



SYMPHONY

SYMPHONY HOLDINGS LIMITED
INCORPORATED IN BERMUDA WITH LIMITED LIABILITY

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CORPORATE INFORMATION

Directors

Mr. Li Kwok Lung, Alfred Ronald (*Chairman*)

Mr. Sze Sun Sun, Tony (*Deputy Chairman
and Managing Director*)

Mr. Chang Tsung Yuan
(*Deputy Chairman*)

Mr. Ku Edward Y.

Mr. Chan Lu Min

Mr. Li I Nan*

Mr. Chan Ting Chuen*

Mr. Cheng Kar Shing*

Mr. Feng Lei Ming*

Mr. Ho Shing Chak*

* non-executive director

* independent non-executive director

Company Secretary

Ms. Anna Chow

Auditors

Deloitte Touche Tohmatsu

Certified Public Accountants

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Hong Kong

Solicitors

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Central, Hong Kong

Registered Office

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Hamilton HM11

Bermuda

Head Office and Principal Place of Business in Hong Kong

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Hong Kong

Principal Bankers

Calyon

Industrial and Commercial Bank of China
(Asia) Limited

Citibank, N.A.

Liu Chong Hing Bank Limited

The Bank of East Asia Ltd.

The Hongkong and Shanghai Banking
Corporation Limited

Principal Share Registrar and Transfer Office

The Bank of Bermuda Limited

6 Front Street

Hamilton HM11

Bermuda

Hong Kong Branch Share Registrar and Transfer Office

Tengis Limited

Ground Floor, BEA Harbour View Centre

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Wanchai, Hong Kong

Website

<http://www.symphonyholdings.com>

SYMPHONY HOLDINGS LIMITED

新豐集團有限公司*

(Incorporated in Bermuda with limited liability)

SUMMARY OF RESULTS

The Directors of Symphony Holdings Limited (the "Company") are pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2005 together with comparative figures for the corresponding period in 2004 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2005

		For the six months ended 30 June	
		2005	2004
	<i>Notes</i>	HK\$'000	<i>HK\$'000</i>
		(Unaudited)	(Unaudited)
Turnover	4	1,061,270	683,546
Cost of sales		(802,938)	(528,929)
Gross profit		258,332	154,617
Other operating income		16,326	13,842
Impairment loss on investment in securities		-	(322)
Distribution costs		(41,309)	(23,254)
Administrative expenses		(72,797)	(49,850)
Other operating expenses		(9,353)	(10,806)
Allowance for amount due from a jointly controlled entity		-	(2,774)
Surplus on revaluation of land and buildings		81	961
Surplus on revaluation of investment properties		-	745
Share of (loss) profit of a jointly controlled entity		(9,045)	5,768
Finance costs		(24)	-
Profit before taxation	5	142,211	88,927
Taxation	6	(16,173)	(11,148)
Profit for the period		126,038	77,779

* For identification purposes only

CONDENSED CONSOLIDATED INCOME STATEMENT (continued)

For the six months ended 30 June 2005

		For the six months ended 30 June	
		2005	2004
	<i>Notes</i>	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Attributable to:			
Equity holders of the parent		116,312	74,435
Minority interests		9,726	3,344
		<u>126,038</u>	<u>77,779</u>
Dividend	7	<u>-</u>	<u>31,074</u>
Earnings per share	8		
Basic		<u>HK10.5 cents</u>	<u>HK6.7 cents</u>
Diluted		<u>N/A</u>	<u>N/A</u>

CONDENSED CONSOLIDATED BALANCE SHEET

At 30 June 2005

		30 June 2005	31 December 2004
	<i>Notes</i>	HK\$'000	<i>HK\$'000</i>
		(Unaudited)	(Audited and restated)
Non-current assets			
Property, plant and equipment	9	268,381	267,736
Investment properties	9	81,509	81,509
Goodwill		57,477	57,477
Interest in a jointly controlled entity		60,538	69,521
Investments in securities		–	11,466
Available-for-sale investments		11,466	–
Prepaid lease payments – non-current		17,522	17,729
Deferred tax assets		6,947	5,794
		<hr/> 503,840 <hr/>	<hr/> 511,232 <hr/>
Current assets			
Inventories		216,920	236,375
Promissory note receivables	10	42,067	–
Trade and other receivables	11	388,824	396,356
Prepaid lease payments – current		414	414
Bank balances and cash		412,271	282,534
		<hr/> 1,060,496 <hr/>	<hr/> 915,679 <hr/>

CONDENSED CONSOLIDATED BALANCE SHEET (continued)

At 30 June 2005

	<i>Notes</i>	30 June 2005 HK\$'000 (Unaudited)	31 December 2004 HK\$'000 (Audited and restated)
Current liabilities			
Trade and other payables	12	433,693	438,417
Deposit received	13	3,849	–
Tax payable		40,923	27,491
Bank borrowings	14	77,700	–
		556,165	465,908
Net current assets			
		504,331	449,771
Total assets less current liabilities			
		1,008,171	961,003
Non-current liabilities			
Deferred tax liabilities		8,736	7,674
		999,435	953,329
Capital and reserves			
Share capital	15	277,451	277,451
Reserves		685,785	649,405
Equity attributable to equity holders of the parent			
		963,236	926,856
Minority interests			
		36,199	26,473
		999,435	953,329

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2005

	Attributable to equity holders of the parent								
	Share capital	Share premium	Properties			Accumulated profits	Total	Minority interests	Total
			Revaluation reserve	Translation reserve					
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Group									
At 1 January 2004 as originally stated	249,170	84,637	9,181	5,124	471,991	820,103	19,312	839,415	
Effects of change in accounting policies	-	-	(5,547)	-	-	(5,547)	-	(5,547)	
As restated	249,170	84,637	3,634	5,124	471,991	814,556	19,312	833,868	
Exchange realignment and net income recognised directly in equity	-	-	-	267	-	267	-	267	
Profit for the period	-	-	-	-	74,435	74,435	3,344	77,779	
Total recognised income and expenses for the period	-	-	-	267	74,435	74,702	3,344	78,046	
Dividends paid	-	-	-	-	(60,535)	(60,535)	-	(60,535)	
Issue of shares on bonus issue	25,223	(25,223)	-	-	-	-	-	-	
Exercise of share options	3,058	22,630	-	-	-	25,688	-	25,688	
Capital contribution from a minority shareholder	-	-	-	-	-	-	22,803	22,803	
Disposal of a subsidiary	-	-	-	-	-	-	(22,658)	(22,658)	
At 30 June 2004	277,451	82,044	3,634	5,391	485,891	854,411	22,801	877,212	

