



MING FUNG JEWELLERY GROUP LIMITED
明豐珠寶集團有限公司

(incorporated in the Cayman Islands with limited liability)



2005

INTERIM REPORT

The board (“Board”) of directors (“Directors”) of Ming Fung Jewellery Group Limited (“Company”) is pleased to announce the unaudited condensed consolidated financial statements of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 31 March 2005 (“Period”), which have been reviewed by the Company’s audit committee.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 31 March 2005

		For the six months ended 31 March	
		2005	2004
		(Unaudited)	(Unaudited)
	<i>Notes</i>	HK\$'000	<i>HK\$'000</i>
Turnover	2	200,983	163,255
Cost of sales		(139,152)	(115,867)
Gross profit		61,831	47,388
Other revenue	2	248	397
Selling and distribution expenses		(16,736)	(12,069)
Administrative expenses		(8,985)	(6,828)
Other operating expenses		(2,262)	(1,593)
Profit from operating activities	4	34,096	27,295
Finance costs	5	(1,495)	(1,094)
Profit before tax		32,601	26,201
Tax	6	(5,692)	(4,953)
Net profit from ordinary activities attributable to shareholders		26,909	21,248
Dividend	7	1,950	1,625
Earnings per share	8		
Basic		HK4.1 cents	HK3.3 cents
Diluted		HK3.8 cents	HK3.1 cents

CONDENSED CONSOLIDATED BALANCE SHEET

At 31 March 2005

		31 March 2005 (Unaudited) HK\$'000	30 September 2004 (Audited) HK\$'000
	<i>Notes</i>		
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Non-Current Assets			
Fixed assets		76,182	71,155
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Current Assets			
Prepayments, deposits and other receivables		8,488	5,195
Inventories		110,875	81,697
Trade receivables	9	93,981	86,302
Cash and cash equivalents		70,223	67,773
		<hr/> 283,567 <hr/>	<hr/> 240,967 <hr/>
<hr/>			
Current Liabilities			
Interest-bearing bank borrowings, secured		72,202	55,477
Trade payables	10	18,107	16,799
Other payables and accruals		2,668	2,425
Tax payables		45,661	39,969
		<hr/> 138,638 <hr/>	<hr/> 114,670 <hr/>
<hr/>			
Net Current Assets		<hr/> 144,929 <hr/>	<hr/> 126,297 <hr/>
<hr/>			
Total Assets Less Current Liabilities		<hr/> 221,111 <hr/>	<hr/> 197,452 <hr/>
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Capital And Reserves			
Share capital	11	6,500	6,500
Share premium		32,240	32,240
Retained earnings		180,421	155,462
Proposed dividend	7	1,950	3,250
		<hr/> 221,111 <hr/>	<hr/> 197,452 <hr/>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 March 2005

	Share capital (Unaudited) <i>HK\$'000</i>	Share premium (Unaudited) <i>HK\$'000</i>	Proposed dividend (Unaudited) <i>HK\$'000</i>	Retained earnings (Unaudited) <i>HK\$'000</i>	Total (Unaudited) <i>HK\$'000</i>
At 1 October 2004	6,500	32,240	3,250	155,462	197,452
Net profit for the period	-	-	-	26,909	26,909
Final dividend paid on 30 March 2005	-	-	(3,250)	-	(3,250)
Proposed interim dividend	-	-	1,950	(1,950)	-
At 31 March 2005	6,500	32,240	1,950	180,421	221,111

For the six months ended 31 March 2004

	Share capital (Unaudited) <i>HK\$'000</i>	Share premium (Unaudited) <i>HK\$'000</i>	Proposed dividend (Unaudited) <i>HK\$'000</i>	Retained earnings (Unaudited) <i>HK\$'000</i>	Total (Unaudited) <i>HK\$'000</i>
At 1 October 2003	6,500	32,240	-	113,363	152,103
Net profit for the period	-	-	-	21,248	21,248
Proposed interim dividend	-	-	1,625	(1,625)	-
At 31 March 2004	6,500	32,240	1,625	132,986	173,351

