Oriental Watch Holdings Limited

(Incorporated in Bermuda with limited liability)

INTERIM REPORT 2005

INTERIM RESULT

The Board of Directors of Oriental Watch Holdings Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 September 2005 together with the comparative figures for the corresponding period in 2004 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2005

		(Unaudited) Six months ended 30 September	
		2005	2004
	Notes	***HK'000***	*HK'000*
Turnover		**921,336**	753,298
Cost of goods sold		**(828,688)**	(677,230)
Gross profit		**92,648**	76,068
Investment and other income		**9,001**	7,058
Distribution costs		**(19,579)**	(13,520)
Administrative expenses		**(36,962)**	(30,930)
Finance costs		**(2,430)**	(946)
Profit before taxation	*5*	**42,678**	37,730
Taxation	*6*	**(8,800)**	(7,493)
Profit for the period attributable to equity holders of the Company		**33,878**	30,237
Dividend	*7*	**6,881**	5,505
Earnings per share	*8*		
— Basic and diluted		**12.31 cents**	10.99 cents

CONSOLIDATED BALANCE SHEET

At 30 September 2005

	Notes	(Unaudited) 30 September 2005 HK'000	(Audited) 31 March 2005 HK'000
Non-current assets			
Investment properties		**25,057**	25,257
Property, plant and equipment		**83,159**	83,902
Negative goodwill		**—**	(3,222)
Available-for-sale investments		**47,876**	—
Investments in securities		**—**	29,194
		156,092	135,131
Current assets			
Inventories		**604,870**	542,929
Trade and other receivables	9	**74,609**	67,087
Taxation recoverable		**4,822**	4,265
Pledged bank deposits		**3,211**	3,150
Bank balances and cash		**129,525**	147,027
		817,037	764,458
Current liabilities			
Trade and other payables	10	**115,382**	93,527
Taxation payable		**12,422**	5,560
Current portion of secured long-term bank loans		**980**	980
Secured short-term bank loans		**89,156**	68,868
Bank overdrafts		**2,761**	2,532
		220,701	171,467
Net current assets		**596,336**	592,991
Total assets less current liabilities		**752,428**	728,122
Non-current liabilities			
Secured long-term bank loans		**12,903**	13,393
Deferred taxation		**141**	141
		13,044	13,534
Net assets		**739,384**	714,588
Capital and reserves			
Share capital		**27,525**	27,525
Reserves		**711,859**	687,063
Equity attributable to equity holders of the Company		**739,384**	714,588

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2005

	(Unaudited) Attributable to equity holders of the Company								
	Share capital	Share premium	Capital redemption reserve	Properties revaluation reserve	Asset revaluation reserve	Special reserve	Retained profits	Dividend reserve	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2005, as originally stated	27,525	52,045	425	–	–	5,180	617,027	12,386	714,588
Effect of changes in accounting policies *(Note 3)*	–	–	–	–	–	–	3,222	–	3,222
As restated	27,525	52,045	425	–	–	5,180	620,249	12,386	717,810
Fair value change in available-for-sale investments, recognised directly in equity	–	–	–	–	82	–	–	–	82
Profit for the period	–	–	–	–	–	–	33,878	–	33,878
Total recognised income for the period	–	–	–	–	82	–	33,878	–	33,960
2005 final dividend paid	–	–	–	–	–	–	–	(12,386)	(12,386)
2005 interim dividend declared	–	–	–	–	–	–	(6,881)	6,881	–
	–	–	–	–	–	–	(6,881)	(5,505)	(12,386)
At 30 September 2005	27,525	52,045	425	–	82	5,180	647,246	6,881	739,384
At 1 April 2004	27,525	52,045	425	–	–	5,180	560,924	11,010	657,109
Profit for the period, representing total recognised income for the period	–	–	–	–	–	–	30,237	–	30,237
2004 final dividend paid	–	–	–	–	–	–	–	(11,010)	(11,010)
2005 interim dividend declared	–	–	–	–	–	–	(5,505)	5,505	–
At 30 September 2004	27,575	52,045	425	–	–	5,180	585,656	5,505	676,336

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 September 2005

	(Unaudited) Six months ended 30 September	
	2005	2004
	HK$'000	*HK$'000*
Net cash used in operating activities	**(2,100)**	(58,359)
Net cash used in investing activities	**(20,613)**	(4,134)
Net cash from financing activities	**4,982**	1,215
Decrease in cash and cash equivalents	**(17,731)**	(61,278)
Cash and cash equivalents at 1 April	**144,495**	201,736
Cash and cash equivalents at 30 September	**126,764**	140,458
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	**129,525**	145,034
Bank overdrafts	**(2,761)**	(4,576)
	126,764	140,458

