



Veeko®

colourmix  
cosmetics

# Veeko® 威高國際控股有限公司 VEEKO INTERNATIONAL HOLDINGS LIMITED 04/05 中期報告書 Interim Report

截至二零零四年九月三十日止六個月  
For the six months ended 30th September, 2004



wanko®

## **CORPORATE INFORMATION**

### **DIRECTORS**

#### *Executive*

CHENG Chung Man, Johnny  
(Chairman)  
LAM Yuk Sum

#### *Independent Non-Executive*

CHENG Chung Hoo  
YANG Wei Tak  
YEUNG Wing Kay  
(Appointed on 17th September, 2004)

### **LEGAL ADVISERS AS TO CAYMAN ISLANDS LAW**

Conyers Dill & Pearman, Cayman  
Zephyr House  
George Town  
Grand Cayman  
British West Indies

### **LEGAL ADVISERS AS TO HONG KONG LAW**

Chiu & Partners  
41st Floor, Jardine House  
1 Connaught Place  
Hong Kong

### **AUDITORS**

Deloitte Touche Tohmatsu  
Certified Public Accountants  
26th Floor, Wing On Centre  
111 Connaught Road Central  
Hong Kong

### **AUTHORISED REPRESENTATIVES**

CHENG Chung Man, Johnny  
LAM Yuk Sum

### **COMPANY SECRETARY**

WONG Chi Ying

### **AUDIT COMMITTEE MEMBERS**

CHENG Chung Hoo  
YANG Wei Tak  
YEUNG Wing Kay  
(Appointed on 17th September, 2004)

### **REGISTERED OFFICE**

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

### **HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS**

10th Floor, Wyler Centre Phase II  
192-200, Tai Lin Pai Road  
Kwai Chung, New Territories  
Hong Kong

### **PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE**

Bank of Bermuda (Cayman) Limited  
P.O. Box 513 GT  
3rd Floor  
British American Tower  
Dr. Roy's Drive  
George Town  
Grand Cayman  
Cayman Islands  
British West Indies

### **HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE**

Secretaries Limited  
Ground Floor  
Bank of East Asia Harbour View Centre  
56 Gloucester Road  
Wanchai, Hong Kong

### **PRINCIPAL BANKERS**

Bank of China (Hong Kong) Limited  
The Hongkong and Shanghai  
Banking Corporation Limited

### **WEBSITE ADDRESS**

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

**UNAUDITED INTERIM RESULTS**

The board of directors of Veeko International Holdings Limited (the "Company") announces the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30th September, 2004. The results, together with the comparative figures for the corresponding period in 2003, are summarised below:

**CONDENSED CONSOLIDATED INCOME STATEMENT**

*For the six months ended 30th September, 2004*

		<b>Six months ended 30th September,</b>	
		<b>2004</b>	<b>2003</b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
	Notes	<b>HK\$'000</b>	<b>HK\$'000</b>
Turnover	2	<b>217,898</b>	175,380
Cost of sales		<b>(62,990)</b>	(44,034)
Gross profit		<b>154,908</b>	131,346
Selling and distribution costs		<b>(97,014)</b>	(91,709)
Administrative expenses		<b>(31,094)</b>	(28,613)
Other operating income		<b>7,111</b>	2,721
Profit from operations	3	<b>33,911</b>	13,745
Finance costs		<b>(18)</b>	(20)
Profit before taxation		<b>33,893</b>	13,725
Taxation	4	<b>(3,493)</b>	(1,388)
Profit attributable to shareholders		<b>30,400</b>	12,337
Interim dividend		<b>13,248</b>	4,968
Earnings per share	5		
Basic		<b>HK1.84 cents</b>	HK0.75 cent
Diluted		<b>HK1.83 cents</b>	N/A



