

CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr YIP Kim Po (*Chairman*), FHKIoD
Mr HUI Ho Ming, Herbert, JP, FHKIoD
(*Deputy and Vice Chairman*)
Mr CHOY Tak Ho*
Mr CHAU Po Fan*
Mr KWAN Man Wai (appointed on 12 July 2005)
Mr KWAN Yan
Mr LEE Kwan Ho, Vincent Marshall*
Mr LI Lee Cheung
Ms YIP Wan Fung

* Independent Non-Executive Director

AUDIT COMMITTEE

Mr LEE Kwan Ho, Vincent Marshall (*Chairman*)
Mr CHOY Tak Ho
Mr CHAU Po Fan

REMUNERATION COMMITTEE

Mr CHOY Tak Ho (*Chairman*)
Mr CHAU Po Fan
Mr LEE Kwan Ho, Vincent Marshall

COMPANY SECRETARY

Mr LO Hang Fong

SOLICITORS

Stevenson, Wong & Co.
P. C. Woo & Co.

AUDITORS

Moores Rowland Mazars

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking
Corporation Limited
WestLB AG
HSH Nordbank AG
Bangkok Bank Public Company Limited
Hang Seng Bank Limited
The Bank of East Asia, Limited
BNP Paribas Hong Kong Branch
Nanyang Commercial Bank, Ltd
Industrial and Commercial Bank of
China (Asia) Ltd
Banca di Roma Hong Kong Branch
ORIX Asia Limited

PRINCIPAL OFFICE

Room 2805, 28th Floor, Admiralty Centre
Tower 1, 18 Harcourt Road, Hong Kong

REGISTERED OFFICE

Clarendon House, 2 Church Street
Hamilton HM11, Bermuda

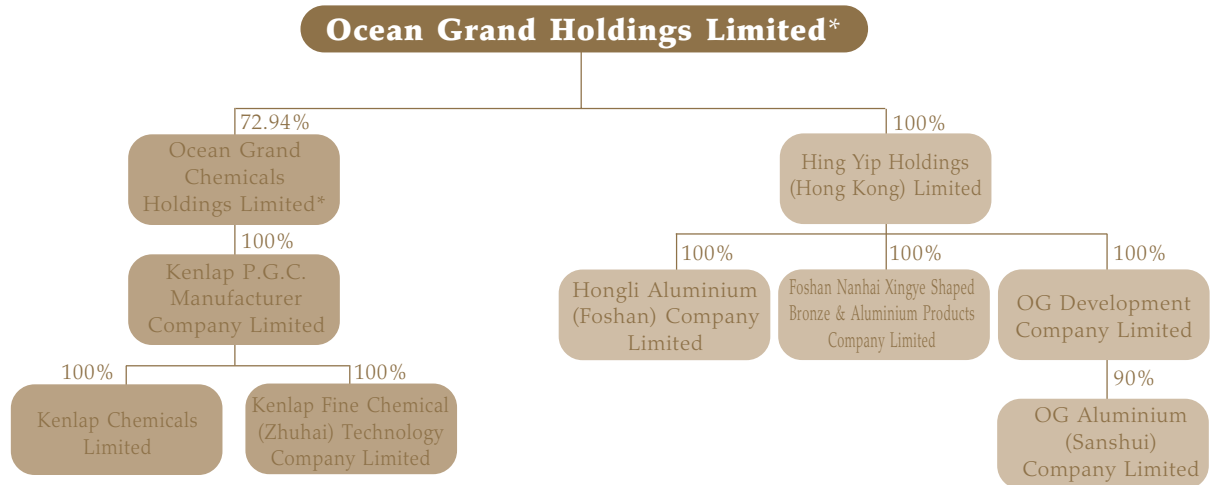
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<http://www.ogholdings.com>

INVESTOR AND MEDIA RELATIONS

Strategic Financial Relations Limited

CORE GROUP STRUCTURE



* Listed on the Main Board of The Stock Exchange of Hong Kong Limited

— Aluminium business

— Precious metal electroplating chemicals business

MANAGEMENT DISCUSSION AND ANALYSIS – CHAIRMAN'S LETTER TO SHAREHOLDERS

Dear shareholders

It is my pleasure to report to you the results of Ocean Grand Holdings Limited (the "Company") and its subsidiaries (collectively "Ocean Grand" or the "Group") for the six months ended 30 June 2005 (the "Reporting Period"), and share with you my thoughts in leading the Group in this challenging business environment.

RESULTS OF THE REPORTING PERIOD

Since 2004 Ocean Grand has been driven by Management's confidence in achieving an increasing market share to execute an aggressive expansion plan for both its core businesses. Progress of the plan is on schedule but in the Reporting Period there are three tactical developments which affect the financial performance. First, the disposal of the Group's interest in the stainless steel business at the end of 2004. The exit from the stainless steel business is an essential step in the Group's strategic manoeuvre to refocus on its core businesses, and allows better allocation of both management and financial resources for the long-term growth of Ocean Grand. There is no profit contribution from this disposed business unit in the Reporting Period which contributed HK\$8,150,000 to the Group's net profit in the six months ended 30 June 2004. Second, the Group drew down a HK\$500 million syndicated loan in the fourth quarter of 2004 to finance its HK\$600 – HK\$700 million investment in a new factory in Sanshui District, Foshan City with an annual capacity of 100,000 – 150,000 tonnes. The increase in debt financing and the hike in HK\$ interest rate drove the finance costs to HK\$19,548,000 (*six months ended 30 June 2004: HK\$12,620,000*). Construction of the Sanshui factory is on schedule and based on the response to our recent marketing effort, we are optimistic that the new capacities and capabilities of the Sanshui factory will enable us to achieve significant diversification of our international customer base and provide a solid foundation for business growth in the coming years. Third, in view of the increasing demand of precious metal electroplating chemicals, the Group decided to expand the production capacity within its Zhuhai factory in early 2005. Most of the infrastructural work, including the new wing of the production workshop, has been completed at the end of July 2005 and it is expected that the expansion work will be completed by the end of 2005. Utilisation of the capacity of the factory in the second quarter of 2005 had dropped to make way for the construction work, causing both output and turnover to decrease in the Reporting Period. With the completion of the infrastructural work, utilisation has resumed to normal level since August 2005.

Owing to the reasons mentioned above, turnover of the Group in the Reporting Period has reached HK\$1,372,147,000 (*six months ended 30 June 2004: HK\$1,446,249,000*), a slight decrease of 5.1% as compared with the corresponding period in 2004. Gross profit has in turn dropped by 5.0% to HK\$164,282,000 (*six months ended 30 June 2004: HK\$172,909,000*). The absence of contribution from the disposed stainless steel business and the increase in finance costs have kept Ocean Grand's profit in the Reporting Period to HK\$71,804,000 (*six months ended 30 June 2004 (restated): HK\$88,501,000*), down 18.9%.

