Burwill Holdings Limited
寶威控股有限公司

(incorporated in Bermuda with limited liability)

(Stock Code: 24)

INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2005

The Directors of Burwill Holdings Limited (the "Company") are pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2005, together with the comparative figures as restated for the corresponding period last year, as follows:–

Condensed Consolidated Income Statement

	Notes	Unaudited Six months ended 30 June 2005 HK$'000	2004 HK$'000 (As restated)
Turnover	3	**1,869,661**	2,127,329
Cost of sales		**(1,816,514)**	(2,031,795)
Gross profit		**53,147**	95,534
Other revenue		**6,489**	5,705
Selling and distribution expenses		**(14,606)**	(24,347)
General and administrative expenses		**(46,396)**	(27,109)
(Loss)/gain on disposal of investment properties		**(22)**	17,630
Gain/(loss) on investments, net	4	**69,829**	(1,137)
Operating profit	3 & 5	**68,441**	66,276
Finance costs	6	**(21,327)**	(18,616)
Share of (loss)/profit of associates		**(4,752)**	2,868
Profit before income tax		**42,362**	50,528
Income tax expense	7	**(1,901)**	1,379
Profit for the period		**40,461**	51,907
Attributable to:			
Equity holders of the Company		**41,210**	45,164
Minority interest		**(749)**	6,743
		40,461	51,907
Earnings per share for profit attributable to the equity holders of the Company during the period	8		
– basic		**3.91 HK Cents**	4.28 HK Cents
– diluted		**N/A**	4.28 HK Cents

Condensed Consolidated Balance Sheet

	Unaudited 30 June 2005 HK$'000	As restated 31 December 2004 HK$'000
ASSETS		
Non-current assets		
Property, plant and equipment	**109,538**	83,292
Investment properties	**171,999**	203,801
Leasehold land and land use rights	**84,970**	84,737
Investment in associates	**46,409**	54,740
Held-to-maturity investments	**7,800**	–
Available-for-sale financial assets	**217**	–
Long-term investments	**–**	9,310
Intangible assets	**1,293**	–
Deferred borrowing costs	**11,391**	1,221
Deferred tax assets	**7,495**	10,259
	441,112	447,360
Current assets		
Inventories	**185,018**	131,793
Properties held for sale	**28,236**	28,858
Financial assets at fair value through profit or loss	**86,908**	–
Held-to-maturity investments	**21,894**	–
Short-term investments	**–**	28,934
Bills and accounts receivable	**1,029,950**	945,486
Deposits, prepayments and other receivables	**152,894**	58,861
Taxation recoverable	**7,782**	4,854
Pledged bank deposits	**1,399**	1,394
Other cash and bank balances	**193,873**	265,838
	1,707,954	1,466,018
Total assets	**2,149,066**	1,913,378
EQUITY		
Capital and reserves attributable to the Company's equity holders		
Share capital	**105,411**	105,411
Other reserves	**482,235**	510,042
Retained profit		
– Proposed dividends	**–**	18,974
– Others	**206,175**	137,065
	793,821	771,492
Minority interest	**46,497**	47,751
Total equity	**840,318**	819,243
LIABILITIES		
Non-current liabilities		
Long-term bank loans	**327,225**	24,722
Other loans	**2,509**	2,509
Obligations under finance leases	**4,330**	5,584
Deferred tax liabilities	**21,633**	22,804
	355,697	55,619
Current liabilities		
Short-term bank borrowings	**500,468**	540,721
Due to associates	**18,518**	20,998
Bills and accounts payable	**362,511**	412,002
Other payables and accruals	**38,489**	49,937
Other loans – current portion	**2,883**	2,244
Obligations under finance leases – current portion	**2,604**	2,766
Dividend payable	**18,974**	–
Taxation payable	**8,604**	9,848
	953,051	1,038,516
Total liabilities	**1,308,748**	1,094,135
Total equity and liabilities	**2,149,066**	1,913,378
Net current assets	**754,903**	427,502
Total assets less current liabilities	**1,196,015**	874,862

NOTES TO CONDENSED FINANCIAL STATEMENTS

1. **Basis of preparation and accounting policies**

The unaudited condensed financial statements has been prepared in accordance with Hong Kong Accounting Standards ("HKAS") 34, "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants.

