

S e c o n d I n t e r i m R e p o r t 2 0 0 4



POLYTEC ASSET HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

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BUSINESS REVIEW

The Company has changed its financial year end from 30 November to 31 December and reports its second interim results for the twelve months ended 30 November 2004.

The Group recorded a turnover and net profit of HK\$151.2 million and HK\$15.0 million respectively for the twelve months ended 30 November 2004. These results reflect a significant increase in turnover and gross profit of HK\$133.5 million and HK\$29.3 million respectively and represent a turnaround from an operating loss of HK\$0.4 million to an operating profit of 22.4 million compared with last year. Despite these substantial improvements, net profit of the Group has shown a slight decline of 3.9% compared with last year due mainly to the absence of an exceptional gain on disposal of subsidiaries of HK\$18.4 million recorded in 2003.

In January 2004, the Company changed its name to Polytec Asset Holdings Limited. This change of name signified management's confidence that it could reinvigorate the Group's performance. As stated in our recent circular dated 27 January 2005, it is the Company's strategy to explore opportunities in different sectors. To date, in order to quickly improve the Group's position, management has acquired interests in properties in Macao as well as 100% ownership of a Hong Kong based business making ice and providing cold storage. Management believes the property activities should result over the next two years in a substantial improvement to the Group's balance sheet and profitability. During the course of 2005, management hopes to source non-property investment opportunities offering prospects for substantial asset growth. A summary of the Group's activities follows.

During the period, the Group acquired two subsidiaries for the purpose of acquiring certain properties interests situated at the central district in Macao at a total consideration of HK\$297.1 million. These interests consist of a 50% interest in a substantial part of a commercial building which will soon be renamed "The Macau Square 澳門廣場" ("The Macau Square") situated at Avenida do Infante D. Henrique, Rua do Dr. Pedro Jose Lobo and Avenida Doutor Mario with an aggregate gross floor area of 45,453 square metres of retail, office and car parking spaces and 70.5% interest in a parcel of properties which mainly comprises a substantial part of China Plaza situated at Avenida da Praia Grande with a gross floor area of 15,934 square metres of retail and office spaces. The turnover and results of the property activities were mainly attributable to the sale of some of the properties acquired during the period. Currently, the property related segment is the Group's principal profit earner, contributing an operating profit of HK\$14.4 million.

Subsequent to the balance sheet date, the Group has further acquired a 58% interest in a site situated at Lots TN25b and TN26d, near Estrada Coronel Nicolau de Mesquita, Taipa, Macao with a site area of 5,207.7 square metres for a consideration of HK\$78.3 million of which HK\$70 million was financed by bank borrowings.

The Group has also acquired the leading crushed tube ice manufacturer in Hong Kong, namely The Hong Kong Ice & Cold Storage Company Limited ("HKICS") during the period, which should provide a stable recurrent income to the Group. Since the acquisition was only completed shortly before the period end, the full operating results of HKICS are effectively not reflected in the period.

During the period, the turnover derived from the investment and other activities was HK\$109.6 million, representing an increase of 5.2 times compared with last year, which generated an operating profit of HK\$13.3 million to the Group.

As at 30 November 2004, the total number of employees of the Group increased to about 70 due mainly to the acquisition of HKICS. The Group remunerates its employees by means of salary and bonus based on their respective performance, working experience, degree of hardship and prevailing market practice.

FINANCIAL REVIEW

Liquidity, financial resources and capital structure

In the period, the Group's overall financial position including liquidity was sound. As at 30 November 2004, the Group had cash and bank balances of HK\$44.9 million and other liquid assets of HK\$72.3 million. The Group's gearing ratio, expressed as a percentage of its bank borrowings of HK\$20.0 million over the total equity of HK\$551.2 million, increased slightly to 3.6% as compared with last year which had no external borrowings. The bank borrowings of the Group as at 30 November 2004 are repayable over 5 years by monthly instalments, denominated in Hong Kong dollars and bearing interest at the prevailing market rates. The Group had also entered into temporary short-term loan arrangements which were denominated in Hong Kong dollars and bore cost at prevailing market interest rates during the period.

