



FINANCIAL RESULTS

The Board of Directors of Lerado Group (Holding) Company Limited (the "Company") is pleased to present the unaudited consolidated results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30th June, 2004 together with the comparative figures.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30th June, 2004

		Six months ended	
	<i>Notes</i>	30th June, 2004 HK\$'000 (unaudited)	30th June, 2003 HK\$'000 (unaudited)
Turnover	3	704,334	576,955
Cost of sales		(536,172)	(416,516)
Gross profit		168,162	160,439
Investment income		216	238
Other operating income		7,515	10,241
Marketing and distribution costs		(43,770)	(43,867)
Research and development expenses		(7,616)	(7,937)
Administrative expenses		(51,892)	(49,251)
Other operating expenses		(2,654)	(2,654)
Profit from operations	4	69,961	67,209
Interest on bank borrowings wholly repayable within five years		(663)	(30)
Profit from ordinary activities before taxation		69,298	67,179
Taxation	5	(1,685)	(3,866)
Profit before minority interests		67,613	63,313
Minority interests		(3,388)	(390)
Net profit for the period		64,225	62,923
Dividends paid	6	36,142	43,042
Earnings per share	7		
— Basic		8.89 cents	8.73 cents
— Diluted		8.86 cents	8.73 cents

CONDENSED CONSOLIDATED BALANCE SHEET

At 30th June, 2004

	Notes	30th June, 2004 HK\$'000 (unaudited)	31st December, 2003 HK\$'000 (audited)
Non-Current Assets			
Investment properties	8	7,500	7,500
Property, plant and equipment	8	367,434	369,028
Negative goodwill		(3,028)	(3,238)
Intellectual property rights		43,430	46,084
Interest in associates		11,700	11,700
Interest in a jointly controlled entity	9	—	49,117
Other investments		13,663	13,663
Deferred tax assets	10	3,530	1,700
		444,229	495,554
Current Assets			
Inventories		140,095	124,678
Trade and other receivables	11	315,493	290,917
Bank balances and cash		95,179	95,070
		550,767	510,665
Current Liabilities			
Trade and other payables	12	223,763	217,094
Amount due to a jointly controlled entity	9	—	49,117
Taxation		7,416	3,723
Short term bank borrowings		14,820	15,256
		245,999	285,190
Net Current Assets			
		304,768	225,475
		748,997	721,029
Capital and Reserves			
Share capital	13	72,284	72,284
Reserves		645,424	615,652
		717,708	687,936
Minority Interests			
		18,013	18,464
Non-Current Liabilities			
Deferred tax liabilities	10	8,909	11,074
Loans from minority shareholders		4,367	3,555
		13,276	14,629
		748,997	721,029

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30th June, 2004

	Six months ended	
	30th June, 2004	30th June, 2003
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Net cash from operating activities	51,713	57,588
Net cash used in investing activities	(11,428)	(25,984)
Net cash used in financing	(40,345)	(51,382)
Net decrease in cash and cash equivalents	(60)	(19,778)
Cash and cash equivalents at 1st January	95,070	125,811
Effect of foreign exchange rate changes	169	25
Cash and cash equivalents at 30th June, representing bank balances and cash	95,179	106,058

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th June, 2004

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Special reserve <i>HK\$'000</i>
At 1st January, 2003	72,245	90,110	38,510
Exchange differences arising from translation of the financial statements of operations outside Hong Kong and gain not recognised in the income statement	—	—	—
Share repurchased and cancelled	(611)	—	—
Premium on repurchase of shares	—	(6,734)	—
Transfer of reserves for cancellation of shares	—	—	—
Net profit for the period	—	—	—
Dividends paid	—	—	—
	<u>71,634</u>	<u>83,376</u>	<u>38,510</u>
At 30th June, 2003			
Exchange differences arising from translation of the financial statements of operations outside Hong Kong	—	—	—
Revaluation deficit on land and buildings	—	—	—
Deferred tax liability arising on revaluation of properties	—	—	—
	<u>—</u>	<u>—</u>	<u>—</u>
Losses not recognised in the income statement	—	—	—
	<u>—</u>	<u>—</u>	<u>—</u>
Share options exercised	650	7,540	—
Net profit for the period	—	—	—
Transfer of statutory reserves	—	—	—
Dividends paid	—	—	—
	<u>650</u>	<u>7,540</u>	<u>—</u>
At 31st December, 2003	<u>72,284</u>	<u>90,916</u>	<u>38,510</u>
Exchange differences arising from translation of the financial statements of operations outside Hong Kong	—	—	—
Deferred tax liability arising on change in tax rate	—	—	—
	<u>—</u>	<u>—</u>	<u>—</u>
Gain not recognised in the income statement	—	—	—
	<u>—</u>	<u>—</u>	<u>—</u>
Net profit for the period	—	—	—
Transfer of statutory reserves	—	—	—
Dividends paid	—	—	—
	<u>—</u>	<u>—</u>	<u>—</u>
At 30th June, 2004	<u><u>72,284</u></u>	<u><u>90,916</u></u>	<u><u>38,510</u></u>

