



Applied International Holdings Limited

(Incorporated in Bermuda with limited liability)

Interim Report 2004/2005

(for the six months ended 31 December)

APPLIED INTERNATIONAL HOLDINGS LIMITED
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(Incorporated in Bermuda with limited liability)
Incorporated



INTERIM REPORT

The Board of Directors (the "Directors") of Applied International Holdings Limited (the "Company") announce the unaudited condensed consolidated interim financial statements of the Company and its subsidiaries (the "Group") for the six months ended 31 December 2004 were as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE SIX MONTHS ENDED 31 DECEMBER 2004

	Notes	Six months ended	
		31/12/2004 (Unaudited) HK\$'000	31/12/2003 (Unaudited) HK\$'000
Turnover	3	48,611	72,931
Cost of sales		<u>(39,541)</u>	<u>(54,588)</u>
Gross profit		9,070	18,343
Other operating income		1,844	1,048
Distribution costs		(145)	(1,795)
Administrative expenses		(14,116)	(26,347)
Interest income		285	583
Investment income		250	10
Gain/(loss) on disposal of plant and equipment		6,005	(835)
Impairment loss recognised in respect of properties under development		–	(24,482)
Loss on disposal of other securities		–	(6,176)
Gain on disposal of investment properties		–	1,496
Allowance on trade and other receivables		–	(1,920)
Allowance on inventories		–	(2,200)
Profit/(loss) from operations		<u>3,193</u>	<u>(42,275)</u>
Finance costs		<u>(1,557)</u>	<u>(4,146)</u>
Profit/(loss) before taxation	4	<u>1,636</u>	<u>(46,421)</u>
Taxation	5	<u>3,400</u>	<u>–</u>
Profit/(loss) before minority interests		<u>5,036</u>	<u>(46,421)</u>
Minority interests		<u>(348)</u>	<u>1,215</u>
Profit/(loss) for the period		<u><u>4,688</u></u>	<u><u>(45,206)</u></u>
Earnings/(loss) per share	6		
– Basic		<u><u>0.50 cents</u></u>	<u><u>(4.80 cents)</u></u>

**CONSOLIDATED BALANCE SHEET
AT 31 DECEMBER 2004**

		31/12/2004	30/6/2004
		(Unaudited)	(Audited)
	Notes	HK\$'000	HK\$'000
NON-CURRENT ASSETS			
Investment properties	7	202,276	202,276
Property, plant and equipment		259,759	260,950
Other investments		1,701	1,701
Other securities		11,558	14,251
Negative goodwill		(23,857)	(23,857)
		451,437	455,321
CURRENT ASSETS			
Inventories		2,000	580
Trade and other receivables	8	21,835	18,270
Tax recoverable		22	124
Bank deposits		2,973	–
Cash and bank balances		18,158	4,755
		44,988	23,729
<i>Less:</i> CURRENT LIABILITIES			
Trade and other payables	9	57,315	43,593
Tax payable		–	3,400
Bank and other borrowings			
– due within one year		52,173	47,303
Obligation under finance leases			
– due within one year		2,534	2,495
		112,022	96,791
NET CURRENT LIABILITIES			
		(67,034)	(73,062)
		384,403	382,259



CONSOLIDATED BALANCE SHEET (Continued)
AT 31 DECEMBER 2004

	Notes	31/12/2004 (Unaudited) HK\$'000	30/6/2004 (Audited) HK\$'000
CAPITAL AND RESERVES			
Share capital	10	9,411	9,411
Treasury shares		(12,546)	(12,546)
Reserves		<u>286,182</u>	<u>281,178</u>
		<u>283,047</u>	<u>278,043</u>
MINORITY INTERESTS			
		<u>71,381</u>	<u>71,034</u>
NON-CURRENT LIABILITIES			
Bank and other borrowings			
– due after one year		27,199	30,334
Deferred taxation		135	135
Obligation under finance leases			
– due after one year		2,641	2,713
		<u>29,975</u>	<u>33,182</u>
		<u>384,403</u>	<u>382,259</u>



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Unaudited) FOR THE SIX MONTHS ENDED 31 DECEMBER 2004

