

Kanstar



Kanstar Environmental Paper Products Holdings Limited

建星環保紙品控股有限公司*

(incorporated in the Cayman Islands with limited liability)

Stock code : 8011

Kanstar

INTERIM REPORT 2005

** For identification only*

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This report, for which the directors of Kanstar Environmental Paper Products Holdings Limited collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to Kanstar Environmental Paper Products Holdings Limited. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:— 1. the information contained in this report is accurate and complete in all material respects and not misleading; 2. there are no other matters the omission of which would make any statement in this report misleading; and 3. all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

HIGHLIGHTS

- Turnover decreased by approximately 5% over the corresponding period in the previous year to approximately HK\$22 million for the six months ended 30 June 2005.
- Net operating loss for the six months ended 30 June 2005 amounted to HK\$779,000 whereas the net profit attributable to shareholders of approximately HK\$823,000 was recorded in last corresponding period.
- The Directors do not declare any interim dividend for the six months ended 30 June 2005.

INTERIM RESULTS

The board of directors (the “Board”) of Kanstar Environmental Paper Products Holdings Limited (the “Company”) is pleased to announce the unaudited condensed consolidated financial statements of the Company and its subsidiaries (collectively the “Group”) for the three months and six months ended 30 June 2005, together with the comparative unaudited figures for the corresponding periods in 2004, as set out below:

CONDENSED CONSOLIDATED INCOME STATEMENTS

	Notes	(unaudited)		(unaudited)	
		Three months ended 30 June		Six months ended 30 June	
		2005 HK\$	2004 HK\$	2005 HK\$	2004 HK\$
Turnover	2&3	9,553,597	15,110,318	21,849,041	22,988,865
Cost of sales		(9,677,116)	(13,415,523)	(20,723,611)	(20,515,423)
Gross (loss) profit		(123,519)	1,694,795	1,125,430	2,473,442
Other revenue		179,823	666	179,823	27,471
Selling and distribution expenses		(272,869)	(431,424)	(627,611)	(692,379)
Administrative expenses		(583,689)	(531,010)	(1,180,791)	(902,623)
(Loss) profit from operations		(800,254)	733,027	(503,149)	905,911
Finance costs		(145,100)	(62,766)	(275,520)	(82,763)
(Loss) profit before taxation	4	(945,354)	670,261	(778,669)	823,148
Taxation	5	—	—	—	—
(Loss) profit for the period		(945,354)	670,261	(778,669)	823,148
Dividend	6	—	—	—	—
(Loss) earnings per share (cents)	7				
— basic		(0.024)	0.017	(0.019)	0.021
— diluted		N/A	0.016	N/A	0.020

CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	At 30 June 2005 (unaudited) HK\$	At 31 December 2004 (Audited) HK\$
Non-current assets			
Lease premium on land		2,317,502	—
Property, plant and equipment		59,570,290	59,874,428
		61,887,792	59,874,428
Current assets			
Inventories		11,146,372	7,052,789
Trade and other receivables	8	6,750,597	7,351,752
Bank balances and cash		4,072,799	2,483,791
		21,969,768	16,888,332
Current liabilities			
Bank loan, secured		12,400,000	7,500,000
Trade and other payables	9	8,682,194	5,896,152
Amounts due to directors		341,346	210,525
		21,423,540	13,606,677
Net current assets		546,228	3,281,655
Total assets less current liabilities		62,434,020	63,156,083
Non-current liability			
Deferred taxation	5	(8,151,116)	(8,151,116)
		54,282,904	55,004,967
Capital and reserves			
Share capital	10	8,000,000	8,000,000
Reserves		46,282,904	47,004,967
		54,282,904	55,004,967

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

	Share capital HK\$	Share premium HK\$	Special reserve HK\$	Revaluation reserve HK\$	Exchange reserve HK\$	Accumulated losses HK\$	Total HK\$
At 1 January 2004	8,000,000	35,770,199	985,000	23,509,170	(2,096)	(14,265,943)	53,996,330
Profit for the period	—	—	—	—	—	823,148	823,148
At 30 June 2004	8,000,000	35,770,199	985,000	23,509,170	(2,096)	(13,442,795)	54,819,478
At 1 January 2005	8,000,000	35,770,199	985,000	23,509,170	(2,096)	(13,257,306)	55,004,967
Exchange difference	—	—	—	—	56,606	—	56,606
Loss for the period	—	—	—	—	—	(778,669)	(778,669)
At 30 June 2005	8,000,000	35,770,199	985,000	23,509,170	54,510	(14,035,975)	54,282,904

CONDENSED CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)

