



INTERIM REPORT 2005

嘉利美商國際有限公司

**FRANKIE DOMINION
INTERNATIONAL LIMITED**

(Incorporated in Bermuda with limited liability)

CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr. Lam Po Kwai, Frankie (*Chairman*)

Ms. Wong Yau Ching, Maria
(*Vice Chairman*)

Ms. Lee Yuen Bing, Nina

Ms. So Man Yee, Katherine

Mr. Au Son Yiu

(*Independent Non-Executive Director*)

Mr. Lee Johnson

(*Independent Non-Executive Director*)

Dr. Tang Tin Sek, Terence

(*Independent Non-Executive Director*)

Ms. He Ling (*Non-Executive Director*)

AUDIT COMMITTEE

Mr. Lee Johnson

Mr. Au Son Yiu

Dr. Tang Tin Sek, Terence

COMPANY SECRETARY

Mr. Cheung Chiu Fan

COMPANY SOLICITORS

In Hong Kong

Sit, Fung, Kwong & Shum

Deacons

In Bermuda

Appleby Spurling Hunter

AUDITORS

Deloitte Touche Tohmatsu

Certified Public Accountants

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking
Corporation Limited

Hang Seng Bank Limited

SHARE REGISTRARS AND TRANSFER OFFICE

In Hong Kong

Secretaries Limited

In Bermuda

Butterfield Corporate Services Limited

PRINCIPAL OFFICE IN HONG KONG

1st Floor, Yally Industrial Building

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Hong Kong

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REGISTERED OFFICE

Canon's Court

22 Victoria Street

Hamilton HM 12

Bermuda

RESULTS

The board of directors (the “Directors”) of Frankie Dominion International Limited (the “Company”) are pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”), for the six months ended 30th June, 2005 with comparative figures for the corresponding period of 2004 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		For the six months ended 30th June,	
		2005	2004
		(Unaudited)	(Unaudited)
	<i>Notes</i>	HK\$'000	<i>HK\$'000</i>
Turnover	3	346,333	399,677
Cost of sales		(303,543)	(341,180)
		<hr/>	<hr/>
Gross profit		42,790	58,497
Other operating income		990	941
Distribution costs		(12,888)	(17,595)
Administrative expenses		(28,111)	(30,138)
Unrealized holding profit on other investments		–	376
Change in fair value on investments held for trading		527	–
Finance costs	4	(2,069)	(1,482)
Share of losses of associates		(158)	(78)
		<hr/>	<hr/>
Profit before taxation	5	1,081	10,521
Taxation	6	–	(1,200)
		<hr/>	<hr/>
Profit for the period		1,081	9,321
		<hr/> <hr/>	<hr/> <hr/>
Attributable to:			
Equity holders of the Company		1,400	11,048
Minority interests		(319)	(1,727)
		<hr/>	<hr/>
		1,081	9,321
		<hr/> <hr/>	<hr/> <hr/>
Interim dividend		–	7,169
		<hr/> <hr/>	<hr/> <hr/>
Earnings per share – basic	7	HK0.29 Cents	HK2.31 Cents
		<hr/> <hr/>	<hr/> <hr/>

CONDENSED CONSOLIDATED BALANCE SHEET

		At 30th June, 2005 (Unaudited) Notes HK\$'000	At 31st December, 2004 (Audited) HK\$'000
Non-current assets			
Property, plant and equipment	8	149,666	157,459
Interests in associates		1,891	2,049
Club debenture		880	880
Long term bank deposits		15,600	15,600
Deposits paid for acquisition of land and buildings		12,437	7,723
		180,474	183,711
Current assets			
Inventories		77,989	76,867
Amount due from an associate		516	516
Debtors, bills receivable and prepayments	9	111,241	70,688
Investments in securities		–	2,614
Investments held for trading		2,624	–
Tax recoverable		1,949	1,462
Short term bank deposits		35,271	57,010
Short term pledged bank deposits		2,706	2,698
Bank balances and cash		38,060	41,549
		270,356	253,404
Current liabilities			
Creditors, bills payable and accrued charges	10	90,345	80,802
Bank borrowings – due within one year		90,100	80,867
		180,445	161,669
Net current assets		89,911	91,735
Total assets less current liabilities		270,385	275,446
Non-current liabilities			
Deferred taxation		4,680	4,680
Net Assets		265,705	270,766
Capital and reserves			
Share capital	11	47,793	47,793
Reserves		169,123	170,113
Equity attributable to equity holders of the Company		216,916	217,906
Minority interests		48,789	52,860
Total Equity		265,705	270,766

