable to shareholders				48,664

(b) Secondary reporting format – geographical segments

The Group operates in China, Taiwan and South Asia. China comprises Hong Kong, Macau and Mainland China. South Asia comprises Thailand, Malaysia and Singapore.

	Six months ended 30th September 2004			
	China HK\$'000	Taiwan HK\$'000	South Asia HK\$'000	Total HK\$'000
Turnover	911,325	28,116	82,567	1,022,008
Results				
Segment results	93,607	(457)	(2,640)	90,510
Interest income	5,464	4	473	5,941
Profit/(loss) before taxation	99,071	(453)	(2,167)	96,451

2. Segment information (continued)

(b) Secondary reporting format – geographical segments (continued)

	Six months ended 30th September 2003			
	China HK\$'000	Taiwan HK\$'000	South Asia HK\$'000	Total HK\$'000
Turnover	681,875	26,954	76,783	785,612
Results				
Segment results	54,586	(207)	(2,963)	51,416
Interest income	5,876	11	532	6,419
Interest expenses	–	–	(2)	(2)
Profit/(loss) before taxation	60,462	(196)	(2,433)	57,833

3. Taxation

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 overseas profits has been calculated on the estimated assessable profits for the period at the rates of taxation prevailing in the countries in which the Group operates.

The amount of taxation charged to the condensed consolidated profit and loss account represents:

	Six months ended 30th September	
	2004 HK\$'000	2003 HK\$'000
Hong Kong profits tax		
– Current	13,656	8,238
– Over provision in previous periods	(8)	(190)
Overseas taxation		
– Current	2,370	2,116
– Under provision in previous periods	1,068	–
Deferred taxation	1,235	(995)
	18,321	9,169

4. Dividends

	Six months ended 30th September	
	2004 HK\$'000	2003 HK\$'000
Interim, proposed – 3.0 HK cents (2003: 2.0 HK cents) per share	39,421	25,624
Special, proposed – 3.0 HK cents (2003: 1.0 HK cent) per share	39,421	12,812
	78,842	38,436

At a meeting held on 29th November 2004, the Directors declared an interim dividend of 3.0 HK cents and a special dividend of 3.0 HK cents per share. These proposed dividends are not reflected as dividend payables in these condensed accounts, but will be reflected as an appropriation of distributable reserve for the year ending 31st March 2005.

5. Earnings per share

- (a) The calculation of basic earnings per share is based on the Group's profit attributable to shareholders of HK\$78,130,000 (2003: HK\$48,664,000).
- (b) The basic earnings per share is based on the weighted average of 1,298,159,395 (2003: 1,268,500,672) shares in issue during the period.
- (c) The diluted earnings per share is based on the weighted average of 1,298,159,395 (2003: 1,268,500,672) shares in issue during the period plus the weighted average of 9,220,233 (2003: 4,770,194) shares deemed to be issued if all outstanding share options granted under the share option scheme of the Company had been exercised.

6. Property, plant and equipment

	HK\$'000
At 1st April 2004	98,347
Additions	29,445
Disposals/write-off	(501)
Depreciation	(17,441)
Exchange differences	(250)
At 30th September 2004	109,600

7. Trade receivables

Majority of the Group's turnover are cash or credit card sales. The ageing analysis of trade receivables is as follows:

	30th September 2004 HK\$'000	31st March 2004 HK\$'000
Within 1 month	19,547	13,802
1 – 3 months	1,490	1,528
Over 3 months	93	323
	21,130	15,653

8. Trade and bills payables

The ageing analysis of trade and bills payables is as follows:

	30th September 2004 HK\$'000	31st March 2004 HK\$'000
Within 1 month	68,604	27,809
1 – 3 months	51,485	44,370
Over 3 months	2,673	408
	122,762	72,587

9. Share capital

		Authorised shares of HK\$0.1 each	
		No. of shares	HK\$'000
At 30th September 2004 and 1st April 2004		8,000,000,000	800,000
		<hr/>	
		Issued and fully paid shares of HK\$0.1 each	
	Note	No. of shares	HK\$'000
At 1st April 2003		1,266,679,172	126,668
Issue of shares upon exercise of share options		26,385,000	2,638
		<hr/>	
At 31st March 2004 and 1st April 2004		1,293,064,172	129,306
Issue of shares upon exercise of share options	(a)	11,854,668	1,186
		<hr/>	
At 30th September 2004		1,304,918,840	130,492