	For the six month period ended 30 June	
	2005 HK\$	2004 HK\$
Net cash (outflow) inflow from operating activities	(182,997)	2,792,634
Net cash outflow from investing activities	(2,852,475)	(2,999,722)
Net cash inflow from financing activities	4,624,480	1,768,310
Increase in cash and cash equivalents	1,589,008	1,561,222
Cash and cash equivalent at beginning of period	2,483,791	1,511,204
Cash and cash equivalent at end of period	4,072,799	3,072,426
Analysis of balances of cash and cash equivalents		
Bank balances and cash	4,072,799	3,072,426

Notes:

1. Basis of presentation and principal accounting policies

This condensed interim financial statements have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

The preparation of the condensed interim financial statements in conformity with HKAS 34 requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The interim financial statements are unaudited but have been reviewed by the audit committee of the Company.

The condensed interim financial statements have been prepared in accordance with the same accounting policies adopted in the 2004 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2005 annual financial statements and the accounting policy that is first adopted in current period. Details of these changes in accounting policies and the first adopted accounting policy are set out below.

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards (“HKFRSs”, which term collectively includes HKASs and Interpretations) that are effective or available for early adoption for accounting periods beginning on or after 1 January 2005. The Board of Directors has determined the accounting policies expected to be adopted in the preparation of the Group’s annual financial statements for the year ending 31 December 2005, on the basis of HKFRSs currently in issue.

The adoption of these new HKFRS had no significant impact on the Group’s results of operations and financial position and have been reflected in this interim financial statements.

The Company has first adopted HKAS 17 in this condensed interim financial statements. In accordance with the provisions of HKAS 17, a lease of land and building should be split into a lease of land and a lease of building in proportion to the relative fair values of the leasehold interests in the land element and the building element or the lease at the inception of the lease. The lease premium for land is stated at cost and amortised over the period of the lease whereas the leasehold building is stated at cost and amortised over the period of the lease whereas the leasehold building is stated at valuation less accumulated depreciations.

2. Turnover

Turnover represents revenue from the sales of pulps and papers, net of discounts and returns during the period.

3. Segment information

For the six months ended 30 June 2005, the Group was principally engaged in the sales of pulps and papers and all the turnover are derived in the People’s Republic of China (“PRC”). Accordingly, no business or geographic segment information is presented.

4. (Loss) profit before taxation

(Loss) profit before taxation has been arrived at after charging (crediting):

	For the three months ended 30 June		For the six months ended 30 June	
	2005 HK\$	2004 HK\$	2005 HK\$	2004 HK\$
Depreciation of property, plant and equipment	434,441	433,705	839,111	846,330
Bank interest income	—	(666)	—	(1,626)
Interest on bank borrowings wholly repayable within 5 years	145,100	62,766	275,520	82,763

5. Taxation

No provision for Hong Kong Profits tax has been made as the Group had no assessable profit in Hong Kong.

Pursuant to the relevant laws and regulations in the PRC, one of the PRC subsidiary of the Company is exempted from the PRC income tax for two years starting from their first profit-making year, followed by a 50% reduction for the next three years. No provision for the PRC income tax has been made in the consolidated accounts as this company had no assessable profit during the periods. The other PRC subsidiary was in loss making position for the current and the previous years and accordingly did not have any assessable profit.

There was no unprovided deferred tax in respect of the three months and six months ended 30 June 2005 (three months and six months ended 30 June 2004: Nil).

6. Dividend

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

7. (Loss) earnings per share

The calculations of the basic and diluted (loss) earnings per share are based on the following data:

	For the three months ended 30 June		For the six months ended 30 June	
	2005 HK\$	2004 HK\$	2005 HK\$	2004 HK\$
(Loss) profit for the period				
(Loss) profit for calculating basic and diluted earnings (loss) per share	(945,354)	670,261	(778,669)	823,148
Number of shares				
Weighted average number of ordinary shares used in the calculation of basic (loss) earnings per share	4,000,000,000	4,000,000,000	4,000,000,000	4,000,000,000
Effect of dilutive potential ordinary share	N/A	182,941,164	N/A	184,490,296
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	N/A	4,182,941,164	N/A	4,184,490,296

No diluted loss per share is calculated for the three months and six months ended 30 June 2005 because the effect of assumed exercise of share options outstanding during the period would result in reduction in loss per share.

8. Trade and other receivables

The Group has a policy of allowing average credit periods ranging from 2 weeks to one month to its trade customers. In addition, for certain customers with long-established relationship and good past repayment histories, a longer credit period may be granted.

