

NATIONAL ELECTRONICS HOLDINGS LIMITED
(INCORPORATED IN BERMUDA WITH LIMITED LIABILITY)

LAT: 29°36.551'N
LON: 17°52.270'E

LAT: 18°56.551'N
LON: 45°25.272'E

LAT: 4°19.025'S
LON: 15°18.935'E

LAT: 2°15.251'S
LON: 73°50.478'E

LAT: 33°56.356'S
LON: 48°32.273'E

LAT: 31°52.473'S
LON: 85°12.386'E

LAT: 39°55.016'N
LON: 118°20.128'E

LAT: 22°16.551'N
LON: 104°10.278'E

LAT: 35°37.174'N
LON: 134°22.281'E

LAT: 9°52.473'S
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INTERIM REPORT 2005

2005 INTERIM REPORT

The Board of Directors of National Electronics Holdings Limited (the “Company”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30th September, 2005 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30th September 2005

		Six months ended 30th September	
		2005	2004
		(unaudited)	(unaudited)
	Notes	HK\$'000	HK\$'000
Turnover	2	544,028	518,992
Cost of sales		(486,946)	(462,981)
Gross profit		57,082	56,011
Other revenue (expense)		4,980	(1,358)
Distribution costs		(3,257)	(3,601)
Administrative expenses		(28,207)	(26,795)
Release of negative goodwill arising on acquisition of jointly controlled entities		623	–
Profit from operations	3	31,221	24,257
Finance costs	4	(5,219)	(4,628)
Share of result of an associate		–	1,319
Share of results of jointly controlled entities		–	(15)
Profit before taxation		26,002	20,933
Taxation	5	(1,765)	(900)
Net profit for the period	2	24,237	20,033
Earnings per share	6	2.23 cents	1.80 cents

CONDENSED CONSOLIDATED BALANCE SHEET

At 30th September 2005

	Notes	30/9/05 (unaudited) HK\$ '000	31/3/05 (audited) HK\$ '000
NON-CURRENT ASSETS			
Investment properties		150,000	150,000
Property, plant and equipment		103,234	100,814
Properties under development		553,672	450,963
Deposits held in trust for sale of property under development		53,012	33,978
Interest in an associate		36	1,317
Interests in jointly controlled entities		–	440
Other non-current assets		18,262	18,262
		<u>878,216</u>	<u>755,774</u>
CURRENT ASSETS			
Inventories		165,502	158,691
Investments held for trading		8,461	8,019
Inventory of unsold properties		121,866	119,419
Bills receivable		14,699	6,000
Trade receivables, deposits and prepayments	7	146,756	103,990
Tax recoverable		56	39
Pledged deposits		12,480	–
Bank balances and cash		57,754	28,941
		<u>527,574</u>	<u>425,099</u>
CURRENT LIABILITIES			
Trade payables and accrued expenses	8	191,553	157,994
Tax payable		3,581	2,074
Obligations under finance leases		4,319	2,115
Bank borrowings	9	213,443	187,324
Amount due to an associate		297	1,577
		<u>413,193</u>	<u>351,084</u>
NET CURRENT ASSETS		<u>114,381</u>	<u>74,015</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>992,597</u>	<u>829,789</u>
CAPITAL AND RESERVES			
Share capital	10	108,092	109,790
Reserves		279,678	264,620
		<u>387,770</u>	<u>374,410</u>
NON-CURRENT LIABILITIES			
Provision for long service payment		4,132	4,132
Obligations under finance leases		2,935	2,124
Bank borrowings	9	503,116	382,647
Deposits received from sale of properties under development		93,607	65,439
Deferred tax liabilities		1,037	1,037
		<u>604,827</u>	<u>455,379</u>
		<u>992,597</u>	<u>829,789</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th September 2005

