



NAM HING HOLDINGS LIMITED (incorporated in Bermuda with limited liability)

INTERIM REPORT 2004/2005



UNAUDITED INTERIM FINANCIAL STATEMENTS

The Board of Directors of Nam Hing Holdings Limited (the “Company”) (stock code: 986) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 September 2004 together with the comparative figures for the corresponding previous period. These interim results have not been audited/reviewed by the Company’s auditors, but have been reviewed by the Company’s Audit Committee.

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

		Six months ended	
		30 September	
		2004	2003
	Notes	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
TURNOVER	2	157,204	121,869
Cost of sales		(129,436)	(111,483)
Gross profit		27,768	10,386
Other revenue		554	743
Selling and distribution costs		(2,952)	(2,721)
Administrative expenses		(12,504)	(11,262)
Other operating expenses		(3,359)	(3,531)
PROFIT/(LOSS) FROM OPERATING ACTIVITIES	3	9,507	(6,385)
Finance costs		(1,987)	(2,896)
PROFIT/(LOSS) BEFORE TAX		7,520	(9,281)
Tax	4	(432)	–
NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		7,088	(9,281)
INTERIM DIVIDEND	5	–	–
EARNINGS/(LOSS) PER SHARE	6		
– Basic		HK1.764 cents	(HK2.496 cents)
– Diluted		–	–

CONDENSED CONSOLIDATED BALANCE SHEET

		30 September 2004	31 March 2004
	Notes	HK\$'000 (Unaudited)	HK\$'000 (Audited)
NON-CURRENT ASSETS			
Fixed assets		181,958	188,186
Investment property		4,480	4,480
Trademark		2,170	2,170
		188,608	194,836
CURRENT ASSETS			
Trade debtors	7	60,468	60,774
Other debtors, prepayments and deposits		3,111	3,033
Inventories		29,281	35,686
Properties held for resale		15,900	15,900
Other investments		3,075	3,195
Pledged fixed deposits		4,059	7,114
Cash and bank balances		8,129	5,440
		124,023	131,142
CURRENT LIABILITIES			
Trade creditors	8	48,855	41,604
Bills payable		411	7,861
Other creditors and accruals		11,811	11,466
Tax payable		258	23
Interest-bearing bank loans and other borrowings		45,119	55,548
Finance lease payables		1,546	2,778
		108,000	119,280
NET CURRENT ASSETS		16,023	11,862
TOTAL ASSETS LESS CURRENT LIABILITIES		204,631	206,698

	30 September 2004	31 March 2004
Notes	HK\$'000 (Unaudited)	HK\$'000 (Audited)
NON-CURRENT LIABILITIES		
Interest-bearing bank loans and other borrowings	8,647	13,944
Finance lease payables	1,488	1,749
	10,135	15,693
	194,496	191,005
CAPITAL AND RESERVES		
Issued share capital	40,184	40,184
Reserves	154,312	150,821
	194,496	191,005

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Issued share capital HK\$'000 (Unaudited)	Share premium account HK\$'000 (Unaudited)	Contributed surplus HK\$'000 (Unaudited)	Exchange equalisation reserve HK\$'000 (Unaudited)	Capital redemption reserve HK\$'000 (Unaudited)	Retained profits HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
At 1 April 2003	37,172	120,372	2,031	(31,518)	464	63,964	192,485
Issue of shares	12	-	-	-	-	-	12
Premium on shares issued	-	13	-	-	-	-	13
Exchange differences on translation of the financial statements of overseas subsidiaries	-	-	-	5,692	-	-	5,692
Net gains and losses not recognised in the profit and loss account	-	-	-	5,692	-	-	5,692
Net loss for the period	-	-	-	-	-	(9,281)	(9,281)
At 30 September 2003	<u>37,184</u>	<u>120,385</u>	<u>2,031</u>	<u>(25,826)</u>	<u>464</u>	<u>54,683</u>	<u>188,921</u>
At 1 April 2004	40,184	124,711	2,031	(24,862)	464	48,477	191,005
Issue of shares	-	-	-	-	-	-	-
Premium on shares issued	-	-	-	-	-	-	-
Exchange differences on translation of the financial statements of overseas subsidiaries	-	-	-	(3,597)	-	-	(3,597)
Net gains and losses not recognised in the profit and loss account	-	-	-	(3,597)	-	-	(3,597)
Net profit for the period	-	-	-	-	-	7,088	7,088
At 30 September 2004	<u>40,184</u>	<u>124,711</u>	<u>2,031</u>	<u>(28,459)</u>	<u>464</u>	<u>55,565</u>	<u>194,496</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six months ended	
	30 September	
	2004	2003
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net cash inflow from operating activities	27,736	7,459
Net cash outflow from investing activities	(3,660)	(4,834)
Net cash outflow from financing activities	(16,570)	(5,267)
Net increase/(decrease) in cash and cash equivalents	7,506	(2,642)
Cash and cash equivalents as at 1 April	(7,812)	(13,635)
Foreign exchange adjustments	(1,726)	1,998
Cash and cash equivalents as at 30 September	(2,032)	(14,279)
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	8,129	6,393
Bank overdrafts	(10,161)	(20,672)
	(2,032)	(14,279)