Property revaluation reserve <i>HK\$'000</i>	Statutory surplus reserve fund <i>HK\$'000</i>	Enterprise expansion fund <i>HK\$'000</i>	Translation reserve <i>HK\$'000</i>	Goodwill reserve <i>HK\$'000</i>	Capital redemption reserve <i>HK\$'000</i>	Accumulated profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
46,263	12,579	929	(2,162)	(88)	446	406,088	664,920
—	—	—	169	—	—	—	169
—	—	—	—	—	—	—	(611)
—	—	—	—	—	—	—	(6,734)
—	—	—	—	—	611	(611)	—
—	—	—	—	—	—	62,923	62,923
—	—	—	—	—	—	(43,042)	(43,042)
<u>46,263</u>	<u>12,579</u>	<u>929</u>	<u>(1,993)</u>	<u>(88)</u>	<u>1,057</u>	<u>425,358</u>	<u>677,625</u>
—	—	—	(1,355)	—	—	—	(1,355)
(414)	—	—	—	—	—	—	(414)
(30)	—	—	—	—	—	—	(30)
<u>(444)</u>	<u>—</u>	<u>—</u>	<u>(1,355)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(1,799)</u>
—	—	—	—	—	—	—	8,190
—	—	—	—	—	—	18,247	18,247
—	43	—	—	—	—	(43)	—
—	—	—	—	—	—	(14,327)	(14,327)
<u>45,819</u>	<u>12,622</u>	<u>929</u>	<u>(3,348)</u>	<u>(88)</u>	<u>1,057</u>	<u>429,235</u>	<u>687,936</u>
—	—	—	1,614	—	—	—	1,614
75	—	—	—	—	—	—	75
<u>75</u>	<u>—</u>	<u>—</u>	<u>1,614</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,689</u>
—	—	—	—	—	—	64,225	64,225
—	1,438	143	—	—	—	(1,581)	—
—	—	—	—	—	—	(36,142)	(36,142)
<u>45,894</u>	<u>14,060</u>	<u>1,072</u>	<u>(1,734)</u>	<u>(88)</u>	<u>1,057</u>	<u>455,737</u>	<u>717,708</u>

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30th June, 2004

1. BASIS OF PREPARATION

The condensed financial statements 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, and with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed financial statements have been prepared under the historical cost convention, as modified for the revaluation of properties and investments in securities.

In the opinion of the directors, the accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31st December, 2003.

3. SEGMENT INFORMATION

An analysis of the Group's turnover and contribution to profit from operations by business and geographical segment is as follows:

Business Segments

	Six months ended 30th June, 2004		Six months ended 30th June, 2003	
	External sales <i>HK\$'000</i>	Segment results <i>HK\$'000</i>	External sales <i>HK\$'000</i>	Segment results <i>HK\$'000</i>
Strollers	362,420	43,428	345,744	46,497
Beds and playards	52,654	4,783	73,144	8,668
Miscellaneous infant products*	188,519	17,231	109,478	9,850
Others	100,741	6,957	48,589	4,610
	<u>704,334</u>	<u>72,399</u>	<u>576,955</u>	<u>69,625</u>
Investment income		216		238
Other operating expenses		(2,654)		(2,654)
Profit from operations		<u>69,961</u>		<u>67,209</u>

* Miscellaneous infant products include soft goods, car seats, high chairs, bouncers, walkers and etc.