	Share capital	Treasury shares	Shares premium account	Investment revaluation reserve	Investment property revaluation reserve	Capital redemption reserve	Capital reserve	Distributable reserve	Translation reserve	Accumulated losses	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 July 2003	188,216	(12,546)	3	(16,128)	-	10,892	220,414	93,961	(3,322)	(309,874)	171,616
Eliminated on disposal of other securities	-	-	-	8,598	-	-	-	-	-	-	8,598
Exchange differences arising from translation of operations outside Hong Kong	-	-	-	-	-	-	-	-	434	-	434
Net loss for the period	-	-	-	-	-	-	-	-	-	(45,206)	(45,206)
At 31 December 2003	<u>188,216</u>	<u>(12,546)</u>	<u>3</u>	<u>(7,530)</u>	<u>-</u>	<u>10,892</u>	<u>220,414</u>	<u>93,961</u>	<u>(2,888)</u>	<u>(355,080)</u>	<u>135,442</u>
At 1 July 2004	9,411	(12,546)	1	(3,571)	7,216	10,892	209,734	93,961	(2,470)	(34,585)	278,043
Eliminated on disposal of other securities	-	-	-	316	-	-	-	-	-	-	316
Net profit for the period	-	-	-	-	-	-	-	-	-	4,688	4,688
At 31 December 2004	<u>9,411</u>	<u>(12,546)</u>	<u>1</u>	<u>(3,255)</u>	<u>7,216</u>	<u>10,892</u>	<u>209,734</u>	<u>93,961</u>	<u>(2,470)</u>	<u>(29,897)</u>	<u>283,047</u>



CONDENSED CONSOLIDATED CASH FLOW STATEMENT FOR THE SIX MONTHS ENDED 31 DECEMBER 2004

	31/12/04 HK\$'000	31/12/03 HK\$'000
Net cash inflow/(outflow) from operating activities	10,483	(10,579)
Net cash inflow/(outflow) from returns on investments and servicing of finance	535	(3,563)
Net cash inflow from investing activities	<u>1,927</u>	<u>30,421</u>
Net cash inflow before financing	12,945	16,279
Net cash inflow from financing	<u>3,431</u>	<u>3,800</u>
Increase in cash and cash equivalents	16,376	20,079
Cash and cash equivalents at beginning of the period	<u>4,755</u>	<u>36,351</u>
Cash and cash equivalents at end of the period	<u><u>21,131</u></u>	<u><u>56,430</u></u>



NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2004

1. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements ("interim financial statements") have been prepared in accordance with Statement of Standard Accounting Practice ("SSAP") No. 25, "Interim Financial Reporting", issued by the Hong Kong Institute of Certified Public Accountants.

2. PRINCIPAL ACCOUNTING POLICIES

The accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 30 June 2004.

3. SEGMENT INFORMATION

Turnover represents the net amounts received and receivable for goods sold to outside customers and rental income from properties under operating leases during the period.

(a) Business segments

For management purposes, the Group is currently organised into three (2003: four) operating divisions – manufacture and distribution of electronic products, property and investment holding, property development. These divisions are the basis on which the Group reports its primary segment information.



3. SEGMENT INFORMATION (Continued)

(a) Business segments (Continued)

Business segment information for the six months ended 31 December 2004:

	Continuing operations			Discontinued operations	Total
	Manufacture and distribution of electronic products	Property and investment holding	Property development	Manufacture and marketing of nano and herbal products	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Turnover	43,550	5,061	-	-	48,611
Results					
Segment results	784	3,083	(568)	-	3,299
Unallocated corporate income					1,482
Unallocated corporate expenses					(1,588)
Profit from operations					3,193
Finance costs					(1,557)
Profit before taxation					1,636
Taxation					3,400
Profit before minority interests					5,036



3. SEGMENT INFORMATION (Continued)

(a) Business segments (Continued)

Business segment information for the six months ended 31 December 2003:

	Manufacture and distribution of electronic products	Property and investment holding	Property development	Manufacture and marketing of nano and herbal products	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Turnover	<u>55,251</u>	<u>6,097</u>	<u>-</u>	<u>11,583</u>	<u>72,931</u>
Results					
Segment results	705	(13,860)	(26,732)	(3,632)	(43,519)
Unallocated corporate income					2,079
Unallocated corporate expenses					<u>(835)</u>
Loss from operations					(42,275)
Finance costs					<u>(4,146)</u>
Loss before taxation					(46,421)
Taxation					<u>-</u>
Loss before minority interests					<u><u>(46,421)</u></u>



3. SEGMENT INFORMATION (Continued)

(b) Geographical segments

The Group's operations are located in Hong Kong, United States of America, Europe, the People's Republic of China other than Hong Kong (the "PRC") and other Asian countries.

