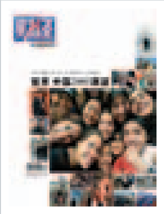
2005 中期報告


Interim Report 2005

SEEC MEDIA GROUP LIMITED
財訊傳媒集團有限公司

(Incorporated in the Cayman Islands with limited liability)
（於開曼群島註冊成立之有限公司）

The board of directors (the "Board") of SEEC Media Group Limited (the "Company") is pleased to present the interim report of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2005 as follows:

Condensed Consolidated Income Statement

For the period ended 30 June 2005

		(Unaudited) Six months ended 30 June	
	Notes	**2005** **HK$'000**	2004 *HK$'000* (restated)
Turnover	*3*	**45,856**	38,173
Cost of sales		**(10,625)**	(6,742)
Gross profit		**35,231**	31,431
Other operating income		**2,922**	3,317
Selling and distribution costs		**(9,224)**	(8,187)
Administrative expenses		**(3,942)**	(4,864)
Other operating expenses		**(56)**	(4,168)
Profit before tax	*4*	**24,931**	17,529
Income tax expense	*5*	**(5,105)**	(5,291)
Profit for the period		**19,826**	12,238
Attributable to:			
Equity holders of the Company		**15,006**	9,480
Minority interest		**4,820**	2,758
		19,826	12,238
Earnings per share (HK cents)	*6*		
Basic		**0.97**	0.61
Diluted		**0.96**	0.60

Condensed Consolidated Balance Sheet

As at 30 June 2005

	Notes	(Unaudited) As at 30 June 2005 HK$'000	(Audited) As at 31 December 2004 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**2,569**	1,585
Intangible assets		**24,045**	24,872
Goodwill		**60,387**	60,387
Investments in securities		**–**	13,154
Available-for-sales investments		**5,847**	–
		92,848	99,998
CURRENT ASSETS			
Investment in securities		**–**	13,080
Available-for-sales investments		**5,847**	–
Trade receivables	7	**38,663**	31,264
Other receivables and prepayments		**27,663**	31,825
Amounts due from related companies		**15,475**	15,712
Bank balances and cash		**124,295**	102,523
		211,943	194,404
CURRENT LIABILITIES			
Trade payables	8	**814**	41
Amounts due to related companies		**487**	–
Payables and accruals		**16,515**	11,706
Tax liabilities		**14,258**	13,415
		32,074	25,162
NET CURRENT ASSETS		**179,869**	169,242
TOTAL ASSETS LESS CURRENT LIABILITIES		**272,717**	269,240
CAPITAL AND RESERVES			
Share capital	9	**155,007**	154,787
Reserves		**97,884**	99,447
Equity attributable to equity holders of the Company		**252,891**	254,234
Minority interest		**19,826**	15,006
TOTAL EQUITY		**272,717**	269,240

Condensed Consolidated Statement of Changes in Equity

For the period ended 30 June 2005

	Attributable to equity holders of the Company									
	Share capital	**Share premium**	**Reserve funds**	**Exchange translation reserve**	**Accumulated (losses) profit**	**Investments revaluation reserves**	**Share option reserve**	**Total**	**Minority interest**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* (restated)	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2004	154,577	343,035	1,140	11	(298,127)	–	–	200,636	16,322	216,958
Issue of shares upon exercise of share options	135	201	–	–	–	–	–	336	–	336
Minority interest in subsidiaries acquired	–	–	–	–	–	–	–	–	(5,250)	(5,250)
Recognition of equity settled share-based payment	–	–	–	–	–	–	283	283	–	283
Net profit for the period	–	–	–	–	9,480	–	–	9,480	2,758	12,238
At 30 June 2004	154,712	343,236	1,140	11	(288,647)	–	283	210,735	13,830	224,565
Issue of shares upon exercise of share options	75	82	–	–	–	–	–	157	–	157
Reduction of shares premium transferred to accumulated losses	–	(324,473)	–	–	324,473	–	–	–	–	–
Transfer to reserve funds	–	–	987	–	(987)	–	–	–	–	–
Recognition of equity settled share-based payment	–	–	–	–	–	–	425	425	–	425
Net profit for the period	–	–	–	–	42,917	–	–	42,917	1,176	44,093
At 31 December 2004	154,787	18,845	2,127	11	77,756	–	708	254,234	15,006	269,240
Payment of final dividend	–	–	–	–	(15,492)	–	–	(15,492)	–	(15,492)
Issue of shares upon exercise of share options	220	242	–	–	–	–	–	462	–	462
Recognition of equity-settled shared–based payment	–	–	–	–	–	–	142	142	–	142
Losses an available-for-sales investment	–	–	–	–	–	(1,461)	–	(1,461)	–	(1,461)
Net profit for the period	–	–	–	–	15,006	–	–	15,006	4,820	19,826
At 30 June 2005	**155,007**	**19,087**	**2,127**	**11**	**77,270**	**(1,461)**	**850**	**252,891**	**19,826**	**272,717**