The Company completed a capital reorganisation on 6 May 2004 to facilitate future dividend distributions, details of which were set out in our interim report for the six months end 31 May 2004.

The Company also completed two rights issues during the period. For the first rights issue, the Company issued 304,953,621 ordinary shares at a subscription price of HK\$0.5 each on the basis of one rights share for every one ordinary share held by the shareholders on 28 May 2004 and, for the second rights issue, 609,907,242 ordinary shares at a subscription price of HK\$0.55 each on the basis of one rights share for every one ordinary share held by the shareholders on 9 November 2004. The total proceeds from the two rights issues of HK\$487.9 million, before related expenses, were received by the Company. The main purpose of the two rights issues was to increase the capital base of the Group to finance the acquisition of The Macau Square and HKICS and the repayment of the loans from the ultimate holding company of the Company and to provide additional working capital to the Group.

Commitments

As at 30 November 2004, the Group had a capital commitment of HK\$3.4 million which had been authorised but not contracted for and would be financed by the Group's working capital.

Pledge of assets

As at 30 November 2004, certain assets of the Group with an aggregate net book value of HK\$236,232,000 were pledged to secure credit facilities granted to the Group.

PROSPECTS

The Group will continue to explore new potential markets and other business opportunities to further broaden the income and asset base and to strengthen the growth potential of the Group and hence to continue to deliver high earnings and asset growth to the shareholders of the Company.

By Order of the Board

Yeung Kwok Kwong

Chairman

Hong Kong, 24 February 2005

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Notes	For the twelve months ended 30 November	
		2004 HK\$'000 (Unaudited)	2003 HK\$'000 (Audited)
TURNOVER	2	151,221	17,672
Cost of sales		(121,402)	(17,166)
Gross profit		29,819	506
Other revenue and gains		6,412	9,074
Selling and distribution costs		(3,399)	(63)
Administrative expenses		(9,564)	(10,411)
Other operating expenses, net		(896)	449
PROFIT/(LOSS) FROM OPERATING ACTIVITIES		22,372	(445)
Finance costs		(187)	(2,362)
Gain on disposal of subsidiaries		—	18,397
PROFIT BEFORE TAX	3	22,185	15,590
Tax	4	(3,693)	—
PROFIT BEFORE MINORITY INTERESTS		18,492	15,590
Minority interests		(3,510)	—
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		14,982	15,590
EARNINGS PER SHARE	5		
— Basic		HK3.41 cents	HK5.24 cents
— Diluted		HK2.14 cents	HK3.13 cents

CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	30 November	
		2004 HK\$'000 (Unaudited)	2003 HK\$'000 (Audited)
NON-CURRENT ASSETS			
Fixed assets		154,850	40
Interests in jointly-controlled entities		234,871	4,450
Goodwill		17,352	—
		407,073	4,490
CURRENT ASSETS			
Inventories		103,931	—
Debtors, deposits and prepayments	6	8,675	838
Short term investments		72,262	24,865
Cash and cash equivalents		44,882	22,602
		229,750	48,305
CURRENT LIABILITIES			
Accrued liabilities and other payables		13,413	1,612
Bank loans		2,400	—
Due to a shareholder of a subsidiary	9(e)	27,639	—
Taxation		3,947	—
		47,399	1,612
NET CURRENT ASSETS		182,351	46,693
TOTAL ASSETS LESS CURRENT LIABILITIES		589,424	51,183
NON-CURRENT LIABILITIES			
Bank loans		17,600	—
Deferred taxation		17,110	—
Minority interests		3,510	—
		38,220	—
		551,204	51,183
CAPITAL AND RESERVES			
Issued capital		125,833	63,504
Reserves		425,371	(12,321)
		551,204	51,183