An aged analysis of trade receivables is as follows:

	At 30 June 2005 HK\$	At 31 December 2004 HK\$
0 — 30 days	1,069,592	879,574
31 — 60 days	252,883	27,701
61 — 90 days	—	896
91 — 120 days	—	—
Over 120 days	12,637	71,650
	1,335,112	979,821
Other debtors, deposits and prepayments	5,415,485	3,292,986
	6,750,597	4,272,807

9. Trade and other payables

An aged analysis of trade payable is as follows:

	At 30 June 2005 HK\$	At 31 December 2004 HK\$
0 — 30 days	2,426,371	1,727,855
31 — 60 days	381,432	363,339
61 — 90	185,903	619,169
91 — 120	604,327	443,831
Over 120	513,409	1,450,814
	4,111,442	4,605,008
Other creditors and accrued charges	4,570,752	1,676,486
	8,682,194	6,281,494

10. Share capital

Ordinary shares of HK\$0.002 each

	Number of shares	share capital HK\$
Authorised:		
At 31 December 2004 and 30 June 2005	10,000,000,000	20,000,000
Issued and fully paid:		
At 31 December 2004 and 30 June 2005	4,000,000,000	8,000,000

11. Capital commitments

At 30 June 2005, the Group had no capital commitment (31 December 2004: HK\$1,414,764 in respect of the acquisition of land use right in PRC contracted but not provided for in the financial statements).

MANAGEMENT DISCUSSION AND ANALYSIS**Business Overview**

For the six months ended 30 June 2005, the Group recorded an unaudited net operating loss of about HK\$779,000, whereas an unaudited operating profit of around HK\$823,000 was recorded in last corresponding period. The amount of turnover has decreased slightly by 5% to HK\$22 million comparing to that of last corresponding period.

The directors of the Company do not recommend the payment of an interim dividend for the period (six months ended 30 June 2004: nil).

The net operating loss in current operating period was mainly caused by the exceptional dry climate in Yunnan Province. In current period, Yunnan Province had recorded an abnormal dry climate. The drought has exhausted the reservoirs near the Group's factory which affected both the electricity and the water supplies of the whole region. With the lack of these supplies in production, the Group has advanced to carry out the annual maintenance works of the machines from the middle of May to the end of June. Although there is no production during the said period, the Group still needs to absorb those fixed costs, including all the administrative costs, finance costs and depreciation charge which lead to the net operating loss in current period.

With the improvement in the production facilities in last year, the advancement of annual maintenance only leads to the decrease in the amount of turnover by around 5%. In order to maintain stable production in the second half of the year, the Group tries to perform most of the maintenance works in this quarter, which was originally planned to be performed in the third quarter of each year. The related maintenance costs have been charged to the income statement in current period.

The Group estimated that if there is no such abnormal dry climate, the amount of unaudited turnover is expected to be around HK\$30 million which increased by around 30% compared to that of last corresponding period.

For the amount of finance costs, it has been increased by 2.3 times to HK\$276,000 compared to that of last corresponding period. The bank loan was mainly raised for financing the Group's reservation of raw materials.

During the period, the Group has completed the acquisition of the land use right of the Changing Paper Factory with a consideration of around HK\$2.3 million.

Prospectus

The abnormal dry season has come to an end in late June 2005. Productions have been restored to normal. With the adequate storage of raw materials and the maintenance works performed, production is expected to be stable in the second half of this year.

The recent abnormal dry season in Yunnan also affects other paper manufacturing plants in the Yunnan Province and lead to the temporary shortage of paper products in the market. At the date of this report, the general selling prices of Kanstar's products has been increased by around 5% compared to that of 2004.

As stated in last year's annual report, the Chairman and the substantial shareholder of the Group, Mr. Chim Kim Kiu, Jacky, ("Mr. Chim") has purchased the assets of a bankrupted paper manufacturing plant through his wholly owned company, Riches Good Limited, ("Riches Good") in 2004. It is proposed that after the success of the trial production of this paper manufacturing plant and subject to the approval of the shareholders and the approving authorities, the Group will acquire all the interests in Riches Good. The management believes that the acquisition can further speed up the Group's expansion process. Up to the date of this report, there is no formal timetable for such acquisition.

Liquidity and Financial Resources

As at 30 June 2005, the Group had a healthy financial position with net assets amounted to approximately HK\$54 million. Net current assets decreased from HK\$3 million to HK\$0.55 million from 31 December 2004 to 30 June 2005 with current ratio of approximately 1.03 (31 December 2004: 1.24). Such decrease was mainly due to the considerations paid for the acquisition of the land use right and the loss recorded in current period. The gearing ratio of the Group, based on the total borrowings to shareholders' equity, was 23% (31 December 2004: 14%).