Condensed Consolidated Cash Flow Statement

For the period ended 30 June 2005

	(Unaudited) Six months ended 30 June	
	2005	2004
	HK$'000	*HK$'000*
NET CASH FROM (USED IN) OPERATING ACTIVITIES	**24,918**	(4,542)
NET CASH (USED IN) FROM INVESTING ACTIVITIES	**(3,608)**	19,089
NET CASH FROM FINANCING ACTIVITIES	**462**	336
NET INCREASE IN CASH AND CASH EQUIVALENTS	**21,772**	14,883
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF PERIOD	**102,523**	47,437
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**124,295**	62,320

Notes to Condensed Consolidated Financial Statements

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The condensed 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 ("HKAS 34") Interim Financial Reporting.

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

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 31 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 Hong Kong Institute of Certified Public Accountants that are effective for accounting periods beginning on or after 1 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 interests 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:

Business Combinations

In the current period, the Group has applied HKFRS 3, Business Combinations, which is effective for business combinations for which the agreement date is on or after 1 January 2005. The principal effects of the application of HKFRS 3 to the Group are summarized below:

Goodwill

In previous periods, goodwill arising on acquisitions was capitalised and amortised over its estimated useful life. The Group has applied the relevant provisions in HKFRS 3. The Group has discontinued amortising such goodwill from 1 January 2005 onwards and goodwill will be tested for impairment at least annually/in the financial year in which the acquisition takes place. Goodwill arising on acquisitions after 1 January 2005 is measured at cost less accumulated impairment losses (if any) after initial recognition. As a result of this change in accounting policy, no amortisation of goodwill has been charged in the current period. Comparative figures for 2004 have not been restated.

In the current period, the Group has also applied HKAS 21 *The Effects of Changes in Foreign Exchange Rates* which requires goodwill to be treated as assets and liabilities of the foreign operation and translated at closing rate at each balance sheet date. Previously, goodwill arising on acquisitions of foreign operations was reported at historical rate at each balance sheet date. In accordance with the relevant transitional provisions in HKAS 21, goodwill arising on acquisitions prior to 1 January 2005 is treated as a non-monetary foreign currency item of the Company. Therefore, no prior period adjustment has been made.

Share-based Payments

In the current period, the Group has applied HKFRS 2 *Share-based Payment* which requires an expense to be recognised where the Group buys goods or obtains services in exchange for shares or rights over shares ("equity-settled transactions"), or in exchange for other assets equivalent in value to a given number of shares or rights over shares ("cash-settled transactions"). The principal impact of HKFRS 2 on the Group is in relation to the expensing of the fair value of directors' and employees' share options of the Company determined at the date of grant of the share options over the vesting period. Prior to the application of HKFRS 2, the Group did not recognise the financial effect of these share options until they were exercised. The Group has applied HKFRS 2 to share options granted on or after 1 January 2005. In relation to share options granted before 1 January 2005, the Group has not applied HKFRS 2 to share options granted on or before 7 November 2002 and share options that were granted after 7 November 2002 and had vested before 1 January 2005 in accordance with the relevant transitional provisions. However, the Group is still required to apply HKFRS 2 retrospectively to share options that were granted after 7 November 2002 and had not yet vested on 1 January 2005. Comparative figures for 2004 have been restated retrospectively.