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	For the twelve months ended 30 November	
	2004	2003
	<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Audited)
NET CASH INFLOW/(OUTFLOW) FROM		
— OPERATING ACTIVITIES	(112,925)	(19,967)
— INVESTING ACTIVITIES	(391,573)	(49)
— FINANCING ACTIVITIES	526,778	(68)
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	22,280	(20,084)
Cash and cash equivalents at beginning of period	22,602	42,686
CASH AND CASH EQUIVALENTS AT END OF PERIOD	44,882	22,602
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
— Cash and bank balances	44,882	22,602

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Issued capital <i>HK\$'000</i>	Share premium account <i>HK\$'000</i>	Fixed asset revaluation reserve <i>HK\$'000</i>	Statutory reserve <i>HK\$'000</i>	Exchange fluctuation reserve <i>HK\$'000</i>	Retained profits/ (accumulated losses) <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 December 2002	63,504	122,818	1,699	35	(1,043)	(152,428)	34,585
Release on disposal of subsidiaries	—	—	(1,699)	(35)	1,043	1,699	1,008
Net profit for the period	—	—	—	—	—	15,590	15,590
At 30 November 2003 and 1 December 2003	63,504	122,818	—	—	—	(135,139)	51,183
Cancellation of share premium	—	(118,818)	—	—	—	118,818	—
Capital reduction	(30,495)	—	—	—	—	30,495	—
Contribution to and conversion into ordinary shares of convertible preference shares	1,338	1,338	—	—	—	—	2,676
Rights issues	91,486	390,877	—	—	—	—	482,363
Net profit for the period	—	—	—	—	—	14,982	14,982
At 30 November 2004	125,833	396,215	—	—	—	29,156	551,204

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

These unaudited interim financial statements have been prepared in accordance with Statement of Standard Accounting Practice (“SSAP”) 25 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants as applicable to condensed interim financial statements and Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

The accounting policies used in these unaudited interim financial statements are consistent with those used in the annual financial statements of the Group for the year ended 30 November 2003, except for the adoption of revised SSAP 12 “Income Taxes” which is effective for the first time for the current period’s financial statements.

The principal effect of the adoption of SSAP 12 (Revised) is in relation to deferred tax. SSAP 12 (Revised) requires the adoption of a balance sheet liabilities method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions. The adoption of SSAP 12 (Revised) had no material effect on the results for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.

2. SEGMENT INFORMATION

	Turnover		Profit/(loss) from operating activities	
	for the twelve months ended 30 November		for the twelve months ended 30 November	
	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Business segments				
— Properties	39,469	—	14,442	—
— Ice and cold storage	2,183	—	980	—
— Investments and others	109,569	17,672	13,264	(455)
	<u>151,221</u>	<u>17,672</u>	<u>28,686</u>	<u>(455)</u>
Unallocated group expenses, net			<u>(6,314)</u>	—
			<u>22,372</u>	<u>(455)</u>

Geographical segment information has not been disclosed as over 90% of the Group’s revenue, results, assets and liabilities were derived from operations in the People’s Republic of China, including Hong Kong and Macao.

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

3. PROFIT BEFORE TAX

Profit before tax is arrived at after charging:—

	For the twelve months ended 30 November	
	2004 HK\$'000	2003 HK\$'000
Depreciation	183	328
Goodwill amortisation	36	—

4. TAX

	For the twelve months ended 30 November	
	2004 HK\$'000	2003 HK\$'000
Hong Kong profits tax	1,490	—
Overseas income tax	2,224	—
Deferred tax	(21)	—
	3,693	—

Hong Kong profits tax has been provided for at the rate of 17.5% on the estimated assessable profits of the period. Overseas taxation has been provided for at the applicable rates ruling in the respective jurisdictions.

5. EARNINGS PER SHARE

The calculation of basic earnings per share for the twelve months ended 30 November 2004 is based on the net profit from ordinary activities attributable to shareholders for the period of HK\$14,982,000 (2003: HK\$15,590,000) and the weighted average of 439,244,354 (2003: 297,518,622) ordinary shares in issue during the period.