The condensed consolidated financial statements should be read in conjunction with the 2004 annual financial statements.

The accounting policies and methods of computation used in the preparation of these condensed consolidated financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2004 except that the Group has changed certain of its accounting policies following its adoption of new/revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("new HKFRS") which are effective for accounting periods commencing on or after 1 January 2005.

The changes to the Group's accounting policies and the effect of adopting these new policies are set out in note 2 below.

2. **Changes in accounting policies**

(a) *Effect of adopting new HKFRS*

In 2005, the Group adopted the new HKFRS below, which are relevant to its operations. The 2004 comparatives have been amended as required, in accordance with the relevant requirements.

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 28	Investments in Associates
HKAS 32	Financial Instruments: Disclosures and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 40	Investment Property

The adoption of new/revised HKASs 1, 2, 7, 8, 10, 16, 21, 23, 24, 27, 28, 33, 36 and 38 did not result in substantial changes to the Group's accounting policies. In summary:

– HKAS 1 has affected the presentation of minority interest, share of net after-tax results of associates and other disclosures.

– HKASs 2, 7, 8, 10, 16, 21, 23, 27, 28, 33, 36 and 38 had no material effect on the Group's policies.

– HKAS 24 has affected the identification of related parties and some other related-party disclosures.

The adoption of revised HKAS 17 has resulted in a change in the accounting policy relating to the reclassification of leasehold land and land use rights from property, plant and equipment to operating leases. The up-front prepayments made for the leasehold land and land use rights are expensed in the income statement on a straight-line basis over the period of the lease or where there is impairment, the impairment is expensed in the income statement. In prior years, the leasehold land and land use rights was accounted for at cost less accumulated depreciation and accumulated impairment.

The adoption of HKASs 32 and 39 has resulted in a change in the accounting policy relating to the classification of financial assets at fair value through profit or loss and available-for-sale financial assets.

The adoption of revised HKAS 40 has resulted in a change in the accounting policy of which the changes in fair values are recorded in the income statement. In prior years, the increases in fair value were credited to the investment property revaluation reserve. Decreases in fair value were first set off against increases in earlier valuations on a portfolio basis and thereafter expensed in the income statement.

All changes in the accounting policies have been made in accordance with the transition provisions in the respective standards. All standards adopted by the Group require retrospective application other than:

– HKAS 16 – the initial measurement of an item of property, plant and equipment acquired in an exchange of assets transaction is accounted at fair value prospectively only to future transactions.

– HKAS 39 – does not permit to recognize, derecognize and measure financial assets and liabilities in accordance with this standard on a retrospective basis. The Group applied the previous SSAP 24 "Accounting for investments in securities" to investments in securities for the 2004 comparative figures. The adjustments required for the accounting differences between SSAP 24 and HKAS 39 are determined and recognized at 1 January 2005.

– HKAS 40 – since the Group has adopted the fair value model, there is no requirement for the Group to restate the comparative figures, any adjustment should be made to the retained profit as at 1 January 2005, including the reclassification of any amount held in revaluation surplus for investment property.

(i) The adoption of revised HKAS 17 resulted in an increase in opening reserves at 1 January 2004 by HK$3,711,000.

	As at 30 June 2005 HK$'000	31 December 2004 HK$'000
Decrease in property, plant and equipment	**78,985**	80,203
Increase in leasehold land and land use rights	**83,931**	84,737

	For the year ended 31 December 2004 HK$'000	For the six months ended 30 June 2005 HK$'000	2004 HK$'000
Decrease in general and administrative expenses	823	**412**	412
Increase in basic earnings per share	0.08 HK cents	**0.04 HK cents**	0.04 HK cents
Increase in diluted earnings per share	0.08 HK cents	**N/A**	0.04 HK cents

(ii) The adoption of HKAS 39 resulted in the following changes in assets:

	As at 30 June 2005 HK$'000
Increase in held-to-maturity investments	**29,694**
Increase in available-for-sale financial assets	**217**
Decrease in long term investments	**9,310**
Increase in financial assets at fair value through profit or loss	**86,908**
Decrease in short term investments	**28,934**
Increase in intangible assets	**1,293**

There was no impact on basic and diluted earnings per share from the adoption of HKAS 39.