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 1 January 2005, generally does not permit to recognise, derecognise or measure financial assets and liabilities on a retrospective basis. The principal effects resulting from the implementation of HKAS 32 and HKAS 39 are summarised below:

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.

By 31 December 2004, the Group classified and measured its debt and equity securities in accordance with the alternative treatment of Statement of Standard Accounting Practice 24 ("SSAP 24"). Under SSAP 24, investments in debt or equity securities are classified as "trading securities", "non-trading securities" or "held-to-maturity investments" as appropriate. Both "trading securities" and "non-trading securities" are measured at fair value. Unrealised gains or losses of "trading securities" are reported in the profit or loss for the period in which gains or losses arise. Unrealised gains or losses of "non-trading securities" are reported in equity until the securities are sold or determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the net profit or loss for that period. From 1 January 2005 onwards, the Group classifies and measures its debt and equity securities in accordance with HKAS 39. Under HKAS 39, financial assets 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 assets at fair value through profit or loss" and "available-for-sale financial assets" are carried at fair value, with changes in fair values recognised in profit or loss and equity respectively. "Loans and receivables" and "held-to-maturity financial assets" are measured at amortised cost using the effective interest method.

On 1 January 2005, the Group classified and measured its equity securities in accordance with the requirements of HKAS 39. The other securities as reported in 2004 were "non-trading securities" and are classified or designated as available-for-sales financial assets.

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

The effects of the changes in the accounting policies described above on the results for the current and prior period are as follows:

	30 June 2005	30 June 2004
	HK$'000	*HK$'000*
Decrease in amortisation of goodwill	**2,345**	–
Expenses in relation to share options granted to employees	**(142)**	(283)
Increase (decrease) in profit for the period	**2,203**	(283)

The financial effect of the adoption of the HKFRSs is summarized below:

	Accumulated profits	**Share option reserve**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
At 1 January 2005			
As originally stated	78,464	–	78,464
Retrospectively recognition of equity settled share based payment	(708)	708	–
As restated	77,756	708	78,464

Reconciliation of profit attributable to the ordinary equity holders of the Company for the six months ended 30 June 2004 is as follows:

	HK$'000
Profit attributable to the ordinary equity holders of the Company as originally stated	9,763
Expenses in relation to share options granted to employee	(283)
Profit as retrospectively restated	9,480

3. TURNOVER AND SEGMENT INFORMATION

Turnover represents the net invoiced value of services rendered. The Group is engaged in provision of advertising agency services in the People's Republic of China (the "PRC") and accordingly, no analysis of business segment is presented for the periods.

4. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	For the six months ended 30 June 2005 HK$'000	2004 HK$'000
Depreciation	**211**	194
Allowance for bad and doubtful debts	**73**	1,198
Net unrealised holding loss on short term investments	**–**	2,177
Gain on disposal of short term investments	**–**	(653)
Amortisation of goodwill*	**–**	1,803
Amortisation of intangible asset*	**827**	1,108
Interest income	**(2,860)**	(2,232)

* *The amortisation of intangible assets for the period is included in the "Cost of sales" on the face of the condensed consolidated income statement. The amortisation of goodwill and intangible assets for the last period were included in "Other operating expenses" and "Cost of sales" on the face of the condensed consolidated income statement, respectively.*

5. INCOME TAX EXPENSE

No provision for Hong Kong Profits Tax has been made for the current period (2004: Nil) because the Group did not have any assessable profits arising in Hong Kong.

