



LAI SUN GARMENT

Lai Sun Garment (International) Limited
(Incorporated in Hong Kong with limited liability)
(Stock Code: 191)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 31ST JANUARY, 2005

RESULTS

The Board of Directors of Lai Sun Garment (International) Limited (the "Company") announces the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 31st January, 2005 as follows:

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the six months ended 31st January, 2005

		Six months ended	
	Notes	31/1/2005 (Unaudited) HK\$'000	31/1/2004 (Unaudited) HK\$'000
TURNOVER	2	286,357	533,662
Cost of sales		(135,946)	(366,052)
Gross profit		150,411	167,610
Other revenue and gains		20,783	17,291
Selling and distribution costs		(79,050)	(82,677)
Administrative expenses		(54,982)	(52,893)
Other operating expenses, net		(9,323)	(10,466)
PROFIT FROM OPERATING ACTIVITIES	3	27,839	38,865
Finance costs	4	(6,901)	(6,385)
Share of profits and losses of associates		37,353	105,461
Negative goodwill recognised as income		13,657	9,576
Gain/(loss) on deemed disposal of interest in an associate	5	2,421,449	(5,614)
PROFIT BEFORE TAX		2,493,397	141,903
Tax	6	(14,480)	(16,213)
PROFIT BEFORE MINORITY INTERESTS		2,478,917	125,690
Minority interests		(8,172)	(4,916)
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		2,470,745	120,774
EARNINGS PER SHARE	7		
Basic		HK\$1.7185	HK\$0.0840
Diluted		N/A	HK\$0.0839
CONDENSED CONSOLIDATED BALANCE SHEET 31st January, 2005			
	Notes	31/1/2005 (Unaudited) HK\$'000	31/7/2004 (Audited) HK\$'000
NON-CURRENT ASSETS			
Fixed assets		27,161	21,241
Investment properties		265,680	265,680
Properties under development		178,481	178,150
Goodwill		62,917	71,907
Interests in associates		1,636,829	1,593,166
Long term investment	8	411,271	—
Deferred tax assets		8,926	13,398
		2,591,265	2,143,542
CURRENT ASSETS			
Short term investments		27,202	24,250
Inventories		86,790	74,986
Deposits and other receivables		31,881	23,166
Trade receivables	9	100,639	95,498
Cash and cash equivalents		213,168	182,539
		459,680	400,439
CURRENT LIABILITIES			
Other payables and accruals		83,368	116,519
Trade and bills payables	10	145,257	125,517
Tax payable		24,556	40,974
Interest-bearing bank and other borrowings		109,482	73,113
		362,663	356,123
NET CURRENT ASSETS		97,017	44,316
TOTAL ASSETS LESS CURRENT LIABILITIES		2,688,282	2,187,858
NON-CURRENT LIABILITIES			
Note payable		195,000	195,000
Interest-bearing bank and other borrowings		70,000	38,800
		265,000	233,800
MINORITY INTERESTS		152,492	144,320
		2,270,790	1,809,738
CAPITAL AND RESERVES			
Issued capital		718,855	718,855
Reserves		1,551,935	1,090,883
		2,270,790	1,809,738

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31st January, 2005

	Issued capital HK\$'000	Share premium account HK\$'000	Fixed asset revaluation reserve HK\$'000	Capital reserve HK\$'000	General reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 31st July, 2004 and 1st August, 2004 (Audited)	718,855	1,119,738*	65,340*	4,311,182*	57*	28,214*	(4,433,648)*	1,809,738
Released upon deemed disposal of interest in an associate	—	—	—	(1,993,385)	(57)	(16,736)	—	(2,010,178)
Transfer upon deemed disposal of interest in an associate	—	—	—	(358,301)	—	—	358,301	—
Exchange realignments: Subsidiaries	—	—	—	—	—	(45)	—	(45)
Associates	—	—	—	—	—	530	—	530
Net profit for the period	—	—	—	—	—	—	2,470,745	2,470,745
At 31st January, 2005 (Unaudited)	718,855	1,119,738*	65,340*	1,959,496*	—*	11,963*	(1,604,602)*	2,270,790

* These reserve accounts comprise the consolidated reserves of HK\$1,551,935,000 (as at 31st July, 2004: HK\$1,090,883,000) in the condensed consolidated balance sheet.