3. SEGMENT INFORMATION (continued)

Geographical Segments

	Six months ended 30th June, 2004		Six months ended 30th June, 2003	
	External sales HK\$'000	Segment results HK\$'000	External sales HK\$'000	Segment results HK\$'000
United States of America (the "US")	391,625	38,527	301,612	33,381
Europe	142,943	16,567	151,583	21,915
Australia	39,009	4,024	26,055	3,114
South America	35,626	4,129	20,328	2,929
Others	95,131	9,152	77,377	8,286
	<u>704,334</u>	<u>72,399</u>	<u>576,955</u>	69,625
Investment income		216		238
Other operating expenses		<u>(2,654)</u>		<u>(2,654)</u>
Profit from operations		<u>69,961</u>		<u>67,209</u>

4. PROFIT FROM OPERATIONS

	Six months ended	
	30th June, 2004 HK\$'000	30th June, 2003 HK\$'000
Profit from operations has been arrived at after charging:		
Amortisation of intellectual property rights (included in other operating expenses)	2,654	2,654
Depreciation and amortisation of property, plant and equipment	14,995	14,554
and after crediting:		
Release of negative goodwill to other operating income	<u>210</u>	<u>135</u>

5. TAXATION

	Six months ended	
	30th June, 2004 HK\$'000	30th June, 2003 HK\$'000
The charge (credit) comprises:		
Taxation of the Company and its subsidiaries		
— Hong Kong Profits Tax		
— current period	2,217	2,113
— Income tax of the People's Republic of China (the "PRC")		
— current period	3,223	3,181
— overprovision in prior years	(193)	(381)
— Other jurisdictions		
— current period	272	349
— underprovision in prior years	86	75
— Deferred tax (<i>note 10</i>)		
— current period	(1,731)	(1,406)
— attributable to a change in tax rate	(2,189)	(65)
	<u>1,685</u>	<u>3,866</u>

Hong Kong Profits Tax is calculated at 17.5% (six months ended 30.6.2003: 17.5%) of the estimated assessable profit for the period.

Taxation in other jurisdictions is calculated at the rates prevailing in the relevant jurisdiction.

During the period, a PRC subsidiary is qualified as an export enterprise and therefore the tax rate of the subsidiary has been reduced from 27% to 12%.

6. DIVIDENDS

	Six months ended	
	30th June, 2004 HK\$'000	30th June, 2003 HK\$'000
2003 final dividend of HK5 cents (2002 final dividend: HK6 cents) per share	<u>36,142</u>	<u>43,042</u>

No interim dividends have been paid during the six months ended 30th June, 2004 and 30th June, 2003.

The directors have determined that an interim dividend of HK2 cents (six months ended 30.6.2003: HK2 cents) per share would be paid to the shareholders of the Company whose names appear in the Register of Members on 15th October, 2004.

7. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the following data:

	Six months ended	
	30th June, 2004 HK\$'000	30th June, 2003 HK\$'000
Net profit for the period	<u>64,225</u>	<u>62,923</u>
	Number of shares	Number of shares
Weighted average number of ordinary shares for the purpose of basic earnings per share	722,838,724	720,518,846
Effect of dilutive potential ordinary shares in respect of share options	<u>1,912,783</u>	<u>153,543</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>724,751,507</u>	<u>720,672,389</u>

8. MOVEMENTS IN INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately HK\$5 million on construction of its new production plant and approximately HK\$7 million on acquisition of other property, plant and equipment for the group expansion. There was no movement in investment properties.

At 30th June, 2004, the directors have considered the carrying amount of the Group's leasehold land and buildings and investment properties carried at revalued amounts and have estimated that the carrying amounts do not differ significantly from that which would be determined using fair values at the balance sheet date. Consequently, no revaluation surplus or deficit has been recognised in the current period.

9. INTEREST IN AND AMOUNT DUE TO A JOINTLY CONTROLLED ENTITY

During the period, the jointly controlled entity was dissolved.

