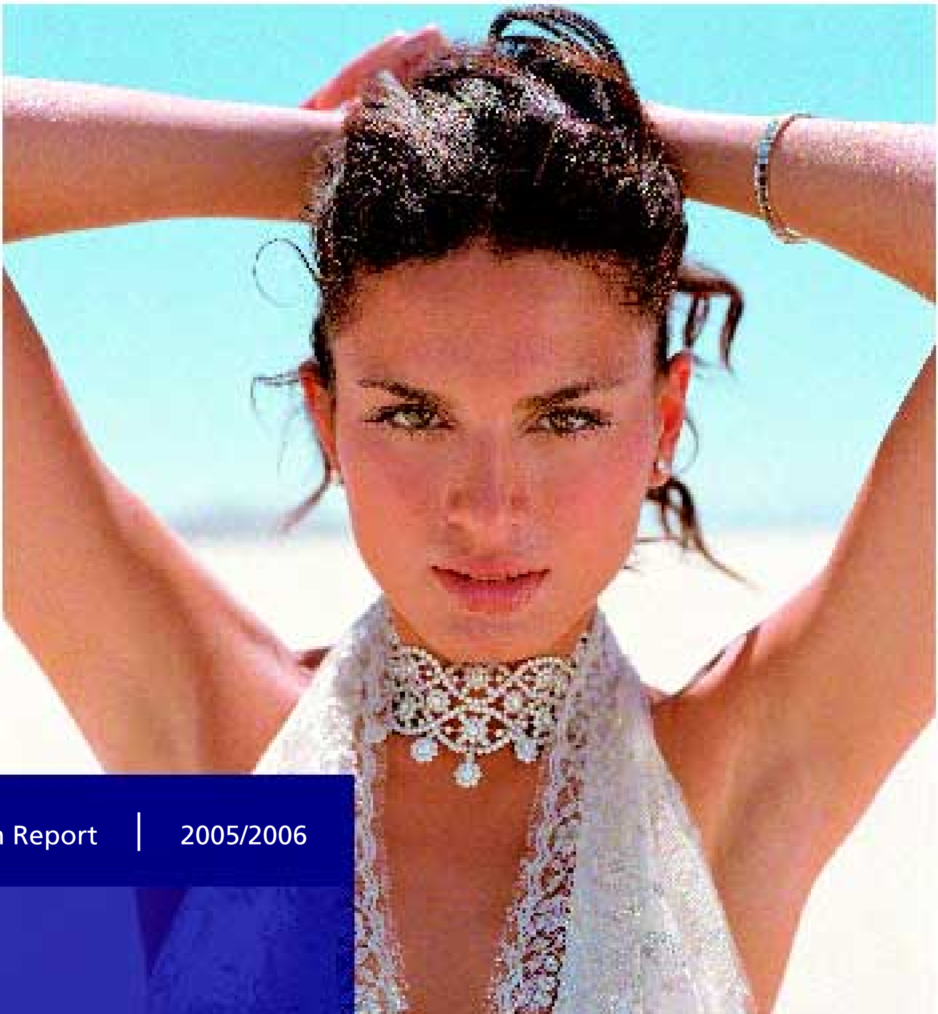
TSL 謝瑞麟
HONG KONG

Tse Sui Luen Jewellery (International) Limited
謝瑞麟珠寶(國際)有限公司

(Incorporated in Bermuda with limited liability)



Interim Report | 2005/2006

Executive Directors
Tse Tat Fung, Tommy *(Chairman)*
Peter Gerardus Van Weerdenburg
(Deputy Chairman)
Alex Chan
Erwin Steve Huang

Independent Non-executive Directors
Chui Chi Yun, Robert
Gerald Clive Dobby
Lui Pui Kee, Francis

Company Secretary
Au Shiu Kee, Anthony

Qualified Accountant
Lai Tsz Mo, Lawrence

Authorised Representatives
Tse Tat Fung, Tommy
Peter Gerardus Van Weerdenburg

Audit Committee
Chui Chi Yun, Robert *(Chairman)*
Gerald Clive Dobby
Lui Pui Kee, Francis

Renumeration Committee
Gerald Clive Dobby *(Chairman)*
Lui Pui Kee, Francis
Chui Chi Yun, Robert
Tse Tat Fung, Tommy

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RESULTS

The board of directors of Tse Sui Luen Jewellery (International) Limited ("the Company") announces the unaudited consolidated results of the Company and its subsidiaries ("the Group") for the six months ended 31 August 2005. The interim results for the six months ended 31 August 2005 have been reviewed by the Company's audit committee.

CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE SIX MONTHS ENDED 31 AUGUST 2005 – UNAUDITED

(Expressed in Hong Kong dollars)

		Six months ended 31 August	
		2005	2004 (restated)
	Note	**$'000**	$'000
Turnover	*3*	**560,141**	573,753
Cost of sales		**(277,361)**	(324,160)
		282,780	249,593
Other revenue		**2,599**	4,601
Selling expenses		**(227,231)**	(188,753)
Administrative expenses		**(48,651)**	(38,095)
Other operating expenses		**(50)**	(348)
Profit from operations	*3*	**9,447**	26,998
Finance costs	*5*	**(2,196)**	(2,705)
Cost of financial restructuring		**–**	(618)
Loss on disposal of properties		**–**	(20)
Profit before taxation		**7,251**	23,655
Income tax	*6*	**(59,034)**	(6,877)
(Loss)/profit after taxation		**(51,783)**	16,778
Attributable to:			
Equity holders of the Company		**(60,230)**	13,461
Minority interests		**8,447**	3,317
(Loss)/profit after taxation		**(51,783)**	16,778
(Loss)/earnings per share			
Basic	*8*	**(29) cents**	34 cents

The notes on pages 7 to 19 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 31 AUGUST 2005 – UNAUDITED

(Expressed in Hong Kong dollars)

	Six months ended 31 August 2005		Six months ended 31 August 2004 (restated)	
	$'000	**$'000**	$'000	$'000
Total equity at 1 March				
Attributable to equity holders of the Company (as previously reported at 28/29 February)	**242,451**		40,530	
Minority interests (as previously presented separately from liabilities and equity at 28/29 February)	**17,648**		12,601	
	260,099		53,131	
Prior period adjustments arising from change in accounting policies	**6,909**		13,126	
At 1 March, after prior period adjustments		**267,008**		66,257
Net income for the period recognised directly in equity:				
Exchange difference on translation of financial statements of subsidiaries				
Attributable to equity holders of the Company (as previously reported)			1,393	
Minority interests (as previously presented separately in the income statement)			1,075	
				2,468
Surplus on revaluation of land and buildings:				
Attributable to equity holders of the Company (as previously reported)			473	
Prior period adjustments arising from changes in accounting policies			(473)	
				–
Net income for the period recognised directly in equity (2004: as restated)				2,468

The notes on pages 7 to 19 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY *(Continued)*
FOR THE SIX MONTHS ENDED 31 AUGUST 2005 – UNAUDITED

(Expressed in Hong Kong dollars)

	Six months ended 31 August 2005		Six months ended 31 August 2004 (restated)	
	$'000	**$'000**	$'000	$'000
Net profit/(loss) for the period				
Attributable to equity holders of the Company (as previously reported)			14,608	
Minority interests (as previously presented separately in the profit and loss account)			3,317	
			17,925	
Prior period adjustments arising from changes in accounting policies			(1,147)	
Net profit for the period (2004: as restated)		**(51,783)**		16,778
Total recognised income and expense for the period (2004: as restated)		**(51,783)**		19,246
Attributable to:				
Equity holders of the Company	**(60,230)**		13,461	
Minority interests	**8,447**		3,317	
	(51,783)		16,778	
Movements in shareholders' equity arising from capital transactions with equity holders of the Company:				
Issuance of share options under share option scheme		**1,217**		–
Total equity at 31 August		**216,442**		85,503

The notes on pages 7 to 19 form part of this interim financial report.