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th June, 2005

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Goodwill <i>HK\$'000</i>	Capital		Dividend reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>	Minority interests <i>HK\$'000</i>	Total <i>HK\$'000</i>
				Translation reserve <i>HK\$'000</i>	redemption reserve <i>HK\$'000</i>					
At 1st January, 2004	47,793	144,997	(42,197)	1,956	85	4,779	68,610	226,023	60,049	286,072
Net profit (loss) for the period	-	-	-	-	-	-	11,048	11,048	(1,727)	9,321
Dividend paid to a minority shareholder of a subsidiary	-	-	-	-	-	-	-	-	(3,752)	(3,752)
Final dividend for 2003 paid	-	-	-	-	-	(4,779)	-	(4,779)	-	(4,779)
At 30th June, 2004	47,793	144,997	(42,197)	1,956	85	-	79,658	232,292	54,570	286,862
Exchange differences arising on translation of overseas operations	-	-	-	800	-	-	-	800	-	800
Net loss for the period	-	-	-	-	-	-	(8,017)	(8,017)	(1,710)	(9,727)
Interim dividend for 2004 paid	-	-	-	-	-	-	(7,169)	(7,169)	-	(7,169)
Amount set aside for 2004 dividend	-	-	-	-	-	2,390	(2,390)	-	-	-
At 31st December, 2004	47,793	144,997	(42,197)	2,756	85	2,390	62,082	217,906	52,860	270,766
Net profit (loss) for the period	-	-	-	-	-	-	1,400	1,400	(319)	1,081
Dividend paid to a minority shareholder of a subsidiary	-	-	-	-	-	-	-	-	(3,752)	(3,752)
Final dividend for 2004 paid	-	-	-	-	-	(2,390)	-	(2,390)	-	(2,390)
At 30th June, 2005	47,793	144,997	(42,197)	2,756	85	-	63,482	216,916	48,789	265,705

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	For the six months ended 30th June,	
	2005 (unaudited) <i>HK\$'000</i>	2004 (unaudited) <i>HK\$'000</i>
Net cash used in operating activities	(22,310)	(4,653)
Net cash used in investing activities	(6,008)	(7,661)
Net cash from financing activities		
Repayments of bank borrowings	(267,250)	(210,636)
Other financing cash flows	276,483	237,155
Dividend paid	(2,390)	(4,780)
Dividend paid to a minority shareholder of a subsidiary	(3,752)	(3,752)
	3,091	17,987
(Decrease) Increase in cash and cash equivalents	(25,227)	5,673
Cash and cash equivalents at 1st January	75,158	87,357
Cash and cash equivalents at 30th June	49,931	93,030
Being:		
Short term bank deposits	11,871	35,387
Bank balances and cash	38,060	57,643
	49,931	93,030

Notes:

1. Basis of preparation

The condensed financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and with the applicable disclosure requirements of Appendix 16 to the Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

2. Principal accounting policies

The condensed financial statements have been prepared on the historical cost basis except for the financial instruments, which are measured at fair values, as appropriate.

The accounting policies used in the condensed financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31st December, 2004 except as described below.

