RUILI HOLDINGS LIMITED
瑞力控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 491)

(Website: http://www.irasia.com/listco/hk/ruili)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 30TH JUNE, 2004

The Board of Directors (the "Board") of Ruili Holdings Limited (the "Company") announces the audited consolidated results of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") for the year ended 30th June, 2004, together with the comparative figures for the previous year, as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 30th June, 2004

	Notes	**2004** *HK$'000*	2003 *HK$'000*
Turnover	*4*	**49,555**	279,839
Cost of Sales		**(42,805)**	(274,703)
Gross Profit		**6,750**	5,136
Other Revenue		**1,851**	4,928
Subscription Right Reserve Release		**–**	25,221
Distribution Costs		**(707)**	(10,285)
Administrative Expenses		**(26,658)**	(67,416)
Reversal of Revaluation Decrease on Disposal of Investment Properties		**6,500**	–
Revaluation Decrease of Investment Properties		**–**	(6,500)
Impairment Loss in respect of Interest in an Associate		**–**	(1,000)
Impairment Loss in respect of Investments in Securities		**–**	(15,180)
Amortisation of Operating Rights		**–**	(453)
Impairment Loss in respect of Operating Rights		**–**	(6,347)
Provision for Doubtful Debts		**(14,646)**	(22,233)
Deposits Forfeited		**–**	(4,100)
Loss from Operations	*10*	**(26,910)**	(98,229)
Amortisation on Goodwill		**(11)**	(11)
Finance Costs		**(3,847)**	(6,331)
Gain on Disposal of Subsidiaries		**80,034**	–
Profit/(Loss) before Taxation		**49,266**	(104,571)
Taxation	*6*	**–**	–

Net Profit/(Loss) for the Year	*7*	**49,266**	(104,571)
Dividends	*9*	**–**	–
Earning/(Loss) per Share			
Basic	*8*	**0.47 cent**	(1.23) cents
Diluted	*8*	**0.46 cent**	N/A

Notes:

1. BASIS OF PREPARATION

The financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies below.

2. FUNDAMENTAL UNCERTAINTIES RELATED TO GOING CONCERN

In preparing the financial statements, the directors have given careful consideration to the future liquidity of the Group in the light of its net current liabilities of HK$7,398,000, net liabilities of HK$6,454,000 and an accumulated loss of approximately HK$228,267,000 as at 30th June, 2004.

The financial statements have been prepared on a going concern basis, the validity of which depends upon future funding being available, the satisfactory resolution of the settlement of 8% convertible bonds due on 22nd December, 2004 and short term loan due on 1st October, 2004, the successful attainment of profitable and positive cash flow operations and the successful outcome of the implementation of the measures noted below. The financial statements do not include any adjustments that would result from a failure of implementation of the measures noted below. If these measures were not to be successful or insufficient, or if the going concern basis were not to be appropriate, adjustments would have to be made to the financial statements to reduce the value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively.

The financial statements have been prepared on the assumption that the Group will continue to operate as a going concern notwithstanding the conditions prevailing as at 30th June, 2004 and subsequently thereto up to the date of approval of these financial statements. In order to improve the Group's financial position, immediate liquidity, cash flows, profitability and operations, the directors have adopted several financing measures together with other measures in progress at the date of this report which include, but are not limited to, the following:

(i) The Company obtained a direct confirmation from the bondholder of 8% convertible bonds amounting to HK$16,000,000 that the bondholder confirmed not to demand for the settlement of the convertible bonds within twelve months from the expiry of the bonds on 22nd December, 2004; and

(ii) The Company obtained a direct confirmation from the lender of the interest bearing short-term loan amounting to HK$8,500,000 that the lender confirmed not to demand for the settlement of the loan within twelve months from the balance sheet date.

In the opinion of the directors, in light of the financial support mentioned above, the Group will have sufficient working capital to meet its financial obligations in full as they fall due in the foreseeable future. Accordingly, the directors are satisfied that it is appropriate to prepare the financial statements on a going concern basis, notwithstanding the Group's financial position and tight cash flows as at 30th June, 2004.

