Interim Report 2005

Goldlion®

Goldlion Holdings Limited

CONDENSED CONSOLIDATED BALANCE SHEET

AS AT 30TH JUNE 2005 AND 31ST DECEMBER 2004

	Note	Unaudited 30.6.2005 HK$'000	Audited and restated 31.12.2004 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	6	105,704	108,125
Investment properties	6	1,018,751	937,558
Leasehold land and land use rights	6	124,803	127,964
Deferred tax assets		25,762	30,748
		1,275,020	1,204,395
Current assets			
Inventories		70,705	85,394
Trade receivables	7	18,749	26,130
Prepayments and deposits		28,210	31,509
Cash and cash equivalents		358,810	397,100
		476,474	540,133
Total assets		1,751,494	1,744,528
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	8	93,711	93,711
Reserves	9	1,144,090	1,132,026
Retained earnings			
– Proposed final dividends		–	37,485
– Others		253,185	221,429
		1,490,986	1,484,651
Minority interest		2,074	2,494
Total equity		1,493,060	1,487,145
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		97,362	96,644
Current liabilities			
Trade payables	10	15,123	26,218
Other payables and accruals		125,678	108,590
Taxation payables		20,271	25,931
		161,072	160,739
Total liabilities		258,434	257,383
Total equity and liabilities		1,751,494	1,744,528
Net current assets		315,402	379,394
Total assets less current liabilities		1,590,422	1,583,789

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE SIX MONTHS ENDED 30TH JUNE 2005

		Unaudited Six months ended	
		30.6.2005	**30.6.2004**
	Note	*HK$'000*	*HK$'000*
Turnover	*5*	290,382	257,988
Cost of sales	*11*	(114,546)	(106,713)
Gross profit		175,836	151,275
Interest income		4,114	1,632
(Loss)/gain on disposal of properties		(133)	3,430
Selling and marketing costs	*11*	(66,258)	(68,328)
Administrative expenses	*11*	(48,578)	(45,999)
Operating profit		64,981	42,010
Income tax expense	*12*	(19,548)	(11,151)
Profit for the period		45,433	30,859
Attributable to:			
Equity holders of the Company		45,009	30,672
Minority interest		424	187
		45,433	30,859
Proposed interim dividend	*13*	26,239	18,742
		HK cents	*HK cents*
Earnings per share for profit attributable to the equity holders of the Company during the period – basic	*14*	4.80	3.27

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30TH JUNE 2005

		Unaudited				
		Attributable to equity holders of the Company				
		Share capital	Other reserves	Retained earnings	Minority interest	Total
	Note	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Balance at 1st January 2004, as previously reported as equity		93,711	1,145,415	225,786	–	1,464,912
Balance at 1st January 2004, as previously separately reported as minority interest		–	–	–	1,885	1,885
Balance at 1st January 2004, as restated		93,711	1,145,415	225,786	1,885	1,466,797
Deficit on revaluation of investment properties						
– Gross	6	–	(1,346)	–	–	(1,346)
– Taxation		–	444	–	–	444
Currency translation differences		–	843	–	–	843
Net expense recognized directly in equity		–	(59)	–	–	(59)
Profit for the period		–	–	30,672	187	30,859
Total recognized income/(expense) for the six months ended 30th June 2004		–	(59)	30,672	187	30,800
Dividend relating to 2003		–	–	(28,113)	–	(28,113)
		–	(59)	2,559	187	2,687
Balance at 30th June 2004		93,711	1,145,356	228,345	2,072	1,469,484

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Continued)

FOR THE SIX MONTHS ENDED 30TH JUNE 2005

		Unaudited				
		Attributable to equity holders of the Company				
	Note	Share capital HK$'000	Other reserves HK$'000	Retained earnings HK$'000	Minority interest HK$'000	Total HK$'000
Balance at 1st January 2005, as previously reported as equity		93,711	1,143,334	247,606	–	1,484,651
Balance at 1st January 2005, as previously separately reported as minority interest		–	–	–	2,494	2,494
Opening adjustment for the adoption of HKAS 40	2(i)(b)	–	(11,308)	11,308	–	–
Balance at 1st January 2005, as restated		93,711	1,132,026	258,914	2,494	1,487,145
Transfer from capital reserves to retained earnings		–	9,970	(9,970)	–	–
Appropriation to reserves		–	3,283	(3,283)	–	–
Currency translation differences		–	(1,189)	–	–	(1,189)
Net expense recognized directly in equity		–	12,064	(13,253)	–	(1,189)
Profit for the period		–	–	45,009	424	45,433
Total recognized income for the six months ended 30th June 2005		–	12,064	31,756	424	44,244
Dividend relating to 2004		–	–	(37,485)	(844)	(38,329)
		–	12,064	(5,729)	(420)	5,915
Balance at 30th June 2005		93,711	1,144,090	253,185	2,074	1,493,060

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30TH JUNE 2005

	Unaudited Six months ended	
	30.6.2005	**30.6.2004**
	HK$'000	*HK$'000*
Net cash inflow from operating activities	81,253	62,205
Net cash used in investing activities	(80,413)	(4,088)
Net cash used in financing activities	(38,329)	(28,113)
(Decrease)/increase in cash and cash equivalents	(37,489)	30,004
Cash and cash equivalents at 1st January	397,100	340,141
Effect of foreign exchange rate changes	(801)	600
Cash and cash equivalents at 30th June	358,810	370,745
Analysis of balances of cash and cash equivalents		
Bank balances and cash	358,810	370,745

NOTES TO THE CONDENSED INTERIM ACCOUNTS

1. Basis of preparation and accounting policies

These unaudited condensed consolidated interim accounts have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants and the applicable requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

These unaudited condensed consolidated interim accounts should be read in conjunction with the 2004 annual financial statements.