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(continued)

For the six months ended 30 June 2005

	Attributable to equity holders of the parent							Total
	Share capital	Share premium	Properties			Total	Minority interests	
			Revaluation reserve	Translation reserve	Accumulated profits			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Exchange realignment	-	-	-	(616)	-	(616)	-	(616)
Share of reserve of a jointly controlled entity	-	-	-	35	-	35	-	35
Surplus arising on revaluation of land and buildings	-	-	17,293	-	-	17,293	-	17,293
Deferred tax liability in respect of revaluation of land and buildings	-	-	(2,947)	-	-	(2,947)	-	(2,947)
Net income recognised directly in equity	-	-	14,346	(581)	-	13,765	-	13,765
Profit for the period	-	-	-	-	89,754	89,754	3,672	93,426
Total recognised income and expenses for the period	-	-	14,346	(581)	89,754	103,519	3,672	107,191
Dividends paid	-	-	-	-	(31,074)	(31,074)	-	(31,074)
At 31 December 2004	277,451	82,044	17,980	4,810	544,571	926,856	26,473	953,329

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

For the six months ended 30 June 2005

	Attributable to equity holders of the parent							Total
	Share capital	Share premium	Properties Revaluation reserve	Translation reserve	Accumulated profits	Total	Minority interests	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Exchange realignment	-	-	-	(568)	-	(568)	-	(568)
Share of reserve of a jointly controlled entity	-	-	-	62	-	62	-	62
Surplus arising on revaluation of land and buildings	-	-	609	-	-	609	-	609
Deferred tax liability in respect of revaluation of land and buildings	-	-	(129)	-	-	(129)	-	(129)
Net expense recognised directly in equity	-	-	480	(506)	-	(26)	-	(26)
Profit for the period	-	-	-	-	116,312	116,312	9,726	126,038
Total recognised income and expenses for the period	-	-	480	(506)	116,312	116,286	9,726	126,012
Dividends paid	-	-	-	-	(79,906)	(79,906)	-	(79,906)
At 30 June 2005	<u>277,451</u>	<u>82,044</u>	<u>18,460</u>	<u>4,304</u>	<u>580,977</u>	<u>963,236</u>	<u>36,199</u>	<u>999,435</u>
Attributable to:								
The Company and subsidiaries	277,451	82,044	18,460	4,207	598,436	980,598	36,199	1,016,797
Jointly controlled entity	-	-	-	97	(17,459)	(17,362)	-	(17,362)
	<u>277,451</u>	<u>82,044</u>	<u>18,460</u>	<u>4,304</u>	<u>580,977</u>	<u>963,236</u>	<u>36,199</u>	<u>999,435</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2005

	For the six months ended 30 June	
	2005	2004
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net cash from operating activities	<u>136,893</u>	<u>104,375</u>
Net cash used in investing activities		
Purchase of property, plant and equipment	(16,025)	(17,646)
Net proceeds from disposal of a subsidiary	–	(57,470)
Other investing cash flows	<u>11,664</u>	<u>(25,189)</u>
	<u>(4,361)</u>	<u>(100,305)</u>
Net cash used in financing activities	<u>(2,230)</u>	<u>(12,045)</u>
Net increase (decrease) in cash and cash equivalents	130,302	(7,975)
Cash and cash equivalents at 1 January	282,534	364,792
Effect of foreign exchange rate change	<u>(565)</u>	<u>(164)</u>
Cash and cash equivalents at 30 June, representing bank balances and cash	<u><u>412,271</u></u>	<u><u>356,653</u></u>

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2005

1. BASIS OF PREPARATION

The condensed financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

2. PRINCIPAL ACCOUNTING POLICIES

The condensed financial statements have been prepared under the historical cost basis, except for certain properties and financial instruments, which are measured at fair value or revalued amounts, as appropriate.

The accounting policies used in the condensed financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2004 except as described below.

In the current period, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards ("HKFRS(s)"), Hong Kong Accounting Standards ("HKAS(s)") and Interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the HKICPA that are effective for accounting periods beginning on or after 1 January 2005. The application of the new HKFRSs has resulted in a change in the presentation of the income statement, balance sheet and the statement of changes in equity. In particular, the presentation of minority interests has been changed. The changes in presentation has been applied retrospectively. The adoption of the new HKFRSs has also resulted in changes to the Group's accounting policies in the following areas that have an effect on how the results for the current or prior accounting periods are prepared and presented:

(i) Share-based payments

HKFRS 2 "Share-based Payment" requires an expense to be recognised where the Group buys goods or obtains services in exchange for shares or rights over shares ("equity-settled transactions"), or in exchange for other assets equivalent in value to a given number of shares or rights over shares ("cash-settled transactions"). The principal impact of HKFRS 2 on the Group is in relation to the expensing of the fair value of directors' and employees' share options of the Company determined at the date of grant of the share options over the vesting period. Prior to the application of HKFRS 2, the Group did not recognise the financial effect of these share options until they were exercised. The Group has applied HKFRS 2 to those share options granted on or after 1 January 2005 (if any). In relation to share options granted before 1 January 2005, the Group has not applied HKFRS 2 to those share options granted on or before 7 November 2002 and those share options that were granted after 7 November 2002 but were vested before 1 January 2005 in accordance with the relevant transitional provisions. Because there were no unvested share options at 1 January 2005, comparative figures for 2004 will not be restated.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

(ii) Business combinations

HKFRS 3 "Business Combinations" is effective for business combinations for which the agreement date is on or after 1 January 2005. The principal effects of the application of HKFRS 3 to the Group are in relation to goodwill.