# Veeko International Holdings Limited

## CONDENSED CONSOLIDATED BALANCE SHEET

At 30th September, 2004

	Notes	30th September, 2004 (Unaudited) HK\$'000	31st March, 2004 (Audited) HK\$'000
<b>Non-current Assets</b>			
Investment properties		26,130	26,130
Property, plant and equipment		39,452	37,365
Deferred tax assets		2,480	2,529
		<u>68,062</u>	<u>66,024</u>
<b>Current Assets</b>			
Inventories		80,349	59,064
Trade and other receivables	6	19,290	16,160
Rental and utility deposits		35,197	28,363
Taxation recoverable		–	70
Bank deposits		67,495	72,381
Bank balances and cash		29,767	27,897
		<u>232,098</u>	<u>203,935</u>
<b>Current Liabilities</b>			
Trade and other payables	7	31,838	30,433
Taxation payable		4,655	5,565
Obligations under finance leases – due within one year		193	189
		<u>36,686</u>	<u>36,187</u>
<b>Net Current Assets</b>			
		<u>195,412</u>	<u>167,748</u>
		<u>263,474</u>	<u>233,772</u>
<b>Capital and Reserves</b>			
Share capital	8	16,560	16,560
Reserves		232,243	215,799
Proposed dividend		13,248	–
		<u>262,051</u>	<u>232,359</u>
<b>Non-current Liabilities</b>			
Obligations under finance leases – due after one year		180	277
Deferred tax liabilities		1,243	1,136
		<u>1,423</u>	<u>1,413</u>
		<u>263,474</u>	<u>233,772</u>

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT***For the six months ended 30th September, 2004*

	<b>Six months ended 30th September,</b>	
	<b>2004 (Unaudited) HK\$'000</b>	<b>2003 (Unaudited) HK\$'000</b>
Net cash from/(used in) operating activities	<b>6,504</b>	(3,622)
Net cash used in investing activities	<b>(4,326)</b>	(3,971)
Net cash used in financing activities	<b>(93)</b>	(131)
Increase/(Decrease) in cash and cash equivalents	<b>2,085</b>	(7,724)
Cash and cash equivalents at 1st April	<b>27,897</b>	22,780
Effect of foreign exchange rates changes	<b>(215)</b>	194
Cash and cash equivalents at 30th September represented by bank balances and cash	<b>29,767</b>	15,250

# Veeko International Holdings Limited

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th September, 2004

	Share Capital	Share Premium	Property Revaluation Reserve	(Unaudited) Exchange Translation Reserve	Special Reserve	Retained Profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st April, 2004	16,560	8,611	130	(1,377)	2,266	206,169	232,359
Exchange differences on translation of overseas operations	-	-	-	(708)	-	-	(708)
Profit attributable to shareholders	-	-	-	-	-	30,400	30,400
At 30th September, 2004	<u>16,560</u>	<u>8,611</u>	<u>130</u>	<u>(2,085)</u>	<u>2,266</u>	<u>236,569</u>	<u>262,051</u>
Comparison for 2003							
At 1st April, 2003	16,560	8,611	-	(790)	2,266	161,985	188,632
Exchange differences on translation of overseas operations	-	-	-	(218)	-	-	(218)
Profit attributable to shareholders	-	-	-	-	-	12,337	12,337
At 30th September, 2003	<u>16,560</u>	<u>8,611</u>	<u>-</u>	<u>(1,008)</u>	<u>2,266</u>	<u>174,322</u>	<u>200,751</u>

## NOTES TO CONDENSED INTERIM ACCOUNTS

### 1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited consolidated condensed interim accounts (the "Interim Accounts") for the six months ended 30th September, 2004 are prepared in accordance with Statement of Standard Accounting Practice ("SSAP") 25, "Interim Financial Reporting", issued by the Hong Kong Institute of Certified Public Accountants, and Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The accounting policies and methods of computation used in the preparation of the unaudited condensed consolidated interim accounts are consistent with those used in the annual accounts for the year ended 31st March, 2004.

### 2. BUSINESS AND GEOGRAPHICAL SEGMENTS

In accordance with the Group's internal financial reporting, the Group has determined that geographical segments by market are its primary reporting format.