10. DEFERRED TAX

The following are the major deferred tax liabilities (assets) provided (recognised) by the Group and movements thereon during the current and prior reporting periods:

	Accelerated tax depreciation	Revaluation of properties outside Hong Kong	Others	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1st January, 2003	(692)	6,825	588	6,721
Credit to the income statement for the period	(40)	—	(1,366)	(1,406)
Effect of change in tax rates credited to the income statement for the period	(65)	—	—	(65)
At 30th June, 2003	(797)	6,825	(778)	5,250
Charge to the income statement for the period	59	—	961	1,020
Charge to equity for the period	—	30	—	30
Effect of change in tax rates charged to the income statement for the period	—	—	3,074	3,074
At 31st December, 2003	(738)	6,855	3,257	9,374
Charge (credit) to the income statement for the period	670	—	(2,401)	(1,731)
Effect of change in tax rate credited to the income statement for the period	—	—	(2,189)	(2,189)
Effect of change in tax rate credited to equity for the period	—	(75)	—	(75)
At 30th June, 2004	<u>(68)</u>	<u>6,780</u>	<u>(1,333)</u>	<u>5,379</u>

10. DEFERRED TAX *(continued)*

For the purpose of balance sheet presentation, certain deferred tax assets and liabilities have been set off. The following is the analysis of the deferred tax balances for financial reporting purposes:

	30th June, 2004 HK\$'000	31st December, 2003 HK\$'000
Deferred tax liabilities	8,909	11,074
Deferred tax assets	(3,530)	(1,700)
	<u>5,379</u>	<u>9,374</u>

At 30th June, 2004, the Group had unused tax losses and other deductible temporary differences of HK\$87,009,000 (31.12.2003: HK\$96,954,000) and HK\$6,532,000 (31.12.2003: HK\$6,532,000), respectively. No deferred tax assets were recognised because of the unpredictability of future profit streams. The unrecognised tax losses are losses that will expire in five years' time.

11. TRADE AND OTHER RECEIVABLES

The Group has defined credit terms which are agreed with its trade customers. At 30th June, 2004, included in trade and other receivables are trade receivables of HK\$265,222,000 (31.12.2003: HK\$214,900,000) and their aged analysis is as follows:

	30th June, 2004 HK\$'000	31st December, 2003 HK\$'000
Within 30 days	97,931	99,270
31 to 90 days	121,503	103,842
Over 90 days	45,788	11,788
	<u>265,222</u>	<u>214,900</u>

12. TRADE AND OTHER PAYABLES

At 30th June, 2004, included in trade and other payables are trade payables of HK\$164,910,000 (31.12.2003: HK\$154,030,000) and their aged analysis is as follows:

	30th June, 2004 HK\$'000	31st December, 2003 HK\$'000
Within 30 days	62,032	72,942
31 to 90 days	91,299	72,686
Over 90 days	11,579	8,402
	<hr/> 164,910 <hr/>	<hr/> 154,030 <hr/>

13. SHARE CAPITAL

During the period ended 30th June, 2003, 6,110,000 shares were repurchased and subsequently cancelled. There was no movement in the share capital during the period ended 30th June, 2004.

14. CAPITAL COMMITMENT

At 30th June, 2004, the Group had commitments to acquire property, plant and equipment of approximately HK\$7 million (31.12.2003: HK\$11 million).

INDEPENDENT REVIEW REPORT**Deloitte.****德勤****TO THE BOARD OF DIRECTORS OF
LERADO GROUP (HOLDING) COMPANY LIMITED****Introduction**

We have been instructed by the Company to review the interim financial report set out on pages 1 to 13.

Directors' responsibilities

The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with Statement of Standard Accounting Practice 25 Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants and the relevant provisions thereof. The interim financial report is the responsibility of, and has been approved by, the directors.

It is our responsibility to form an independent conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Review work performed

We conducted our review in accordance with Statement of Auditing Standards 700 Engagements to Review Interim Financial Reports issued by the Hong Kong Institute of Certified Public Accountants. A review consists principally of making enquiries of the Company's management and applying analytical procedures to the interim financial report and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the interim financial report.

Review conclusion

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the interim financial report for the six months ended 30th June, 2004.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

17th September, 2004

MANAGEMENT DISCUSSION AND ANALYSIS

Review and Prospects

With the US setting the pace, the global economy has witnessed a growth in the first half of 2004. However, the rise in oil price has hindered growth to some extent. Despite, Lerado has continued to achieve satisfactory results for the first six months of 2004.

Financial Performance

For the six months ended 30th June, 2004, Lerado recorded a 22.1% turnover growth to HK\$704.3 million over the corresponding period last year. Net profit for the period rose 2.1% to HK\$64.2 million which translates to a HK8.89 cents earnings per share. The board of directors has declared an interim dividend of HK2 cents per share.

The Group's overall results performance was impeded by the sharp rise in raw material prices, such as plastics and metal tubes. As a result, the Group's gross profit margin was affected and declined to 23.9%.