In previous periods, goodwill arising on acquisitions was capitalised and amortised over its estimated useful life. The Group has applied the relevant transitional provisions in HKFRS 3. With respect to goodwill previously capitalised on the balance sheet, the Group has discontinued amortising such goodwill from 1 January 2005 onwards and goodwill will be tested for impairment at least annually or in the financial year in which the acquisition takes place. Goodwill arising on acquisitions after 1 January 2005 is measured at cost less accumulated impairment losses (if any) after initial recognition. As a result of this change in accounting policy, no amortisation of goodwill has been charged in the current period. Comparative figures for 2004 have not been restated.

(iii) Financial instruments

HKAS 32 "Financial Instruments: Disclosure and Presentation" requires retrospective application whereas HKAS 39 "Financial Instruments: Recognition and Measurement", which is effective for annual periods beginning on or after 1 January 2005, generally does not permit to recognise, derecognise or measure of financial assets and liabilities on a retrospective basis. The application of HKAS 32 has been no material effect in the presentation of financial instrument in the financial statements of the Group. The principal effects on the Group resulting from the implementation of HKAS 39 are summarised below:

Classification and measurement of financial assets and financial liabilities

The Group has applied the relevant transitional provisions in HKAS 39 with respect to classification and measurement of financial assets and financial liabilities that are within the scope of HKAS 39.

On or before 31 December 2004, the Group classified and measured its debt and equity securities in accordance with the benchmark treatment of Statement of Standard Accounting Practice 24 "Accounting for Investments in Securities" ("SSAP 24") issued by the HKICPA. Under SSAP 24, investments in debt or equity securities are classified as "investment securities", "other investments" or "held-to-maturity investments" as appropriate. "Investment securities" are carried at cost less impairment losses (if any) while "other investments" are measured at fair value, with unrealised gains or losses included in the profit or loss. Held-to-maturity investments are carried at amortised cost less impairment losses (if any). From 1 January 2005 onwards, the Group classifies and measures its debt and equity securities in accordance with HKAS 39. Under HKAS 39, financial assets are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables", or "held-to-maturity financial assets". The classification depends on the purpose for which the assets are acquired. "Financial assets at fair value through profit or loss" and "available-for-sale financial assets" are carried at fair value, with changes in fair values recognised in profit or loss and equity respectively. For available-for-sale financial assets which are investment in equity instruments whose fair value cannot be reliably measured, they are measured at cost less impairment which cannot be reversed subsequently. "Loans and receivables" and "held-to-maturity financial assets" are measured at amortised cost using the effective interest method.

2. PRINCIPAL ACCOUNTING POLICIES (continued)**(iii) Financial instruments** (continued)***Classification and measurement of financial assets and financial liabilities***
(continued)

On 1 January 2005, the Group classified and measured its debt and equity securities in accordance with the requirements of HKAS 39. Investments in securities classified under non-current assets with a carrying amount of HK\$11,466,000 were classified to available-for-sale investments on 1 January 2005.

Financial assets and financial liabilities other than debt and equity securities

From 1 January 2005 onwards, the Group classifies and measures its financial assets and financial liabilities other than debt and equity securities (which were previously outside the scope of SSAP 24) in accordance with the requirements of HKAS 39. As mentioned above, financial assets under HKAS 39 are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables" or "held-to-maturity financial assets". Financial liabilities are generally classified as "financial liabilities at fair value through profit or loss" or "financial liabilities other than financial liabilities at fair value through profit or loss (other financial liabilities)". "Other financial liabilities" are carried at amortised cost using the effective interest method. The adoption of HKAS 39 has had no material effect on the Group's accumulated profits.

(iv) Owner-occupied leasehold interest in land

In previous periods, owner-occupied leasehold land and buildings were included in property, plant and equipment and measured using the revaluation model. In the current period, the Group has applied HKAS 17 "Leases". Under HKAS 17, the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification, unless the lease payments cannot be allocated reliably between the land and buildings elements, in which case, the entire lease is generally treated as a finance lease. To the extent that the allocation of the lease payments between the land and buildings elements can be made reliably, the leasehold interests in land are reclassified to prepaid lease payments under operating leases, which are carried at cost and amortised over the lease term on a straight-line basis. This change in accounting policy has been applied retrospectively. Alternatively, where the allocation between the land and buildings elements cannot be made reliably, the leasehold interests in land continue to be accounted for as property, plant and equipment. This change in accounting policy has been applied retrospectively and the financial impact on the Group is set out in note 3.

2. PRINCIPAL ACCOUNTING POLICIES (continued)**(v) Investment properties**

In the current period, the Group has, for the first time, applied HKAS 40 "Investment Property". The Group has elected to use the fair value model to account for its investment properties which requires gains or losses arising from changes in the fair value of investment properties to be recognised directly in the profit or loss for the period in which they arise. In previous periods, investment properties were measured at open market values, with revaluation surplus or deficits credited or charged to investment property revaluation reserve unless the balance on this reserve was insufficient to cover a revaluation decrease, in which case the excess of the revaluation decrease over the balance on the investment property revaluation reserve was charged to the income statement. Where a decrease had previously been charged to the income statement and a revaluation increase subsequently arose, that increase was credited to the income statement to the extent of the decrease previously charged. The Group has applied the relevant transitional provisions in HKAS 40 and elected to apply HKAS 40 from 1 January 2005 onwards. The change in accounting policy has not had any significant impact on the comparative figures of the Group.