The following table provides an analysis of the Group's sales by geographical market irrespective of the origin of the goods or services:

<u>Geographical segments</u>	Six months ended	
	<u>31/12/2004</u>	<u>31/12/2003</u>
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Hong Kong	21,582	41,416
United States of America	17,341	14,765
Europe	420	54
The PRC	2,716	7,673
Other Asian countries	6,552	9,023
	<u>48,611</u>	<u>72,931</u>



4. PROFIT/(LOSS) BEFORE TAXATION

	Six months ended	
	31/12/2004	31/12/2003
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Profit/(loss) before taxation has been arrived at after charging:		
Amortisation of goodwill (included in administrative expenses)	-	110
Depreciation and amortisation on		
- Assets owned by the Group	1,521	917
- Assets held under finance leases	1,766	724
and after crediting:		
Dividend income from listed securities	(197)	(10)
Gain on disposal of investment properties	-	(1,496)
Amortisation of negative goodwill	-	(1,163)
	<u> </u>	<u> </u>

5. TAXATION

Hong Kong Profits Tax is calculated at the rate of 17.5% (2003: 17.5%) on the estimated assessable profits for the period.

	Six months ended	
	31/12/2004	31/12/2003
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
The amount of taxation credited to the consolidated income statement represents:		
Overprovision in prior years	<u>3,400,000</u>	<u> </u>

No provision for Hong Kong Profits Tax was made for the period ended 31 December 2004 (2003: Nil) as the Company and its subsidiaries had no assessable profit for that period.

No provision for deferred tax has been made in the period.



6. EARNINGS/(LOSS) PER SHARE

The calculation of the basic earnings/(loss) per share is based on the profit attributable to shareholders of HK\$4,688,000 (2003: loss of HK\$45,206,000) and on the weighted average of 941,082,826 (2003: 941,080,745) shares in issue during the period.

No diluted earnings/(loss) per share has been presented as the exercise prices of the Company's outstanding warrants were higher than the average market price of the shares of the Company of both periods.

7. INVESTMENT PROPERTIES

	2004 HK\$'000
VALUATION	
At 30 June 2004	<u>202,276</u>
NET BOOK VALUES	
At 30 June 2004 and 31 December 2004	<u>202,276</u>

The value of investment properties held by the Group at 30 June 2004 and 31 December 2004 comprises:

	2004 HK\$'000
Held in Hong Kong:	
Long-term leases	173,500
Medium-term leases	920
Held outside Hong Kong:	
Medium-term leases	25,300
Freehold	<u>2,556</u>
	<u>202,276</u>



8. TRADE AND OTHER RECEIVABLES

The Group allows an average credit period from 30 to 90 days to its trade customers other than major customers.

Included in trade and other receivables of the Group are trade debtors of HK\$5,178,000 (30 June 2004: HK\$5,907,000) and their aging analysis is as follows:

	<u>31/12/2004</u>	<u>30/6/2004</u>
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Within 90 days	4,818	5,733
More than 90 days and within 180 days	<u>360</u>	<u>174</u>
	<u><u>5,178</u></u>	<u><u>5,907</u></u>

9. TRADE AND OTHER PAYABLES

Included in trade and other payables of the Group are trade payables of HK\$5,136,000 (30 June 2004: HK\$4,307,000) and their aging analysis is as follows:

	<u>31/12/2004</u>	<u>30/6/2004</u>
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Within 90 days	4,510	3,999
More than 90 days and within 180 days	<u>626</u>	<u>308</u>
	<u><u>5,136</u></u>	<u><u>4,307</u></u>



10. SHARE CAPITAL

	Number of Ordinary shares	Amount HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised:		
At 30 June 2004 and 31 December 2004	<u>6,000,000,000</u>	<u>60,000</u>
Issued and fully paid:		
At 30 June 2004 and 31 December 2004	<u>941,082,826</u>	<u>9,411</u>

11. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with current period's presentation.



RESULTS

The Directors of the Company announce that the unaudited consolidated profit attributable to shareholders of the Group for the six months ended 31 December 2004 amounted to approximately HK\$4,688,000, comparing to last period's loss of approximately HK\$45,206,000. Turnover for the six months ended 31 December 2004 was approximately HK\$48,611,000 compared to the turnover of approximately HK\$72,931,000 in the same period of last year, representing decrease of 33%.

