

STARBOW HOLDINGS LIMITED

星虹控股有限公司*

(Incorporated in Bermuda with limited liability)

INTERIM REPORT 2004

* For identification purpose only

CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Chi Chi Hung, Kenneth

Mr. Hui Sze Yin, Clarence

Independent Non-executive Directors

Mr. So Hon Cheung, Stephen

Mr. Lau Man Tak

Ms. Xia Ling Yun

COMPANY SECRETARY

Mr. Chi Chi Hung, Kenneth

AUDIT COMMITTEE

Mr. So Hon Cheung, Stephen

Mr. Lau Man Tak

Ms. Xia Ling Yun

AUDITORS

HLB Hodgson Impey Cheng

Chartered Accountants

Certified Public Accountants

6th Floor, Wheelock House

20 Pedder Street, Central

Hong Kong

REGISTERED OFFICE

Canon's Court

22 Victoria Street

Hamilton HM 12

Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Unit 905

9/F Asia Orient Tower

Town Place

33 Lockhart Road

Wanchai, Hong Kong

PRINCIPAL BANKERS

Wing Hang Bank, Ltd.

DBS Bank (Hong Kong) Limited

PRINCIPAL REGISTRAR AND TRANSFER OFFICE

Butterfield Fund Services (Bermuda)
Limited

Rosebank Centre

11 Bermudiana Road

Pembroke

Bermuda

HONG KONG BRANCH REGISTRAR AND TRANSFER OFFICE

Tengis Limited

Ground Floor

Bank of East Asia Harbour View Centre

56 Gloucester Road, Wanchai

Hong Kong

MANAGEMENT COMMENTARY

The Board of Directors of Starbow Holdings Limited ("the Company") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, "the Group") for the six months ended 30 September 2004.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The unaudited net loss of the Group for the six months ended 30 September 2004 amounted to approximately HK\$16,497,000 which was HK\$12,817,000 more than that of the corresponding period of last year. The unsatisfactory performance of 上海凱祥服飾有限公司("上海凱祥") was the main reason for the poor operating result of the whole Group. Since the acquisition of 上海凱祥 completed in November 2003, the management has actively carried out business reforms and re-engineering in order to improve the operating performance of the company. These actions impacted negatively the short-term profit in return for the long term business growth. The Group expected that the performance of 上海凱祥 will be improved in 2005 as a result of the new changes that have been introduced into the company.

During the interim period, the Group is mainly engaged in the manufacturing and sales of garment and securities trading.

Future Business Prospects and Plans

The Group will continue its effort on the business of the manufacturing and sales of garment and securities trading. On one hand, the Board is actively seeking expansion in both the People's Republic of China ("PRC") and overseas market to take advantage of the PRC's accession to World Trade Organization ("WTO") and the signing of Closer Economic Partnership Arrangement ("CEPA"). On the other hand, the Board is also looking for expansions by acquiring potential business in the same industries to strengthen the Group's business.

In March 2004, the Group has entered into a conditional sales and purchase agreement with Mr. Huang Qing (the "Vendor") for the acquisition of Franki Limited under which Franki Limited proposed to acquire for a commercial property in Shanghai. The transaction was expected to be completed by the end of 2004. However, the Vendor could not fulfill the necessary conditions for the completion, the Group has entered into a termination agreement with the Vendor to terminate the proposed acquisition on 13 December 2004. Pursuant to the termination agreement, the rights, obligations and liabilities of the parties arising from or in connection with the acquisition agreement have been waived and released. Despite failure in this acquisition, the Group is still confident in the future prospect of the property market in the PRC and the Group will keep on identifying opportunities for potential investment to strengthen the asset base and the business of the Group.

Even though the oil price fluctuations and the unstable situations in the Middle East Area have hindered the world economic growth in the recent few months, the Group is still conservatively optimistic about the overall economic situation in the long run. The Board will look for other prospective investment opportunities that will generate good return to further improve the asset base and growing potential of the Group.