	Six months ended 30th September 2005 (unaudited) HK\$'000	2004 (unaudited) HK\$'000
Total equity at the beginning of the period	374,410	332,629
Repurchase of shares	(4,114)	(5,427)
Exchange loss arising on translation of overseas operations not recognized in the income statement	(1,335)	(983)
Dividend paid	(5,428)	(5,524)
Net profit for the period	24,237	20,033
Total equity at the end of period	<u>387,770</u>	<u>340,728</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30th September 2005

	Six months ended 30th September	
	2005	2004
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
OPERATING ACTIVITIES		
Cash generated from operations	18,819	61,383
Income taxes paid	(275)	–
	<hr/>	<hr/>
NET CASH GENERATED FROM OPERATING ACTIVITIES	18,544	61,383
	<hr/>	<hr/>
INVESTING ACTIVITIES		
Additions to other non-current assets	–	(317)
Additions to properties under development	(96,057)	(34,025)
Dividends paid	(5,428)	(5,524)
Purchase of property, plant and equipment	(9,625)	(8,124)
Increase in pledged deposit	(12,480)	(21,131)
Interest received	241	182
	<hr/>	<hr/>
NET CASH USED IN INVESTING ACTIVITIES	(123,349)	(68,939)
	<hr/>	<hr/>
FINANCING ACTIVITIES		
New bank borrowings	146,588	42,141
New obligations under finance leases	3,015	6,394
Repurchases of own shares	(4,114)	(5,427)
Interest paid	(11,871)	(7,359)
	<hr/>	<hr/>
NET CASH FROM FINANCING ACTIVITIES	133,618	35,749
	<hr/>	<hr/>
NET INCREASE IN CASH AND CASH EQUIVALENTS	28,813	28,193
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	28,941	30,636
	<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	57,754	58,829
	<hr/> <hr/>	<hr/> <hr/>
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	57,754	59,592
Bank overdraft	–	(763)
	<hr/>	<hr/>
	57,754	58,829
	<hr/> <hr/>	<hr/> <hr/>

Notes:

(1) Principal Accounting Policies and Basis of Preparation

Basis of preparation and accounting policies

The Directors are responsible for the preparation of the Group's unaudited interim financials. The unaudited interim financials have been prepared in accordance with the new Hong Kong Financial Reporting Standards ("HKFRS"), which also include the Hong Kong Accounting Standards ("HKAS") and Interpretations, issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), and accounting principles generally accepted in Hong Kong.

The HKICPA has issued a number of new or revised HKAS and HKFRS (herein collectively referred to as "new HKFRSs") which are generally effective for accounting periods beginning on or after 1st January, 2005. The principal accounting policies adopted in preparing these financial statements are consistent with those adopted in the Group's annual audited consolidated financial statements for the year ended 31st March, 2005 except for those mentioned below.

Business Combinations

In the current period, the Group has applied HKFRS 3 "Business Combinations" which is effective for business combinations for which agreement date is on or after 1st April, 2005. The principal effects of the application of HKFRS 3 to the Group are summarised below:

In previous periods, the existing negative goodwill arising from acquisitions prior to 1st April, 2001 was recognised in other capital reserves, the Group has applied the relevant transitional provisions in HKFRS 3 to the existing negative goodwill which will be derecognised by way of an adjustment to the retained earnings at 1st April, 2005. Negative goodwill arising from acquisitions after 1st April, 2005 was recognised directly in the profit and loss account in the period in which they arise. Following the adoption of this accounting policy, the Group's profit for the six months ended 30th September, 2005 has been increased by HK\$623,000 as release of negative goodwill is credited to the profit and loss account in the current period. The Group's retained earnings as at 1st April, 2005 has been increased by HK\$2,256,230 while the Group's other capital reserves as at 1st April, 2005 has been decreased by HK\$2,256,230.

