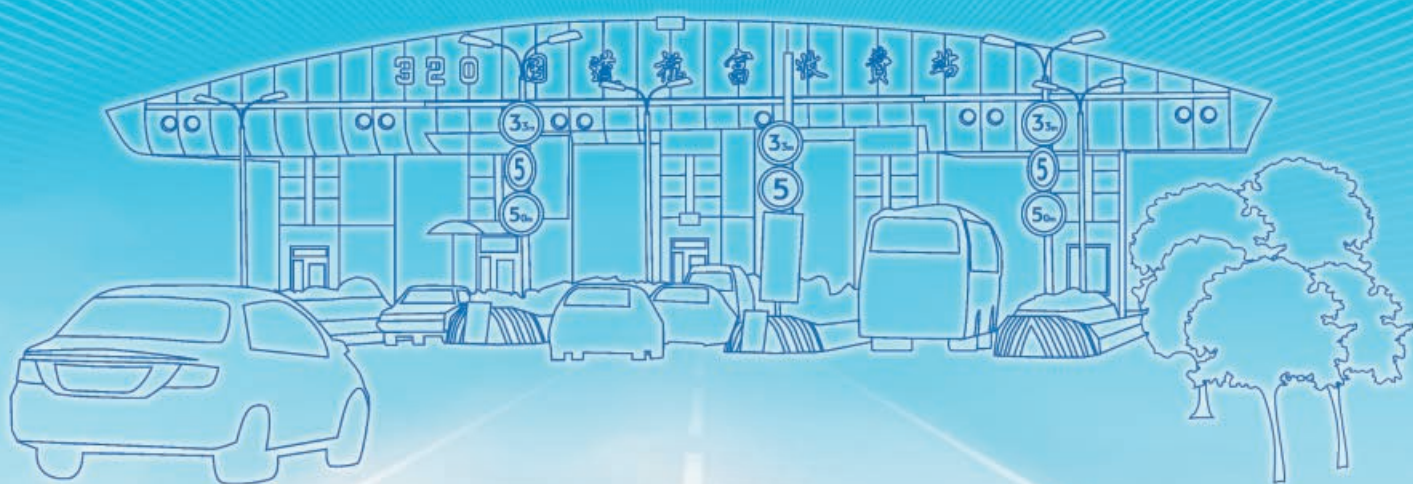


Wah Nam

International Holdings Limited

(Incorporated in Bermuda with limited liability)



Interim Report 2005

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Cheng Yung Pun (*Chairman*)
Yu Sui Chuen
Cheng Wing See, Nathalie

Independent Non-executive Directors

Au-Yeung Tsan Pong, Davie
Fung Ka Choi
Wong Chu Fung

COMPANY SECRETARY

Lai Mei Fong

AUDITORS

Deloitte Touche Tohmatsu
Certified Public Accountants
26th Floor
Wing On Centre
111 Connaught Road Central
Hong Kong

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

SHARE REGISTRAR

Butterfield Fund Services (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke HM08
Bermuda

BRANCH SHARE REGISTRAR IN HONG KONG

Secretaries Limited
Ground Floor
Bank of East Asia Harbour View Centre
56 Gloucester Road
Wanchai, Hong Kong

PRINCIPAL PLACE OF BUSINESS

Room 902, 9th Floor
East Ocean Centre
98 Granville Road
Tsimshatsui East
Kowloon, Hong Kong

PRINCIPAL BANKER

Bank of China (Hong Kong) Limited

STOCK CODE

159 (Main Board of The Stock Exchange of Hong Kong Limited)

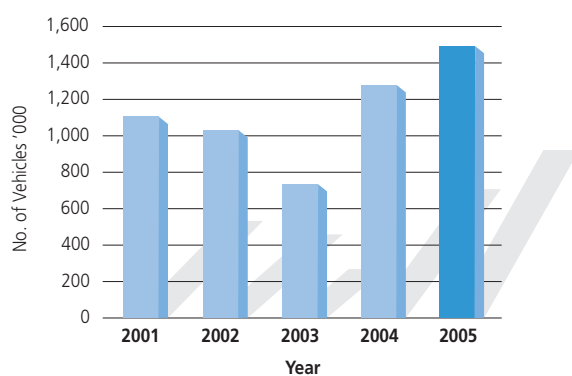
OPERATIONAL HIGHLIGHTS

FINANCIAL HIGHLIGHTS			
	For the six months ended 30th June		Changes %
	2005	2004 (restated)	
	HK\$'000	HK\$'000	
Gross Income	14,494	15,150	-4
Profit from Operation	6,736	8,298	-19
Profit attributable to equity holders of the parent	2,917	3,458	-16
Basic Earnings per Share (cents)	0.61	0.73	-16
Diluted Earnings per Share (cents)	0.52	0.60	-13