3. ADOPTION OF REVISED STATEMENT OF STANDARD ACCOUNTING PRACTICE

In the current year, the Group adopted the following revised SSAPs issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") which are effective for the first time for the current year's financial statements:

SSAP 12 (Revised) : Income Taxes

The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax. In previous years, partial provision was made for deferred tax using the income statement liability method, i.e. a liability was recognised in respect of timing differences arising, except where those timing differences were not expected to reverse in the foreseeable future. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions. In the absence of any specific transitional requirements in SSAP 12 (Revised) the new accounting policy has been applied retrospectively.

The adoption of the SSAP 12 (Revised) had not had any material effect on the result for the current or prior accounting periods.

4. TURNOVER

Turnover represents revenue from the manufacture and sale of multimedia electronic products and toys and games. During the year ended 30th June, 2004, the Group also engaged in the trading of telecommunication components from September 2003. The amounts of each significant category of revenue recognised during the year are as follows:

	2004	2003
	HK$'000	*HK$'000*
Continuing operations:		
Manufacture and sale of		
– Multimedia electronic products	**22,128**	198,087
– Toys and games products	**4,552**	58,458
– Trading of telecommunication components	**21,587**	–
Others	**1,288**	23,294
	49,555	279,839

5. SEGMENT INFORMATION

(a) Business Segments

Business segment information is chosen as the primary reporting format because this is more relevant to the Group's internal financial reporting.

The following table present revenue and results for the Group's business segments.

	Multimedia electronic products		Toys and games products		Telecommunication products		Others		Consolidated	
	2004	2003	**2004**	2003	**2004**	2003	**2004**	2003	**2004**	2003
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue from external customers	**22,128**	198,087	**4,552**	58,458	**21,587**	–	**1,288**	23,294	**49,555**	279,839
Segment results	**3,737**	15,183	**438**	(19,987)	**2,298**	–	**277**	9,940	**6,750**	5,136
Interest income and unallocated gains									**1,851**	30,149
Unallocated corporate expenses									**(27,365)**	(77,701)
Revaluation decrease of investment properties									**–**	(6,500)
Reversal of revaluation decrease on disposal of investment properties									**6,500**	–
Gain on disposal of investment interest in an associate									**–**	(1,000)
Impairment loss in respect of investment in securities									**–**	(15,180)
Amortisation of operating rights									**–**	(453)
Impairment loss in respect of operating rights									**–**	(6,347)
Provision for doubtful debts									**(14,646)**	(22,233)
Deposit forfeited									**–**	(4,100)

	Multimedia electronic products		Toys and games products		Telecommunication products		Others		Consolidated	
	2004	2003	**2004**	2003	**2004**	2003	**2004**	2003	**2004**	2003
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Loss from operations									**(26,910)**	(98,229)
Amortisation on goodwill									**(11)**	(11)
Finance costs									**(3,847)**	(6,331)
Gain on disposal of subsidiaries									**80,034**	–
Profit (loss) before taxation									**49,266**	(104,571)
Taxation									**–**	–
Profit (loss) before minority interests									**49,266**	(104,571)
Minority interests									**–**	–
Net profit (loss) for the year									**49,266**	(104,571)

There are no sales or other transactions between the business segments.

Analysis of assets and liabilities by business segments has not been disclosed as most of the Group's assets and liabilities are unallocated.

(b) Geographical Segments

In determining the Group's geographical segments, revenues and results are attributed to the segments based on the location of the customers. More than 90% of the Group's assets are located in the region of Hong Kong and mainland China. Accordingly, analysis of segment assets based on the geographical segments has not been disclosed.

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

	North America		Europe		Japan		Hong Kong		China		Others		Consolidated	
	2004	2003	**2004**	2003	**2004**	2003	**2004**	2003	**2004**	2003	**2004**	2003	**2004**	2003
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue from external customers	**5,762**	196,095	**4,129**	61,926	**377**	10,912	**14,556**	10,906	**24,457**	–	**274**	–	**49,555**	279,839

No information was available for the geographical segment results.

There are no sales between the geographical segments.

6. TAXATION

No provision for Hong Kong profits tax has been made in the financial statements as the Company and its subsidiaries have agreed losses be brought forward to set off the estimated assessable profits for the year (2003: Nil).

No provision for deferred tax liabilities has been made as the Group and the Company had no material temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

The Group has not recognised deferred tax assets in respect of losses due to the unpredictability of the future profit streams.