Notes:

(a) Issue of shares upon exercise of share options

During the six months ended 30th September 2004, a total of 11,854,668 shares were issued to certain directors, staff members and an ex-director of the Company (the "Ex-director") pursuant to the exercise of share options under the share option scheme adopted on 22nd May 1997 (the "1997 Share Option Scheme"), share option scheme adopted on 29th August 2002 (the "2002 Share Option Scheme") and the terms of the service agreement entered between the Ex-director and the Company on 2nd August 1999 (the "Service Agreement") respectively. The proceeds from exercise of share options during the period amounted to HK\$13,401,000, of which share premium totalling HK\$12,215,000 was recognized and taken to the Share Premium Account.

9. Share capital (continued)

(b) Share options

The movements in the number of share options granted, exercised and lapsed pursuant to the 1997 Share Option Scheme, the 2002 Share Option Scheme and the Service Agreement during the period were as follows:

	Number of share options		
	1997 Share Option Scheme	2002 Share Option Scheme	Service Agreement with Ex-director
At 1st April 2004	19,025,520	91,684,000	9,013,587
Add: Share options granted during the period	–	1,488,888	–
Less: Share options exercised during the period	(7,552,000)	(2,302,668)	(2,000,000)
Less: Share options lapsed during the period	–	(3,230,000)	–
At 30th September 2004	11,473,520	87,640,220	7,013,587

10. Commitments

(a) Capital commitments in respect of acquisition of property, plant and equipment

	30th September 2004 HK\$'000	31st March 2004 HK\$'000
Contracted but not provided for	6,262	6,714

10. Commitments (continued)

(b) Commitments under operating leases

The Group had total future aggregate minimum lease payments under non-cancellable operating leases as follows:

	30th September 2004 HK\$'000	31st March 2004 HK\$'000
Land and buildings		
Within one year	172,910	131,196
In the second to fifth year inclusive	249,681	139,972
	422,591	271,168

As at 30th September 2004, total future minimum sublease payments expected to be received by the Group under non-cancellable subleases is HK\$726,000 (31st March 2004: HK\$916,000).

(c) Foreign currency contracts

The Group and the Company had entered into agreements for forward purchases of foreign currencies in the ordinary course of business. As at 30th September 2004, the total outstanding foreign exchange contracts purchased with banks amounted to HK\$30,987,000 (31st March 2004: HK\$65,937,000) for the Group and HK\$30,707,000 (31st March 2004: HK\$45,835,000) for the Company.

Interim Dividend and Special Dividend

The Board resolved to declare the Interim Dividend of 3.0 HK cents (2003: 2.0 HK cents) per share and the Special Dividend of 3.0 HK cents (2003: 1.0 HK cent) per share for the six months ended 30th September 2004, payable to shareholders whose names appear on the register of members of the Company (the "Register of Members") on 17th December 2004.

The Interim Dividend and the Special Dividend will be paid around 29th December 2004.

Closure of Register of Members

The Register of Members will be closed from 16th December 2004 to 17th December 2004, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the Interim Dividend and Special Dividend, all valid documents in respect of transfers of shares accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrars, Abacus Share Registrars Limited, G/F, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not later than 4:00 p.m. on 15th December 2004.

Directorate

At the annual general meeting of the Company held on 26th August 2004, Mrs. LEE LOOK, Ngan Kwan, Christina retired as non-executive director and Dr. LEUNG, Kwok Fai, Thomas and Ms. TAM, Wai Chu, Maria retired as independent non-executive directors of the Company and they, being eligible for re-election, were re-elected as non-executive and independent non-executive directors of the Company respectively.

As at 30th September 2004 and at the date of this report, the members of the Board were as follows:

Executive Directors

Mr. KWOK, Siu Ming, Simon *(Chairman)*
 Mrs. KWOK LAW, Kwai Chun, Eleanor *(Vice-Chairman)*
 Mr. LOOK, Guy

Non-executive Director

Mrs. LEE LOOK, Ngan Kwan, Christina

Independent Non-executive Directors

Professor CHAN, Yuk Shee, J.P.
 Dr. LEUNG, Kwok Fai, Thomas, J.P.
 Ms. TAM, Wai Chu, Maria, GBS, J.P.