	Issued capital HK\$'000	Share premium account HK\$'000	Fixed asset revaluation reserve HK\$'000	Investment property revaluation reserve HK\$'000	Capital reserve HK\$'000	General reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 31st July, 2003 and 1st August, 2003 (Audited)	718,855	1,119,738	67,326	—	4,335,194	57	28,652	(4,559,509)	1,710,313
Released upon disposal of investment properties	—	—	—	(735)	—	—	—	—	(735)
Deficit charged to profit and loss account on revaluation of investment properties	—	—	—	735	—	—	—	—	735
Released upon deemed disposal of interest in an associate	—	—	—	—	(19,612)	—	(4)	—	(19,616)
Released upon deregistration of a subsidiary	—	—	—	—	(4,400)	—	—	—	(4,400)
Exchange realignments: Subsidiaries	—	—	—	—	—	—	(470)	—	(470)
Associates	—	—	—	—	—	—	475	—	475
Net profit for the period	—	—	—	—	—	—	—	120,774	120,774
At 31st January, 2004 (Unaudited)	718,855	1,119,738	67,326	—	4,311,182	57	28,653	(4,438,735)	1,807,076

CONDENSED BALANCE SHEET OF THE COMPANY

31st January, 2005

	31/1/2005 (Unaudited) HK\$'000	31/7/2004 (Audited) HK\$'000
NON-CURRENT ASSETS		
Fixed assets	5,103	5,373
Investment properties	74,980	74,980
Interests in subsidiaries	600,703	601,424
Interests in associates	361,348	406,297
Long term investment	372,528	—
	1,414,662	1,088,074
CURRENT ASSETS		
Short term investments	27,202	24,250
Deposits and other receivables	3,204	2,263
Trade receivables	93,773	84,933
Cash and cash equivalents	67,394	22,002
	191,573	133,448
CURRENT LIABILITIES		
Other payables and accruals	14,673	24,012
Trade and bills payables	98,103	91,633
Tax payable	3,031	17,949
Interest-bearing bank and other borrowings	73,000	30,010
	188,807	163,604
NET CURRENT ASSETS/(LIABILITIES)	2,766	(30,156)
TOTAL ASSETS LESS CURRENT LIABILITIES	1,417,428	1,057,918
NON-CURRENT LIABILITIES		
Note payable	195,000	195,000
Interest-bearing bank and other borrowings	70,000	38,800
	265,000	233,800
CAPITAL AND RESERVES		
Issued capital	718,855	718,855
Reserves	433,573	105,263
	1,152,428	824,118

Note

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Preparation and Accounting Policies

These unaudited condensed consolidated interim financial statements of the Group have been prepared in accordance with Statement of Standard Accounting Practice 25 "Interim financial reporting", issued by the Hong Kong Institute of Certified Public Accountants.

The accounting policies and basis of presentation used in the preparation of these interim financial statements are consistent with those used in the audited financial statements of the Group for the year ended 31st July, 2004.

2. Turnover and Segmental Information

(a) Business segments

The following table presents revenue and profit/(loss) for the Group's business segments.

	Six months ended 31/1/2005 (Unaudited)				Six months ended 31/1/2004 (Unaudited)			
	External sales HK\$'000	Other revenue HK\$'000	Segment revenue HK\$'000	Segment results HK\$'000	External sales HK\$'000	Other revenue HK\$'000	Segment revenue HK\$'000	Segment results HK\$'000
Manufacture and sale of garments	263,373	16,198	279,571	15,089	518,008	5,357	523,365	24,074
Property investment	9,697	—	9,697	8,580	7,986	842	8,828	7,719
Other operations	13,287	—	13,287	2,550	7,668	—	7,668	(817)
	<u>286,357</u>	<u>16,198</u>	<u>302,555</u>	<u>26,219</u>	<u>533,662</u>	<u>6,199</u>	<u>539,861</u>	<u>30,976</u>
Interest income and unallocated other revenue and gains				4,585				11,092
Unallocated expenses				(2,965)				(3,203)
PROFIT FROM OPERATING ACTIVITIES				<u>27,839</u>				<u>38,865</u>

(b) Geographical segments

The following table presents revenue for the Group's geographical segments.