The Group has not early applied the following new Standards or Interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these Standards or Interpretations will have no material impact on the financial statements of the Group:

HKAS 19 (Amendment)	Actuarial Gains and Losses, Group Plan and Disclosures
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 (Amendment)	The Fair Value Option
HKFRS 6	Exploration for and Evaluation of Mineral Resources
HKFRS – INT 4	Determining whether an Arrangement Contains a Lease
HKFRS – INT 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds

3. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES

The effects of the changes in the accounting policies described in note 2 above on the Group's results and financing positions are as follows:

(i) On results

	For the six months ended 30 June	
	2005	2004
	HK\$'000	HK\$'000
Decrease in other operating expenses – representing a decrease in amortisation charge of goodwill	3,040	–

(ii) On balance sheet items

	At 31.12.2004 (originally stated)		At 31.12.2004 (restated)		At 1.1.2005 (restated)
	Adjustments HK\$'000	Adjustments HK\$'000	Adjustments HK\$'000	Adjustments HK\$'000	HK\$'000
Property, plant and equipment	291,887	(24,151)	267,736	–	267,736
Prepaid lease payments	–	18,143	18,143	–	18,143
Investments in securities	11,466	–	11,466	(11,466)	–
Available-for-sale investments	–	–	–	11,466	11,466
Deferred tax liabilities	(9,167)	1,493	(7,674)	–	(7,674)
Accumulated profits	(544,571)	–	(544,571)	–	(544,571)
Properties revaluation reserve	(22,495)	4,515	(17,980)	–	(17,980)
	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>

The financial effects of the application of the new HKFRSs to the Group's equity at 1 January 2004 are summarised below:

	As originally stated	Adjustment	As restated
	HK\$'000	HK\$'000	HK\$'000
Properties revaluation reserve and effect on equity – to reverse the valuation surplus relating to the prepaid lease payments	<u>9,181</u>	<u>(5,547)</u>	<u>3,634</u>

4. SEGMENT INFORMATION

Business segments

No business segment analysis is presented as less than 10% of the Group's turnover and contribution to results are contributed by activities other than the manufacture and marketing of footwear products.

Geographical segments

An analysis of the Group's turnover and contribution to operating results by geographical segments, irrespective of the origin of the goods, is presented below.

	For the six months ended 30 June	
	2005	2004
	HK\$'000	<i>HK\$'000</i>
TURNOVER		
United States of America	670,429	348,609
Canada	39,454	56,232
Europe	222,484	184,228
Asia	63,157	31,770
Others	65,746	62,707
	<u>1,061,270</u>	<u>683,546</u>
RESULTS		
United States of America	111,830	53,490
Canada	6,581	8,628
Europe	37,111	28,267
Asia	11,191	6,037
Others	10,966	9,622
	<u>177,679</u>	106,044
Unallocated corporate expenses	(26,399)	(22,885)
Share of (loss) profit of a jointly controlled entity	(9,045)	5,768
Finance costs	(24)	–
	<u>142,211</u>	88,927
Profit before taxation	142,211	88,927
Taxation	(16,173)	(11,148)
	<u>126,038</u>	<u>77,779</u>
Profit for the period	126,038	77,779

5. PROFIT BEFORE TAXATION

	For the six months ended 30 June	
	2005	2004
	HK\$'000	HK\$'000
Profit before taxation has been arrived at after charging (crediting):		
Cost of inventories recognised as expense	577,386	372,034
Depreciation and amortisation	15,970	20,810
Allowance for bad and doubtful debts	7,570	9,295
Amortisation of prepaid lease payments	207	207
Amortisation of goodwill	-	139
Interest income from:		
Bank deposits	(3,954)	(1,564)
Available-for-sale investments/ investments in securities	(317)	(714)
Trade debtors	(4,704)	(4,537)
Loans to a jointly controlled entity	(1,816)	(478)
Promissory notes	(740)	-
Dividend income from available-for-sale investments/investments in securities	(37)	(44)

6. TAXATION

	For the six months ended 30 June	
	2005	2004
	HK\$'000	HK\$'000
Current tax:		
Hong Kong	3,440	2,901
Other jurisdictions	12,953	7,617
	16,393	10,518
Deferred tax:		
Current period	(220)	630
	(220)	630
Taxation attributable to the Company and its subsidiaries	16,173	11,148

Hong Kong Profits Tax is calculated at 17.5% (2004: 17.5%) of the estimated assessable profit for the six months ended 30 June 2005.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

7. DIVIDENDS

During the period ended 30 June 2005, a dividend of HK\$0.072 per ordinary share was paid to shareholders as the final dividend for the year ended 31 December 2004.

During the period ended 30 June 2004, a final dividend of HK\$0.06 per ordinary share was paid to shareholders as the final dividend for the year ended 31 December 2003.

The directors do not recommend the payment of an interim dividend (2004: HK\$0.028 per ordinary share).

8. EARNINGS PER SHARE

The calculation of the basic earnings per share for the period is based on the following data:

	For the six months ended 30 June	
	2005	2004
Net profit for the period and earnings for the purposes of basic earnings per share (profit for the period attributable to equity holders of the parent)	<u>HK\$116,312,000</u>	<u>HK\$74,435,000</u>
Number of/weighted average number of ordinary shares for the purposes of basic earnings per share	<u>1,109,803,182</u>	<u>1,105,365,028</u>

No diluted earnings per share has been presented because the exercise price of the Company's options was higher than the average market price for shares for both periods.

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

During the period, the Group acquired property, plant and equipment at a cost of HK\$16,025,000.

The Group's land and buildings were revalued by the directors at 30 June 2005. The revaluation resulted in a surplus amounting to approximately HK\$690,000 of which approximately HK\$81,000 has been credited directly to the consolidated income statement and approximately HK\$609,000 has been credited directly to the properties revaluation reserve.

The directors have also considered the valuation of the Group's investment properties at 30 June 2005 and have concluded that their fair value at that date are not materially different from their carrying value at 31 December 2004.

10. PROMISSORY NOTE RECEIVABLES

The promissory note receivables are unsecured, interest-bearing at 10% per annum and repayable on or before 15 May 2006.

11. TRADE AND OTHER RECEIVABLES

The Group allows a credit period ranging from 60 days to 90 days to its trade customers.