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 on or after 1st January, 2005, generally not permits to recognise, derecognise or measure financial assets and liabilities on a retrospective basis. The principal effects resulting from the implementation of HKAS 32 and HKAS 39 are summarised below:

Financial assets and financial liabilities other than debt and equity securities

From 1st April, 2005 onwards, the Group classifies and measures its financial assets and financial liabilities other than debt and equity securities (which were previously outside the scope of Statement of Standard Accounting Practice 24) in accordance with the requirements of HKAS 39. HKAS 39 classifies financial assets as "financial assets at fair value through

profit or loss” including trading securities, “available-for-sale financial assets” including non-trading investments, “loans and receivables”, or “held-to-maturity financial assets”. Financial liabilities are generally classified as “Financial liabilities at fair value through profit or loss” or “Other financial liabilities carried at amortised cost using the effective interest method”.

The change has resulted in reclassification of certain financial assets and liabilities and has no significant impact on the Group’s results and equity.

Derivatives and hedging

From 1st April, 2005 onwards, all derivatives that are within the scope of HKAS 39 are required to be carried at fair value at each balance sheet date regardless of whether they are deemed as held-for-trading or designated as effective hedging instruments. Under HKAS 39, derivatives are deemed as held-for-trading financial assets or financial liabilities, unless they are qualified and are designated as effective hedging instruments. The corresponding adjustments on changes in fair values would depend on whether the derivatives are designated as effective hedging instruments, and if so, the nature of the item being hedged. For derivatives that are deemed as held-for-trading, changes in fair values of such derivatives are recognised in profit and loss for the period in which they arise.

The Group has applied the relevant transitional provisions of HKAS 39 and adopted hedge accounting in accordance with HKAS 39 with effect from 1st April, 2005 onwards. The change has no significant impact in the Group’s results and equity.

Investment properties

In the current period, the Group has, for the first time, applied HKAS 40 “Investment Property”. The Group has elected to use the fair value model to account for its investment properties which requires gains or losses arising from changes in the fair value of investment properties to be recognised directly in the profit or loss for the period in which they arise. In previous periods, investment properties under the SSAP 13 were measured at open market values, with revaluation surplus or deficits credited or charged to investment property revaluation reserve unless the balance on this reserve was insufficient to cover a revaluation decrease, in which case the excess of the revaluation decrease over the balance on the investment property revaluation reserve was charged to the income statement. Where a decrease had previously been charged to the income statement and revaluation subsequently arose, that increase was credited to the income statement to the extent of the decrease previously charged.

The Group has applied the relevant transitional provisions in HKAS 40 and elected to apply HKAS 40 from 1st April, 2005 onwards. The change in accounting policy has no material impact on the Group’s retained earnings as at 1st April, 2005 as the amount held in investment property revaluation reserve was nil as at 31st March, 2005. The change has no material impact on the Group’s results for the period ended 30th September, 2004 as no revaluation of the Group’s investment properties was made as at 30th September, 2004.

As at 30th September, 2005, the Group’s investment properties were revalued at HK\$150 million (31st March, 2005: HK\$150 million) by DTZ Debenham Tie Leung Limited, International Property Advisers, on an open market existing use basis. This revaluation did not change the income statement during the current period.

Deferred taxes related to investment properties

In previous periods, deferred tax consequences in respect of revalued investment properties were assessed on the basis of the tax consequence that would follow from recovery of the carrying amount of the properties through sale in accordance with the predecessor interpretation (SSAP-Interpretation 20). In the current period, the Group has applied HKAS Interpretation 21 (“INT-21”) “Income Taxes – Recovery of Revalued Non-Depreciable Assets” which requires deferred taxation to be recognised on any revaluation changes on investment properties on the basis that the recovery of the carrying amount of the investment properties would be calculated at the applicable profits tax rate and charged to the profit and loss account. This new accounting policy has been applied retrospectively. As the amount of investment property revaluation reserve was nil as at 1st April, 2005, and no revaluation of the Group’s investment properties was made as at 30th September, 2004, this change has no material impact on the shareholders’ equity as at 1st April, 2005 and the Group’s results for the period ended 30th September, 2004.