As at 30 June 2005, guarantee was given by the Company to bank to secure banking facilities made available to a subsidiary amounted to HK\$14,500,000 (31 December 2004: HK\$10,000,000). Except this, the Group did not have any charges on its assets (31 December 2004: nil), and did not have other committed banking facilities (31 December 2004: nil).

As most of the Group's monetary assets and liabilities are denominated in Renminbi, the exchange rate risks of the Group is considered to be minimal.

Employee information

The Group had a total staff of approximately 500 employees (31 December 2004: approximately 480 employees). Remuneration packages are reviewed on a periodical basis. Bonus is awarded to employees according to the assessment of individual performance. Besides, a share option scheme was adopted by the Company, pursuant to which the Directors may offer to any eligible employees (including executive directors and independent non-executive directors) of the Company and any of its subsidiaries options to subscribe for shares in the Company in accordance with the terms of the share option scheme. However, save for the share option granted prior to the listing, no other options have been granted up to 30 June 2005. Staff cost was approximately HK\$1,251,000 for the period as compared with that of approximately HK\$1,648,000 for the corresponding period of the previous year. With the lack of both water and electricity supplies in this quarter, the Group has advanced to carry out the annual maintenance works from middle of May to the end of June. This reduction in production leads to the reduction of the labor's salaries.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Up to 30 June 2005, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

DIRECTORS' AND CHIEF EXECUTIVES' INTEREST AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2005, the interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required, pursuant to Rules 5.46 of the GEM Listing Rules, relating to the required standard of dealings by directors of listed issuers, to be notified to the Company and the Stock Exchange, were as follows:

Long positions in the shares of the Company

Name of Director	Capacity	Personal Interests	Family Interests	Number of Ordinary Shares		Total	Percentage of Shareholding
				Corporate Interests	Other Interests		
Mr. Chim Kim Kiu, Jacky	Interest of a controlled corporation	—	—	3,000,000,000 (Note 1)	—	3,000,000,000	75%

Note:

- These shares are beneficially owned and registered in the name of Siko Venture Limited, the entire issued share capital of which is held by Mr. Chim Kim Kiu, Jacky.

Long positions in underlying shares of the Company

Name of Grantees (Relations with the Group)	Capacity	Description of equity derivatives (number of underlying shares)
Mr. Ip Kai Cheong <i>(Executive Director)</i>	Beneficial owner	share options to subscribe for shares (108,350,000 shares) <i>(Note)</i>
Mr. Sun Tak Keung <i>(Executive Director)</i>	Beneficial owner	share options to subscribe for shares (75,000,000 shares) <i>(Note)</i>

Note: For details of the share options granted, please refer to the section headed “Share Option Scheme” below.

Save as disclosed above, none of the Directors or chief executive of the Company had, as at 30 June 2005, any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 of the GEM Listing Rules.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2005, so far is known to the Directors, the following persons (not being a Director or a chief executive of the Company) had an interest and/or a short position in the shares and/or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO or had otherwise notified to the Company were as follows:

Name	Number of shares held	Approximate percentage of issued shares
Siko Venture Limited	3,000,000,000 (Note 1)	75.00%
Mr. Chim Pui Chung	220,000,000 (Note 2)	5.50%

Notes:

1. The entire issued share capital of Siko Venture Limited is beneficially owned by Mr. Chim Kim Kiu, Jacky.
2. Total interests of Mr. Chim Pui Chung in 220,000,000 ordinary shares of the Company referred above include 170,000,000 ordinary shares held by Golden Mount Ltd. and 50,000,000 ordinary shares held by Gallery Land Ltd. The entire issued share capital of both Golden Mount Ltd. and Gallery Land Ltd. are beneficially owned by Mr. Chim Pui Chung.

Save as disclosed above, as at 30 June 2005, the Directors are not aware of any other person or corporation having an interest or short position in the shares and underlying shares of the Company representing 5% or more of the issued share capital of the Company.