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 31 March 2005

	For the six months ended 31 March	
	2005	2004
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Net cash inflow/(outflow) from:		
Operating activities	16,551	(10,885)
Investing activities	(10,782)	100
Financing activities	(1,495)	(1,094)
Increase/(Decrease) in cash and cash equivalents	4,274	(11,879)
Cash and cash equivalents at beginning of the period	59,757	49,602
Cash and cash equivalents at end of the period	64,031	37,723
Analysis of balances of cash and cash equivalents		
Cash and bank balances	33,949	23,502
Non-pledged bank deposits with original maturity of less than three months when acquired	36,274	21,513
Bank overdrafts	(6,192)	(7,292)
	64,031	37,723

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 March 2005

1. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These condensed consolidated financial statements have been prepared in accordance with the requirements of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") and Hong Kong Statement of Standard Accounting Practice ("SSAP") 25 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). These condensed consolidated financial statements are unaudited but have been reviewed by the Company's audit committee.

These condensed consolidated financial statements have been prepared under the historical cost convention. The accounting policies and basis of presentation used in the preparation of these condensed consolidated financial statements are consistent with those adopted in the preparation of the Group's audited consolidated financial statements for the year ended 30 September 2004.

In 2004, the HKICPA has issued a number of new and revised Hong Kong Accounting Standards and Hong Kong Financial Reporting Standards (collectively "new HKFRSs") which are effective for accounting periods beginning on or after 1 January 2005. The Group has not early adopted the new HKFRSs in the preparation of these condensed consolidated financial statements for the six months ended 31 March 2005.

2. TURNOVER AND REVENUE

Turnover represents the net invoiced value of goods sold, after allowances for returns and trade discounts, and after eliminations of all significant intra-Group transactions during the Period.

An analysis of turnover, other revenue and gains is as follows:

	For the six months ended 31 March	
	2005 (Unaudited) HK\$'000	2004 (Unaudited) HK\$'000
Turnover – sale of goods	200,983	163,255
Other revenue		
Interest income	170	115
Others	78	282
	248	397
	201,231	163,652

3. SEGMENT INFORMATION

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

The principal activity of the Group is the manufacture and sale of jewellery products, which is managed according to the geographical location of customers.

Geographical segments based on the location of customers

The following tables present revenue and results for the Group's geographical segments:

For the six months ended 31 March 2005:

	United States of America (Unaudited) <i>HK\$'000</i>	Europe (Unaudited) <i>HK\$'000</i>	Middle East and South East Asia (Unaudited) <i>HK\$'000</i>	Consolidated (Unaudited) <i>HK\$'000</i>
Segment revenue:				
Sales to external customers	<u>105,455</u>	<u>74,926</u>	<u>20,602</u>	<u>200,983</u>
Segment results	<u>19,352</u>	<u>14,551</u>	<u>3,446</u>	<u>37,349</u>
Unallocated revenue				248
Unallocated expenses				<u>(3,501)</u>
Profit from operating activities				<u>34,096</u>
Finance costs				<u>(1,495)</u>
Profit before tax				<u>32,601</u>
Tax				<u>(5,692)</u>
Net profit from ordinary activities attributable to shareholders				<u><u>26,909</u></u>

For the six months ended 31 March 2004:

	United States of America (Unaudited) <i>HK\$'000</i>	Europe (Unaudited) <i>HK\$'000</i>	Middle East and South East Asia (Unaudited) <i>HK\$'000</i>	Consolidated (Unaudited) <i>HK\$'000</i>
Segment revenue:				
Sales to external customers	<u>85,105</u>	<u>57,678</u>	<u>20,472</u>	<u>163,255</u>
Segment results	<u>15,193</u>	<u>10,987</u>	<u>3,444</u>	<u>29,624</u>
Unallocated revenue				397
Unallocated expenses				<u>(2,726)</u>
Profit from operating activities				<u>27,295</u>
Finance costs				<u>(1,094)</u>
Profit before tax				<u>26,201</u>
Tax				<u>(4,953)</u>
Net profit from ordinary activities attributable to shareholders				<u><u>21,248</u></u>

Business segments

All of the revenue and assets of the Group are derived from the manufacture and sale of jewellery products.