(2) Segmental Information

The following is an analysis of the Group’s revenue and operating profit by principal activity and geographical market for the six months ended 30th September, 2005 and 2004:

Business Segment Information

2005

	Manufacture, assembly and sale of electronic watches <i>HK\$ '000</i>	Trading of watch movements and watch parts <i>HK\$ '000</i>	Property development and investment <i>HK\$ '000</i>	Eliminations <i>HK\$ '000</i>	Consolidated <i>HK\$ '000</i>
TURNOVER					
External sales	236,931	304,034	3,063	–	544,028
Inter-segment sales	–	7,740	–	(7,740)	–
Total revenue	<u>236,931</u>	<u>311,774</u>	<u>3,063</u>	<u>(7,740)</u>	<u>544,028</u>
SEGMENT RESULT	<u>26,685</u>	<u>2,912</u>	<u>1,870</u>		31,467
Interest income					241
Unallocated corporate expenses					(487)
Profit from operations					31,221
Finance costs					(5,219)
Share of result of an associate			–		–
Share of results of jointly controlled entities			–		–
Profit before taxation					26,002
Taxation					(1,765)
Net profit for the period					<u>24,237</u>

2004

	Manufacture, assembly and sale of electronic watches <i>HK\$ '000</i>	Trading of watch movements and watch parts <i>HK\$ '000</i>	Property development and investment <i>HK\$ '000</i>	Eliminations <i>HK\$ '000</i>	Consolidated <i>HK\$ '000</i>
TURNOVER					
External sales	166,121	349,887	2,984	–	518,992
Inter-segment sales	–	2,324	–	(2,324)	–
Total revenue	<u>166,121</u>	<u>352,211</u>	<u>2,984</u>	<u>(2,324)</u>	<u>518,992</u>
SEGMENT RESULT	<u>18,589</u>	<u>5,550</u>	<u>484</u>		24,623
Interest income					182
Unallocated corporate expenses					(548)
Profit from operations					24,257
Finance costs					(4,628)
Share of result of an associate			1,319		1,319
Share of results of jointly controlled entities			<u>(15)</u>		<u>(15)</u>
Profit before taxation					20,933
Taxation					(900)
Net profit for the period					<u>20,033</u>

Segment Information By Geographical Market

	Turnover by geographical market		Contribution to profit from operations	
	2005 <i>HK\$ '000</i>	2004 <i>HK\$ '000</i>	2005 <i>HK\$ '000</i>	2004 <i>HK\$ '000</i>
Hong Kong	308,110	364,898	5,880	7,884
North America	126,120	69,146	12,809	6,506
Europe	107,684	84,187	12,296	9,779
Others	2,114	761	236	88
	<u>544,028</u>	<u>518,992</u>	<u>31,221</u>	<u>24,257</u>

(3) Profit from operations

	Six months ended 30th September	
	2005	2004
	<i>HK\$ '000</i>	<i>HK\$ '000</i>
Profit from operations has been arrived at after charging:		
Amortization of intangible assets	–	134
Depreciation:		
Owned fixed assets	5,403	8,927
Assets held under finance leases	926	1,204
	<u> </u>	<u> </u>

(4) Finance costs

	Six months ended 30th September	
	2005	2004
	<i>HK\$ '000</i>	<i>HK\$ '000</i>
Interest on borrowings:		
Bank borrowings	11,680	7,279
Obligations under finance leases	191	80
	<u> </u>	<u> </u>
Total borrowing costs	11,871	7,359
Less: Amount capitalized to property development projects	(6,652)	(2,731)
	<u> </u>	<u> </u>
	<u>5,219</u>	<u>4,628</u>

(5) Taxation

	Six months ended 30th September	
	2005	2004
	<i>HK\$ '000</i>	<i>HK\$ '000</i>
The Company and subsidiaries		
Hong Kong profits tax	1,762	900
Overseas tax	3	–
	<u> </u>	<u> </u>
	<u>1,765</u>	<u>900</u>

Hong Kong profits tax has been provided for at 17.5% (2004 – 17.5%) on the estimated assessable profit for the six months ended 30th September, 2005 for each of the companies comprising the Group in Hong Kong. Profits tax for the profits of foreign subsidiaries of the Group has been provided for in accordance with the relevant local laws.