Issue of Shares

During the six months ended 30th September 2004, the Company issued and allotted a total of 11,854,668 shares of HK\$0.10 each of the Company to certain directors, staff members and the Ex-director pursuant to their exercise of share options under the 1997 Share Option Scheme and the 2002 Share Option Scheme and share options in accordance with the terms set out in the Service Agreement, which was approved by shareholders of the Company at the extraordinary general meeting on 14th September 1999, respectively.

Share Options

(I) Share Option Schemes

1997 Share Option Scheme

A summary of the 1997 Share Option Scheme was disclosed in the annual report of the Company for the year ended 31st March 2002. In view of the changes of Chapter 17 of the rules (the "Listing Rules") governing the listing of securities on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") which govern the operation of share option schemes, the Company adopted the 2002 Share Option Scheme and the operation of the 1997 Share Option Scheme was terminated on 29th August 2002 (such that no further options could be offered under the 1997 Share Option Scheme but the provisions of the 1997 Share Option Scheme continued to govern options granted under that scheme up to and including 28th August 2002). Details of share options granted under the 1997 Share Option Scheme and their movements during the period were set out below:-

	Date of grant	Subscription price per share	Exercisable period	Vesting period (from the date of grant)	Options outstanding as at 1st April 2004	Options granted during the period	Options exercised during the period	Options lapsed during the period	Options outstanding as at 30th September 2004
Director									
Mr. LOOK, Guy	24th April 2002	HK\$0.80	24th April 2003 to 23rd April 2012	1 year	4,000,000	-	(4,000,000) note (1)	-	-
	24th April 2002	HK\$0.80	24th April 2004 to 23rd April 2012	2 years	5,000,000	-	(1,000,000) note (1)	-	4,000,000
	24th April 2002	HK\$0.80	24th April 2005 to 23rd April 2012	3 years	4,116,285	-	-	-	4,116,285
Employees Under Continuous Employment Contract	9th September 1997	HK\$2.01	9th September 1997 to 8th September 2007	-	1,390,000	-	(1,000,000) note (2)	-	390,000
	9th September 1997	HK\$2.01	9th September 1998 to 8th September 2007	1 year	1,390,000	-	-	-	1,390,000
	9th September 1997	HK\$1.90	9th September 1998 to 8th September 2007	1 year	2,166,000	-	(1,402,000) note (3)	-	764,000
	4th June 2001	HK\$0.68	4th June 2003 to 3rd June 2011	2 years	92,156	-	(92,156) note (4)	-	-
	4th June 2001	HK\$0.68	4th June 2004 to 3rd June 2011	3 years	196,079	-	(57,844) note (5)	-	138,235
	24th April 2002	HK\$0.80	24th April 2005 to 23rd April 2012	3 years	675,000	-	-	-	675,000
					19,025,520	-	(7,552,000)	-	11,473,520

Notes:

- (1) During the period, a total of 5,000,000 share options were exercised in accordance with the terms of the 1997 Share Option Scheme. The closing price of the shares immediately before the date on which the options were exercised was HK\$2.72.
- (2) The weighted average closing price of the shares immediately before the dates on which the options were exercised was HK\$3.11.
- (3) The weighted average closing price of the shares immediately before the dates on which the options were exercised was HK\$3.12.
- (4) The weighted average closing price of the shares immediately before the dates on which the options were exercised was HK\$2.99.
- (5) The closing price of the shares immediately before the date on which the options were exercised was HK\$3.05.

2002 Share Option Scheme

A summary of the 2002 Share Option Scheme was set out below:-

(a) Purpose

To provide Participants (as defined below) with the opportunity to acquire proprietary interests in the Company and to encourage Participants to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole.

(b) Participants

Any directors (including executive, non-executive directors and independent non-executive directors) and employees of the Group and any advisors, consultants, distributors, contractors, suppliers, agents, customers, business partners, joint venture business partners, promoters, service providers of any member of the Group whom the Board or a duly authorised committee thereof considers, in its sole discretion, have contributed to the Group.