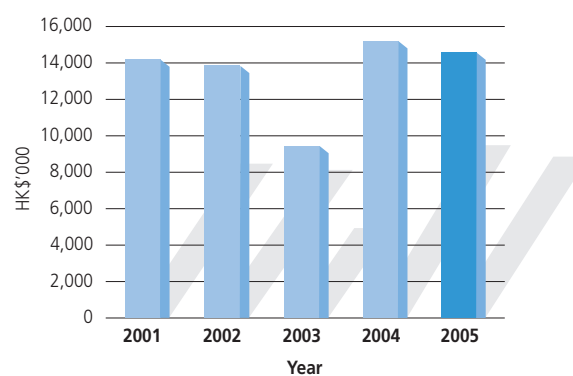
	% of Ownership	Length in Kilometers	No. of Lanes	No. of Toll Stations	Remaining Year of Operation
Hangzhou Toll Road	60%	11.934 km	Class 1 dual 2 lanes	1	19
Shanxi Xiangyi Toll Road and Bridge	45%	44 km	Class 2 dual 1 lane	3	12
Shanxi Linhong Toll Road and Bridge	45%	44 km	Class 2 dual 1 lane	2	12

HANGZHOU TOLL ROAD

Half Year Toll Volume



Half Year Toll Revenue



UNAUDITED INTERIM RESULTS

The board (the "Board") of directors (the "Directors") of Wah Nam International Holdings Limited (the "Company") announces the unaudited consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 30th June, 2005, together with the comparative figures for the corresponding period in 2004 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30TH JUNE, 2005

	Notes	For the six months ended	
		30th June, 2005 (Unaudited) HK\$'000	30th June, 2004 (Unaudited & restated) HK\$'000
Gross income from toll road operations	3	14,494	15,150
Business tax		(725)	(757)
Net income from toll road operations		13,769	14,393
Direct operating costs		(6,203)	(4,907)
		7,566	9,486
Other operating income		596	211
Administrative expenses		(1,426)	(1,399)
Profit from operations	5	6,736	8,298
Finance costs		(462)	(448)
Profit before taxation		6,274	7,850
Income tax charge	6	(636)	(1,307)
Profit for the period		5,638	6,543
Attributable to:			
Equity holders of the parent		2,917	3,458
Minority interests		2,721	3,085
		5,638	6,543
Earnings per share	7		
Basic (cents)		0.61	0.73
Diluted (cents)		0.52	0.60

CONDENSED CONSOLIDATED BALANCE SHEET

AS AT 30TH JUNE, 2005

	30th June, 2005 (Unaudited) <i>HK\$'000</i>	31st December, 2004 (Restated) <i>HK\$'000</i>
Non-current assets		
Toll road operation rights	83,483	85,709
Property, plant and equipment	679	764
Deferred tax asset	4,137	3,536
	<u>88,299</u>	<u>90,009</u>
Current assets		
Other receivables, deposits and prepayments	2,494	2,119
Amount due from minority shareholders of a subsidiary	8 50,550	4,211
Bank balances and cash	8,314	45,597
	<u>61,358</u>	<u>51,927</u>
Current liabilities		
Other payables and accrued charges	3,280	2,313
Amount due to a director	9 4,036	3,171
Tax liabilities	587	618
Convertible notes	10 17,895	17,613
	<u>25,798</u>	<u>23,715</u>
Net current assets	<u>35,560</u>	<u>28,212</u>
Total assets less current liabilities	<u>123,859</u>	<u>118,221</u>
Capital and reserves		
Share capital	47,484	47,484
Reserves	(12,597)	(15,514)
Equity attributable to equity holders of the parent	<u>34,887</u>	<u>31,970</u>
Minority interests	<u>88,972</u>	<u>86,251</u>
Total equity	<u>123,859</u>	<u>118,221</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30TH JUNE, 2005