7. NET PROFIT/(LOSS) FOR THE YEAR

Of the Group's net profit for the year of HK$49,266,000 (2003: a loss of HK$104,571,000), a loss of HK$15,783,000 (2003: HK$123,840,000) has been dealt with in the financial statements of the Company.

8. EARNINGS/(LOSS) PER SHARE

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

	HK$'000
Earnings for calculation of basic earnings per ordinary share (net profit attributable to ordinary shareholders)	49,266
Effect of dilutive potential ordinary shares – interest on convertible bonds	773
Earnings for calculation of diluted earning per ordinary share	50,039

	Number of shares *'000*
Weighted average number of shares used in calculating basic earnings per share	10,423,960
Effect of dilutive potential ordinary shares – Convertible bonds	463,874
Weighted average number of shares used in calculating diluted earning per ordinary share	10,887,834

The calculation of the basic loss per share for the year ended 30th June, 2003 is based on the net loss for the year of HK$104,571,000 and on the weighted average number of 8,511,616,632 ordinary shares in issue during the year.

The computation of diluted loss per share for the year ended 30th June, 2003 does not assume the conversion of the Company's outstanding convertible bonds, warrants and share options since their exercise would result in a decrease in net loss per share from continuing ordinary operations.

9. DIVIDENDS

The directors do not recommend the payment of any dividend in respect of the year ended 30th June, 2004 (2003: Nil).

10. LOSS FROM OPERATIONS

	2004 *HK$'000*	2003 *HK$'000*
Loss from operations is stated after charging:		
Auditors' remuneration	**280**	965
Depreciation		
– owned assets	**651**	8,132
– assets held under finance leases	**98**	853
Loss on disposal of leasehold properties	**–**	167
Loss on disposal of property, plant and equipment	**–**	163
Fixed assets written off	**–**	434
Operating leases in respect of land and buildings	**960**	2,283
Research and development costs	**–**	829
Cost of inventories	**42,805**	274,703
Amortisation of development costs	**–**	636
Written off of development costs	**–**	3,291
Provision for obsolete inventories	**7,444**	31,991
Staff costs		
– Retirement benefit scheme contributions	**161**	1,089
– Severance payments	**–**	637
– Other staff costs, including directors' emoluments	**7,212**	47,952
	7,373	49,678

and after crediting:

Reversal of revaluation decrease on disposal of investment properties	**6,500**	–
Interest income	**24**	216
Rental income	**1,299**	2,066

11. SUBSEQUENT EVENTS

On 16th August, 2004, the Group entered into a sale and purchase agreement for the disposal of the entire interest in Future Wealth Investments Limited with a consideration of US$1.

SUMMARY OF AUDITORS' REPORT

Basis of Opinion

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Institute of Certified Public Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's and the Group's circumstances, consistently applied and adequately disclosed.

We planned our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. However, the evidence available to us was limited as follows:

1. The corresponding amounts in the current year's financial statements are derived from the financial statements for the year ended 30th June, 2003 which contained a disclaimer audit opinion.

   We were unable to carry out audit procedures necessary to obtain adequate assurance on the preceding year's figures. Accordingly, we are unable to express an opinion on the comparative figures appearing in the current year's financial statements.

   We have not been able to ascertain whether the corresponding amounts will have any effect on the current year's balance sheet and profit and loss account items and in particular the opening inventories would have an effect on current year's cost of sales. Any adjustment to the opening inventories would have a consequential effect on the current year's profit.

2. The Company disposed of its 51% equity interests in Welback International Investments Limited and its subsidiaries ("WIIL group") on 12th November, 2003. We were unable to obtain sufficient evidence to satisfy ourselves as to whether the gain on disposal of WIIL group of HK$68,580,000 was fairly stated in the financial statements.

3. During the year, the Company through Ruian Technology Company Limited, an indirect wholly owned subsidiary of the Company, disposed of the entire paid-up registered capital of Ruian Weiye Technology (Shenzhen) Limited ("Ruian Weiye"), a company established in the People's Republic of China. We have not been able to perform sufficient additional audit procedures to verify the net assets value of Ruian Weiye as at the date of disposal as to ascertain whether the gain on disposal of approximately HK$10,435,000.

There were no other satisfactory audit procedures that we could adopt to satisfy ourselves as to the matters set out above. Any adjustments that might have been found to be necessary in respect of the matters set out above would have a consequential impact on the net profit of the Group for the year ended 30th June, 2004.