In the current period, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards (“HKFRSs”), Hong Kong Accounting Standards (“HKASs”) and Interpretations (hereinafter collectively referred to as “new HKFRSs”) issued by the HKICPA that are effective for accounting periods beginning on or after 1st January, 2005. The application of the new HKFRSs has resulted in a change in the presentation of the income statement, balance sheet and the statement of change in equity. In particular, the presentation of minority interests and share of tax of associates have been changed. The changes in presentation have been applied retrospectively. The adoption of the new HKFRSs has resulted in changes to the Group’s accounting policies in the following areas that have an effect on how the results for the current or prior accounting periods are prepared and presented:

Owner-occupied Leasehold Interest in Land

In previous periods, owner-occupied leasehold land and buildings were included in property, plant and equipment and measured using the cost model. In the current period, the Group has applied HKAS 17 Lease. Under HKAS 17, the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification, unless the lease payments cannot be allocated reliably between the land and buildings elements, in which case, the entire lease is generally treated as a finance lease. To the extent that the allocation of the lease payments between the land and buildings element can be made reliably, the leasehold interests in land are reclassified to prepaid lease payment under operating lease, which is carried at cost and amortised over the lease term on a straight-line basis. Alternatively, where the allocation between the land and buildings elements cannot be made reliably, the leasehold interests in land continue to be accounted for as property, plant and equipment. As a result, the Group’s lease payments cannot be allocated reliably between the land and buildings elements in the current year. The leasehold interests in land remain accounted for as property, plant and equipment.

Financial Instruments

In the current period, the Group has applied HKAS 32 Financial Instruments: Disclosure and Presentation and HKAS 39 Financial Instruments: Recognition and Measurement. HKAS 32 requires retrospective application. HKAS 39, which is effective for accounting periods beginning or after 1st January, 2005, generally does not permit the recognition, derecognition or measuring of financial assets and liabilities on a retrospective basis. The principal effects resulting from the implementation of HKAS 32 and HKAS 39 are summarised below:

By 31st December, 2004, the Group classified and measured its debt and equity securities in accordance with the benchmark treatment of Statement of Standard Accounting Practice 24 (“SSAP 24”). Under SSAP 24, investments in debt or equity securities are classified as “investment securities”, “other investments” or “held-to-maturity investments” as appropriate. “Investment securities” are carried as cost less impairment losses (if any) while “other investments” are measured at fair value, with unrealized gains or losses included in the profit or loss. Held-to-maturity investments are carried at amortised cost less impairment losses (if any). From 1st January, 2005 onwards, the Group classifies and measures its debt and equity securities in accordance with HKAS 39. Under HKAS 39, financial assets are classified as “financial assets at fair value through profit or loss”, “available-for-sale financial assets”, “loans and receivables”, or “held-to-maturity financial assets”. The classification depends on the purpose for which the assets are acquired. “Financial assets at fair value through profit or loss” and “available-for-sale financial assets” are carried at fair value with changes in fair values recognized in profit or loss and equity respectively. “Loan and receivables” and “Held-to-maturity financial assets” are measured at amortised costing using the effective interest method.

Derecognition

HKAS 39 provides more rigorous criteria for the derecognition of financial assets than the criteria applied in previous periods. Under HKAS 39, a financial asset is derecognised, when and only when, either the contractual rights to the asset’s cash flows expire, or the asset is transferred and the transfer qualifies for derecognition in accordance with HKAS 39. The decision as to whether a transfer qualifies for derecognition is made by applying a combination of risks and rewards and control tests. The Group has applied the relevant transitional provisions and applied the revised accounting policy prospectively for transfers of financial assets on or after 1st January, 2005. As a result, the Group’s bill receivables with full recourse which were derecognised prior to 1st January, 2005 have not been restated. As at 30th June, 2005, the Group’s bills receivables with full recourse have not been derecognised. Instead, the related borrowings of HK\$34,820,972 have been recognized on the balance sheet date. This change has had no material effect on the results for the current period.

3. Turnover

Turnover represents the net amounts received and receivables for goods sold by the Group to outside customers, less returns and allowance for the six months ended 30th June, 2005.

