

CORPORATE INFORMATION**BOARD OF DIRECTORS**

Chan Chung Yee, Hubert (*Chairman*)
 Chan Chung Yin, Roy
 Chan Man Min
 Yeh Yui Fong
 Tsui Hon Wing
 Chan Ming Him, Denny
 Wu Kwok Lam AHKICPA, FCCA
 Chu Chor Lup*
 Chiu Ngar Wing FCCA, AHKICPA, CPA*
 Leung Tai Wai, David*

* *Independent non-executive director*

COMPANY SECRETARY

Wu Kwok Lam AHKICPA, FCCA

QUALIFIED ACCOUNTANT

Wu Kwok Lam AHKICPA, FCCA

REGISTERED OFFICE

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

PRINCIPAL OFFICE

2nd Floor,
 Nos. 55 and 57 Hennessy Road
 Wanchai
 Hong Kong

**PRINCIPAL REGISTRAR AND
TRANSFER OFFICE**

Bank of Bermuda (Cayman) Limited
 36C Bermuda House
 3rd Floor, P.O. Box 513 GT
 Dr. Ray's Drive
 George Town, Grand Cayman
 Cayman Islands
 British West Indies

AUDITORS

Li, Tang, Chen & Co.
 Certified Public Accountants

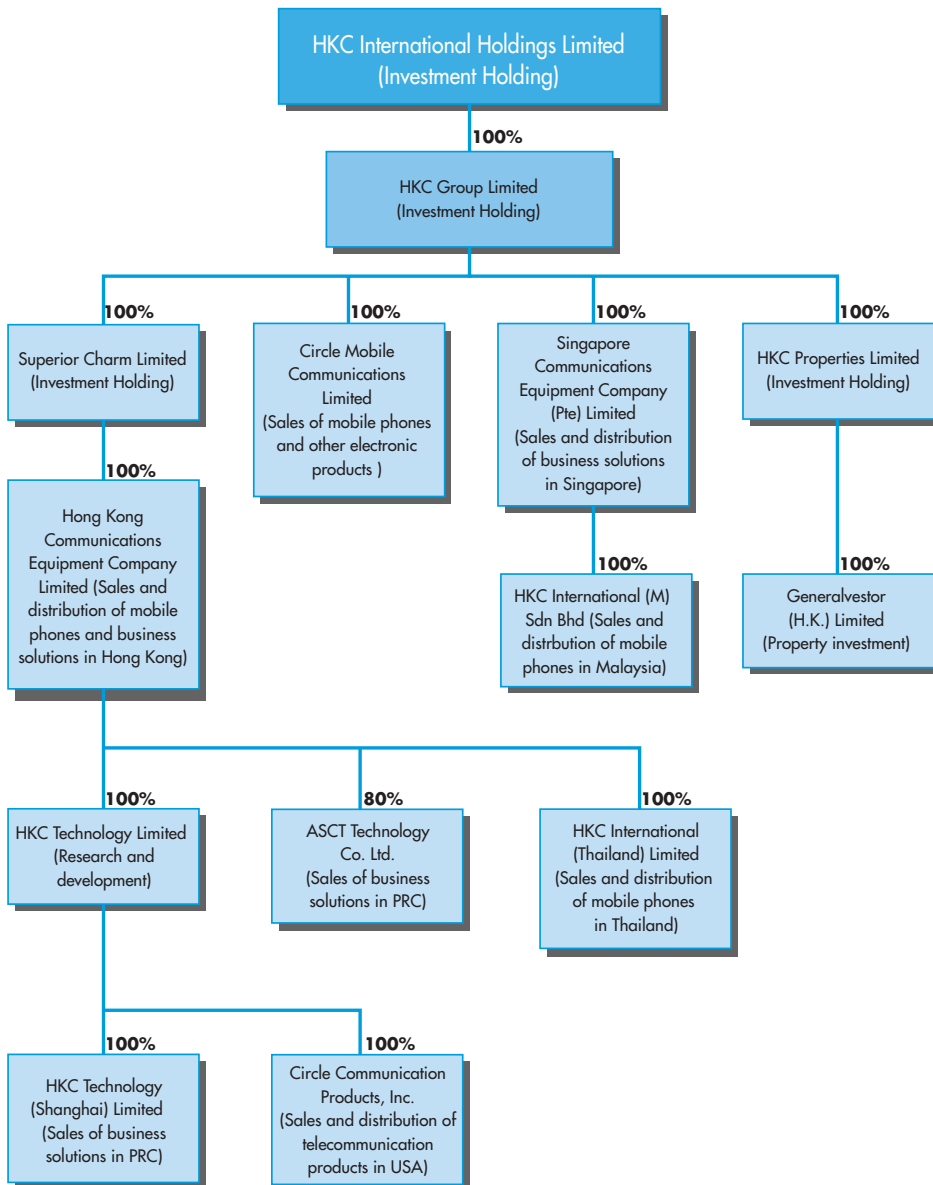
HONG KONG BRANCH REGISTRAR

Pilare Limited
 10th Floor, Sun Hung Kai Centre
 30 Harbour Road
 Hong Kong

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking
 Corporation Limited
 1 Queen's Road Central,
 Hong Kong

Wing Hang Bank, Limited
 161 Queen's Road Central
 Hong Kong



INTERIM REPORT

The directors of HKC International Holdings Limited (the "Company") are pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 September 2004 as follows. The interim report has been reviewed by the audit committee of the Company.

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2004

	NOTES	Six months ended	
		30.9.2004 HK\$'000 (unaudited)	30.9.2003 HK\$'000 (unaudited)
Turnover	3	469,410	442,873
Cost of sales		(417,603)	(402,216)
Gross profit		51,807	40,657
Other operating income	4	378	164
Selling and distribution costs		(4,779)	(3,021)
Administrative expenses		(36,355)	(32,773)
Impairment loss recognized in respect of goodwill		(3,645)	–