4. PROFIT FROM OPERATING ACTIVITIES

The Group's profit from operating activities is arrived at after charging:

	For the six months ended 31 March	
	2005	2004
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Cost of inventories sold	139,152	115,867
Depreciation	5,755	4,871
Research and development costs	2,262	1,593
	<u>147,169</u>	<u>122,331</u>

5. FINANCE COSTS

	For the six months ended 31 March	
	2005	2004
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest on bank overdrafts, trust receipt loans and bank loans wholly repayable within five years	1,495	1,094
	<u>1,495</u>	<u>1,094</u>

6. TAX

	For the six months ended 31 March	
	2005	2004
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current period provision:		
Hong Kong profits tax	–	–
Overseas taxation	5,692	4,953
Tax charge for the Period	<u>5,692</u>	<u>4,953</u>

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong in respect of the Period (2004: Nil). Overseas taxation is related to Macau tax which has been provided at the applicable income tax rate on the assessable profits based on existing legislation, interpretations and practices in respect thereof.

The taxation on the Group's profit before tax for the Period differs from the theoretical amount that would arise using the tax rates prevailing in the jurisdiction in which the Group operates as follows:

	For the six months ended 31 March	
	2005	2004
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Profit before tax	32,601	26,201
Tax at the statutory rate of 17.5%	5,705	4,585
Effect of different tax rates for subsidiaries operating in other jurisdictions	(632)	(550)
Tax effect of non-taxable income	(39)	(20)
Tax effect of non-deductible expenses	467	500
Tax effect of tax losses not recognised	191	438
Tax charge for the Period	<u>5,692</u>	<u>4,953</u>

No provision for deferred tax has been made as the Group did not have any significant unprovided deferred tax liabilities in respect of the Period (2004: Nil).

7. DIVIDEND

The Board has resolved to declare an interim dividend of HK0.3 cent (2004: HK0.25 cent) per share payable on 20 July 2005 to shareholders whose names appear on the register of members of the Company on 8 July 2005.

8. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the Group's unaudited net profit from ordinary activities attributable to shareholders for the Period of approximately HK\$26,909,000 (2004: HK\$21,248,000) and the weighted average of 650,000,000 (2004: 650,000,000) ordinary shares in issue during the Period.

The calculation of diluted earnings per share for the period ended 31 March 2005 is based on the Group's unaudited net profit from ordinary activities attributable to shareholders for the Period of approximately HK\$26,909,000 (2004: HK\$21,248,000) and the weighted average number of 699,948,427 (2004: 676,769,302) ordinary shares in issue during the Period. The weighted average number of ordinary shares used to calculate the diluted earnings per share comprises the weighted average number of 650,000,000 (2004: 650,000,000) ordinary shares in issue during the Period and the weighted average number of 49,948,427 (2004: 26,769,302) ordinary shares deemed to be issued at no consideration on exercise of all outstanding share option.

9. TRADE RECEIVABLES

The Group normally allows credit terms to established customers ranging from 30 to 120 days. 100% provision is made for outstanding debts aged over 365 days.

An aging analysis of the trade receivables as at the balance sheet date, based on the date of recognition of the sale, is as follows:

	31 March 2005 (Unaudited) HK\$'000	30 September 2004 (Audited) HK\$'000
1 – 30 days	39,709	44,231
31 – 60 days	35,129	37,014
61 – 90 days	19,143	5,057
	93,981	86,302

10. TRADE PAYABLES

The Group normally obtains credit terms ranging from 30 to 90 days from its suppliers.

An aging analysis of the trade payables as at the balance sheet date, based on the date of receipt of goods purchased, is as follows:

	31 March 2005 (Unaudited) HK\$'000	30 September 2004 (Audited) HK\$'000
1 – 30 days	14,852	14,581
31 – 60 days	2,272	1,791
61 – 90 days	983	427
	18,107	16,799

11. SHARE CAPITAL

There were no changes in the share capital of the Company for the six months ended 31 March 2005.

12. CONTINGENT LIABILITIES

As at 31 March 2005, the Company had executed corporate guarantees to banks for banking facilities granted to certain subsidiaries of the Company. These banking facilities have been utilized to the extent of approximately HK\$72.2 million as at 31 March 2005 (30 September 2004: HK\$55.5 million).