(iii) The adoption of HKAS 40 resulted in a decrease in opening reserves at 1 January 2005 by HK$106,000 and the details of the adjustments to the balance sheet and income statement are as follows:

	As at 30 June 2005 HK$'000
Increase in property, plant and equipment	**30,020**
Increase in leasehold land and land use rights	**1,039**
Decrease in investment property	**31,739**
Decrease in investment property revaluation reserve	**27,993**
Decrease in deferred tax liability	**224**
Decrease in minority interest	**141**
Increase in retained profit	**27,678**

	For the six months ended 30 June 2005 HK$'000
Increase in general and administrative expenses	**482**
Decrease in basic earnings per share	**0.05 HK cents**
Decrease in diluted earnings per share	**0.05 HK cents**

(b) *New Accounting Policies*

The accounting policies used for the condensed consolidated financial statements for the six months ended 30 June 2005 are the same as those set out in note 2 to the 2004 annual financial statements except for the following:

Property, plant and equipment

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Investments
From 1 January 2005 onwards, the Group classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the investments are held. Listed equity investments were redesignated as financial assets at fair value through profit or loss. Club debentures and other unlisted equity investments were redesignated as available-for-sale financial assets. Available-for-sale financial assets are included in non-current assets unless the Group intends to dispose of the investment within 12 months of the balance sheet date.

Purchases and sales of investments are recognized on trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Investments are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Realized and unrealized gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the income statement in the period in which they arise. Unrealized gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale are recognized in equity. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains or losses from investment securities.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the income statement – is removed from equity and recognized in the income statement. Impairment losses recognized in the income statement on equity instruments are not reversed through the income statement.

Trade and other receivables
Trade and other receivables are recognized initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognized in the income statement.

3. Segment information

(a) Primary segment

The Group is organised into three major operating units: (i) steel trading, warehousing and distribution; (ii) steel manufacturing and processing; and (iii) property development and investment. An analysis by business segment is as follows:

	Unaudited Six months ended 30 June			
	2005		2004	
	External sales *HK$'000*	**Internal segment sales** *HK$'000*	External sales *HK$'000*	Internal segment sales *HK$'000*
Turnover				
– Steel trading, warehousing and distribution	**1,614,738**	**29,050**	1,850,838	9,531
– Steel manufacturing and processing	**233,674**	**–**	247,017	–
– Property development and investment	**7,989**	**93**	9,135	94
– Others	**13,260**	**533**	20,339	963
	1,869,661	**29,676**	2,127,329	10,588
Inter-segment elimination	**–**	**(29,676)**	–	(10,588)
	1,869,661	**–**	2,127,329	–

	Unaudited Six months ended 30 June	
	2005 *HK$'000*	2004 *HK$'000*
Operating profit		
– Steel trading, warehousing and distribution	**17,238**	39,429
– Steel manufacturing and processing	**3,263**	24,070
– Property development and investment	**(1,635)**	15,701
– Others	**(212)**	(771)
	18,654	78,429
– Gain/(loss) on investments, net	**69,829**	(1,137)
– Unallocated expenses	**(20,042)**	(11,016)
	68,441	66,276

(b) Secondary segment

The Group has business operations in Mainland China, Hong Kong, Asia (other than Mainland China and Hong Kong) and other regions. An analysis by geographical location is as follows:

	Unaudited Six months ended 30 June	
	2005 *HK$'000*	2004 *HK$'000*
Turnover		
– Mainland China	**1,160,862**	1,665,915
– Hong Kong	**192,540**	164,465
– Asia (other than Mainland China and Hong Kong)	**440,995**	178,368
– Others	**75,264**	118,581
	1,869,661	2,127,329
Operating profit		
– Mainland China	**11,579**	65,689
– Hong Kong	**2,124**	7,325
– Asia (other than Mainland China and Hong Kong)	**4,229**	3,252
– Others	**722**	2,163
	18,654	78,429
– Gain/(loss) on investments, net	**69,829**	(1,137)
– Unallocated expenses	**(20,042)**	(11,016)
	68,441	66,276