The calculation of diluted earnings per share for the twelve months ended 30 November 2004 is based on the net profit from ordinary activities attributable to shareholders for the period of HK\$14,982,000 (2003: HK\$15,590,000) and the weighted average of 699,978,359 (2003: 497,518,622) ordinary shares after adjusting for the effects of dilutive potential ordinary shares in respect of convertible preference shares.

Number of ordinary shares

Weighted average number of ordinary shares used in calculating basic earnings per share	439,244,354
Effect of dilutive potential ordinary shares in respect of convertible preference shares	260,734,005
Weighted average number of ordinary shares used in calculating diluted earnings per share	699,978,359

The comparative amount of earnings per share has been restated, as the number of ordinary shares in prior period has been adjusted for the consolidation of every 20 ordinary shares in issue into 1 ordinary share during the current period.

6. DEBTORS, DEPOSITS AND PREPAYMENTS

	30 November	
	2004 HK\$'000	2003 HK\$'000
Ageing analysis of trade debtors at 30 November:		
Within 30 days	1,836	—
31 days to 60 days	1,190	—
61 days to 180 days	1,238	—
Over 180 days	55	—
Trade debtors	4,319	—
Prepayments, deposits and other receivables	4,356	838
	8,675	838

The Group has established different credit policies for each of the Group's businesses.

7. INTERIM DIVIDENDS

The Board does not recommend the payment of an interim dividend in respect of the twelve months ended 30 November 2004 (2003: Nil).

8. SHARE CAPITAL

Capital reorganisation

On 6 May 2004, the Company completed a capital reorganisation scheme to facilitate the future dividend distribution of the Company. The capital reorganisation scheme involved, inter alias:

- cancellation of the share premium of HK\$118.8 million;
- reduction of the par value of ordinary share of HK\$0.01 ("Share") in issue to HK\$0.005 each ("Reduced Share") which gave rise a credit of HK\$30.5 million;
- application of the credit arising from the above to eliminate the accumulated losses of the Company; and
- consolidation of every 20 Reduced Shares into one consolidated share ("Consolidated Share") of which par value is HK\$0.1 each in issue and every 10 unissued Shares into one unissued Consolidated Share.

Issue of capital

On 24 March 2004, Marble King International Limited, the ultimate holding company of the Company (the "Ultimate Holding Company"), which is also the holder of all convertible preference shares of HK\$0.01 each ("CPS") of the Company in issue, contributed HK\$2,676,600 to the Company to pay up 148,700,000 10% partly paid CPS in full. On the same day, the Ultimate Holding Company exercised the conversion right of CPS to convert 148,700,000 fully paid CPS into 148,700,000 fully paid Shares.

On 18 June 2004, the Company issued 304,953,621 Consolidated Shares by way of a rights issue at a subscription price of HK\$0.5 each on the basis of one rights share for every one Consolidated Share held by the shareholders on 28 May 2004 (the "First Rights Issue"). The proceeds from the First Rights Issue of HK\$152.5 million, before related expenses were received by the Company. Details of the First Rights Issue are further set out in the Company's circular dated 4 May 2004.

On 29 November 2004, the Company issued 609,907,242 Consolidated Shares by way of a rights issue at a subscription price of HK\$0.55 each on the basis of one rights share for every one Consolidated Share held by the shareholders on 9 November 2004 (the "Second Rights Issue"). The proceeds from the Second Rights Issue of HK\$335.4 million, before related expenses were received by the Company. Details of the Second Rights Issue are further set out in the Company's circular dated 25 October 2004.