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

6. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the ordinary equity holders of the Company is based on the following data:

	For the six months ended 30 June 2005 HK$'000	2004 HK$'000 (restated)
Earnings		
Earnings for the purposes of basic and diluted earnings per share (profit for the period attributable to the ordinary equity holders of the Company)	**15,006**	9,480
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,549,205,829**	1,546,866,922
Effect of dilutive share options	**12,007,951**	21,379,740
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,561,213,780**	1,568,246,662

7. TRADE RECEIVABLES

The average credit period granted by the Group is within three months from the date of the recognition of the sales.

The aging analysis of the Group's trade receivables is as follows:

	As at 30 June 2005		As at 31 December 2004	
	HK$'000	***Percentage***	*HK$'000*	*Percentage*
Within three months	**21,004**	**49**	15,427	44
Four to six months	**12,837**	**30**	6,189	18
Seven months to one year	**4,822**	**11**	9,648	27
Over one year	**4,034**	**10**	3,961	11
	42,697	**100**	35,225	100
Less: Allowances for bad and doubtful debts	**(4,034)**		(3,961)	
Total after allowances for bad and doubtful debts	**38,663**		31,264	

8. TRADE PAYABLES

The aging analysis of the Group's trade payables is as follows:

	As at 30 June 2005		As at 31 December 2004	
	HK$'000	***Percentage***	*HK$'000*	*Percentage*
Within two months	**773**	**95**	–	–
Five months to one year	**–**	**–**	6	15
Over one year	**41**	**5**	35	85
	814	**100**	41	100

9. SHARE CAPITAL

	As at 30 June 2005 HK'000	As at 31 December 2004 *HK'000*
Authorised:		
3,000,000,000 ordinary shares of HK$0.10 each	**300,000**	300,000
Issued and fully paid:		
1,550,074,614 (2004: 1,547,874,614) ordinary shares of HK$0.10 each	**155,007**	154,787

During the six months ended 30 June 2005, 2,200,000 share options were exercised for 2,200,000 shares of HK$0.1 each for a total cash consideration of HK$462,000.

10. SHARE OPTIONS

Details of the movements in the number of share options under the Company's share options scheme during the period were as follows:

Grantee	Date of grant	Exercise price	Exercisable period	Balance in issue at 1 January 2005	Granted during the period	Exercised during the period	Balance in issue at 30 June 2005
				Number of share options			
		HK$				*(note i)*	
Executive director LI Shijie	25 July 2003	0.21	25 July 2004 to 24 July 2009	6,900,000	–	–	6,900,000
Other employees in aggregate	25 July 2003	0.21	25 July 2004 to 24 July 2009	28,450,000	–	(2,200,000)	26,250,000
	22 October 2003	0.35	22 October 2003 to 21 October 2008	1,000,000	–	–	1,000,000
	25 February 2004	0.566	25 February 2005 to 24 February 2010	2,500,000	–	–	2,500,000
				38,850,000	–	(2,200,000)	36,650,000

Note:

(i) The weighted average closing price of the Company's shares immediately before the dates on which the share options were exercised was HK$0.343.

As mentioned in Note 1, the Group has, for the first time, applied HKFRS 2 *Share-based Payments* to account for its share options in the current period. In accordance with HKFRS 2, fair value of share options granted to employees determined at the date of grant is expensed over the vesting period, with a corresponding adjustment to the Group's share option reserve. An amount of share option expense of HK$142,000 (six months ended 30 June 2004: HK$283,000) has been recognised in the current period, with a corresponding adjustment recognised in the Group's share option reserve for those share options that were granted after 7 November 2002 and had not yet vested on 1 January 2005.

The fair value of the said options determined at the date of grant using the Binomial model was approximately HK$850,000.

The following assumptions were used to calculate the fair value of the share options:

Weighted average share price	HK$0.53
Exercise price	HK$0.57
Expected life of options	5 years
Expected volatility	75.7%
Expected dividend yield	0%
Risk free rate	2.58%

For the purposes of calculating of fair value, no adjustment has been made in respect of options expected to be forfeited, due to lack of historical data.