NOTES

1. Basis of preparation and presentation

These unaudited condensed consolidated interim financial statements (the “interim financial statements”) are prepared in accordance with the Statement of Standard Accounting Practice No. 25, “Interim Financial Reporting”, issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements set out in The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

The interim financial statements should be read in conjunction with the Company’s audited consolidated financial statements for the year ended 31 March 2004 (the “AFS”).

The accounting policies and methods of computation used in the preparation of the interim financial statements are consistent with those used in the AFS.

2. Segment information

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

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of other business segments. Summary details of the business segments are as follows:

- (a) the manufacture and sale of laminates segment is a supplier of industrial laminates mainly for use in the manufacture of telecommunications and computer-related products;
- (b) the manufacture and sale of printed circuit boards ("PCBs") segment is a supplier of PCBs mainly for use in audio and visual household products; and
- (c) the manufacture and sale of copper foils segment is a supplier of copper foil mainly for use in the manufacture of industrial laminates and PCBs.

In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

An analysis of the Group's revenues and results for the period by business segment is as follows:

	Six months ended 30 September 2004				
	Manufacture and sale of laminates	Manufacture and sale of PCBs	Manufacture and sale of copper foils	Eliminations	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Segment revenue:					
Sale to external customers	100,279	55,926	999	–	157,204
Intersegment sales	23,274	–	21,996	(45,270)	–
Other revenue	1,524	207	39	(1,216)	554
	<u>125,077</u>	<u>56,133</u>	<u>23,034</u>	<u>(46,486)</u>	<u>157,758</u>
Total					
Segment results	<u>29,888</u>	<u>25,979</u>	<u>(236)</u>	<u>(46,033)</u>	9,598
Interest income					3
Unallocated expenses					<u>(94)</u>
Profit from operating activities					9,507
Finance costs					<u>(1,987)</u>
Profit before tax					7,520
Tax					<u>(432)</u>
Net profit from ordinary activities attributable to shareholders					<u>7,088</u>

Six months ended 30 September 2003

	Manufacture and sale of laminates	Manufacture and sale of PCBs	Manufacture and sale of copper foils	Eliminations	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Segment revenue:					
Sale to external customers	81,767	38,215	1,887	-	121,869
Intersegment sales	13,803	-	22,414	(36,217)	-
Other revenue	573	131	39	-	743
Total	<u>96,143</u>	<u>38,346</u>	<u>24,340</u>	<u>(36,217)</u>	<u>122,612</u>
Segment results	<u>14,864</u>	<u>17,021</u>	<u>(3,639)</u>	<u>(34,056)</u>	<u>(5,810)</u>
Interest income					33
Unallocated expenses					<u>(608)</u>
Loss from operating activities					(6,385)
Finance costs					<u>(2,896)</u>
Loss before tax					(9,281)
Tax					<u>-</u>
Net loss from ordinary activities attributable to shareholders					<u>(9,281)</u>

An analysis of the Group's turnover and profit from operating activities for the period by geographical segment is as follows:

	Turnover		Profit/(Loss) from operating activities	
	Six months ended 30 September		Six months ended 30 September	
	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
The People's Republic of China (the "PRC")				
Hong Kong	127,787	99,570	7,728	(5,216)
Mainland China	15,142	11,347	916	(595)
Overseas	14,275	10,952	863	(574)
	157,204	121,869	9,507	(6,385)

3. Profit/(Loss) from operating activities

Profit/(Loss) from operating activities is arrived at after charging/(crediting):

	Six months ended 30 September	
	2004	2003
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Staff costs	13,437	13,410
Depreciation	11,650	10,080
Exchange (gain)/loss	(1,213)	2,076

4. Tax

	Six months ended 30 September	
	2004	2003
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Provision for the period		
PRC		
Hong Kong	258	—
Mainland China	174	—
Overseas	—	—
	<hr/>	<hr/>
Tax charge for the period	432	—
	<hr/>	<hr/>

Hong Kong profits tax for the six months ended 30 September 2004 was provided at the rate of 17.5% on the estimated assessable profits arising in or derived from Hong Kong during the period, after setting off unutilized tax losses brought forward from prior years.