ALUMINIUM BUSINESS

Overview

During the Reporting Period, growth in our aluminium business was more constrained by capacity rather than demand with utilisation of our capacity in the Nanhai plant exceeded 85% on average. Turnover and contributions to operating profits of the aluminium business segment in the Reporting Period were an encouraging HK\$883,169,000 (*six months ended 30 June 2004: HK\$828,097,000*), up 6.7%, and HK\$84,762,000 (*six months ended 30 June 2004 (restated): HK\$76,942,000*), up 10.2%, respectively, and through enhanced selectiveness in order acceptance we managed to lift the average gross profit margin for extrusion products for the Reporting Period to approximately 25%, 4% higher than the figure in the corresponding period in 2004, against a backdrop of rising raw materials price.

A new powder coating line has been commissioned in the Reporting Period to supplement the existing one which is running at full capacity. This new line is expected to commence operation in the fourth quarter of 2005 to help service the international customer base broadened by own marketing drive.

Following the peak in mid-March, aluminium price at the London Metal Exchange gradually moved downwards and stabilised around US\$1,700 – US\$1,900 per tonne. The dissipation of volatility in aluminium price is welcomed news to the industry and, should the trend continue in the remaining part of the financial period, we would remain optimistic on the market environment and demand for our aluminium extrusion business.

Sanshui factory

Ocean Grand is pushing full steam ahead for the Group's new factory in Sanshui District, Foshan City, Guangdong which is designed to have an annual production capacity of 100,000 – 150,000 tonnes of aluminium products. This new facility, the Sanshui factory, will be equipped with the top-of-the-line direct extrusion presses, indirect extrusion presses, conformed extrusion presses, bright-dip line, other surface finishing processing lines and other fabrication equipment. Total investment in this factory is expected to be around HK\$600 – HK\$700 million and funding in the form of internal resources and bank financing is already in place.



Extrusion product



Workshop



Anodising line

ALUMINIUM BUSINESS (continued)

Sanshui factory (continued)

The project, however, has encountered hiccups due to factors outside our control, such as unforeseen technical issues relating to the nature of the land. The inclement weather and torrential rainfall in June and July 2005 had further hindered our construction work, but no effort has been spared to expedite the process and keep the project on schedule. We are confident that construction is now back on track with our plan and by the end of 2005 the aluminium billet and alloy ingot production lines will commence operation as planned. The aluminium extrusion lines and value-added services facilities will gradually be introduced in 2006 and 2007 to ease the strain on our existing capacity in the Nanhai factory. According to our current estimate, the Sanshui factory will be fully operational by the end of 2007.

Prior to the Sanshui factory commencing operation, the Group will seek alternative means to increase its capacity in order to capture the momentum of growth.

PRECIOUS METAL ELECTROPLATING CHEMICALS BUSINESS

The precious metal electroplating chemicals business of the Group is undertaken by Ocean Grand Chemicals Holdings Limited (“Ocean Grand Chemicals”), an approximately 73% owned subsidiary separately listed on the Main Board of the Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The commencement of operation of the Zhuhai factory in January 2003, which is one-of-its-kind in China, added a remarkable impetus to this business segment. In the Reporting Period, utilisation of this factory has reached 60% on average.

As a strategic move to capture the potential in this market, we have decided to expand the capacities for both existing products and new products within the premises of the existing Zhuhai factory. Construction work for doubling the useable floor area of the factory building in the Zhuhai factory has commenced in the first quarter of 2005, and the total capital expenditure in 2005 is estimated to be around HK\$80 – HK\$100 million. The expansion is on schedule and should be completed by the end of 2005.



Atomic Absorption Spectrometer

PRECIOUS METAL ELECTROPLATING CHEMICALS BUSINESS (continued)

As our manufacturing process involves highly toxic or polluting chemicals, safety is always the top priority, and it is inevitable that utilisation of capacity would drop with all the construction work going on within the factory premises. Turnover and contributions to operating profits generated by this business for the Reporting Period were HK\$488,978,000 (*six months ended 30 June 2004: HK\$610,702,000*), down 19.9%, and HK\$49,543,000 (*six months ended 30 June 2004 (restated): HK\$56,324,000*), down 12.0%. With most of the infrastructural work finished at the end of July 2005, utilisation of capacity has resumed to normal level since August 2005, and we are optimistic about the market environment and demand for this business in the remaining part of the financial period.

The new production lines are expected to commence operation by the end of 2005 with new products to be rolled out to market gradually according to market condition. The new capacity and new products should provide growth drivers to this business in 2006.

COST MANAGEMENT

During the Reporting Period, the Group's general and administrative expenses had reached HK\$53,240,000 (*six months ended 30 June 2004 (restated): HK\$43,097,000*). The increase is mainly attributable to the staff and overhead costs incurred for supervising, monitoring and executing our expansion plans. The Management is determined to manage the cost base at a reasonable and acceptable level.

VISION AND MISSION

My colleagues and I are firmly committed to build Ocean Grand as a world-class PRC-based supplier of high quality, high value-added aluminium products to the world. We believe that the solid foundation that we are laying in the Reporting Period for the Group will lift Ocean Grand to another level and, during this process, we are most grateful for our shareholders' unwavering support and patience. We are confident that our present course will create sustainable and remarkable shareholder value in the long run.

YIP Kim Po*Chairman*

15 September 2005

MANAGEMENT DISCUSSION AND ANALYSIS – REPORT OF THE DIRECTORS

The Directors are pleased to present the interim report together with the interim financial statements of the Group for the Reporting Period.

FINANCIAL REVIEW

Liquidity, financial resources and capital structure

As at 30 June 2005, the net current assets of the Group were HK\$1,103,581,000 (31 December 2004 (restated): HK\$1,131,348,000). Within the current assets, HK\$1,161,763,000 (31 December 2004: HK\$1,050,694,000) was in the form of free cash and cash equivalents.

Total bank borrowings and obligations under finance leases as at 30 June 2005 were HK\$1,251,448,000 (31 December 2004: HK\$1,136,300,000), of which approximately 33.2% (31 December 2004: 40.8%), HK\$415,002,000 (31 December 2004: HK\$464,164,000) will be due after one year. Net debt gearing (i.e. total borrowings less free cash/net tangible assets) of the Group as at 30 June 2005 was 7.0% (31 December 2004 (restated): 7.1%).

The Company has not issued any shares during the Reporting Period and up to the date of the interim report for the six months from 1 January 2005 to 30 June 2005.

Since 2001, the Group has been adopting a strategy to obtain financing with a longer tenure to enhance its liquidity and minimise the maturity mismatch between assets and liabilities. As a result, more than 33.2% of the Group's bank borrowings and obligations under finance leases was due after one year as at 30 June 2005 (31 December 2004: 40.8%). This strategy will be maintained in the near future.