SHARE OPTION SCHEMES

Pursuant to the pre-IPO share option scheme (the “Pre-IPO Share Option Scheme”) adopted by the Company on 26 June 2002, certain Directors and participants have been granted options to subscribe for shares at an exercise price of HK\$0.002 per share, details of which are set out as follows:

Name of grantee	Date of grant	Exercise period	Granted	Number of shares options		
				Outstanding as at 1 January 2005	Lapsed during the period under review	Outstanding as at 30 June 2005
<i>Executive directors</i>						
Mr. Li Gang	26 June 2002	12 July 2003 - 11 July 2008	19,000,000	—	—	—
Mr. Ip Kai Cheong	26 June 2002	12 July 2002 - 11 July 2007	65,000,000	65,000,000	—	65,000,000
		12 January 2003 - 11 January 2008	43,350,000	43,350,000	—	43,350,000
Mr. Sun Tak Keung	26 June 2002	12 July 2002 - 11 July 2007	45,000,000	45,000,000	—	45,000,000
		12 January 2003 - 11 January 2008	30,000,000	30,000,000	—	30,000,000
<i>Other participants</i>						
Employees in aggregate	26 June 2002	12 July 2003 - 11 July 2008	48,750,000	500,000	—	500,000
Total				183,850,000	—	183,850,000

No share options under the share option scheme (the “Share Option Scheme”) adopted by the Company on 26 June 2002 were granted during the six months ended 30 June 2005.

Details of the Pre-IPO Share Option Scheme and the Share Option Scheme are set out in the Prospectus.

DIRECTORS' AND CHIEF EXECUTIVE'S RIGHTS TO ACQUIRE SHARES

Save as disclosed above, at no time during the periods from 1 January 2005 to 30 June 2005 was the Company, its subsidiaries or holding company a party to any arrangements to enable the directors or chief executives (including their spouses or children under 18 years of age) of the Company to acquire benefits by means of acquisition of shares in the Company or any other body corporate.

POTENTIAL COMPETING INTERESTS

Mr. Chim Kim Kiu, Jacky and Mr. Ip Kai Cheong, the executive directors of the Company, are directors of Riches Good Limited ("Riches Good"), the entire issued share capital of which is held by Mr. Chim Kim Kiu, Jacky, the Chairman and Management Shareholder of the Company. In October 2004, Riches Good has purchased the assets and production machines from a bankrupted paper manufacturing plant and plans to use one year to restore production. It expects to produce cardboard, corrugating papers and packaging papers after the restoration period. Up to the date of this report, there is no sales made by Riches Good.

Save as disclosed above, none of the directors or the management shareholders of the Company (as defined in the GEM Listing Rules) had any interest in a business which competes or may compete with the business of the Group.

THE CODE ON CORPORATE GOVERNANCE PRACTICES

During the three months ended 31 March 2005, the roles of chairman and chief executive officer were not separated because the Company has yet to find an appropriate individual for the post of chief executive officer. Mr. Li Gang was appointed as the chief executive officer on 1 April 2005. Save as disclosed above, the Company has met the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 15 of the GEM Listing Rules throughout the six months ended 30 June 2005.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the rules governing dealings by directors in listed securities of the Company ("dealings rules") on terms no less exacting than the required standard of dealings as referred to in Rules 5.48 to 5.67 of the GEM Listing Rules ("required standard of dealings"). Having made specific enquiry of all directors of the Company, all directors of the Company confirm that they complied with such dealings rules throughout the six months ended 30 June 2005.

DIRECTORS' INTERESTS IN CONTRACTS

Other than the personal guarantee amounting to HK\$14,500,000 given by Mr. Chim Kim Kiu, Jacky, the executive director of the Group, to the Group, there was no other transaction during the period which need to be disclosed as a connected transaction in accordance with the requirements of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules"); and no contract of significance, to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the period or at any time during the period.

COMPLIANCE WITH RULE 5.34 TO 5.45 OF THE GEM LISTING RULES

Up to 30 June 2005, the Company has complied with the standards of good practice concerning the general management responsibilities of the Board as set out in Rules 5.34 to 5.45 of the GEM Listing Rules.

AUDIT COMMITTEE

The Company has established an audit committee, comprising Mr. Lau Ka Ho, Mr. Wang Ai Guo and Mr. Chan Chi Hung, Anthony, all of whom are independent non-executive Directors, with written terms of reference in compliance with the GEM Listing Rules. Mr. Lau Ka Ho has been appointed as the chairman of the audit committee. The primary responsibilities of the audit committee are (i) to review the annual report and accounts, half-yearly report and quarterly reports and provide advice and comments thereon to the Board and (ii) to review and supervise the financial reporting process and internal control system of the Group. The audit committee has reviewed the interim report for the six months ended 30 June 2005.

On behalf of the Board
Li Gang
Chief Executive Officer

Hong Kong, 12 August 2005

At the date of this report, the Board is comprised of Mr. Chim Kim Kiu, Jacky, Mr. Ip Kai Cheong, Mr. Li Gang and Mr. Sun Tak Keung as executive directors, Mr. Chan Chi Hung, Anthony, Mr. Lau Ka Ho and Mr. Wang Ai Guo as independent non-executive directors.