9. RELATED PARTY TRANSACTIONS

- (a) On 13 April 2004, Mr. Or Wai Sheun, the beneficial owner of the Ultimate Holding Company, granted the right to the Group to acquire a substantial part of a commercial building at Rua do Dr. Pedro Jose Lobo, Av. Do Infante D. Henrique, and Av. Doutor Mario Soares in Macao together with an independent third party through the entering of a sale and purchase agreement by a company (the "Vendor") beneficially owned by him with the Group to transfer the entire interest in Success Ever Limited for the consideration of HK\$63.8 million which represents the par value of the acquired share capital plus the face value of outstanding loans due from Success Ever Limited to the Vendor. The arrangement was to enable the Group to acquire, effectively, a 50% interest in such properties for a consideration of HK\$212.5 million. The acquisition was completed on 16 June 2004. Details of the acquisition are further set out in the Company's circular dated 4 May 2004.
- (b) On 13 April 2004, the Company, the Ultimate Holding Company and a company (the "Underwriter") beneficially owned by Mr. Or Wai Sheun, entered into an underwriting agreement relating to the First Rights Issue. Pursuant to the underwriting agreement, an underwriting commission of HK\$1.4 million, being 2% of the total subscription price of the rights shares underwritten by the Underwriter, would be payable to the Underwriter. The Ultimate Holding Company also undertook to subscribe 166,923,012 Consolidated Shares. As the Ultimate Holding Company also applied for excess rights shares, on completion of the First Rights Issue, 181,363,013 Consolidated Shares were issued and allotted to the Ultimate Holding Company. Details of the underwriting agreement are further set out in the Company's circular dated 4 May 2004.
- (c) On 10 September 2004, the Group entered into a sale and purchase agreement with the Vendor for the acquisition of the entire interests in Sinocharm Trading Limited in turn to acquire the entire interests in The Hong Kong Ice & Cold Storage Company Limited, a leading crushed tube ice manufacturer in Hong Kong, for the consideration of HK\$158 million which represents the par value of the acquired share capital plus the face value of outstanding loans due from Sinocharm Trading Limited to the Vendor. The acquisition was completed on 16 November 2004. Details of the acquisition are further set out in the Company's circular dated 25 October 2004.

- (d) On 10 September 2004, the Company, the Ultimate Holding Company and the Underwriter entered into an underwriting agreement relating to the Second Rights Issue. Pursuant to the underwriting agreement, an underwriting commission of HK\$2.9 million, being 2% of the total subscription price of the rights shares underwritten by the Underwriter, would be payable to the Underwriter. The Ultimate Holding Company also undertook to subscribe 348,286,025 Consolidated Shares. As the Ultimate Holding Company also applied for excess rights shares, on completion of the Second Rights Issue, 350,689,349 Consolidated Shares were issued and allotted to the Ultimate Holding Company. Details of the underwriting agreement are further set out in the Company's circular dated 25 October 2004.
- (e) The amounts due to a shareholder of a subsidiary was unsecured, interest bearing and with no fixed repayment terms. During the period, interest of HK\$143,000 (2003: Nil) was payable to such shareholder.

10. CHANGE IN GROUP'S STRUCTURE

Save for the acquisition of certain subsidiaries as disclosed in notes 9(a) and 9(c) to the financial statements, the Group has also entered into to a sale and purchase agreement on 2 July 2004 with an independent third party for the acquisition of the 141 ordinary shares of US\$1 each in the issued share capital of Think Bright Limited, representing 70.5% of its issued capital, at a consideration of HK\$1,100, which is the par value of the shares, and a loan of HK\$14.1 million, being 70.5% of the face value of the outstanding loans due from Think Bright Limited to the independent third party as at the date of completion of the sale and purchase agreement, at the face value of the loan. Completion of the acquisition took place on 5 July 2004. Think Bright Limited directly holds a parcel of properties located at the prime and central district of Macao which comprises retail shops, office units and residential units, with a total gross floor area ("GFA") of 18,865 square metres and 263 car parking spaces, covering mainly a GFA of 15,934 square metres at China Plaza at Avenida da Praia Grande and Avenida de D. Joao IV in Macao. Details of the acquisition are further set out in the Company's circular dated 9 August 2004.