Foreign exchange risk and interest rate risk

The Group's cash and cash equivalents are held predominately in HK\$, RMB and US\$. The majority of the Group's borrowings are denominated in HK\$, RMB and US\$ at floating interest rates. Financing in RMB is used only by the Group's operations in the PRC, which usually receives revenue in RMB. Raw materials for export sales denominated in US\$ are predominately imported and therefore settled in US\$. The management is of the opinion that the Group's exposure to interest rate and foreign exchange rate risks is insignificant, and hedging for these risks by means of derivative instruments is considered unnecessary.

GENERAL DISCLOSURE OBLIGATION UNDER LISTING RULE 13.18

Certain financial institutions have granted bank facilities of HK\$430,000,000 and HK\$70,000,000 to a wholly-owned subsidiary and a non-wholly-own subsidiary of the Company respectively in 2004. As of 30 June 2005, approximately HK\$500,000,000 of these facilities were utilised.

There is an undertaking set out in the loan facility agreements that Mr Yip Kim Po will at all times remain the Chairman and the single largest shareholder of the Company and that Mr Yip Kim Po, Mr Yip Lap Chi and Ms Yip Wan Fung beneficially own at least 30% of the total issued share capital of the Company. An announcement dated 4 October 2004 of the Company was published to comply with the requirements of Rule 13.21 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). There was no breach of the said undertaking during the Reporting Period.

INTERIM DIVIDEND

The Directors recommend the payment of an interim dividend of HK3.0 cents (2004: HK3.5 cents) per share for the six months ended 30 June 2005 totalling approximately HK\$12,715,000 (six months ended 30 June 2004: HK\$14,834,000) to the shareholders registered in the Company's Register of Members as at the close of business on 20 October 2005. The interim dividend will be paid on 10 November 2005 to the shareholders whose names appear on the Register of Members of the Company on 20 October 2005.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 18 October 2005 to 20 October 2005, both days inclusive in order to determine those shareholders entitled to the proposed interim dividend, during which period no transfer of shares shall be effected. In order to qualify for the interim dividend, all transfers, accompanied by the relevant share certificates, must be lodged with the Hong Kong branch registrar of the Company, Tengis Limited of G/F., BEA Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not later than 4:30 pm on 17 October 2005.

CHANGE OF FINANCIAL YEAR END DATE

On 26 July 2005, the Directors resolved to change the financial year end date of the Company from 31 December to 31 March to align with that of other member companies of the Group. As a result, the current financial year covers the period from 1 January 2005 to 31 March 2006. Accordingly, the Company will prepare the second interim results for the 12 months period from 1 January 2005 to 31 December 2005, and the audited annual results for the 15 months period from 1 January 2005 to 31 March 2006. In this respect, further particulars can be found in the Company's announcement dated 27 July 2005.

INFORMATION ON SHARE OPTIONS OF THE COMPANY AND SUBSIDIARY

The Company

At the Annual General Meeting (the "AGM") of the Company held on 7 June 2002, an ordinary resolution was passed approving the adoption of a new share option scheme (the "Share Option Scheme – 2002") which complied with Chapter 17 of the Listing Rules on the Stock Exchange, and the termination of the share option scheme adopted by the Company on 4 September 1997 (the "Share Option Scheme – 1997"). All options granted prior to the termination of the Share Option Scheme – 1997 continue to be valid and exercisable.

At the AGM of the Company held on 6 June 2003, an ordinary resolution was passed approving the amendment to the Share Option Scheme – 2002 by expanding the definition of participants and refreshing the scheme's mandate limit. At the AGM of the Company held on 3 June 2004, an ordinary resolution was passed approving the refreshment of the scheme mandate limit. Pursuant to the Share Option Scheme – 2002 (Amended), participants (including Directors of the Group, employees, consultants and business associates) are entitled to be granted options to subscribe for shares in the Company.

INFORMATION ON SHARE OPTIONS OF THE COMPANY AND SUBSIDIARY (continued)**The Company (continued)**

Movement of share options of the Company during the Reporting Period:

Eligible participant	Type of share option scheme	Date of grant	Number of share options to subscribe for shares					Outstanding as at 30 June 2005	Subscription price per share	Exercise period*
			Outstanding as at 1 January 2005	Granted	Exercised	Cancelled	Lapsed			
Employees:										
Employee	Share Option Scheme - 1997	2 May 2000	900,000	-	-	-	-	900,000	HK\$1.128	2 May 2000 to 3 September 2007
Employees	Share Option Scheme - 2002	16 January 2003	7,600,000	-	-	-	-	7,600,000	HK\$1.056	16 January 2003 to 6 June 2012
Employees	Share Option Scheme - 2002 (Amended)	24 September 2003	9,750,000	-	-	-	-	9,750,000	HK\$1.66	24 September 2003 to 6 June 2012
Employees	Share Option Scheme - 2002 (Amended)	7 October 2003	10,500,000	-	-	-	(3,900,000)	6,600,000 (Note a)	HK\$1.999	7 October 2003 to 6 June 2012
							Total:	<u>24,850,000</u>		
Others:										
Business Associates	Share Option Scheme - 2002 (Amended)	24 September 2003	15,600,000	-	-	-	-	15,600,000	HK\$1.66	24 September 2003 to 6 June 2012
							Total:	<u>15,600,000</u>		

Notes:

* Share options are vested from date of grant.

a. Including an option granted to Mr Kwan Man Wai on 7 October 2003 to subscribe for 3,300,000 shares in the Company at a subscription price of HK\$1.999 per share. On 12 July 2005, Mr Kwan Man Wai was appointed as an Executive Director of the Company.

Except as stated above, no option was cancelled/lapsed from 1 January 2005 and up to the date of the interim report for the six months from 1 January 2005 to 30 June 2005.

INFORMATION ON SHARE OPTIONS OF THE COMPANY AND SUBSIDIARY (continued)**Subsidiary – Ocean Grand Chemicals**

At the AGM of Ocean Grand Chemicals held on 4 September 2003, an ordinary resolution was passed approving the adoption of a share option scheme which complies with Chapter 17 of the Listing Rules of the Stock Exchange. At the AGM of Ocean Grand Chemicals held on 7 September 2004, an ordinary resolution was passed approving the refreshment of the scheme mandate limit.

Movement of share options of Ocean Grand Chemicals during the Reporting Period:

Eligible Participant	Date of grant	Number of share options to subscribe for shares					Outstanding at 30 June 2005	Subscription price per share	Exercise period*
		Outstanding at 1 January 2005	Granted	Exercised	Cancelled	Lapsed			
Employees:									
Employee	9 February 2004	4,700,000	-	-	-	-	4,700,000	HK\$1.38	9 February 2004 – 3 September 2013
Employees	17 February 2005	-	9,400,000 (Note a)	(7,300,000)	-	-	2,100,000	HK\$1.10	17 February 2005 – 3 September 2013
							Total: 6,800,000		
Others:									
Business Associate	21 July 2004	4,700,000	-	-	-	-	4,700,000 (Note b)	HK\$0.97	21 July 2004 – 3 September 2013
							Total: 4,700,000		

Notes:

* Share options are vested from date of grant.

a. The closing price per share of Ocean Grand Chemicals immediately before 17 February 2005 on which the options were granted was HK\$1.11.

b. The option granted to a business associate was lapsed on 1 August 2005.