(6) Earnings Per Share

Earnings per share for the six months ended 30th September, 2005 is based on the profit attributable to shareholders of HK\$24,237,000 (2004 – HK\$20,033,000) and on the weighted average number of 1,088,958,256 shares (2004 – 1,110,195,349 shares) in issue during the six months ended 30th September, 2005.

(7) Trade receivables, deposits and prepayments

	30/9/05 <i>HK\$ '000</i>	31/3/05 <i>HK\$ '000</i>
Trade receivables (net of provisions for bad and doubtful debts) with aging analysis:		
Within 30 days	56,598	32,591
31 to 90 days	37,840	31,192
91 to 180 days	20,545	3,569
Over 180 days	394	9,131
	<hr/>	<hr/>
	115,377	76,483
Deposits and prepayments	31,379	27,507
	<hr/>	<hr/>
	<u>146,756</u>	<u>103,990</u>

(8) Trade payables and Accrued Expenses

	30/9/05 <i>HK\$ '000</i>	31/3/05 <i>HK\$ '000</i>
Trade payables with aging analysis:		
Within 30 days	63,921	53,909
31 to 90 days	59,127	31,939
91 to 180 days	21,108	17,562
Over 180 days	9	1
	<hr/>	<hr/>
	144,165	103,411
Accrued expenses	47,388	54,583
	<hr/>	<hr/>
	<u>191,553</u>	<u>157,994</u>

(9) Banking Borrowings

	30/9/05 <i>HK\$'000</i>	31/3/05 <i>HK\$'000</i>
Secured bank loan	524,948	410,677
Unsecured bank loan	191,611	159,294
	<u>716,559</u>	<u>569,971</u>
Less: Amount due within one year shown under current liabilities	(213,443)	(187,324)
Amount due after one year	<u>503,116</u>	<u>382,647</u>

(10) Share Capital

	Number of shares	Share Capital <i>HK\$</i>
Ordinary shares of HK\$0.1 each		
Authorised:		
At 1st April, 2005 and 30th September, 2005	<u>1,500,000,000</u>	<u>150,000,000</u>
Issued and fully paid:		
At 1st April, 2005	1,097,903,928	109,790,393
Cancelled on repurchase of shares	(16,982,000)	(1,698,200)
At 30th September, 2005	<u>1,080,921,928</u>	<u>108,092,193</u>

(11) Contingent Liabilities and Commitments

	30/9/05 <i>HK\$'000</i>	31/3/05 <i>HK\$'000</i>
Contingent liabilities:		
Other guarantees	227	187
Capital commitments:		
Contracted for but not provided:		
Acquisition of property, plant and equipment	–	292
Property development costs	27,066	4,134
	<u>27,066</u>	<u>4,426</u>

INTERIM DIVIDEND

The Directors do not propose to declare any interim dividend during the period under review (2004 – Nil).

BUSINESS REVIEW

The Group's turnover for the six months ended 30th September 2005 was HK\$544,028,000 which was increased by 4.8% over the same period last year.

Net profit for the six months ended 30th September 2005 was HK\$24,237,000 which was increased by 21% over the same period last year.

During the period under review which experienced U.S. interest rate hikes and high oil price, both turnover of watch movement business and its profit contribution have declined. However, the Group's LCD and analogue watch business registered significant growth with turnover increased by 43% and operation profit was also up by 44% due to new products developed by our R& D department.

PROSPECTS

The Group will continue its efforts in launching innovative high end watch products as well as other electronic products.

The pre-sale of the Group's "One St. Thomas" residential project in Toronto, Canada is satisfactory and about 70 per cent of the units have been pre-sold. The project is expected to be completed in 2007.

Construction of the Group's deluxe boutique hotel in 202-206 Queen's Road Central, Hong Kong is progressing well and is expected to be completed by the end of 2006.

