

## RESULTS

During the six months ended 30 September 2004, the Group's turnover increased by 28% to HK\$109.5 million (2003: HK\$85.3 million) as compared to that of last corresponding period. The increase in turnover was largely due to the increase in metals and minerals trading business which was partially set off by the decrease in consumer products business.

Gross profit for the period decreased by 51% to HK\$3.8 million (2003: HK\$7.8 million) as compared to that of last corresponding period. The decrease in gross profit was attributable to the lowering of gross profit margin of the metals and minerals trading business in current period as compared to the last period due to market fluctuation.

There was a net loss attributable to shareholders of HK\$1.8 million for the period (2003: HK\$10.1 million). Basic loss per share for the period was HK\$0.0021 per share (2003: HK\$0.0206 per share (adjusted)).

## INTERIM DIVIDEND

The Directors do not recommend to pay any interim dividend for the six months ended 30 September 2004 (2003: Nil).

## BUSINESS REVIEW AND PROSPECTS

### Consumer products business

The Group's consumer products business consist of manufacture, trading and distribution of consumer products which comprises primarily leatherware and accessories products.

As mentioned in the Company's 2004 annual report, the Group terminated the trademark licence of "GIOVANNI VALENTINO (Italy)" brand in May 2003 and stopped the business of this brand in PRC in 2003.

At present the Group continues its business in the manufacture, trading and distribution of its leatherware and accessories products primarily for exports.

Nevertheless, in view of the rapid economic growth in PRC, the Directors considered that the consumer products market in PRC still provides enormous opportunities for the Group and therefore the Group has signed up a trademark licence for a new brand in last year for the PRC market as well as the US market. The business of this new brand is still at infant stage but it is anticipated that it will gradually expand in the next few years.

**Properties trading**

Since the remaining units of the properties located in Tianjin, PRC were sold last year, there was no revenue generated in this business segment during the period. With the macro-economic tightening measures imposed by the Central Government of China still in force, the Group will continue to take a prudent approach in evaluating any new property projects in the PRC.

**Metals and minerals trading**

The Group started its metals and minerals trading business with the acquisition of Cheuk Yiu Investment Limited ("Cheuk Yiu") in July 2002. Cheuk Yiu was involved in the trading of iron ores and steel through its non-wholly owned subsidiary Chang Yuang Resources Limited ("Chang Yuang"). Since the acquisition of Cheuk Yiu, the Group, through wholly owned subsidiaries China Elegance Mining Company Limited ("CE Mining") and Shui Yuen (Manganese) Group Limited ("SY Manganese"), also started trading in other metals, including manganese ores.

However, the shortage in supply of iron and steel due to surge of worldwide demand has resulted in the squeeze of gross profit margin of Chang Yuang and as such, the performance of Chang Yuang has deteriorated.

In view of the above, the Company announced on 7 December 2004 that the Group had entered into an agreement with Mr. Wu Pun Yan ("Mr. Wu") on 2 December 2004 and pursuant to which the Group will dispose of its entire interest in Chang Yuang to Mr. Wu (the "Disposal").

Mr. Wu is a director and substantial shareholder of Chang Yuang. The completion of the Disposal is expected to be on or before 3 March 2005 and is conditional upon, amongst other things, the reorganisation of the corporate structure of Chang Yuang and the approval by independent shareholders (other than Mr. Wu and his associates) of the Company in a special general meeting to be held. Details of the Disposal were set out in the Company's announcement dated 7 December 2004.

The Group will continue its metals and minerals trading business through CE Mining and SY Manganese after the Disposal. However the Directors consider the market will remain volatile and will be cautious in dealing with this business.

**LIQUIDITY AND FINANCIAL RESOURCES**

During the period under review, there is no significant change in the capital structure of the Group.

The Group generally finances its operations with internally generated cashflows. However, the metals and minerals trading business sometimes discounted its bills receivable with banks to finance its operation.

The Group's gearing ratios as at 30 September 2004 and 31 March 2004 were nil as there were no borrowing at the respective dates. Interest on bank borrowings is charged at commercial lending rates to the Group.

As at 30 September 2004, the Group had cash and bank balances of approximately HK\$19 million (31 March 2004: HK\$18.4 million) of which bank deposits of HK\$2.2 million (31 March 2004: HK\$3.7 million) were pledged to secure general banking facilities granted to the Group.

The operating cash flows of the Group is mainly denominated in HK\$, RMB and US\$. The Directors consider these currencies relatively stable and therefore the Group's exposure to fluctuations in exchange rates is minimal.

#### **DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES**

At 30 September 2004, the interests or short positions of the Directors in the shares and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which had been notified to the Company and the Stock Exchange pursuant to Divisions 7 & 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange were as follows:

Name of Director	Capacity/ Nature of interest	Number of shares		Approximate percentage of shareholding in the Company
		Long position	Short position	
Mr. Cheung Ngan	Personal	311,232,469	–	35.2%

Save as disclosed above, at 30 September 2004, none of the Directors of the Company had any interests or short positions in the shares and underlying shares or other securities of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 & 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange.

**DIRECTORS' INTERESTS IN CONTRACTS**

No Director had a beneficial interest in any contract of significance to the business of the Company to which the Company or any of its subsidiaries was a party during the six months ended 30 September 2004.

**SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES**

As at 30 September 2004, no person, other than Mr. Cheung Ngan's interests which are disclosed in the section "Directors' interests and short positions in shares and underlying shares" above, had registered an interest or short position in the shares or underlying shares of 5% or more of the issued share capital of the Company in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO.

**PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES**

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 September 2004.

**COMPLIANCE WITH THE CODE OF BEST PRACTICE**

In the opinion of the Directors, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules throughout the period covered by the interim report, except that the independent non-executive Directors of the Company are not appointed for specific terms, but are subject to retirement by rotation and re-election at annual general meetings of the Company in accordance with the provision of the Company's bye-laws.

**AUDIT COMMITTEE**

The audit committee, which comprises three independent non-executive Directors of the Company, has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the unaudited interim financial statements for the six months ended 30 September 2004.

By Order of the Board  
**Cheung Ngan**  
*Chairman*

Hong Kong, 20 December 2004