INFORMATION ON SHARE OPTIONS OF THE COMPANY AND SUBSIDIARY (continued)

Subsidiary – Ocean Grand Chemicals (continued)

After the Reporting Period and up to the date of this interim report, there were movements in the share options of Ocean Grand Chemicals. On 1 August 2005, an option was granted by Ocean Grand Chemicals to an employee to subscribe for 4,700,000 shares in Ocean Grand Chemicals at a subscription price of HK\$1.09 each, with an exercise period from 1 August 2005 to 3 September 2013. The closing price per share of Ocean Grand Chemicals immediately before 1 August 2005 on which the options were granted was HK\$1.08. On the same date, an option granted to a business associate to subscribe for 4,700,000 shares in Ocean Grand Chemicals at an exercise price of HK\$0.97 per share was lapsed (see Note b above). Accordingly, the total number of options issued to subscribe for shares in Ocean Grand Chemicals remained unchanged.

Options were granted for a consideration of HK\$1.00 per grant during the Reporting Period.

The Directors of Ocean Grand Chemicals do not consider it appropriate to disclose a theoretical value of the share options granted during the Reporting Period because the Directors of Ocean Grand Chemicals are of the opinion that the values of share options calculated using theoretical models are subject to certain fundamental limitations, due to the subjective nature of and uncertainty relating to a number of the assumptions of expected future performance input to the model, and certain inherent limitations of the model itself.

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

As at 30 June 2005, the interests and short positions of the Directors and the chief executives of the Company 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 (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

Long positions – in the Company

Name	Type of Interest	Attributable interest to the Director	Number of shares	Number of options	Aggregate interest	Approximate % of the Company's issued share capital
Mr Yip Kim Po	Controlled corporation – Holylake Resources Limited (<i>Note a</i>)	Deemed interest	73,000,000	–	73,000,000	17.22
	Controlled corporation – Grecian Resources Limited (<i>Note b</i>)	Deemed interest	29,000,000	–	29,000,000	6.84
	Beneficial owner	100%	28,000,000	–	28,000,000	6.61
Total:			<u>130,000,000</u>	<u>–</u>	<u>130,000,000</u>	<u>30.67</u>
Mr Hui Ho Ming, Herbert	Beneficial owner	100%	<u>8,316,000</u>	<u>–</u>	<u>8,316,000</u>	<u>1.96</u>
Mr Choy Tak Ho	Beneficial owner	100%	<u>240,000</u>	<u>–</u>	<u>240,000</u>	<u>0.06</u>
Mr Chau Po Fan	Beneficial owner	100%	<u>20,000</u>	<u>–</u>	<u>20,000</u>	<u>0.005</u>
Ms Yip Wan Fung	Beneficial owner	100%	<u>13,730,000</u>	<u>–</u>	<u>13,730,000</u>	<u>3.24</u>

On 12 July 2005, Mr Kwan Man Wai was appointed as an Executive Director of the Company. Mr Kwan Man Wai, with 100% attributable interest, has an option to subscribe for 3,300,000 shares in the Company. Details are set out under the heading "Information on Share Options of the Company and Subsidiary" above.

DIRECTORS’ AND CHIEF EXECUTIVES’ INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (continued)

Long position – in Ocean Grand Chemicals (an associated corporation)

Name	Type of Interest	Attributable interest to the Director	Number of shares	Number of options	Aggregate interest	Approximate % of the associated corporation’s issued share capital
Mr Hui Ho Ming, Herbert	Beneficially owner	100%	9,500,000	–	9,500,000	1.95
Mr Kwan Yan	Beneficially owner	100%	148,000	–	148,000	0.03

Save as disclosed above, no other interests or short positions in the shares, underlying shares or debentures of the Company or any associated corporations as at 30 June 2005 were recorded in the register required to be kept under Section 352 of the SFO and the Company had no notice of any interest required to be recorded under Section 352 of the SFO as at 30 June 2005.

Notes:

- a. *The issued shares of Holylake Resources Limited were owned as to 76% and 24% by Mr Yip Kim Po and Mr Yip Lap Chi respectively.*
- b. *The issued shares of Grecian Resources Limited were owned as to 76% and 24% by Mr Yip Kim Po and Mr Yip Lap Chi respectively.*

DIRECTORS’ RIGHTS TO SUBSCRIBE FOR EQUITY OR DEBT SECURITIES

Save as disclosed under the heading “Directors’ and Chief Executives’ Interests and Short Positions in Shares, Underlying Shares and Debentures” above, none of the Directors or chief executives or their spouses or children under 18 years of age were granted or exercised any right to subscribe for equity or debt securities in the Company.

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

As at 30 June 2005, the interests or short positions of the substantial shareholders and other persons (other than those Directors or chief executives of the Company disclosed above) in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO were as follows:

Long position – Substantial Shareholder

Name	Type of interest	Number of shares	Approximate % of the Company's issued share capital
Holylake Resources Limited	Directly	73,000,000	17.22%

Long positions – Other Persons

Name	Type of interest	Number of shares	Approximate % of the Company's issued share capital
Allianz Aktiengesellschaft	Indirectly through Dresdner RCM Little Dragons Fund Limited	21,200,000	5.00%
Mr Cheah Cheng Hye	Indirectly through Value Partners Limited	41,338,800 (Note)	9.75%
Dresdner RCM Little Dragons Fund Limited	Directly	21,200,000	5.00%
Grecian Resources Limited	Directly	29,000,000	6.84%
Peter Cundill & Associates (Bermuda) Ltd.	Directly	26,826,000	6.33%
Value Partners Limited ("VPL")	Investment manager	41,338,800 (Note)	9.75%

Note: Mr Cheah Cheng Hye is deemed to be interested in the shares through his 31.58% interest in VPL. This figure refers to the same interest of VPL in 41,338,800 shares.

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO (continued)

Save as disclosed above, as at 30 June 2005, there was no person (other than the Directors or chief executives of the Company) who had an interest or short position in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

STAFF POLICY

Staff costs are disclosed in note 4 to the interim report for the six months from 1 January 2005 to 30 June 2005.

The Group believes that human resources are the most valuable assets of all, and is committed to providing a friendly and stimulating working environment for performing staff members. Remuneration of employees is determined on a merit basis with no regard to sex, age or disability of employees. On-the-job training is provided to staff members where necessary. As at 30 June 2005, the Group employed, excluding Directors, a total of approximately 730 (31 December 2004: approximately 720) full time employees. About 90% of them are located in the PRC.

DONATIONS

Donations made by the Group during the Reporting Period amounted to HK\$1,950,000.