	Attributable to equity holders of the parent				Total HK\$'000	Minority interests HK\$'000	Total HK\$'000
	Share capital HK\$'000	Statutory surplus reserves HK\$'000	Convertible notes reserve HK\$'000	Accumulated losses HK\$'000			
At 1st January, 2005, as originally stated	47,484	1,453	–	(17,354)	31,583	86,251	117,834
Effect of changes in accounting policies	–	–	1,585	(1,198)	387	–	387
As restated	47,484	1,453	1,585	(18,552)	31,970	86,251	118,221
Profit for the period	–	–	–	2,917	2,917	2,721	5,638
At 30th June, 2005	<u>47,484</u>	<u>1,453</u>	<u>1,585</u>	<u>(15,635)</u>	<u>34,887</u>	<u>88,972</u>	<u>123,859</u>
At 1st January, 2004, as originally stated	47,484	966	–	(23,083)	25,367	80,751	106,118
Effect of changes in accounting policies	–	–	1,585	(655)	930	–	930
As restated	47,484	966	1,585	(23,738)	26,297	80,751	107,048
Profit for the period	–	–	–	3,458	3,458	3,085	6,543
At 30th June, 2004	<u>47,484</u>	<u>966</u>	<u>1,585</u>	<u>(20,280)</u>	<u>29,755</u>	<u>83,836</u>	<u>113,591</u>

The statutory surplus reserves represent enterprise development and general reserve funds appropriated from the profit after tax of a subsidiary established in the People's Republic of China (the "PRC") in accordance with the PRC laws and regulations.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30TH JUNE, 2005

	For the six months ended	
	30th June, 2005	30th June, 2004
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash from operating activities	8,144	5,418
Net cash from investing activities	47	60
Net cash (used in) from financing activities		
Advances to minority shareholders of a subsidiary	(46,339)	–
Other financing cash flows	865	1,125
	(45,474)	1,125
Net (decrease) increase in cash and cash equivalents	(37,283)	6,603
Cash and cash equivalents at beginning of the period	45,597	32,932
Cash and cash equivalents at end of the period	8,314	39,535

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

The condensed financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values.

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

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

Financial Instruments

In the current period, the Group has applied HKAS 32 "Financial Instruments: Disclosure and Presentation" and HKAS 39 "Financial Instruments: Recognition and Measurement". HKAS 32 requires retrospective application. HKAS 39, which is effective for annual periods beginning on or after 1st January, 2005 generally does not permit to recognize, derecognize or measure financial assets and liabilities on a retrospective basis. The principal effect resulting from the implementation of HKAS 32 and HKAS 39 are summarised below:

Convertible loan notes

HKAS 32 requires an issuer of a compound financial instrument (that contains both financial liability and equity components) to separate the compound financial instrument into its liability and equity components on its initial recognition and to account for these components separately. In subsequent periods, the liability component is carried at amortised cost using the effective interest method. The principal impact of HKAS 32 on the Group is in relation to convertible loan notes issued by the Company that contain both liability and equity components. Previously, convertible loan notes were classified as liabilities on the balance sheet. Because HKAS 32 requires retrospective application, comparative figures have been restated.

Classification and measurement of financial assets and financial liabilities

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

Financial assets and financial liabilities other than debt and equity securities

From 1st January, 2005 onwards, the Group classifies and measures its financial assets and financial liabilities other than debt and equity securities (which were previously outside the scope of SSAP 24) in accordance with the requirements of HKAS 39. Financial assets under HKAS 39 are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables" or "held-to-maturity financial assets". Financial liabilities are generally classified as "financial liabilities at fair value through profit or loss" or "financial liabilities other than financial liabilities at fair value through profit or loss (other financial liabilities)". "Other financial liabilities" are carried at amortised cost using the effective interest method. No adjustment to the previous carrying amounts of assets or liabilities on 1st January, 2005 was necessary.