(c) Total number of shares available for issue

- (i) The maximum number of shares in respect of which options may be granted under the 2002 Share Option Scheme shall not (when aggregated with any shares subject to any other share option scheme(s) of the Company) exceed 126,830,117 being 10% of the issued share capital of the Company on 29th August 2002, the date on which the 2002 Share Option Scheme was adopted (the "Scheme Mandate Limit"). Options lapsed in accordance with the terms of the 2002 Share Option Scheme will not be counted for the purpose of calculating the Scheme Mandate Limit.

(ii) The Scheme Mandate Limit may be renewed at any time subject to prior shareholders' approval but in any event shall not exceed 10% of the issued share capital of the Company as at the date of approval of the renewal of the Scheme Mandate Limit. Options previously granted under the 2002 Share Option Scheme or any other share option schemes (including those outstanding, cancelled, lapsed in accordance with the terms or exercised options) will not be counted for the purpose of calculating the refreshed Scheme Mandate Limit.

(iii) The maximum number of shares in respect of which options may be granted to grantees under the 2002 Share Option Scheme and other share option schemes of the Company shall not exceed 30% of the issued share capital of the Company from time to time.

(d) Maximum entitlement of each Participant

The maximum number of shares in respect of which options may be granted under the 2002 Share Option Scheme to a specifically identified single grantee shall not (when aggregated with any shares subject to any other share option scheme(s) of the Company) in any 12-month period exceed 1% of the shares of the Company in issue (the "Individual Limit").

The Company may grant options beyond the Individual Limit to a Participant if (i) the Company has first sent a circular to shareholders containing the identity of the Participant in question, the number and terms of the options granted and to be granted and other relevant information as required under the Listing Rules; and (ii) separate shareholder's approval has been obtained.

(e) Option Period

The period within which the shares must be taken up under an option shall be notified by the Board to each grantee at the time of making an offer which shall not expire later than 10 years from the date of grant of the relevant option.

(f) Minimum period for which an option must be held before it can be exercised

The minimum period, if any, for which an option must be held before it can be exercised shall be determined by the Board in its absolute discretion. The 2002 Share Option Scheme itself does not specify any minimum holding period.

(g) Consideration on acceptance of the option

HK\$1.00 is required to be paid by the grantee to the Company on acceptance of the option offer. An offer must be accepted within 30 days from the date on which the letter containing the offer is delivered to the Participant.

(h) Basis of determining the subscription price

The subscription price shall be determined by the Board in its absolute discretion but in any event shall not be less than the higher of:-

(i) the closing price of the shares of the Company as stated in the daily quotations sheets issued by the Stock Exchange on the date of grant;

(ii) the average closing price of the shares of the Company as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant; and

(iii) the nominal value of a share.

(i) Remaining life of the 2002 Share Option Scheme

The 2002 Share Option Scheme shall be valid and effective for a period of 10 years commencing on the date of adoption and will expire on 29th August 2012.

Details of share options granted under the 2002 Share Option Scheme and their movements during the period were set out below:-

	Date of grant	Subscription price per share	Exercisable period	Vesting period (from the date of grant)	Options outstanding as at 1st April 2004	Options granted during the period	Options exercised during the period	Options lapsed during the period	Options outstanding as at 30th September 2004
Director									
Dr. LEUNG, Kwok Fai, Thomas	16th December 2002	HK\$0.76	16th December 2003 to 15th December 2012	1 year	1,000,000	-	(500,000) note (1)	-	500,000
Ms. TAM, Wai Chu, Maria	29th June 2004	HK\$3.00	29th June 2005 to 28th June 2014	1 year	-	1,000,000 note (2)	-	-	1,000,000