#### Geographical segments

The Group reports its primary segment information by geographical location of its customers who are principally located in Hong Kong, Macau, Taiwan and Singapore. Segment information about these geographical markets is presented below:

	Unaudited six months ended 30th September, 2004					Consolidated HK\$'000
	Hong Kong and Macau HK\$'000	Taiwan HK\$'000	Singapore HK\$'000	Others HK\$'000	Eliminations HK\$'000	
<b>TURNOVER</b>						
Sales of goods	128,317	61,235	14,354	13,992	-	217,898
Inter-segment sales	4,836	-	-	-	(4,836)	-
	<u>133,153</u>	<u>61,235</u>	<u>14,354</u>	<u>13,992</u>	<u>(4,836)</u>	<u>217,898</u>
Inter-segment sales are charged at prevailing market rates.						
<b>SEGMENT RESULT</b>	<u>26,903</u>	<u>5,473</u>	<u>(745)</u>	<u>2,605</u>		34,236
Unallocated corporate income						1,640
Unallocated corporate expenses						(1,965)
Profit from operations						33,911
Finance costs						(18)
Profit before taxation						33,893
Taxation						(3,493)
Profit attributable to shareholders						<u>30,400</u>

# Veeko International Holdings Limited

## 2. BUSINESS AND GEOGRAPHICAL SEGMENTS (CONTINUED)

Unaudited six months ended 30th September, 2003

	Hong Kong and Macau HK\$'000	Taiwan HK\$'000	Singapore HK\$'000	Others HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
TURNOVER						
Sales of goods	103,260	48,456	14,613	9,051	-	175,380
Inter-segment sales	<u>4,582</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,582)</u>	<u>-</u>
	<u>107,842</u>	<u>48,456</u>	<u>14,613</u>	<u>9,051</u>	<u>(4,582)</u>	<u>175,380</u>
Inter-segment sales are charged at prevailing market rates.						
SEGMENT RESULT	<u>11,912</u>	<u>3,753</u>	<u>(2,503)</u>	<u>1,024</u>		14,186
Unallocated corporate income						2,140
Unallocated corporate expenses						<u>(2,581)</u>
Profit from operations						13,745
Finance costs						<u>(20)</u>
Profit before taxation						13,725
Taxation						<u>(1,388)</u>
Profit attributable to shareholders						<u>12,337</u>



**3. PROFIT FROM OPERATIONS**

	Six months ended 30th September, 2004 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000
Profit from operations has been arrived at after charging:		
Depreciation of property, plant and equipment	<u>7,084</u>	<u>8,780</u>
and after crediting:		
Interest income	<u>144</u>	<u>142</u>

**4. TAXATION**

	Six months ended 30th September, 2004 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000
The charge comprises:		
Current taxation		
Hong Kong Profits Tax	2,186	577
Overseas Taxation	1,183	885
Deferred taxation relating to the origination and reversal of temporary difference	124	76
Deferred taxation resulting from an increase in tax rate	<u>-</u>	<u>(150)</u>
	<u><b>3,493</b></u>	<u><b>1,388</b></u>

Hong Kong Profits Tax is calculated at 17.5% (2003: 17.5%) on the estimated assessable profits for the period. Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

## 5. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to shareholders of HK\$30,400,000 (2003: HK\$12,337,000) and 1,656,000,000 shares (2003: 1,656,000,000 shares) in issue during the period.

The calculation of diluted earnings per share is based on the profit attributable to shareholders of HK\$30,400,000 and the weighted average number of 1,658,503,852 shares issued and issuable, assuming that all of the outstanding share options had been exercised on the date of issue. No diluted earnings per share was presented for the same period last year as there was no potential dilutive shares in issue during that period.