The accounting policies and methods of computation used in the preparation of these condensed consolidated interim accounts are consistent with those used in the annual financial statements for the year ended 31st December 2004 except that the Group has changed certain of its accounting policies following its adoption of new/revised Hong Kong Financial Reporting Standards ("HKFRS") and Hong Kong Accounting Standards (collectively the "new HKFRS") which are effective for accounting periods commencing on or after 1st January 2005.

These interim accounts have been prepared in accordance with those HKFRS standards and interpretations issued and effective as at the time of preparing these interim accounts. The new HKFRS standards and interpretations that will be applicable at 31st December 2005, including those that will be applicable on an optional basis, are not known with certainty at the time of preparing these interim accounts.

The changes to the Group's accounting policies and the effect of adopting these new policies are set out in note 2 below.

NOTES TO THE CONDENSED INTERIM ACCOUNTS *(Continued)*

2. Changes in accounting policies

(i) Effect of adopting new HKFRS

In 2005, the Group adopted the new HKFRS below, which are relevant to its operations. The 2004 comparatives have been amended as required, in accordance with the relevant requirements.

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 40	Investment Property
HKFRS 3	Business Combinations

The adoption of new/revised HKAS 1, 2, 7, 8, 10, 16, 21, 24, 27, 32, 33, 36, 38, 39 and HKFRS 3 did not result in substantial changes to the Group's accounting policies. In summary:

– HKAS 1 has affected the presentation of minority interest and other disclosures.
– HKAS 2, 8, and 16 affect certain disclosures in the interim accounts.
– HKAS 7, 10, 21, 27, 32, 33, 36, 38, 39 and HKFRS 3 do not have any impact.
– HKAS 24 has affected the identification of related parties and some other related party disclosures.

NOTES TO THE CONDENSED INTERIM ACCOUNTS *(Continued)*

2. Changes in accounting policies *(Continued)*

(i) Effect of adopting new HKFRS *(Continued)*

Details of the effect of the other applicable HKFRS are as below:

(a) The adoption of revised HKAS 17 "Leases" has resulted in a change in the accounting policy relating to the reclassification of leasehold land and land use rights from property, plant and equipment to operating leases. The up-front prepayments made for the leasehold land and land use rights are expensed in the profit and loss account on a straight-line basis over the period of the lease or where there is impairment, the impairment is expensed in the profit and loss account. In prior years, the leasehold land was accounted for at valuation or cost less accumulated depreciation and accumulated impairment.

The adoption of revised HKAS 17 resulted in a reclassification of accounts as below:

	30.6.2005	**31.12.2004**
	HK$'000	*HK$'000*
Decrease in property, plant and equipment	124,803	127,964
Increase in leasehold land and land use rights	124,803	127,964

(b) The adoption of revised HKAS 40 "Investment Property" has resulted in a change in the accounting policy of which the changes in fair values are recorded in the profit and loss account as part of other income. In prior years, the increases in fair value were credited to the investment properties revaluation reserve. Decreases in fair value were first set off against increases on earlier valuations on a portfolio basis and thereafter expensed in the profit and loss account.

The adoption of revised HKAS 40 resulted in a reclassification of accounts as below:

	30.6.2005	**31.12.2004**
	HK$'000	*HK$'000*
Decrease in investment properties revaluation reserve	11,308	11,308
Increase in retained earnings	11,308	11,308

NOTES TO THE CONDENSED INTERIM ACCOUNTS *(Continued)*

2. Changes in accounting policies *(Continued)*

(i) Effect of adopting new HKFRS *(Continued)*

All relevant changes in the accounting policies have been made in accordance with the transitional provisions in the respective standards. All standards adopted by the Group require retrospective application other than:

– HKAS 16 – the initial measurement of an item of property, plant and equipment acquired in an exchange of assets transaction is accounted at fair value prospectively only to future transactions;

– HKAS 21 – prospective accounting for goodwill and fair value adjustments as part of foreign operations;

– HKAS 40 – since the Group has adopted the fair value model, there is no requirement for the Group to restate the comparative information, any adjustment should be made to the retained earnings as at 1st January 2005, including the reclassification of any amount held in revaluation surplus for investment property.

(ii) New accounting policies

The accounting policies used for the condensed consolidated interim accounts for the six months ended 30th June 2005 are the same as those set out in note 1 to the 2004 annual financial statements except for the following:

2.1 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the profit and loss account, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges.

Translation differences on non-monetary items, such as equity instruments held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation difference on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the fair value reserve in equity.

NOTES TO THE CONDENSED INTERIM ACCOUNTS *(Continued)*

2. Changes in accounting policies *(Continued)*

(ii) New accounting policies *(Continued)*

2.1 Foreign currency translation (Continued)

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each profit and loss account are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) all resulting exchange differences are recognized as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold, such exchange differences are recognized in the profit and loss account as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2.2 Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the companies in the consolidated Group, is classified as investment property.

Investment property comprises land held under operating leases and buildings held under finance leases.

Land held under operating leases are classified and accounted for as investment property when the rest of the definition of investment property is met. The operating lease is accounted for as if it were a finance lease.

Investment property is measured initially at its cost, including related transaction costs.

NOTES TO THE CONDENSED INTERIM ACCOUNTS *(Continued)*

2. Changes in accounting policies *(Continued)*

(ii) New accounting policies *(Continued)*

2.2 Investment properties (Continued)

After initial recognition, investment property is carried at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. These valuations are reviewed annually by external valuers. Investment property that is being redeveloped for continuing use as investment property, or for which the market has become less active, continues to be measured at fair value.

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions.

The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property. Some of those outflows are recognized as a liability, including finance lease liabilities in respect of land classified as investment property; others, including contingent rent payments, are not recognized in the financial statements.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in the profit and loss account during the financial period in which they are incurred.

Changes in fair values are recognized in the profit and loss account.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes. Property that is being constructed or developed for future use as investment property is classified as property, plant and equipment and stated at cost until construction or development is complete, at which time it is reclassified and subsequently accounted for as investment property.