Taxes on profits assessable in the Mainland China has been calculated at the rates of tax prevailing in the regions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

No provision for taxation has been made for the six months ended 30 September 2003 as the Group has no assessable profits which were earned or derived during the period.

No deferred tax has been provided by the Group as there were no significant temporary differences.

5. Interim dividend

The Board of Directors did not propose to declare a payment of interim dividend for the six months ended 30 September 2004 (2003: Nil).

6. Earnings/(Loss) per share

(a) Basic earnings/(loss) per share

The calculation of basic earnings per share for the six months ended 30 September 2004 is based on the net profit from ordinary activities attributable to shareholders for the said period of HK\$7,088,000 (2003: net loss from ordinary activities attributable to shareholders of HK\$9,281,000) and the weighted average of 401,838,800 (2003: 371,783,062) ordinary shares in issue during the period.

(b) Diluted earnings/(loss) per share

Diluted earnings per share for the six months ended 30 September 2004 has not been disclosed, as the share options outstanding during the period had no dilutive effect on the basic earnings per share.

Diluted loss per share for the six months ended 30 September 2003 has not been disclosed, as the share options outstanding during the period had an anti-dilutive effect on the basic loss per share.

7. Trade debtors

An aged analysis of trade debtors at the balance sheet date is as follows:

	30 September 2004 HK\$'000 (Unaudited)	31 March 2004 HK\$'000 (Audited)
Within 3 months	50,439	43,438
4 to 6 months	9,968	15,723
Over 6 months	61	1,613
	60,468	60,774

The Group's credit terms given to the customers vary, and are generally around three months, and are granted based on the financial strengths of the individual customers. In order to effectively manage the credit risks associated with trade debtors, credit evaluations of customers are performed periodically by management.

8. Trade creditors

An aged analysis of trade creditors at the balance sheet date is as follows:

	30 September 2004 HK\$'000 (Unaudited)	31 March 2004 HK\$'000 (Audited)
Within 3 months	36,734	32,028
4 to 6 months	10,423	6,389
Over 6 months	1,698	3,187
	48,855	41,604

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and Prospects

The Group's unaudited consolidated turnover for the six months ended 30 September 2004 recorded an increment of 29.0% to HK\$157,204,000 from HK\$121,869,000 of the corresponding period of last year. The results from ordinary activities attributable to shareholders has improved remarkably from a loss of HK\$9,281,000 in 2003 to a profit of HK\$7,088,000 for the current period under review. Gross profit margin grew significantly from 8.52% to 17.66% and the basic earnings per share increased to HK1.764 cents during the period ended 30 September 2004.

Industrial Laminate Division

Being the major business unit of the Group accounting for 63.8% of the Group's total turnover, the industrial laminate business achieved a turnover of HK\$100 million, which increased by 22.6% when compared with the same period of 2003. The result from operating activities of the business also turned around from a loss position of HK\$8.6 million for the six months ended 30 September 2003 to a profit of HK\$6.3 million for the corresponding period in 2004.

During the past six months under review, the market demand of industrial laminates was substantial and hence the pricing of the product improved significantly. Such remarkable increase was resulted from the huge demand of telecommunication and consumer electronics products by the end-users, while the Group's major product industrial laminates is a key component of all these equipments.

The installation of machineries of the Group's second laminate plant located in Suzhou, the PRC is in the final stage and trial run is expected to be started in later half of the financial year. Upon completion, it is the Group's strategic plan to serve the potential customers in the eastern part of Mainland China where a number of manufacturers of electronic and telecommunication products are located.

Printed Circuit Board Division

For the six months ended 30 September 2004, the printed circuit board business recorded a significant increase of turnover by 46.3% from HK\$38.2 million to HK\$55.9 million, and such increase was attributable to the increase in both the actual output and sale value. The major reason was mainly due to the increase in demand of household video and audio products, and also the broadening of client bases of the division.