CONSOLIDATED BALANCE SHEET
AT 31 AUGUST 2005 – UNAUDITED

(Expressed in Hong Kong dollars)

		At 31 August 2005		At 28 February 2005	
				(restated)	(restated)
	Note	**$'000**	**$'000**	$'000	$'000
Non-current assets					
Fixed assets	*4*				
– Investment properties			**–**		1,420
– Other property, plant and equipment			**117,731**		104,264
			117,731		105,684
Other financial asset			**500**		500
Club debenture			**100**		100
Deferred tax assets			**17,518**		17,684
			135,849		123,968
Current assets					
Investments in securities		**32**		38	
Inventories	*9*	**533,113**		494,557	
Trade and other receivables	*10*	**106,437**		97,194	
Tax recoverable		**142**		652	
Cash at bank and in hand		**45,422**		81,825	
		685,146		674,266	
Current liabilities					
Trade and other payables	*11*	**(411,797)**		(367,902)	
Secured bank loans		**(9,520)**		(18,656)	
Secured other loans		**(10,000)**		–	
Obligations under finance leases		**(521)**		(508)	
Current Taxation		**(98,262)**		(58,646)	
		(530,100)		(445,712)	
Net current assets			**155,046**		228,554
Total assets less current liabilities carried forward			**290,895**		352,522

The notes on pages 7 to 19 form part of this interim financial report.

CONSOLIDATED BALANCE SHEET *(Continued)*
AT 31 AUGUST 2005 – UNAUDITED

(Expressed in Hong Kong dollars)

		At 31 August 2005		At 28 February 2005	
				(restated)	(restated)
	Note	**$'000**	**$'000**	$'000	$'000
Total assets less current liabilities brought forward			**290,895**		352,522
Non-current liabilities					
Obligations under finance leases		**(612)**		(876)	
Secured other loans		**(62,367)**		(72,367)	
Secured bank loans		**(1,113)**		(2,066)	
Employee benefit obligations		**(10,361)**		(10,190)	
Deferred tax liabilities		**–**		(15)	
			(74,453)		(85,514)
NET ASSETS			**216,442**		267,008
CAPITAL AND RESERVES					
Share capital	*12*		**51,766**		51,766
Reserves	*12*		**138,581**		197,594
Total equity attributable to equity holders of the Company			**190,347**		249,360
Minority interests	*12*		**26,095**		17,648
TOTAL EQUITY			**216,442**		267,008

The notes on pages 7 to 19 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE SIX MONTHS ENDED 31 AUGUST 2005 – UNAUDITED

(Expressed in Hong Kong dollars)

	Six months ended 31 August	
	2005	2004
	$'000	$'000
Net cash (outflow)/inflow from operating activities	**(5,053)**	27,405
Net cash outflow from investing activities	**(21,009)**	(7,624)
Net cash outflow from financing	**(10,341)**	(7,702)
(Decrease)/Increase in cash and cash equivalents	**(36,403)**	12,079
Effect of foreign exchange rates	**–**	2,422
Cash and cash equivalents at 1 March	**81,825**	39,277
Cash and cash equivalents at 31 August	**45,422**	53,778
Analysis of the balances of cash and cash equivalents		
Cash at bank and in hand	**45,422**	53,778

The notes on pages 7 to 19 form part of this interim financial report.

NOTES ON THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars)

1. Basis of preparation

This interim financial report is unaudited but has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("the Listing Rules"), including compliance with Hong Kong Accounting Standard ("HKAS") 34 "Interim financial reporting", issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The interim financial report has been prepared in accordance with the same accounting policies adopted in the Group's financial statements for the year ended 28 February 2005, except for the accounting policy changes that are expected to be reflected in the Group's financial statements for the year ended 28 February 2006. Details of these changes in accounting policies are set out in note 2.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the Group's financial statements for the year ended 28 February 2005. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

The financial information relating to the financial year ended 28 February 2005 that is included in the interim financial report as being previously reported information does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements. The auditors have expressed a qualified opinion on those financial statements in their report dated 14 July 2005 as they were unable to carry out auditing procedures necessary to obtain adequate assurance regarding to the level of income tax provision which is explained in note 5(a)(ii) on the financial statements for the year ended 28 February 2005. Statutory financial statements for the year ended 28 February 2005 are available from the Company's registered office.

2. Changes in accounting policies

The HKICPA has issued a number of new and revised HKFRSs, (which term collectively includes HKASs and Interpretations) that are effective or available for early adoption for accounting periods beginning on or after 1 January 2005. The Board of Directors has determined the accounting policies to be adopted in the preparation of the Group's annual financial statements for the year ending 28 February 2006, on the basis of HKFRSs currently in issue.

The HKFRSs that will be effective or are available for voluntary early adoption in the annual financial statements for the year ending 28 February 2006 may be affected by the issue of additional interpretations(s) or other changes announced by the HKICPA subsequent to the date of issuance of this interim report. Therefore the policies that will be applied in the Group's financial statements for that period cannot be determined with certainty at the date of issuance of this interim financial report.

The following sets out further information on the changes in accounting policies for the annual accounting period beginning on 1 March 2005 which have been reflected in this interim financial report.

(a) Share option scheme (HKFRS 2, Share-based payment)

In prior years, no amounts were recognized when option holders were granted share options over shares in the Company. If the option holders chose to exercise the options, the nominal amount of share capital and share premium were credited only to the extent of the option's exercise price receivable.

With effect from 1 March 2005, in order to comply with HKFRS 2, the Group recognizes the fair value of share options as an expense in the income statement, or as an asset, if the cost qualifies for recognition as an asset under the Group's accounting policies. A corresponding increase is recognized in a capital reserve within equity.

Where the option holders are required to meet vesting conditions before they become entitled to the options, the Group recognizes the fair value of the options granted over the vesting period. Otherwise, the Group recognizes the fair value in the period in which the options are granted.