Amortisation of goodwill		(214)	(300)
Profit from operations	5	7,192	4,727
Finance costs	6	(404)	(452)
Profit before taxation		6,788	4,275
Taxation	7	(2,556)	(953)
Profit before minority interests		4,232	3,322
Minority interests		15	155
Profit for the period		4,247	3,477
Dividend	8	Nil	Nil
Earnings per share – basic (HK cents)	9	0.94 cents	0.80 cents

CONDENSED CONSOLIDATED BALANCE SHEET

AT 30 SEPTEMBER 2004

	NOTES	30.9.2004 HK\$'000 (unaudited)	31.3.2004 HK\$'000 (audited)
Non-current assets			
Goodwill		–	3,859
Investment properties	10	88,408	75,946
Property, plant and equipment	10	68,327	54,888
Investments in securities		6,640	6,640
Club debentures		335	335
Deferred tax assets		58	58
		<u>163,768</u>	<u>141,726</u>
Current assets			
Inventories		44,297	51,689
Debtors, deposits and prepayments	11	53,982	41,313
Amounts due from related companies		2,087	1,825
Investments in securities		3,862	3,862
Taxation recoverable		852	3,324
Pledged bank deposit		253	280
Bank balances and cash		41,310	32,473
		<u>146,643</u>	<u>134,766</u>
Current liabilities			
Creditors and accrued charges	12	51,338	43,541
Taxation payable		188	743
Obligations under hire purchase contracts		28	47
Bank borrowings – secured		3,187	3,187
		<u>54,741</u>	<u>47,518</u>
Net current assets		<u>91,902</u>	<u>87,248</u>
Total assets less current liabilities		<u>255,670</u>	<u>228,974</u>
Non-current liabilities			
Obligations under hire purchase contracts		–	4
Bank borrowings – secured		25,590	27,218
Deferred tax liabilities		9,192	6,254
		<u>34,782</u>	<u>33,476</u>
Minority interests		<u>542</u>	<u>557</u>
		<u>220,346</u>	<u>194,941</u>
Capital and reserves			
Share capital		4,496	4,496
Reserves		215,850	190,445
		<u>220,346</u>	<u>194,941</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2004