Included in trade and other receivables are trade receivables of HK\$321,386,000 (31 December, 2004: HK\$328,375,000) and an aged analysis is as follows:

	30 June 2005 <i>HK\$'000</i>	31 December 2004 <i>HK\$'000</i>
0 to 30 days	176,831	163,679
31 to 60 days	99,430	65,406
61 to 90 days	47,412	22,074
Over 90 days	33,513	105,446
	<hr/>	<hr/>
	357,186	356,605
Less: Allowances for bad and doubtful debts	(35,800)	(28,230)
	<hr/>	<hr/>
	321,386	328,375
	<hr/> <hr/>	<hr/> <hr/>

12. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of HK\$245,624,000 (31 December 2004: HK\$243,684,000) and an aged analysis is as follows:

	30 June 2005 <i>HK\$'000</i>	31 December 2004 <i>HK\$'000</i>
0 to 30 days	98,960	102,888
31 to 60 days	78,215	83,880
61 to 90 days	23,660	20,244
Over 90 days	44,789	36,672
	<hr/>	<hr/>
	245,624	243,684
	<hr/> <hr/>	<hr/> <hr/>

13. DEPOSIT RECEIVED

The amount represents a refundable deposit received by the Group for its disposal of certain property rights in the PRC for a total consideration of approximately HK\$20 million. A provision was made against the Group's entire carrying value of these property rights in prior years. As completion of the disposal is subject to fulfillment of certain conditions, the directors, after careful consideration of the terms of the disposal agreement, have determined that the provision previously made against the property rights should not be reversed at this stage.

14. BANK BORROWINGS

During the period, the Group obtained two new unsecured bank loans totalling HK\$77,700,000 which were used to finance the acquisition of property, plant and equipment and for working capital of the Group. A loan of HK\$38,850,000 bore interest at 0.5% per annum over Singapore Interbank Money Market Offer Rate and the other loan of HK\$38,850,000 bore interest at 0.5% per annum above the bank's cost of funds, as determined from time to time by bank for the relevant currencies. Both loans were fully repaid in July 2005.

15. SHARE CAPITAL

	Number of shares	Amount <i>HK\$'000</i>
Ordinary shares of HK\$0.25 each		
Authorised:		
At 31 December 2004 and 30 June 2005	<u>8,000,000,000</u>	<u>2,000,000</u>
Issued and fully paid:		
At 31 December 2004 and 30 June 2005	<u>1,109,803,182</u>	<u>277,451</u>

16. OPERATING LEASE COMMITMENTS**The Group as lessee**

Minimum lease payments paid under operating leases for land and buildings during the period was HK\$9,896,000 (six months ended 30 June 2004: HK\$7,616,000).

At the balance sheet date, the Group had commitments for future minimum lease payments in respect of land and buildings under non-cancellable operating leases which fall due as follows:

	30 June 2005 <i>HK\$'000</i>	31 December 2004 <i>HK\$'000</i>
Within one year	18,535	18,597
In the second to fifth year inclusive	49,484	55,571
After five years	2,900	6,169
	<u>70,919</u>	<u>80,337</u>

Operating lease payments represent rentals payable by the Group for certain of its land and buildings. Leases are negotiated and rentals are fixed for terms ranging from two to eight years.

The Group as lessor

Property rental income earned during the period was approximately HK\$915,000 (six months ended 30 June 2004: HK\$738,000). Certain of the Group's properties are held for rental purposes and are expected to generate rental yields of 3% (six months ended 30 June 2004: 7%) on an ongoing basis. The properties held for rental purposes have committed tenants for the next one to two years.

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments:

	30 June 2005 <i>HK\$'000</i>	31 December 2004 <i>HK\$'000</i>
Within one year	1,267	990
In the second to fifth year inclusive	304	75
	<u>1,571</u>	<u>1,065</u>

17. RELATED PARTY TRANSACTIONS

- (i) During the period, the Group received interest income and management fee income amounting to HK\$1,816,000 and HK\$874,000 (six months ended 30 June 2004: HK\$478,000 and Nil) from Smart Shine, a jointly controlled entity of the Group and New Point Industrial Limited, a subsidiary of Smart Shine, respectively. In addition, the Group sold goods amounting to HK\$9,545,000 (six months ended 30 June 2004: Nil) to Reebok China Limited, a subsidiary of Smart Shine. The transactions were carried out on terms similar to those applicable to transactions with unrelated parties.
- (ii) Compensation of key management personnel

The remuneration of directors and other members of key management during the period was as follows:

	For the six months ended 30 June	
	2005	2004
	HK\$'000	HK\$'000
Short-term benefits	<u>4,131</u>	<u>4,245</u>

18. POST BALANCE SHEET EVENTS

Subsequent to the balance sheet date, the Company raised approximately HK\$349,600,000 before expenses by a rights issue of 554,901,591 rights shares, at a subscription price of HK\$0.63 each payable in full on acceptance. Details of the rights issue are set out in the Company's circular dated 16 August 2005.

INTERIM DIVIDEND

The Company recently completed a rights issue. As a result, the number of issued shares increased from 1,109,803,182 to 1,664,704,773 shares by the creation of 554,901,591 new shares. However, the rights proceeds did not contribute to the Group's operations for the period ended 30 June 2005. Therefore, the Board has decided that instead of paying an interim dividend for the period under review, only a final dividend will be declared and paid in respect of the whole financial year 2005.

MANAGEMENT DISCUSSION AND ANALYSIS

Review of operations

I am pleased to report that for the 6 months ended 30 June 2005, our Group enjoyed a 55.3% increase in sales, whilst profits after tax and minority interests increased 56.3%.

Over the past few years, the Group has devoted a great deal of efforts to raise the overall productivity of its factories and to control manufacturing cost effectively. The fruit of these efforts is now reflected in the gross margins, which are in line with the top shoe factories in China. For the period under review, gross profit margin increased to 24.3% and, despite increase in oil and commodity prices, raw material cost as a percentage of sales remained steady.