13. OPERATING LEASE ARRANGEMENTS

The Group leases certain of its leasehold land and buildings under operating lease arrangements. The original lease terms for these leasehold land and buildings range from 1 to 3 years.

As at 31 March 2005, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	31 March 2005 (Unaudited) HK\$'000	30 September 2004 (Audited) HK\$'000
Within one year	703	166
In the second to fifth years, inclusive	478	36
	1,181	202

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

For the Period, the Group achieved a turnover of approximately HK\$201.0 million, representing an increase of approximately 23.1% as compared to approximately HK\$163.3 million for the six months ended 31 March 2004. During the Period, the worldwide economic environment recovered continually from the impact of SARS and the Iraq war. With the improvement in the operating environment, together with the strenuous efforts of the management and marketing team, the sales orders have been increased both from existing and new customers. The Group maintained a healthy growth in turnover and wider operating profit margin.

Net profit from ordinary activities attributable to shareholders was approximately HK\$26.9 million in the Period, increasing by approximately 26.6% compared to approximately HK\$21.2 million in the last corresponding period. The net profit margin was approximately 13.4%, increasing by approximately 3.1% compared to net profit margin of 13.0% in the last corresponding period. The increase in net profit from ordinary activities attributable to shareholders was mainly attributable to the increase in sales turnover as compared to that in the last corresponding period. The Group's gross profit margin remained fairly stable at approximately 30.8% for the Period.

During the Period, the selling and distribution expenses of the Group recorded an amount of approximately HK\$16.7 million (2004: HK\$12.1 million). The increase in selling and distribution expenses was resulted from the increasing marketing activities of the Group.

The administrative expenses of the Group for the Period amounted to approximately HK\$9.0 million (2004: HK\$6.8 million), representing an increase of approximately 31.6% as compared with the corresponding period in last year mainly due to the increase in business activities of the Group. This represented approximately 4.5% of the turnover of the Group for the Period and was relatively stable.

The other operating expenses for the Period amounted to approximately HK\$2.3 million (2004: HK\$1.6 million) was related to research and development costs incurred for the development of new products. The cause of the increase was attributable to the development of new designs of jewellery products and enhancement of production technique.

Products manufactured by the Group are primarily sold to markets in the US, Europe, the Middle East and South East Asia. For the Period, the US is the largest market of the Group's products and sales to the US accounted for about 52.4% (2004: 52.1%) of the Group's turnover. Sales in Europe accounted for about 37.3% (2004: 35.3%) of the Group's turnover. The remaining sales of the Group's products were recorded for the markets in the Middle East and South East Asia and accounted for about 10.3% (2004: 12.6%) of the Group's turnover.

Future Plans and Prospects

Looking forward, the Group will maintain its market exposure by participating in the major international jewellery trade shows which are visited by existing and potential customers annually. To capitalize on the potential demand, the Group will continue to offer our customers with wide selection of high quality products. New product designs after market research would be developed, and higher product quality will be pursued with the use of advanced technology in the industry and through the effective utilization of our production facilities network.

During the period under review, the economy of the People's Republic of China ("PRC") continued to experience growth and the demand for jewellery products was rapidly rising and it is perceived with potential to grow steadily. To clinch with this opportunity, the Group is planning to open its retail outlets in the PRC and considers that Shanghai will likely be the place to launch its first retail outlet. Market studies are now being made and if the first retail outlet proves to be successful, the Group will consider to expand its retail network by planning for other outlets in the PRC in the future.

Building on its existing success, the Group will continue to pursue a leading market position in the jewellery industry and maximize return to its shareholders. With the generally improved customer sentiment, the Group is optimistic but remains prudent in its business development, and will be responsive to the changes in the operating environment.

LIQUIDITY AND FINANCIAL RESOURCES

An analysis of the Group's current assets and current liabilities as at 31 March 2005 and the comparison figures as at 30 September 2004 is presented in the balance sheet with the relevant notes to financial statements.