## 6. TRADE AND OTHER RECEIVABLES

At 30th September, 2004, included in the Group's trade and other receivables were trade receivables of HK\$16,164,000 (31st March, 2004: HK\$14,006,000). The Group allows 30 to 60 days credit period for receivables from sales counters and an average credit period of 60 to 120 days to its wholesale customers. Details of the aged analysis of trade receivables are as follows:

	30th September, 2004 (Unaudited) HK\$'000	31st March, 2004 (Audited) HK\$'000
Within 30 days	9,624	6,285
31 – 60 days	5,548	5,556
61 – 90 days	670	2,050
Over 90 days	322	115
	<u>16,164</u>	<u>14,006</u>

**7. TRADE AND OTHER PAYABLES**

At 30th September, 2004, included in the Group's trade and other payables were trade payables of HK\$11,478,000 (31st March, 2004: HK\$9,763,000). Details of the aged analysis of the trade payables are as follows:

	<b>30th September, 2004 (Unaudited) HK\$'000</b>	31st March, 2004 (Audited) HK\$'000
Within 30 days	10,038	5,699
31 – 60 days	1,277	2,144
Over 60 days	163	1,920
	<u>11,478</u>	<u>9,763</u>

**8. SHARE CAPITAL**

	<b>30th September, 2004 (Unaudited) HK\$'000</b>	31st March, 2004 (Audited) HK\$'000
Authorised: 10,000,000,000 ordinary shares of HK\$0.01 each	<u>100,000</u>	<u>100,000</u>
Issued and fully paid: 1,656,000,000 ordinary shares of HK\$0.01 each	<u>16,560</u>	<u>16,560</u>

## 9. CONTINGENT LIABILITIES

At 30th September, 2004, the Company had provided guarantees of HK\$84,390,000 (31st March, 2004: HK\$84,390,000) to certain banks in respect of banking facilities granted to certain subsidiaries of the Company. The amount utilised by the subsidiaries was HK\$2,517,000 (31st March, 2004: HK\$2,998,000) as at 30th September, 2004.

At 30th September, 2004, the Group had provided guarantees of HK\$84,755,000 (31st March, 2004: HK\$84,771,000) to certain banks in respect of standby banking facilities, of which bank guarantees of HK\$2,881,000 were utilised under these facilities (31st March, 2004: HK\$3,365,000).

## 10. OPERATING LEASE COMMITMENTS

At 30th September, 2004, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	<b>30th September, 2004 (Unaudited) HK\$'000</b>	31st March, 2004 (Audited) HK\$'000
Within one year	<b>95,979</b>	77,581
In the second to fifth year inclusive	<b>93,278</b>	42,227
Over five years	<b>761</b>	848
	<b><u>190,018</u></b>	<b><u>120,656</u></b>

In addition to these commitments, the Group may pay additional rental expenses in respect of certain premises which are dependent upon the level of sales achieved by particular shops.

**11. PLEDGE OF ASSETS**

At 30th September, 2004, the following assets were pledged by the Group to certain banks to secure general banking facilities granted to the Group:

	<b>30th September, 2004 (Unaudited) HK\$'000</b>	31st March, 2004 (Audited) HK\$'000
Investment properties	<b>26,130</b>	26,130
Leasehold land and buildings	<b>14,533</b>	14,800
Short term bank deposits	<b>1,378</b>	1,367
	<b><u>42,041</u></b>	<u>42,297</u>

**INTERIM DIVIDEND**

At the Board Meeting held on 21st December, 2004, the board of directors has resolved to declare the payment of an interim dividend of HK0.80 cent (2004: HK0.30 cent) per share of HK\$0.01 each for the financial year ending 31st March, 2005. The interim dividend will be payable on 25th January, 2005 to shareholders whose names appeared on the register of members of the Company at the close of business on 21st January, 2005.

**CLOSURE OF REGISTER OF MEMBERS**

The register of members of the company will be closed from Wednesday, 19th January, 2005 to Friday, 21st January, 2005 (both days inclusive) during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Secretaries Limited at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong for registration no later than 4:00 p.m. on Tuesday, 18th January, 2005.