	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Investment property revaluation reserve HK\$'000	Leasehold property revaluation reserve HK\$'000	Translation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1.4.2004	4,496	29,535	28,325	8,358	27,944	48	96,235	194,941
Revaluation surplus	-	-	-	12,462	15,986	-	-	28,448
Deferred tax liabilities charged	-	-	-	-	(2,738)	-	-	(2,738)
Exchange difference on translation of overseas operation	-	-	-	-	-	(56)	-	(56)
Profit for the period	-	-	-	-	-	-	4,247	4,247
Dividend paid	-	-	-	-	-	-	(4,496)	(4,496)
At 30.9.2004	4,496	29,535	28,325	20,820	41,192	(8)	95,986	220,346
At 1.4.2003	4,348	27,239	28,325	9,465	23,573	(36)	100,060	192,974
Shares issued pursuant to scrip dividend scheme	148	2,296	-	-	-	-	-	2,444
Revaluation deficit	-	-	-	(2,000)	-	-	-	(2,000)
Exchange difference on translation of overseas operation	-	-	-	-	-	(12)	-	(12)
Profit for the period	-	-	-	-	-	-	3,477	3,477
Dividend paid	-	-	-	-	-	-	(4,348)	(4,348)
At 30.9.2003	4,496	29,535	28,325	7,465	23,573	(48)	99,189	192,535

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2004

	Six months ended	
	30.9.2004 HK\$'000 (unaudited)	30.9.2003 HK\$'000 (unaudited)
Net cash from operating activities	15,693	13,950
Net cash used in investing activities	(479)	(2,010)
Net cash used in financing activities	<u>(6,147)</u>	<u>(6,194)</u>
Net increase in cash and cash equivalents	9,067	5,746
Cash and cash equivalents at beginning of the period	32,417	22,030
Effect of foreign exchange rate changes	<u>(174)</u>	<u>(6)</u>
Cash and cash equivalents at end of the period	<u><u>41,310</u></u>	<u><u>27,770</u></u>

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2004

1. BASIS OF PREPARATION

The condensed financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 (in force immediately before its revision became effective on 31 March 2004) to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") and with Statement of Standard Accounting Practice No. 25 "Interim financial reporting".

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2004.

3. SEGMENT INFORMATION

The turnover and contributions to profit from operations of the Group for the period, analysed by business segments, are as follows:

For the six months ended 30 September 2004

	Sale of mobile phones HK\$'000	Sale of business solutions HK\$'000	Connection services HK\$'000	Property investments HK\$'000	Installation, repair and maintenance services HK\$'000	Elimination HK\$'000	Consolidated HK\$'000
External sales	436,889	17,728	-	1,165	13,628	-	469,410
Inter-segment sales	-	-	-	648	-	(648)	-
	<u>436,889</u>	<u>17,728</u>	<u>-</u>	<u>1,813</u>	<u>13,628</u>	<u>(648)</u>	<u>469,410</u>
Segments results	<u>9,613</u>	<u>(3,035)</u>	<u>-</u>	<u>638</u>	<u>3,457</u>		10,673
Other operating income							378
Impairment loss recognized in respect of goodwill	-	(3,645)	-	-	-	-	(3,645)
Amortisation of goodwill	-	(214)	-	-	-	-	(214)
Profit from operations							<u>7,192</u>

For the six months ended 30 September 2003

	Sale of mobile phones HK\$'000	Sale of business solutions HK\$'000	Connection services HK\$'000	Property investments HK\$'000	Installation, repair and maintenance services HK\$'000	Elimination HK\$'000	Consolidated HK\$'000
External sales	405,833	21,536	875	1,981	12,648	-	442,873
Inter-segment sales	-	-	-	1,050	-	(1,050)	-
	<u>405,833</u>	<u>21,536</u>	<u>875</u>	<u>3,031</u>	<u>12,648</u>	<u>(1,050)</u>	<u>442,873</u>
Segments results	<u>2,561</u>	<u>(555)</u>	<u>286</u>	<u>1,652</u>	<u>919</u>		4,863
Other operating income							164
Amortisation of goodwill	-	(300)	-	-	-	-	(300)
Profit from operations							<u>4,727</u>

Inter-segment sales are charged at prevailing market rates.