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2005

1. Basis of preparation

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

2. Principal accounting policies

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

The Group has early adopted HKAS 40 "Investment property" for the accounting period beginning on 1 April 2004. The Group has elected to use the cost model to account for its investment properties, under which investment properties are carried at cost less accumulated depreciation and accumulated impairment losses (if any). The accounting policies used in the condensed consolidated financial statements of the Company and its subsidiaries (collectively referred to as the "Group") are consistent with those followed in the preparation of the financial statements for the year ended 31 March 2005 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 ("HKFRS(s)"), HKASs and Interpretations (hereinafter collectively referred to as "new HKFRSs") issued by HKICPA that are effective for accounting periods beginning on or after 1 January 2005. The application of the new HKFRSs has resulted in a change in the presentation of income statement, balance sheet and the statement of changes in equity. 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.

Business combinations

In the current period, the Group has applied the transitional provisions of HKFRS 3 "Business combinations" to negative goodwill acquired in business combinations for which the agreement date was before 1 January 2005. The principal effects of the application of HKFRS 3 to the Group are summarised below:

Excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost (previously known as "negative goodwill")

In accordance with HKFRS 3, any excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over the cost of acquisition ("discount on acquisition") is recognised immediately in profit or loss in the period in which the acquisition takes place. In previous periods, negative goodwill arising on acquisitions for which the agreement date was before 1 April 2001 was presented as a deduction from assets and released to income based on an analysis of the circumstances from which the balance resulted. In accordance with the relevant transitional provisions in HKFRS 3, the Group has derecognised all negative goodwill at 1 April 2005 which was previously presented as a deduction from assets, with a corresponding increase to retained earnings (see note 3 for the financial impact).

Share-based payments

In the current period, the Group has applied HKFRS 2 "Share-based payment" which requires an expense to be recognised where the Group buys goods or obtains services in exchange for shares or rights over shares ("equity-settled transactions"), or in exchange for other assets equivalent in value to a given number of shares or rights over shares ("cash-settled transactions"). The principal impact of HKFRS 2 on the Group is in relation to the expensing of the fair value of directors' and employees' share options of the Company determined at the date of grant of the share options over the vesting period. Prior to the application of HKFRS 2, the Group did not recognise the financial effect of these share options until they were exercised. The Group has applied HKFRS 2 to share options granted on or after 1 April 2005. In relation to share options granted before 1 April 2005, the Group has not applied HKFRS 2 to share options granted on or before 7 November 2002 and share options that were granted after 7 November 2002 and had vested before 1

April 2005 in accordance with the relevant transitional provisions. The Group had no share options granted after 7 November 2002 and had not yet vested on 1 April 2005, and accordingly, no retrospective restatement is required.

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 annual periods beginning on or after 1 January 2005, generally does not permit the recognition, derecognition or measurement of financial assets and liabilities on a retrospective basis. The application of HKAS 32 has had no material impact on how financial instruments of the Group are presented for current and prior accounting period. The principal effects resulting from the implementation of HKAS 39 are summarised below:

Classification and measurement of financial assets and financial liabilities

The Group has applied the relevant transitional provisions in HKAS 39 with respect to classification and measurement of financial assets and financial liabilities that are within the scope of HKAS 39.

By 31 March 2005, the Group classified and measured its debt and equity securities in accordance with the alternative treatment of Statement of Standard Accounting Practice 24 (“SSAP 24”). Under SSAP 24, investments in debt or equity securities are classified as “trading securities”, “non-trading securities” or “held-to-maturity investments” as appropriate. Both “trading securities” and “non-trading securities” are measured at fair value. Unrealised gains or losses of “trading securities” are reported in the profit or loss for the period in which gains or losses arise. Unrealised gains or losses of “non-trading securities” are reported in equity until the securities are sold or determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the net profit or loss for that period.

From 1 April 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". "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 recognised in profit or loss and equity respectively, except for unquoted equity investments for which fair values cannot measured reliably, such investments are stated at cost less impairment. "Loans and receivables" and "held-to-maturity financial assets" are measured at amortised cost using the effective interest method. *(see note 3 for the financial impact)*

Financial assets and financial liabilities other than debt and equity securities

From 1 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 SSAP 24) in accordance with the requirements of HKAS 39. As mentioned above, financial assets under HKAS 39 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". Financial liabilities are generally classified as "financial liabilities at fair value through profit or loss" or "financial liabilities other than financial liabilities at fair value through profit or loss (other financial liabilities)". "Other financial liabilities" are carried at amortised cost using the effective interest method. The adoption of HKAS 39 did not have any material financial impact to the Group.