COMMITMENTS AND CONTINGENT LIABILITIES

Commitments and contingent liabilities are disclosed in notes 13 and 14 to the interim report for the six months from 1 January 2005 to 30 June 2005.

CHARGES ON GROUP ASSETS

Charges on the Group's assets are disclosed in note 15 to the interim report for the six months from 1 January 2005 to 30 June 2005.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed shares during the six months ended 30 June 2005 (2004: Nil).

AUDIT COMMITTEE AND ITS REVIEW

The written terms of reference which describe the authority and duties of the Audit Committee of the Company were prepared and adopted with reference to “A Guide for The Formulation of An Audit Committee” published by the Hong Kong Institute of Certified Public Accountants and Appendix 14 of the Listing Rules of the Stock Exchange.

The Audit Committee provides an important link between the Board and the Company’s auditors in matters coming within the scope of the Group’s audit. It also reviews the effectiveness of the external audit, internal controls and risk evaluation. The Audit Committee comprised Mr Lee Kwan Ho, Vincent Marshall (the chairman), Mr Choy Tak Ho and Mr Chau Po Fan, all being Independent Non-Executive Directors.

The Audit Committee has reviewed the relevant interim report and the financial statements of the Group for the six months ended 30 June 2005 and was content that the accounting policies of the Group are in accordance with the current best practice in Hong Kong. The Audit Committee found no unusual items that were omitted from the financial statements for the six months period ended 30 June 2005 and was satisfied with the disclosures of data and explanations shown in the financial statements.

REMUNERATION COMMITTEE

The Board has established a Remuneration Committee, comprising Independent Non-Executive Directors, Mr Choy Tak Ho (chairman), Mr Chau Po Fan and Mr Lee Kwan Ho, Vincent Marshall.

The principal responsibilities of the Remuneration Committee include formulation of the remuneration policy, review and recommending to the Board the annual remuneration policy, and determination of the remuneration of the Executive Directors. The overriding objective of the remuneration policy is to ensure that the Company is able to attract, retain, and motivate a high-calibre team which is essential to the success of the Company.

MODEL CODE FOR SECURITIES TRANSACTION BY DIRECTORS

The Company has adopted the Model Code for Securities Transaction by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 of the Listing Rules. Having made specific enquiry of all the Directors of the Company, all the Directors have confirmed that they had complied with the required standard set out in the Model Code during the accounting period covered by the interim report for the six months from 1 January 2005 to 30 June 2005.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES OF THE LISTING RULES

The Directors have reviewed the Company's corporate governance practices and is satisfied that the Company has been in full compliance with the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules during the Reporting Period.

ATTENDANCE AT FULL BOARD/COMMITTEE MEETINGS FOR THE PERIOD FROM 1 JANUARY 2005 TO 15 SEPTEMBER 2005

	Board	Audit Committee	Remuneration Committee
	(Attendance in person/number of meetings)		
Number of meetings	3	2	1
Executive Directors:			
Mr Yip Kim Po	3/3	–	–
Mr Hui Ho Ming, Herbert	3/3	–	–
Mr Kwan Man Wai	2/2	–	–
Mr Kwan Yan	2/3	–	–
Mr Li Lee Cheung	2/3	–	–
Ms Yip Wan Fung	3/3	–	–
Independent Non-Executive Directors:			
Mr Choy Tak Ho	3/3	2/2	1/1
Mr Chau Po Fan	3/3	2/2	1/1
Mr Lee Kwan Ho, Vincent Marshall	3/3	2/2	1/1

On behalf of the Board

YIP Kim Po

Chairman

Hong Kong, 15 September 2005

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – CONDENSED CONSOLIDATED INCOME STATEMENT

The Directors of the Company are pleased to announce the unaudited consolidated results of the Group for the Reporting Period together with the comparative figures for the corresponding period in 2004 as follows:

Condensed Consolidated Income Statement – unaudited

	Note	For the six months ended 30 June	
		2005 HK\$'000	2004 (Restated) HK\$'000
Turnover	2	1,372,147	1,446,249
Cost of sales		(1,207,865)	(1,273,340)
Gross profit		164,282	172,909
Other revenue	2	4,008	3,005
Other net income	3	2,990	965
Distribution and selling expenses		(5,718)	(2,415)
General and administrative expenses		(53,240)	(43,097)
Other operating expenses		(781)	(7,807)
Profit from operations		111,541	123,560
Finance costs		(19,548)	(12,620)
Share of results of associates		–	8,150
Profit from ordinary activities before taxation	4	91,993	119,090
Taxation	5	(8,509)	(14,585)
Profit for the period		83,484	104,505
Attributable to:			
Equity holders of the Company		71,804	88,501
Minority interests		11,680	16,004
		83,484	104,505
Dividends attributable to the period	6	12,715	14,834
Earnings per share	7		
– Basic		HK16.9 cents	HK21.2 cents
– Diluted		HK16.6 cents	HK20.2 cents

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Condensed Consolidated Statement of Changes in Equity – unaudited

	Share capital HK\$'000	Share premium HK\$'000	Statutory reserves HK\$'000	Capital reserve HK\$'000	Capital redemption reserve HK\$'000	Property revaluation reserve HK\$'000	Fair value reserve HK\$'000	Exchange reserve HK\$'000	Accumulated profits HK\$'000	Total equity attributable to shareholders of the Company HK\$'000	Minority interests HK\$'000	Total equity HK\$'000
At 1 January 2004												
– as previously reported	416,235	113,914	23,519	63,222	581	40,852	–	1,076	463,361	1,122,760	39,122	1,161,882
– prior year adjustment in respect of land	–	–	–	–	–	(11,218)	–	(503)	14,167	2,446	(518)	1,928
– as restated	416,235	113,914	23,519	63,222	581	29,634	–	573	477,528	1,125,206	38,604	1,163,810
Dividend approved in respect of previous year	–	–	–	–	–	–	–	–	(27,224)	(27,224)	(7,198)	(34,422)
Equity movements arising from issue of shares upon exercise of share options	7,600	426	–	–	–	–	–	–	–	8,026	–	8,026
Adjustment on deemed disposal of a subsidiary	–	–	–	–	–	–	–	–	–	–	499	499
Exchange difference on translation of foreign subsidiaries	–	–	–	–	–	–	–	(14)	–	(14)	–	(14)
Profits for the period	–	–	–	–	–	–	–	–	88,501	88,501	16,004	104,505
At 30 June 2004 (restated)	423,835	114,340	23,519	63,222	581	29,634	–	559	538,805	1,194,495	47,909	1,242,404
At 1 January 2005												
– as previously reported	423,835	114,340	23,519	27,206	581	39,880	–	1,387	595,736	1,226,484	76,818	1,303,302
– prior year adjustment in respect of land	–	–	–	–	–	(11,910)	–	(503)	14,839	2,426	(504)	1,922
– as restated	423,835	114,340	23,519	27,206	581	27,970	–	884	610,575	1,228,910	76,314	1,305,224
– write off of negative goodwill	–	–	–	–	–	–	–	–	1,928	1,928	–	1,928
– as restated	423,835	114,340	23,519	27,206	581	27,970	–	884	612,503	1,230,838	76,314	1,307,152
Goodwill previously eliminated against accumulated profits now released upon deemed disposal of a subsidiary	–	–	–	–	–	–	–	–	454	454	–	454
Equity movements arising from issue of shares of a subsidiary to minority shareholders	–	–	–	(424)	–	(61)	–	(1)	–	(486)	6,184	5,698
Surplus on revaluation of financial instruments	–	–	–	–	–	–	301	–	–	301	–	301
Profits for the period	–	–	–	–	–	–	–	–	71,804	71,804	11,680	83,484
At 30 June 2005	423,835	114,340	23,519	26,782	581	27,909	301	883	684,761	1,302,911	94,178	1,397,089

