



CONTINENTAL
HOLDINGS LIMITED
恒和珠寶集團有限公司

INTERIM REPORT 2005
二 零 零 五 年 中 期 報 告

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The board (the “Board”) of directors (the “Directors”) of Continental Holdings Limited (the “Company”) announces the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 31st December 2004 together with the comparative figures for the corresponding period in 2003.

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

		Unaudited	
		six months ended	
		31st December	
		2004	2003
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	3	706,926	661,390
Cost of sales		(645,562)	(609,476)
Gross profit		61,364	51,914
Selling and distribution costs		(14,702)	(12,386)
Administrative expenses		(25,721)	(25,097)
Other operating income		1,097	2,335
Operating profit	4	22,038	16,766
Finance costs		(796)	(752)
Share of profits less losses of associated companies		814	1,161
Amortisation of goodwill on acquisition of an associate		(706)	(770)
Profit before taxation		21,350	16,405
Taxation	5	(3,821)	(2,986)
Profit before minority interests		17,529	13,419
Minority interests		(451)	272
Profit attributable to shareholders		<u>17,078</u>	<u>13,691</u>
Interim dividends	6	<u>2,798</u>	<u>2,798</u>
Earnings per share (Basic)	7	<u>HK6.1 cents</u>	<u>HK4.9 cents</u>

CONDENSED CONSOLIDATED BALANCE SHEET

		Unaudited	Audited
		31st December	30th June
		2004	2004
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		375,754	385,640
Deposit for acquisition of an investment property		69,000	–
Investments in associates		9,526	9,363
Investment securities		17,194	17,096
Long-term receivables		20,855	22,161
Deferred tax assets		2,400	2,400
		<u>494,729</u>	<u>436,660</u>
Current assets			
Inventories		278,245	268,749
Trade receivables	8	181,055	110,715
Prepayments, deposits and other receivables		31,507	20,646
Current portion of long term receivables		3,643	3,643
Other investments		31,310	35,852
Due from an associate		8	2,092
Cash and bank balances		52,265	74,911
		<u>578,033</u>	<u>516,608</u>
Current liabilities			
Trade payables	9	(230,757)	(178,476)
Accruals and other payables		(48,001)	(40,638)
Tax payable		(11,953)	(8,072)
Due to associates		(2,493)	(1,622)
Loan from a minority shareholder		(69,000)	–
Bank loan and overdrafts, secured	10	(16,216)	(31,534)
		<u>(378,420)</u>	<u>(260,342)</u>
Net current assets		<u>199,613</u>	<u>256,266</u>
Total assets less current liabilities		<u>694,342</u>	<u>692,926</u>
Non-current liabilities			
Loans from minority shareholders		(1,125)	(1,125)
Deferred tax liabilities		(1,982)	(1,982)
Long-term bank loan, secured	10	(58,772)	(61,474)
		<u>(61,879)</u>	<u>(64,581)</u>
Minority interests		<u>(4,671)</u>	<u>(4,191)</u>
		<u>627,792</u>	<u>624,154</u>
CAPITAL AND RESERVES			
Issued capital	11	27,980	27,980
Reserves		597,014	593,376
Proposed interim/final dividend		2,798	2,798
		<u>627,792</u>	<u>624,154</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Unaudited	
	six months ended	
	31st December	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash inflow from operating activities	6,451	17,002
Net cash outflow from investing activities	(79,558)	(125,893)
Net cash inflow from financing activities	66,298	69,551
	<hr/>	<hr/>
Decrease in cash and cash equivalents	(6,809)	(39,340)
Cash and cash equivalents at 1st July	48,762	135,473
Effect of foreign exchange rate changes	(519)	428
	<hr/>	<hr/>
Cash and cash equivalents at 31st December	<u>41,434</u>	<u>96,561</u>
Analysis of balances of cash and cash equivalents:		
Cash and bank balances	52,265	121,138
Bank loans and overdrafts	(10,831)	(24,577)
	<hr/>	<hr/>
	<u>41,434</u>	<u>96,561</u>