	Six months ended 31/1/2005 (Unaudited)			Six months ended 31/1/2004 (Unaudited)		
	External sales HK\$'000	Other revenue HK\$'000	Segment revenue HK\$'000	External sales HK\$'000	Other revenue HK\$'000	Segment revenue HK\$'000
Hong Kong	121,590	730	122,320	138,995	1,233	140,228
Mainland China	108,254	15,468	123,722	116,503	4,966	121,469
United States of America	56,513	—	56,513	278,164	—	278,164
	<u>286,357</u>	<u>16,198</u>	<u>302,555</u>	<u>533,662</u>	<u>6,199</u>	<u>539,861</u>

3. Profit from Operating Activities

This is arrived at after charging/(crediting):

	Six months ended	
	31/1/2005 (Unaudited) HK\$'000	31/1/2004 (Unaudited) HK\$'000
Depreciation	4,099	3,156
Amortisation of goodwill on acquisition of subsidiaries	8,990	8,990
Unrealised gains on short term investments	(2,952)	(5,753)
Gain on disposal of fixed assets	(14)	—
Gain on disposal of investment properties	—	(735)
Deficit on revaluation of investment properties	—	735
Gain on deregistration of a subsidiary	—	(4,400)

4. Finance Costs

The amount represented interest on bank loans, bank overdrafts and other borrowings and note payable which were wholly repayable within five years.

5. Gain/(Loss) on Deemed Disposal of Interest in an Associate

On 7th December, 2004, Lai Sun Development Company Limited ("LSD"), a then associate of the Group, allotted and issued approximately 9,000 million new shares of LSD at a price of HK\$0.50 per share to the bondholders of LSD and eSun Holdings Limited as part of the settlement package for the settlement of indebtedness owed by LSD to its bondholders and eSun Holdings Limited. As a result, the Group's interest in LSD was diluted from approximately 42.25% to approximately 12.42% on the same date, which constituted a deemed disposal by the Group of its interest in LSD. The Group's share of LSD's unaudited consolidated net assets was increased by and to approximately HK\$411 million. After taking into account of the various reserves released to the unaudited condensed consolidated profit and loss account of the Group of approximately HK\$2,010 million, the Group's gain on the deemed disposal of its equity interest in LSD amounted to approximately HK\$2,421 million. In addition, an amount of unaudited consolidated capital reserve of the Group of approximately HK\$358 million, which was previously transferred from the Group's consolidated retained earnings to its consolidated capital reserve upon the redemption by LSD of its preference shares in the prior years, was transferred back to the Group's unaudited consolidated retained earnings as at 31st January, 2005. As at 31st January, 2005, the remaining 12.42% equity interest in LSD held by the Group was treated as a long term investment in the Group's unaudited condensed consolidated financial statements for the six months ended 31st January, 2005.

The amount for the six months ended 31st January, 2004 represented the Group's loss on deemed disposal of its interest in Lai Fung Holdings Limited ("Lai Fung"), an associate of the Group, arising from the exercise of Lai Fung's share options during that period.

6. Tax

Hong Kong profits tax has been provided at the rate of 17.5% (2004: 17.5%) on the estimated assessable profits arising in Hong Kong during the period.

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in places in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	Six months ended	
	31/1/2005 (Unaudited) HK\$'000	31/1/2004 (Unaudited) HK\$'000
Group:		
Current tax — Hong Kong	2,000	4,900
Deferred tax	4,472	4,161
	<u>6,472</u>	<u>9,061</u>
Share of tax attributable to associates	8,008	7,152
Tax charge for the period	<u>14,480</u>	<u>16,213</u>

7. Earnings Per Share

The calculation of basic earnings per share is based on the net profit attributable to shareholders for the period of HK\$2,470,745,000 (2004: HK\$120,774,000) and the weighted average of 1,437,709,710 (2004: 1,437,709,710) ordinary shares in issue during the period.

The diluted earnings per share amount for the six months ended 31st January, 2005 has not been disclosed as no diluting event existed during the period.

For the six months ended 31st January, 2004, the calculation of diluted earnings per share was based on the adjusted net profit attributable to shareholders for the six months ended 31st January, 2004 of HK\$120,562,000 and the weighted average of 1,437,709,710 ordinary shares in issue during the six months ended 31st January, 2004.

