

INTERIM REPORT 2004/2005



LEE & MAN HOLDING LIMITED

(Incorporated in the Cayman Islands with limited liability)

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Corporate Information

BOARD OF DIRECTORS

Ms. WAI Siu Kee (*Chairman*)
Ms. POON Lai Ming
Ms. LEE Marina Man Wai
Mr. LEE Man Yan
Mr. WAN Chi Keung, Aaron JP*
Mr. HENG Kwo Seng*
Mr. WONG Kai Tung, Tony*

* *Independent non-executive director*

COMPANY SECRETARY

Mr. CHEUNG Kwok Keung

REGISTERED OFFICE

Century Yard, Cricket Square
Hutchins Drive
P.O. Box 2681 GT
Grand Cayman
British West Indies

PRINCIPAL OFFICE

8th Floor, Liven House
61-63 King Yip Street
Kwun Tong
Kowloon
Hong Kong

PRINCIPAL BANKERS

Hang Seng Bank Limited
Standard Chartered Bank (HK) Ltd

AUDITORS

Deloitte Touche Tohmatsu
Certified Public Accountants

PRINCIPAL SHARE REGISTRARS

Butterfield Bank (Cayman) Limited
Butterfield House
68 Fort Street
P.O. Box 705
George Town
Grand Cayman
Cayman Islands

HONG KONG BRANCH SHARE REGISTRARS

Secretaries Limited
G/F, Bank of East Asia Harbour View Centre
56 Gloucester Road
Wanchai
Hong Kong

WEBSITE

<http://www.leeman.com.hk>

Interim Results

The board of directors of Lee & Man Holding 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 30 September 2004 together with the comparative figures as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2004

	<i>Notes</i>	Six months ended 30 September	
		2004 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000
Turnover	2	642,447	520,237
Cost of sales		(404,110)	(323,442)
Gross profit		238,337	196,795
Other operating income		4,065	8,305
Distribution costs		(76,365)	(60,632)
Administrative expenses		(71,366)	(65,920)
Profit from operations	3	94,671	78,548
Finance costs	4	(801)	(523)
Gain on partial disposal of interest in a subsidiary		–	1,548
Profit before taxation		93,870	79,573
Income tax expenses	5	(8,562)	(7,745)
Profit before minority interests		85,308	71,828
Minority interests		(13,453)	(1,719)
Profit attributable to shareholders		71,855	70,109
Interim dividend		24,750	24,750
Earnings per share (<i>HK cents</i>)	6	8.7	8.5

Interim Results

CONDENSED CONSOLIDATED BALANCE SHEET

At 30 September 2004

	<i>Notes</i>	30 September 2004 (Unaudited) HK\$'000	31 March 2004 (Audited) HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	7	137,091	133,860
Deposits paid on acquisition of property, plant and equipment		5,094	5,094
		142,185	138,954
CURRENT ASSETS			
Inventories	8	92,841	105,684
Trade and other receivables	9	125,593	119,596
Bills receivable		55,479	38,463
Defined benefit assets		4,078	3,910
Amount due from a related company		19	20
Taxation recoverable		406	1,789
Bank balances and cash		148,861	106,220
		427,277	375,682
CURRENT LIABILITIES			
Trade and other payables	10	109,892	101,981
Deposit received on disposal of a major subsidiary	11	15,600	–
Amounts due to related companies		1,044	1,545
Taxation payable		4,836	1,272
Land and buildings costs payable – due within one year		7,436	6,916
Bank and other borrowings	12	9,659	19,904
		148,467	131,618
NET CURRENT ASSETS		278,810	244,064
TOTAL ASSETS LESS CURRENT LIABILITIES		420,995	383,018
MINORITY INTERESTS		24,956	16,547
		396,039	366,471
CAPITAL AND RESERVES			
Share capital	13	82,500	82,500
Reserves		313,539	283,971
		396,039	366,471