	Date of grant	Subscription price per share	Exercisable period	Vesting period (from the date of grant)	Options outstanding as at 1st April 2004	Options granted during the period	Options exercised during the period	Options lapsed during the period	Options outstanding as at 30th September 2004
Employees	6th January 2003	HK\$0.77	6th January 2005 to	2 years	500,000	-	-	-	500,000
Under			5th January 2013						
Continuous	7th March 2003	HK\$0.91	5th March 2004 to	1 year from	1,333,334	-	(1,333,334)	-	-
Employment			6th March 2013	date of			note (3)		
Contract				employment					
	7th March 2003	HK\$0.91	note (4)	note (4)	1,000,000	-	-	-	1,000,000
	7th March 2003	HK\$0.91	note (4)	note (4)	1,000,000	-	-	-	1,000,000
	7th March 2003	HK\$0.91	note (5)	note (5)	333,333	-	-	-	333,333
	7th March 2003	HK\$0.91	note (5)	note (5)	333,333	-	-	-	333,333
	1st September 2003	HK\$1.81	1st September 2004 to	1 year	133,334	-	(133,334)	-	-
			31st August 2013				note (6)		
	1st September 2003	HK\$1.81	note (7)	note (7)	133,333	-	-	-	133,333
	1st September 2003	HK\$1.81	note (7)	note (7)	133,333	-	-	-	133,333
	2nd October 2003	HK\$1.88	2nd October 2004 to	1 year	333,334	-	-	-	333,334
			1st October 2013						
	2nd October 2003	HK\$1.88	note (8)	note (8)	333,333	-	-	-	333,333
	2nd October 2003	HK\$1.88	note (8)	note (8)	333,333	-	-	-	333,333
	30th October 2003	HK\$1.68	note (9)	note (9)	333,334	-	-	-	333,334
	30th October 2003	HK\$1.68	note (9)	note (9)	333,333	-	-	-	333,333
	30th October 2003	HK\$1.68	note (9)	note (9)	333,333	-	-	-	333,333
	30th October 2003	HK\$1.68	30th October 2004 to	1 year	12,954,128	-	-	(150,003)	12,804,125
			29th October 2013	note (10)	note (11)				note (11)
	30th October 2003	HK\$1.68	30th October 2005 to	2 years	12,953,982	-	-	(150,000)	12,803,982
			29th October 2013	note (10)	note (11)				note (11)
	30th October 2003	HK\$1.68	30th October 2006 to	3 years	12,953,890	-	-	(149,997)	12,803,893
			29th October 2013	note (10)	note (11)				note (11)

	Date of grant	Subscription price per share	Exercisable period	Vesting period (from the date of grant)	Options outstanding as at 1st April 2004	Options granted during the period	Options exercised during the period	Options lapsed during the period	Options outstanding as at 30th September 2004
Employees	30th October 2003	HK\$1.68	note (12)	note (12)	12,445,391	-	-	(926,671)	11,518,720
Under					note (11)				note (11)
Continuous	30th October 2003	HK\$1.68	note (12)	note (12)	12,445,382	-	-	(926,670)	11,518,712
Employment					note (11)				note (11)
Contract	30th October 2003	HK\$1.68	30th October 2006 to 29th October 2013	3 years	12,445,227	-	-	(926,659)	11,518,568
					note (11)				note (11)
	4th December 2003	HK\$1.90	1st December 2004 to 3rd December 2013	1 year from date of employment	1,000,000	-	-	-	1,000,000
	4th December 2003	HK\$1.90	1st December 2005 to 3rd December 2013	2 years from date of employment	1,000,000	-	-	-	1,000,000
	4th December 2003	HK\$1.90	1st December 2006 to 3rd December 2013	3 years from date of employment	1,000,000	-	-	-	1,000,000
	4th December 2003	HK\$1.90	note (13)	note (13)	1,000,000	-	-	-	1,000,000
	4th December 2003	HK\$1.90	note (13)	note (13)	1,000,000	-	-	-	1,000,000
	2nd January 2004	HK\$2.25	2nd January 2005 to 1st January 2014	1 year	500,000	-	-	-	500,000
	20th January 2004	HK\$2.80	20th January 2007 to 19th January 2014	3 years	66,666	-	-	-	66,666
	20th January 2004	HK\$2.80	note (14)	note (14)	66,667	-	-	-	66,667
	20th January 2004	HK\$2.80	note (14)	note (14)	66,667	-	-	-	66,667
	1st March 2004	HK\$2.85	14th January 2007 to 28th February 2014	3 years from date of employment	183,333	-	-	-	183,333