CONDENSED UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium account	Non- distributable reserve	Investment properties revaluation reserve	Exchange fluctuation reserve	Retained profits	Proposed dividends	Total
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st July 2004	27,980	158,373	273,606	53,708	698	106,991	2,798	624,154
Exchange differences on translation of the accounts of foreign subsidiaries and associates	-	-	-	-	(610)	-	-	(610)
Deficit on revaluation of investment properties	-	-	-	(10,032)	-	-	-	(10,032)
Net gains and losses not recognised in the accounts	-	-	-	(10,032)	(610)	-	-	(10,642)
Net profit for the period	-	-	-	-	-	17,078	-	17,078
Payment of final 2004 dividend	-	-	-	-	-	-	(2,798)	(2,798)
Interim dividend, proposed	-	-	-	-	-	(2,798)	2,798	0
At 31st December 2004	<u>27,980</u>	<u>158,373</u>	<u>273,606</u>	<u>43,676</u>	<u>88</u>	<u>121,271</u>	<u>2,798</u>	<u>627,792</u>
Reserves retained by/(losses accumulated in):-								
Company and subsidiaries	27,980	158,373	273,606	43,676	(24)	121,450	2,798	627,859
Associates	-	-	-	-	112	(179)	-	(67)
At 31st December 2004	<u>27,980</u>	<u>158,373</u>	<u>273,606</u>	<u>43,676</u>	<u>88</u>	<u>121,271</u>	<u>2,798</u>	<u>627,792</u>
At 1st July 2003	27,980	158,373	273,606	2,149	331	94,983	2,798	560,220
Exchange differences on translation of the accounts of foreign subsidiaries and associates	-	-	-	-	225	-	-	225
Net gains and losses not recognised in the accounts	-	-	-	-	225	-	-	225
Net profit for the period	-	-	-	-	-	13,691	-	13,691
Payment of final 2003 dividend	-	-	-	-	-	-	(2,798)	(2,798)
Interim dividend, proposed	-	-	-	-	-	(2,798)	2,798	-
At 31st December 2003	<u>27,980</u>	<u>158,373</u>	<u>273,606</u>	<u>2,149</u>	<u>556</u>	<u>105,876</u>	<u>2,798</u>	<u>571,338</u>
Reserves retained by / (losses accumulated in):-								
Company and subsidiaries	27,980	158,373	273,606	2,149	444	107,752	2,798	573,102
Associates	-	-	-	-	112	(1,876)	-	(1,764)
At 31st December 2003	<u>27,980</u>	<u>158,373</u>	<u>273,606</u>	<u>2,149</u>	<u>556</u>	<u>105,876</u>	<u>2,798</u>	<u>571,338</u>

NOTES TO CONDENSED INTERIM ACCOUNTS

1. Accounting policies

These unaudited condensed consolidated interim accounts (“interim accounts”) have been prepared in accordance with Hong Kong Statement of Standard Accounting Practice (“SSAP”) No. 25, “Interim Financial Reporting”, issued by the Hong Kong Institute of Certified Public Accountants, and Appendix 16 of the Rules Governing the Listing Rules of Securities on the Main Board of The Stock Exchange of Hong Kong Limited, and should be read in conjunction with the 2004 annual accounts.

The condensed interim accounts have been prepared under the historical cost convention as modified for the revaluation of the investment properties and investments in securities.

The accounting policies and methods of computation used in the preparation of these interim accounts are consistent with those used in the annual accounts for the year ended 30th June, 2004.

2. Segment Information

According to SSAP 26, 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) designing, manufacturing, marketing and trading of fine jewellery and diamonds;
- (b) property investment and development; and
- (c) investment and others.

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

2. Segment Information (Continued)

(a) Business segment

The following tables present revenue and results for the Group's business segments.

	Property investment and development		Manufacturing and trading of jewellery and diamond				Investment and others		Unaudited consolidated total	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Segment revenue:										
Sales to external customers	3,202	911	701,365	656,524	1,409	1,022	705,976	658,457		
Others	-	-	-	-	950	2,933	950	2,933		
	<u>3,202</u>	<u>911</u>	<u>701,365</u>	<u>656,524</u>	<u>2,359</u>	<u>3,955</u>	<u>706,926</u>	<u>661,390</u>		
Segment results	<u>493</u>	<u>213</u>	<u>17,268</u>	<u>15,082</u>	<u>5,238</u>	<u>1,945</u>	<u>22,999</u>	<u>17,240</u>		
Unallocated expenses							(961)	(474)		
Profit from operating activities							22,038	16,766		
Finance costs							(796)	(752)		
Share of profits less losses of associates	-	-	814	1,161	-	-	814	1,161		
Amortisation of goodwill on acquisition of an associate	-	-	(706)	(770)	-	-	(706)	(770)		
Profit before tax							<u>21,350</u>	<u>16,405</u>		

(b) Geographical segment

The following table represents revenue for the Group's geographical segments.