The adjusted net profit attributable to shareholders for the six months ended 31st January, 2004 was calculated based on the net profit attributable to shareholders for the six months ended 31st January, 2004 of HK\$120,774,000 less the dilution in the results of Lai Fung attributable to the Group by HK\$212,000 arising from the deemed exercise of all Lai Fung's share options being outstanding during the six months ended 31st January, 2004.

8. Long Term Investment

During the period, the Group's equity interest in LSD was reduced from 42.25% to 12.42%, details of which are set out in note 5 to the unaudited condensed consolidated financial statements. Accordingly, the Group's equity interest in LSD was reclassified from interest in an associate to long term investment.

9. Trade Receivables

The credit term extended by the Group to trade debtors is normally within 30 days to 180 days.

Crocodile Garments Limited ("CGL") and its subsidiaries (collectively the "CGL Group"), a listed subgroup of the Company, maintain their own sets of credit policies. Other than cash sales made by the CGL Group at their retail outlets, trading terms with wholesale customers are to a large extent on credit, except that advance payments are normally required from new customers. Invoices are normally payable within 30 days from the date of issuance. However, the payment terms are extended up to 90 days for certain well-established customers. Each customer has been assigned of a designated credit limit.

The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are regularly reviewed by senior management.

An aged analysis of trade receivables, based on invoice date, as at 31st January, 2005 is as follows:

	31/1/2005 (Unaudited) HK\$'000	31/7/2004 (Audited) HK\$'000
Current to 90 days	30,250	24,553
91 days to 180 days	1,105	11,738
181 days to 365 days	14,398	12,815
Over 365 days	54,886	46,392
	<u>100,639</u>	<u>95,498</u>

10. Trade and Bills Payables

An aged analysis of trade and bills payables as at 31st January, 2005 is as follows:

	31/1/2005 (Unaudited) HK\$'000	31/7/2004 (Audited) HK\$'000
Current to 90 days	54,135	39,044
91 days to 180 days	6,999	18,369
181 days to 365 days	20,507	12,019
Over 365 days	63,616	56,085
	<u>145,257</u>	<u>125,517</u>

11. Reserves

Company

	Share premium account HK\$'000	Fixed asset revaluation reserve HK\$'000	Investment property revaluation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 31st July, 2004 and 1st August, 2004 (Audited)	1,119,738	65,035	15,197	(1,094,707)	105,263
Net profit for the period	—	—	—	328,310	328,310
At 31st January, 2005 (Unaudited)	<u>1,119,738</u>	<u>65,035</u>	<u>15,197</u>	<u>(766,397)</u>	<u>433,573</u>

12. Post Balance Sheet Event

On 25th January, 2005, the CGL Group accepted the tender by an independent third party purchaser to purchase certain investment properties of the CGL Group (the "Property") for a cash consideration of HK\$145 million. The transaction constitutes a major transaction (disposal) of the Company under the Rules Governing the Listing of Securities in Hong Kong (the "Listing Rules"). Taking into account of the aggregate carrying value of the Property of HK\$66 million as included in the unaudited condensed consolidated balance sheet of the Group as at 31st January, 2005, the gain on disposal of the Property before expenses to accrue to the Group's consolidated accounts is estimated to be HK\$79 million. Taking into account the Group's 54.93% equity interest in CGL, the net gain on disposal of the Property before expenses, after the 45.07% minority interest, to accrue to the Group's consolidated accounts is estimated to be approximately HK\$43.4 million and the consolidated net assets of the Group will be increased by approximately HK\$43.4 million.

The transaction was approved by shareholders of the Company at the general meetings held on 31st March, 2005. The completion of the transaction was scheduled to take place on 31st May, 2005.

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the financial year ending 31st July, 2005. No interim dividend was declared in respect of the previous corresponding period.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group reported an unaudited consolidated net profit attributable to shareholders of HK\$2,470.7 million for the half-year under review. This represents a further improvement on the net profit of HK\$120.8 million recorded for the previous corresponding period. Of the profit for the period under review, approximately HK\$2,421.4 million was derived from the gain on the deemed disposal of the Company's equity interest in Lai Sun Development Company Limited ("LSD") when it allotted and issued 9,000 million new ordinary shares to its bondholders and creditors, including eSun Holdings Limited, on completion of the settlement of its outstanding indebtedness on 7th December, 2004. The Company's interest in LSD was diluted to approximately 12.42% on allotment and issue of the aforesaid new ordinary shares of LSD, and such interest has since been treated as a long-term investment in the Company's consolidated financial statements. Positive contributions from operations had been reported by the garment operation of the Company, Crocodile Garments Limited and Lai Fung Holdings Limited.