Date of grant	Subscription price per share	Exercisable period	Vesting period (from the date of grant)	Options outstanding as at 1st April 2004	Options granted during the period	Options exercised during the period	Options lapsed during the period	Options outstanding as at 30th September 2004
1st March 2004	HK\$2.85	note (15)	note (15)	183,333	-	-	-	183,333
1st March 2004	HK\$2.85	note (15)	note (15)	183,334	-	-	-	183,334
2nd March 2004	HK\$2.78	2nd March 2004 to 1st March 2014	-	336,000	-	(336,000)	-	-
3rd March 2004	HK\$2.78	5th July 2007 to 2nd March 2014	3 years from 5th July 2004	333,333	-	-	-	333,333
3rd March 2004	HK\$2.78	note (17)	note (17)	333,333	-	-	-	333,333
3rd March 2004	HK\$2.78	note (17)	note (17)	333,334	-	-	-	333,334
2nd August 2004	HK\$3.12	28th July 2007 to 1st August 2014	3 years from date of employment	-	183,333	-	-	183,333
2nd August 2004	HK\$3.12	note (19)	note (19)	-	183,333	-	-	183,333
2nd August 2004	HK\$3.12	note (19)	note (19)	-	122,222	-	-	122,222
				91,684,000	1,488,888	(2,302,668)	(3,230,000)	87,640,220

Notes:

- (1) The closing price of the shares immediately before the date on which the options were exercised was HK\$3.15.
- (2) The closing price of the shares immediately before the date on which the options were granted was HK\$3.05.
- (3) The weighted average closing price of the shares immediately before the dates on which the options were exercised was HK\$2.97.
- (4) The exercise of the share options is subject to certain performance targets that must be reached by the employee. The share options shall be exercised by the employee not later than 6th March 2013.
- (5) The exercise of the share options is subject to certain performance targets that must be reached by the employee. The share options shall be exercised by the employee not later than 6th March 2013.

- (6) The closing price of the shares immediately before the date on which the options were exercised was HK\$3.10.
- (7) The exercise of the share options is subject to certain performance targets that must be reached by the employee. The share options shall be exercised by the employee not later than 31st August 2013.
- (8) The exercise of the share options is subject to certain performance targets that must be reached by the employee. The share options shall be exercised by the employee not later than 1st October 2013.
- (9) The exercise of the share options is subject to certain performance targets that must be reached by the employee. The share options shall be exercised by the employee not later than 29th October 2013.
- (10) On 30th October 2003, the Company granted share options to employees who had completed a minimum of 5 years of employment with the Group as at 30th September 2003 to subscribe for shares at an exercise price of HK\$1.68 per share in order to reward them for contributing to the long term success of the business of the Group and to encourage and motivate them to continue to contribute to the success of the business of the Group.
- (11) Exact figures are shown for the six months ended 30th September 2004 for clarification purpose.
- (12) On 30th October 2003, the Company granted share options to employees of the Company who are of managerial level or above to subscribe for shares at an exercise price of HK\$1.68 per share in order to encourage and motivate them to continue to contribute to the success of the business of the Group. The exercise of the share options is subject to certain performance targets that must be reached by the employees.
- (13) The exercise of the share options is subject to certain performance targets that must be reached by the employee. The share options shall be exercised by the employee not later than 3rd December 2013.
- (14) The exercise of the share options is subject to certain performance targets that must be reached by the employee. The share options shall be exercised by the employee not later than 19th January 2014.
- (15) The exercise of the share options is subject to certain performance targets that must be reached by the employee. The share options shall be exercised by the employee not later than 28th February 2014.
- (16) The weighted average closing price of the shares immediately before the dates on which the options were exercised was HK\$3.19.

(17) The exercise of the share options is subject to certain performance targets that must be reached by the employee. The share options shall be exercised by the employee not later than 2nd March 2014.

(18) The closing price of the shares immediately before the date on which the options were granted was HK\$3.15.

(19) The exercise of the share options is subject to certain performance targets that must be reached by the employee. The share options shall be exercised by the employee not later than 1st August 2014.

(II) Share Options under the Ex-director's Service Agreement

The Company granted to Mr. KING, Roger ("Mr. KING"), the Ex-director, share options in accordance with the terms set out in the Service Agreement which was approved by the shareholders of the Company at an extraordinary general meeting held on 14th September 1999. The details of share options granted under the Service Agreement and their movements during the period were set out below:—

Date of grant	Subscription price per share	Closing price per share immediately before the date of grant	Exercisable period	Vesting period	Options outstanding as at 1st April 2004	Options granted during the period	Options exercised during the period	Options lapsed during the period	Options outstanding as at 30th September 2004
14th September 1999	HK\$0.928	HK\$0.64	14th September 1999	-	9,013,587	-	2,000,000	-	7,013,587
to 9th May 2002		to HK\$0.80	to 2nd February 2007				note (2)		
note (1)									

Notes:

(1) Due to the large number of monthly grants of options under the Service Agreement, the dates of grant are shown in a summarised manner.