The Group's trade debtor turnover, inventory turnover and trade creditor turnover period were 85 days, 145 days and 24 days respectively and the turnover periods are consistent with the Group's respective general policy on credit terms granted to trade debtors, inventory/purchasing and trade creditors. Increase in inventory turnover was mainly due to higher inventory level to cope with potential orders which may be obtained from a number of jewellery shows in the second half of the year.

The Group generally finances its operations through a combination of shareholders' equity, internally generated cash flows and bank borrowings. The capital structure of the Company only consists of share capital and no new shares were issued during the Period. As at 31 March 2005, the shareholders' equity of the Group amounted to about HK\$221.1 million (*30 September 2004: HK\$197.5 million*). The Group's total bank borrowings as at 31 March 2005 amounted to approximately HK\$72.2 million (*30 September 2004: HK\$55.5 million*) representing an increase of approximately HK\$16.7 million. The bank borrowings were mainly used for working capital purpose and they were not at fixed interest rates. All of the total bank borrowings as at 31 March 2005 were repayable within one year. The Group's gearing ratio, represented by the interest bearing borrowings over the Group's shareholders' equity, was approximately 32.7% (*30 September 2004: 28.1%*).

The sales and purchases of the Group's products and raw materials are mainly denominated in US dollars and Hong Kong dollars. The cash and bank balances and bank borrowings of the Group are mainly denominated in US dollars, Hong Kong dollars and Renminbi. The Group's exposure to fluctuations in foreign exchange rates is minimal and the Group does not engage in any hedging contracts.

Apart from those set out above, the current information in other management and discussion analysis has not changed materially from those information disclosed in the last published 2004 annual report.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 6 July 2005, Wednesday to 8 July 2005, Friday, both dates inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for the aforesaid interim dividend, all transfer documents accompanied by the relevant share certificate(s) must be lodged with the Company's branch registrar, Tengis Limited at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not later than 4:30 pm on 5 July 2005, Tuesday.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ANY ASSOCIATED CORPORATION

As at 31 March 2005, the interests of the Directors and chief executive in the shares and underlying shares, all of which are long positions, of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register maintained by the Company pursuant to section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited ("Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") were as follows:

Director	Number of ordinary shares				Total interests	Percentage of shareholding
	Corporate interests	Personal interests	Family interests	Other interests		
Mr. Wong Chi Ming, Jeffrey	416,000,000 (Notes 1 and 2)	-	-	-	416,000,000	64%

Note 1: These shares are held by Equity Base Holdings Limited, the entire issued share capital of which is beneficially owned by Mr. Wong Chi Ming, Jeffrey.

Note 2: Ms. Lui Ching Han, Magda, director, who is the spouse of Mr. Wong Chi Ming, Jeffrey and is deemed to be interested in these shares under the SFO.

Mr. Wong Chi Ming, Jeffrey beneficially owns 800 shares of US\$1 each in Equity Base Holdings Limited, an associated corporation (within the meaning of Part XV of the SFO) of the Company, representing the entire issued shares in Equity Base Holdings Limited. Ms. Lui Ching Han, Magda, is also deemed to be interested in these shares of the associated corporation under the SFO.

In addition to the above, certain Directors have non-beneficial personal equity interests in certain subsidiaries of the Company held in trust for the Company solely for the purpose of complying with the statutory minimum shareholders requirements.

Save as disclosed above, as at 31 March 2005, none of the Directors, chief executive or their associates had any interests or short position in the shares or underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from as disclosed under the heading "Share option scheme" below, at no time during the Period were the rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

SHARE OPTION SCHEME

The Company operates a share option scheme ("Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The Scheme became effective on 3 September 2002 and unless otherwise cancelled or amended, will remain in force for 10 years from its date of adoption on 12 August 2002.

Movements in the share options under the Scheme during the Period are as follows:

Eligible participants	Date of grant	Exercise price	Exercise period	Number of shares issuable under share options			
				At beginning of the period	Granted during the period	Exercised during the period	At end of the period
Employees (excluding Directors)	29 April 2003	HK\$0.138	29 April 2003 to 28 April 2006	42,500,000	-	-	42,500,000
	3 March 2004	HK\$0.26	3 March 2004 to 2 March 2007	32,500,000	-	-	32,500,000
Suppliers of goods or services and others	29 April 2003	HK\$0.138	29 April 2003 to 28 April 2006	22,500,000	-	-	22,500,000
	3 March 2004	HK\$0.26	3 March 2004 to 2 March 2007	32,500,000	-	-	32,500,000
				130,000,000	-	-	130,000,000

Since adoption of the Scheme, no share options have been offered and/or granted to the directors and chief executives of the Group under the Scheme.