## MANAGEMENT DISCUSSION AND ANALYSIS BUSINESS REVIEW

For the six months ended 30th September, 2004, the Group recorded a turnover of HK\$217,898,000 (2003: HK\$175,380,000), representing an increase of 24.2% as compared with the corresponding period of the previous year. The profit attributable to shareholders during the period was HK\$30,400,000 (2003: HK\$12,337,000), representing an increase of 146.4% as compared with the corresponding period of the previous year.

### *Hong Kong and Macau Market*

The retail business in Hong Kong and Macau remained the major source of income of the Group, accounting for 58.9% of its overall turnover, which was comparable with that of the corresponding period of the previous year. As at 30th September, 2004, the Group had altogether 60 outlets in Hong Kong and Macau. During the period under review, the improving local economy, coupled with the relaxation of policy governing cross-border visits to Hong Kong and Macau, boosted the continued growth in retail business in the regions. In addition, the relatively low base figures due to the outbreak of the Severe Acute Respiratory Syndrome in the first quarter of the previous financial year resulted in a 24.3% increase in turnover, amounting to HK\$128,317,000, as compared with that of the previous year. During the period under review, the Group closed down 3 outlets with unsatisfactory performance, while opened 4 new outlets at premium locations available at reasonable rentals. Such moves enhanced the profitability of the outlets and achieved a segment results in Hong Kong and Macau of HK\$26,903,000, as compared with that of HK\$11,912,000 in the corresponding period of the previous year.

### *Taiwan Market*

In the first half of the financial year, the retail business in Taiwan recorded a turnover of HK\$61,235,000, representing a 26.4% increase over the previous year. As at 30th September, 2004, the number of outlets in Taiwan was increased from 52 in last year to 56, and a **Wanko** flagship store was opened on Chung Hsiao East Road, one of the most flourishing district in Taipei, in August 2004. The outstanding image of the flagship store further strengthened the leading position of the **Wanko** brand name in Taiwan's ladies fashion market. During the period under review, Taiwan market accounted for 28.1% of the Group's total turnover. The Group will continue expanding its business in Taiwan in the future and as at 30th November, 2004, the Group had 60 outlets in Taiwan.

### *Singapore Market*

In the first half of the financial year, the retail business in Singapore recorded a turnover of HK\$14,354,000. Notwithstanding a slight decrease of 1.8% as compared with that of the previous year, the turnover of comparable outlets showed a 20.8% increase, which was mainly attributable to the decrease in the number of outlets in Singapore from 13 last year to 9 as a result of the strategic closing of 4 outlets with unsatisfactory performance. Together with the strengthened local management team, the segment results in Singapore was narrowed down from a loss of HK\$2,503,000 for the six months of the previous year to a loss of HK\$745,000 for the six months ended 30th September, 2004.



## PROSPECTS

### *Apparel Business*

As at 30th September, 2004, there were a total of 168 outlets under the Group's brand name, of which 60 in Hong Kong and Macau, 56 in Taiwan, 9 in Singapore and 43 in China. In the coming 6 months, the Group will maintain the number of its outlets in Hong Kong and Macau at the existing level. However, certain outlets with minimal profitability will be strategically closed down when their leases expire, while continue to open new outlets at premium locations available at reasonable rentals, in order to enhance its profitability. As the overall performance in Taiwan remains favorable, it will become the Group's key market for future development. The Group will continue to identify positions with potentials for steady development of its business in Taiwan and it is expected that the number of outlets in Taiwan will reach 63 by the end of March 2005. Meanwhile, the Group will keep abreast of the market trend in Singapore, from time to time review its Singapore business, making adjustments where necessary, and prudentially develop its local business. In the China market, the outlet network under **Wanko** and **Veeko** brand names now covers not only those first-tier cities, such as Beijing, Shanghai, Chengdu, Guangzhou, Shenzhen and Zhuhai, but also other cities, such as Chongqing, Wuhan, Nanjing, Kunming, Nanchang, Nanning, Zhengzhou and Xi'an. In the future, the Group will continue its development in the China market by way of franchise. The Group has been implementing internal strengthening measures including continuous enhancement of product quality, commitment in staff training to improve the overall service quality of staff and effective cost control. With such measures, coupled with the expected increase in visitors to Hong Kong and the recovery of Hong Kong's economy, the Group is confident about its future development in retail business. Figures between October and November 2004 showed an impressive performance that the overall retail turnover in Hong Kong and Macau, Taiwan and Singapore increased approximately 12.6% and the turnover of comparable outlets also increased 7.4%, as compared with that of the corresponding period of the previous year.