If an option holder chooses to exercise options, the related capital reserve is transferred to share capital and share premium, together with the exercise price. If the options lapse unexercised the related capital reserve is transferred directly to retained earnings.

The new accounting policy has been applied retrospectively with comparatives restated in accordance with HKFRS 2, except that the Group has taken advantage of the transitional provisions set out in paragraph 53 of HKFRS 2 under which the new recognition and measurement policies have not been applied to the following grants of options:

(a) all options granted to option holders on or before 7 November 2002; and

(b) all options granted to option holders after 7 November 2002 but which had vested before 1 March 2005.

2. Changes in accounting policies *(Continued)*

(a) *Share option scheme (HKFRS 2, Share-based payment) (Continued)*

As all the Group's options were granted to option holders either before 7 November 2002 or after 1 March 2005, the adoption of HKFRS 2 has no impact on the Group's net assets and results for the prior years.

The amount charged to the profit and loss account as a result of the change of policy increased cost of sales, selling expenses and administrative expenses for the six months ended 31 August 2005 by $97,000, $165,000 and $955,000 respectively (six months ended 31 August 2004: $nil), with the corresponding amounts credited to the capital reserve.

Details of the share option scheme can be found in the Company's annual report for the year ended 28 February 2005 and note 13 on this interim financial report.

(b) *Leasehold land and buildings held for own use (HKAS 17, Leases)*

In prior years, leasehold land and buildings held for own use were stated at revalued amounts less accumulated depreciation and accumulated impairment losses. Movements of revaluation surpluses or deficits were normally taken to the land and buildings revaluation reserve.

With the adoption of HKAS17 as from 1 March 2005, the leasehold interest in the land held for own use is accounted for as being held under an operating lease where the fair value of the interest in any buildings situated on the leasehold land could be separately identified from the fair value of the leasehold interest in the land at the time the lease was first entered into by the Group, or taken over from the previous lessee, or at the date of construction of those buildings, if later. In case the two elements cannot be allocated reliably, the entire lease is classified as a finance lease and carried at cost less accumulated depreciation and accumulated impairment losses.

As from 1 March 2005 the buildings are also stated at cost less accumulated depreciation, rather than at fair value, to be consistent with the new policy required to be adopted for the land element which should be classified as operating lease and cannot be revaluated.

The new accounting policies have been adopted retrospectively, with the opening balances of accumulated losses, land and buildings, land and buildings revaluation reserve, deferred tax assets, deferred tax liabilities and the comparative information adjusted as follows:

	As at 1 March	
	2005	2004
	$'000	$'000
Effect of new policy (increase/(decrease))		
Accumulated losses	**(31,906)**	(34,537)
Land and buildings revaluation reserve	**(24,997)**	(21,412)
Land and buildings	**6,143**	13,014
Deferred tax liabilities	**(766)**	(111)

2. Changes in accounting policies *(Continued)*

(b) Leasehold land and buildings held for own use (HKAS 17, Leases) (Continued)

In respect of the six months ended 31 August 2005 it is not practicable to estimate the extent to which the loss for that period, or the income or expenses taken directly to equity, are higher or lower than they would have been had the previous policy still been applied in this interim period.

(c) Amortisation of positive and negative goodwill (HKFRS 3, Business combinations and HKAS 36, Impairment of assets)

In prior periods:

- positive or negative goodwill which arose prior to 1 March 2001 was taken directly to reserves at the time it arose, and was not recognized in the profit and loss account until disposal or impairment of the acquired business;

- positive goodwill which arose on or after 1 March 2001 was amortised on a straight line basis over its useful life and was subject to impairment testing when there were indications of impairment; and

- negative goodwill which arose on or after 1 March 2001 was amortised over the weighted average useful life of the depreciable/amortisable non-monetary assets acquired, except to the extent it related to identified expected future losses as at the date of acquisition. In such cases it was recognized in the profit and loss account as those expected losses were incurred.

With effect from 1 March 2005, in accordance with HKFRS 3 and HKAS 36, the Group no longer amortises positive goodwill. Such goodwill is tested annually for impairment, including in the year of its initial recognition, as well as when there are indications of impairment. Impairment losses are recognized when the carrying amount of the cash generating unit to which the goodwill had been allocated exceeds its recoverable amount.

Also with effect from 1 March 2005 and in accordance with HKFRS 3, if the fair value of the net assets acquired in a business combination exceeds the consideration paid (i.e. an amount arises which would have been known as negative goodwill under the previous accounting policy), the excess is recognized immediately in the profit and loss account as it arises.

In accordance with the transitional arrangements under HKFRS 3, goodwill which had previously been taken directly to reserves (i.e. goodwill which arose before 1 March 2001) will not be recognized in the profit and loss account on disposal or impairment of the acquired business, or under any other circumstances.

The change in policy relating to negative goodwill had no effect on the interim financial report as there was no negative goodwill deferred as at 28 February 2005.

2. Changes in accounting policies *(Continued)*

(d) Retranslation of goodwill relating to a net investment in a foreign operation (HKAS 21, The effects of changes in foreign exchange rates)

In prior years, goodwill was recognized directly in equity or carried at cost less amortization and impairment as described in note 2(c).

With effect from 1 March 2005, in order to comply with HKAS 21, any goodwill arising on the acquisition of a foreign operation is treated as an asset of the foreign operation. Thus it is expressed in the functional currency of that foreign operation and is retranslated at the closing rate at each balance sheet date. Any resulting exchange difference is taken directly to the exchange reserves, together with any other differences arising from the re-translation of the net assets of the foreign operation.

In accordance with the transitional provisions in HKAS 21, this new policy has not been adopted retrospectively and will only be applied to acquisitions occurring on or after 1 March 2005. As the Group has not acquired any new foreign operations since that date, the change in policy has had no impact on the interim financial report.

(e) Minority interests (HKAS 1, Presentation of financial statements and HKAS 27, Consolidated and separate financial statements)

In prior years, minority interests at the balance sheet date were presented in the consolidated balance sheet separately from liabilities and as deduction from net assets. Minority interests in the results of the Group for the year were also separately presented in the profit and loss account as a deduction before arriving at the profit attributable to shareholders.

With effect from 1 March 2005, in order to comply with HKAS 1 and HKAS 27, minority interests at the balance sheet date are presented in the consolidated balance sheet within equity, separately from the equity attributable to the equity holders of the Company, and minority interests in the results of the Group for the period are presented on the face of the consolidated profit and loss account as an allocation of the total profit or loss for the period between the minority interests and the equity holders of the Company.

The presentation of minority interests in the consolidated balance sheet, profit and loss account and statement of changes in equity for the comparative period has been restated accordingly.