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 "Leases". 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 elements can be made reliably, the leasehold interests in land are reclassified to prepaid lease payments under operating leases, which are carried at cost and amortised over the lease term on a straight line basis. However as 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.

3. Summary of the effects of the changes in accounting policies

The effects of the changes in the accounting policies described above on the results for the current and prior periods are as follows:

	Six months ended 30 September	
	2005	2004
	HK$'000	*HK$'000*
Decrease in release of negative goodwill to consolidated income statement	**(101)**	—
Decrease in the gain arising from change in fair value of available-for-sale investments	**(82)**	—
Decrease in profit for the periods	**(183)**	—

Analysis of decrease in profit for the period by line items presented according to their nature:

	Six months ended 30 September	
	2005	2004
	HK$'000	*HK$'000*
Decrease in investment and other income	**(183)**	—

The cumulative effects of the application of the new HKFRSs as at 31 March 2005 and 1 April 2005 are summarised below:

	31 March 2005 HK$'000 (originally stated)	Adjustment HK$'000	**1 April 2005** ***HK$'000*** **(restated)**
Balance sheet items			
Negative goodwill *(note a)*	(3,222)	3,222	**–**
Investments in securities *(note b)*	29,194	(29,194)	**–**
Available-for-sale investments *(note b)*	–	29,194	**29,194**
Total effects on assets and liabilities		3,222	
Retained profits and total effect on equity	617,027	3,222	**620,249**

Notes:

(a) Upon application of the transitional provisions of HKFRS 3, the Group has derecognised all negative goodwill at 1 April 2005, which was previously presented as a deduction from assets, with a corresponding increase to retained profits.

(b) Upon the adoption of HKAS 39, investments in securities was reclassified as available-for-sale investments.

The Group has commenced considering the potential impact of the following new standards or interpretations that have been issued but are not effective, but is not yet in a position to determine whether these standards or interpretations would have a significant impact on how its results of operations and financial position are prepared and presented. These standards and interpretations may result in changes in the future as to how the results and financial position are prepared and presented.

HKAS 1 (Amendment)	Capital disclosures
HKAS 19 (Amendment)	Actuarial gains and losses, group plans and disclosures
HKAS 39 (Amendment)	Cash flow hedge accounting of forecast intragroup transactions
HKAS 39 (Amendment)	The fair value option
HKAS 39 & HKFRS 4 (Amendments)	Financial guarantee contracts

HKFRS 6	Exploration for and evaluation of mineral resources
HKFRS 7	Financial instruments: disclosures
HK(IFRIC) — Int 4	Determining whether an arrangement contains a lease
HK(IFRIC) — Int 5	Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds
HK(IFRIC) — Int 6	Liabilities arising from participation in a specific market — waste electrical and electronic equipment

4. Segment information

The Group's operation is regarded as a single segment, being an enterprise engaged in watch trading.

The following is an analysis of the Group's geographical segment information:

	Turnover Six months ended 30 September		Results Six months ended 30 September	
	2005	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**770,214**	704,603	**38,029**	32,982
Mainland China (the "PRC")	**187,132**	133,509	**7,164**	5,593
Inter-segment sales elimination	**(36,010)**	(84,814)	**–**	–
	921,336	753,298	**45,193**	38,575
Unallocated other income			**–**	101
Unallocated corporate expenses			**(85)**	–
Finance costs			**(2,430)**	(946)
Profit before taxation			**42,678**	37,730
Taxation			**(8,800)**	(7,493)
Profit for the period attributable to equity holders of the Company			**33,878**	30,237

5. Profit before taxation

	Six months ended 30 September	
	2005	2004
	HK$'000	*HK$'000*
Profit before taxation has been arrived at after charging:		
Depreciation and amortisation of property, plant and equipment		
— owned by the Group	**3,263**	2,160
— held under a finance lease	**—**	11
Depreciation of investment properties	**200**	—
Directors' remuneration	**9,408**	9,137
and after crediting:		
Dividend income from investment	**203**	—
Gain on disposal of available-for-sale investments	**284**	—
Interest income	**285**	371

6. Taxation

	Six months ended 30 September	
	2005	2004
	HK$'000	*HK$'000*
Hong Kong Profits Tax calculated at 17.5% on the estimated assessable profit for the period	**(7,797)**	(6,824)
PRC income tax	**(1,003)**	(669)
	(8,800)	(7,493)

The PRC income tax is calculated at the rates prevailing pursuant to the relevant laws and regulations in the PRC.