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – CONDENSED CONSOLIDATED BALANCE SHEET

Condensed Consolidated Balance Sheet

	Note	At 30 June 2005 (Unaudited) HK\$'000	At 31 December 2004 (Restated) HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Fixed assets	8	387,732	476,838
Lease premium on land		174,691	45,208
Intangible asset		9,984	4,773
Goodwill		14,086	14,086
Negative goodwill		–	(1,928)
Prepayments and deposits		104,781	84,144
Available-for-sale investments		3,320	3,019
Deferred tax assets		15,316	13,300
		709,910	639,440
Current assets			
Current portion of lease premium on land		3,747	1,067
Inventories		67,746	87,143
Trade and other receivables	9	794,867	817,126
Other financial assets		1,095	13,691
Cash and cash equivalents		1,161,763	1,050,694
		2,029,218	1,969,721
Current liabilities			
Short-term borrowings		621,217	496,910
Trade and other payables	10	77,193	151,593
Current portion of long-term bank borrowings		213,647	168,513
Current portion of obligations under finance leases		1,582	6,713
Current tax liabilities		11,998	14,644
		925,637	838,373
Net current assets		1,103,581	1,131,348
Total assets less current liabilities		1,813,491	1,770,788
Non-current liabilities			
Long-term borrowings		414,822	463,266
Obligations under finance leases		180	898
Deferred tax liabilities		1,400	1,400
		416,402	465,564
NET ASSETS		1,397,089	1,305,224
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital	11	423,835	423,835
Reserves		879,076	805,075
		1,302,911	1,228,910
Minority interests		94,178	76,314
		1,397,089	1,305,224

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – CONDENSED CONSOLIDATED CASH FLOW STATEMENT

Condensed Consolidated Cash Flow Statement – unaudited

	For the six months ended 30 June	
	2005 HK\$'000	2004 HK\$'000
Net cash generated from operating activities	21,829	41,712
Net cash used in investing activities	(31,637)	(96,952)
Net cash generated from financing activities	110,001	72,823
Net increase in cash and cash equivalents	100,193	17,583
Cash and cash equivalents at beginning of period	1,047,696	461,063
Cash and cash equivalents at end of the period	<u>1,147,889</u>	<u>478,646</u>
Analysis of cash and cash equivalents		
Bank balances and cash	1,161,763	482,676
Bank overdrafts	(13,874)	(4,030)
	<u>1,147,889</u>	<u>478,646</u>

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

The condensed consolidated interim financial statements are unaudited, but have been reviewed by the Audit Committee of the Company.

These unaudited condensed consolidated interim financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") and the Hong Kong Accounting Standard No. 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants.

The accounting policies used in the preparation of these unaudited condensed consolidated interim financial statements are consistent with those set out in the 2004 Annual Report, except that the Group has changed certain of its accounting policies following its adoption of new/revised Hong Kong Financial Reporting Standards ("HKFRSs") and Hong Kong Accounting Standards ("HKASs") which are relevant to its operations and effective for accounting periods commencing on or after 1 January 2005. The adopted new/revised HKFRSs and HKASs that are of significant difference from the accounting policies set out in the 2004 Annual Report are discussed below, with comparative figures of the corresponding period in 2004 amended in accordance with the relevant requirements:

(a) HKAS 1 "Presentation of Financial Statements"

With the adoption of HKAS 1, minority interests are now treated as part of investment in equity in the balance sheet rather than as a deduction from or addition to net assets. In the profit and loss account, minority interests are now disclosed as an allocation of the profit or loss for the period rather than a deduction or addition of profit. This change has been applied retrospectively and 2004 comparatives have been restated accordingly.

(b) HKAS 17 "Leases"

The adoption of HKAS 17 has resulted in a change in the accounting policy relating to leasehold land and buildings held for own use. In prior years, the leasehold land and buildings held for own use were accounted for as fixed assets and carried at revalued amounts less any subsequent accumulated depreciation and impairment losses. Revaluation surplus or deficit was dealt with in the property revaluation reserve. HKAS 17, however, prescribes leasehold land to be accounted for as an operating lease if title is not expected to pass to the lessee at the end of the lease term. Pursuant to the requirements, such leasehold land will no longer be revalued and the lease premiums for acquiring the land leases are amortised on a straight line basis over the lease term. If the lease payments cannot be allocated reliably between the land and buildings elements, the leasehold interests in land continue to be accounted for as property, plant and equipment.

The new accounting policies have been adopted retrospectively, with the opening balances of retained earnings and the property revaluation reserve and the comparative information adjusted for the amounts relating to prior periods as disclosed in the condensed consolidated statement of changes in equity in the interim report for the six months from 1 January 2005 to 30 June 2005. Consequently, the fixed assets in 2004 was reduced by HK\$49,353,000, including an amount of HK\$45,208,000 is reclassified as lease premium on land in 2004. The impact on the Group's current or prior period's operating results are immaterial.

1. ACCOUNTING POLICIES (continued)

(c) HKAS 32 “Financial Instruments: Disclosure and Presentation” and HKAS 39 “Financial Instruments: Recognition and Measurement”

In the current period, the Group has applied HKAS 32 and HKAS 39.

In previous periods, the Group had classified its investment in equity and debt securities as “other investments” and measured at fair value, with unrealised gains or losses included in the income statement. From 1 January 2005 onwards, the Group classifies and measures its investment in equity and debt securities in accordance with HKAS 39. As a result, investments in securities classified under non-current assets with carrying amount of HK\$3,019,000 are reclassified as available-for-sale investments and carried at fair value. Besides, investments in debt securities previously classified under current assets with carrying amount of HK\$13,691,000 are reclassified as other financial assets and stated at fair value. Subsequent changes in fair value are recognised in equity.

The adoption of these new policies does not have other material impact on the Group’s current or prior period’s financial statements.