Interim Results

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 September 2004

	Six months ended 30 September	
	2004	2003
	(Unaudited) <i>HK\$'000</i>	(Unaudited) <i>HK\$'000</i>
Net cash from operating activities	93,064	81,667
Net cash from investing activities	5,881	13,082
Net cash used in financing activities	(56,488)	(41,250)
Net increase in cash and cash equivalents	42,457	53,499
Cash and cash equivalents at beginning of the period	106,067	65,451
Cash and cash equivalents at end of the period	148,524	118,950
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	148,861	121,470
Bank overdrafts	(337)	(2,520)
	148,524	118,950

Interim Results

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2004

	Share capital (Unaudited) HK\$'000	Share premium (Unaudited) HK\$'000	Asset revaluation reserve (Unaudited) HK\$'000	Translation reserve (Unaudited) HK\$'000	Special reserve (Unaudited) HK\$'000	Accumulated profits (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
At 1 April 2004	82,500	20,307	13,604	708	(67,990)	317,342	366,471
Deficit arising on revaluation of property, plant and equipment	-	-	(244)	-	-	-	(244)
Exchange differences arising from translation of financial statements of overseas operations	-	-	-	(793)	-	-	(793)
Losses not recognised in the consolidated income statement	-	-	(244)	(793)	-	-	(1,037)
	82,500	20,307	13,360	(85)	(67,990)	317,342	365,434
Realised on depreciation of property, plant and equipment	-	-	(355)	-	-	355	-
Realised on disposal of property, plant and equipment	-	-	(104)	-	-	104	-
Profit attributable to shareholders	-	-	-	-	-	71,855	71,855
Final dividend paid	-	-	-	-	-	(41,250)	(41,250)
At 30 September 2004	82,500	20,307	12,901	(85)	(67,990)	348,406	396,039

	Share capital (Unaudited) HK\$'000	Share premium (Unaudited) HK\$'000	Asset revaluation reserve (Unaudited) HK\$'000	Translation reserve (Unaudited) HK\$'000	Special reserve (Unaudited) HK\$'000	Accumulated profits (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
At 1 April 2003	82,500	20,307	13,255	(752)	(67,990)	280,226	327,546
Exchange differences arising from translation of financial statements of overseas operations	-	-	-	1,249	-	-	1,249
Gains not recognised in the consolidated income statement	-	-	-	1,249	-	-	1,249
	82,500	20,307	13,255	497	(67,990)	280,226	328,795
Realised on depreciation of property, plant and equipment	-	-	(304)	-	-	304	-
Realised on disposal of property, plant and equipment	-	-	(243)	-	-	243	-
Profit attributable to shareholders	-	-	-	-	-	70,109	70,109
Final dividend paid	-	-	-	-	-	(41,250)	(41,250)
At 30 September 2003	82,500	20,307	12,708	497	(67,990)	309,632	357,654

Interim Results

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2004

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements have been prepared in accordance with the applicable disclosure requirements set out in Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with the Statement of Standard Accounting Practice No. 25 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants, under the historical cost convention, as modified for the revaluation of property, plant and equipment.

The accounting policies used in the preparation of the condensed consolidated interim financial statements are consistent with those used in the annual financial statements for the year ended 31 March 2004.

2. SEGMENTAL INFORMATION

Business segments

No business segment analysis is provided as all of the Group’s turnover and contribution to results were derived from the manufacture and sales of handbags and luggage.

Geographical segments

	Sales revenue by geographical market		Contribution to profit from operations	
	Six months ended 30 September		Six months ended 30 September	
	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
United States of America	518,777	412,809	73,249	60,828
Europe	101,058	84,551	18,178	15,559
Hong Kong	12,336	11,755	1,443	1,815
South America	4,372	1,601	715	308
Others	5,904	9,521	452	1,249
	642,447	520,237	94,037	79,759
Interest income			634	337
Finance costs			(801)	(523)
Profit before taxation			93,870	79,573
Income tax expenses			(8,562)	(7,745)
Profit before minority interests			85,308	71,828
Minority interests			(13,453)	(1,719)
Profit attributable to shareholders			71,855	70,109

Since the goods sold to various geographical markets were produced from the same production facilities, analysis of assets and liabilities by geographical market is not presented.