7. Dividend

During the six months ended 30 September 2005, a final dividend of 4.5 Hong Kong cents per share, totalling HK$12,386,000, in respect of the year ended 31 March 2005 (2004: HK$11,010,000) was approved at the annual general meeting held on 31 August 2005 and subsequently paid to the shareholders.

On 15 December 2005, the directors resolved to declare an interim dividend of 2.5 Hong Kong cents per share in respect of the six months ended 30 September 2005 (2004: 2.0 Hong Kong cents per share), totalling HK$6,881,000 (2004: HK$5,505,000), to be paid in cash to those shareholders whose names appear on the Company's register of members on 11 January 2006.

8. Earnings per share

The calculation of the basic earnings per share is based on the profit for the period attributable to equity holders of the Company of HK$33,878,000 (2004: HK$30,237,000) and the number of 275,253,200 (2004: 275,253,200) shares in issue during the period.

No diluted earnings per share has been presented as the exercise price of the Company's share option was higher than the average market price of the Company's share during the period.

9. Trade and other receivables

Included in trade and other receivables are trade receivables and the following is an aged analysis of trade receivables at the balance sheet date:

	30 September 2005 *HK$'000*	31 March 2005 *HK$'000*
Age		
0 to 30 days	**37,142**	43,819
31 to 60 days	**1,862**	727
61 to 90 days	**1,967**	—
Over 90 days	**1,832**	267
	42,803	44,813

The Group maintains a general credit policy of not more than 30 days for its established and major customers.

10. Trade and other payables

Included in trade and other payables are trade payables and the following is an aged analysis of trade payables at the balance sheet date:

	30 September 2005 *HK$'000*	31 March 2005 *HK$'000*
Age		
0 to 60 days	**94,843**	72,984
61 to 90 days	**155**	911
Over 90 days	**716**	524
	95,714	74,419

BUSINESS REVIEW AND PROSPECTS

The Group's un-audited consolidated turnover for the period under review was HK$921,336,000 (2004: HK$753,298,000) and the profit attributed to equity holders of the Company was HK$33,878,000 (2003: HK$30,237,000). Basic earning per share increased by 12% to 12.31 cents (2004: 10.99 cents). There have been increases in both the turnover and the profit of 22% and 12% respectively. The increase in the distribution cost of 45% and finance cost of 157% are due to an increase in rental fees and in interest payments on bank loans. Both increases were expected by the management due to our expanding business in the PRC, and they are expected to continue through to next term for like reasons. To compensate, the management will concentrate in further increasing the turnover and on better control over other variable expenses.

During the first six months' period, our commitment in establishing a retail network of watch shops in PRC has continued unabated. Other than the nine shops already opened six months ago, we have further developed four more outlets during the period. They are located in Shenyang, Nanjing, Guiyang and Changzhou. By the time this review is printed, more shops will have already been opened in Guangzhou, Dongguan and Taiyuan. We have already seen improvements in the contributions of the first few shops opened, and expect it to continue. We also persist in implementing strict cost and inventory control over the shops in PRC.

We have begun engaging in the management of boutique-style shops retailing a single brand name. We have recently established two Rolex and Tudor retail stores in the major department stores in Nanjing and Changzhou. More shops of the same nature will be opened in the near future. In October, a Rolex retail store was opened in Guangzhou. Another Rolex retail store in Beijing and two more Tudor retail stores in Tianjin and Jilin will be opened in early 2006. With its impeccable quality and escalating exposure in the PRC, we believe that Rolex and Tudor brands have a very strong potential to capture both the high and mid-range watch retail market of the PRC. Our company's more than 30 years of experience working in a close relationship with Rolex (Hong Kong) will carry on and translate well into the PRC market. This cooperation with one of the world's most well-known and largest watch brand will further enhance our image and reinforce our performance in the PRC.

In Hong Kong, we will be opening a new flagship store in the heart of Causeway Bay by early 2006. This shop will cater to the luxury market in watches. Only a selected number of fine brand name watches will be offered in the shop and a more spacious and luxurious shopping environment will be created. The boutique shop will raise our company's profile and image with the high pedestrian traffic in Causeway Bay.