No options were granted, exercised, cancelled or lapsed during the Period.

The Directors consider it inappropriate to disclose the value of options granted under the Scheme. Any such valuation will have to be made on the basis of certain option pricing model or other methodology, which depends on various assumptions including exercise price, exercise period, interest rate, expected volatility and other variables. The Directors believe that any calculation of the value of options as at the date of this report based on a number of speculative assumptions would not be meaningful.

Any options granted under the Scheme would not be recorded in the Company's or the Group's balance sheet until such time as the share options were exercised, and no charge would be recorded in the income statement or the balance sheet for their cost. Upon the exercise of the share options, the resulting shares issued would be recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over its nominal value of the shares would be recorded by the Company in the share premium account. Share options which were cancelled prior to their exercise dates would be deleted from the register of outstanding share options.

SUBSTANTIAL SHAREHOLDERS

As at 31 March 2005, the following party, other than the Directors and chief executive of the Company as disclosed above, had interests of 5% or more of the nominal value of the issued shares that carry a right to vote in all circumstances at general meetings of the Company as recorded in the register required to be kept pursuant to section 336 of the SFO or as notified to the Company:

Name	Number of ordinary shares	Percentage of shareholding
Equity Base Holdings Limited (<i>Note</i>)	416,000,000 (<i>Note</i>)	64%

Note: Mr. Wong Chi Ming, Jeffrey is the beneficial owner of the entire issued share capital in Equity Base Holdings Limited. Ms. Lui Ching Han, Magda, the spouse of Mr. Wong Chi Ming, Jeffrey is deemed to be interested in these shares under the SFO.

All the interests stated above represent long positions. As at 31 March 2005, no short positions were recorded in the register required to be kept pursuant to section 336 of the SFO.

Save as disclosed above, the Company had not been notified by any other person, other than the Directors and chief executive of the Company, who had interests in 5% or more of the nominal value of the issued ordinary shares that carry a right to vote in all circumstances at general meetings of the Company which were required to be recorded in the register maintained by the Company pursuant to section 336 of the SFO.

EMPLOYEES AND EMPLOYMENT POLICIES

As at 31 March 2005, the Group had approximately 37 employees with remuneration of approximately HK\$4.8 million for the Period under review. The Group's emolument policies are formulated on the performance of individual employee and will be reviewed regularly every year.

The Group has established a share option scheme for its employees and other eligible participants with a view to providing an incentive to or as a reward for their contribution to the Group.

PURCHASE, REDEMPTION OR SALE 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.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

None of the Directors is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the Period, in compliance with the Code of Best Practice ("Code") as set out in Appendix 14 (in force prior to 1 January 2005) of the Listing Rules, except that the independent non-executive directors of the Company are not appointed for specific terms as required by paragraph 7 of the Code, but are subject to retirement by rotation and re-election at the annual general meeting in accordance with the Company's articles of association.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 of the Listing Rules regarding securities transactions by its directors. The Company has made specific enquiry of all Directors regarding any non-compliance with the Model Code. All the Directors confirmed that they have fully complied with the required standard set out in the Model Code during the Period.

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. Currently the audit committee comprises the three independent non-executive directors of the Company. The unaudited interim report for the Period has been reviewed and approved by the audit committee.

APPRECIATION

On behalf of the Board, I would like to express our appreciation to all our management and staff members for their ongoing contribution and hard work. We would also like to thank our shareholders for their continuing support.

As at the date of this report, the board of directors of the Company consists of:

Executive Director:

Wong Chi Ming, Jeffrey
Lui Ching Han, Magda
Chung Yuk Lun
Yu Fei Philip

Independent non-executive Director:

Lee Pak Chung
Chen Nien Chong
Chan Man Kiu

By order of the Board
Wong Chi Ming, Jeffrey
Chairman

Hong Kong
8 June 2005