The division also contributed significantly to the results of the Group, which represented around 35% of the Group's operating results. It was the result of the effective cost control measures adopted by the Group and the reduction of sub-contracting fees by investment in drilling machines.

Copper Foil Division

The copper foil plant in Thailand serves the role of an internal supplier of copper foil, a major raw material of industrial laminates and multi-layer printed circuit board. Such vertical integration can definitely ensure the adequate supply of copper foil and thus maintain the competitive edge of our industrial laminate and printed circuit board businesses.

For the six months ended 30 September 2004, the copper foil plant was able to maintain its operating efficiency and fulfilled more than 95% of the demand of the industrial laminate division. This plant is a long term capital investment of the Group and still has the capacity to produce more copper foil to fulfill additional demand of the product to the existing laminate plant in Zhongshan, the PRC, as well as the second laminate plant in Suzhou.

Continuous emphasis will be placed on the research and development of the plant to further enhance the efficiency and yield of this high-end product.

Conclusion

Despite the costs of raw materials such as copper, chemicals and fuel are maintaining at a high level, the Group is able to pass over such increase in costs to end-users due to the picking up of the market. With a view to maintaining the Group's competitiveness in the industry, the management will keep on tightening the control over costs, streamlining business structure, strengthening credit and foreign currency risks management, as well as broadening product range and customers base.

With the Group's strong foundation and management expertise, the management is optimistic in the performance of the Group in the future.

Liquidity and Financial Resources

As at 30 September 2004, the current ratio of the Group maintained at 1.15 and the net current assets at HK\$16 million, represented an improvement of 5% and 35% respectively when compared with the corresponding amounts as at 31 March 2004.

It is the Group's policy to rely on internally generated funds and bank borrowings to finance its operations and expansion projects. As at 30 September 2004, the Group's total cash and bank balances and pledged fixed deposits amounted to HK\$12.2 million (31 March 2004: HK\$12.6 million), while the total interest-bearing borrowings amounted to HK\$56.8 million (31 March 2004: HK\$74.0 million).

Due to the improvement of the operating results of the Group, its gearing ratio, which was calculated based on the total interest-bearing borrowings and the shareholders' equity, improved to a more comfortable level of 0.29 (31 March 2004: 0.39). Together with the decreasing trend of the current market interest rates, the finance costs for the current review period reduced to HK\$2.0 million from HK\$2.9 million for the corresponding six months ended 30 September 2003.

The debt maturity profile of the Group is analysed as follows:

	30 September 2004 HK\$'000 (Unaudited)	31 March 2004 HK\$'000 (Audited)
Repayable within one year	46,665	58,326
Repayable in the second year	4,813	7,662
Repayable in the third to fifth years, inclusive	4,039	6,137
Repayable over the fifth year	1,283	1,894
	56,800	74,019

To minimise exposure on foreign exchange fluctuations, the Group's borrowings and cash and bank balances are primarily denominated in Hong Kong dollars, Thai baht and Renminbi, and therefore the Group has no significant exposure to foreign exchange rate fluctuation.

Contingent liabilities

	30 September 2004 HK\$'000 (Unaudited)	31 March 2004 HK\$'000 (Audited)
Debts factored with recourse	26,855	38,657

As at 30 September 2004, the Company had guarantees given to banks in connection with facilities granted to its subsidiaries to the extent of approximately HK\$88.7 million (31 March 2004: HK\$105.3 million), of which HK\$52.1 million (31 March 2004: HK\$68.0 million) had been utilised.

The Group has a contingent liability in respect of possible future long service payments to employees under the Hong Kong Employment Ordinance (the "Ordinance"), with a maximum possible amount of HK\$0.7 million as at 30 September 2004 (31 March 2004: HK\$0.6 million). The contingent liability has arisen because, at 30 September 2004, a number of current employees have achieved the required number of years of service to the Group in order to be eligible for long service payments under the Ordinance if their employment is terminated under certain circumstances. A provision has not been recognised in respect of such possible payments, as it is not considered probable that the situation will result in a significant future outflow of resources from the Group.

Pledge of assets

As at 30 September 2004, the amount of the Group's assets pledged as security for banking facilities was approximately HK\$47.1 million (31 March 2004: HK\$51.8 million).