If an item of property, plant and equipment becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is recognized in equity as a revaluation of property, plant and equipment. However, if a fair value gain reverses a previous impairment loss, the gain is recognized in the profit and loss account.

Investment property held for sale without redevelopment is classified within non-current assets held for sale, under HKFRS 5.

NOTES TO THE CONDENSED INTERIM ACCOUNTS *(Continued)*

2. Changes in accounting policies *(Continued)*

(ii) New accounting policies *(Continued)*

2.3 Trade and other receivables

Trade and other receivables are recognized initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognized in the profit and loss account.

2.4 Property, plant and equipment

Cost may include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

2.5 Comparatives

In previous year, leasehold land and land use rights were included under "property, plant and equipment". By the adoption of revised HKAS 17, leasehold land and land use rights are classified as "operating leases" and relevant comparative figures have been restated.

3. Financial risk management – Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out under policies approved by the Board of Directors. The Board provides principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk and credit risk.

(a) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Singapore dollars and Renminbi. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations.

NOTES TO THE CONDENSED INTERIM ACCOUNTS *(Continued)*

3. Financial risk management – Financial risk factors *(Continued)*

(a) Foreign exchange risk *(Continued)*

The Company has a number of investments in foreign subsidiaries, whose net assets are exposed to currency translation risk. Currency exposure to the net assets of the Group's subsidiaries in Singapore dollars and Renminbi are considered as minimal by the management as the exchange fluctuation of these two currencies are not significant.

External foreign exchange contracts are also designated at Group level, when necessary, as hedges of foreign exchange risk on specific assets, liabilities or future transactions.

(b) Interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates. The company has no significant interest bearing assets or liabilities.

(c) Credit risk

The Group has no significant concentrations of credit risk. It has policies in place to ensure that wholesale sales of products are made to customers with an appropriate credit history. Sales to retail customers are made in cash or via major credit cards.

(d) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient bank and cash balances for the Group's working capital.

4. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4.1 Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

NOTES TO THE CONDENSED INTERIM ACCOUNTS *(Continued)*

4. Critical accounting estimates and judgements *(Continued)*

4.1 Critical accounting estimates and assumptions *(Continued)*

(b) Estimate of fair value of investment properties

The best evidence of fair value is current prices in an active market for similar lease and other contracts. In the absence of such information, the Group determines the amount within a range of reasonable fair value estimates. In making its judgement, the Group considers information from a variety of sources including:

(i) current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences.

(ii) recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and

(iii) discounted cash flow projections based on reliable estimates of future cash flows, derived from the terms of any existing lease and other contracts, and (where possible) from external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

If information on current or recent prices of investment properties is not available, the fair values of investment properties are determined using discounted cash flow valuation techniques. The Group uses assumptions that are mainly based on market conditions existing at each balance sheet date.

The principal assumptions underlying management's estimation of fair value are those related to: the receipt of contractual rentals; expected future market rentals; void periods; maintenance requirements; and appropriate discount rates. These valuations are regularly compared to actual market yield data, and actual transactions by the Group and those reported by the market.

The expected future market rentals are determined on the basis of current market rentals for similar properties in the same location and condition.

NOTES TO THE CONDENSED INTERIM ACCOUNTS *(Continued)*

4. Critical accounting estimates and judgements *(Continued)*

4.2 Critical judgements in applying the entity's accounting policies

Distinction between investment properties and owner-occupied properties

The Group determines whether a property qualifies as investment property. In making its judgement, the Group considers whether the property generates cash flows largely independently of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to property but also to other assets used in the production or supply process.

Certain properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions can be sold separately (or leased out separately under a finance lease), the Group accounts for the portions separately. If the portions cannot be sold separately, the property is accounted for as investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Group considers each property separately in making its judgement.

NOTES TO THE CONDENSED INTERIM ACCOUNTS *(Continued)*

5. Segment information

Primary reporting format – business segment

At 30th June 2005, the Group is organised into two main business segments:

Apparel – Distribution and manufacturing of garments, leather goods and accessories and licensing of brand name

Property investments – Investments in properties in China Mainland, Hong Kong SAR and Singapore

An analysis of the Group's segment information by business segments is set out as follows:

	Six months ended 30.6.2005				Six months ended 30.6.2004			
	Apparel	Property investments	Eliminations	Group	Apparel	Property investments	Eliminations	Group
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Turnover	261,808	28,574	–	290,382	233,391	24,597	–	257,988
Inter-segment sales	–	278	(278)	–	–	1,776	(1,776)	–
	261,808	28,852	(278)	290,382	233,391	26,373	(1,776)	257,988
Segment results	58,258	19,161		77,419	39,177	17,519		56,696
Unallocated costs				(12,438)				(14,686)
Operating profit				64,981				42,010
Income tax expense				(19,548)				(11,151)
Profit for the period				45,433				30,859

Unallocated costs represent corporate expenses less interest income.

Inter-segment transactions are entered into under the normal commercial terms and conditions that would also be available to unrelated third parties.