	North America		Europe		Hong Kong		Other areas		Unaudited consolidated total	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Segment revenue:										
Sales to external customers	312,585	314,104	281,970	233,794	105,583	104,431	5,838	6,128	705,976	658,457
Others					950	2,933			950	2,933
									<u>706,926</u>	<u>661,390</u>

3. Turnover

Turnover represents the net invoiced value of goods sold, after allowances for returns and trade discounts, gross rental income, interest income and dividend income from investments.

An analysis of turnover is as follows:

	Unaudited six months ended 31st December	
	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Sale of goods	702,774	657,546
Gross rental income	3,202	911
Interest income	752	2,711
Dividend income from investments	198	222
	<u>706,926</u>	<u>661,390</u>

4. Operating profit

Operating profit is stated after charging/(crediting):

	Unaudited six months ended 31st December	
	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Cost of inventories sold	645,562	609,476
Realised and unrealised gains on other investments	(4,362)	(2,335)
Depreciation of fixed assets	4,950	3,716
Operating leases – land and buildings	2,023	2,271
Provision for bad and doubtful debts	<u>1,708</u>	<u>1,309</u>

5. Taxation

Hong Kong profits tax has been provided at the rate of 17.5% (2003: 17.5%) on the estimated assessable profit for the period. Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the jurisdictions in which the Group operates.

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

	Unaudited six months ended 31st December	
	2004	2003
	HK\$'000	HK\$'000
Hong Kong profits tax		
– current	3,369	2,341
– over provision in prior year	–	–
	<u>3,369</u>	<u>2,341</u>
Overseas taxation	352	442
Share of taxation attributable to an associate	100	203
	<u>3,821</u>	<u>2,986</u>

6. Dividends

	Unaudited six months ended 31st December	
	2004	2003
	HK\$'000	HK\$'000
2004 final paid – HK\$0.01 (2003 final paid: HK\$0.01) per ordinary share	<u>2,798</u>	<u>2,798</u>
2005 Interim, proposed on 18th March 2005, of HK\$0.01 (2004: HK\$0.01) per ordinary share	<u>2,798</u>	<u>2,798</u>

7. Earnings per share

The calculation of basic earnings per share is based on the Group's profit attributable to shareholders of HK\$17,078,000 (2003: HK\$13,691,000) and the weighted average number of 279,800,031 (2003: 279,800,031) ordinary shares in issue during the year.

No fully diluted earnings per share is shown as the Company has no potential dilutive ordinary shares at 31st December, 2004 and 2003.

8. Trade receivables

The ageing analysis of trade receivables, net of provision, as at the balance sheet date, based on the date of recognition of the sale, is as follows:

	Current	31- 60 days	61- 90 days	Over 90 days	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Unaudited balance at 31st December 2004	<u>31,012</u>	<u>64,870</u>	<u>57,487</u>	<u>27,686</u>	<u>181,055</u>
Audited balance at 30th June 2004	<u>36,505</u>	<u>34,373</u>	<u>25,816</u>	<u>14,021</u>	<u>110,715</u>

9. Trade payables

The ageing analysis of the trade payables at the balance sheet date is as follows:

	Current	31- 60 days	61- 90 days	Over 90 days	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Unaudited balance at 31st December 2004	<u>109,007</u>	<u>15,782</u>	<u>31,909</u>	<u>74,059</u>	<u>230,757</u>
Audited balance at 30th June 2004	<u>143,659</u>	<u>27,991</u>	<u>4,682</u>	<u>2,144</u>	<u>178,476</u>

10. Bank loans and overdrafts

At 31st December 2004, the Group's bank loans and overdrafts are as follows:

	Unaudited 31st December 2004 HK\$'000	Audited 30th June 2004 HK\$'000
Bank overdrafts, secured	<u>10,831</u>	<u>26,149</u>
Secured bank loan		
Repayable within one year	5,385	5,385
Repayable in the second year	5,385	5,385
Repayable in the third to fifth years, inclusive	16,155	16,155
Repayable beyond five years	<u>37,232</u>	<u>39,934</u>
	<u>64,157</u>	<u>66,859</u>
	<u>74,988</u>	<u>93,008</u>
Less: Current portion due within one year included under current liabilities	<u>(16,216)</u>	<u>(31,534)</u>
Non-current portion included under non-current liabilities	<u>58,772</u>	<u>61,474</u>

10. Bank loans and overdrafts (Continued)

At 31 December 2004, the Group's banking facilities were supported by the following:

- (a) share mortgage of a subsidiary;
- (b) assignment of rental income of an investment property;
- (c) legal charges over the Group's investment properties and certain of the leasehold land and buildings;
and
- (d) corporate guarantees executed by the Company.