4. OTHER OPERATING INCOME

	Six months ended	
	30.9.2004 HK\$'000	30.9.2003 HK\$'000
Interest income from banks	95	140
Sundry income	<u>283</u>	<u>24</u>
	<u><u>378</u></u>	<u><u>164</u></u>

5. PROFIT FROM OPERATIONS

Profit from operations has been arrived at after charging:

	Six months ended	
	30.9.2004 HK\$'000	30.9.2003 HK\$'000
Depreciation owned assets	2,203	1,638
assets under hire purchase contracts	<u>10</u>	<u>7</u>
	<u><u>2,213</u></u>	<u><u>1,645</u></u>

6. FINANCE COSTS

	Six months ended	
	30.9.2004 HK\$'000	30.9.2003 HK\$'000
Interest on obligations under hire purchase contracts	3	17
Interest on bank borrowings wholly repayable within five years	10	7
Interest on bank borrowings wholly repayable after five years	<u>391</u>	<u>428</u>
	<u><u>404</u></u>	<u><u>452</u></u>

7. TAXATION

	Six months ended	
	30.9.2004 HK\$'000	30.9.2003 HK\$'000
The charge comprises:		
Hong Kong Profits Tax	2,264	953
PRC Income Tax	92	–
Deferred tax	200	–
	<u>2,556</u>	<u>953</u>

Hong Kong Profits Tax is calculated at 17.5% (2003: 17.5%) of the estimated assessable profit for the period.

PRC Income Tax is calculated at the applicable PRC tax rates on the estimated assessable profit for the period.

8. DIVIDEND

The directors do not recommend the payment of any interim dividend for the six months ended 30 September 2004 (2003: HK\$Nil).

9. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the net profit for the period of HK\$4,247,000 (2003: HK\$3,477,000) and on the weighted average of 449,637,603 ordinary shares (2003: 436,013,947 shares) in issue during the period.

During each of the periods ended 30 September 2004 and 2003, the exercise price of the Company's options was higher than the average market price of share, thus there was no dilutive potential ordinary shares and no diluted earnings per share had been calculated.

10. INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT

All of the investment properties and leasehold land and buildings of the Group were revalued at 30 September 2004 by LCH (Asia-Pacific) Surveyors Limited, an independent firm of professional property valuer, on an open market value existing use basis. The resulting surplus arising on revaluation, which amounted to HK\$12,462,000 (2003: HK\$Nil) and HK\$15,986,000 (2003: HK\$Nil), have been credited to the investment property revaluation reserve and the leasehold property revaluation reserve respectively.

11. DEBTORS, DEPOSITS AND PREPAYMENTS

The Group has a policy of allowing average credit period ranging from 2 weeks to one month to its trade customers.

In addition, for certain customers with long-established relationship and good past repayment histories, a longer credit period may be granted.