NOTES TO THE CONDENSED INTERIM ACCOUNTS *(Continued)*

5. Segment information *(Continued)*

Secondary reporting format – geographical segment

The Group operates mainly in the following three geographical areas:

China Mainland – Apparel and property investments

Hong Kong SAR – Apparel and property investments

Singapore and Malaysia – Apparel and property investments

An analysis of the Group's segment information by geographical segments is as follows:

	Six months ended 30.6.2005		**Six months ended 30.6.2004**	
	Turnover	**Segment results**	**Turnover**	**Segment results**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Geographical segments				
China Mainland	227,228	70,537	197,019	49,768
Hong Kong SAR	20,982	2,176	21,942	4,092
Singapore and Malaysia	41,588	6,066	38,174	3,877
Other countries	584	(1,360)	853	(1,041)
	290,382	77,419	257,988	56,696
Unallocated costs		(12,438)		(14,686)
Operating profit		64,981		42,010

	Six months ended 30.6.2005	**Six months ended 30.6.2004**
	HK$'000	*HK$'000*
Analysis of turnover by category		
Sales of goods	246,105	222,166
Gross rental income from investment properties	25,462	22,531
Building management fee	3,112	2,066
Licensing income	15,703	11,225
	290,382	257,988

NOTES TO THE CONDENSED INTERIM ACCOUNTS *(Continued)*

6. Capital expenditure

	Property, plant and equipment *HK$'000*	Investment properties *HK$'000*	Leasehold land and land use rights *HK$'000*	Total *HK$'000*
Net book value as at 1st January 2004	121,258	927,203	136,635	1,185,096
Additions	4,660	9,117	–	13,777
Disposals	(2,322)	–	(2,020)	(4,342)
Depreciation *(Note 11)*	(6,700)	–	(2,086)	(8,786)
Revaluation *(Note 9)*	–	(1,346)	–	(1,346)
Exchange differences	88	154	–	242
Net book value as at 30th June 2004	116,984	935,128	132,529	1,184,641
Additions	1,787	10,543	–	12,330
Disposals	(4,329)	(2,480)	(2,630)	(9,439)
Depreciation	(6,565)	–	(1,935)	(8,500)
Revaluation *(Note 9)*	–	(6,078)	–	(6,078)
Exchange differences	248	445	–	693
Net book value as at 31st December 2004	108,125	937,558	127,964	1,173,647
Additions	4,623	81,422	–	86,045
Disposals	(1,173)	–	(1,285)	(2,458)
Depreciation *(Note 11)*	(5,712)	–	(1,876)	(7,588)
Exchange differences	(159)	(229)	–	(388)
Net book value as at 30th June 2005	105,704	1,018,751	124,803	1,249,258

NOTES TO THE CONDENSED INTERIM ACCOUNTS *(Continued)*

7. Trade receivables

The Group's turnover is on cash on delivery, letter of credit or credit terms ranging from 30 days to 90 days after delivery. The ageing analysis of the trade receivables, net of provision, was as follows:

	30.6.2005	**31.12.2004**
	HK$'000	*HK$'000*
1 – 30 days	13,969	19,486
31 – 90 days	4,780	6,644
	18,749	26,130

The carrying amounts of trade receivables approximate to their fair values.

There is no concentration of credit risk with respect to trade receivables as the Group has a large number of customers, internationally dispersed.

8. Share capital

	30.6.2005	**31.12.2004**
	HK$'000	*HK$'000*
Authorised:		
1,200,000,000 (31.12.2004: 1,200,000,000) shares of HK$0.10 each	120,000	120,000
Issued and fully paid:		
937,114,035 (31.12.2004: 937,114,035) shares of HK$0.10 each	93,711	93,711

NOTES TO THE CONDENSED INTERIM ACCOUNTS *(Continued)*

9. Reserves

	Share premium	Investment properties revaluation reserve	Capital reserve	Capital redemption reserve	Other reserves	Exchange reserve	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Balance at 1st January 2004	929,312	15,832	183,001	484	27,801	(11,015)	1,145,415
Revaluation – gross	–	(1,346)	–	–	–	–	(1,346)
Revaluation – tax	–	444	–	–	–	–	444
Currency translation differences	–	–	–	–	–	843	843
Balance at 30th June 2004	929,312	14,930	183,001	484	27,801	(10,172)	1,145,356
Revaluation – gross	–	(6,078)	–	–	–	–	(6,078)
Revaluation – tax	–	3,145	–	–	–	–	3,145
Reserves transferred to profit and loss account upon disposal of investment properties							
– gross	–	(801)	–	–	–	–	(801)
– tax	–	112	–	–	–	–	112
Currency translation differences	–	–	–	–	–	1,600	1,600
Balance at 31st December 2004	929,312	11,308	183,001	484	27,801	(8,572)	1,143,334
Balance at 1st January 2005, as per above	929,312	11,308	183,001	484	27,801	(8,572)	1,143,334
Opening adjustment for the adoption of HKAS 40	–	(11,308)	–	–	–	–	(11,308)
Balance at 1st January 2005, as restated	929,312	–	183,001	484	27,801	(8,572)	1,132,026
Transfer from capital reserves to retained earnings	–	–	9,970	–	–	–	9,970
Appropriation to statutory reserves in PRC	–	–	–	–	3,283	–	3,283
Currency translation differences	–	–	–	–	–	(1,189)	(1,189)
Balance at 30th June 2005	929,312	–	192,971	484	31,084	(9,761)	1,144,090

NOTES TO THE CONDENSED INTERIM ACCOUNTS *(Continued)*

10. Trade payables

The ageing analysis of the trade payables was as follows:

	30.6.2005	31.12.2004
	HK$'000	*HK$'000*
1 – 30 days	8,000	19,676
31 – 90 days	3,931	3,135
Over 90 days	3,192	3,407
	15,123	26,218

The carrying amounts of trade payables approximate to their fair values.

11. Expenses by nature

Expenses included in cost of sales, selling and marketing costs and administrative expenses are analyzed as follows:

	Six months ended	
	30.6.2005	30.6.2004
	HK$'000	*HK$'000*
Depreciation *(Note 6)*	7,588	8,786
Cost of stocks sold	119,353	86,675
Staff costs including directors' emoluments	44,960	39,500
(Reversal of)/provision for slow moving stocks	(10,486)	14,709
Outgoings in respect of investment properties	5,679	5,329

NOTES TO THE CONDENSED INTERIM ACCOUNTS *(Continued)*

12. Income tax expense

Hong Kong profits tax has been provided at the rate of 17.5% (2004: 17.5%) on the estimated assessable profit for the period. Taxation on profits outside Hong Kong has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the regions/countries in which the Group operates.