(d) HKAS 36 “Impairment of Assets”, HKAS 38 “Intangible Assets” and HKFRS 3 “Business Combinations”

The adoption of HKAS 36, HKAS 38 and HKFRS 3 has resulted in a change in the accounting policy for goodwill. Prior to the adoption, goodwill arising on acquisitions was capitalised and amortised on a straight-line basis over its estimated useful life and such goodwill was assessed for impairment at each balance sheet date. Following the adoption, the Group ceased amortisation of goodwill from 1 January 2005 and the accumulated amortisation of goodwill arising on acquisitions as at 1 January 2005 has been eliminated with the respective cost of goodwill at that date. Goodwill arising on acquisitions after 1 January 2005 is measured at cost less accumulated impairment losses after initial recognition. As a result, no amortisation of goodwill has been charged in the current period.

In accordance with HKFRS 3, negative goodwill is recognised immediately in profit or loss in the period in which the acquisition takes place. In previous periods, negative goodwill arising on acquisitions was presented as a deduction from assets and released to income based on analysis of the circumstances from which the balance resulted. In accordance with the relevant transitional provisions, the Group has derecognised all negative goodwill at 1 January 2005, with a corresponding increase to opening retained earnings.

The Group estimates that the adoption of HKAS 36, HKAS 38 and HKFRS 3 in the accounting periods beginning on 1 January 2005 in relation to the discontinued goodwill amortisation would result in an increase in the profit for the six months ended 30 June 2005 of HK\$630,000.

Additionally, the Group has reassessed the useful lives of its intangible assets in accordance with the provisions of HKAS 38. No adjustment is considered necessary as a result of the assessment.

1. ACCOUNTING POLICIES (continued)

(e) HKAS 40 “Investment Property”

The adoption of HKAS 40 has resulted in a change in the accounting policy for investment property. Prior to this, changes in the value of investment properties are dealt with as movements in the investment property revaluation reserve. If the total of this reserve is insufficient to cover a deficit, the excess of the deficit is charged to the profit and loss account. Any subsequent revaluation surplus is credited to the profit and loss account to the extent of the deficit previously charged. After the adoption of HKAS 40, any changes in value of investment property are dealt with in the profit and loss account and there should be no revaluation reserve available for offsetting against revaluation deficits. The adoption of HKAS 40 does not have any impact on the Group’s current or prior period’s financial statements.

2. TURNOVER, REVENUE AND SEGMENTAL INFORMATION

Turnover and revenue recognised by category are analysed as follows:

	For the six months ended 30 June	
	2005 HK\$'000	2004 HK\$'000
Turnover		
Sale of goods	1,320,890	1,380,736
Subcontracting fees	51,257	65,513
	1,372,147	1,446,249
Other revenue		
Interest income	4,008	1,712
Service fees	–	1,293
	4,008	3,005
Revenue	1,376,155	1,449,254

2. TURNOVER, REVENUE AND SEGMENTAL INFORMATION (continued)

The turnover and operating profit of the Group analysed by business segments and by geographical segments are as follows:

(a) By business segments

The Group comprises the following main business segments:

Aluminium: The manufacture and sale of aluminium extrusion products, aluminium alloy ingots and aluminium ingots.

Chemicals: The manufacture and sale of precious metal electroplating chemicals.

	Aluminium HK\$'000	Chemicals HK\$'000	Others HK\$'000	Consolidated HK\$'000
Six months ended 30 June 2005				
External sales	883,169	488,978	–	1,372,147
Segment result	84,762	49,543	–	134,305
Unallocated operating income and expenses				(22,764)
Profit from operations				111,541
Six months ended 30 June 2004 (restated)				
External sales	828,097	610,702	7,450	1,446,249
Other revenue	–	–	1,293	1,293
	828,097	610,702	8,743	1,447,542
Segment result	76,942	56,324	375	133,641
Unallocated operating income and expenses				(10,081)
Profit from operations				123,560

2. TURNOVER, REVENUE AND SEGMENTAL INFORMATION (continued)

(b) By geographical segments

	For the six months ended 30 June 2005	
	Revenue from external customers HK\$'000	Contributions to profit from operation HK\$'000
Hong Kong	855,604	30,123
Overseas	58,791	3,916
PRC	457,752	77,502
	1,372,147	111,541

	For the six months ended 30 June 2004	
	Revenue from external customers HK\$'000	Contributions to profit from operation (Restated) HK\$'000
Hong Kong	800,381	32,449
Overseas	37,335	8,536
PRC	608,533	82,575
	1,446,249	123,560

3. OTHER NET INCOME

	For the six months ended 30 June	
	2005 HK\$'000	2004 HK\$'000
Gain on deemed and partial disposal of a subsidiary	1,903	827
Unrealised gain on revaluation of financial instruments	608	–
Sundry income	479	138
	2,990	965

The gain on deemed disposal of a subsidiary in 2005 was arisen from the exercise of the share option rights in the subsidiary to subscribe for 7,300,000 shares at the subscription price of HK\$1.10 each in the subsidiary.

4. PROFIT FROM ORDINARY ACTIVITIES BEFORE TAXATION

This is stated after charging (crediting) the following:

	For the six months ended 30 June	
	2005 HK\$'000	2004 (Restated) HK\$'000
Depreciation		
Owned assets	18,597	19,515
Assets held under finance leases	1,346	1,358
Amortisation of lease premium on land use rights	1,874	533
Staff costs	32,153	20,542
(Over) provision for long outstanding trade receivables	(4,950)	7,800
Loss on disposal of fixed assets	684	–
Amortisation of positive goodwill included in		
share of results of associates	–	1,373
Amortisation of intangible asset	590	951
Amortisation of negative goodwill	–	(203)
	8,509	13,279

5. TAXATION

	For the six months ended 30 June	
	2005 HK\$'000	2004 HK\$'000
Current taxation:		
– Hong Kong Profits Tax	515	1,101
– PRC enterprise income tax	16,933	14,147
– Over-provision in prior year	(6,923)	(969)
Deferred taxation relating to the origination and reversal of temporary differences	(2,016)	(1,000)
	8,509	13,279
Share of taxation attributable to associates	–	1,306
Taxation charge	8,509	14,585

Hong Kong Profits Tax has been provided at the rate of 17.5% (2004: 17.5%) on the estimated assessable profit for the period.

PRC enterprise income tax has been provided on the estimated assessable profits for the period at the rates of taxation prevailing in the PRC. However, Hongli Aluminium (Foshan) Company Limited and Kenlap Fine Chemical (Zhuhai) Technology Company Limited are exempted from PRC state income tax and local income tax for two years starting from their first profit-making year of operation after offsetting prior year losses, followed by a 50% relief for the following three years.

6. INTERIM DIVIDEND

The Directors recommend the payment of an interim dividend of HK3.0 cents (2004: HK3.5 cents) per share for the six months ended 30 June 2005.