Liquidity, Financial Resources and Funding

As at 30 September 2004, shareholders' fund and net current assets of the Group amounted to HK\$26,660,000 and HK\$15,229,000 respectively. On the same date, the Group had cash and bank balance of HK\$714,000. The Group's gearing ratio, calculated on the basis of the Group's total liabilities over total shareholders' funds as at 30 September 2004 is 2.16.

Owing to the continuous losses incurred by the Group, the Group experienced shortage of working capital to run its operation. To alleviate the tight liquidity position faced by the Group, in November 2004, the Company has conditionally agreed to raise approximately HK\$6.4 million through private placement. The proceeds of the placement will be used for repayment of loans and liabilities and as working capital of the Group.

Significant Investments and Material Acquisitions/Disposals

As mentioned above, the Group entered into a termination agreement with the Vendor on 13 December 2004, to terminate the acquisition agreement dated 24 March 2004 entered into between the same parties in relation to the proposed acquisition of Franki Limited by the Group.

There is no significant investment and material acquisition/disposal made during the reporting period.

EMPLOYEES

The Group employed approximately 10 staff in Hong Kong and approximately 150 staff in the PRC at the interim reporting date.

Total staff cost (excluding directors' emoluments) amounted to approximately HK\$1,088,000 for the period under review. The Group's remuneration packages are generally structured by reference to market terms and individual merits. Salaries are normally reviewed on annual basis based on performance appraisals and other relevant factors.

ADDITIONAL INFORMATION REQUIRED BY THE LISTING RULES

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SECURITIES

(I) Interest and short positions in shares and underlying shares of the Company

At 30 September 2004, none of the directors or chief executives, nor their respective associates had any interest or short position in any shares, underlying shares or debentures of the Company or any of its associated corporation as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

(II) Share options

The Company adopted a share option scheme on 17 November 2003, for the primary purpose of providing incentives to directors and eligible employees. Under the share option scheme, the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company.

No share options were granted, exercised, cancelled or lapsed under the share option scheme during the six months ended 30 September 2004.

DIRECTORS' RIGHT TO ACQUIRE SHARES AND DEBENTURES

Save as disclosed under the section headed "DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SECURITIES", at no time during the period was the Company or any of its associated corporations a party to any arrangement to enable the directors or chief executives of the Company to acquire benefits by means of the acquisition of shares in, or underlying shares in, or debentures of, the Company or any other body corporate, and none of the directors or chief executives, nor any of their spouses or children under the age of 18, had any rights to subscribe the securities of the Company, or had exercised any such rights during the period.

SUBSTANTIAL SHAREHOLDERS

As at 30 September 2004, the register of substantial shareholders maintained by the Company pursuant to section 336 of the SFO shows that, the following shareholders had notified the Company of relevant interests and short positions in the issued share capital of the Company:

Shareholders	Capacity	Number of ordinary shares held	Percentage of the issued share capital of the Company
Elect Investments Limited ("Elect") (<i>Note 1</i>)	Beneficial owner	90,306,000 Shares	12.27%
New Times Holdings Limited ("NTHL") (<i>Note 2</i>)	Held by controlled corporation	90,306,000 Shares	12.27%
New Times Group Holdings Limited ("NTGHL")	Held by controlled corporation	90,306,000 Shares	12.27%
Great Sense Limited (<i>Note 3</i>)	Beneficial owner	87,460,000 Shares	11.89%
Tsang Chiu Ming	Held by controlled corporation	87,460,000 Shares	11.89%

Notes:

1. Elect is a wholly owned subsidiary of NTHL and NTHL is accordingly taken to have an interest in the 90,306,000 Shares in which Elect is interested under the SFO.
2. NTHL is a wholly owned subsidiary of NTGHL and NTGHL is accordingly taken to have an interest in the 90,306,000 Shares in which NTHL is interested under the SFO.
3. Great Sense Limited is wholly owned by Tsang Chiu Ming and Tsang Chiu Ming is accordingly taken to have an interest in the 87,460,000 Shares in which Great Sense Limited is interested under the SFO.