The amount of taxation charged/(credited) to the condensed consolidated profit and loss account represents:

	Six months ended	
	30.6.2005	**30.6.2004**
	HK$'000	*HK$'000*
Hong Kong profits tax		
– Under provision in prior periods	–	1
Overseas taxation		
– Current period	13,651	13,006
– Under provision in prior periods	193	–
	13,844	13,006
Deferred taxation	5,704	(1,856)
Taxation charge	19,548	11,151

13. Proposed interim dividend

	Six months ended	
	30.6.2005	**30.6.2004**
	HK$'000	*HK$'000*
Interim dividend, proposed of 2.8 HK cents (2004: 2 HK cents) per ordinary share	26,239	18,742

Note:

At a meeting held on 6th September 2005, the Directors declared an interim dividend of 2.8 HK cents per share. This proposed dividend has not been reflected as a dividend payable in the condensed interim accounts but will be reflected as an appropriation of retained earnings for the year ending 31st December 2005.

NOTES TO THE CONDENSED INTERIM ACCOUNTS *(Continued)*

14. Earnings per share

The calculation of basic earnings per share is based on profit attributable to the Company's equity holders of HK$45,009,000 (six months ended 30th June 2004: HK$30,672,000).

The basic earnings per share is based on the weighted average number of 937,114,035 (six months ended 30th June 2004: 937,114,035) shares in issue during the period.

No fully diluted earnings per share is presented as no share options were outstanding during the six months ended 30th June 2004 and 30th June 2005.

15. Commitments

(i) Capital commitments

Capital expenditure at the balance sheet date but not yet incurred is as follows:

	30.6.2005	**31.12.2004**
	HK$'000	*HK$'000*
Property, plant and equipments		
– Contracted but not provided for	611	–
– Authorised but not contracted for	–	1,824
Investment properties		
– Contracted but not provided for	1,528	2,387
– Authorised but not contracted for	–	4,560
Acquisition of investment properties, net of deposits paid	–	57,552
	2,139	66,323

NOTES TO THE CONDENSED INTERIM ACCOUNTS *(Continued)*

15. Commitments *(Continued)*

(ii) At 30th June 2005, the Group had future aggregate minimum lease payments receivable and payable under non-cancellable operating leases as follows:

	30.6.2005	31.12.2004
	HK$'000	*HK$'000*
Rental receivables		
– not later than one year	46,017	41,034
– later than one year and not later than five years	71,674	67,023
– later than five years	25,341	11,813
	143,032	119,870
Rental payables		
– not later than one year	7,047	2,647
– later than one year and not later than five years	6,415	1,768
	13,462	4,415

Payment obligations in respect of operating leases on properties with rentals vary with gross revenues are not included as future minimum lease payments.

(iii) The Company did not have any other significant commitments at 30th June 2005 (31st December 2004: nil).

16. Related party transactions

(i) The following transactions were carried out with related parties:

		Six months ended	
		30.6.2005	30.6.2004
	Note	*HK$'000*	*HK$'000*
Building management fees paid to a related company	*(a)*	304	304
Professional fees paid to a related company	*(b)*	350	350
Rental paid to a related company	*(c)*	469	432
Rental received from a related company	*(d)*	1,135	1,284
Acquisition of investment properties from a related company and a related party	*(e)*	76,736	–

NOTES TO THE CONDENSED INTERIM ACCOUNTS *(Continued)*

16. Related party transactions *(Continued)*

(i) *(Continued)*

Notes:

(a) Guangzhou Silver Disk Property Management Company Limited provided building management services to a subsidiary of the Group. The fees were charged under normal commercial terms. Dr. Tsang Hin Chi and Mr. Tsang Chi Ming, Ricky have direct beneficial interest in Guangzhou Silver Disk Property Management Company Limited.

(b) Equitas Capital Limited acted as financial advisor to the Group during the period for which professional fee was paid by the Company at a fixed amount mutually agreed between the two parties. Mr. Ng Ming Wah, Charles, a non-executive Director of the Company, is the Managing Director of, and a principal shareholder in Equitas Capital Limited.

(c) Rental was paid to Guangzhou Goldlion City Properties Company Limited for lease of office area in Goldlion Digital Network Centre. Rental charges were determined under normal commercial terms. Dr. Tsang Hin Chi, Mdm. Wong Lei Kuan and Mr. Tsang Chi Ming, Ricky have beneficial interest in Guangzhou Goldlion City Properties Company Limited.

(d) Rental was received from Guangzhou World Trade Center Club Company Limited ("GWTCCL") for lease of a business center and facilities therein located at Goldlion Digital Network Centre. Rental was determined under normal commercial terms. Mr. Tsang Chi Hung has indirect beneficial interest in GWTCCL as he is a major shareholder of China World Trade Corporation ("CWTC"), the holding company of GWTCCL. Dr. Tsang Hin Chi, Mdm. Wong Lei Kuan and Mr. Tsang Chi Ming, Ricky are interested in this transaction as Mr. Tsang Chi Hung is a son of Dr. Tsang Hin Chi and Mdm. Wong Lei Kuan, and a sibling of Mr. Tsang Chi Ming, Ricky.

(e) On 30th December 2004, Guangzhou Goldlion Environmental Technology Co. Limited, a wholly owned subsidiary of the Company, entered into two conditional acquisition agreements (the "Agreements") with General Business Network (Holdings) Limited ("GBNL") and Mr. Tsang Chi Hung to acquire Level 19 and Level 20 to 22 (inclusive) of Goldlion Digital Network Centre in Guangzhou respectively at an aggregate consideration of RMB81,340,000 (approximately HK$76,735,850). The consideration was negotiated on an arm's length basis by reference to open market valuations by an independent professional property valuer. Completions of the acquisitions are subject to the conditions precedent stated in the Agreements and disclosed in the related Circular of the Company to its shareholders dated 20th January 2005. In the Extraordinary General Meeting of the Company held on 7th February 2005, independent shareholders of the Company approved the transactions. The acquisitions were subsequently completed by May 2005. GBNL is a wholly owned subsidiary of CWTC and Mr. Tsang Chi Hung is a major shareholder of CWTC. Dr. Tsang Hin Chi, Mdm. Wong Lei Kuan and Mr. Tsang Chi Ming, Ricky are interested in these transactions as Mr. Tsang Chi Hung is a son of Dr. Tsang Hin Chi and Mdm. Wong Lei Kuan, and a sibling of Mr. Tsang Chi Ming, Ricky.