All the options forfeited before expiry of the Company's share option scheme will be treated as lapsed options which will not be added back to the number of share available to be issued under the Company's share option scheme.

The Binomial model requires the input of highly subjective assumptions, including the volatility of share price. Because changes in subjective input assumptions can materially affect the fair value estimate, in the directors' opinion, the existing model does not necessarily provide a reliable single measure of the fair value of the share options.

11. EVENTS AFTER THE BALANCE SHEET DATE

As detailed in the Company's announcement dated 13 September 2005, on 12 September 2005, the Company, Observer Star Global Publishing Holdings Ltd ("Observer Star Global"), Sun Business Network Ltd ("SBN") entered into the Supplemental Deed to supplement the Sale and Purchase Agreement entered into by the parties on 7 November 2004.

Under the Sale and Purchase Agreement, the balance cash consideration of HK$24,000,000 is required to be paid by Observer Star Global to the Company by no later than 30 June 2005.

By entering into the Supplemental Deed whereby the parties agreed as follows:

(a) Observer Star Global shall pay a sum of HK$5,000,000 to the Company within 21 days of the execution of the Supplemental Deed;

(b) the Outstanding Consideration, being the outstanding balance of HK$19,000,000, shall be paid in full by Observer Star Global to the Company on or before 31 March 2006 at the option of Observer Star Global in the following manner:

    (i) by paying by Observer Star Global to the Company HK$19,000,000 in cash ("Option A"); or

    (ii) by paying by Observer Star Global to the Company HK$2,000,000 in cash; and Observer Star Global shall further procure a third party to transfer to the Company the shares representing an equivalent value of HK$19,000,000 of reputable companies which shares are listed on any recognized stock exchange approved by the Company ("Option B") provided that if Option B is adopted by Observer Star Global and on or before the Outstanding Consideration Payment Date which will be on or before 31 March 2006, under certain conditions as agreed, the Company shall be entitled to give notice to Observer Star Global in writing refusing to accept Option B as a payment method under the Supplemental Deed and requiring Observer Star Global to settle the Outstanding Consideration in full by using Option A within two business days of the Outstanding Consideration Payment Date;

(c) Observer Star Global shall, in addition to its obligation under the Supplemental Deed, pay to the Company interest at the rate of 3.3% per half year on the Outstanding Consideration or any remaining balance thereof until the Outstanding Consideration or any remaining balance thereof is fully paid to the Company.

Interim Dividend

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

Management Discussion and Analysis

Business Review

For the first six months of 2005, the Group reported total revenue of approximately HK$45.9 million, representing an increase of 20.1% from the corresponding period of 2004. Operating profit recorded approximately HK$24.9 million, representing an increase of 42.2% from the corresponding period of 2004. Profit attributable to shareholders was approximately HK$15.0 million, representing an increase of 58.3% from the corresponding period of 2004.

Despite the faster-than-expected GDP growth of 9.5% in China in the first half of the year, the print media advertising industry experienced a much slower growth compared to the same period of last year as a result of the macroeconomic control measures taken to cool down the economy. According to CTR Market Research, the overall advertising market recorded an increase of 15.9% for the first half of 2005, compared to 35% in the same period of last year. For the first time the growth of print media advertising was even lower than the GDP growth, with an increase of merely 8% from the same period of last year. Certain advertising sectors, especially real estate, automobile and telecommunications, have either decreased or delayed their advertising expenditures in the print media.

In a sluggish print media advertising market, the Group managed to achieve satisfactory operating performance in the first six months of 2005. These results underscored the strength and vitality of our leading magazine brands, our quality and diversified client base and our enhanced and innovative sales strategies.

Our flagship title Caijing Magazine continued to show strong performance thanks to its continuing high quality editorial content as well as strengthened sales efforts. Over the first six months of 2005, approximately HK$15.5 million, or 33.7% of the total revenue of the Group was derived from Caijing Magazine, representing a 15.4% increase from the same period of last year. The average advertising rate of Caijing Magazine increased by 15% from the beginning of 2005 due to strong demand for its advertising space, and the average advertising ratio (advertising pages to total pages) reached 26%.