3. Segmental information

The analysis of the geographical location of the operations of the Group during the financial period is as follows:

	PRC (including Hong Kong) Six months ended 31 August		Others Six months ended 31 August		Inter-segment elimination Six months ended 31 August		Consolidated Six months ended 31 August	
	2005	2004 (restated)	**2005**	2004	**2005**	2004	**2005**	2004 (restated)
	$'000	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
Revenue from external customers	**548,980**	560,525	**11,161**	13,228	**–**	–	**560,141**	573,753
Inter-segment revenue	**4,575**	4,144	**–**	–	**(4,575)**	(4,144)	**–**	–
Other revenue from external customers	**2,333**	3,875	**267**	726	**–**	–	**2,600**	4,601
Total	**555,888**	568,544	**11,428**	13,954	**(4,575)**	(4,144)	**562,741**	578,354
Segment results	**8,800**	26,158	**647**	840			**9,447**	26,998
Finance costs							**(2,196)**	(2,705)
Cost of financial restructuring							**–**	(618)
Loss on disposal of properties							**–**	(20)
Income tax							**(59,034)**	(6,877)
(Loss)/profit after taxation							**(51,783)**	16,778
Depreciation for the period	**8,948**	5,947	**14**	451				
Significant non cash expenses/(income) (other than depreciation)	**1,217**	–	**–**	–				

In view of the fact that all the Group's turnover and trading results are generated from the manufacture, sale and marketing of jewellery products, no business segments analysis of the Group is presented.

4. Acquisitions and disposals of fixed assets

During the six months ended 31 August 2005, the Group acquired items of properties, plant and machineries with a cost of $21,051,000 (six month ended 31 August 2004: $9,658,000). Items of properties, plant and machineries with a net book value of $42,000 were disposed of during the six months ended 31 August 2005 (six months ended 31 August 2004: $1,369,000), resulting in a loss on disposal of $42,000 (six months ended 31 August 2004: $93,000).

5. Profit from ordinary activities before taxation

Profit from ordinary activities before taxation is arrived at after charging/(crediting):

	Six months ended 31 August	
	2005	2004 (restated)
	$'000	$'000
Interest on borrowings	**2,196**	2,705
Depreciation	**8,962**	6,398
Gain on disposal of properties held on sale	**–**	29
Write back of provision of properties held for sale	**–**	(265)
Provision for inventory	**1,321**	4,400

6. Income Tax

Income tax in the consolidated profit and loss account represents:

	Six months ended 31 August	
	2005	2004 (restated)
	$'000	$'000
Current tax – Provision for Hong Kong Profits Tax		
Tax for the period	**270**	4,553
Underprovision in respect of prior years	**50,964**	–
	51,234	4,553
Current tax – Overseas		
Tax for the period	**7,650**	2,149
Deferred tax		
Origination and reversal of temporary differences	**150**	175
	59,034	6,877

(a) The provision for Hong Kong Profits Tax has been calculated by applying the applicable tax rate of 17.5% (2004: 17.5%) to the estimated assessable profits which were earned in or derived from Hong Kong during the period.

Tax on the assessable profits of subsidiary companies operating overseas is calculated at the rates prevailing in the respective jurisdictions in which they operate, based on existing legislation, practices and interpretations thereof.

6. **Income Tax *(Continued)***

(b) Since the end of the last financial year and up to the date of this report, certain subsidiaries of the Group received from the Inland Revenue Department ("IRD") additional assessments amounting to $51 million relating to certain offshore income and agents commission payments and promoter fees essentially for all prior years under dispute in respect of which the IRD has been challenging the tax treatments adopted by the subsidiaries. The subsidiaries are in the process of gathering relevant information to support the tax treatments adopted. The directors believe that the information being gathered will provide sufficient grounds to support the tax treatments adopted. However, the directors consider it prudent to establish a full provision of $51 million in respect of the above which has been charged to the consolidated profit and loss account for the period.

7. **Dividends**

The directors have resolved not to declare the payment of any interim dividend for the six months ended 31 August 2005 (2004: Nil).

8. **(Loss)/earnings per share**

(a) Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the loss attributable to the equity holders of the Company for the period of $60,230,000 (2004: (restated) profit $13,461,000) and on the weighted average of 207,063,221 ordinary shares (2004: 39,188,926 ordinary shares) in issue during the period.

(b) Diluted (loss)/earnings per share

Diluted (loss)/earnings per share is not shown as all the potential ordinary shares are anti-dilutive.

9. **Inventories**

	At 31 August 2005 $'000	At 28 February 2005 $'000
Raw material	**94,548**	76,283
Work in progress	**40,651**	56,337
Finished goods	**396,350**	333,340
Finished goods-consigned outward	**1,564**	28,597
	533,113	494,557

As at 31 August 2005, the Group had consigned finished goods to licensee, Beijing Hua Long Rui Lin Economic and Trading Company Limited ("Hua Long"), established in the PRC, amounting to approximately $1,564,000 (at 28 February 2005: $23,700,000). The licensee is responsible for distributing the consigned finished goods to the shop outlets operating under the trade names of "Tse Sui Luen" in the PRC. Since the Group cannot supervise the activities of the licensee, the directors consider that it is possible that the Group may not be able to recover possession of all or certain of these consigned finished goods in the event that the licensee is unable to meet its financial obligations. The directors are not aware of any circumstances that lead the Group to believe that the licensee is unable to meet its financial obligations.

10. Trade and other receivables

Included in trade and other receivables are debtors (net of provisions for bad and doubtful debts) with the following ageing analysis:

	At 31 August 2005 $'000	At 28 February 2005 $'000
0 to 30 days	**30,254**	30,348
31 to 60 days	**6,094**	1,675
61 to 90 days	**7,345**	3,966
Over 90 days	**18,667**	10,437
Total debtors	**62,360**	46,426
Other receivables, deposits and prepayments	**44,077**	50,768
	106,437	97,194

Apart from retail customers, the Group allows an average credit period from 30 to 75 days to other customers.

11. Trade and other payables

Included in trade and other payables are creditors with the following ageing analysis:

	At 31 August 2005 $'000	At 28 February 2005 $'000
0 to 30 days	**26,470**	28,147
31 to 60 days	**18,119**	32,582
61 to 90 days	**19,568**	28,757
Over 90 days	**167,525**	124,270
Total creditors	**231,682**	213,756
Other payables and accruals	**180,115**	154,146
	411,797	367,902