NOTES TO THE CONDENSED INTERIM ACCOUNTS *(Continued)*

16. Related party transactions *(Continued)*

(ii) Period-end balances arising from purchases of services

	30.6.2005	30.6.2004
	HK$'000	*HK$'000*
Payables to related parties:		
Equitas Capital Limited	350	350

17. Events after the balance sheet date

On 9th June 2005, a subsidiary of the Company, entered into a provisional sale and purchase agreement with an independent third party. Under the agreement, the subsidiary agreed to dispose of its entire interest in an investment property in Hong Kong at a cash consideration of HK$55,000,000. The transaction was completed subsequent to the balance sheet date on 29th July 2005. The profit on disposal before deducting all relevant expenses was approximately HK$26,000,000 and will be recognised in the second half period of this financial year.

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATING RESULTS

Both turnover and overall profit registered remarkable growth for the six months ended 30th June 2005. Business on the whole was good during the period with turnover totaling HK$290,382,000, or an increase of 13% over the same period last year. Thanks to strong operational performance, the Group's profit attributable to equity holders for the six months ended 30th June 2005 increased sharply by 47% to HK$45,009,000 from HK$30,672,000 for the same period last year.

During the period under review, the Group achieved satisfactory results in major markets like China Mainland and Singapore. Income from major sources including sales of goods, rental from investment properties and licensing income all compared favourably with the corresponding period last year.

BUSINESS REVIEW

Apparel Business

China Mainland Market:

During the period, the Group continued to carry forward with success the various operating measures to boost profitability. Contributing more considerably to the Group's profit, the China Mainland market witnessed a growth of 15% in apparel sales.

In line with the latest fashion trends, emphasis for the new season was placed on business casual designs using trendy colours and paying more attention to ease and comfortable in the choice of material and cutting. Sales went up as the customer base expanded.

Subsequent to the expansion and refurbishment of the Group's well-performing outlets in prime locations during the previous period, our interior designers concentrated on inspecting the major outlets and advising on the style of decoration to ensure that the display lived up to the Group's most stringent quality requirements. The outlets were also carefully categorized for distinctive display best suited to their type. To provide customers with a pleasurable shopping environment, the displays were regularly changed and renewed.

In the meantime, greater efforts were also put into market development through further consolidating our sales network and opening additional outlets. Performance generally improved for all the outlets, with most of them recording sales growth during the period.

To strive for higher profitability for the Mainland market, improvements to staff training, work flow, stock control and efficiency relating to advance ordering system continued to be the Group's priorities.

Singapore and Malaysia Markets:

The Singapore market continued to grow steadily during the period with total turnover rising by 10%, or 8% at the local currency. "Goldlion" brand has always been popular among the local customers. The recognition given to our materials and designs have combined with our apt marketing tactics and pricing policy to secure a leading place for our products among the most popular brands of its kind for years.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

BUSINESS REVIEW *(Continued)*

Apparel Business *(Continued)*

Singapore and Malaysia Markets: (Continued)

Similar to the corresponding period last year, there are currently 25 outlets under our direct operation for the "Goldlion" brand in Singapore. Having been granted the local licence, the Group started to launch the "Camel Active" line of casual wear during the second quarter of this year. Four outlets for the brand are now in operation and initial market response is satisfactory.

As for the Malaysia market, the Group continued to restructure underperforming outlets while reinforcing our business at prime department stores. The efforts have paid off as evidenced by a higher profit contribution when compared with the same period last year.

Hong Kong Market:

To regenerate an image for the "Goldlion" brand in the local market, steps were taken to adjust operating strategies for the local apparel business, including closing down underperforming counters and shop and opening a new one at Park Lane, Tsim Sha Tsui, towards the end of April this year. Affected by the changes in outlets and the reduction of discount products during the period, total turnover dropped by more than 20% compared with the same period last year.

As far as products are concerned, more original designs and brighter colours were employed so as to offer more choices to a wider spectrum of clientele. Publicity drives highlighting the fashion-consciousness of our brand were also strengthened during the period.

The Group will progressively adjust our operating strategies for the market in the hope of changing the consumer's impression of the "Goldlion" brand and hence improves its position in the local apparel market.

Licensing Income:

Licensing income amounted to HK$15,703,000 during the period, rising by 40% over the same period last year. The increase was mainly due to the year-on-year increase in the license fees receivable under most of the relevant license agreements. At present, the licenses granted by the Group are primarily confined to leather goods, shoes, jewellery products, undergarments and woolen sweaters within the China Mainland market.

Continuous support has been provided to the licensees and the use of their licenses are also kept in view to protect our brand image.

Property Investment

The thriving property markets in Hong Kong and Guangzhou have led to the satisfactory results for property investment, with rental income totaling HK$25,462,000, or 13% over the same period last year.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

BUSINESS REVIEW *(Continued)*

Property Investment *(Continued)*

At the end of last year, the Group entered into agreements to acquire four floors at Goldlion Digital Network Centre in Tianhe, Guangzhou at a consideration of RMB81,340,000. The related transfer of property titles has been completed during the second quarter this year. The Group now owns about 31,768 square metres of the building's floor area. Given the immense space and the higher rental brought in by the new leases, rental income generated by the building continued to climb at a rate of 22%.

Leasing of the Group's twelve service apartments in Guangzhou was satisfactory with returns reaching the expected levels.