In spite of the recent improved business environment, there are still some risk factors the management will have to consider. One such factor is the possibility of an outbreak of avian flu in Hong Kong. The management will set up a committee to assess the possible effect to the company in case of a pandemic and to work out some measures to minimize any possible loss. Other factors we consider include the increase of interest rates and the high oil price.

Overall, the management is pleased to announce the double-digit percentage increase in both the turnover and profits. We continue to look for opportunities to further improve the long-term performance of the company.

On behalf of the company, I would like to thank the support of our suppliers and shareholders. Wish you all a happy Christmas and Prosperous New Year.

LIQUIDITY AND CAPITAL RESOURCES

As at 30 September 2005, the Group's equity attributable to equity holders of the Company amounted to HK$739 million, compared with HK$715 million at 31 March 2005. The Group had net current assets of HK$596 million, including bank and cash balances of HK$132.7 million as at 30 September 2005 compared with balances of HK$593 million and HK$150.2 million respectively as at 31 March 2005 whilst bank loans and overdrafts totalled HK$105.8 million compared with bank loan and overdraft totalled HK$85.8 million as at 31 March 2005. The ratio of the Group's bank and other borrowings was insignificant when compared to shareholders' fund.

The financial position of the Group is strong with adequate funds and unused banking facilities. The Board believes that the Group has sufficient internal finance resources to discharge its debts and to finance its operations and capital expenditure.

STAFF AND EMPLOYMENT

As at 30 September 2005, the Group employed a total work force of about 400 staff. The staff turnover rate is very low. The Group's policy is to review its employee's pay levels and incentive bonus system regularly to ensure that the remuneration package is competitive with relevant industries.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SECURITIES

As at 30 September 2005, the interests and short positions of the directors 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 Hong Kong Securities and Futures Ordinance ("SFO"), as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") were as follows:

Name of director	Personal interest	Number of ordinary shares held Family interest	Corporate interest	Other interest	Total number of shares	Percentage of issued share capital of the Company
Yeung Ming Biu	10,787,260	6,000,000	96,800,000 *Note (a)*	–	113,587,260	41.3%
Yeung Him Kit, Dennis	–	–	–	5,614,400 *Note (b)*	5,614,400	2.0%
Chan Che Kwong, William	622,515	–	–	9,709,436 *Note (c)*	10,331,951	3.8%
Fung Kwong Yiu	1,803,152	–	–	1,161,600 *Note (d)*	2,964,572	1.1%
Yeung Man Yee, Shirley	–	167,547	–	3,194,400 *Note (e)*	3,361,947	1.2%
Sun Ping Hsu, Samson, Dr.	–	–	2,000,000 *Note (f)*	–	2,000,000	0.7%

Notes:

(a) Mr. Yeung Ming Biu and his wife, Madam Au Po Kee, are the beneficial owners of 45% and 22.5% respectively of the issued share capital of Realtower Holdings Limited. Realtower Holdings Limited is the beneficial owner of 55% of the issued share capital of Furama Investments Limited, which is the beneficial owner of

80% of the issued share capital of Datsun Holdings Limited. Datsun Holdings Limited is the beneficial owner of 96,800,000 shares in the Company.

(b) Mr. Yeung Him Kit, Dennis is the beneficial owner of 10% and 8% of the issued share capital of Realtower Holdings Limited and Real Champ Limited respectively. Real Champ Limited is the beneficial owner of 20% of the issued share capital of Datsun Holdings Limited.

(c) Mr. Chan Che Kwong, William is the beneficial owner of 10% of the issued share capital of Furama Investments Limited and 10% of the issued share capital of Y.H. Chan Limited which is the beneficial owner of 25% of the issued share capital of Furama Investments Limited. Y.H. Chan Limited also directly holds 294,365 shares in the Company.

(d) Mr. Fung Kwong Yiu is the beneficial owner of 6% of the issued share capital of Real Champ Limited.

(e) Madam Yeung Man Yee, Shirley is the beneficial owner of 7.5% of the issued share capital of Realtower Holdings Limited.

(f) Dr. Sun Ping Hsu, Samson and his family members are beneficial owners of the entire issued share capital of Sun International Limited, which is the beneficial owner of 2,000,000 shares in the Company.

Save as disclosed above and other than certain nominee shares in subsidiaries held by a director in trust for the Company, none of the directors of the Company had any interest or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange.