12. Capital and Reserves

	Share capital $'000	Share premium $'000	Special reserves $'000	Capital reserves $'000	Land and Buildings revaluation reserves $'000	Exchange reserves $'000	Capital redemption reserves $'000	Accum-lated losses $'000	Total $'000	Minority interest $'000	Total Equity $'000
	Attributable to equity holders of the Company										
At I March 2004											
– as previously reported	97,972	86,037	336,362	97,992	21,412	(7,486)	170,873	(762,632)	40,530	12,601	53,131
– prior period adjustments in respect of: leasehold land & building held for own use	–	–	–	–	(21,412)	–	–	34,538	13,126	–	13,126
– as restated	97,972	86,037	336,362	97,992	–	(7,486)	170,873	(728,094)	53,656	12,601	66,257
Capital reorganisation	(88,175)	(86,037)	(336,362)	–	–	–	(170,873)	681,447	–	–	–
Shares issued under loan conversion	33,341	104,024	–	–	–	–	–	–	137,365	–	137,365
Share issued under open offer	8,628	26,918	–	–	–	–	–	–	35,546	–	35,546
Capital reorganisation and share issue expenses	–	(14,308)	–	–	–	–	–	–	(14,308)	–	(14,308)
Exchange difference on translation of financial statements of subsidiaries	–	–	–	–	–	1,288	–	–	1,288	1,203	2,491
Divided paid to minority shareholders	–	–	–	–	–	–	–	–	–	(3,538)	(3,538)
Profit for the year (restated)	–	–	–	–	–	–	–	35,813	35,813	7,382	43,195
Balance at 28 February 2005 (restated)	51,766	116,634	–	97,992	–	(6,198)	–	(10,834)	249,360	17,648	267,008
At I March 2005											
– as previously reported	51,766	116,634	–	97,992	24,997	(6,198)	–	(42,740)	242,451	17,648	260,099
– prior period adjustments in respect of leasehold land & building held for own use	–	–	–	–	(24,997)	–	–	31,906	6,909	–	6,909
– as restated	51,766	116,634	–	97,992	–	(6,198)	–	(10,834)	249,360	17,648	267,008
Issuance of share option	–	–	–	1,217	–	–	–	–	1,217	–	1,217
Loss for the period	–	–	–	–	–	–	–	(60,230)	(60,230)	8,447	(51,783)
Balance at 31 August 2005	51,766	116,634	–	99,209	–	(6,198)	–	(71,064)	190,347	26,095	216,442

13. Share options

As disclosed under the heading of Share Option Scheme, during the period under review, 8,825,000 options were granted to the directors, employees and service providers of the Company and its subsidiaries pursuant to the 2003 Share Option Scheme. 20% options granted are exercisable from 22 August 2005. The next 40% options granted are exercisable from 18 months from the date of grant and the remaining 40% options granted are exercisable from 24 months from the date of grant.

The fair value of options granted, was determined by using the Binomial valuation model. The significant inputs into the model were share price of $1.71 at the grant date, exercise price of $1.76, expected volatility of the Company's share price: 60% p.a., expected life of options of 4 years, expected nil dividend, annual risk-free interest rate of 3.38% p.a., rate of leaving service of 15% p.a. and assume option holders will exercise their options when the share price is at least 180% of the exercise price. The fair value of options granted are as follows:

Exercise period	Fair value per option	No. of vested options granted
22 August 2005 – 25 July 2009	$0.56	1,765,000
22 January 2007 – 25 July 2009	$0.69	3,530,000
25 July 2007 – 25 July 2009	$0.73	3,530,000

Given the above assumptions and the inherent limitations of the Binomial valuation model, shareholders and other investors are hereby warned of the subjectivity and uncertainty of the aforementioned values of the options.

14. Pledge of assets

The Group's secured bank loans and secured other loans are secured by (a) all of the undertakings, properties and assets of the Company and 17 of its subsidiaries by way of fixed and floating charges and rental revenue of the Group; (b) the capital contribution to a subsidiary of the Group amounting to US$235,000 and all the benefits accruing to the pledged equity interest of 11.625% and (c) all rights, titles and interests in 56.46% of the entire share capital of two subsidiaries of the Group and all benefits accruing to the pledged equity interest.

15. Connected and material related party transactions

(a) During the period, four subsidiaries of the Company, Tse Sui Luen Jewellery Trading & Distribution Co Ltd ("TSL Trading"), Beijing Tse Sui Luen Jewellery Co Ltd ("BTSL"), Guangzhou Xiang Yun Jewellery company Limited ("GZ Xiang Yun") and Excellent Ford Development Ltd ("EF") sold and consigned finished goods to Hua Long amounting to $3,114,118 (2004: $86,384,000) and Rui Feng amounting to $684,183 (2004: $17,912,000). The transactions were carried out by way of cost-plus pricing arrangement in the normal course of business of the subsidiaries.

Hua Long and Rui Feng were licensees of Tse Sui Luen Jewellery (China) Limited and distributed the consigned finished goods to shops outlets operating under the trade names of "Tse Sui Luen" in Mainland China. There was no monetary consideration paid by the licensees in respect of using the trademark licenses.

During the period, TSL Trading received commission, depending on the nature of the products, amounting to $372,000 (2004: $6,826,000) and $82,000 (2004: $1,225,000) from Hua Long and Rui Feng for their respective confirmed purchase from BSTL.

No consultancy fees were charged to Hua Long and Rui Feng since 1 May 2004 (Hua Long 2004: $226,000 Rui Feng 2004: $30,000).

15. Connected and material related party transactions *(Continued)*

During the period, Tse Sui Luen Jewellery Consultancy Service Limited ("TSLJCS") and BTSL paid Hua Long consultation fee amounting to $325,581 (2004: $279,000) for Hua Long's advice of public relation matters to TSLJCS and BTSL.

Hua Long, Rui Feng and are companies controlled by Mr. Qi Jian Hong ("Mr. Qi") who is a substantial shareholder and a director of the two subsidiaries of the Company, Infinite Assets Corp. ("IAC") and Tse Sui Luen Investment (China) Limited ("TSL China"), and is also a director of a subsidiary of TSL China, BSTSL. The licensing, sales, consignment commission and consultancy service arrangements therefore constituted connected transactions under the Listing Rules.

(b) On 2 April 2004, Partner Logistics Limited ("Partner Logistics") acquired rights, title and interests in the indebtedness due to certain of the bank lenders by the Group amounting to $14,000,000. Partner Logistics is a Company controlled by Mr. Tse Tat Fung, Tommy, the substantial shareholder and a director of the Company.

During the period, the outstanding loans due to Partner Logistics amounted to $72,367,000 (at 28 February 2005: $72,367,000) are secured and interest bearing at Hong Kong Interbank Offering Rate plus 2%. Interest paid to Partner Logistics amounted to $1,733,462 (2004: $2,280,000).

(c) During the period, Tse Sui Luen Jewellery Company Limited ("TSLJ"), a subsidiary of the Company, purchased raw materials and finished goods from Rosy Blue Hong Kong Ltd. ("Rosy Blue HK") amounting to $75 million (2004: $69 million). The amount due to Rosy Blue HK was $95 million (at 28 February 2005: $67 million).

EF sold raw material to BTSL through Rosy Blue (Shanghai) Diamond Co. Ltd. ("Rosy Blue SH"), an authorized diamond trading company in the PRC, amounting to $14.7 million (2004: $29.5 million). As at 31 August 2005, the amount due from Rosy Blue SH was nil (at 28 February 2005: $5 million).

Rosy Blue HK and Rosy Blue SH are fellow subsidiaries of Prime Investments S.A., a preference shareholder of Partner Logistics. In the opinion of the directors of the Company, the transactions were carried out on normal commercial terms and in the ordinary course of business.