In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Fundamental Uncertainties Relating to the Going Concern Basis of the Group

In forming our opinion we have considered the adequacy of the disclosures made in the financial statements concerning the adoption of the going concern basis on which the financial statements have been prepared. As explained in the financial statements, the directors are currently undertaking a number of measures to relieve the Group's current lack of profitability and to solve its liquidity problem.

The financial statements have been prepared on a going concern basis, the validity of which depends upon future funding being available, the satisfactory resolution of the settlement of convertible bonds due on 22nd December, 2004 and short term loan due on 1st October, 2004, the successful attainment of profitable and positive cash flow operations and the successful outcome of the implementation of the measures noted above. The financial statements do not include any adjustments that would result from a failure of implementation of the measures noted above. If these measures were not to be successful or insufficient, or if the going concern basis were not to be appropriate, adjustments would have to be made to the financial statements to reduce the value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively. We consider that the fundamental uncertainty has been adequately disclosed in the financial statements and our opinion is not qualified in this respect.

Qualified Opinion: Disclaimer on View Given by the Financial Statements

Because of the significance of the possible effects of the limitation of scope in respect of the evidence made available to us as referred to in the basis of opinion section above under paragraphs 1 to 3, we are unable to form an opinion as to whether the financial statements give a true and fair view of the state of affairs of the Group and of the Company as at 30th June, 2004 or of the result and cash flows of the Group for the year then ended and as to whether the financial statements have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

In respect alone of the limitations on our work relating to the matters as set out in the basis of opinion section of this report:

– We have not obtained all the information and explanations that we consider necessary for the purpose of our audit.

– We are unable to determine whether proper books of accounts have been kept.

COMMENTARY ON ANNUAL RESULTS

Results

For the year ended 30th June, 2004, the turnover of the Group reduced to HK$49.6 million, representing a decrease of 82% over that of last year. Despite the significant reduction in turnover, the gross profit for the year increased by 31% to HK$6.8 million compared with HK$5.1 million in last year. The encouraging result was mainly due to more stringent control exercised in cost and operation efficiency and an aggressive pricing strategy. During the year, several subsidiaries had been disposed of, resulting in a profit on disposal of HK$80 million. The recovery in Hong Kong property market during the year also provided a good opportunity for the Group to realize the capital gain over the investment property owned by the Group. The disposal of investment property had contributed HK$6.5 million to the Group's net profit. Net profit for the year under review was HK$ 49.3 million as compared with the net loss of HK$104.6 million for last year. Basic earning per share for year ended 30th June, 2004 was HK$0.47 cents as compared with loss per share of HK$1.23 cents for last year.

Operations Review

In the previous years, the loss-making Welback International Investment Limited and its subsidiaries ("WIIL Group") and Ruian Weiye Technology Company Limited ("RWTL") had been a great burden to the Group. During the year, the Group had decided to dispose of these loss-making business arms of the Group in order to prevent it from deteriorating the overall performance of the Group.

Turnover for year dropped significantly compared with last year mainly due to the gradual wound down of WIIL Group and the effect of the disposal RWTL. During the year, the Group's had spent significant time and resources in resolving the matter arising from the WIIL Group and much effort was put on achieving a higher efficiency from the remaining operations of the Group.

Multimedia Electronic Products Division

Multimedia Electronic Products Division continues to be the major business arm of the Group in which digital cameras and karaoke systems are the main products of this division. The turnover for the year amounted to HK$22.1 million, representing 45% of the turnover of the Group for the year. Compared with last year, the division's turnover dropped by 89%, mainly as a result of the gradual wound down and disposal of WIIL Group in the year. The gross profit of this division amounted to HK$3.7 million for the year under review.

Toys and Games Products Division

Toys and games reported with an amount of HK$4.6 million represented about 9% of the Group's turnover. Compared with last year, the turnover decreased by 92% partially due to the effect of disposal of WIIL Group mentioned above. An adverse market with fierce competition was also the cause of the result. Despite the significant reduction in turnover, the result for the year improved from the loss of HK$20.0 million in last year to HK$0.4 million in the current year.