The sizeable increase in revenue reflects continual strength in shoe retailing in the United States, which in turn reflects continual economic strength in the face of uncertainties such as high oil prices and currency exchange volatilities. The Group has been able to increase business volume with existing customers as well as securing significant new customers.

The Fuzhou factory, acquired in July 2004, increased the Group's production capacity significantly. However, due to rapid increase in orders, the Group is again operating at near capacity. In view of this, the Group needs to invest in new production facilities to accommodate future demand. The rights issue which was completed recently increased the Group's available resources for expansion of production capacity, which may or may not involve acquisition and/or construction of production facilities.

Outlook

Given the strong growth in the first half of the year, the Board is cautiously optimistic about the second half of 2005. Much of the growth in the first half of 2005 came from skilful and prudent management by our team, in a challenging environment where many manufacturers are suffering. Despite many shocks, we believe the economies in our key markets such as the US and Europe remain robust.

Crude oil prices remain stubbornly high. Currencies are more volatile than ever and so are commodity prices. Depending on how these factors play out, they may have significant effect on our performance.

From the strong sales growth and sustainable gross margin in the first half of 2005, the Board is of the opinion that our major customers are enjoying strong sales and pricing power. This in turn will benefit the Group.

International trade is increasingly political and not just about economics. The US Administration and European governments will come under increasing pressure from lobbyists and interest groups to impose trade sanctions on manufacturers in China. It is not possible to predict the risks which any manufacturer like our Group may face. However we believe that the Group conducts business fairly when it comes to terms of trade, export pricing and employee relationship.

Segment information

Sales to North America have increased by 75% and constituted approximately 67% (2004: 59%) of the Group's total turnover; Europe accounted for 21% (2004: 27%) of sales, and the remaining 12% sales were shared between Asia, Africa, Australia, Latin America and the Middle East.

There has been a shift in consumer tastes and lifestyles, particularly in the US where casual shoes and retro style have popular dress code from formal dress shoes to fashionable athletic shoes and casual shoes. Consumer preferences also favour innovative shoe designs, new materials, new shoe technologies, newly colours and strong brands.

Liquidity and capital resources

As at 30 June 2005, the Group had cash and bank balance of HK\$412.3 million (31 December 2004: HK\$282.5 million). The Group was offered banking facilities amounting to HK\$116.6 million, of which HK\$77.7 million has been utilised, indicating a 8% gearing ratio on the basis of total borrowings over shareholders' fund.

There are currently no charges on group assets and the Group does not have any significant exposure to foreign currency fluctuation.

Staff

The total number of employees as at 30 June 2005 has not changed materially from that of the last financial year. Employee cost (excluding directors' emoluments) amounted to approximately HK\$179.0 million (2004: HK\$116.7 million). In addition to competitive remuneration packages, discretionary bonuses are awarded to eligible staff based on the Group's performance and individual merits.

Appointment/resignation of directors

At the annual general meeting of the Company held on 10 May 2005 ("AGM"), Mr. Chan Lu Min, Mr. Li I Nan and Mr. Chan Ting Chuen retired as directors of the Company and offered themselves for re-election.

As from 10 May 2005 and up to the date of this report, the directors of the Company are:

Executive Directors

Mr. Li Kwok Lung,
Alfred Ronald (*Chairman*)
Mr. Sze Sun Sun, Tony
(*Deputy Chairman and
Managing Director*)
Mr. Chang Tsung Yuan
(*Deputy Chairman*)
Mr. Ku Edward Y.
Mr. Chan Lu Min

Non-executive Directors

Mr. Li I Nan
Mr. Chan Ting Chuen

*Independent Non-executive
Directors*

Mr. Cheng Kar Shing
Mr. Feng Lei Ming
Mr. Ho Shing Chak

Our staff's well-being is one of the Group's top priorities. The Group will continually improve and ensure that our staff is provided with a safe and pleasant working and living environment. The Group will continue to honour its commitment on international environment and human rights standards.

Rights Issue

Subsequent to the balance sheet date, the Company raised approximately HK\$349,600,000 before expenses by a rights issue of 554,901,591 rights shares, at a subscription price of HK\$0.63 each payable in full on acceptance. Details of the rights issue are set out in the Company's circular dated 16 August 2005.

DIRECTORS' DISCLOSURE OF INTERESTS

As at 30 June, 2005, the interests and short positions of the directors and chief executives of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO"), (a) 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 or short positions which the directors or the chief executives were taken or deemed to have under such provisions of the SFO); or (b) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) which are required to be notified to the Company and 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 ("Listing Rules") were as follows:

Long Positions in Shares

Ordinary shares of HK\$0.25 each of the Company

Name of director	Note	Number of ordinary shares held			Total	Percentage of the issued share capital of the Company
		Beneficial owner	Held by controlled corporation	Deeming interest by virtue of section 317 of the SFO		
Mr. Chan Ting Chuen	1	6,600,000	671,629,240	–	678,229,240	61.11%
Mr. Sze Sun Sun, Tony	1	6,599,934	671,629,240	–	678,229,174	61.11%
Mr. Chang Tsung Yuan	1	9,679,903	–	111,926,000	121,605,903	10.09%
Mr. Li Kwok Lung, Alfred Ronald		12,159,945	–	–	12,159,945	1.10%

Notes :

1. Well Success Investment Limited ("Well Success") is directly interested in 559,703,240 shares of the Company and deemed to be interested in 111,926,000 shares of the Company held by Ko Shing Limited ("Ko Shing") which is its wholly-owned subsidiary.

First Dynamic International Limited ("First Dynamic") holds more than one-third of the issued share capital of Well Success. Royal Pacific Limited ("Royal Pacific") and Alexon International Limited ("Alexon International") each holds more than one-third of the issued share capital of First Dynamic.

Mr. Chan Ting Chuen ("Mr. Chan") is interested in the entire issued share capital of Royal Pacific and is deemed to be interested in 671,629,240 shares held by Well Success by virtue of his interests in Royal Pacific.