Interim Results

3. PROFIT FROM OPERATIONS

	Six months ended 30 September	
	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Profit from operations has been arrived at after charging:		
Staff costs (including directors' remuneration)	76,366	74,763
Bad debts written off	5	–
Depreciation and amortisation of property, plant and equipment	6,299	5,610
Loss on disposal of property, plant and equipment	75	–
and after crediting:		
Interest income	634	337

4. FINANCE COSTS

	Six months ended 30 September	
	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Interest on		
– bank borrowings wholly repayable within five years	37	112
– other borrowings wholly repayable within five years	764	411
	801	523

Interim Results

5. INCOME TAX EXPENSES

	Six months ended 30 September	
	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
The charges comprises:		
Hong Kong Profits Tax	8,276	7,745
Overseas taxation	286	–
	8,562	7,745

A substantial portion of the Group's profits neither arises in, nor is derived from, Hong Kong and therefore is not subject to Hong Kong Profits Tax.

Hong Kong Profits Tax is calculated at 17.5% (six months ended 30 September 2003: 17.5%) on the estimated assessable profit for the period.

Overseas taxation is calculated at the rates prevailing in the respective jurisdictions.

6. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the unaudited profit attributable to shareholders of HK\$71,855,000 (2003: HK\$70,109,000) and 825,000,000 (2003: 825,000,000) shares in issue during the period.

7. ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent HK\$10,909,000 (six months ended 30 September 2003: HK\$4,639,000) on property, plant and equipment to expand its operations.

Interim Results

8. INVENTORIES

	30 September 2004 <i>HK\$'000</i>	31 March 2004 <i>HK\$'000</i>
Raw materials	35,715	46,658
Work in progress	20,753	27,221
Finished goods	36,373	31,805
	92,841	105,684

9. TRADE AND OTHER RECEIVABLES

The Group allows an average credit period of 30 to 60 days to its trade customers.

Included in trade and other receivables are trade receivables of approximately HK\$111,682,000 (31 March 2004: HK\$103,698,000). The aged analysis of trade receivables at the balance sheet date is as follows:

	30 September 2004 <i>HK\$'000</i>	31 March 2004 <i>HK\$'000</i>
Less than 30 days	60,512	62,933
31 – 60 days	33,261	18,588
61 – 90 days	11,875	5,543
Over 90 days	6,034	16,634
	111,682	103,698

Interim Results

10. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of approximately HK\$64,714,000 (31 March 2004: HK\$71,093,000). The aged analysis of trade payables at the balance sheet date is as follows:

	30 September 2004 HK\$'000	31 March 2004 HK\$'000
Less than 30 days	34,885	52,580
31 – 60 days	25,692	17,820
61 – 90 days	1,669	533
Over 90 days	2,468	160
	64,714	71,093

11. DEPOSIT RECEIVED ON DISPOSAL OF A MAJOR SUBSIDIARY

The amount represents the initial deposit pursuant to an agreement dated 25 August 2004 entered by Lee & Man Development Company Limited (“Lee & Man Development”), a wholly-owned subsidiary of the Company, (“Disposal Agreement”). According to the Disposal Agreement, Lee & Man Development agreed to dispose of its entire equity interest in Foreland Pacific Limited (“Foreland”), a wholly-owned subsidiary of Lee & Man Development, at a consideration of US\$7,000,000 (approximately HK\$54,600,000, subject to adjustments). Details of the transaction are set out in a circular of the Company dated 20 September 2004.

12. BANK AND OTHER BORROWINGS

	30 September 2004 HK\$'000	31 March 2004 HK\$'000
Other loan	9,322	19,751
Bank overdrafts	337	153
	9,659	19,904

Other loan represents advances from a factoring company in the United States. The loan bears interest at United States Prime rate plus 0.5% per annum with a minimum rate of 4.25% per annum and is repayable on demand. The loan is secured by certain property, plant and equipment and inventories of a subsidiary of the Company amounting to HK\$4,276,000 and HK\$23,212,000 (31 March 2004: HK\$3,955,000 and HK\$20,791,000) respectively.