Business segments

The Group is mainly engaged in trading, manufacturing and sale of household and consumer products and operates under three divisions. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

- Trading – resale of household products
- Manufacturing – household products – manufacturing and sale of household products
- Manufacturing – others – manufacturing and sale of other consumer products

Segment information about these businesses is presented below.

Unaudited income statement for the six months ended 30th June, 2005

	Trading	Manufacturing – household products	Manufacturing – others	Consolidated
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover				
External sales	<u>96,651</u>	<u>52,515</u>	<u>197,167</u>	<u>346,333</u>
Results				
Segment results	<u>8,440</u>	<u>7,300</u>	<u>14,162</u>	29,902
Unallocated income and expenses				(27,121)
Change in fair value on investments held for trading				527
Finance costs				(2,069)
Share of losses of associates				<u>(158)</u>
Profit before taxation				1,081
Taxation				<u>–</u>
Profit for the period				<u>1,081</u>

Unaudited income statement for the six months ended 30th June, 2004

	Trading <i>HK\$'000</i>	Manufacturing – household products <i>HK\$'000</i>	Manufacturing – others <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Turnover				
External sales	<u>85,395</u>	<u>64,311</u>	<u>249,971</u>	<u>399,677</u>
Results				
Segment results	<u>3,885</u>	<u>23,479</u>	<u>13,538</u>	40,902
Unallocated income and expenses				(29,197)
Unrealized holding profit on other investments				376
Finance costs				(1,482)
Share of losses of associates				<u>(78)</u>
Profit before taxation				10,521
Taxation				<u>(1,200)</u>
Profit for the period				<u><u>9,321</u></u>

Geographical segments

The Group's operations are mainly located in Hong Kong and the People's Republic of China (other than Hong Kong) (the "PRC").

The following table provides an analysis of the Group's sales by geographical market, irrespective of the origin of the goods.

Geographical market	For the six months ended 30th June,	
	2005 (unaudited) <i>HK\$'000</i>	2004 (unaudited) <i>HK\$'000</i>
North America	75,413	115,425
Holland	92,964	82,645
Germany	52,704	63,735
United Kingdom	53,997	53,677
France	21,583	23,253
Other European countries	17,462	19,541
Hong Kong	15,818	22,354
Australia	5,234	7,480
China	5,025	5,988
Others	6,133	5,579
	<u>346,333</u>	<u>399,677</u>

4. Finance costs

	For the six months ended 30th June,	
	2005	2004
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest on:		
Bank borrowings wholly repayable within five years	<u>2,069</u>	<u>1,482</u>

5. Profit before taxation

Profit before taxation has been arrived at after charging:

	For the six months ended 30th June,	
	2005	2004
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Depreciation and amortisation	10,330	11,536
Operating lease payments in respect of rented properties	7,962	8,258
Provision for bad and doubtful debts	<u>-</u>	<u>314</u>

6. Taxation

	For the six months ended 30th June,	
	2005	2004
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current tax:		
Hong Kong Profits Tax		
Current period	<u>-</u>	<u>1,200</u>

No provision for Hong Kong Profits Tax is made for the period as there is no assessable profit for the period.

Hong Kong Profits Tax was calculated at 17.5% of the estimated assessable profit for the period ended 30th June, 2004.

7. Earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity holders of the Company of approximately HK\$1,400,000 for the period (2004: approximately HK\$11,048,000) and approximately 477,926,000 (2004: approximately 477,926,000) shares in issue during the period.

No diluted earnings per share is shown as there is no dilutive effect on the earnings per share for the six months ended 30th June, 2004 and 30th June, 2005.

8. Property, plant and equipment

During the period, the Group spent approximately HK\$2,757,000 (2004: HK\$8,198,000) on additions to property, plant and equipment to upgrade its manufacturing capabilities.

9. Debtors, bills receivable and prepayments

	30th June, 2005 (unaudited) HK\$'000	31st December, 2004 (audited) HK\$'000
Trade debtors	66,504	62,152
Bills receivable	34,821	–
Other debtors and prepayments	9,916	8,536
	<u>111,241</u>	<u>70,688</u>

The Group allows an average credit period of 90 days to its trade customers.