### *Cosmetics Business*

The Group has long been seeking other expansion and development opportunities in retail business with high value-adding prospects. After due and careful planning over a long period of time, the Group has launched its chain cosmetics retail business in October 2004. The **Colourmix** cosmetics chain-stores have been established and the primary business of which is the sale of cosmetics products of multiple brands, including (i) skincare products (ii) perfume and cosmetics (iii) personal care products. The colorful and trendy outlet design provides the customers with a comfortable environment for shopping and thus a unique cosmetics chain-store image is established. There are 5 outlets by now, of which 3 in Hong Kong and 2 in Macau. Since the initial responses have reached our expected targets, the development will be speeded up in the future and it is expected that the number of outlets will reach 10 by the end of March 2005. **Colourmix** has currently obtained 6 exclusive cosmetics products which are mainly brands from France, Switzerland and Australia, including Chen Yu make up series, Monteil, Ericson Laboratoire, Helenere, Kismayly and Geo. After years of development, the popular brand names of **Wanko** and **Veeko** have established themselves as key players in the ladies fashion market. The future development in cosmetics retail business will enable the Group to become even more value-added and we are confident that this business will bring about a room for development with considerable potentials.

## LIQUIDITY AND BORROWINGS

The Group's working capital increased from HK\$167,748,000 as at 31st March, 2004 to HK\$195,412,000 for the period end while its current ratio and quick ratio were maintained at a healthy level of 6.3 and 4.1 times respectively.

As at 30th September, 2004, the Group's cash and bank balances amounted to HK\$97,262,000 (31st March, 2004: HK\$100,278,000) and there was no outstanding bank borrowings and overdraft (31st March, 2004: Nil) whereas the total borrowings was HK\$373,000 (31st March, 2004: HK\$466,000).

As at 30th September, 2004, the gearing ratio of the Group is 0.001 (31st March, 2004: 0.002) which is calculated based on the Group's total borrowings of HK\$373,000 (31st March, 2004: HK\$466,000) and the shareholders' fund of HK\$262,051,000 (31st March, 2004: HK\$232,359,000).

As at 30th September, 2004, the Group had banking facilities amounting to HK\$60,565,000 (31st March, 2004: HK\$60,567,000), of which HK\$2,881,000 representing bank guarantees (31st March, 2004: HK\$3,365,000) was utilised by the Group. The management believes that existing financial resources will be sufficient to meet future expansion plans and, if necessary, the Group will be able to obtain additional financing on favorable terms.

## STAFF AND REMUNERATION POLICIES

As at 30th September, 2004, the Group had 3,343 employees. The Group mainly determines staff remuneration (including insurance and medical benefits) in accordance with the industry's practices. The Group also implemented a reward scheme for its staff based on their individual performances. In addition to their basic remuneration and welfare, some key employees were granted share options as reward and fostering a sense of loyalty to the Group.

## SHARE OPTION SCHEME

Pursuant to ordinary resolutions passes at the annual general meeting of the Company on 17th September, 2003, a new share option scheme (the "2003 Scheme") was adopted by the Company and the share option scheme adopted on 15th April, 1999 (the "1999 Scheme") was terminated. No option had been granted under the 1999 Scheme.

During the period ended 30th September, 2004, no options were granted to the directors of the Company under the 2003 Scheme.