Turnover of the Group, at HK\$286.36 million, was 48.3% lower than the previous corresponding period, due to a fall in turnover achieved by the garment operation of the Company and a 13.3% drop in turnover of a listed subsidiary, Crocodile Garments Limited.

Lai Sun Development Company Limited ("LSD")

LSD reported an unaudited consolidated net loss of HK\$1.256 million for the half-year, compared with the net loss of HK\$167.1 million for the previous corresponding period.

Despite a fall in turnover, LSD recorded a profit from operating activities of HK\$222.8 million, which was attributable mainly to contributions from reversal of impairment of long term investment in The Waterfront and hotel and restaurant operations. LSD's results for the half-year had been adversely affected as it incurred a loss of HK\$1,484 million arising from completion of the settlement of its indebtedness to bondholders and eSun Holdings Limited on 7th December, 2004. The LSD group, however, turned from a deficiency in net asset position to a net asset position, and from a net current liability position to a net current asset position at the end of the half-year under review.

Average occupancy rate of the investment property portfolio of LSD remained at 95% and rental income had been cushioned from the impact of disposal of a number of properties in the previous financial year by favourable rental reversions, with a fall of around 12% from the previous corresponding period recorded for this half-year. On the property development front, LSD managed to sell the entire residential portion of Kimberley 26 in Tsimshatsui, Kowloon and recognized a profit of approximately HK\$78 million. LSD's hotel operations also returned satisfactory results, in line with continued buoyancy in the local tourism industry.

Lai Fung Holdings Limited ("LFH")

LFH, in which the Group holds a 45.13% interest, reported an unaudited consolidated net profit attributable to shareholders of HK\$50.19 million, compared with the net profit of HK\$50.07 million for the previous corresponding period. The bulk of the profit was derived from operating activities. Turnover increased by 74.4% to HK\$249.7 million, which was attributed to the pre-sale of Regents Park Phase I in Shanghai, and sales of Eastern Place Phase III in Guangzhou.

Encouraging results had been achieved at the pre-sale of Towers 1 to 5 and Tower 7 of Regents Park in Shanghai, with 679 units out of the total of 693 units sold as at 31st December, 2004. Good results had also been recorded at the pre-sale of Easter Place in Guangzhou, with 412 units out of the total of 438 units in Towers 5 and 6 sold as at the end of January 2005.

Four floors of May Flower Plaza, a commercial property of LFH in Guangzhou, were opened for business during the period under review.

Crocodile Garments Limited ("CGL")

CGL reported an unaudited consolidated net profit attributable to shareholders of HK\$18.13 million for the half-year, which was a 66.2% improvement on the results for the previous year. Turnover fell by 13.3% to HK\$212.66 million but gross profit margin improved from 47.6% to 51.4% during the period.

CGL has been pursuing the policy of licensing certain "Crocodile" brand products in the Mainland and significant increase in revenue from this category had been achieved. Selling and distribution expenses had been kept under control in tandem with the drop in turnover. Positive results had been recorded by CGL's operation in Hong Kong. However, its performance had been somewhat affected by the unusually warm weather in December 2004 and the incidence of the Chinese New Year which fell in February 2005 after the end of the half-year under review.

Following a review of its franchisee outlets, CGL implemented plans to refurbish around 500 outlets with the new Crocodile brand, but close to 400 outlets considered not suitable had been closed. CGL's operation in the Mainland recorded a 13% drop in turnover as a result of such closures.

eSun Holdings Limited ("eSun")

eSun, which now holds a 40.8% interest in LSD and in which LSD held a 42.54% interest, reported an audited consolidated net profit attributable to shareholders of HK\$52.37 million for the year ended 31st December, 2004. This was a noticeable improvement on the results for the previous year and was attributed mainly to the recognition of a premium arising from the settlement of the HK\$1,500 million debt owed by LSD of HK\$95.99 million, and the share of profits and losses of two associates of eSun, namely LSD and Media Asia Entertainment Group Limited ("MAEG").