Although advertising expenditures by real estate sector in the print media suffered a substantial decline in the first half of 2005, New Real Estate (新地產) and New House (別墅特刊) (together, "New Real Estate Series") generated approximately HK$13.8 million in revenue for the Group, representing an increase of 10.3% from the same period of last year, and accounted for 30.2% of the Group's total revenue. The solid growth achieved by New Real Estate Series was attributable to its continuous focus on promotion through more magazine display channels, and more importantly, increasingly diversifying revenue streams from conferences and events leveraging on its strong brand name. Through these conferences and events, New Real Estate Series further strengthened its leading market position and influence within the real estate industry.

Prospects

In view of that the government's macroeconomic control measures would continue in the second half of 2005, conditions of the print advertising market in China may remain difficult. However, we believe that the underlying strength of the Group's leading brands, its client diversity and seasoned management leaves the Group extremely well placed to take advantage of any pick up in the advertising market conditions.

Looking into the second half of this year, we will continue to concentrate our efforts in marketing and promoting the publications within our existing portfolio so as to further strengthen their leading market positions. We remain confident that our brands will continue to outperform their peer group and grow market share. In the tough advertising market environment, increased emphasis would be placed on providing advertisers with innovative marketing tools by way of new content format and packaging and diversifying revenue sources through more branded conferences and events.

Meanwhile, as we have successfully concluded negotiations with various top international media groups to introduce the Chinese editions of their leading magazine titles into China in the near future, we are also in the process of exploring acquisition opportunities for long-term, exclusive advertising right to other quality magazine titles in China, with a focus on consumer driven segments.

Liquidity and Financial Resources

The Group's daily operation activities were financed by internal resources.

The Group's equity attributable to equity holders of the Company as at 30 June 2005 was approximately HK$252.9 million as compared to approximately HK$254.2 million as at 31 December 2004. The Group had no long-term debt as at 30 June 2005 and 31 December 2004. The gearing ratio, which was computed by current liabilities over attributable to equity holders of the Company was increased to 12.7% as compared to 9.9% as at 31 December 2004.

As at 30 June 2005, the Group had available-for-sales investments of value approximately HK$11.7 million.

Charge on Assets

The Group did not charge any of its assets as at 30 June 2005 (2004: Nil).

Foreign Currencies and Treasury Policy

Most of the Group's business transactions, assets and liabilities are denominated in Hong Kong Dollars, United States Dollars, Singapore Dollars and Renminbi. During the period, the Group did not have any fixed interest rate borrowings and did not engaged in any financial instruments for hedging or speculative activities.

Contingent Liabilities

The Group did not have any significant contingent liabilities as at 30 June 2005 (2004:Nil).

Employees

At as 30 June 2005, the Group had 126 employees (2004: 120). Salaries, bonus and benefits were decided in accordance with the market condition and performance of the respective employees.

Directors' Interests in Securities

As at 30 June 2005, the interests of the directors and their associates in the shares and underlying shares of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance (the "SFO") or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transaction by Directors of Listed Companies were as follows:

Rights to acquire shares

Pursuant to the Company's share option schemes, the directors may, at their discretion, invite participants to take up options at a consideration of HK$10 per grant to subscribe for ordinary shares of the Company.

As at 30 June 2005, the share options to subscribe for shares of HK$0.10 each in the Company granted to a director were as follows:

Name of Director	Capacity	Date of grant	Exercise price *HK$*	Exercisable period	Number of options outstanding at 1 January 2005 and 30 June 2005	Number of underlying shares
LI Shijie	Beneficial Owner	25.7.2003	0.21	25.7.2004 to 24.7.2009	6,900,000	6,900,000

There was no movements in the share options granted to the director during the period.