Interim Results

13. SHARE CAPITAL

	Number of ordinary shares	Amount HK\$'000
Ordinary shares of HK\$0.10 each:		
<i>Authorised:</i>		
At 30 September 2004 and 31 March 2004	5,000,000,000	500,000
<i>Issued and fully paid:</i>		
At 30 September 2004 and 31 March 2004	825,000,000	82,500

14. CAPITAL COMMITMENTS

	30 September 2004 HK\$'000	31 March 2004 HK\$'000
Capital expenditure contracted for but not provided in the condensed financial statements in respect of the acquisition of property, plant and equipment	914	1,232

15. FORWARD CONTRACT COMMITMENTS

At the balance sheet date, the Group had forward contract commitments as follows:

	30 September 2004	31 March 2004
Principal amounts of a forward contract held for hedging purposes against trade and other receivables		
– sale of Euro	EUR42,583	–
– purchase of United States dollar	USD52,062	–

Interim Results

16. CONTINGENT LIABILITIES

	30 September 2004 HK\$'000	31 March 2004 HK\$'000
Export bills discounted with recourse	139	2,225

17. CONNECTED PARTY TRANSACTIONS

During the period, the Group entered into the following transactions with connected parties:

	<i>Notes</i>	Six months ended 30 September 2004 HK\$'000	2003 HK\$'000
Wisdom Venture Holdings Limited (“Wisdom Venture”) & its subsidiaries (“Wisdom Venture Group”)			
Corrugated cardboard and carton boxes purchased	<i>a</i>	3,925	3,742
Management fee income received	<i>b</i>	271	384
Lee And Man Manufacturing Company Limited (“Lee & Man Manufacturing”)			
Management fee income received	<i>b</i>	111	141
Lee & Man Realty Investment Limited (“Lee & Man Realty”)			
Licence fee paid	<i>c</i>	684	770
Lee & Man Paper Manufacturing Limited (“Lee & Man Paper”)			
Management fee income received	<i>d</i>	366	72

Notes:

- a. The Group has agreed to purchase corrugated cardboard and carton boxes from time to time from the Wisdom Venture Group, which are associates of Fortune Star Tradings Ltd. (“Fortune Star”), the ultimate controlling shareholder of the Company. The purchase prices are negotiated on a case by case basis in the ordinary course of business by reference to the prevailing market conditions.

Interim Results

17. CONNECTED PARTY TRANSACTIONS (CONTINUED)

- b. The Group has agreed to procure its subsidiaries to provide (i) use of office facilities and equipment, (ii) use of transportation facilities, and (iii) management service including administrative and financial services to Lee & Man Paper Products Company Limited, a subsidiary of Wisdom Venture, and Lee & Man Manufacturing for a monthly management fee on a cost basis.

Lee & Man Manufacturing is beneficially owned by Ms. Lee Marina Man Wai, a director of the Company.

- c. Pursuant to two licence agreements entered into between Lee & Management Company Limited (“Lee & Man Management”), a wholly-owned subsidiary of the Company, and Lee & Man Realty, which is beneficially owned by Mr. Lee Wan Keung (an associate of Fortune Star) and Mr. Lee Man Yan (a director of the Company), on 14 December 2001, Lee & Man Realty has agreed to grant licences to Lee & Man Management and subsidiaries of the Company to enter into possession of and occupy certain office space of Lee & Man Realty for a term of three years commencing 1 January 2002 for a total monthly licence fee of HK\$156,750.00. The total monthly licence fee has been decreased to HK\$114,000.00 effective from 1 June 2003 as mutually agreed.
- d. Pursuant to the management services agreement entered into between Lee & Man Management and Lee & Man Paper, which is an associate of Fortune Star, on 8 September 2003 for a term of one year from 1 September 2003 at a monthly services fee of HK\$72,076.94 and further renewed on 2 September 2004 for one year from 1 September 2004 at a monthly services fee of HK\$5,500.00, Lee & Man Management provided administrative and secretarial services to Lee & Man Paper and the right to use Lee & Man Management’s office as registered office.