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the period ended 31 December 2004 (No interim dividend was recommended or paid for the period ended 31 December 2003).

REVIEW OF OPERATIONS AND PROSPECTS

The Group's turnover for the period ended 31 December 2004 was approximately HK\$48.6 million, which represented a decrease of 33% as compared to the period ended 31 December 2003. The administrative expenses for the period ended 31 December 2004 were approximately HK\$14.1 million, which represented a decrease of 46% as compared to the expenses which were incurred for period ended 31 December 2003.

The unaudited consolidated profit for the period ended 31 December 2004 was approximately HK\$4.7 million (as compared to an unaudited consolidated loss of HK\$45.2 million for the period ended 31 December 2003).

OEM BUSINESS

During the period ended 31 December 2004, after the occurrence of SARS, the Group OEM manufacturing company, which is supported by a stable customer base, has generated steady income and was able to maintain its market share despite competitive market conditions. In order to maintain its competitiveness, the Group implemented a series of proactive measures with an aim to reallocating its resources by being cost-conscious and focusing more on higher-growth products.



REVIEW OF OPERATIONS AND PROSPECTS (Continued)

INVESTMENT PROPERTIES

For the period ended 31 December 2004, the Group's rental properties contributed a revenue of HK\$5.1 million (as compared to HK\$6.1 million for the period ended 31 December 2003).

PROPERTY INTEREST

The People's Republic of China

(i) *Jiangmen*

Pursuant to a share transfer agreement dated 9 September 2004 (the "Share Transfer Agreement") entered into between, among others, the Company, Applied China Properties Limited ("Applied Properties") (a wholly-owned subsidiary of the Company) and Mr. Lai Kwok Wah ("Mr. Lai"), inter alia, Applied Properties conditionally agreed to sell to Mr. Lai 2 shares of US\$100 each in Applied Properties (Jiang Men) Ltd. S.A. ("Applied Jiangmen"), representing the entire issued share capital of Applied Jiangmen (the "Jiangmen Shares"). Applied Jiangmen held a piece of land situated in Jiangmen, PRC (the "Jiangmen Property") through its interest in 江門實力發展(地產)有限公司. Pursuant to the Share Transfer Agreement, Applied Properties also agreed to assign to Mr. Lai its entire legal and beneficial interest in loans which it extended to Applied Jiangmen which amounted to an outstanding aggregate sum of HK\$24,411,291 as at 8 September 2004, which is unsecured, non-interest bearing and repayable on demand (the "Shareholder's Loan"). The consideration payable by Mr. Lai pursuant to the Share Transfer Agreement is RMB15,000,000 (approximately HK\$14,136,940) (adopting an exchange rate of RMB1.06105 to HK\$1.00) of which RMB14,998,400 (approximately HK\$14,135,432) is attributable to the assignment of the Shareholder's Loan and RMB1,600 (approximately HK\$1,508) is attributable to the sale of the Jiangmen Shares.



REVIEW OF OPERATIONS AND PROSPECTS (Continued)

PROPERTY INTEREST (Continued)

(i) Jiangmen (Continued)

Completion of the Shares Transfer Agreement was scheduled to take place on 18 December 2004 (as such later date as the parties thereto may agree). However, due to a dispute regarding the area of the Jiangmen Property, completion had not taken place on 18 December 2004 and the parties are currently in discussions as to the deferred date of completion.

(ii) Sheung Ping

Pursuant to a sale and purchase agreement dated 23 September 2004 entered into between RJP International Limited ("RJP"), a wholly-owned subsidiary of the Company, and 東莞市常平鎮土塘村委會 ("Sheung Ping Committee"), a governmental organisation established in Sheung Ping, PRC, inter alia, RJP agreed to sell, or procure the sale of, and Sheung Ping Committee agreed to purchase, a piece of land situated at Tutang District, Sheung Ping Town, Dongguan, PRC, together with factory buildings and staff quarters constructed thereon and which is 100% beneficially owned by Dongguan Incar Electronics Co., Ltd. and Dongguan Man Lee Plastic Products Co., Ltd. (both indirect wholly-owned subsidiaries of the Company) (the "Sheung Ping Property") for an aggregate consideration of RMB22,200,000 (approximately HK\$20,923,657) (adopting an exchange rate of RMB1.061 to HK\$1.00). Completion took place on 1 January 2005.