11. Share Capital

	Unaudited 31st December 2004 HK\$'000	Audited 30th June 2004 HK\$'000
Authorised:		
3,500,000,000 ordinary shares of HK\$0.10 each	<u>350,000</u>	<u>350,000</u>
Issued and fully paid:		
279,800,031 ordinary shares of HK\$0.10 each	<u>27,980</u>	<u>27,980</u>

12. Operating lease arrangements

(a) As lessor

The Group leases certain of its properties under operating lease arrangements, with leases negotiated for terms ranging from two to six years.

At 31 December 2004, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Unaudited 31st December 2004 HK\$'000	Audited 30th June 2004 HK\$'000
Within one year	4,773	5,034
In the second to fifth years, inclusive	14,322	14,732
More than five years	–	1,500
	<u>19,095</u>	<u>21,266</u>

12. Operating lease arrangements (Continued)

(b) As lessee

The Group leases certain of its office properties and staff quarters under operating lease arrangements for properties are negotiated for terms ranging from one to three years. At 31 December 2004, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Unaudited 31st December 2004 <i>HK\$'000</i>	Audited 30th June 2004 <i>HK\$'000</i>
Within one year	2,845	6,609
In the second to fifth years, inclusive	2,879	1,004
	<u>5,724</u>	<u>7,613</u>

13. Capital Commitments

	Unaudited 31st December 2004 <i>HK\$'000</i>	Audited 30th June 2004 <i>HK\$'000</i>
Construction in progress	–	4,227
Acquisition of an investment property	189,750	–
Committed loan to an associate	115,600	–
	<u>305,350</u>	<u>4,227</u>

14. Related party transactions

Significant related party transactions, which were carried out in the normal course of the Group's business are as follows:

	Unaudited six months ended 31st December 2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Subcontracting fees paid and payable to associated companies	<u>8,261</u>	<u>5,893</u>

15. Post Balance Sheet Event

Subsequent to the balance sheet date, on 3 January 2005, a wholly-owned subsidiary of the Company, Henble Limited, entered into the Provisional Agreement to sell a property located in No. 31 Hin Hau Temple Road, Hong Kong for a cash consideration of HK\$170 million. The Disposal constitutes a major transaction for the Company under the Listing Rules and more details were included in the Company's circular dated 25 January 2005.

The transaction was approved by independent shareholders on 23 February 2005 and subsequently completed on 28 February 2005.

BUSINESS REVIEWS AND PROSPECTS

During the six months ended 31st December 2004, the Group achieved a turnover of HK\$706,926,000 (2003: HK\$661,390,000) and a profit of HK\$17,078,000 (2003: HK\$13,691,000). As compared to the results of the same period last year, this represents an increase of approximately 6.9% in turnover and 24.7% in profit.

We are pleased to report that the group has maintained a steady growth in turnover and profits. The Group will continue to deploy more assets and resources in order to remain its competitive edge in the jewellery & diamond market.

The jewellery facilities of the new Jiangmen factory, which was in full operation since the second quarter of 2004 has satisfactorily met our production targets. The diamond polishing facilities is expected to be in full production by the end of 2005.

In October 2004, the Group opened a new retail outlet at the Langham Place.

The rental revenues generated from our Group's properties will further provide a quality and steady income source in the near future.

The proceeds from the disposal of Tin Hau Temple Road properties will underpin further developments and investment in the future.

BUSINESS OUTLOOK

With the economy growing in a steady pace, and despite the high competition worldwide, our Group is confident that our business will maintain at a steady growth.

INTERIM DIVIDENDS

The Board has resolved to declare an interim dividend of HK\$0.01 per share for the six months ended 31st December 2004 (2003: HK\$0.01), totalling HK\$2,798,000 (2003 : HK\$2,798,000), payable in cash on 19 April 2005.

The register of members of the Company will be closed from Wednesday, 6th April 2005 to Friday, 8th April 2005, both days inclusive, during which period no transfer of shares of the Company will be registered.