Segmental Analysis

Markets

Geographical performance has been driven by new products launched with satisfactory growth reported in their respective markets. Attributing to our extensive product mix, the scaled production and affirmed orders of battery-operated ride-on car, coupled with the official launch of infant car seat under US brands, turnover of the US market increased 29.8% to HK\$391.6 million as compared to the same period last year. It remained as the Group's core market and accounted for 55.6% of the total turnover.

On the other hand, the European economy remained flat resulting in cautious spending pattern. In this regards, sales to Europe decreased 5.7% over the last corresponding period to HK\$142.9 million.

Nonetheless, the Group enjoyed encouraging growth in revenue from the rest of the world. The expansion in markets enabled the Group to better position itself for long-term development. Turnover contribution from Australia grew 49.7%, South America surged 75.3% and other markets rose 22.9%, contributing 5.5%, 5.1% and 13.5% to the consolidated turnover respectively.

Products

The Group achieved a more diversified product portfolio with successful launch of new products.

Sales of the Group's core product, strollers, recorded a mild increase of 4.8% over the same period in 2003 to HK\$362.4 million and accounted for 51.5% of the Group's total turnover. As mentioned above, due to the reduced household travel under stagnant economic conditions, sales of beds and playards decreased 28.0% to HK\$52.7 million.

With encouraging market responses received from infant car seat, as well as satisfactory growth in the sales of other peripheral products, performance of miscellaneous infant products and others products reported robust growth.

Sales of miscellaneous infant products, including soft goods, infant car seat, high chair and walker, etc, rose 72.2% and accounted for 26.8% of total turnover. Riding on the Group's strong design capability and best endeavor to tap new markets, the Group has successfully expanded into the infant car seat segment and commenced production for US brands during the period under review. In the meantime, performance of battery-operated ride-on car, categorized under "others", has demonstrated satisfactory growth, with sales almost tripled.

Prospects

The unfavorable operating environment in the first half of the year left uncertainties for the general development for the rest of the year. Raw material costs stay at high level and remain volatile. In light of this, the Group has been in discussion with suppliers and customers to share the related impact. The Group will also continue to implement stringent cost control measures to maintain profitability and undertake other necessary corrective measures to protect our shareholders' best interests.

While maintaining its leadership in the stroller market, the Group will continue to develop new product segments, such as battery-operated ride-on car and infant car seat for future growth. In addition to existing production, the Group will launch a new model of battery-operated ride-on car later this year to encourage sales and to tap the festive season. The Group is also investing in research and development to enhance features of the infant car seat in a view to further explore the market for a broader age group. We believe that this product will be one of the growth drivers for the Group in the next few years.

Liquidity and financial resources

The Group had a total cash and bank balance of HK\$95.2 million as at 30th June, 2004, with the majority of which in US dollars and Renminbi. After deducting total borrowings of HK\$14.8 million, the Group recorded a net cash balance of HK\$80.4 million as compared to HK\$79.8 million as at 31st December, 2003. The borrowings, bearing interest at prevailing market rates, were unsecured short term bank loans due within one year. At 30th June, 2004, the Group's gearing ratio, expressing as total bank borrowings to shareholders' fund, was 0.02 (31st December, 2003: 0.02).

As at 30th June, 2004, the Group had an improved current ratio of 2.2, compared with 1.8 at 31st December, 2003. Trade debtor turnover period for the six months ended 30th June, 2004 was 62 days (corresponding period in 2003: 52 days).

The directors are in the opinion that the Group has sufficient resources and working capital to meet its foreseeable capital expenditure.

Contingent liabilities and exchange risk exposure

The Group's sales are principally denominated in US dollars while the purchases are transacted mainly in HK dollars, Renminbi and New Taiwanese dollars. The Group does not expect a significant exchange risk exposure.

The Group had no material contingent liabilities as at 30th June, 2004.

Employees and remuneration policies

As at 30th June, 2004, the group employed a total workforce of over 7,600 staff members, of which 7,400 worked in the PRC production sites. The remaining worked in the marketing, R & D and other administrative departments in our Hong Kong and Taiwan offices.

Apart from basic salaries, discretionary bonus and contribution to retirement funds for staff in Hong Kong, Taiwan and the PRC, share options may also be granted to staff with reference to the individual's performance.