(d) TSLJ has entered into a Consultancy Agreement on 11 April 2005 with Mr. Tse Sui Luen ("Mr. Tse") for the provision of consultancy service. Mr. Tse is the father of Mr. Tse Tat Fung, Tommy, the substantial shareholder and a director of the Company. During the period, consultancy fee of $1,015,000 was paid to Mr. Tse.

(e) The Group paid key management personnel compensation as follows:

	Six months ended 31 August	
	2005	2004
	$'000	$'000
Salaries and other short-term employee benefit	**5,827**	5,315
Retirement scheme contributions	**19**	24
Equity-settled share-based payment expenses	**607**	–
	6,453	5,339

16. Contingent liabilities

As explained in note 6(b), tax treatments adopted by the Group relating to certain offshore income and agents commission payments and promoter fees arising in prior years are being challenged by the IRD. The outcome of such challenges by the IRD is undetermined as at 31 August 2005. The group has established a provision of $90 million in respect of such disputes. In the event that the Group is not successful in defending these challenges, the Group may be subject to additional tax liabilities as well as possible penalties which may be up to three times any tax under-reported as assessed by IRD. The directors consider that it is impractical to estimate the potential amount of additional tax liabilities arising if the claims of the relevant subsidiaries fail.

Save as mentioned above, as at 31 August 2005, the Group did not have any other material contingent liabilities.

17. Commitments

(a) Capital commitments outstanding at 31 August 2005 not provided for in the interim financial report were as follows:

	The Group	
	At 31 August 2005 $000	At 28 February 2005 $000
Contracted for	**3,151**	1,267

(b) At 31 August 2005, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	The Group	
	At 31 August 2005 $000	At 28 February 2005 $000
Within 1 year	**60,920**	46,164
After 1 year but within 5 years	**70,401**	45,147
After 5 years	**234**	701
	131,555	92,012

18. Review of unaudited interim financial report

The unaudited interim financial report for the six months ended 31 August 2005 has been reviewed by the audit committee of the Company.

19. Comparative figures

Certain comparative figures have been reclassified as a result of the adoption of new HKFRSs.

20. Approval of interim financial report

The interim financial report was approved by the board on 23 November 2005.

INTERIM DIVIDEND

The board resolved not to pay an interim dividend for ordinary shares of the Company for the six months ended 31 August 2005 (2004: Nil).

BUSINESS REVIEW AND PROSPECTS

During the period under review, the Group experienced a small decrease in its overall sales as compared to the same period last year with consolidated turnover for the six months ended 31 August 2005 decreasing by 2.4% to $560.1 million (2004: $573.8 million).

The decrease in sales during the period mainly reflects a slowdown in the retail jewellery market in Hong Kong as compared to the same period last year. This slowdown is mainly attributable to lower spending by tourists from Mainland China ("the Mainland") which trend appears to be more specific to the retail jewellery sector in Hong Kong than to the overall retail market in general.

As a result of (i) decreased sales in Hong Kong (ii) increased rents and staff costs in Hong Kong (iii) continuing heavy reinvestment made by the Group into its infrastructure during the period and (iv) the issuance of further protective assessments by IRD in respect to two disputed prior year tax cases that are in the process of investigation by the IRD, the Group reported an overall loss attributable to equity holders of the Company for the period of $60 million (2004: Profit $13 million after adjusting for changes in accounting policies). Of this loss, $51 million relates to provisions that have been made by the Group in respect to the assessments issued by IRD during the period relating to prior years.

Retail Operations in Hong Kong, Mainland and Overseas

During the period under review, the Group opened three new stores in Hong Kong comprising (i) two new stores in Mongkok which were opened in April 2005 and July 2005 and (ii) a new flagship store in Tsim Sha Tsui which was opened in late July 2005. This new flagship store launches the next generation of the Group's store image which will be applied to future store opened by the Group both in Hong Kong and the Mainland. As these stores were opened towards the end of the period under review, they have had minimal impact on the results for the period, however, these new stores and image has been very well received by our customers.

Overall, the retail environment in Hong Kong remains very competitive and challenging as (i) the competition for customers continues to increase amongst the various major jewellery brands in Hong Kong given the current lack of growth occurring in the overall market (ii) the demands for rent and staff salary increases continues which, as yet, have not been matched by a corresponding increase in sales (iii) the absence of any real "Disney effect" on the retail market to date and (iv) rising uncertainty due to the possibility of an avian flu outbreak in the region.

BUSINESS REVIEW AND PROSPECTS *(Continued)*

Retail Operations in Hong Kong, Mainland and Overseas *(Continued)*

We believe our commitment to provide quality services and products to our customers can lead us through this less favourable retail environment. Our efforts in these areas are also well recognized by the market and the industry. During the period, our Hong Kong retail operation has recently, once again, won the award of Service Industry Leader and the award of the Service Category Leader – Watch & Jewellery Category under the Mystery Shoppers Programme run by Hong Kong Retail Management Association. Our colleagues, Mr. John Lam and Mr. Alvin Liu won the 2005 Service & Courtesy Award Programme – Specialty Stores Category in the Supervisory Level and the Junior Frontline Level respectively. On the products front, our designers won awards in different product categories (including diamond ring, diamond pendant, bracelet, earrings and brooch) in the 7th Buyers' Favourite Jewellery Design Competition run by Hong Kong Jewellery Manufacturers' Association and the Tahitian Pearl Trophy Asia 2005. All these awards signify our culture and ability throughout the Group to provide consistent quality services and products for our customers to their satisfaction.

The Group also opened 11 new stores in the Mainland. Sales from our business in the Mainland have remained steady with growth being achieved from the new store openings. About 80% of the mainland outlets have now been upgraded to the new brand image and we expect the balance to be completed this year. The outlook for the Mainland remains positive for the rest of this financial year.

The Group's Showroom business continues to trade well with a pleasing increase in the overall number of non-Mainland tourists visiting its showrooms during the period which has helped to offset a reduction in the overall spending by Mainland tourists during the period. The Group expects that this trend will continue for the rest of this financial year.

Our Malaysian business remains stable in the period under review. The Group's export business has continued to grow steadily and become one of the major sources of growth of the Group during the period under review.

Infrastructure investment

The Group is now well advanced with its project to update its overall IT infrastructure ranging from its office to manufacturing to retail operations which it expects to be completed next year. We believe that this project, after completion, will result in cost savings and better information for serving our customers and improving profitability.

Also, during the period under review, the Group continued to heavily invest in the upgrade of its manufacturing capabilities, its store network and image, its stock and merchandise and embarked on a new promotional campaign in April 2005 aimed at strengthening its brand in the Greater China region. This investment by the Group in its underlying infrastructure and future capabilities has lead to a temporary increase in its operational costs which will continue to be a drag on its profits until these various projects are all completed over the next 12 to 18 months.

BUSINESS REVIEW AND PROSPECTS *(Continued)*

Finance

The Group has adopted certain new and revised Hong Kong Financial Reporting Standards ("HKFRS") in the current period. The impact of these HKFRS's on the financial statements has been fully set out in note 2 to these accounts.