The following is an aged analysis of trade debtors:

	30.9.2004 HK\$'000	31.3.2004 HK\$'000
Within 30 days	19,518	18,276
Between 31 to 60 days	9,690	2,769
Between 61 to 90 days	2,461	2,457
Between 91 to 120 days	1,184	597
Over 120 days	10,285	6,687
	<hr/>	<hr/>
Trade debtors	43,138	30,786
Other debtors, deposits and prepayments	10,844	10,527
	<hr/>	<hr/>
	53,982	41,313
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12. CREDITORS AND ACCRUED CHARGES

The following is an aged analysis of trade creditors:

	30.9.2004 HK\$'000	31.3.2004 HK\$'000
Within 30 days	40,404	34,996
Between 31 to 60 days	246	365
Between 61 to 90 days	134	2,202
Between 91 to 120 days	598	-
Over 120 days	2,596	-
	<hr/>	<hr/>
Trade creditors	43,978	37,563
Other creditors and accrued charges	7,360	5,978
	<hr/>	<hr/>
	51,338	43,541
	<hr/> <hr/>	<hr/> <hr/>

13. RELATED PARTY TRANSACTIONS

During the period, the Group had the following transactions, which were conducted in the ordinary course of the Group's business, with its related companies:

Name	Notes	Nature of transactions	Six months ended	
			30.9.2004 HK\$'000	30.9.2003 HK\$'000
BIA Technology Ltd	(i)	Sales to	2,299	9
	(i)	Purchase from	-	847
	(ii)	Rental income received	18	38
Hong Kong Communications Computer Company Limited	(i)	Computer software maintenance fee paid and purchase from	39	230
	(ii)	Rental income received	90	125
HKC Intown Limited	(i)	Internet access fee paid	116	42

Notes:

- (i) Sales, purchases and other expenses paid are based on cost plus a percentage of profit mark-up.
- (ii) Rental income was charged based on the area used, which the management of the Group considered to be appropriate basis of allocation.

14. CONTINGENT LIABILITIES

At 30 September 2004, the Company has provided corporate guarantees of HK\$96,740,000 (31 March 2004: HK\$97,340,000) to secure the banking facilities granted to subsidiary companies.

15. PLEDGES OF ASSETS

At 30 September 2004, certain leasehold land and buildings and investment properties with aggregate carrying values of HK\$4,170,000 (31 March 2004: HK\$4,170,000) and HK\$65,400,000 (31 March 2004: HK\$55,000,000) respectively were pledged to banks to secure banking facilities granted to the Group. In addition, the Group's bank deposits of HK\$253,000 (31 March 2004: HK\$280,000) were pledged to banks to secure the performance bonds.

16. POST BALANCE SHEET EVENT

On 1 December 2004, the Group accepted a tender from an independent third party to dispose of an investment property and a leasehold land and building (the "Properties") at a consideration of HK\$180,000,000. The net book value at cost of the Properties was HK\$73,800,000 at 30 September 2004. Therefore the Group is to record a gain of approximately HK\$106,200,000 (subject to audit) before related expenses upon completion of sales.

The above disposal constitutes a very substantial disposal for the Group under Chapter 14 of the Listing Rules and is conditional on approval by the shareholders of the Company at an extraordinary general meeting to be convened and held for approving, among other matters, the disposal. Particulars of the above disposal are set out in the Company's announcement dated 3 December 2004.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the six months ended 30 September 2004, the Group's net profit was HK\$ 4.2 million and the turnover was HK\$ 469 million representing an increase in 20% and 6% respectively from the corresponding period last year.

Sale of mobile phones

This division posted an 8% increase in sales to HK\$437 million while the profit grew by more than 2.7 times when compared with the corresponding period last year. The popularity of new models of Nokia's mobile phones and the contribution from the retail chain "Circle" helped to boost the profit.

At 30 September 2004, the total number of counters in our "Circle" retail chain was 8. There were 7 counters in Jusco Department Stores and 1 counter in Citistore. In addition, the Group also operated a franchised "Nokia Professional Centre" in Mongkok.

Sale of business solutions

This relates to the sales of office telephone systems, provision of security systems and integrated services. During the period under review, the division recorded a loss of approximately HK\$3 million. The loss was due to the initial set up costs of our subsidiary in USA and the design and development costs of new products. The subsidiary in Singapore also recorded a loss due to the keen competition and adverse market conditions.

Property investment

The rental income has decreased by approximately HK\$1 million due to the increase in vacancy during the period under review.