Piling work on the newly acquired site in 137-138 Connaught Road West will commence shortly. A boutique hotel will be erected on this site and construction is expected to be completed in 2008.

MANAGEMENT DISCUSSION AND ANALYSIS

Capital structure

As at 30th September, 2005, the shareholder's funds of the Group totalled HK\$388 million and total bank borrowings was HK\$716 million and the maturity profile of the Group's bank borrowings falling due within one year was 30% and more than one year was 70%.

Liquidity and financial resources

Total bank balance and pledged deposit were HK\$70 million.

The Group maintains a reasonable level of cash resources and stand-by credit facilities to provide adequate liquid funds to finance its business activities.

Gearing Ratio

The Group's gearing ratio at 30th September, 2005 was 1.30 which is calculated based on the Group's long-term bank borrowings of HK\$503 million and shareholders' funds of HK\$388 million. Within this long-term bank borrowings of HK\$503 million, approximately HK\$222 million was the land and construction loan advanced for the Group's One St. Thomas project in Toronto, Canada which was fully secured by executed pre-sale purchase and sale agreement. Partial deposit of HK\$94 million for the apartment units of One St. Thomas project has been received. Thus, the Group's gearing ratio based on the long-term bank borrowings of HK\$281 million (excluding HK\$222 million advanced for the Canadian project) is 0.72.

As at 31st March, 2005, the Group's gearing ratio was 1.02 which is calculated based on the Group's long-term bank borrowings of HK\$383 million and shareholders' funds of HK\$374 million. Within this long-term bank borrowings of HK\$383 million, approximately HK\$122 million was the land and construction loan advanced for the Group's One St. Thomas project in Toronto, Canada which was also fully secured by executed pre-sale purchase and sale agreement. Partial deposit of HK\$65 million for the apartment units of One St. Thomas project has been received. Thus, the Group's gearing ratio based on the long-term bank borrowings of HK\$261 million (excluding HK\$122 million advanced for the Canadian project) is 0.70.

Cashflow from Operating/Investing Activities

During the financial period under review, the Group's net cash inflow generated from operating activities of HK\$19 million (2004: HK\$61 million) and increased the net cash used in investing activities to HK\$123 million (2004: HK\$69 million)

Treasury policy

The Group adopts a prudent treasury policy. The acquisition of properties for development are financed partly by internal resources and partly by secured bank loans. Repayments of bank loans are scheduled to match asset lives and development project completion dates.

All borrowings are denominated in Hong Kong dollars, Japanese Yen, United States dollars or Canadian dollars and bear interest at floating rates. Foreign currency exposure is monitored closely by the management and hedged by forward foreign currency contracts and foreign currency borrowings to the extent desirable.

Pledge of assets

Certain properties of the Group having a carrying value of HK\$871 million as at 30th September, 2005 were pledged to secure banking facilities of the Group.

Employees and remuneration policies

The Group employs approximately 4,690 employees in Hong Kong, in other parts of the People's Republic of China ("PRC") and overseas. Remuneration is determined by reference to market terms and the qualifications and experience of the staff concerned. Salaries are reviewed annually with discretionary bonuses being paid depending on individual performance.

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30th September, 2005, the interests of the Directors, chief executive of the Company and their associates in the shares and debentures of the Company and its associated Corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("SFO"), or as otherwise required to be 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 (the "Model Code") were as follows: –

Name	Capacity	Shares of HK\$0.10 each				Percentage of the issued share capital of the Company
		Personal Interests	Corporate Interests	Other Interests	Total Interests	
JIMMY LEE YUEN CHING	Chairman	–	–	253,106,873 <i>(note a)</i>	253,106,873	23.416%
JAMES LEE YUEN KUI	Managing Director	5,940	–	252,102,979 <i>(note b)</i>	252,108,919	23.324%
PETER LEE YUEN WONG	Director	–	–	252,102,979 <i>(note b)</i>	252,102,979	23.323%
EDWARD LEE YUEN CHEOR	Director	–	–	252,102,979 <i>(note b)</i>	252,102,979	23.323%
TOMMY TAM HOK LAM	Director	2,999,700	–	–	2,999,700	0.278%
DR SAMSON SUN, M.B.E., J.P.	Director	–	4,988,968 <i>(note c)</i>	–	4,988,968	0.462%