Save as disclosed above, the business operations of the Group had not changed materially from the information disclosed in the published annual report of the Company for the year ended 30 June 2004.

Overseas

Beef Island, British Virgin Islands

The Group owns a piece of land of approximately 640 acres in Beef Island, the British Virgin Islands ("BVI") which it intends to develop jointly with a partnership of the Beef Island into a 18 holes champions golf course; 150 berth Marina, Marina village and residential resort.



REVIEW OF OPERATIONS AND PROSPECTS (Continued)

Overseas (Continued)

Beef Island Development Plan:

Unique golf course, hotel and Marina in one Beef Island location:

- (a) 18 holes Signature golf course & club house.
- (b) 5-Star hotel (120 to 150 rooms).
- (c) Golf residential & Trellis Bay commercial.
- (d) Mt. Alma residential sites.
- (e) Marina Bay residential & Marina Village.
- 18 holes Jack Nicklaus Signature golf course & club house.

Mr. Jack Nicklaus will design a Signature Golf Course, including preparation of all plans, specifications and drawing that are necessary to illustrate the course layout, design features and construction methods. The plan documents will consist of a general strategy plan, a clearing plan, contour plans, a conceptual golf course drainage plan, a grassing plan, a bunker study plan and a conceptual landscape plan.

Mr. Jack Nicklaus will advise on the letting of construction contracts for construction of the golf course and reviewing contractors' implementation of the plan documents.

The Group is allowed to use the intangible Marketing Rights & Services of Jack Nicklaus to advertise, publicize and market our golf course & BVI.

Mr. Jack Nicklaus will design the preliminary golf course Plan and will attend the charette brainstorming session, with all parties concerned to fully develop the Master Plan for BVI Government approval.



REVIEW OF OPERATIONS AND PROSPECTS (Continued)

Overseas (Continued)

- 5-Star Hotel

A 5-Star hotel consisting of 120-150 guest rooms, beach, swimming pool, meeting rooms. The hotel and amenities will be carefully designed to blend in with the natural beauty and environment.

The hotel, besides providing its own private and exclusive amenities, will profit from its association with Jack Nicklaus (Signature golf course and its clubhouse, also the adjacent development of Yacht Club Marina and Marina Village with their many activities such as restaurants and sidewalk cafes, fishing, snorkelling, tennis, visit to nearby Island and beaches).

The Company has begun discussion in relation to a possible joint venture.

- Golf residential & Trellis Bay commercial; Mt. Alma residential sites.

The Company will report more once it has finalised the Master Development Plan "Plan is underway"

- Marina Bay residential & Marina Village

Beef Island is the finest location in the British Virgin Islands for a Marina because of its location in the heart of Sir Francis Drake Channel's famous sailing waters and because it is very accessible. Our objective is to develop an important yachting and chartering center containing 150 to 200 berths, with a specialized mega yacht facility. The Marina will also be a center for important sport fishing activities on the islands.

The southern aspect of Bluff Bay provides a sheltered location and is presently zoned for the Marina and comprises a small headland and a waterfront strip of land between the highwater mark and a salt pond to the rear. The crescent shaped beach abuts sheltered waters protected by a small, off-shore reef.



REVIEW OF OPERATIONS AND PROSPECTS (Continued)

Overseas (Continued)

Most of the activities will be concentrated in the Marina Village which has docks, shopping arcade, shady plazas, bridges, fountains, bandstand. The central dockside area will contain townhouse, villas and condos, as well as restaurants, sidewalk cafe, boutiques and businesses.

Build in stages with residential Villages, activity areas, parks and natural open space. Also planned are a tennis club, parade grounds, health spa, Getting Married chapel. ATM, a very famous Marina Bay Design/Coastal Engineering Firm, will be assigned to develop the engineering architecture plan of the Marina. They will perform feasibility studies and advise us in more details.

Of increasing importance is the growth of the mega-yacht industry with over 500 mega-yachts currently under construction throughout the world. The creation of a marina on the Estate would complement the hotel and golf course facilities and establish Trellis Bay Estate as one of the leading multi-use resorts in the Caribbean.

- Great walking trails up to the top of Mount Alma from Quaker ruins which will be refurbished as a historical visitors' site.