INTERIM DIVIDEND

The Board has declared an interim dividend of HK2 cents per share in cash for the six months ended 30th June, 2004 to shareholders whose names appear on the Register of Members of the Company on 15th October, 2004. It is expected that the dividend warrants will be sent to the Shareholders no later than 28th October, 2004.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 13th October, 2004 to 15th October, 2004, 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, Secretaries Limited, Ground Floor, BEA Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong, not later than 4:00 p.m. on 12th October, 2004.

DIRECTORS' INTERESTS IN SECURITIES

At 30th June, 2004, the interests of the directors and their associates in the shares and underlying shares of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("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 (the "Model Code") contained in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

Long positions in shares and underlying shares of the Company

Name of director	Number of shares held as		Total	Approximate % of the issued share capital	Share options
	Beneficial owner	Other interests			
Mr. Huang Ying Yuan	104,153,360	Spouse interest of 43,336,180 (Note 1)	147,489,540	20.4	7,000,000 (Note 3)
Mr. Chen Hsing Shin	96,805,800	—	96,805,800	13.4	3,500,000
Madam Huang Chen Li Chu	43,336,180	Spouse interest of 104,153,360 (Note 1)	147,489,540	20.4	7,000,000 (Note 4)
Mr. Chen An-Hsin	—	Corporate interest of 36,689,675 (Note 2)	36,689,675	5.1	—
Mr. Leung Man Fai	—	—	—	—	2,500,000

Notes:

- The spouse interest represents the shares held by the spouse of Mr. Huang Ying Yuan and Madam Huang Chen Li Chu, respectively. Madam Huang Chen Li Chu is the wife of Mr. Huang Ying Yuan.
- Mr. Chen An-Hsin beneficially owns the entire interest of Gold Field Business Ltd., which in turn owns 36,689,675 ordinary shares in the Company.

3. It represents 4,000,000 share options beneficially owned by Mr. Huang Ying Yuan and 3,000,000 share options held by the spouse of him.
4. It represents 3,000,000 options beneficially owned by Madam Huang Chen Li Chu and 4,000,000 share options held by the spouse of her.

Other than as disclosed above, none of the directors nor their associates had any interests or short positions in any shares and underlying shares of the Company or any of its associated corporations, which were recorded in the register as required to be kept by the Company under Section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code contained in the Listing Rules.

SHARE OPTIONS

No share options were granted, exercised, lapsed or cancelled during the six months ended 30th June, 2004.

Details of outstanding share options at 30th June, 2004 are set out as follows:

Director	Date of grant	Number of share options of the Company outstanding at 1st January and 30th June, 2004
Mr. Huang Ying Yuan	18th August, 1999	4,000,000
Mr. Chen Hsing Shin	18th August, 1999	3,500,000
Madam Huang Chen Li Chu	18th August, 1999	3,000,000
Mr. Leung Man Fai	18th August, 1999	2,500,000
		<u>13,000,000</u>

The share options were granted by the Company on 18th August, 1999 to subscribe for shares in the Company at an exercise price of HK\$1.26 per share, subject to adjustment. These share options are exercisable from 1st January, 2000 to 17th August, 2009.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above, at no time during the period was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

As at 30th June, 2004, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that other than the interests disclosed above in respect of certain directors, the following shareholders had notified the Company of relevant interests in the issued share capital of the Company.

Long position in shares and underlying shares of the Company

Name of substantial shareholder	Capacity	Number of shares	Approximate % of the issued share capital
Mr. Cheah Cheng Hye	Corporate interest (<i>Note</i>)	72,130,000	10.0%
Value Partners Limited	Investment manager	72,130,000	10.0%
Templeton Investment Counsel, LLC	Investment manager	43,339,968	6.0%

Note: Mr. Cheah Cheng Hye beneficially owns approximately 32% interest in Value Partners Limited.

Other than as disclosed above, the Company has not been notified of any other relevant interests or short position in the issued share capital of the Company as at 30th June, 2004.

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

During the period, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any 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 six months ended 30th June, 2004, in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules.

REVIEW OF INTERIM FINANCIAL STATEMENTS

The Audit Committee has reviewed with management and the external auditors, Deloitte Touche Tohmatsu, the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including the review of the unaudited interim financial statements.

By Order of the Board
Huang Ying Yuan
Chairman

Hong Kong, 17th September, 2004