SHARE OPTION SCHEME

A summary of the share options granted under the Company's share option scheme are as follows:

Name of director	Date of grant	Exercisable period	Exercise price per share HK$	Number of share options and number of underlying shares Granted at 1.4.2005 and 30.9.2005
Yeung Ming Biu	16.1.2004	16.1.2004 – 15.1.2014	1.702	2,700,000
Yeung Him Kit, Dennis	16.1.2004	16.1.2004 – 15.1.2014	1.702	2,700,000
Chan Che Kwong, William	16.1.2004	16.1.2004 – 15.1.2014	1.702	2,700,000
Fung Kwong Yiu	16.1.2004	16.1.2004 – 15.1.2014	1.702	2,700,000
Yeung Man Yee, Shirley	16.1.2004	16.1.2004 – 15.1.2014	1.702	2,700,000
Lam Hing Lun, Alain	16.1.2004	16.1.2004 – 15.1.2014	1.702	2,700,000
Choi Kwok Yum	16.1.2004	16.1.2004 – 15.1.2014	1.702	2,700,000
				18,900,000

There were no shares options granted, exercised, cancelled or lapsed during the six months ended 30 September 2005.

DIRECTORS' INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

As at 30 September 2005, according to the register maintained by the Company pursuant to Section 336 of the SFO, the following persons (not being a director of the Company) were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital of the Company.

Long position in shares of the Company

Name of shareholder	Number of shares held	Percentage of issued share capital of the Company
Datsun Holdings Limited	96,800,000	35.2%
Furama Investments Limited	96,800,000	35.2%
Realtower Holdings Limited	96,800,000	35.2%

Realtower Holdings Limited holds 55% of the issued share capital of Furama Investments Limited which holds 80% of the issued share capital of Datsun Holdings Limited. Accordingly, both Realtower Holdings Limited and Furama Investments Limited are deemed under the SFO to be interested in the 96,800,000 shares in the Company which are held by Datsun Holdings Limited.

Messrs. Yeung Ming Biu, Yeung Him Kit, Dennis, Chan Che Kwong, William, Fung Kwong Yiu, Madam Yeung Man Yee, Shirley and Madam Au Po Kee (wife of Mr. Yeung Ming Biu) are deemed by the SFO to be interested in the shares of the Company beneficially owned by Datsun Holdings Limited in the manner described under the above paragraph headed "Directors' interests and short positions of substantial shareholders".

Save as disclosed above, at 30 September 2005, the Company had not been notified of any other interests or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under Part XV of the SFO.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 6 January 2006 to 11 January 2006 (both days inclusive) during which period no transfer of shares will be registered. In order to qualify for the proposed interim dividend which is payable on 18 January 2006, all transfers accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrars, Secretaries Limited at Ground Floor, BEA Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not later than 4:00 p.m. on 5 January 2006.

CORPORATE GOVERNANCE

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

The Company is committed to the establishment of good governance practices and procedures. The Company has complied 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 30 September 2005, except the deviation from the code provision A.4.2 of the CG Code.

Under the code provision A.4.2 of the CG Code, all directors appointed to fill a causal vacancy should be subject to election by shareholders at the first general meeting after their appointment. Every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

Pursuant to the Bye-laws of the Company prior to 31 August 2005, at each annual general meeting of the Company, 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) should be retire by rotation, provided that the Chairman and Managing Director of the Company were not subject to retirement by rotation. Further, any director appointed to fill a casual vacancy or as addition to the Board should hold office only until next following annual general meeting and would then be eligible for re-election. This constitutes a deviation from the code provision A.4.2 of the CG Code.

To comply with the code provision, relevant amendments to the Bye-laws of the Company were proposed and approved by the shareholders at the annual general meeting of the Company held on 31 August 2005.

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 ten directors, with seven Executive Directors and three Independent Non-executive Directors ("INED"). About one-third of the Board is INEDs and one of them has appropriate professional qualifications and/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 daily 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 all the three Independent Non-executive Directors of the Company. The Audit Committee has reviewed with the 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 30 September 2005.

Remuneration Committee

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

Model Code on Securities Transaction 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 all Directors have confirmed compliance with the required standard set out in the Model Code during the six month ended 30 September 2005.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

During the six months ended 30 September 2005, there was no purchase, sale or redemption by the Company or any of its subsidiaries of the Company's listed securities on The Stock Exchange of Hong Kong Limited.

By order of the Board
Yeung Ming Biu
Chairman

Hong Kong, 15 December 2005