18. POST BALANCE SHEET EVENT

Pursuant to the Disposal Agreement, Lee & Man Development disposed of its entire equity interest in Foreland for a consideration of US\$7,000,000 (approximately HK\$54,600,000, subject to adjustments) on 5 October 2004. The disposal resulted in a gain of approximately HK\$31,200,000 to the Group.

19. REVIEW OF INTERIM ACCOUNTS

The condensed consolidated interim financial statements are unaudited, but have been reviewed by the Audit Committee.

INTERIM DIVIDEND

The directors have declared an interim dividend of HK3.0 cents (2003: HK3.0 cents) per share for the six months ended 30 September 2004 to shareholders whose names appear on the Register of Members on 13 December 2004. It is expected that the interim dividend will be paid around 21 December 2004.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from 9 December 2004 to 13 December 2004, both days inclusive, during which period no transfer of shares can be registered. In order to qualify for the interim dividend, all transfers accomplished by the relevant share certificates must be lodged with the Company’s Branch Share Registrars, Secretaries Limited, at G/F, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong, for registration no later than 4:00 p.m. on 8 December 2004.

Business Review and Outlook

BUSINESS REVIEW

For the six months ended 30 September 2004, the Group's profit attributable to shareholders amounted to HK\$72 million, representing an increase of approximately 2.5% as compared to HK\$70 million in the corresponding period last year. Turnover for the Group increased from HK\$520 million to HK\$642 million, representing an increase of 23.5% over the corresponding period last year. During the period under review, the gross profit margin of the Group was 37.1% which was comparable to 37.8% in the corresponding period last year.

The Group manufactures a wide range of handbag products that mainly sells to United States and Europe. Sales to the United States accounted for 80.8% of the turnover of the Group and recorded an increase of 25.7% compared to the same period last year. Sales to Europe recorded an increase of 19.5% and it accounted for 15.7% of the turnover of the Group.

OUTLOOK

In view of the downturn of the United States economy and a more competitive environment of the handbag industry ahead, as well as the rising wages due to the labour shortage expected in the Pearl River Delta region, the operating costs will therefore increase. The Group will continue to focus on developing and strengthening the handbag design, in order to enhance its product design and product development capabilities, and also, to produce and sell more originally designed fashionable handbag products to achieve competitive edge over our competitors. Moreover, the Group will continue to adopt effective cost control measures to further reduce its production cost and endeavor to maintain the results as before.

Management Discussion and Analysis

RESULTS OF OPERATION

Turnover and net profit attributable to shareholders for the six months ended 30 September 2004 was HK\$642 million and HK\$72 million respectively, as compared to HK\$520 million and HK\$70 million for the corresponding period last year. The earnings per share for the period was HK 8.7 cents when compared with HK8.5 cents for the corresponding period last year.

CAPITAL STRUCTURE AND LIQUIDITY

The total shareholders' fund of the Group as at 30 September 2004 was HK\$396 million (31 March 2004: HK\$366 million).

The Group maintains a very strong financial position with a very low level of debts and a high liquidity. As at 30 September 2004, the Group had a current ratio of 2.9 (31 March 2004: 2.9) and zero (31 March 2004: zero) gearing ratio.

The Group had a net cash surplus of HK\$149 million (31 March 2004: HK\$106 million) and most of the cash balance was deposited in the leading banks in Hong Kong.

Net cash inflow provided by operating activities totaled HK\$93 million (six months ended 30 September 2003: HK\$82 million). The consistent strong cash flow from operating activities reflects the Group's strength in the working capital management to support the business operations. The Group's future cash flow and its available banking facilities will provide sufficient funds to the Group to meet its operation requirements.