7. EARNINGS PER SHARE

The calculations of basic and diluted earnings per share for the six months ended 30 June 2005 are based on the Group's profit of approximately HK\$71,804,000 (30 June 2004 (restated): HK\$88,501,000). The basic earnings per share is based on the weighted average number of 423,835,000 shares in issue (30 June 2004: 417,339,000 shares) during the period. The diluted earnings per share is calculated based on the weighted average number of 432,788,000 shares (30 June 2004: 437,377,000 shares) after adjusting for the effects of all dilutive potential ordinary shares under the Company's share option schemes as detailed in Note 12 to the financial statements.

8. FIXED ASSETS

During the period, the Group's acquisition of property, plant and equipment amounted to HK\$64,103,000 (30 June 2004: HK\$22,269,000).

9. TRADE AND OTHER RECEIVABLES

	At 30 June 2005 HK\$'000	At 31 December 2004 HK\$'000
Trade receivables	745,794	700,261
Other receivables		
Deposits, prepayments and other debtors	49,073	116,865
	794,867	817,126

Most of the Group's turnover is on open account terms, while the remaining is on cash on delivery and letter of credit terms. The ageing analysis of trade receivables is as follows:

	At 30 June 2005 HK\$'000	At 31 December 2004 (Restated) HK\$'000
Current (within 2 months)	456,185	468,139
More than 2 months but less than 3 months	135,733	117,770
More than 3 months but less than 4 months	107,531	35,024
More than 4 months but less than 6 months	43,592	53,288
More than 6 months but less than 12 months	2,753	25,808
More than 12 months but less than 24 months	-	232
	745,794	700,261

10. TRADE AND OTHER PAYABLES

	At 30 June 2005 HK\$'000	At 31 December 2004 HK\$'000
Trade payables	48,147	116,086
Other payables		
Accrued charges and other creditors	29,046	29,657
Due to minority shareholders	–	5,850
	<u>77,193</u>	<u>151,593</u>

The aging analysis of trade payable is as follows:

	At 30 June 2005 HK\$'000	At 31 December 2004 HK\$'000
Current (within 1 month)	41,592	83,881
More than 1 month but less than 3 months	3,540	32,113
More than 3 months but less than 12 months	3,015	92
	<u>48,147</u>	<u>116,086</u>

11. ISSUED CAPITAL

	At 30 June 2005		At 31 December 2004	
	Number of shares '000	Amount HK\$'000	Number of shares '000	Amount HK\$'000
Authorised:				
Ordinary shares of HK\$1.00 each	1,000,000	1,000,000	1,000,000	1,000,000
Issued and fully paid:				
At beginning of period/year	423,835	423,835	416,235	416,235
Shares issued upon the exercise of share options	–	–	7,600	7,600
At balance sheet date	<u>423,835</u>	<u>423,835</u>	<u>423,835</u>	<u>423,835</u>

12. SHARE OPTIONS

Eligible participant	Type of share option scheme	Date of grant	Number of share options to subscribe for shares				Outstanding at 30 June 2005	Subscription price per share	Exercise period ^a	
			Outstanding at 1 January 2005	Granted	Exercised	Cancelled				Lapsed
Employees:										
Employee	Share Option Scheme - 1997	2 May 2000	900,000	-	-	-	-	900,000	HK\$1.128	2 May 2000 to 3 September 2007
Employees	Share Option Scheme - 2002	16 January 2003	7,600,000	-	-	-	-	7,600,000	HK\$1.056	16 January 2003 to 6 June 2012
Employees	Share Option Scheme - 2002 (Amended)	24 September 2003	9,750,000	-	-	-	-	9,750,000	HK\$1.66	24 September 2003 to 6 June 2012
Employees	Share Option Scheme - 2002 (Amended)	7 October 2003	10,500,000	-	-	-	(3,900,000)	6,600,000 (Note a)	HK\$1.999	7 October 2003 to 6 June 2012
							Total:	<u>24,850,000</u>		
Others:										
Business Associates	Share Option Scheme - 2002 (Amended)	24 September 2003	15,600,000	-	-	-	-	15,600,000	HK\$1.66	24 September 2003 to 6 June 2012
							Total:	<u>15,600,000</u>		

Notes:

* Share options are vested from date of grant.

a. Including an option granted to Mr Kwan Man Wai on 7 October 2003 to subscribe for 3,300,000 shares in the Company at a subscription price of HK\$1.999 per share. On 12 July 2005, Mr Kwan Man Wai was appointed as an Executive Director of the Company.

13. COMMITMENTS

(a) Capital expenditure commitments

	At 30 June 2005 HK\$'000	At 31 December 2004 HK\$'000
Contracted but not provided for, net of deposit paid	<u>71,883</u>	<u>67,813</u>

Subsequent to the balance sheet date, the Group entered into contracts for capital expenditure amounting to approximately HK\$18,800,000.

(b) Investment commitments

As at 30 June 2005, the Group had an outstanding commitment of HK\$311,000,200 (31 December 2004: HK\$11,000,000) in respect of the capital contribution to subsidiaries in the PRC.

14. CONTINGENT LIABILITIES

(a) Corporate guarantee

During the Reporting Period, the Company provided corporate guarantees to banks and other financial institutions in respect of banking facilities and other finance lease credits given to the subsidiaries. At the balance sheet date, the banking facilities and other finance lease granted to and utilised by the subsidiaries amounted to HK\$1,323,473,000 (31 December 2004: HK\$1,267,273,000) and HK\$977,265,000 (31 December 2004: HK\$886,565,000) respectively.

(b) Value-added tax ("VAT")

Before 30 June 2003, a subsidiary of the Company had paid PRC VAT at a concessionary basis of calculation as agreed with the local State Tax Bureau. The Group is contingently liable to pay VAT at the standard basis of calculation. Had the standard basis of calculation as stipulated by PRC tax law been strictly enforced, the VAT liability of the Group would be significantly increased. However, in the opinion of the Directors, such liability is unlikely to crystallise and it is not practicable to estimate such possible amount.

15. PLEDGE OF ASSETS

Certain banking facilities of the Group were secured by corporate guarantees provided by the Company and pledge of properties with carrying value of approximately HK\$7,280,000 (31 December 2004 (restated): HK\$7,009,000).

16. RELATED PARTY TRANSACTION

In addition to the information disclosed in the report of the directors, the Group had the following transactions with related parties:

- (a) During the period, the Group paid consultancy fee of HK\$480,000 (six months ended 30 June 2004: HK\$480,000) to a company which is beneficially owned by a Director of the Company.
- (b) On 1 January 2004, a subsidiary of the Company entered into lease agreements with a company which is beneficially owned by a Director of the Company for leasing of two motor vehicles. During the period, the Group paid rental expenses of HK\$480,000 (six months ended 30 June 2004: HK\$480,000) to the lessor.

17. COMPARATIVE FIGURES

Certain comparative figures for the period ended 30 June 2004 and as at 31 December 2004 have been reclassified to conform with the current period's presentation.