Other than as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 30 September 2004.

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 September 2004 (2003: Nil).

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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

COMPLIANCE WITH CODE OF BEST PRACTICE

None of the directors of the Company is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the six months ended 30 September 2004, in compliance with the Code of Best Practice as set out in Appendix 14 of the Rules Governing The Listing of Securities on The Stock Exchange of Hong Kong Limited.

AUDIT COMMITTEE

The Audit Committee has reviewed with management the appropriateness and consistent application of significant accounting principles and policies adopted by the Group, and discussed judgemental issues, accounting estimates, adequacy of disclosures and internal consistency of the interim financial report for the six months ended 30 September 2004.

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2004

		Six months ended	
		30 September	
		2004	2003
		(unaudited)	(unaudited)
		HK\$'000	HK\$'000
	<i>Notes</i>		
Turnover	2	3,064	19,137
Cost of sales		<u>(3,680)</u>	<u>(16,539)</u>
Gross (loss)/profit		(616)	2,598
Other operating income		2,572	2,371
Unrealised holding loss on other investments		(6,883)	(4,500)
Administrative and operating expenses		<u>(10,206)</u>	<u>(4,120)</u>
Loss from operations	3	(15,133)	(3,651)
Finance costs		<u>(1,364)</u>	<u>(16)</u>
Loss before minority interests		(16,497)	(3,667)
Minority interests		<u>–</u>	<u>(13)</u>
Net loss for the period		<u>(16,497)</u>	<u>(3,680)</u>
Loss per share			
Basic	6	<u>(2.24) cents</u>	<u>(0.82) cents</u>

CONDENSED CONSOLIDATED BALANCE SHEET

AS AT 30 SEPTEMBER 2004

		30 September 2004 (unaudited) HK\$'000	31 March 2004 (audited) HK\$'000
	Notes		
Non-current asset			
Tangible fixed assets	7	11,641	20,021
Current assets			
Inventories		547	399
Trade and other receivables	8	49,275	50,540
Other investments		22,009	29,426
Cash and cash equivalents		714	15,157
		72,545	95,522
Less: Current liabilities			
Trade and other payables	9	5,350	22,903
Current portion of obligations under hire-purchase contracts		79	79
Amount due to directors	10	–	5
Unsecured loans		51,887	49,150
		57,316	72,137
Net current assets		15,229	23,385
Total assets less current liabilities		26,870	43,406
Less: Non-current liabilities			
Obligation under hire-purchase contracts		210	249
Net assets		26,660	43,157
Capital and reserves			
Share capital	11	7,358	73,580
Reserves		19,302	(30,423)
Shareholders' funds		26,660	43,157

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2004

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Capital redemption reserve <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2003	44,780	271,218	861	110,578	(412,739)	14,698
Net loss for the period	—	—	—	—	(3,680)	(3,680)
At 30 September 2003	44,780	271,218	861	110,578	(416,419)	11,018
New issue of shares by way of private placements in:						
– October 2003	8,800	—	—	—	—	8,800
– January 2004	20,000	—	—	—	—	20,000
Share issue expenses	—	(444)	—	—	—	(444)
Net profits for the period	—	—	—	—	3,783	3,783
At 31 March 2004	73,580	270,774	861	110,578	(412,636)	43,157
Adjustments arising from the capital reduction	(66,222)	—	—	66,222	—	—
Adjustments arising from share premium cancellation	—	(270,774)	—	270,774	—	—
Transfer to set off accumulated losses	—	—	—	(412,636)	412,636	—
Net loss for the period	—	—	—	—	(16,497)	(16,497)
At 30 September 2004	7,358	—	861	34,938	(16,497)	26,660

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2004

	Six months ended	
	30 September	
	2004	2003
	(unaudited)	(unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash used in operating activities	(18,640)	(4,294)
Net cash from investing activities	140	1,154
Net cash from financing	<u>4,057</u>	<u>1,412</u>
Net decrease in cash and cash equivalents	(14,443)	(1,728)
Cash and cash equivalents at 1 April	<u>15,157</u>	<u>2,210</u>
Cash and cash equivalents at 30 September representing bank balances and cash	<u>714</u>	<u>482</u>

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2004

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The condensed financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and with Statement of Standard Accounting Practice ("SSAP") 25 "Interim financial reporting" issued by the Hong Kong Society of Accountants ("HKSA").