Income from the leasing of Goldlion Commercial Building in Shenyang remained largely at the same level as that for the same period last year. During the period, a major tenant departed only to be immediately replaced by a new one with even more favourable leasing terms. At present, the building is almost fully occupied.

In Hong Kong, with the property market gradually picking up, overall leasing position was good. Rental income grew by about 20% when compared with the same period last year. The property at 3 Yuk Yat Street, To Kwa Wan, continued to be leased out to a local corporation. With an occupancy rate of nearly 90% and rentals reaching expected levels, the Group's Goldlion Holdings Centre in Shatin was satisfactorily leased out. The building has just undergone substantial renovation in anticipation of better leasing performance.

The Group held certain floors at Wai Shun Industrial Building at 5 Yuk Yat Street, To Kwa Wan. Due to their aged conditions and accordingly unsatisfactory rental returns, the Group disposed of its entire interest in the building totaling 5,798 square metres at a consideration of HK$55,000,000 in June this year. Completion of the sale was taken place in late July and the profit on disposal (before deducting all relevant expenses) of approximately HK$26,000,000 will be recognised in the second half of this year.

Besides, the Group has adopted all relevant new/revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards (collectively the "new HKFRS") during the period. As there is no specific requirement in these new HKFRS to revalue the properties by an independent professional valuer at the end of the interim period, no revaluation has been conducted accordingly. However, in the opinion of the Directors, the aggregate carrying value of the Group's investment properties as at 30th June 2005 does not materially differ from their fair values.

PROSPECTS

Expecting further progress and improvement, the Group is optimistic about its business outlook for the second half of the year. In addition to the current business strategies, the Group has plans to further expand its apparel operation in China Mainland, including targeting second-tier cities with market potential. On the product front, the Group will break the China Mainland market into even smaller regions to offer apparel products that are more suited to the local climate and to focus more on business in increasingly popular casual wear. Possibilities of introducing other brands will also be considered.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

PROSPECTS *(Continued)*

As for the Singapore market, most local department stores will soon refresh their images. The Group will take advantage of this to repackage its outlets to attract a heavier flow of customers. The Group will also continue to identify outlets with potential to consolidate the market share enjoyed by its brands.

With the Hong Kong market, the focus will be on enhancing brand image. To ensure sustainable development in the market, effective measures will be taken to project a stylish and elegant image for "Goldlion" to the local customers.

In terms of property investment, performance during the second half of the year will largely be a continuation of the first half, considering the leases currently binding most of the Group's properties. Upon the completion of purchase in the second quarter this year, the four floors at the Goldlion Digital Network Centre in Guangzhou, rental income thus generated is expected to climb further in the second half of the year. Furthermore, the profit on disposal (before deducting all relevant expenses) of approximately HK$26,000,000 derived from the sale of the properties at Wai Shun Industrial Building in To Kwa Wan will be recognised during the same period. To ensure better returns, the Group will regularly review its property portfolio and the associated leasing position and development potential.

FINANCIAL POSITION

As at 30th June 2005, the Group had cash and bank balances of approximately HK$358,810,000, which was HK$38,290,000 lower than that at the end of last year. During the period, the Group recorded a net cash inflow from operating activities of HK$81,253,000 and deposits from sales of properties at Wai Shun Industrial Building in To Kwa Wan of HK$5,500,000. The Group also paid dividends of HK$38,329,000 and purchased fixed assets (mainly properties) of HK$86,045,000 during the period. As at 30th June 2005, the Group did not have any bank loans or overdrafts.

As at 30th June 2005, the Group's current assets and liabilities were HK$476,474,000 and HK$161,072,000 respectively, with current ratio at 3.0. Total current liabilities were only 11% of the average capital and reserves attributable to the Company's equity holders of HK$1,487,819,000.

The Group is exposed to risks of exchange rate fluctuations mainly in China Mainland and Singapore where the Group has extensive business presence. During the period, most of the Group's purchases in these regions were made directly from the domestic suppliers and settled in local currencies. As such, the related foreign exchange risk was reduced.

As at 30th June 2005, the Group did not have any material contingent liabilities or capital commitments and did not charge any of the Group's assets.

HUMAN RESOURCES

At 30th June 2005, the Group had approximately 1,180 employees. Employees' costs during the first six months of the year including directors emoluments amounted to HK$44,960,000. The Group ensures that employees' remuneration packages are competitive and are determined mainly on factors including job nature, market conditions, individual performance, qualification and experience. The Group also provides other benefits to its employees and training as and when required.

OTHER INFORMATION

INTERIM DIVIDEND

The Directors have recommended the payment of an interim dividend of 2.8 HK cents per share (2004: 2 HK cents per share) for the year ending 31st December 2005, totalling HK$26,239,000 (2004: HK$18,742,000), which is expected to be payable on or about 10th October 2005 to shareholders whose names appear on the Register of Members as at 30th September 2005.

CLOSURE OF REGISTER OF MEMBER

Register of Members of the Company will be closed from 29th September 2005 to 30th September 2005 (both days inclusive), during which period no transfer will be effected.

In order to qualify for the above-mentioned interim dividend, all transfers accompanied by the relevant shares certificates must be lodged by 4:00 p.m. on Wednesday, 28th September 2005 with the Company's Registrars, Computershare Hong Kong Investor Services Limited, at 46th floor, Hopewell Centre, 183 Queen's Road East, Hong Kong.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company did not redeem 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.

SHARE OPTIONS

At the Extraordinary General Meeting of the Company held on 21st May 2002, the shareholders of the Company approved the adoption of a new share option scheme (the "New Option Scheme"). The New Option Scheme is designed to enable the Group to reward and motivate executives and key employees in the service of the Group and other persons who may make a contribution to the Group.

During the six months ended 30th June 2005, no options have been granted under the New Option Scheme or any scheme previously operated by the Company and no options were outstanding during the period.