The following is an aged analysis of trade debtors and bills receivable as at the reporting date:

	30th June, 2005 (unaudited) HK\$'000	31st December, 2004 (audited) HK\$'000
0 – 60 days	79,976	48,796
61 – 90 days	9,077	5,913
> 90 days	12,272	7,443
	<u>101,325</u>	<u>62,152</u>

10. Creditors, bills payable and accrued charges

	30th June, 2005 (unaudited) HK\$'000	31st December, 2004 (audited) HK\$'000
Trade creditors	62,096	51,099
Bills payable	11,552	7,989
Other creditors and accrued charges	16,697	21,714
	<u>90,345</u>	<u>80,802</u>

The following is an aged analysis of trade creditors and bills payable as at the reporting date:

	30th June, 2005 (unaudited) HK\$'000	31st December, 2004 (audited) HK\$'000
0 – 60 days	60,752	44,976
61 – 90 days	9,838	8,210
> 90 days	3,058	5,902
	<u>73,648</u>	<u>59,088</u>

11. Share capital

There were no movements in the share capital of the Company during the period from 1st January, 2005 to 30th June, 2005.

	Number of ordinary shares of HK\$0.10 each		Nominal value	
	30th June, 2005 (unaudited)	31st December, 2004 (audited)	30th June, 2005 (unaudited) HK\$	31st December, 2004 (audited) HK\$
Authorised:				
Ordinary shares of HK\$0.1 each	<u>1,000,000,000</u>	<u>1,000,000,000</u>	<u>100,000,000</u>	<u>100,000,000</u>
Issued and fully paid:				
Ordinary share of HK\$0.1 each	<u>477,926,292</u>	<u>477,926,292</u>	<u>47,792,629</u>	<u>47,792,629</u>

12. Capital commitments

	30th June, 2005 (unaudited) HK\$'000	31st December, 2004 (audited) HK\$'000
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the financial statements	<u>551</u>	<u>5,149</u>

INTERIM DIVIDEND

The Directors have resolved not to pay any interim dividend for the six months ended 30th June, 2005 (2004: HK1.5 Cents).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the six months ended 30th June 2005, the Group recorded an unaudited turnover of approximately HK\$346,333,000, representing a decrease of 13.35% from approximately HK\$399,677,000 for the same period in the previous year. The Group's unaudited profit attributable to shareholders decreased by 87.33% to HK\$1,400,000. Earnings per share also decreased by 87.45% to HK0.29 Cent from HK2.31 Cents. The decline in turnover and profit was mainly attributable to fierce market competition and the loss in operations from a non-wholly owned subsidiary. The continual increase in raw material costs resulting from the rise in the crude oil price also further affected the Group's performance.

Bigfield Goldenford Holdings Limited

Bigfield Goldenford Holdings Limited, a 62.50% subsidiary of the Group, recorded a half year turnover of approximately HK\$199.98 million, a decrease of 18.18% from that of the previous corresponding period. Net loss for the period reduced to approximately HK\$0.48 million from HK\$4.27 million in the same period of last year.

Frankie Dominion (Holdings) Limited

Frankie Dominion (Holdings) Limited has also recorded a decline in business operation. Turnover decreased by 13.35% amounting to approximately HK\$156.54 million for the six months ended 30th June, 2005 as compared with the same period in 2004.

Finance costs

As a result of increasing bank borrowings and the rise in market interest rates, finance costs rose to 0.60% in the first half of 2005 compared with 0.37% of the Group's turnover as at 30th June, 2004.

Provisions for bad and doubtful debt

No provision was made for the six months ended 30th June, 2005. In the corresponding period of 2004, a provision of approximately HK\$314,000 was provided.

Pledge of assets

The Group's bank deposit of approximately HK\$2.7 million remained pledged to a bank to secure banking facilities granted to a subsidiary.