Capital expenditure for store renovation and expansion, information technology investment and machinery made during the period was approximately $21.1 million. This was mainly financed from internal resources.

Liquidity, Capital Structure and Gearing

At 31 August 2005, the Group's total borrowings were $84.1 million having been reduced from $94.5 million at 28 February 2005 following repayments made during the period. However, our gearing ratio (net borrowings/equity attributable to equity holders of the company) has increased from 5.1% to 20.3% mainly because of the decrease in net assets value resulting from the loss incurred during the period.

As at 31 August 2005, the Group had cash balance of $45.4 million which is sufficient for the present working capital requirements.

Exchange Rates

During the period under review, the transactions of the Group were mainly denominated in local currencies, Renminbi and US dollars. The impact of the fluctuation of foreign exchange rates of these currencies is insignificant to the Group.

Contingent Liabilities

During the period under review, tax treatments adopted by the Group relating to certain offshore income and agents commission payments and promoter fees arising in prior years are being challenged by the IRD. In the event that the Group is not successful in defending these challenges, the Group may be subject to additional tax liabilities and possible penalties.

Save as mentioned above, as at 31 August 2005, the Group did not have any other material contingent liabilities.

Employees

As at 31 August 2005, the total number of employees of the Group was approximately 2,440. The increase in headcount was mainly in sales and marketing in Hong Kong and in a factory and sales team in Mainland China to cope with the increasing sale and production requirements.

Subject to the foregoing, during the period under review, human resources policies, capital structure, financial policies, plans for capital expenditure, contingent liabilities and charges on Group assets do not materially differ from the information disclosed in the last annual report.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

At as 31 August 2005, the interests and short positions of the directors and chief executive and/or their respective associates of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required to be entered in the register maintained by the Company pursuant to section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code"), were as follows:

(i) Interests and short positions in issued shares of the Company

	Ordinary shares of HK$0.25 each						
Name of director	**Personal interest**	**Family interest**	**Corporate interest**	**Derivative interest (share option)**	**Short position**	**Other interest**	**% of total issued shares**
Tse Tat Fung, Tommy	–	–	152,960,914 *(note 1)*	2,000,000 100,000 *(note 2)*	–	–	73.87%
Peter Gerardus Van Weerdenburg	2,252,000	–	–	2,000,000	–	–	1.09%
Alex Chan	–	–	–	200,000	–	–	–
Erwin Steve Huang	–	–	–	100,000	–	–	–

Notes:

1. These ordinary shares were held by Partner Logistics Limited, a company which is owned and controlled by Blink Technology Limited. Blink Technology Limited in turn is wholly and beneficially owned by Mr. Tse Tat Fung, Tommy. By virtue of the SFO, Mr. Tse Tat Fung, Tommy is deemed to be interested in all the shares held by Partner Logistics Limited.

2. These 100,000 share options were granted to Ms. Yau On Yee, Annie, the spouse of Mr. Tse Tat Fung, Tommy. By vitue of the SFO, Mr. Tse Tat Fung is deemed to be interested in these share options.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY *(Continued)*

(ii) Interests in underlying shares

As at 31 August 2005, directors of the Company had interests in option to subscribe for shares of the Company as follows:

Name of director	Date of grant	Date of acceptance	Exercise price	Exercisable period	Number of share options held as at 1 March 2005	Number of share options held as at 31 August 2005
Tse Tat Fung, Tommy	25 July 2005	28 July 2005	HK$1.76 *(note 1)*	22 August 2005 to 25 July 2009 *(note 2)*	–	2,000,000
Peter Gerardus Van Weerdenburg	25 July 2005	28 July 2005	HK$1.76 *(note 1)*	22 August 2005 to 25 July 2009 *(note 2)*	–	2,000,000
Alex Chan	25 July 2005	1 August 2005	HK$1.76 *(note 1)*	22 August 2005 to 25 July 2009 *(note 2)*	–	200,000
Erwin Steve Huang	25 July 2005	1 August 2005	HK$1.76 *(note 1)*	22 August 2005 to 25 July 2009 *(note 2)*	–	100,000

Notes:

1. The closing price of the Company's shares traded on the Hong Kong Stock Exchange on 25 July 2005 was HK$1.71, being the date on which the relevant options were offered for grant.

2. For one of the conditions of grant, the grantee concerned agreed with the Company that (i) 20% of the options granted can be exercised during the period from 22 August 2005 to 25 July 2009; (ii) the next 40% of the options granted can be exercised during the period from 25 January 2007 to 25 July 2009; and (iii) the remaining 40% of the options granted can be exercised during the period from 25 July 2007 to 25 July 2009.

Other than as disclosed above and certain nominee shares in subsidiaries held by directors in trust for the Company or its subsidiaries, none of the Company's directors, chief executive and their respective associates, had any other interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required notification to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any such director or chief executive is taken or deemed to have taken under such provisions of the SFO); or which were required pursuant to section 352 of the SFO to be entered into the register maintained by the Company; or which were required, pursuant to the Model Code contained in the Listing Rules, to be notified to the Company or the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSON'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 August 2005, the interests and short positions of any substantial shareholders (not being directors or chief executive of the Company) in the shares or underlying shares of the Company which have been disclosed to the Company pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO and have been recorded in the register required to be kept by the Company pursuant to section 336 of the SFO were as follows:

		Ordinary shares of HK$0.25 each					
Name	**Capacity**	**Direct interest**	**% of total issued share capital**	**Short position**	**% of total issued share capital**	**Other interest**	**% of total issued share capital**
Partner Logistics Limited *(note 1)*	Beneficial owner	152,960,914	73.87%	–	–	–	–
Blink Technology Limited *(note 1)*	Deemed interest	–	–	–	–	152,960,914	73.87%
Yau On Yee, Annie *(note 1)*	Deemed interest	–	–	–	–	152,960,914	73.87%
Prime Investments S.A. *(note 2)*	Deemed interest	–	–	–	–	152,960,914	73.87%
Rosy Blue Investments S.à.R.L. *(note 2)*	Deemed interest	–	–	–	–	152,960,914	73.87%
Harshad Ramniklal Mehta *(note 2)*	Deemed interest	–	–	–	–	152,960,914	73.87%

Notes:

1. These ordinary shares were held by Partner Logistics Limited, a company which is owned and controlled by Blink Technology Limited. Blink Technology Limited is wholly and beneficially owned by Mr. Tse Tat Fung, Tommy. Ms. Yau On Yee is the spouse of Mr. Tse Tat Fung, Tommy. By virtue of the SFO, Blink Technology Limited, Mr. Tse Tat Fung, Tommy and Ms. Yau On Yee, Annie are deemed to be interested in all the shares held by Partner Logistics Limited.