Employment, Training and Remuneration Policy

During the current period under review, the Group continued to adopt a series of measures towards the size of workforce and commit to staff development and training programs. The Group has approximately 1,208 employees as at 30 September 2004 (30 September 2003: 1,199). Eligible employees are offered with discretionary bonuses and share options on individual and the Group's performance.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 September 2004, the interests of the directors of the Company in the shares of the Company which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance (the "SFO") (including interests which he/she was deemed or taken to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, to be notified to the Company and the Stock Exchange were as follows:

Interests in the Company:

Name of director	Long/ Short position	Capacity	Note	Number of shares of the Company interested	Percentage of issued share capital
Mr Lau Kwai	Long	Beneficial owner		1,500,000	0.37
	Long	Founder of a discretionary trust	(a)	87,696,000	21.82
	Long	Founder of a discretionary trust	(b)	42,078,400	10.47
	Long	Founder of a discretionary trust	(c)	15,851,200	3.94
Mr Lau Chung Yim	Long	Beneficial owner		29,026,000	7.22
	Long	Beneficiary of a trust	(a)	87,696,000	21.82
	Long	Beneficiary of a trust	(b)	42,078,400	10.47
Mr Lau Chung Hung	Long	Beneficial owner		16,000,000	3.98
	Long	Beneficiary of a trust	(a)	87,696,000	21.82
Mr Lau Hing Hai	Long	Beneficiary of a trust	(a)	87,696,000	21.82
	Long	Beneficiary of a trust	(c)	15,851,200	3.94
Ms Lau May Wah	Long	Beneficial owner		19,039,200	4.74
	Long	Beneficiary of a trust	(a)	87,696,000	21.82
Mr Chan Wai Nam	Long	Beneficial owner		1,100,000	0.27
Mr Leung Hon Ming	Long	Beneficial owner		150,000	0.03

Notes:

- (a) The shares were held by Woohei Inc. as trustee of The Woohei Unit Trust, all the units (other than one unit which was beneficially owned by Mr Lau Kwai's spouse, Ms Fong Shun Yum) of which were beneficially owned by The Lau Kwai Trust, a discretionary trust, the beneficiaries of which included the family members of Mr Lau Kwai.

- (b) The shares were held by Dragon Power Inc. as trustee of The Dragon Power Unit Trust, all the units (other than one unit which was beneficially owned by Mr Lau Chung Yim's spouse, Ms Tam Wai Ling, Josephine) of which were beneficially owned by The Jopat Trust, a discretionary trust, the beneficiaries of which included Mr Lau Chung Yim, his spouse and issue.
- (c) The shares were held by Inland Inc. as trustee of The Inland Unit Trust, all the units (other than one unit which was beneficially owned by Mr Lau Hing Hai's spouse, Ms Chan Ka Lam) of which were beneficially owned by The Hingka Trust, a discretionary trust, the beneficiaries of which included Mr Lau Hing Hai, his spouse and issue.

In addition to the above, as at 30 September 2004, certain directors of the Company held shares in certain subsidiaries of the Company in a non-beneficial capacity, solely for the purpose of complying with the then minimum company membership requirements.

Save as disclosed herein, as at 30 September 2004, none of the directors or chief executive of the Company had any interest/short position in the shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was deemed or taken to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, to be notified to the Company and the Stock Exchange.

SHARE OPTION SCHEME

At the annual general meeting of the Company held on 23 August 2002, the Company adopted a share option scheme for the purpose of providing incentives and rewards to eligible participants for their contributions to the Group and/or to enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group and any entity in which the Group holds an equity interest.

The following table showed the movement of share options during the period under review:

Name or category of participant	Number of share options outstanding at 1 April 2004	Number of share options granted during the period	Date of grant of share options	Exercise period of share options	Exercise price per share*	Closing price before date of grant	Number of share options lapsed during the period	Number of share options exercised/ cancelled during the period	Number of share options outstanding at 30 September 2004
					HK\$	HK\$			
Employees other than directors									
In aggregate	-	1,296,000	3 June 2004	From 21 May 2004 to 20 May 2007	0.180	0.190	(216,000)	-	1,080,000
	-	1,296,000	3 June 2004	From 21 January 2005 to 20 May 2007	0.180	0.190	(216,000)	-	1,080,000
	-	1,298,000	3 June 2004	From 21 September 2005 to 20 May 2007	0.180	0.190	(218,000)	-	1,080,000
	<u>-</u>	<u>3,890,000</u>					<u>(650,000)</u>	<u>-</u>	<u>3,240,000</u>

