

DISCLOSURE OF ADDITIONAL INFORMATION

Contingent Liabilities

At 30 June 2005, contingent liabilities not provided for in the interim results were banking facilities, totaling HK\$15,018,000 (31 December 2004: HK\$14,559,000), guaranteed by the Company which were utilized by its subsidiaries.

Related Party Transactions

Except for the disclosure in the note 8 to financial statements, there were no related party transactions in the Period (Last Period and the year ended 31 December 2004: nil).

Significant Issues

During the Period, there was no significant investment and material acquisitions or disposals of subsidiaries or associated companies. Also, there is no plan for material investments or capital assets in the near future mainly because of the Group's limited funding position. Furthermore, the Company and the Group had no significant commitments during the Period (Last Period and the year ended 31 December 2004: nil).

Directors' Interests in Contracts

None of the Directors had a significant beneficial interest in any contract of significance to the business of the Company to which the Company or any of its subsidiaries was a party during the Period (Last Period and the year ended 31 December 2004: nil).

Directors' and Chief Executives' Interests in Share Capital of the Company

At the end date of the Period, the interests of the Directors and chief executives of the Company in the shares of the Company, underlying shares in respect of equity derivatives and debentures of the Company and its associated corporations within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to both the Model Code for Securities Transactions by Directors of Listed Companies set out in Appendix 10 to the Listing Rules (the "Model Code") and Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions which they were taken or deemed to have under such provisions of the SFO), were as follows:

(a) The Company:

Name of Director	Number of shares held (other interest)
Chan Chun Choi ("Mr. Chan")	540,377,586

Of the above shares:

- (i) 110,377,586 shares are held by Eternal Victory Enterprises Inc. ("EVEI"), a company incorporated in the British Virgin Islands, as trustee of a unit trust, the units of which are held by a discretionary trust established for the family members of Mr. Chan. Mr. Chan holds all the issued share of EVEI; and
- (ii) 430,000,000 shares are held by Winsley Investment Limited ("Winsley").

(b) Associated Corporations:

Names of associated corporation	Name of Director	Number of shares held	Class of shares	Type of interest
Victory Motors Centre Limited	Chan Chun Choi	100,000	Non-voting deferred	Personal
		2,800,000	Non-voting deferred	Corporate <i>(Note)</i>

Note: The 2,800,000 non-voting deferred shares are held by Victory Pctro Chemical Limited (formerly Kwong Hung Hing Enterprises Company Limited) of which Mr. Chan and Madam Lam Mo Kuen, Anna together hold the entire issued share capital.

Save as disclosed above, none of the Directors or their associates had any personal, family, corporate or other interest in the equity or debt securities of the Company or any of its associated corporations, as defined in the SFO.

Directors' Service Contracts

All Directors had entered service contracts with the Company for an initial term of 2 years. Every Director, including those appointed for a specific term, is subject to retirement by rotation at least once every three years.

Directors' Remunerations

	Six months ended 30 June	
	2005	2004
	HK\$'000	HK\$'000
(a) Fees and emoluments:		
Chan Chun Choi	–	417
Lu Su Hua	50	50
Lam Williamson	25	–
Liu Kwok Fai Alvan	–	50
Ng Chi Shing	50	50
Yuen Kwok Wah, Bernard	50	50
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	175	617
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(b) MPF contribution	6	6
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Pledge of Assets

The Group's land and buildings with an aggregate net book value of HK\$12.7 million (31 December 2004: HK\$12.7 million) were pledged to secure bank loans and overdraft of the Group.

Major Customers and Suppliers

In the Period under review, the aggregate turnover attributable to the five largest customers of the Group accounted for approximately 100 per cent of the Group's turnover for the Period and sales to the largest customer included therein amounted to about 60 per cent.

The aggregate purchases attributable to the four suppliers accounted for the total 100 per cent of the Group's purchases for the Period and purchases from the largest supplier included therein amounted to approximately 90 per cent. None of the Directors and their respective associates or any shareholders (which to the knowledge of the Directors own more than 5 per cent of the Company's issued share capital) have interest in the Group's five largest customers and five largest suppliers.

Employees

Same as its last year-end date, the Group had a total of 8 employees, of whom 5 were based in Hong Kong whereas 3 was local staff employed in China. The remuneration package for Hong Kong staff was strictly on a monthly-salary basis and that for the mainland employees was performance oriented. Year-end bonus was linked to the financial results of the Group as well as the performance of individual staff. The remuneration policies of the Group's employees are subject to review regularly. Total staff costs for the Period were largely reduced to HK\$573,000 (Last Period: HK\$1.02 million). On irregular but necessary basis, adequate on-job training had been provided to staff in need.

The Group did not operate any pension or retirement schemes for its Directors or employees until the implementation of the MPF in December 2000. The Group has a share options scheme, which was duly approved by the shareholders on 22 January 1998, available for any full time employees of the Company or any of its subsidiaries, including any executive directors of the Company or of any subsidiaries. No options had been granted since the approval of the scheme.

Purchase, Sale or Redemption of Shares in the Company

There was no purchase, sale or redemption of the Company's shares by the Company or any of its subsidiaries during the Period (Last Period and the year ended 31 December 2004: nil).

Corporate Governance

The Company's 2005 unaudited interim financial statements had been reviewed by the audit committee of the Company (the "Audit Committee") before they were duly approved by the Board under the recommendation of the Audit Committee.

In the opinion of the Directors, the Company had complied with the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules throughout the Period. The Company had received, from each of the independent non-executive Directors, a verbal confirmation of their independence in respect of the preparation of the 2005 interim financial statements.

The Company has adopted the Model Code. The Company had made specific enquiries of all Directors regarding any non-compliance with the Model Code during the Period, and received confirmations from all Directors that they had fully complied with the required standard set out in the Model Code.

With the consent of the Audit Committee, the Board hereby confirms that, in the preparation of the 2005 unaudited interim financial statements of the Company, the Directors, both collectively and individually, applied such degree of skill, care and diligence as may reasonably be expected of under the Listing Rules throughout the Period.

Ultimate Holding Company and Substantial Shareholder

The Directors consider the ultimate holding company of the Company at 30 June 2005 to be Winsley, details of whose share interests are set out under the section headed "Directors' and Chief Executives' Interests in Share Capital of the Company".

Within the Period, EVEI and Forex Investment Development Limited ("Forex") held 110,377,586 and 265,100,000 shares of the Company respectively, representing approximately 10.27 per cent and 24.66 per cent of the share capital of the Company, respectively.

On 13 January 2005, the Board was informed by Forex that 237,960,000 shares, representing 22.14% of the entire issued share capital of the Company, were disposed of in the open market during the period from 5 January 2005 to 7 January 2005. Before and after the informed disposal, Forex held 265,100,000 and 27,140,000 shares of the Company, representing 24.66% and 2.52% of the entire issued share capital of the Company, respectively.

Forex, an investment holding company incorporated in the British Virgin Islands, is wholly and beneficially owned by Mr. Shao Jianxiong, who is not connected with the directors, the chief executives, the substantial shareholders of the Company and any of their respective associates.

At 30 June 2005, no persons, other than Winsley and EVEI were registered as having an interest of 5 per cent or more in the share capital of the Company that were required to be recorded in pursuant to Section 336 of the SFO.

On behalf of the Board
Chan Chun Choi
Chairman

Hong Kong, 5 September 2005