Mr. Sze Sun Sun, Tony ("Mr. Sze") is interested in the entire issued share capital of Alexon International and is deemed to be interested in 671,629,240 shares held by Well Success by virtue of his interests in Alexon International.

Ko Shing had a direct interest in 111,926,000 shares of the Company. Mr. Chang Tsung Yuan ("Mr. Chang") is deemed to be interested in 111,926,000 shares of the Company held by Ko Shing pursuant to a subscription agreement dated 27 May 2003 to acquire interests in the Company.

Short Position in Shares

Save as disclosed above, as at the 30 June 2005, to the knowledge of the Company, none of the directors, or chief executive of the Company had or was deemed to have any short position in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) (a) 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 or short positions which the directors and the chief executive are taken or deemed to have under the provisions of the SFO); or (b) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules.

SUBSTANTIAL SHAREHOLDERS

So far as is known to any director or the chief executive of the Company, as at the 30 June 2005, the persons or companies (not being a director or chief executive of the Company) who had interests or short positions in the shares and underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were directly or indirectly deemed to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group were as follows:

Long position in shares

Name of shareholder of the Company	Notes	Capacity	Number of issued ordinary share held		Percentage of the issued share capital of the Company
			Direct interests	Deemed interests	
Well Success	1	Beneficial owner	559,703,240	111,926,000	60.51%
Ko Shing	1	Beneficial owner	111,926,000	–	10.08%
First Dynamic	1	Held by controlled corporation	–	671,629,240	60.51%
Alexon International	1	Held by controlled corporation	–	671,629,240	60.51%
Royal Pacific	1	Held by controlled corporation	–	671,629,240	60.51%
Frensham Investments Limited ("Frensham")	2	Held by controlled corporation	–	671,629,240	60.51%
Pou Yuen Industrial (Holdings) Limited ("Pou Yuen (Holdings)")	2	Held by controlled corporation	–	671,629,240	60.51%
Yue Yuen Industrial Limited ("Yue Yuen Industrial")	2	Held by controlled corporation	–	671,629,240	60.51%
Pou Hing Industrial Company Limited ("Pou Hing Company")	2	Held by controlled corporation	–	671,629,240	60.51%
Yue Yuen Industrial (Holdings) Limited ("Yue Yuen")	2	Held by controlled corporation	–	671,629,240	60.51%
Wealthplus Holdings Limited ("Wealthplus")	2	Held by controlled corporation	–	671,629,240	60.51%

Long position in shares (continued)

Name of shareholder of the Company	Notes	Capacity	Number of issued ordinary share held		Percentage of the issue share capital of the Company
			Direct interests	Deemed interests	
Pou Chen Corporation ("Pou Chen")	2	Held by controlled corporation	-	671,629,240	60.51%
Madam Lau Yuk Wah	3	Held by controlled corporation	-	678,229,174	61.11%
Madam Ng Shuk Fong	3	Held by controlled corporation	-	678,229,240	61.11%
Mr. Chang	4	Person acting in concert	9,679,903	111,926,000	10.09%
Madam Chou Mei Yueh	4	Person acting in concert	-	121,605,903	10.09%
Government of Singapore Investment Corporation Pte Ltd.		Investment Manager	56,306,000	-	5.07%
Chartered Asset Management Pte Ltd		Investment Manager	67,252,000	-	6.06%

Notes:

- Well Success is directly interested in 559,703,240 shares of the Company and deemed to be interested in 111,926,000 shares of the Company held by Ko Shing which is its wholly-owned subsidiary.

First Dynamic held more than one-third of the issued share capital of Well Success. Royal Pacific and Alexon each held more than one-third of the issued share capital of First Dynamic.

Accordingly, Well Success, First Dynamic, Royal Pacific and Alexon are deemed to be interested in 671,629,240 shares of the Company.

2. Frensham held more than one-third of the issued share capital of Well Success. Frensham is a wholly-owned subsidiary of Pou Yuen (Holdings) which in turn is a wholly-owned subsidiary of Yue Yuen Industrial. Yue Yuen Industrial is a wholly-owned subsidiary of Pou Hing Company which in turn was a wholly-owned subsidiary of Yue Yuen. Wealthplus, a wholly-owned subsidiary of Pou Chen, held over 35% interests in Yue Yuen.

Accordingly, Frensham, Pou Yuen (Holdings), Yue Yuen Industrial, Pou Hing Company, Yue Yuen, Wealthplus and Pou Chen are deemed to be interested in 671,629,240 shares of the Company.

3. Madam Lau Yuk Wah ("Madam Lau") is the wife of Mr. Sze, a director of the Company. Mr. Sze is interested in the entire issued share capital of Alexon, which is deemed to be interested in 671,629,240 shares of the Company (see Note 1). Mr. Sze was granted 9,000,000 share options of the Company on 9 January 2004. 3,000,000 options were exercised on 25 February 2004, pursuant to the bonus issue of shares approved by the shareholders of the Company on 12 May 2004 (the "Bonus Issue"), 300,000 bonus shares were issued to Mr. Sze. The outstanding share options were adjusted by a factor of 0.9091, hence Mr. Sze's 6,000,000 outstanding options after adjustment amount to 6,599,934. Mr. Sze is deemed to be interested in a total of 678,229,174 shares of the Company. Madam Lau is deemed to be interested in 678,229,174 shares of the Company.

Madam Ng Shuk Fong ("Madam Ng") is the wife of Mr. Chan, a director of the Company. Mr. Chan is interested in the entire issued share capital of Royal Pacific which is deemed to be interested in 671,629,240 shares of the Company (see Note 1). Mr. Chan was granted 6,000,000 options of the Company on 9 January 2004. 2,000,000 options were exercised on 17 February 2004 and 4,000,000 were exercised on 7 April 2004. 600,000 bonus shares were issued to Mr. Chan as a result of the Bonus Issue, Mr. Chan is thus deemed to be interested in a total of 678,229,240 shares of the Company. Madam Ng is deemed to be interested in 678,229,240 shares of the Company.