PLEDGE OF ASSETS

At 31 December 2004, the Group pledged its investment properties amounting to approximately HK\$174.4 million (30 June 2004: HK\$174.4 million), to secure general banking facilities granted to the Group. At 30 June 2004, the Group had also pledged a leasehold property of HK\$2.6 million.



LIQUIDITY AND FINANCIAL INFORMATION

At 31 December 2004, the Group's total borrowings amounted to approximately HK\$84.5 million with approximately HK\$54.7 million repayable within one year, approximately HK\$2.3 million repayable between one to two years, approximately HK\$7 million repayable between two to five years and approximately HK\$20.5 million repayable after five years. Cash, bank balances and deposits at 31 December 2004 amounted to approximately HK\$21.1 million. The Group's current ratio was 0.40 and the gearing ratio which is expressed as a ratio of total bank liabilities to total assets was 0.17.

The Group had no significant exposure to foreign exchange fluctuation.

CONTINGENT LIABILITIES AND CAPITAL COMMITMENT

At 31 December 2004, the Company issued guarantees of HK\$21,571,000 (30 June 2004: HK\$21,571,000) in respect of other loans granted to a subsidiary.

The Group had no other contingent liabilities and capital commitments at the balance sheet date.

ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATES

Save as disclosed above, there was no material acquisition or disposal of the Company's subsidiaries and associates during the six months ended 31 December 2004.



DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

At 31 December 2004, the interests held by the Directors of the Company in the shares, underlying shares of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in register required to be kept by the Company under Section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") contained in the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules"), were as follows:

Long positions in shares and underlying shares of the Company

Name of directors	Number of ordinary shares			Total	Approximate % of shareholding
	Personal interests	Other interests	Corporate interests		
Hung Kin Sang, Raymond	3,280,000	405,655,584 (Note 1)	48,329,000 (Note 2)	457,264,584	48.59%
Hung Wong Kar Gee, Mimi	8,870,056	405,655,584 (Note 1)	48,329,000 (Note 2)	462,854,640	49.18%
Fang Chin Ping	100,000	-	-	100,000	0.01%
Soo Hung Leung, Lincoln	1,100,000	-	-	1,100,000	0.12%

DIRECTOR'S INTEREST IN SHARES OF ASSOCIATED CORPORATIONS

Long positions in shares of associated corporations

Name	Number of shares		Name of associated corporation	Total number of shares	Approximate % shareholding
	Beneficial	Other			
Fang Chin Ping	199,999	1	Quorum Bio-Tech Limited (Note 3) (Note 3)	200,000	2%



DIRECTOR'S INTEREST IN SHARES OF ASSOCIATED CORPORATIONS (Continued)

Note 1: These shares and underlying shares were held by the following companies:

	Number of ordinary shares
Malcolm Trading Inc.	43,992,883
Primore Co. Inc.	2,509,266
Capita Company Inc.	359,153,435
iQuorum Cybernet Limited ("iQuorum")	48,329,000

Malcolm Trading Inc., Primore Co. Inc. and Capita Company Inc. are wholly-owned by the Marami Foundation as trustee for the Raymond Hung/Mimi Hung & Family Trust, a discretionary trust the discretionary objects of which include the family members of Hung Kin Sang, Raymond and Hung Wong Kar Gee, Mimi (husband and wife).

Note 2: These shares and underlying shares were held by iQuorum Cybernet Limited which was a wholly-owned subsidiary of the Company. As Capita Company Inc. owns more than one-third of the issued Shares and the underlying Shares of the Company and Capita Company Inc. is in turn a wholly-owned subsidiary of the Marami Foundation, the trustee of the Raymond Hung/Mimi Hung & Family Trust the discretionary objects of which include the family members of Hung Kin Sang Raymond and Hung Wong Kar Gee Mimi (husband and wife), both Hung Kin Sang Raymond and Hung Wong Kar Gee Mimi are deemed to be interested in such long positions.

Note 3: As at 31 December 2004, Fang Chin Ping held 200,000 ordinary shares of Quorum Bio-Tech Limited, a 89.00001% owned subsidiary of iQuorum, of which he holds 1 share on trust for iQuorum.