FUNDING POLICY

The Group's transactions and the monetary assets are principally denominated in Hong Kong dollars or United States dollars. As a result, the Group has a minimal exposure to foreign exchange risk.

PLEDGE OF ASSETS

As at 30 September 2004, certain property, plant and equipment and inventories of a subsidiary of the Company amounting to HK\$4,276,000 and HK\$23,212,000 (31 March 2004: HK\$3,955,000 and HK\$20,791,000) respectively were pledged for advances from a factoring company in the United States.

EMPLOYEES

The Group had a workforce of more than 6,000 people. Salaries of employees are maintained at competitive level. Staff performance is reviewed at least annually and remuneration is performance driven. The Group maintains a good relationship with its employees.

Other Information

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 September 2004, the interests or short positions of the directors or chief executives of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which have been 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, or which were recorded in the register required to be kept pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange, were as follows:

(a) Long positions in shares of the Company

Name of director	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Wai Siu Kee	Discretionary object	617,000,000 (Note 1)	74.79%
Lee Man Yan	Discretionary object	617,000,000 (Note 1)	74.79%
Lee Lai Chu (Note 2)	Beneficial owner	1,000,000	0.12%

Note 1: These shares were held by Fortune Star Tradings Ltd. ("Fortune Star"), a company wholly-owned by Newcourt Trustees Limited as trustee for The Fortune Star 1992 Trust, a discretionary trust the discretionary objects of which include Ms. Wai Siu Kee and Mr. Lee Man Yan (both of whom are directors of the Company), certain of their family members and other charitable objects.

Note 2: Ms. Lee Lai Chu resigned as director of the Company on 1 November 2004.

(b) Long positions in shares of the associated corporations of the Company

Name of Director	Capacity	Name of associated company	Number of shares	Percentage of the issued shares of the associated company
Wai Siu Kee	Discretionary object	Fortune Star	1 (Note)	100%
Lee Man Yan	Discretionary object	Fortune Star	1 (Note)	100%

Note: As Fortune Star owns more than 50% of the Company, Fortune Star is an associated corporation of the Company under the SFO. The entire issued share capital of Fortune Star is owned by Newcourt Trustees Limited as trustee for The Fortune Star 1992 Trust, a discretionary trust the discretionary objects of which include Ms. Wai Siu Kee and Mr. Lee Man Yan, both of whom are directors of the Company, certain of their family members and other charitable objects.

Other Information

Other than as disclosed above, as at 30 September 2004, none of the directors or the chief executives, or any of their associates, had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations which had to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV 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, to be notified to the Company and the Stock Exchange.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

A share option scheme was adopted by the Company on 14 December 2001, under which the directors or chief executives or their associates of the Company may be granted options to subscribe for shares in the Company. No options were granted by the Company under the scheme since its adoption.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARE CAPITAL OF THE COMPANY

As at 30 September 2004, shareholders (other than directors or chief executives of the Company) who had interests and short positions in the share and underlying shares of the Company which have been disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Long positions in shares of the Company

Name of shareholder	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Fortune Star (<i>Note</i>)	Beneficial owner	617,000,000	74.79%
Value Partners Limited	Beneficial owner	62,498,000	7.58%

Note: The entire issued share capital of Fortune Star is owned by Newcourt Trustees Limited as trustee for The Fortune Star 1992 Trust, a discretionary trust the discretionary objects of which include Ms. Wai Siu Kee and Mr. Lee Man Yan, both of whom are directors of the Company, and certain of their family members and other charitable objects.

Other than as disclosed above, as at 30 September 2004, the Company has not been notified by any other person (other than directors or chief executives of the Company) who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

Other Information

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

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

AUDIT COMMITTEE

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters including the review of the Group's unaudited interim results for the six months ended 30 September 2004.

COMPLIANCE WITH CODE OF BEST PRACTICE

None of the directors of the Company is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the six months ended 30 September 2004, in compliance with the Code of Best Practice as set out in the Listing Rules.

On behalf of the Board

Wai Siu Kee

Chairman