The condensed financial statements have been prepared under historical cost convention. The accounting policies adopted in the preparation of the condensed financial statements are consistent with those followed in the preparation of the Group's annual audited financial statements for the year ended 31 March 2004.

2. SEGMENT INFORMATION

Business Segments	Turnover		Segment result	
	Six months ended		Six months ended	
	30 September	30 September	30 September	30 September
	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
By Principal Activities				
Manufacture and sales of garment	1,848	–	(8,248)	–
Securities investment	1,216	4,720	(7,387)	(2,260)
Trading of computers and related accessories	–	14,417	–	(291)
	<u>3,064</u>	<u>19,137</u>	<u>(15,635)</u>	<u>(2,551)</u>
Unallocated corporate income and expenses			<u>502</u>	<u>(1,100)</u>
Loss from operations			<u>(15,133)</u>	<u>(3,651)</u>
Geographical Segments				
Hong Kong and				
Mainland China	<u>3,064</u>	<u>19,137</u>	<u>(15,133)</u>	<u>(3,651)</u>

3. LOSS FROM OPERATIONS

**Six months ended
30 September**

2004 **2003**
HK\$'000 *HK\$'000*

Loss from operations is stated after charging:

Depreciation of owned tangible fixed assets	883	117
Depreciation of tangible fixed assets held under hire-purchase contracts	25	–
Impairment on tangible fixed assets	7,332	–

and after crediting:

Gain on disposal of tangible fixed assets	–	1,211
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4. TAXATION

No provision for Hong Kong profits tax or overseas taxation has been made as the Company and its subsidiaries incurred taxation losses for the period (30 September 2003: Nil).

A deferred tax asset has not been recognised in respect of tax losses available to offset future profits due to the uncertainty of future profit streams against which the asset can be utilized.

5. INTERIM DIVIDEND

The Board of Directors does not recommend the payment of an interim dividend for the six months ended 30 September 2004 (30 September 2003: Nil).

6. LOSS PER SHARE

The calculation of the basic loss per share is based on the net loss for the period of approximately HK\$16,497,000 (30 September 2003: HK\$3,680,000) and on the weighted average of 735,796,853 (30 September 2003: 447,796,853, as retrospectively adjusted for the effects of the share consolidation which became effective in May 2004) shares in issue during the period.

7. MOVEMENTS IN TANGIBLE FIXED ASSETS

During the period, the Directors, after considering the economic condition, have reviewed the carrying amount of the Group's plant, machinery and equipment based on their net realisable value and determined that the recoverable value of these assets had declined below their carrying value. Accordingly, the carrying value of these assets was reduced by approximately HK\$7,332,000 to reflect this impairment.

8. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are trade debtors and their ageing analysis as at 30 September 2004 is as follows:

	30 September 2004 <i>HK\$'000</i>	31 March 2004 <i>HK\$'000</i>
Trade receivables, with ageing analysis:		
0 – 60 days	157	1,934
61 – 90 days	63	7
Over 90 days	86	286
	<hr/>	<hr/>
Total trade receivables <i>(Note (i))</i>	306	2,227
Other debtors, deposits and prepayments <i>(Note (ii))</i>	48,969	48,313
	<hr/>	<hr/>
	49,275	50,540
	<hr/>	<hr/>

Notes:

- (i) Credit is offered to customers following financial assessment and based on established payment record. Credit limits are set for individual customers and these are exceeded only with the approval of senior officials of the Group. Senior staff of the Group monitor trade debts and follow up collections periodically. General credit terms are payment by the end of the month following the month in which sales took place.
- (ii) Included in other debtors, deposits and prepayments as at 30 September 2004 is an amount of approximately HK\$47,409,000 (At 31 March 2004: HK\$47,409,000) due from 上海凱托集團有限公司, an independent third party. The amount is unsecured, interest-free and due for repayment before the end of the year 2004. The Directors consider that the amount to be fully recoverable, no provision has been made as at 30 September 2004.

9. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade creditors and their ageing analysis as at 30 September 2004 is as follows:

	30 September 2004 <i>HK\$'000</i>	31 March 2004 <i>HK\$'000</i>
Trade payables, with ageing analysis:		
0 – 60 days	743	1,638
61 – 90 days	48	10
Over 90 days	154	958
	<hr/>	<hr/>
Total trade payables	945	2,606
Other payables and accruals	4,405	20,297
	<hr/>	<hr/>
	5,350	22,903
	<hr/>	<hr/>

10. AMOUNT DUE TO DIRECTORS

The amounts due were unsecured, interest-free and had no fixed terms of repayment.

11. SHARE CAPITAL

	Number of shares		Total value	
	30 September 2004 (<i>'000</i>)	31 March 2004 (<i>'000</i>)	30 September 2004 <i>HK\$'000</i>	31 March 2004 <i>HK\$'000</i>
Authorised:				
Ordinary shares of HK\$0.01 each				
At beginning of period/year	30,000,000	30,000,000	300,000	300,000
Capital Reduction (<i>Note b</i>)	–	–	(270,000)	–
Share Subdivision (<i>Note b</i>)	270,000,000			
Share Consolidation (<i>Note b</i>)	(270,000,000)	–	–	–
Capital Reorganization (<i>Note b</i>)	–	–	270,000	–
At end of period/year	<u>30,000,000</u>	<u>30,000,000</u>	<u>300,000</u>	<u>300,000</u>
Issued and fully paid:				
Ordinary shares of HK\$0.01 each				
At beginning of period/year	7,357,969	4,477,969	73,580	44,780
New issue of shares by way of private placements in				
– October 2003 (<i>Note a (i)</i>)	–	880,000	–	8,800
– January 2004 (<i>Note a (iii)</i>)	–	2,000,000	–	20,000
Capital Reduction (<i>Note b</i>)	(6,622,172)	–	(66,222)	–
Share Consolidation (<i>Note b</i>)	–	–	–	–
At end of period/year	<u>735,797</u>	<u>7,357,969</u>	<u>7,358</u>	<u>73,580</u>

Notes:

- a (i) On 30 October 2003, the Company announced that it had entered into a placing agreement with a placing agent. Pursuant to the placing agreement, the Company agreed to place, through the placing agent on a fully underwritten basis, 880,000,000 placing shares to independent investors at a price of HK\$0.01 per placing share. The placing shares were issued under the general mandate granted to the directors of the Company at the annual general meeting held on 27 August 2003. The placement was completed in November 2003. The proceeds received by the Company amounted to approximately HK\$8.8 million and were used to (i) approximately HK\$6.4 million for the acquisition of a subsidiary; (ii) approximately HK\$1.2 million for the payment of rental expense and staff salaries; and (iii) approximately HK\$1.2 million for the miscellaneous operating expenses of the Group.
- a (ii) On 13 January 2004, the Company announced that it had entered into a placing agreement with a placing agent. Pursuant to the placing agreement, the Company agreed to place, through the placing agent on a fully underwritten basis, 2,000,000,000 placing shares to independent investors at a price of HK\$0.01 per placing share. The placing shares were issued under the relevant resolution passed at the special general meeting of the Company held on 25 February 2004. The placement was completed in March 2004. The proceeds received by the Company amounted to approximately HK\$20 million and were used to (i) approximately HK\$14.5 million for the repayment of loans and liabilities; (ii) approximately HK\$3.5 million for investment in marketable securities; and (iii) approximately HK\$2.0 million for the miscellaneous operating expenses of the Group.
- b Pursuant to the special resolutions passed by the shareholders of the Company at a special general meeting held on 3 May 2004, the capital reorganization became effective on 4 May 2004. The capital reorganization involved the following:

(i) Capital reduction

The nominal value of all issued shares of the Company of HK\$0.01 each was reduced by HK\$0.009 by cancelling an equivalent amount of paid up capital per share so that the nominal value of each share was reduced from HK\$0.01 to HK\$0.001.