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

The directors of the Company do not consider that it is appropriate to disclose a theoretical value of the share options granted during the period under review because the directors of the Company opine that the values of share options calculated using theoretical models are subject to certain fundamental limitations, due to the subjective nature of and uncertainty relating to a number of the assumptions of expected future performance, input to the model, and certain inherent limitations of the model itself. The directors of the Company consider that such disclosure does not give additional value in view of the above-mentioned limitations surrounding these models.

SUBSTANTIAL SHAREHOLDERS' INTERESTS/SHORT POSITIONS

As at 30 September 2004, each of the following persons, not being a director or chief executive of the Company, had an interest of over 5% in the shares of the Company, as recorded in the register required to be kept under section 336 of the SFO or as the directors are aware:

Name of substantial shareholder	Long/ Short position	Capacity	Note	Number of shares of the Company interested	Percentage of issued share capital
Ms Chan Ka Lam	Long	Interest of spouse	(a)	103,547,200	25.76
Ms Fong Shun Yum	Long	Interest of spouse	(b)	147,125,600	36.61
Mr Lo Tin Yuen	Long	Interest of spouse	(c)	106,735,200	26.56
Ms Tam Wai Ling Josephine	Long	Interest of spouse	(d)	158,800,400	39.51
Ms Wong Yuk Ching	Long	Interest of spouse	(e)	103,696,000	25.80
Wochei Inc.	Long	Trustee	(f)	87,696,000	21.82
Dragon Power Inc.	Long	Trustee	(f)	42,078,400	10.47
MeesPierson Trust (Asia) Limited	Long	Trustee	(f)	145,625,600	36.23

Notes:

- (a) Ms Chan Ka Lam was deemed to be interested in 103,547,200 shares of the Company through interest of her spouse, Mr Lau Hing Hai.
- (b) Ms Fong Shun Yum was deemed to be interested in 147,125,600 shares of the Company through interest of her spouse, Mr Lau Kwai.
- (c) Mr Lo Tin Yuen was deemed to be interested in 106,735,200 shares of the Company through interest of his spouse, Ms Lau May Wah.

- (d) Ms Tam Wai Ling Josephine was deemed to be interested in 158,800,400 shares of the Company through interest of her spouse, Mr Lau Chung Yim.
- (e) Ms Wong Yuk Ching was deemed to be interested in 103,696,000 shares of the Company through interest of her spouse, Mr Lau Chung Hung.
- (f) These interests have also been disclosed as the interests of Mr Lau Kwai/Mr Lau Chung Yim/Mr Lau Chung Hung/Mr Lau Hing Hai/Ms Lau May Wah in the section headed “Directors’ Interests and Short Positions in Shares and Underlying Shares” above.

Save as disclosed herein, as at 30 September 2004, no person, other than the directors of the Company whose interests are set out in the section headed “Directors’ Interests and Short Positions in Shares and Underlying Shares” above, had an interest or a short position in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

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 accounting period for the six months ended 30 September 2004, in compliance with the Code of Best Practice (the “Code”) as set out in Appendix 14 of the Listing Rules, except that two of the independent non-executive directors of the Company were not appointed for specific terms as required by paragraph 7 of the Code but are subject to rotation and re-election at the annual general meeting of the Company in accordance with the bye-laws of the Company. The other one independent non-executive director of the Company has been appointed for a term of one year and subject to the retirement and re-election provisions under the bye-laws of the Company.

AUDIT COMMITTEE

The Company has an Audit Committee which was established in accordance with the requirements of the Code, for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The Audit Committee, which comprises the three independent non-executive directors of the Company, has reviewed and approved the interim financial statements for the six months ended 30 September 2004.

DIRECTORS OF THE COMPANY

As at the date of this report, Mr Lau Kwai, Mr Lau Chung Yim, Mr Lau Chung Hung, Mr Lau Hing Hai and Ms Lau May Wah are the executive directors of the Company and Mr Chan Wai Nam, Mr Leung Hon Ming and Mr Kwok Kwan Hung are the independent non-executive directors of the Company.

On behalf of the Board

Lau Kwai

Chairman

Hong Kong, 10 December 2004