(2) During the period, 2,000,000 share options were exercised in accordance with the terms of the Service Agreement. The weighted average closing price of the shares immediately before the dates on which the options were exercised was HK\$3.01.

The financial impact of options granted will not be recorded in the Group's accounts until such time when the options are exercised. Upon the exercise of the options, the resulting shares issued are 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 the nominal value of shares will be recorded by the Company in the share premium account. Options which have lapsed prior to their exercise date will be deleted from the outstanding options.

The directors do not consider it appropriate to state the value of the options granted during the period as a number of variables which are crucial for the calculation of the value of the options have not been determined. The directors believe that any calculation of the value of the options based on a great number of speculative assumptions would not be meaningful and would be misleading.

Purchase, Sale or Redemption of Shares

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

Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 30th September 2004, the interests or short positions of the directors and chief executives in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") were as follows:

(I) Long position in the shares, underlying shares and debentures of the Company

Name of director	Nature of interest	Number of shares
Mr. KWOK, Siu Ming, Simon	Corporate Interests (Note)	898,506,400
	Personal Interests	20,364,000
Mrs. KWOK LAW, Kwai Chun, Eleanor	Corporate Interests (Note)	898,506,400
Mr. LOOK, Guy	Personal Interests	5,000,000
Mrs. LEE LOOK, Ngan Kwan, Christina	Personal Interests	1,148,000
Professor CHAN, Yuk Shee	Personal Interests	1,000,000

Note: These shares are held as to 696,780,000 shares by Sunrise Height Incorporated and as to 201,726,400 shares by Green Ravine Limited. Both Sunrise Height Incorporated and Green Ravine Limited are owned as to 50% each by Mr. KWOK, Siu Ming, Simon and Mrs. KWOK LAW, Kwai Chun, Eleanor.

Details of the interests of directors and chief executives in the derivatives interests in the Company for the six months ended 30th September 2004 were disclosed in the section headed "Share Options".

(II) Long position in the shares, underlying shares and debentures of associated corporations

Name of director	Class of Securities	Name of Associated Corporation				
		Base Sun Investment Limited	Matford Trading Limited	Sa Sa Cosmetic Company Limited	Sa Sa Investment Limited	Vance Trading Limited
Mr. KWOK, Siu Ming, Simon	Non-voting deferred shares	2 (Note 1)	3 (Note 2)	1	1	–
Mrs. KWOK LAW, Kwai Chun, Eleanor	Non-voting deferred shares	2 (Note 1)	3 (Note 3)	1	1	1,600,000

Notes:

- (1) Mr. KWOK, Siu Ming, Simon and Mrs. KWOK, LAW Kwai Chun, Eleanor hold 2 shares in Base Sun Investment Limited through Link Capital Investment Limited and Modern Capital Investment Limited. Link Capital Investment Limited and Modern Capital Investment Limited are companies owned as to 50% each by Mr. KWOK, Siu Ming, Simon and Mrs. KWOK LAW, Kwai Chun, Eleanor.
- (2) Mr. KWOK, Siu Ming, Simon holds 3 shares in Matford Trading Limited through Mr. YUNG, Leung Wai who acts as his nominee shareholder.
- (3) Mrs. KWOK LAW, Kwai Chun, Eleanor holds 3 shares in Matford Trading Limited through Ms. KWOK, Lai Yee, Mable who acts as her nominee shareholder.

Save as disclosed above, no directors or chief executives have any interests or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which were taken or deemed to be have under such provisions), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Directors' Benefits from Rights to Acquire Shares or Debentures

Save as disclosed under the section headed "Share Options", at no time during the six months ended 30th September 2004 was the Company, its holding company or its subsidiaries a party to any arrangements which enabled the directors of the Company (including their spouses or children under 18 years of age), to acquire benefits by means of acquisition of shares in or debenture of the Company or any other body corporate.