MAEG, which was listed on Singapore Exchange Securities Trading Limited Dealing and Automated Quotation System ("SGX-SESDAQ") in November 2004 and in which eSun holds a 37.33% interest, reported a net profit attributable to shareholders of HK\$40.02 million for the year ended 31st December, 2004. Despite a drop in total turnover by 21.1% for the year, MAEG's film production and distribution operation achieved an increase in revenue due to the release of eight new films.

Prospects

The expiration of the quota system for exports of garment and textiles from Hong Kong on 1st January, 2005 is expected to have a significant impact on the operating strategy of the Company. Directors have been evaluating different development strategies, building on the existing fundamental strengths of the Company and with the benefit of the shareholders of the Company as a whole in mind.

The successful completion of the debt settlement plan of LSD in December 2004 has enabled it to re-establish a firm financial footing. There remains an obligation for LSD to repay HK\$266 million secured by the series A bonds issued by the LSD group before 31st December, 2005 through the disposal of LSD group's interests in two hotels in Vietnam and a residential property in Hong Kong. LSD has made a voluntary repayment equivalent to 10% of the total amount in early 2005, and is confident that the outstanding balance will be repaid on time.

LSD will remain prudent in formulating its property development strategy. Given the revival in global travel, it will continue to pursue hotel management opportunities in Hong Kong and the rest of Asia through Furama Hotel & Resorts International Limited, which has maintained a respectable track record in the management of three-to-four star hotels.

LFH remains optimistic of the economic growth in the Yangtze and Pearl River deltas in the Mainland and will therefore maintain its focus on property investment and development projects in Shanghai and Guangzhou. Its investment property in Shanghai, Hong Kong Plaza, should continue to contribute steady rental income. Sale of residential property projects in Shanghai and Guangzhou, namely Phase II of Regents Park and Phase IV of Eastern Place, is expected to further improve turnover and profitability.

LFH also anticipates the planned construction of the Hong Kong-Zhuhai-Macau bridge to substantially improve the overall economic development of the Pan-Pearl River delta region, in which the city of Zhongshan is located. This should benefit LFH in view of its sizable landbank in the above city.

CGL believes that economic fundamentals in both Hong Kong and the Mainland will remain strong but appreciation in property value in Hong Kong has pushed up rental expenses, which could affect the profitability of its operations.

It remains bullish on the fashion retail market in the Mainland and plans to establish its first flagship store in Shanghai. However, counterfeit "Crocodile" products have emerged and more resources will be allocated to control this problem.

eSun announced at the end of 2004 its intention to actively explore the feasibility of participating in the residential and hotels property development market in Macau. Should eSun proceed with its plans, it is anticipated that the component and weighting of investments of the eSun group will undergo significant changes. MAEG intends to focus on high-budget productions featuring a combination of Hong Kong and Mainland talents. It has also expanded its business scope to include the provision of consultancy services for film exhibition and cinema operation in the Mainland.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 31st January, 2005, there was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's listed securities.

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 period covered by the Interim Report of the Company for the six months ended 31st January, 2005, in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules on The Stock Exchange of Hong Kong Limited applicable during the period. The non-executive Directors of the Company are subject to retirement by rotation and re-election at the Company's Annual General Meeting in accordance with the Articles of Association of the Company.

In accordance with the requirements of the Code of Best Practice, the Company established an audit committee in March 2000 which comprises the three independent non-executive Directors of the Company. The Interim Report has been reviewed by the audit committee of the Company.

By Order of the Board
Lam Kin Ming
Deputy Chairman

Hong Kong, 15th April, 2005

As at the date of this announcement, the executive directors of the Company are Mr. Lam Kin Ming, Mr. Lam Kin Ngok, Peter, Mr. Shiu Kai Wah, Mr. Lee Po On and Mr. Lam Kin Hong, Matthew, the non-executive directors are Madam U Po Chu, Mr. Chiu Wai, Madam Lai Yuen Fong and Miss Lam Wai Kei, Vicky (alternate director to Madam Lai Yuen Fong) and the independent non-executive directors are Mr. Wan Yee Hwa, Edward, Mr. Leung Shu Yin, William and Mr. Chow Bing Chiu.