Certain of the Group's property, plant and equipment with carrying value of approximately HK\$24 million had been pledged to banks to secure banking facilities granted to subsidiaries. The pledge was released during the previous year.

LIQUIDITY AND FINANCIAL RESOURCES

Net current assets and current ratio were approximately HK\$91,734,000 and 1.57:1 as at 31st December, 2004 and approximately HK\$89,911,000 and 1.50: 1 as at 30th June, 2005. A slight decrease in net current assets is largely due to a decrease in bank deposits.

The Group's bank balance and cash amounted to approximately HK\$91,637,000 as at 30th June, 2005 (31st December, 2004: approximately HK\$116,856,000) and bank borrowings amounted to approximately HK\$90,100,000 (31st December, 2004: approximately HK\$80,867,000). Therefore, the calculation of net debt to equity ratio was not applicable because the Group had surplus cash of approximately HK\$1,537,000 over bank borrowings (31st December, 2004: approximately HK\$35,989,000).

As at 30th June, 2005, the Group did not engage in foreign currency speculation or any financial instrument used for hedging purposes.

The Group generally finances its business with internally generated cash flows and revolving credit facilities provided by the Group's principal bankers. With net current assets of approximately HK\$89,911,000 the management believes that the Group has sufficient financial resources to discharge its debts and to finance its daily operations and capital expenditure.

EMPLOYEES AND REMUNERATION

As at 30th June, 2005, the Group had approximately 5,000 employees (31st December, 2004: 5,000 employees). Less than 100 staff are stationed in Hong Kong and the rest are PRC workers. The Group's staff cost amounted to HK\$40.46 million for the six months ended 30th June, 2005 and HK\$44.81 million for the corresponding period of last year.

Employees are remunerated according to the nature of the job and market trends, with a built-in merit component incorporated in the annual increment and a year-end performance bonus to reward and motivate individual performance. No share option has been granted under the share option scheme adopted by the Company up to the date of this report.

PROSPECTS

The second half of 2005 will remain highly competitive in the business environment due to uncertainties brought by rising oil prices, interest rates, raw material and PRC labour costs. The Group will exercise more pro-active judgement on the ever-changing

market situation to maintain its existing market share. This will inevitably lower our operating margin for which we will endeavour to compensate by more efforts on cost and overheads control. The Group will explore co-operation opportunities with importers and retail chain stores to increase its marketing efforts and broaden its customer base. The Group will also invest in research and development and develop new series of products with add-on features and functions.

In view of the accession of China to the World Trade Organization and the domestic market in China getting more maturity, numerous foreign investments have been spurred to set up and expand their production plants in the Mainland in recent years. China has become the de facto manufacturing center of the world. Along with the robust development of private enterprises, all these will bring forth valuable opportunities to the Group in developing its China trade. The management shall strive to enhance value for shareholders of the Company.

AUDIT COMMITTEE

The Audit Committee is composed of three independent non-executive directors. It has reviewed with management the accounting policies and practice adopted by the Group including a review of the interim financial statements for the period ended 30th June, 2005.

REMUNERATION COMMITTEE

A Remuneration Committee has been established by the Company on 14th April, 2005 in accordance with the requirement of the Code. The Remuneration Committee comprises three non-executive directors namely Mr. Au Son Yiu; Mr. Lee Johnson and Dr. Tang Tin Sek and one executive director namely Mr. Lam Po Kwai, Frankie. Mr. Au Son Yiu is the Chairman of the Remuneration Committee.

NOMINATION COMMITTEE

A Nomination Committee has been established by the Company on 14th April, 2005 in accordance with the requirement of the Code. The Nomination Committee comprises three non-executive directors namely Mr. Au Son Yiu; Mr. Lee Johnson and Dr. Tang Tin Sek and one executive director namely Mr. Lam Po Kwai, Frankie. Mr. Lee Johnson is the Chairman of the Nomination Committee.