**SHARE OPTION SCHEME (Continued)**

The following table discloses details of options granted under the 2003 Scheme held by employees of the Group and movements in such holdings during the period ended 30th September, 2004:

Date of Grant	Exercisable period	Vesting period (from the date of grant)	Exercise price per share	Balance at 1.4.2004	Granted during the period	Cancelled during the period	Outstanding at 30.9.2004
18th November, 2003	18th November, 2005 to 17th November, 2007	2 years	HK\$0.162	18,600,000	-	(600,000)	18,000,000
18th November, 2003	18th November, 2007 to 17th November, 2009	4 years	HK\$0.162	18,600,000	-	(600,000)	18,000,000
21st September, 2004	21st September, 2006 to 20th September, 2008	2 years	HK\$0.255	-	2,000,000 (Note)	-	2,000,000
21st September, 2004	21st September, 2008 to 20th September, 2010	4 years	HK\$0.255	-	2,000,000 (Note)	-	2,000,000
				37,200,000	4,000,000	(1,200,000)	40,000,000
				37,200,000	4,000,000	(1,200,000)	40,000,000

Note: The closing price of the shares immediately before the date on which the options were granted was HK\$0.280.

The financial impact of share options is not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no charge is recognised in the income statement in respect of the value of options granted during the period. Upon exercise of the share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which lapse or are cancelled prior to their exercise date are deleted from the register of outstanding options.

## DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30th September, 2004, the interests of the directors and their associates in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follow:

Name of director	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Mr. Cheng Chung Man, Johnny	Held by trust	994,044,180 (Note 1)	60.03%
	Held by spouse	124,194,000 (Note 2)	7.50%
Ms. Lam Yuk Sum	Held by trust	994,044,180 (Note 1)	60.03%
	Beneficial owner	124,194,000	7.50%

### Notes:

- These 994,044,180 shares are beneficially owned by Silver Crown Profits Limited ("Silver Crown"). The shares in Silver Crown are in turn held by the trustee of the J Cheng Family Trust, a discretionary trust, the discretionary objects of which include family members of Mr. Cheng Chung Man, Johnny and Ms. Lam Yuk Sum.
- Mr. Cheng Chung Man, Johnny is the husband of Ms. Lam Yuk Sum and is deemed to be interested in 124,194,000 shares beneficially owned by Ms. Lam Yuk Sum.

Other than disclosed above and certain nominee shares in subsidiaries held by certain directors in trust for the Group, none of the directors nor their associates had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of part XV of the SFO) as at 30th September, 2004, as required to be recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

## SUBSTANTIAL SHAREHOLDERS

Other than disclosed above under the section headed "Directors' Interests in Shares, Underlying Shares and Debentures" and other substantial shareholders' interests disclosed in the following table, at 30th September, 2004, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO showed that the Company had not been notified of any relevant interests or short positions in the shares or underlying shares of the Company.

Name of shareholder	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Cheah Cheng Hye	Held by controlled corporation	161,340,000 (Note)	9.74%
Value Partners Limited	Held by investment managers	161,340,000 (Note)	9.74%
Value Partners High-Dividend Stocks Fund	Beneficial owner	95,720,000	5.78%

*Note:* Value Partners Limited through its investment managers including Value Partners High-Dividend Stocks Fund owns an aggregate of 161,340,000 ordinary shares of the Company. Mr. Cheah Cheng Hye is deemed to be interested in 161,340,000 ordinary shares of the Company as he beneficially owns 31.82% of Value Partners Limited.

## CORPORATE GOVERNANCE

None of the Directors of the Company is aware of any information which would indicate that the Group is not, or was not, in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules at any time during the six months ended 30th September, 2004.

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

During the six months ended 30th September, 2004, there was no purchase, redemption or sale by the Company or any of its subsidiaries of the Company's listed securities.

## **AUDIT COMMITTEE**

The unaudited results of the Group for the six months ended 30th September, 2004 have been reviewed by the Audit Committee. The Audit Committee constitutes 3 independent non-executive directors.

By Order of the Board  
**Cheng Chung Man, Johnny**  
*Chairman*

Hong Kong, 21st December, 2004