2A. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES

Analysis of decrease in profit for the period by line items presented according to their function:

	30th June, 2005 HK\$'000	30th June, 2004 <i>HK\$'000</i>
Increase in finance costs – interests on convertible notes	<u>282</u>	<u>268</u>

The cumulative effects of the application of the new HKFRSs as at 31st December, 2004 and 1st January, 2005 are summarised below:

	As at 31st December, 2004 (originally stated) <i>HK\$'000</i>	Adjustment <i>HK\$'000</i>	As at 31st December, 2004 (restated) <i>HK\$'000</i>	Adjustment <i>HK\$'000</i>	As at 1st January, 2005 (restated) <i>HK\$'000</i>
Balance sheet items					
Toll road operation rights	85,709	–	85,709	–	85,709
Property, plant and equipment	764	–	764	–	764
Deferred tax asset	3,536	–	3,536	–	3,536
Other receivables, deposits and prepayments	2,119	–	2,119	–	2,119
Amount due from minority shareholders of a subsidiary	4,211	–	4,211	–	4,211
Bank balances and cash	45,597	–	45,597	–	45,597
Other payables and accrued charges	(2,313)	–	(2,313)	–	(2,313)
Amount due to a director	(3,171)	–	(3,171)	–	(3,171)
Tax liabilities	(618)	–	(618)	–	(618)
Convertible notes	(18,000)	387	(17,613)	–	(17,613)
Total effects on assets and liabilities	<u>117,834</u>	<u>387</u>	<u>118,221</u>	<u>–</u>	<u>118,221</u>
Share capital	47,484	–	47,484	–	47,484
Statutory surplus reserves	1,453	–	1,453	–	1,453
Convertible notes reserves	–	1,585	1,585	–	1,585
Accumulated losses	(17,354)	(1,198)	(18,552)	–	(18,552)
Total effects on equity attributable to company holders of the parent	<u>31,583</u>	<u>387</u>	<u>31,970</u>	<u>–</u>	<u>31,970</u>
Minority interests	86,251	–	86,251	–	86,251
	<u>117,834</u>	<u>387</u>	<u>118,221</u>	<u>–</u>	<u>118,221</u>

Potential Impact of New Standards Not Yet Adopted

The Group has not early applied the following new standards or interpretations ("INT") that have been issued but are not yet effective. The Directors of the Company anticipate that the application of these Standards or Interpretations will have no material impact on the financial statements of the Group.

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

3. GROSS INCOME FROM TOLL ROAD OPERATIONS

The gross income from the toll road operation represents the amounts of toll receipts generated from the toll road and compensation received from Hangzhou City Government for the loss of toll receipts from automobiles registered in Hangzhou City.

	30th June, 2005 (Unaudited) HK\$'000	30th June, 2004 (Unaudited) HK\$'000
Toll receipts	5,956	6,565
Hangzhou City Government compensation	8,538	8,585
	14,494	15,150

4. SEGMENTAL INFORMATION

The Group is engaged solely in the management and operation of a toll road in the PRC. The identifiable assets and liabilities of the Group are mainly located in the PRC. Accordingly, no analysis by business or geographical segments is presented.

5. PROFIT FROM OPERATIONS

	30th June, 2005 (Unaudited) HK\$'000	30th June, 2004 (Unaudited) HK\$'000
Profit from operations has been arrived at after charging:		
Amortisation of toll road operation rights (included in direct operating costs)	2,226	2,226
Depreciation of property, plant and equipment	97	87

6. INCOME TAX CHARGE

	30th June, 2005 (Unaudited) HK\$'000	30th June, 2004 (Unaudited) HK\$'000
Current year:		
Income tax charge	1,237	1,238
Deferred tax:		
Current year	106	69
Attributable to change in tax rate	(707)	–
	636	1,307

Income tax charge represents the PRC income tax paid or payable during the period. Income tax in the PRC has been provided at the prevailing rate of 18% (2004: 15%) on the estimated assessable profit applicable to the Company's subsidiary established in the PRC.

No provision for Hong Kong Profits Tax has been made as the Group's income neither arises in, nor is derived from, Hong Kong.

7. EARNINGS PER SHARE

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

	30th June, 2005 (Unaudited) HK\$'000	30th June, 2004 (Unaudited & restated) HK\$'000
Earnings for the purpose of basic earnings per share	2,917	3,458
Effect of dilutive potential ordinary shares:		
Interest on convertible notes	462	448
Earnings for the purpose of diluted earnings per share	3,379	3,906
	'000	'000
Number of ordinary shares for the purpose of basic earnings per share	474,838	474,838
Effect of dilutive potential ordinary shares:		
Shares expected to be issued on the conversion of the convertible notes	180,000	180,000
Number of ordinary shares for the purpose of diluted earnings per share	654,838	654,838

8. AMOUNT DUE FROM MINORITY SHAREHOLDERS OF A SUBSIDIARY

During the period, an amount of RMB49m was recovered by the minority shareholders according to the understanding reached upon the acquisition of the Hangzhou subsidiary in 2002. Details of the acquisition are set out in the prospectus dated 18th July, 2002.