Installation, repair and maintenance services

The turnover has increased by approximately 8% and the profit has increased by approximately 2.8 times to HK\$3.5 million. The sharp increase in profit was due to the increase in demand of repairs and maintenance services when compared with the SARS period last year.

PROSPECTS

We have extended our sales and distribution of mobile phones to Thailand and Malaysia. In addition, we will consolidate the operations of business solutions in Hong Kong, China, Singapore and USA to utilize the common resources more effectively and enjoy the synergy advantages. We hope that the continued popularity of Nokia's mobile phones and the booming of retail market will help to achieve the satisfactory results in second half of the year.

APPRECIATION

We would like to extend our sincere gratitude to our shareholders, business counterparts and all management and the staff members of the Group for their contribution and continued support during the period.

LIQUIDITY AND FINANCIAL RESOURCES

The Group continues to maintain a strong financial position. As at 30 September 2004, the cash and bank balances amounted to approximately HK\$41.3 million (31 March 2004: HK\$32 million) while the bank borrowings were HK\$29 million (31 March 2004: HK\$30 million). The long term bank borrowing is denominated in Hong Kong dollars and is repayable by 120 monthly installments at a fixed interest rate. The gearing ratio was 13.1% (31 March 2004: 15.8%). The gearing ratio is expressed as a percentage of total borrowings to shareholders' funds.

As substantial portion of transactions are dominated in Hong Kong Dollar, the Group's exposure to exchange fluctuation is low.

EMPLOYEES

As at 30 September 2004, the total number of employees of the Group was approximately 300 (31 March 2004: 280) and the remuneration of employees (excluding directors' emoluments) amounted to approximately HK\$20 million for the period (2003: HK\$20 million). The remuneration and bonus packages are based on the individual merits and performance and are reviewed at least annually. The Group maintains a good relationship with its employees.

CONTINGENT LIABILITIES

At 30 September 2004, the Company has provided corporate guarantees of HK\$97 million (31 March 2004: HK\$97 million) to secure the banking facilities granted to subsidiary companies.

PLEDGES OF ASSETS

At 30 September 2004, certain leasehold land and buildings and investment properties with aggregate carrying values of HK\$4 million (31 March 2004: HK\$4 million) and HK\$65 million (31 March 2004: HK\$55 million) respectively were pledged to banks to secure banking facilities granted to the Group. In addition, the Group's bank deposits of HK\$253,000 (31 March 2004: HK\$280,000) were pledged to banks to secure the performance bonds.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30 September 2004, the interests and short positions of the directors and chief executive of the Company in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) ("SFO")) which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited ("Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which were required, 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 ("Listing Rules"), to be notified to the Company and the Stock Exchange were as follows:

Name of director	The Company/ associated corporation	Capacity/ nature of interest	Number and class of securities (Note 1)	Percentage of interests in the issued share capital at 30 September 2004
Chan Chun Yee, Hubert	The Company	Founder of a trust	229,176,575 ordinary shares (each a "Share") of HK\$0.01 each (L) (Note 2)	50.97%
	The Company	Beneficial owner	4,300,000 Shares (L) (Note 7)	0.96%
	Matrix World Group Limited	Founder of a trust	1 share of US\$1.00 each (L)	100%
Chan Chung Yin, Roy	The Company	Founder of a trust	68,417,400 Shares (L) (Note 3)	15.22%
	The Company	Beneficial owner	2,000,000 Shares (L) (Note 7)	0.44%
Chan Man Min	The Company	Interest of controlled corporation	24,709,650 Shares (L) (Note 4)	5.50%
	The Company	Beneficial owner	1,000,000 Shares (L) (Note 7)	0.22%
Yeh Yui Fong	The Company	Interest of controlled corporation	2,681,550 Shares (L) (Note 5)	0.60%
	The Company	Beneficial owner	1,000,000 Shares (L) (Note 7)	0.22%
Tsui Hon Wing	The Company	Beneficial owner	2,939,200 Share (L) (Notes 6 and 7)	0.65%
Chan Ming Him, Denny	The Company	Beneficial owner	1,000,000 Shares (L) (Note 7)	0.22%
Wu Kwok Lam	The Company	Beneficial owner	1,000,000 Shares (L) (Note 7)	0.22%