11. POST BALANCE SHEET EVENT

On 23 December 2004, the Group together with 5 joint venture partners entered into to a sale and purchase agreement with 2 independent third parties for the acquisition of the entire equity interests in New Cosmos Holdings Limited and a loan of MOP47.7 million, being the face value of the outstanding loans due from New Cosmos Holdings Limited to the two independent third parties as at the date of completion of the sale and purchase agreement for a total consideration of HK\$135 million. New Cosmos Holdings Limited indirectly holds a site situated at Lots TN25b and TN26d, near Estrada Coronel Nicolau de Mesquita, Taipa, Macao with a site area of 5,207.7 square metres. Under the sale and purchase agreement, the Group has acquired 58% equity interest of New Cosmos Holdings Limited and 58% of the face value of the outstanding loans due from New Cosmos Holdings Limited to the two independent third parties for a total consideration of HK\$78.3 million. The completion of the acquisition took place on 23 December 2004. Details of the acquisition are further set out in the Company's circular dated 27 January 2005.

OTHER INFORMATION

INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

Directors and chief executives

As at 30 November 2004, the interests and short positions of the directors and chief executives in the shares, underlying shares and debentures of the Company and its associated corporations as recorded in the register required to be kept under section 352 of the Securities and Futures Ordinance (the "SFO") or notified to the Company pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") were as follows:

Long positions in Consolidated Shares

<u>Name</u>	<u>Capacity and nature of interests</u>	<u>Number of shares held</u>	<u>Percentage of the issued share capital</u>
Mr. Yeung Kwok Kwong	Directly beneficially owned	1,200,000	0.10%
Ms. Wong Yuk Ching	Directly beneficially owned	6,000,000	0.49%

In addition to the above, Mr. Yeung Kwok Kwong is holding shares in certain subsidiaries of the Company in a non-beneficial capacity which is solely for the purpose of complying with the minimum company membership requirements.

At no time during the twelve months ended 30 November 2004 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any directors or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was Company, its holding company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

Save as disclosed above, none of the directors and chief executives had any interest or short position in the shares, underlying shares and debentures of the Company or its associated corporations which were recorded in the register required to be kept under section 352 of the SFO or notified to the Company pursuant to the Model Code.

Other persons

As at 30 November 2004, the interests and short positions of the persons, other than the directors and chief executives, in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO were as follows:

Long positions

<u>Name</u>	<u>Capacity and nature of interests</u>	<u>Number and class of shares held</u>	<u>Percentage of such class of the issued share capital</u>
Marble King International Limited	Beneficial owner	698,975,374	57.30%
		Consolidated Shares 3,851,300,000 CPS	100.00%

Save as disclosed above, no other person had registered an interest or 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.

OTHER INFORMATION

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the twelve months ended 30 November 2004.

PROFORMA COMBINED BALANCE SHEET OF JOINTLY-CONTROLLED ENTITIES

The unaudited proforma combined balance sheet of jointly-controlled entities of the Group as at the latest practicable date is as follows:—

	<i>HK\$'000</i>
Property interest	469,199
Debtors, deposits and prepayments	379
Cash and bank balances	20,693
Accrued liabilities and other payables	(36,169)
Due to shareholders	(494,665)
	<hr/> <hr/> (40,563)
Issued capital	25
Reserves	(40,588)
	<hr/> <hr/> (40,563)
Deficit attributable to the Group	<hr/> <hr/> (19,480)

Instead of a deficit of HK\$19,480,000, interest in jointly-controlled entities attributable to the Group of HK\$12,000 is reflected in the consolidated balance sheet of the Group, as the Group's share of deficit of each jointly-controlled entity has been restricted to the respective investment cost of each jointly-controlled entity.

AUDIT COMMITTEE

The audit committee has reviewed the unaudited interim financial statements of the Group for the twelve months ended 30 November 2004 and discussed with the Board the internal control and financial reporting matters of the Group.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

In the opinion of the Board, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules throughout the accounting period covered by the interim report, except that independent non-executive directors are not appointed for any specific term of office but are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the articles of association of the Company.