The amount is unsecured, interest free and has no fixed repayment terms.

9. AMOUNT DUE TO A DIRECTOR

The amount is unsecured, interest free and has no fixed repayment terms.

10. CONVERTIBLE NOTES

The convertible notes payable to the ultimate holding company are unsecured and bear interest at 2% per annum which are payable annually in arrears from the issue date of 17th September, 2002 to the maturity date of 17th September, 2005. The carrying amount of the convertible notes approximates its fair value.

The convertible notes with face value of HK\$18,000,000 can be converted into ordinary shares of HK\$0.10 each in the Company at any time prior to the maturity date at the initial conversion price of HK\$0.10 per share (subject to adjustments).

Before the maturity date of 17th September, 2005, the holder of the convertible notes does not have the right to demand repayment of the principal amount of the convertible notes. The holder of the convertible notes is not entitled to vote at general meetings of the Company.

11. RELATED PARTY TRANSACTIONS

Apart from the amounts due from and to related parties as disclosed in notes 8, 9, and 10 respectively, during the period, the interest on convertible notes of approximately HK\$180,000 was accrued to Leading Highway Limited, the ultimate holding company. The interest was calculated at 2% per annum in accordance with the convertible notes agreement.

INTERIM DIVIDEND

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

MANAGEMENT DISCUSSION & ANALYSIS

Business Review

The Group continues to focus principally on the operation and management of the toll roads and toll bridges. Currently, the Group has one joint venture in Hangzhou, Zhejiang Province and two joint ventures in Shanxi Province. As nil consideration has been paid for the acquisition of the two joint ventures in Shanxi Province in 2002 (the "Acquisition") because of their unsatisfactory performance, only Hangzhou joint venture contributes to the Group's results since the Acquisition.

During the first half-year of 2005, the Group reported an unaudited consolidated turnover of HK\$14,494,000 (2004: HK\$15,150,000) and a profit attributable to equity holders of the parent of HK\$2,917,000 (2004 (restated): HK\$3,458,000). The decline in profit was primarily attributable to the descent of toll income caused by the diversion of Hangzhou non-registered automobiles from Hangzhou toll road to the adjacent alternative road and the additional burden on the costly and mandatory environmental maintenance program carried out in Hangzhou toll road.

The ongoing toll road repair and maintenance program and the additional environmental maintenance program carried out in the first half-year of 2005 were to renovate the Hangzhou toll road in assuring the safe, smooth and comfortable driving for its users. The Directors emphasized that such preventive measures could maintain a splendid condition for toll roads of the Group.

Regarding the reform plan for intra-city toll collection in the Hangzhou City which minimized toll stations on trunk highways in Hangzhou toll road and exempted the Hangzhou registered automobiles from toll payments, the Group successfully renewed the agreement with the Hangzhou City Government in January 2005. Under the agreement, the Hangzhou City Government will continue to grant a daily government compensation of RMB50,000 until the end of 2005.

Highlights of revenue comparison were:

Joint Venture in Hangzhou

Hangzhou toll road

Average daily toll traffic volume for the first half of the year 2005 was approximately 8,200 vehicles (2004: 7,000 vehicles), representing 17% increase over the corresponding period in last year. Weighted average toll fare per vehicle for the first half of the year 2005 was approximately RMB10.38 (2004: RMB12.63), representing 18% decrease over the corresponding period in last year.

Joint Ventures in Shanxi

Shanxi-Xiangyi toll road and bridge

Average daily toll traffic volume for the first half of the year 2005 was approximately 5,300 vehicles (2004: 3,000 vehicles), representing 77% increase over the corresponding period in last year. Weighted average toll fare per vehicle for the first half of the year 2005 was RMB13.37 (2004: RMB12.97), representing 3% increase over the corresponding period in last year.