Telecommunication Components Trading Division

As an exercise to diversify the business operation of the Group, a new telecommunication components trading business was started in the year. The performance of the division was encouraging. The division had recorded a turnover of about HK$21.6 million, representing about 44% of the turnover for the Group in the year. The gross profit of this division amounted to HK$2.3 million for the year under review.

Geographical Review

During the year, the Group's to most regions had been reduced significantly, mainly as a result of the disposal of WIIL Group mentioned above. However, the Group managed to obtain sales of HK$14.6 million in Hong Kong, representing a growth of 33% over last year. PRC is a new target market for our Group. Sales of HK$24.5 million from PRC had been achieved for the year under review. The sales in Hong Kong and PRC accounted for 79% of the sales for the period under review.

Future Business Prospects And Plans

For the purpose of diversification, the Group had acquired 55% interest in 深圳銀河通信息技術有限公司 (Shenzhen Yinhetong Information Technology Company Limited) in September 2003 and the transaction was completed in July 2004. The acquisition will diversify the business operation of the Group into system integration and development in PRC. The directors are of the view that this newly acquired investment can generate new incomes and earnings to the Group as well as increasing the shareholders' return.

After the disposal of loss-making WIIL Group and RWTL, the Group is currently exercising stringent control over the cost and operation efficiencies, such as by outsourcing the manufacturing process to RWTL and other third party manufacturers. The Directors are optimistic that the Group's financial performance and strength would be enhanced. In addition, the Group will continue to explore new investment opportunities and meanwhile closely monitor its existing investment portfolio to ensure that shareholders' funding will be placed in areas where there are high growth and earning potential.

Leveraging on the core competencies on the product development, the Group is now developing high technology digital cameras, karaoke combo systems with TV and DVD players and high definitions DVD players. While the responses from these new products have been encouraging, the Group will continue to development other new products to suit the demand of the customers.

In the last few months, the global economy has been gradually recovered from the economic downturn. Steady economic growth has been observed in PRC market. The Group will make use of its core competencies to capture a larger market share in PRC through its production connections in PRC and the know-how technology in multimedia electronic products. As the same time, by extensive participation in world trade exhibitions and aggressive pricing strategies, the market share in North America and Europe will be enhanced. Although there are uncertainty factors such as macroeconomic control by PRC Government, increase in global oil price and interest rates, the directors are optimistic about the performance and strength of the Group in future.

Financial Review and Liquidity

As at 30th June, 2004, the Group had net liabilities of HK$6.5 million with total assets of HK$25.2 million and total liabilities of HK$31.6 million. The current ratio, representing by current assets divided by current liabilities, was 0.76, which improved from the last year's figure of 0.39. At balance sheet date, the Group has time deposits, bank balance and cash with total amount of HK$1.9 million.

During the year, obligation under finance lease of HK$ 0.7 million, which were chargeable with interest at flat rate of 2.95%, was obtained.

As balance sheet date, the Company obtained two loans of approximately HK$8.5 million from an independent third party. The loans were initially granted by a former shareholder of the Company and were subsequently assigned to an independent third party on 31st May, 2004. These loans are unsecured, chargeable with interest rate at 10% per annum and repayable on 1st October, 2004 and 16th January, 2005 respectively.

As at 30th June, 2004, the Company had outstanding convertible bonds in the principal amount of HK$16 million (2003: HK$16 million). It has coupon rate of 8% convertible at the initial conversion price of HK$0.018 per share which is exercisable at any time from and including the first date of the issue of the convertible bonds until the maturity date ending on 22nd December, 2004.

The gearing ratio, as a ratio of the total borrowings over total assets, at 30th June, 2004, was 1.06 (2003: 0.55).

On balance sheet date, The Group had contingent liabilities of HK$24 million (2003: HK$5.3 million) mainly as a result of a corporate guarantee provided by the Company to a financial institution in respect of banking facilities granted to WIIL Group. HK$5.5 million of the banking facilities were utilized by members of the WIIL Group and such amount was subjected to a claim by the financial institution.

In order to improve the Group's working capital, the directors will, at appropriate time, consider raising funds by suitable means such as extending the terms of the existing loans and/or by obtaining new banking facilities. Currently, the Company is in negotiation with independent third parties to extend the repayment of the convertible bonds and short-term loans due to them.