The credit arising from the capital reduction was credited to the contributed surplus account of the Company;

(ii) Subdivision

Each authorised but unissued share was subdivided into 10 shares of HK\$0.001 each;

(iii) Share consolidation

Every 10 shares of HK\$0.001 each created from the capital reduction and subdivision were consolidated into one consolidated share of HK\$0.01 each;

(iv) Share premium cancellation

The share premium account of the Company was cancelled and the credit arising was credited to the contributed surplus account of the Company; and

(v) Elimination of accumulated losses

The credit transferred to the contributed surplus account of the Company mentioned in (i) and (iv) above, together with the existing balance standing therein, were used to set off against the accumulated losses of the Company.

Details of the above capital reorganisation were set out in the circular dated 8 April 2004.

12. POST BALANCE SHEET EVENTS

The following events occurred subsequent to the interim report date:

- (a) On 30 November 2004, the Company announced that it had entered into a placing agreement with a placing agent. Pursuant to the placing agreement, the Company agreed to place, through the placing agent on a fully underwritten basis, 147,140,000 placing shares to independent investors at a price of HK\$0.045 per placing share. The placing shares will be issued under the general mandate granted to the directors of the Company at the annual general meeting held on 30 August 2004. The net proceeds of approximately HK\$6.4 million and will be used to (i) approximately HK\$3 million for the repayment of short term liabilities and (ii) approximately HK\$3.4 million for the payment of miscellaneous operating expenses of the Group.
- (b) On 13 December 2004, the Company entered into a Termination Agreement with Mr. Huang Qing (the "Vendor"), an independent third party, to terminate the Acquisition Agreement dated 24 March 2004 entered into between the same parties in relation to the proposed acquisition of Franki Limited by the Company. Pursuant to an acquisition agreement dated 24 March 2004 entered into between the Company and the Vendor, the Company agreed to acquire from the Vendor at a consideration of HK\$18,500,000 (i) the entire issued share capital of Franki Limited; and (ii) all the shareholder's loan and monies owing from Franki Limited to the Vendor as at the date of completion. Franki Limited is a company incorporated with limited liability in Hong Kong. Completion of the acquisition agreement is conditional upon the fulfilment of certain conditions as stipulated in the acquisition agreement.

The Company was informed by the Vendor that three of the conditions, namely (a) the Vendor having provided to the Company all title deeds of the PRC Properties and all other related documents (including but not limited to the real estate ownership certificates and all other relevant approvals); (b) the PRC Properties Agreements having been duly registered with the relevant government authorities in the PRC and all relevant title documents of the PRC Properties having been issued to and in the name of Franki Limited; and (c) the Company having obtained a legal opinion from a firm of lawyer in PRC qualified to issue legal opinions on PRC laws to the reasonable satisfaction of the Company as to, inter alia, the rights of Franki Limited to the PRC Properties, will not be fulfilled on or before 31 December 2004. As such, the parties to the Acquisition Agreement agreed to terminate the Acquisition Agreement with immediate effect pursuant to the Termination Agreement dated 13 December 2004. Pursuant to the Termination Agreement, the rights, obligations and liabilities of the parties arising from or in connection with the Acquisition Agreement have been waived and released. At 30 September 2004, the Company has not paid any consideration in respect of the proposed acquisition.

Further details of the transactions are set out in the circular and the announcement of the Company dated 16 April 2004 and 13 December 2004.

13. APPROVAL OF INTERIM FINANCIAL REPORT

The interim financial report was approved by the Board of Directors on 17 December 2004.

By Order of the Board
Kenneth Chi
Chairman

Hong Kong, 17 December 2004