Shanxi-Linhong toll road and bridge

Average daily toll traffic volume for the first half of the year 2005 was approximately 9,100 vehicles (2004: 8,600 vehicles), representing 6% increase over the corresponding period in last year. Weighted average toll fare per vehicle for the first half of the year 2005 was RMB5.40 (2004: RMB6.19), representing 13% decrease over the corresponding period in last year.

Financial Review

Liquidity and Financial Resources

As at 30th June, 2005, the Group's cash on hand and in bank was in the sum of HK\$8,314,000 (2004: HK\$45,597,000). The total assets and total liabilities of the Group were HK\$149,657,000 (2004: HK\$141,936,000) and HK\$25,798,000 (2004 (restated): HK\$23,715,000) respectively. The shareholders' equity was HK\$34,887,000 (2004 (restated): HK\$31,970,000). The Group's current ratio was 2.4 (2004: 2.2).

As at 30th June, 2005, the borrowings of the Group represented HK\$18,000,000 convertible notes which are unsecured, bearing an interest at 2% per annum and can be convertible into ordinary shares of HK\$0.10 each at the initial conversion price of HK\$0.10 per share (subject to adjustments). The gearing ratio (i.e. total liabilities/total assets) as at 30th June, 2005 was 17% (2004: 17%).

The total capital expenditure during the six months ended 30th June, 2005 amounted to HK\$12,000 (2004: HK\$152,000).

There is no movement on the share capital for the six months ended 30th June, 2005. The Group maintained a strong financial position for the period under review. Net cash provided by operating activities amounted to approximately HK\$8,144,000 (2004: HK\$5,418,000).

There has been no material change in exposure to fluctuation in exchanges rates and details of contingent liabilities since the most recent published annual report.

FUTURE PROSPECTS

Since 2004, the commodity and petroleum costs continued to fluctuate which are inevitably putting pressure on the toll road users, and the Company, toll-road-operation company.

In addition, a new expressway namely Hang Qian Toll Road (「杭千公路」) ("Hang Qian") running from Hangzhou to Qian Dao Hu (「千島湖」), a popular sightseeing location has been developed for the expansion of transportation network in the Hangzhou City. It is expected to be completed by the end of 2005 and thereby will intensify the toll road competition in Hangzhou.

The construction of toll road system and city planning of the Hangzhou City will be subject to unified nationwide planning with a view to expanding the transportation network, optimizing the road structure and establishing an unimpeded, safe, advance and modern comprehensive road passage system. This significant toll road and city development in the Hangzhou City enhances the economic development, fosters the communication and transportation activities and grows demand for quality road passage as well. On the other hand, it will intensify the competition in the toll road industry as more advance and upgrade expressway like "Hang Qian" planned to be built in Hangzhou.

As mentioned earlier, the target toll rate compensation with the Hangzhou City Government will ascertain steady revenue to the Group.

The Company will continue to press ahead the repair and maintenance projects and strike a balance between safe and smooth operation of roads and cost saving, in order to guarantee a smooth progress of the road maintenance projects and the enhancement of profitability for its core assets.

EMPLOYEES AND REMUNERATION POLICY

As at 30th June, 2005, the Group had approximately 51 employees (2004: 52). The pay levels of employees are commensurate with their responsibilities, performance and contribution to the Group and reflect the prevailing industry practice. To provide incentives and rewards to the employees, the Company adopted a share option scheme in August 2002.

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

As at 30th June, 2005, the interests and short positions of the directors and chief executives and their respective associates in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or which were otherwise required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), pursuant to the Model Code for Securities Transactions by Directors of the Listing Companies were as follows:

Long Positions

(a) *Ordinary Shares of HK\$0.10 each of the Company*

Name of Director	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Cheng Yung Pun	Held by controlled corporation (<i>note</i>)	325,500,000	68.55%

Note:

These shares are held by Leading Highway Limited ("Leading Highway"), a company incorporated in the British Virgin Islands with limited liability, and the entire issued share capital of which is wholly owned by Mr. Cheng Yung Pun.

(b) *Convertible Notes*

In addition, Leading Highway holds the entire interest of the convertible notes of the Company in an amount of HK\$18,000,000. The convertible notes can be converted into ordinary shares of HK\$0.10 each in the Company at any time prior to the maturity date at the initial conversion price of HK\$0.10 per share (subject to adjustments).