4. Ko Shing had a direct interest in 111,926,000 shares of the Company. Mr. Chang is deemed to be interested in 111,926,000 shares of the Company pursuant to a subscription agreement dated 27 May 2003 to acquire interests in the Company.

Mr. Chang was granted 8,800,000 share options of the Company on 9 January 2004. Pursuant to the bonus issue, the outstanding share options were adjusted by a factor of 0.9091, hence Mr. Chang's 8,800,000 outstanding options after adjustment amount to 9,679,903. Mr. Chang is interested in a total of 121,605,903 shares of the Company. Madam Chou Mei Yueh is the wife of Mr. Chang and is deemed to be interested in 121,605,903 shares of the Company.

Short position in shares

Other than as disclosed above, none of the director or the chief executive of the Company has been notified of any other relevant interests or short positions in the issued share capital of the Company or its underlying shares which would fall to be disclosed to the Company under the provision of Divisions 2 and 3 of Part XV of the SFO, or, who is, directly or indirectly, interested in five per cent. or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Company and the amount of each such person's interest in such securities together with particulars of any options in respect of such capital.

SHARE OPTION SCHEME

Details of the directors' interest in the Scheme are set out under the section Directors' Disclosure of Interests under the heading "Long Position in Shares".

Outstanding Share Options

Pursuant to an ordinary resolution passed at a special general meeting of the Company on 22 October 2001, a new share option scheme (the "2001 Scheme") was adopted by the Company. The 2001 Scheme replaced the share option scheme adopted on 9 February 1995 (as amended on 9 December 1997) (the "1997 Scheme"). After the adoption of the 2001 Scheme, no further options can be granted under the 1997 Scheme. No share option of the 1997 Scheme was outstanding as at 31 December 2003. There was no option granted under the 2001 Scheme since its adoption.

The Company operates the 2001 Scheme for the purpose of providing eligible participants with the opportunity to acquire proprietary interests in the Company and to encourage participants to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole. All directors, full-time employees and any other persons who, in the sole discretion of the board of directors, have contributed or will contribute to the Group are eligible to participate in the 2001 Scheme.

Shares which may be issued upon exercise of all options to be granted under the 2001 Scheme or any other share option scheme adopted by the Company must not in aggregate exceed 10% of the shares of the Company in issue on the date of adoption.

The Company may renew this 10% limit with shareholders' approval provided that each such renewal may not exceed 10% of the shares in the Company in issue as at the date of the shareholder's approval.

The total number of shares of the Company which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2001 Scheme or any other share option scheme adopted by the Company must not exceed 30% of the shares in issue from time to time.

Unless approved by shareholders of the Company, the total number of shares of the Company issued and to be issued upon the exercise of the options granted to each participant (including both exercised and unexercised options) under the 2001 Scheme or any other share option scheme adopted by the Company in any 12-month period must not exceed 1% of the shares of the Company in issue.

The period within which the options must be exercised will be specified by the Company at the time of grant. This period must expire no later than 10 years from the date of grant of the options. At the time of grant of the options, the Company may specify a minimum period for which an option must be held before it can be exercised. The offer of a grant of share options may be accepted within 14 days from the date on which the letter containing the offer is delivered to that participant and the amount payable on acceptance of an option is HK\$1.00.

The subscription price for the shares of the Company to be issued upon exercise of the options shall be no less than the higher of (i) the closing price of the shares of the Company as stated in the daily quotations sheets issued by The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on the date of grant; (ii) the average closing price of the shares of the Company as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant; and (iii) the nominal value of a share of the Company on the date of grant. The subscription price will be established by the board of directors at the time the option is offered to the participants.

No option may be granted under the 2001 Scheme after the date of the tenth anniversary of the adoption of the 2001 Scheme.

At 31 December 2003, no share option of the 1997 Scheme and 2001 Scheme was outstanding. During the year ended 31 December 2003, there was no option granted under the 1997 Scheme and the 2001 Scheme.

On 12 May 2004, the exercise price of the outstanding options and the number of shares subject to the outstanding options were adjusted from HK\$2.10 each to HK\$1.91 each and 68,928,000 shares to 75,820,042.

As at 30 June 2005, options to subscribe for an aggregate of 75,270,048 shares of the Company granted pursuant to the Scheme were outstanding.

Details are as follows :

Number of share options	Number of offeree	Subscription price per share (HK\$)	Option period
75,270,048	41	1.91	7 February 2004 to 6 February 2006

Generally, the options may be exercised in different tranches within the option period.

CODE ON CORPORATE GOVERNANCE PRACTICE

In the opinion of the Board, the Company has complied with the code provisions in the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules during the six months ended 30 June 2005 except for the following:

Code Provisions A4.1 and A4.2

Code A 4.1 specifies that non-executive directors should be appointed for a specific term, subject to re-election.

Code A4.2 specifies that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

Directors of the Company were not appointed for a specific term but are subject to retirement by rotation and re-election at the annual general meeting in accordance with Bye-law 87 of the Bye-laws of the Company. According to Bye-law 87 of the Company, the Chairman and the Managing Director of the Company are not subject to retirement by rotation. The Board will propose relevant amendments to be made to the Bye-law of the Company at the forthcoming annual general meeting.

Code Provisions B.1

The Company has not established the remuneration committee and targets this to be established within the financial year of 2005.

AUDIT COMMITTEE

The Audit Committee currently comprises of three independent non-executive directors and one non-executive director of the Company as members. The function of the Audit Committee is to assist the Board in fulfilling its duties by reviewing and supervising the Company's financial reporting process and internal controls. The Audit Committee has reviewed the unaudited interim results of the six months ended 30 June 2005.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

APPRECIATION

The Board would like to thank our customers, suppliers and shareholders for their support and confidence in the Group.

On behalf of the Board

Li Kwok Lung, Alfred Ronald

Chairman

Hong Kong, 15 September 2005