OTHER INFORMATION *(Continued)*

DISCLOSURE OF INTERESTS

As 30th June 2005, the interests and short positions of the Directors and Chief Executives in the shares, underlying shares and debentures of the Company and its associated companies (within the meaning of the Securities and Futures Ordinance (the "SFO")), as recorded in the register maintained by the Company under section 352 of the SFO or as 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 Issuers (the "Model Code") contained in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

Ordinary shares of HK$0.10 each in the Company at 30th June 2005

Name of Directors		Number of shares held: Personal interests	Family interests *(Note 1)*	Other interests *(Note 2)*	Total	Percentage to total issued share capital
Tsang Hin Chi	Long positions	–	1,210,000	565,440,750	566,650,750	60.47%
	Short positions	–	–	–	–	–
Tsang Chi Ming, Ricky	Long positions	1,404,000	–	565,440,750	566,844,750	60.49%
	Short positions	–	–	–	–	–
Wong Lei Kuan	Long positions	1,210,000	–	565,440,750	566,650,750	60.47%
	Short positions	–	–	–	–	–

Notes:

1. Madam Wong Lei Kuan is the wife of Dr. Tsang Hin Chi. Her shareholding disclosed under the heading "Personal interests" in the above table is the family interest of Dr. Tsang Hin Chi.

2. The shareholdings disclosed by Dr. Tsang Hin chi, Mr. Tsang Chi Ming, Ricky and Madam Wong Lei Kuan under the heading "Other interests" in the above table refer to the same shares which were held by HSBC International Trustee Limited for Gold Trustee Holding Corporation and Silver Trustee Holding Corporation (being trustees of the Gold Unit Trust and the Silver Unit Trust, respectively) as disclosed in the paragraph headed "Substantial Shareholders" below.

Save as disclosed above, as at 30th June 2005, none of the Directors and Chief Executive of the Company had or was deemed to have any interest or short position in the shares, underlying shares and debentures of the Company and its associated companies (within the meaning of Part XV of the SFO) as recorded in the register maintained by the Company pursuant to section 352 of the SFO, or as notified to the Company and the Stock Exchange pursuant to the Model Code.

Save as disclosed above, at no time during the six months ended 30th June 2005 was the Company or any of its subsidiaries a party to any arrangements to enable the Directors of the Company or any of their spouses or children under the age of 18 to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

OTHER INFORMATION *(Continued)*

SUBSTANTIAL SHAREHOLDERS

As at 30th June 2005, the register of substantial shareholders maintained under section 336 of the SFO shows that as at 30th June 2005 the Company had been notified of the following substantial shareholders' interests and short positions, being 5% or more of the Company's issued share capital.

Name of holder of securities	Type of securities		Number of Shares held	Percentage to total issued share capital	*Notes*
HSBC International Trustee Limited	Shares	Long positions	565,440,750	60.34%	*(1)*
		Short positions	–	–	
Silver Disk Limited	Shares	Long positions	158,022,000	16.86%	*(1)*
		Short positions	–	–	
Tsang Hin Chi Charities (Management) Limited	Shares	Long positions	53,880,750	5.75%	
		Short positions	–	–	
Value Partners Limited	Shares	Long positions	50,263,000	5.36%	
		Short positions	–	–	
Cheah Cheng Hye	Shares	Long positions	50,263,000	5.36%	*(2)*
		Short positions	–	–	

Notes:

1. HSBC International Trustee Limited holds 339,530,000 shares and 225,910,750 shares for Gold Trustee Holding Corporation and Silver Trustee Holding Corporation respectively. Gold Trustee Holding Corporation and Silver Trustee Holding Corporation act as trustees, respectively, for the Gold Unit Trust and the Silver Unit Trust, which units (other than 2 units each of which are beneficially owned by Dr. Tsang Hin Chi and Madam. Wong Lei Kuan respectively) are beneficially owned by the Tsang Family Trust. Silver Disk Limited is wholly owned by the Silver Unit Trust and its shareholding comprised part of the number of shares held by HSBC International Trustee Limited for Silver Trustee Holding Corporation.

2. The interests of Mr. Cheah Cheng Hye arose from the interests in the relevant shares held by Value Partners Limited, a fund management company, in which Mr. Cheah holds an approximately 31.58% shareholding interest.

OTHER INFORMATION *(Continued)*

CORPORATE GOVERNANCE

The Company has complied with the Code Provisions in Code of Corporate Governance Practices as set out in Appendix 14 of the Listing Rules for the six months ended 30th June 2005 except that all of the non-executive Directors of the Company have not been appointed for a specific term 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.

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules. During the six months ended 30th June 2005, all the Directors have complied with the relevant requirements under the Model Code regarding their dealing in the securities of the Company.

AUDIT COMMITTEE

The Company has formed an Audit Committee to review and supervise the financial reporting process and internal control procedures of the Group. At present, the Audit Committee has four members including Dr. Wong Yu Hong, Philip (Chairman), Dr. Lau Yue Sun and Mr. Wong Ying Ho, Kennedy, all of them are independent non-executive Directors, and Mr. Ng Ming Wah, Charles, a non-executive Director of the Company.

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters including the review of these unaudited interim accounts. At the request of the Board of Directors, the Group's external auditors have carried out a review of these unaudited interim accounts in accordance with the Statement of Auditing Standards 700 issued by the Hong Kong Institute of Certified Public Accountants.

BOARD OF DIRECTORS

As at the date of this report, the directors of the Company comprise Dr. Tsang Hin Chi, Mr. Tsang Chi Ming, Ricky and Madam Wong Lei Kuan as executive Directors; Mr. Ng Ming Wah, Charles as non-executive Director; and Dr. Wong Yu Hong, Philip, Dr. Lau Yue Sun and Mr. Wong Ying Ho, Kennedy as independent non-executive Directors.

On behalf of the Board
Tsang Hin Chi
Chairman

Hong Kong, 6th September 2005