4. Gain/(loss) on investments, net

	Unaudited Six months ended 30 June	
	2005 *HK$'000*	2004 *HK$'000*
Dividend income	**18**	91
Gain on disposal of investments	**–**	36
Interest income on held-to-maturity investments	**355**	–
Interest income on investments	**–**	285
Change in fair value of financial assets at fair value through profit or loss	**70,424**	–
Loss on disposal of financial assets at fair value through profit or loss	**(968)**	–
Net unrealised loss on investments	**–**	(1,549)
	69,829	(1,137)

5. Operating profit

	Unaudited Six months ended 30 June	
	2005 *HK$'000*	2004 *HK$'000*
Operating profit is stated after charging and crediting the following:		
After charging:		
Depreciation of property, plant and equipment	**5,927**	5,595
Amortisation of leasehold land and land use rights	**821**	806
Provision for doubtful debts	**6,000**	–
After crediting:		
Gain on disposal of property, plant and equipment	**–**	140

6. Finance costs

	Unaudited Six months ended 30 June	
	2005 *HK$'000*	2004 *HK$'000*
Interest on borrowings	**19,071**	17,954
Amortisation of deferred borrowing costs	**2,256**	662
	21,327	18,616

7. Income tax expense

	Unaudited Six months ended 30 June	
	2005 *HK$'000*	2004 *HK$'000*
Current taxation		
– Hong Kong profits tax	**–**	–
– Overseas taxation	**49**	1,786
	49	1,786
Under/(over) provision in prior years		
– Hong Kong profits tax	**188**	116
– Overseas taxation	**–**	(681)
	188	(565)
Deferred taxation relating to the origination and reversal of temporary differences	**1,664**	(2,600)
	1,901	(1,379)

The Company is exempted from taxation in Bermuda until 2016. The Company's subsidiaries established in the British Virgin Islands are incorporated under the International Business Companies Act of the British Virgin Islands and, accordingly, are exempted from British Virgin Islands income taxes. Hong Kong profits tax has been provided at the rate of 17.5% (2004: 17.5%) on the estimated assessable profit for the six months period. Subsidiaries of the Group in Mainland China are subject to Mainland China enterprise income tax ranging from 12% to 33% (2004: 12% to 33%) on their taxable income determined according to Mainland China tax laws. Other overseas taxation has been calculated on the estimated assessable profits for the six months period at the rates prevailing in the respective jurisdictions.

8. Earnings per share

The calculation of basic earnings per share is based on the consolidated profit attributable to equity holders of the Company of approximately HK$41,210,000 (2004: HK$45,164,000) and the weighted average number of 1,054,114,459 (2004: 1,054,914,283) shares in issue during the period. The calculation of diluted earnings per share for the six months ended 30 June 2004 is based on the consolidated profit attributable to equity holders of the Company of approximately HK$45,164,000 and the weighted average number of 1,054,914,283 shares in issue during the period plus the weighted average number of 1,160,859 shares deemed to be issued at no consideration if all outstanding options had been exercised. No diluted earnings per share for the six months ended 30 June 2005 is presented as there were no potential dilutive ordinary shares in issue during such period.

9. Events after the balance sheet date

80,000,000 shares in WorldMetal Holdings Limited of carrying amount of HK$76,000,000 as at 30 June 2005 included in the financial assets at fair value through profit or loss were disposed of at a total consideration of HK$103,200,000 in August 2005.

10. Comparative figures

For the adoption of the new HKFRS detailed in note 2 above, certain comparative figures have been reclassified to conform with current period's presentation.

DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2005 (2004: Nil).

BUSINESS REVIEW AND OUTLOOK

In the first half of the year, the steel industry went through major adjustments under the macroeconomic measures launched by China. The profitability of the steel business of the Group declined as compared to the corresponding period last year, for the business was affected by the highly volatile market price movement. However, the overall results were satisfactory due to the outstanding return of other investments.

Steel Business

During the period under review, the global steel market experienced a downturn. In particular, affected by a series of macroeconomic policies and measures launched by China, the market in the second quarter became over-sensitive and financial pressures were severe. The situation was exacerbated by factors like over-production of steel and oversupply of certain steel varieties. As a result, the price of steel slumped. Affected by the market circumstances, the international steel trading and the warehousing and distribution businesses of the Group declined as compared to the corresponding period of last year. At the moment, both the market and the price of steel products are stabilizing. In view of the sustained economic growth of China, the demand for raw materials and high technology and high value-added flat steel products, which otherwise could not be satisfied by domestic supply, would remain keen. Therefore, it is anticipated that the international steel trading and the warehousing and distribution businesses will remain stable in the second half of the year.