In order to qualify for the above dividends, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrars, Computershare Hong Kong Investor Services Limited, 46th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:00 p.m. on Monday, 4th April 2005.

LIQUIDITY AND FINANCIAL RESOURCES

In line with the Group's prudent financial management, the Group has been able to maintain a healthy balance sheet. As at 31st December 2004, the Group has a gearing ratio of 0.12, calculated on the basis of the Group's bank borrowings over shareholders' funds. Total cash and bank balances was HK\$52,265,000 (30th June 2004: HK\$74,911,000) while bank loans and overdrafts of HK\$74,988,000 (30th June 2004: HK\$93,008,000) with interest charged at prevailing rate.

PLEDGE OF ASSETS AND CONTINGENT LIABILITIES

As at 31st December 2004, the general banking credit facilities of the Group were secured by the share of a subsidiary, corporate guarantee executed by the Company and investment properties and certain leasehold land and buildings of the Group with an aggregate net book value of HK\$313,365,000 (30th June 2004 : HK\$324,753,000).

The Inland Revenue Department (“IRD”) of Hong Kong is in the process of reviewing the tax affairs of a subsidiary of the Company. The directors of the Company are of the opinion that the Group’s tax provision is fairly presented. The potential tax liabilities relating the aforementioned IRD’s review are approximately HK\$6.6 million. As at 31st December 2004, in relation to the aforementioned IRD’s review, the Group has purchased a tax reserve certificate amounting to approximately HK\$3.2 million.

CAPITAL STRUCTURE

There was no change to the Group’s capital structure during the six month ended 31st December 2004.

NUMBER OF EMPLOYEES AND REMUNERATION POLICIES AND SHARE OPTION SCHEMES

As at 31st December 2004, the Group employed a total of approximately 2,300 employees, the majority of whom are employed in the PRC. The Group remunerates its employees largely based on industry practice. No share option scheme was adopted during the six months ended 31st December 2004.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES

With the exception of the UK subsidiary, the sales and purchase transactions and the borrowings of the Group are primarily denominated in United States Dollars and/ or Hong Kong Dollars, the risk of foreign exchange fluctuations is minimal under the existing linked exchange rate system for Hong Kong Dollars against United States Dollars. During the six months ended 31st December 2004, the Group did not use any financial instrument for hedging purposes. As at 31st December 2004, there was no hedging instrument outstanding.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company has not redeemed any of its shares during the period. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company’s shares during the period.

DIRECTORS' INTERESTS IN EQUITY OR DEBT SECURITIES

As 31st December 2004, the interests and short positions of the directors and their associates in the shares, underlying shares and debentures of the Company or any of its associated corporations within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") were as set out below:

Name of directors	Number of ordinary shares of HK\$0.10 each in the Company		Percentage of the Company's issued share capital
	Personal interest	Family and Other interest	
Chan Sing Chuk, Charles	–	123,786,000 (<i>Note</i>)	44.24%
Cheng Siu Yin, Shirley	–	123,786,000 (<i>Note</i>)	44.24%
Chu Wai Kok	8,000	–	–

Note: Mr. Chan Sing Chuk, Charles and Madam Cheng Siu Yin, Shirley are beneficiaries of several discretionary trusts, which through Tamar Investments Limited, Fortune Gold Limited, beneficially owners of 76,882,000 shares, 46,904,000 shares, respectively, all of HK\$0.10 each in the share capital of the Company at 31st December 2004.

Except as disclosed above, at the balance sheet date, none of the directors or their respective associates had any personal, family, corporate or other interests or short positions in the shares, underlying shares and debentures of the company or any of its associated corporations as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS

As at 31st December 2004, no person, other than Mr. Chan Sing Chuk, Charles and Madam Cheng Siu Yin, Shirley, whose interests are set out in the section "Directors' interests and short positions in shares, underlying shares and debentures" above, had registered an interest in 5% or more of the issued share capital of the Company that was required to be recorded pursuant to Section 336 of the SFO.

CODE OF BEST PRACTICE OF THE LISTING RULES

None of the Directors is aware of any information that would reasonably indicate that the Company is not, or was not, in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules of The Stock Exchange of Hong Kong Limited at any time during the six months ended 31st December 2004.

AUDIT COMMITTEE

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the unaudited interim accounts for the six months ended 31st December 2004. The unaudited interim financial statements have been approved by the Audit Committee.

On behalf of the Board
Chan Sing Chuk, Charles
Chairman

Hong Kong, 18th March 2005