NOTES:

- The 253,106,873 shares are part of the property of a discretionary trust of which Mr. Jimmy Lee Yuen Ching and his family members are named beneficiaries.
- The 252,102,979 shares are part of the property of a discretionary trust of which each of Messrs. James Lee Yuen Kui, Peter Lee Yuen Wong and Edward Lee Yuen Cheor are named beneficiaries.
- These shares are owned by a company which is owned and controlled by Dr. Samson Sun, M.B.E., J.P.

Saved as disclosed above, at 30th September, 2005, none of the directors or chief executive or any of their associates had any interests, or short positions in any shares, underlying shares or debentures of the Company or its associated Corporations as defined in the SFO.

SUBSTANTIAL SHAREHOLDERS

Other than as referred to in the “Directors’ Interests in Shares, Underlying Shares and Debentures” section above, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO discloses no other person as having a notifiable interests or short position in the issued share capital of the Company as at 30th September, 2005.

MODEL CODE

The Company has adopted the Model Code as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors, the Company confirmed that during the six months ended 30th September 2005, all Directors have complied with the required standard set out in the Model Code.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the six months ended 30th September, 2005 the Company purchased a total of 16,982,000 shares of HK\$0.10 each of the Company on The Stock Exchange of Hong Kong Limited, all of which shares were cancelled. Particulars of the shares repurchased are as follows:

Trading Month/Year	Number of shares repurchased	Price per share		Total Cost (Including expenses) HK\$
		Highest price paid HK\$	Lowest price paid HK\$	
April 2005	1,862,000	0.246	0.240	453,135
May 2005	4,940,000	0.244	0.238	1,187,580
June 2005	2,916,000	0.246	0.243	716,614
July 2005	2,600,000	0.244	0.240	635,319
August 2005	2,642,000	0.243	0.236	639,043
September 2005	2,022,000	0.239	0.234	482,248
	<u>16,982,000</u>			<u>4,113,939</u>

The Directors considered that the aforesaid shares were trading at a discount to the net asset value per share and the repurchase would result in an increase of the net asset value per share then in issue.

Save as disclosed herein, neither the Company nor its subsidiaries have purchased, sold or redeemed any of the Company's shares during the period.

AUDIT COMMITTEE

The Company established an audit committee and formulated its written terms of reference in accordance with the provisions set out in the Code on Corporate Governance Practices ("Code on CG Practices"). The Committee members comprise Dr. Samson Sun, M.B.E., J.P., Mr. Chan Chak Cheung, William and Mr. Chan Kwok Wai as Independent Non-Executive Directors. The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters. The interim results for the six months ended 30th September, 2005, which have not been audited, have been reviewed by the Audit Committee.

CORPORATE GOVERNANCE

The Company is committed to the establishment of good corporate governance practices and procedures. The corporate governance principles of the Company emphasize a quality board, sound internal control, and transparency and accountability to all shareholders. The Company has applied the principles and complied with all code provisions and, where applicable, the recommended best practices of the Code on Corporate Governance Practices as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited throughout the six months ended 30th September, 2005.

By order of the Board
Lee Yuen Ching, Jimmy
Chairman

Hong Kong, 13th December, 2005

As at the date of this report, the Board of the Company comprises Mr. Lee Yuen Ching, Jimmy, Mr. Lee Yuen Kui, James, Mr. Lee Yuen Wong, Peter, Mr. Lee Yuen Cheor, Edward and Mr. Tam Hok Lam, Tommy as Executive Directors and Dr. Samson Sun, M.B.E., J.P., Mr. Chan Chak Cheung, William and Mr. Chan Kwok Wai as Independent Non-executive Directors and Ms. Lee Yuen Yu, Dorathy as Non-executive Director.