Notes:

1. The Letter "L" represents the director's interests in the shares and underlying shares of the Company or its associated corporations.
2. Of these Shares, 8,484,848 Shares were held by Light Emotion Limited, a company wholly owned by Matrix World Group Limited and 220,691,727 Shares were held by Matrix World Group Limited, a company wholly owned by Trustcorp Limited as the trustee of a discretionary trust of which Mr. Chan Chung Yee, Hubert is the founder (within the meaning ascribed to it under Part XV of the SFO). By virtue of the provisions of Divisions 7 and 8 of Part XV of the SFO, Matrix World Group Limited was deemed to be interested in the Shares held by Light Emotion Limited and Mr. Chan Chung Yee, Hubert was deemed to be interest in the Shares in which Matrix World Group Limited was interested.
3. These Shares were held by Star Global International Limited, a company wholly owned by Trustcorp Limited as the trustee for a discretionary trust of which Mr. Chan Chung Yin, Roy is the founder (within the meaning ascribed to it under Part XV of the SFO). By virtue of the provisions of Divisions 7 and 8 of Part XV of the SFO, Mr. Chan Chung Yin, Roy was deemed to be interested in the Shares held by Star Global International Limited.
4. These Shares were held by Ocean Hope Group Limited, a company wholly owned by Mr. Chan Man Min. By virtue of the provisions of Divisions 7 and 8 of Part XV of the SFO, Mr. Chan Man Min was deemed to be interested in the Shares held by Ocean Hope Group Limited.
5. These Shares were held by CIT Company Limited, a company wholly owned by Mr. Yeh Yui Fong and his wife in equal share. By virtue of the provisions of Divisions 7 and 8 of Part XV of the SFO, Mr. Yeh Yui Fong was deemed to be interested in the Shares held by CIT Company Limited.
6. Of these Shares, 1,000,000 Shares represented the Shares that would fall to be allotted and issued upon exercise in full of the option granted to Mr. Tsui Hon Wing under the share option scheme of the Company. Please refer to note 7 below for details.
7. These respective number of Shares that would fall to be allotted and issued upon exercise in full of the options granted to each of Mr. Chan Chung Yee, Hubert, Mr. Chan Chung Yin, Roy, Mr. Chan Man Min, Mr. Yeh Yui Fong, Mr. Tsui Hon Wing, Mr. Chan Ming Him, Denny and Mr. Wu Kwok Lam under the share option scheme of the Company which was adopted pursuant to a resolution in writing passed by all shareholders of the Company on 23 October 2001. These options, all of which remained exercisable as at 30 September 2004, were exercisable at the subscription price of HK\$0.17 per Share at any time during a period of two years commencing from and including 21 February 2003 to 20 February 2005.

Save as disclosed above, as at 30 September 2004, none of the directors and chief executive of the Company had any interest and short positions in the share, underlying shares and debentures of the Company or its associated corporations (within the meaning of the SFO) which were required to be 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 (including interests and short positions which he taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, to be notified to the Company and the Stock Exchange.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Apart from those disclosed under the heading "Directors' interests and short positions in shares, underlying shares and debentures of the Company and its associated corporations" above and in the share option scheme disclosures below, at no time during the period under review or up to the date of this report were there any rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company, or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

SHARE OPTIONS

At 30 September 2004, the number of shares in respect of which options had been granted under the Company's share option scheme was 15,996,000 representing approximately 3.6% of the shares of the Company in issue at that date.