CORPORATE GOVERNANCE

None of the directors of the Company is aware of any information that would reasonably indicate that the Company is not or was not for any part of the accounting period covered by the 2005 interim financial statements, in compliance with the Code on Corporate Governance Practices set out in Appendix 14 of the Listing Rules except for the following deviations.

Under code provisions A.4.1, non-executive directors should be appointed for a specific term and under A.4.2, every director should be subject to retirement by rotation at least once every three years.

However, in accordance with the Bye-laws 99 (as amended by Bye-law 182(vi)) of the Company's Bye-laws, Mr. Lam Po Kwai, Frankie, the Chairman of the Board of Directors of the Company, shall not be subject to retirement by rotation. The board considers that due to the fact that Mr. Lam Po Kwai, Frankie is the founder of the Group, he is eligible to the Chairman of the Board during his lifetime and need not be subject to retirement by rotation.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of listed companies contained in Appendix 10 of the Listing Rules as its own code of conduct regarding securities transaction by the directors of the Company (the "Code"). Having made specific enquiry of the directors of the Company, all directors confirmed that they had complied with the required standard as set out in the Model Code during the six months ended 30th June, 2005.

DIRECTORS' INTERESTS IN SHARES

As at 30th June, 2005, the interests of the directors and their associates in the shares of the Company as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("SFO") or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities transactions by Directors of Listed Companies, were as follows:

Long position – ordinary shares of HK\$0.1 each of the Company

Name of director	Number of shares held		Total number of issued ordinary shares held	Percentage of the issued share capital
	Personal interest	Corporate interest		
Mr. Lam Po Kwai Frankie	72,545,785	104,729,411 (a)	177,275,196 (c)	37.09%
Ms. Wong Yau Ching Maria	19,073,433	-	19,073,433	3.99%
Ms. Lee Yuen Bing Nina	10,867,059	24,367,798 (b)	35,234,857 (d)	7.37%
Ms. So Man Yee Katherine	737,045	-	737,045	0.15%
Mr. Au Son Yiu	1,433,660	-	1,433,660	0.30%

Notes:

- (a) These shares are held through Carrson Holdings Investment Limited and Frankfort Capital Investment Limited, both of which are companies beneficially owned by Mr. Lam Po Kwai Frankie.

- (b) These shares are held through Join Admin Benefit Corporation Limited, a company beneficially owned by Ms. Lee Yuen Bing Nina.
- (c) Ms. Lee Yuen Bing, Nina is the spouse of Mr. Lam Po Kwai, Frankie and is deemed to be interested in these shares.
- (d) Mr. Lam Po Kwai, Frankie is the spouse of Ms. Lee Yuen Bing, Nina and is deemed to be interested in these shares.

Save as disclosed above, except for certain nominee shares in subsidiaries held by Mr. Lam Po Kwai, Frankie in trust for the Group, none of the directors or their associates had any interests or short positions in any shares of the Company or any of its associated corporations as at 30th June, 2005.

SUBSTANTIAL SHAREHOLDERS' INTEREST

As at 30th June, 2005, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO showed that, other than interests disclosed above in respect of certain directors, the following shareholders had notified the Company of relevant interests in the issued share capital of the Company.

Long position – ordinary shares of HK\$0.1 each of the Company

Name	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital
Solidpole Ltd.	Beneficial owner	34,855,428	7.29%
China Everbright Holdings Company Ltd.	Held by controlled corporation	34,855,428(e)	7.29%

Note(e): China Everbright Holdings Company Ltd. is the holding company of Solidpole Ltd. and is deemed to be interested in these shares.

Other than the interests disclosed above the register of substantial shareholders maintained by the Company pursuant to section 336 of the SFO discloses no person as having a notifiable interest or short position in the issued share capital of the Company as at 30th June, 2005.

PURCHASE, SALE OR REDEMPTION OF OWN LISTED SECURITIES

During the period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

By Order of the Board
Lam Po Kwai, Frankie
Chairman

Hong Kong, 16th September, 2005