As for our steel manufacturing and processing business, the two plants of the Group in Dongguan performed differently. During the period under review, the metal processing industry in the Pearl River Delta was in decline, with unsatisfactory number of export orders, intensifying competition within the industry and decrease in profit margin. The output and efficiency of the steel pipe plant in Changan dropped while the performance of the steel coils processing centre in Dongcheng, Dongguan remained stable. In addition, since the Group had made a bad debt provision of HK$6,000,000, the profitability of the business was affected. Another plant, Yangzhou steel coil processing centre, which is under construction, will be completed and commence operation in October. By then, benefited from the state-of-the-art equipment, brilliant product mix and the local market demand, the new plant will become a new area of profit growth. The Group believes that due to the improvement of the market conditions and gradual increase of domestic and overseas orders, the overall performance of the processing business will improve in the second half of the year.

Property Development and Investment

Times Square, the Group's property development in Jiangsu Province with an area of 68,800 square metres, has reached full occupancy. The integrated operation and management standards of the development have been improving and the development has gained a strong brand reputation. As a result of the sustained economic growth in Jiangsu Province, the rental level of newly entered and renewed leases has increased remarkably. The Group is confident that similar commercial premises in the Yangtze River Delta have great appreciation potential in the long run, and has discontinued its property sales at the current stage. It is envisaged that the project will continually generate stable rental return and opportunity for value creation for the Group.

Associated Corporation

During the period under review, WorldMetal Holdings Limited (stock code: 8161), an associated corporation of the Group, has formed a joint venture with Tabcorp Group of Australia, an internationally renowned gaming and entertainment group, with a plan to introduce advanced and well-developed lottery business expertise and technologies into China. The joint venture also entered into a Technical Cooperation Agreement with Beijing Lottery, a company under China Welfare Lottery Issuance and Administration Centre of the PRC which is a welfare lottery issuance and management authority in China. Pursuant to this agreement, the joint venture would provide the relevant software, central systems, terminals, and other technical support to assist Beijing Lottery in building and developing a nationwide unified platform for lottery operation suitable for use throughout the PRC. To expand the new business, WorldMetal Holdings Limited placed its shares at the price of HK$1.29 per share on 9 August 2005. The Group decreased its holding by 80,000,000 shares in the placing and realized approximately HK$94,000,000. At present, the Group holds 26.84% interest in WorldMetal Holdings Limited. The Group believes that, following the continuing development of welfare lottery industry in China and the launch of the above projects, the lottery business will generate satisfactory investment return for the Group.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's total equity increased to HK$840,318,000 at 30 June 2005 from HK$819,243,000 at 31 December 2004. The cash and bank balances of the Group were approximately HK$195,272,000 (31 December 2004: HK$267,232,000) and the net current assets were approximately HK$754,903,000 (31 December 2004: HK$427,502,000) as at 30 June 2005.

The Group's current ratio, as a ratio of current assets to current liabilities, and gearing ratio, as a ratio of total liabilities to total assets, as at 30 June 2005 were 1.79 and 0.61 respectively (31 December 2004: 1.41 and 0.57 respectively).

In March 2005, the Group was granted a three-year syndicated loan amounted to US$39,000,000. The resultant bank borrowings of the Group at 30 June 2005 was approximately HK$827,693,000 (31 December 2004: HK$565,443,000). The maturity profile of the Group's bank borrowings, excluding the short-term loans on trade finance amounted to HK$400,711,000 (31 December 2004: HK$375,470,000), as at 30 June 2005 was as follows:

	As at	
	30 June 2005	31 December 2004
	HK$ million	*HK$ million*
Within one year	**100**	165
In the second year	**110**	4
In the third to fifth year	**215**	13
After the fifth year	**2**	8
	427	190

All the Group's bank borrowings were denominated in Hong Kong Dollars, US Dollar and Renminbi, bearing interest at prevailing market rates. No material exchange risk is expected on the bank borrowings and no financial instruments have been used for hedging purposes during the period.