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

Substantial Shareholders

As at 30 June 2005, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that the following shareholders had notified the Company of the relevant interests and short positions in the issued share capital of the Company:

Long positions

Name	Capacity	Number of shares beneficially held	Percentage of holding
United Home Limited *(Note i)*	Beneficial owner and interest in controlled corporation	338,096,988	21.81%
Carlet Investments Ltd. *(Note i)*	Beneficial owner	172,644,210	11.14%
Arisaig Greater China Fund Limited *(Note ii)*	Beneficial owner	87,540,000	5.65%
Arisaig Partners (Mauritius) Ltd. *(Note ii)*	Investment Manager	87,540,000	5.65%

Short positions

Name	Capacity	Number of shares beneficially held *(Note iii)*	Percentage of holding
United Home Limited	Beneficial owner	338,746,836	21.85%

Note i: The 172,644,210 shares held by Carlet Investments Ltd. were indirectly owned by United Home Limited by virtue of its 100% interest in Carlet Investments Ltd. In addition to the 172,644,210 shares held by Carlet Investment Ltd., 165,452,778 shares which represents approximately 10.67% of the issued share capital of the Company, were directly owned by United Home Limited.

Note ii: The capacity of Arisaig Partners (Mauritius) Ltd. in holding the 87,540,000 Shares was the fund manager of Arisaig Greater China Fund Limited. Arisaig Partners (Mauritius) Ltd. was a controlled corporation of Mr. Lindsay William Ernest Cooper. As a result, the interest held by Arisaig Partners (Mauritius) Ltd. was deemed interest held by Mr. Lindsay William Ernest Cooper.

Note iii: These shares were pledged to an independent third party in Hong Kong by United Home Limited.

Save as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 30 June 2005.

Purchase, Sale or Redemption of the Company's Listed Securities

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

Corporate Governance

The Company has complied throughout the period with the Code on Corporate Governance (the "Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") except the following major deviations:

Code Provision A.2.1

This Code stipulates that the roles of chairman and managing director (or chief executive officer) should be separate and should not be performed by the same individual.

The Board is in the process of defining the roles and duties for the Chairman of the Board and managing director and considering appropriate appointment of a managing director. It is expected that such process will be completed by the end of December 2005, where a board meeting is scheduled.

Code Provision A.4.1

Code A.4.1 stipulates that non-executive directors should be appointed for a specific term and subject to re-election.

The term of office for non-executive directors are the same as for all directors (i.e. no specific term and subject to retirement from office by rotation and be eligible for re-election in accordance with the provisions of the Company's Articles of Association). At each annual general meeting, one-third of the directors for the time being or, if their number is not a multiple of three, then the number nearest to but not less than one-third, shall retire from office by rotation, provided that every director shall be subject to retirement by rotation at least one every three years.

Remuneration Committee

The Company has set up a Remuneration Committee in accordance with the relevant requirements of the Code on 9 September 2005.

The Committee comprises of two independent non-executive directors, namely Mr. GE Ming, being the Chairman of the Committee and Mr. DING Yu Cheng.

Audit Committee

The Audit Committee comprises three independent non-executive directors. The Committee is chaired by Mr. FU Fengxiang and comprising two other members, namely Mr. GE Ming and Mr. WANG Xiangfei. The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and financial reporting matters including the review of the unaudited consolidated interim financial statements for the six months ended 30 June 2005.

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 to the Listing Rules (the "Model Code"). Having made specific enquiry of all directors, all directors confirmed 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 for the six months ended 30 June 2005.

Members of the Board of Directors

As at the date hereof, the members of the Board are as follows:

Executive Directors:
Mr. Wang Boming *(Chairman)*
Mr. Zhang Zhifang
Mr. Dai Xiaojing
Mr. Li Shijie
Mr. Lau See Him Louis
Mr. Yeh Shuen Ji

Independent Non-Executive Directors:
Mr. Fu Fengxiang
Mr. Wang Xiangfei
Mr. Ge Ming
Mr. Ding Yu Cheng

By Order of the Board
WANG Boming
Chairman

Hong Kong, 20 September 2005