DIRECTOR'S INTEREST IN SHARES OF ASSOCIATED CORPORATIONS (Continued)

Save as disclosed above, at 31 December 2004, none of the Directors or chief executive of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company or any 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 they are taken or deemed to have under such provisions of the SFO), the Model Code for Securities Transactions by Directors of Listed Companies and which were required to be entered into the register required to be kept under section 352 of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Share options in the Company

2002 Scheme

On 16 September 2002, the Company adopted a new share option scheme (the "2002 Scheme") for the primary purpose of providing incentives to directors and eligible employees. The 2002 Scheme will expire on 15 September 2012. Under the 2002 Scheme, the board of directors of the Company may grant options to eligible employees, including executive directors of the Company and its subsidiaries, to subscribe for shares in the Company.

The total number of shares in respect of which options may be granted under the 2002 Scheme and any other share option schemes of the Company shall not exceed 10% of the shares of the Company in issue as at the date of adoption of the 2002 Scheme. The number of shares in respect of which options may be granted to a specifically identified single grantee under the 2002 Scheme and any other share option schemes of the Company shall not in any 12 month period exceed 1% of the shares of the Company in issue.



DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES (Continued)

Share options in the Company (Continued)

2002 Scheme (Continued)

Options granted must be taken up within 30 days of the date of grant, upon payment of HK\$1 per grant. Options may be exercised at any time from the date of grant to the 10th anniversary of the date of grant. In each grant of options, the board of directors may at their discretion determine the specific exercise period. The exercise price is determined by the directors of the Company, and will be no less than the highest of (i) the closing price of the Company's shares on the date of grant; (ii) the average closing price of the Company's shares for the five business days immediately preceding the date of grant, and (iii) the nominal value of the Company's shares on the date of grant.

No option has been granted under the 2002 Scheme since its adoption.

SUBSTANTIAL SHAREHOLDERS

Other than the interests disclosed above under the heading "Directors' interests in shares and underlying shares" in respect of certain directors, the register of substantial shareholders maintained by the Company pursuant to section 336 of the SFO discloses no person as having a notifiable interest or short position in the issued share capital of the Company at 31 December 2004.

DIRECTORS' INTEREST IN CONTRACTS OF SIGNIFICANCE

Other than as disclosed above, no contracts of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company or any of its subsidiaries had a material interest, whether directly or indirectly, subsisted at the end of the period or at any time during the period.



DIRECTORS' INTEREST IN CONTRACTS OF SIGNIFICANCE (Continued)

Substantial shareholding in other members of the Group

At 31 December 2004, so far as is known to the Directors and the chief executive of the Company, the following persons (other than a Director or chief executive of the Company) are directly or indirectly interested in 5 per cent. or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any other member of the Group:

Name of Subsidiary	Name of Shareholder	% Shareholding
Wideland Electronics Limited	Fan Shek Yui	30
Wideland Electronics Limited	Ma Yi Fat	19

Save as disclosed above, the Directors and the chief executive of the Company are not aware of any person (other than a Director or chief executive of the Company) who, as at 31 December 2004, had an interest or short position in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

EMPLOYEE INFORMATION

At 31 December 2004, the Group employed a total of 369 full-time employees.

The Group's emolument policies are formulated on the basis of performance of individual employees and are reviewed annually. The Group also provides medical insurance coverage, and provident fund scheme (as the case may be) to its employees depending on the location of such employees.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 31 December 2004.



AUDIT COMMITTEE

The Audit Committee of the Company held a meeting on 21 March 2005 and reviewed the relevant interim financial statements and report of the Group for the six months ended 31 December 2004. The Committee was content that the accounting policies of the Group are in accordance with current best practice in Hong Kong. The Committee found no unusual items that were omitted from the financial statements and was satisfied with the disclosures of data and explanations shown in the financial statements.

The interim financial statements for the six months ended 31 December 2004 have not been audited by the Company's external auditors.

CODE OF BEST PRACTICE

In the opinion of the directors, the Company has complied through out the relevant financial period with the Code of Best Practice as set out in the old Appendix 14 of the Listing Rules.

APPRECIATION

The Directors would like to express their sincere appreciation for all the dedicated efforts of all the management and staff of the Group during the year.

MEMBERS OF THE BOARD

At the date hereof, the members of the board are as follows:

Executive directors:

Hung Kin Sang, Raymond
(Chairman and Managing Director)
Hung Wong Kar Gee, Mimi
Fang Chin Ping

Independent non-executive directors:

Soo Hung Leung, Lincoln J.P.
Lo Yun Tai
Lun Tsan Kau

By order of the Board
Hung Wong Kar Gee, Mimi
Executive Director

Hong Kong, 21 March 2005