The details of the share options outstanding as at 30 September 2004 are as follows:

	Exercise Period	Exercisable price per share HK\$	Outstanding at 1 April 2004	Lapsed during the period	Granted during the period	Outstanding at 30 September 2004
Directors:						
Chan Chung Yee, Hubert	21.2.2003 – 20.2.2005	0.17	4,300,000	-	-	4,300,000
Chan Chung Yin, Roy	21.2.2003 – 20.2.2005	0.17	2,000,000	-	-	2,000,000
Chan Man Min	21.2.2003 – 20.2.2005	0.17	1,000,000	-	-	1,000,000
Chan Ming Him, Denny	21.2.2003 – 20.2.2005	0.17	1,000,000	-	-	1,000,000
Kwok Cheuk Tim, Rockie	21.2.2003 – 20.2.2005	0.17	2,000,000	(2,000,000)	-	-
Tsui Hon Wing	21.2.2003 – 20.2.2005	0.17	1,000,000	-	-	1,000,000
Wu Kwok Lam	21.2.2003 – 20.2.2005	0.17	1,000,000	-	-	1,000,000
Yeh Yui Fong	21.2.2003 – 20.2.2005	0.17	1,000,000	-	-	1,000,000
			13,300,000	(2,000,000)	-	11,300,000
Employees	4.11.2004 – 3.5.2006	0.196	-	-	4,696,000	4,696,000
			13,300,000	(2,000,000)	4,696,000	15,996,000

The closing price of the Company's shares immediately before the date of grant of option to employees on 4 May 2004 was HK\$0.196.

SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS WHO ARE REQUIRED TO DISCLOSE THEIR INTERESTS PURSUANT TO PART XV OF THE SFO

At 30 September 2004, the following persons, other than a director or chief executive of the Company, had an interest or a short position in the shares and underlying shares in the Company as recorded in the register required to be kept under section 336 of the SFO:

Name	Number of shares held	Capacity/nature of interest	Percentage of holding
Matrix World Group Limited (Note 2)	220,691,727 (L) 8,484,848 (L)	Beneficial owner Interest of controlled corporation	49.08% 1.89%
Star Global International Limited (Note 3)	68,417,400 (L)	Beneficial owner	15.22%
Ocean Hope Group Limited (Note 4)	24,709,650 (L)	Beneficial owner	5.50%
Trustcorp Limited (Note 2 and 3)	297,593,975 (L)	Trustee	66.19%

Notes:

- The letter "L" represents the person's interests in Shares
- 8,484,848 Shares were held by Light Emotion Limited, a company wholly owned by Matrix World Group Limited and 220,691,727 Shares were held by Matrix World Group Limited, a company wholly owned by Trustcorp Limited as the trustee of a discretionary trust of which Mr. Chan Chung Yee, Hubert is the founder (within the meaning ascribed to it under Part XV of the SFO). By virtue of the provisions of Divisions 7 and 8 of Part XV of the SFO, Matrix World Group Limited was deemed to be interested in the Shares held by Light Emotion Limited and Trustcorp Limited was deemed to be interested in the Shares in which Matrix World Group Limited was interested.
- Star Global International Limited was a company wholly owned by Trustcorp Limited as the trustee for a discretionary trust of which Mr. Chan Chung Yin, Roy is the founder (within the meaning ascribed to it under Part XV of the SFO). By virtue of the provisions of Divisions 7 and 8 of Part XV of the SFO, Trustcorp Limited was deemed to be interested in the Shares held by Star Global International Limited.
- Ocean Hope Group Limited is a company wholly owned by Mr. Chan Man Min.

Save as disclosed above, as at 30 September 2004, no person, other than a director or chief executive of the Company, had an interest or a short position in the shares and underlying shares in the Company as recorded in the register required to be kept under section 336 of the SFO.

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

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

AUDIT COMMITTEE

The audit committee has reviewed with management the accounting policies adopted by the Group and discussed auditing, internal control, and financial reporting matters, including the review of interim financial statements which have not been audited.

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 Appendix 14 of the Listing Rules.

On behalf of the Board
Chan Chung Yee, Hubert
Chairman

Hong Kong, 15 December 2004