Exposure to Fluctuation in Exchange Rates and Related Hedges

During the year, the sales of the Group were mainly denominated in US dollars and the purchases of raw materials were mainly denominated in US dollars, Hong Kong dollars and Renminbi. Borrowings in terms of loans and convertible bonds were also denominated in Hong Kong dollars with interest being charged on a fixed rate basis. As the exchange rates of Hong Kong dollars against US dollars and Renminbi were relatively stable during the year, the Group's exposure to fluctuations in exchange rates was minimal.

As at 30th June, 2004, the Group did not have any foreign currency investments, which had been hedged by currency borrowings and other hedging instruments.

Employee Schemes

As at 30th June, 2004, there were 14 employees within the Group. The remuneration policy and package of the Group's employees are periodically reviewed and approved by the executive directors. Apart from pension funds and in-house training programmes, medical insurance scheme, discretionary bonuses and share options may also be awarded to employees according to the assessment of individual performance.

Major Litigation and Arbitration Proceedings

The Company and its former subsidiary, P.N. Electronics Ltd ("PNE") are in an arbitration with North American Foreign Trading Corporation ("NAFT") in respect of a gross receivable of HK$18 million and related damages from various parties for goods shipped by PNE to NAFT in 1996. The arbitration proceedings was initiated by NAFT against the Company and PNE claiming for alleged damages in New York, USA. The alleged claims had been contested and a counterclaim for the sum of HK$18 million as well as other damages was made in the proceedings. At the balance sheet date, no further action has been taken by either party and thus it is not possible to predict the outcome with reasonable certainty.

On 13th October, 2003, a writ of summons and statement of claim was made by BII Finance Company ("BII Finance") against the Company under a guarantee allegedly given by the Company in favour of BII Finance in respect of certain alleged liabilities of the Company's ex-subsidiary, Welback Enterprise Limited. The claim is for a sum of approximately HK$3,583,000 and US$248,000 (approximately HK$1,934,000) together with interest and costs. The claim is being disputed by the Company. The Company has joined its former directors, Mr. Lee Chun Kwok and Mr. Fong Wing Seng, as third parties to the action. The Company's defence was filed on 1st December, 2003. BII Finance has now taken out summary judgement proceedings against the Company. The parties attended a hearing of BII Finance's summary judgment application on 16th July, 2004, but the hearing was adjourned to 2nd November, 2004 due to typhoon.

The Company is considering the merits of these claims and regards some of these claims as groundless. Nonetheless, the Company is currently seeking financial and legal advice on the effect on the Company of these matters and on what further actions are appropriate.

AUDIT COMMITTEE

The Audit Committee currently comprises of three independent non-executive directors of the Company, namely Mr. Li Fui Lung, Danny, Mr. Ng Hoi Yue, Herman and Mr. John Paul McLellan. The Audit Committee has reviewed with the management and the Group's external auditor the accounting principles and practices adopted by the Group and discussed auditing, internal control and review the financial position to consider the Group's significant accounting policies and financial reporting matters during this financial year.

DIVIDENDS

The directors do not recommend the payment of a final dividend for the year ended 30th June, 2004 (2003: Nil).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 22nd November, 2004 to Friday, 26th November, 2004, both days inclusive, during which period no transfer of shares will be effected. In order to be eligible to attend and vote at the forthcoming annual general meeting of the Company, all share transfers, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Tengis Limited at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not later than 4:00 p.m. on Friday, 19th November, 2004.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

COMPLIANCE WITH THE CODE OF BEST PRACTICE OF THE LISTING RULES

Throughout the year ended 30th June, 2004, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

BOARD OF DIRECTORS

As at the date of this announcement, the Board comprises Mr. Yu Kam Kee, Lawrence, (Chairman), Mr. Carl Chang (Chief Executive Officer), Mr. Yu Kam Yuen, Lincoln, Mr. Wu Jiahong and Mr. Liao Chongde as executive directors, Mr. Li Fui Lung, Danny, Ng Hoi Yue, Herman and Mr. John Paul McLellan as independent non-executive directors.

DISCLOSURE OF INFORMATION ON THE WEBSITE OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

The details results announcement containing all the information required by paragraphs 45(1) to 45(3) of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange will be published on the website of the Stock Exchange in due course.

By Order of the Board
Carl Chang
Chief Executive Officer

Hong Kong, 27th October, 2004

* *For identification purpose only*

The English Language text of this Announcement shall prevail over the Chinese Language text.