2. These ordinary shares were held by Partner Logistics Limited, a company which is owned and controlled by Blink Technology Limited. Prime Investments S.A. is the preference shareholder of Partner Logistics Limited. Prime Investments S.A. is owned as to 99.83% by Rosy Blue Investments S.à.R.L., which in turn is owned as to 75% by Mr. Harshad Ramniklal Mehta. By virtue of the SFO, each of Prime Investments S.A., Rosy Blue Investments S.à.R.L. and Mr. Harshad Ramniklal Mehta, is deemed to be interested in all the shares held by Partner Logistics Limited.

Other than as disclosed above, the Company had not been notified of any persons who had interests or short positions in the shares and/or underlying shares of the Company, which were required to be recorded in the register required to be kept by the Company pursuant to section 336 of Part XV of the SFO.

SHARE OPTION SCHEME

The share option scheme adopted by the Company on 20 August 1993 ("1993 Share Option Scheme") expired and the 2003 Share Option Scheme was adopted by the shareholders of the Company on 26 November 2003.

Under the 2003 Share Option Scheme, the Directors are authorized, at their discretion, at any time following the date of the adoption of the 2003 Share Option Scheme but before the tenth anniversary of that date, offer options to any full time or part time employees and directors (including executive directors and independent non-executive directors) of, any suppliers, customers, persons that provide research, development or technological support or other services and shareholder or member of holder of any securities issued by any member of any securities, the Company, any of its subsidiaries or any entity in which the Group holds any equity interest, to subscribe for the shares of the Company subject to the terms and conditions stipulated therein at an exercisable price at the highest of the nominal value of the shares, the closing price of the shares of the Company on the Stock Exchange on the date of offer of the grant and the average closing price of the shares on the Stock Exchange for the five business days immediately preceding the date of offer of the grant. An offer of an option shall be deemed to have been accepted within 28 days from the date of offer upon acceptance of the option duly signed by the grantee together with a remittance of HK$1. The maximum number of securities available for issue under the 2003 Share Option Scheme shall not exceed 10% of the issued share capital of the Company. The maximum entitlement of each grantee in any 12-month period is limited to 1% of the ordinary shares in issue of the Company.

As at 31 August 2005, the number of shares issuable under options granted pursuant to the 2003 Share Option Scheme was 8,825,000 which represented approximately 4.26% of the then issued share capital of the Company. The movements in the number of share options under the 2003 Share Option Scheme during the six months ended 31 August 2005 were as follows:

Date of grant	Date of acceptance	Exercise price	Exercisable period	Balance in issue at 1 March 2005	Number of share options granted during the period	Number of share options exercised during the period	Number of share options lapsed during the period	Balance in issue at 31 August 2005
25 July 2005	26 July 2005 to 19 August 2005 *(note 1)*	HK$1.76 *(note 2)*	22 August 2005 to 25 July 2009 *(note 4)*	–	8,787,500	–	–	8,787,500
28 July 2005	8 August 2005	HK$1.73 *(note 3)*	22 August 2005 to 25 July 2009 *(note 4)*	–	37,500	–	–	37,500

SHARE OPTION SCHEME *(Continued)*

Notes:

1. Due to the large number of employees participating in the 2003 Share Option Scheme, the relevant information can only be shown within a reasonable range in this Interim Report. For options granted to employees, the options were granted during the underlying periods for acceptance of such options by the employees concerned.

2. The closing price of the Company's shares traded on the Hong Kong Stock Exchange on 25 July 2005 was HK$1.71, being the date on which the relevant options were offered for grant.

3. The closing price of the Company's shares traded on the Hong Kong Stock Exchange on 28 July 2005 was HK$1.68, being the date on which the relevant options were offered for grant.

4. For one of the conditions of grant, the grantee concerned agreed with the Company that (i) 20% of the options granted can be exercised during the period from 22 August 2005 to 25 July 2009; (ii) the next 40% of the options granted can be exercised during the period from 25 January 2007 to 25 July 2009; and (iii) the remaining 40% of the options granted can be exercised during the period from 25 July 2007 to 25 July 2009.

No share options have been exercised during the six months ended 31 August 2005.

The fair value of options granted estimated in accordance with the Binomial valuation model is disclosed in note 13 to the unaudited interim financial report.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company during the six months ended 31 August 2005.

CORPORATE GOVERNANCE

Compliance with of the Code on Corporate Governance Practices of the Listing Rules

The Company is committed to the establishment of good corporate governance practices and procedures. The Company has applied the principles and compiled with all code provisions and, where applicable, the recommended best practices of the Code on Corporate Governance Practices ("CG Code") as set out in Appendix 14 of the Rule Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the six months ended 31 August 2005, except the following deviations from code provisions A.4.1 and A.4.2 of the CG Code:

1. Mr. Chui Chi Yun, Robert, Independent Non-executive Director of the Company, was not appointed for a specific term but he is subject to retirement in accordance with the Company's Bye-laws.

2. In accordance with the Company's Bye-laws, one-third of the directors for the time being (or, if their number is not a multiple of three, the number nearest to but not greater than one-third) shall retire from office by rotation at each annual general meeting of the Company, but the directors were not required to retire by rotation at least once every three years. In addition, according to the Company's Bye-laws, any directors appointed to fill a casual vacancy shall hold office only the next following annual general meeting and shall then be eligible for re-election at that meeting.

The Board will ensure the retirement of each director by rotation at least once every three years in order to comply with the code provisions of the CG Code and relevant provisions of the Company's Bye-laws will be reviewed and amendment will be proposed in order that all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment.

CORPORATE GOVERNANCE *(Continued)*

The Board of Directors

The Board of Directors of the Company (the "Board") is collectively responsible for the management of the business and affairs of the Group with the objective of enhancing shareholders value. The Board comprises a total of seven Directors, with four Executive Directors and three Independent Non-executive Directors ("INED"). More than one-third of the Board is INEDs and more than one of them have appropriate professional qualifications, or accounting or related financial management expertise as required by the Listing Rules.

The position of the Chairman of the Board and the Chief Executive Officer are held by separate individuals with a view to maintaining an effective segregation of duties respecting management of the Board and the day-to-day management of the Group's business.

Audit Committee

The Audit Committee, with terms of reference in compliance with the provisions set out in the CG Code, comprises three members who are all Independent Non-executive Directors of the Company. The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed the internal control and financial reporting matters including a review of the unaudited consolidated interim results for the six months ended 31 August 2005.

Remuneration Committee

The Remuneration Committee, with terms of reference in compliance with the provisions set out in the CG Code, comprises four members, a majority of whom are Independent Non-executive Directors of the Company. The principal responsibilities of the Remuneration Committee include making recommendations to the Board on the Company's policy and structure in relation to the remuneration of Directors and senior management by reference to corporate goals and objectives resolved by the Board from time to time.

Model Code on Securities Transactions by Directors

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions. Enquiry has been made with all Directors and the Directors have confirmed compliance with the required standard set out in the Model Code during the six months ended 31 August 2005.

By Order of the Board
Tse Tat Fung, Tommy
Chairman

Hong Kong, 23 November 2005