Interests and Short Positions of Shareholders Discloseable under the SFO

So far as is known to any director or chief executive of the Company, as at 30th September 2004, shareholders who had interests or short positions in the shares or underlying shares of the Company which would have to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO (including interests or short positions which were taken or deemed to have under such provisions), or which were recorded in the register of interests required to be kept by the Company under Section 336 of the SFO were as follows:

Long position of substantial shareholders in the shares of the Company

Name	Number of shares beneficially held
Sunrise Height Incorporated	696,780,000 (Note)
Green Ravine Limited	201,726,400 (Note)

Note: Both Sunrise Height Incorporated and Green Ravine Limited are owned as to 50% each by Mr. KWOK, Siu Ming, Simon and Mrs. KWOK LAW, Kwai Chun, Eleanor.

Save as disclosed above, the Company has not been notified by any person (other than the directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would have to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO (including interests or short positions which were taken or deemed to have under such provisions), or which were recorded in the register of interests required to be kept by the Company under Section 336 of the SFO.

Corporate governance

(I) Board committees

Audit Committee

In compliance with the Code of Best Practice (the "Code of Best Practice") as set out in Appendix 14 of the Listing Rules, the Company established an audit committee in 1999 (the "Audit Committee"). The Audit Committee comprises three independent non-executive directors, Professor CHAN, Yuk Shee, who is the chairman of the Audit Committee, Dr. LEUNG, Kwok Fai, Thomas and Ms. TAM, Wai Chu, Maria. The Audit Committee adopted the terms of reference governing its authority and duties.

The Audit Committee reviews the systems of internal controls throughout the Group, the completeness and accuracy of the Group's accounts and liaises on behalf of the Board with external auditors and the Group's internal auditors. The Audit Committee members have met with management, external and internal auditors and reviewed the audit reports and the interim and annual accounts of the Group.

Compensation Committee

The compensation committee (the “Compensation Committee”) reviews the compensation and benefits schemes, including the share option and incentive schemes, for staff of the Group and advises on any issues relating to human resources management and policy formulation of the Group from time to time. The present members of the Compensation Committee are Dr. LEUNG, Kwok Fai, Thomas, who acts as the chairman, Mrs. LEE LOOK, Ngan Kwan, Christina and Mrs. KWOK LAW, Kwai Chun, Eleanor.

Executive Committee

The executive committee (the “Executive Committee”) exercises the powers, authorities and discretions of the Board in so far as they are concerned with the management and day-to-day operations of the Company in accordance with such policies and directions as the Board may from time to time determine. The present members of the Executive Committee are Mr. KWOK, Siu Ming, Simon, who acts as the chairman, Mrs. KWOK LAW, Kwai Chun, Eleanor and Mr. LOOK, Guy.

(II) Investor relations

The Group commits itself to fostering a good and long-term relationship through open and prompt communication with shareholders and investors. Various communication channels are therefore established. Apart from the annual general meeting where shareholders can raise their comments on the Group’s performance with directors, press and analysts conferences are held at least twice a year subsequent to the interim and final results announcements. At these, our management team explains the Group’s business performance and future direction. The Group also avails itself of opportunities to communicate its strategies to investors and the public through active participation at investors conferences, regular meetings with fund managers and potential investors, as well as press interviews and timely press releases. During the period, the Group participated in various road shows and conferences summarized as follows:

Date	Event	Organizer	Location
September 2004	CLSA Investors’ Forum 2004	CLSA	Hong Kong
September 2004	Road show	Cazenove	London, Edinburgh & Paris
August 2004	Hong Kong Consumer Day 2004	UBS	Hong Kong
June & July 2004	Road show	CLSA	Hong Kong & Singapore
April 2004	Corporate Day	Citigroup Smith Barney	Singapore

Code of Best Practice

None of the directors was aware of any information that would reasonably indicate that the Company was not for any part of the six months ended 30th September 2004 in compliance with the Code of Best Practice, except that one of the independent non-executive directors is not appointed for a specific term as recommended under paragraph 7 of Code of Best Practice but was subject to retirement by rotation at the annual general meeting in accordance with the articles of association of the Company. This independent non-executive director was re-designated as a non-executive director for a term of three years commencing 24th June 2004.

Model Code

The Company adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard set out in the Model Code. Having made specific enquiry of all directors, all directors confirmed that they had complied with the required standard set out in the Model Code and the Company's code of conduct regarding directors' securities transactions during the period.

By Order of the Board

Kwok Siu Ming, Simon

Chairman and Chief Executive Officer

Hong Kong, 29th November 2004