CONTINGENT LIABILITIES

There has been no material change in the Group's contingent liabilities since 31 December 2004.

CAPITAL COMMITMENTS

As at 30 June 2005, the Group had capital commitments contracted but not provided amounted to approximately HK$26,803,000 in respect of the construction of the new Yangzhou steel coil processing centre and it will be financed by the internal fund.

CHARGE ON ASSETS

There has been no material change in the Group's charge on assets since 31 December 2004.

STAFF

As at 30 June 2005, the Group employed 659 staff. Staff remuneration packages are structured and reviewed by reference to market terms and individual merits. The Group also provides other staff benefits which include year end double pay, contributory provident fund and medical insurance. Share options and discretionary bonus may also be granted to eligible staff based on individual and Group performance. Training programmes for staff are provided as and when required.

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

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 June 2005.

RESIGNATION OF DIRECTORS

Mr. YU Wing Keung, Dicky and Mr. SUN Ho resigned as Executive Directors of the Company, effective 11 April 2005 and 1 August 2005 respectively.

AUDIT COMMITTEE

The Company has established an Audit Committee which comprises the three Independent Non-Executive Directors of the Company, Mr. CUI Shu Ming, Mr. SONG Yufang and Mr. HUANG Shenglan. The Audit Committee has reviewed and discussed with the management the accounting principles and practices adopted by the Group and auditing, internal controls and financial reporting matters. The unaudited interim financial statements of the Group for the six months ended 30 June 2005 have been reviewed by the Audit Committee.

CORPORATE GOVERNANCE

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

– Code provision A2.1 stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The Chairman and Managing Director of the Company, Mr. Chan Shing, currently assumes the role of the chairman and also the chief executive officer. Given the nature of the Group's businesses which require considerable market expertise, the Board believed that the vesting of the two roles provides the Group with stable and consistent leadership and allows for more effective planning and implementation of long term business strategies. The Board will continuously review the effectiveness of the structure to balance the power and authority of the Board and the management.

– Code provision A4.1 stipulates that non-executive directors should be appointed for a specific term, subject to re-election, and code provision A4.2 stipulates that all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment and every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

  The Non-Executive Directors of the Company are not appointed for a specific term but are subject to retirement by rotation in accordance with the Bye-laws of the Company (the "Bye-laws"). The Directors have not been required by the Bye-laws to retire by rotation at least once every three years. However, in accordance with Bye-law 85 of the Bye-laws, at each annual general meeting of the Company one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not greater than one-third), other than the Director holding office as Chairman or Managing Director, shall retire from office by rotation. The Board will ensure the retirement of each Director, other than the one who holds the office as Chairman or Managing Director, by rotation at least once every three years in order to comply with Code provisions. The Board considered that the continuity of office of the Chairman provides the Group a strong and consistent leadership and is of great importance to the smooth operations of the Group.

– Code provision B1.1 stipulates the establishment of a remuneration committee with specific written terms of reference which deal clearly with its authority and duties and a majority of the remuneration committee should be independent non-executive directors. The Company has not set up a remuneration committee during the period under review. Nevertheless, the staff (including Directors) remuneration policies have been set out in annual reports, which were received by shareholders in the general meetings and stipulated in the Directors' service contracts.

The Board will review the corporate governance structure and practices from time to time and shall make necessary arrangements when the Board consider appropriate.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors by Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules as its code of conduct for dealings in securities of the Company by the Directors. Having made specific enquiry of all Directors, all Directors confirmed that they have complied with the required standard set out in the Model Code during the six months ended 30 June 2005.

On behalf of the Board
CHAN Shing
Chairman

Hong Kong, 26 September 2005

As at the date of this announcement, the Board of Directors of the Company comprises Mr. Chan Shing, Mr. Yang Da Wei, Ms. Lau Ting, Ms. Tung Pui Shan, Virginia, Mr. Kwok Wai Lam, Mr. Yin Mark and Mr. Sit Hoi Tung as executive directors, Mr. Cui Shu Ming, Mr. Song Yufang and Mr. Huang Shenglan as independent non-executive directors and Mr. Sze Tsai Ping, Michael as non-executive director.