Save as disclosed above, none of the directors and chief executives, nor their associates had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations as at 30th June, 2005.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Other than as disclosed in section "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" above, at no time during the period was the Company, its ultimate holding company, or any of its subsidiaries or fellow subsidiaries, a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and neither the directors nor the chief executive, nor any of their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right.

SUBSTANTIAL SHAREHOLDERS

Other than as disclosed in the section "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" above in respect of Mr. Cheng Yung Pun, director of the Company, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO discloses no other person as having a notifiable interest or short position in the shares and underlying shares of the Company and its associated corporations as at 30th June, 2005.

SHARE OPTION SCHEME

The share option scheme (the "Share Option Scheme") of the Company was adopted by the Company pursuant to the written resolution of the sole shareholder passed on 14th August, 2002. Particulars of the Share Option Scheme have been summarized in the 2004 Annual Report of the Company.

There has been no option granted since the adoption of the Share Option Scheme.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the six months ended 30th June, 2005, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares.

CODE ON CORPORATE GOVERNANCE

The Company has adopted its own code on corporate governance practices which incorporates all the code provisions in the Code on Corporate Governance Practices in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") (the "Code on Corporate Governance Practices"). In compliance with the code provision A.4.2, the amendments to the Company's Bye-laws were approved by the shareholders at the 2005 annual general meeting of the Company which was held on 5th May, 2005. The Company's Bye-laws was amended to the effect that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

In the opinion of the Directors, the Company has complied throughout the period with the code provisions set out in the Code on Corporate Governance Practices except for the deviations from the following provisions:

1. Code provision A.2.1, the role of chairman and chief executive officer ("CEO") should be separate and should not be performed by the same individual. One of the executive Director assumes the role of CEO. The present structure is more suitable to the Company because it can promote the efficient formulation and implementation of the Company's strategies.
2. Code provision A.4.1 stipulates that non-executive Director should be appointed for a specific term, subject to re-election. However, none of the existing non-executive (including independent non-executive) Directors of the Company is appointed for a specific term. Since all the Directors of the Company (including executive and independent non-executive) are subject to the retirement provisions under the Company's Bye-laws, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the Code.

INDEPENDENT NON-EXECUTIVE DIRECTOR

The Company has complied with Rules 3.10(1) and 3.10(2) of the Listing Rules relating to appointment of a sufficient number of independent non-executive Directors ("INEDs") and at least an INED with appropriate professional qualifications, or accounting or related financial management expertise. The Board comprises three INEDs including one with financial management expertise. Details of their biographies were set out in the 2004 Annual Report of the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard set out in Appendix 10 of the Listing Rules (the "Model Code"). Having made specific enquiry of all the Directors, all the Directors confirmed that they have complied with the required standard set out in the Model Code and the code of conduct regarding securities transactions by directors adopted by the Company.

BOARD COMMITTEE

Audit Committee

The Company has an Audit Committee which was established for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls.

The written term of reference which describes the authority and duties of the Audit Committee was prepared and adopted with reference to "A Guide for The Formation of An Audit Committee" and "A Guide for Effective Audit Committee" published by the Hong Kong Institute of Certified Public Accountants, and was amended in accordance with the Appendix 14 of the Listing Rules. The Audit Committee, comprises three INEDs, namely Mr. Au-Yeung Tsan Pong, Davie (Chairman of Audit Committee), Mr. Fung Ka Choi and Mr. Wong Chu Fung, met regularly during the financial year. During the meetings, the Audit Committee reviewed the accounting principles and practices adopted by the Group, the interim and annual reports of the Group and discussed with management the auditing, internal control and financial reporting matters including the review of these unaudited interim results for the six months ended 30th June, 2005.

Remuneration Committee

The Remuneration Committee was established for the purposes of making recommendations to the Board on the Company's policy and structure for all remuneration of directors and senior management. The written term of reference which describes the authority and duties of the Remuneration Committee was prepared and adopted. The Remuneration Committee comprises three INEDs, namely Mr. Au-Yeung Tsan Pong, Davie (Chairman of Remuneration Committee), Mr. Fung Ka Choi and Mr. Wong Chu Fung.

REVIEW OF INTERIM RESULTS

The unaudited interim results for the six months ended 30th June, 2005 have been reviewed by the Audit Committee of the Company.

By Order of the Board
Cheng Yung Pun
Chairman

Hong Kong, 8th September, 2005