



建聯集團有限公司  
**Chinney Alliance Group Limited**  
(Incorporated in Bermuda with limited liability)

Interim Report 2005

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## CORPORATE INFORMATION

### BOARD OF DIRECTORS

#### Executive Directors

James Sai-Wing WONG (*Chairman*)

Stephen Sek-Kee YU

Frank Kwok-Kit CHU

Peter Chi-Chung LUK

#### Non-executive Director

Herman Man-Hei FUNG

#### Independent Non-executive Directors

William Gage MCAFEE

David Chung-Shing WU

Vincent Tian-Quan MO

### AUDIT COMMITTEE

William Gage MCAFEE (*Chairman*)

David Chung-Shing WU

Vincent Tian-Quan MO

Herman Man-Hei FUNG

### REMUNERATION COMMITTEE

William Gage MCAFEE (*Chairman*)

David Chung-Shing WU

Peter Chi-Chung LUK

### COMPANY SECRETARY

Peter Chi-Chung LUK

### PRINCIPAL BANKERS

CITIC Ka Wah Bank Limited

Standard Chartered Bank (Hong Kong) Limited

The Hongkong and Shanghai Banking Corporation  
Limited

### AUDITORS

Ernst & Young

### PRINCIPAL SHARE REGISTRARS AND TRANSFER OFFICE

The Bank of Bermuda Limited

6 Front Street

Hamilton HM 11

Bermuda

### HONG KONG BRANCH SHARE REGISTRARS AND TRANSFER OFFICE

Tengis Limited

Ground Floor

Bank of East Asia Harbour View Centre

56 Gloucester Road

Wanchai

Hong Kong

### REGISTERED OFFICE

Clarendon House

Church Street

Hamilton HM 11

Bermuda

### HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

18th Floor

Hang Seng Building

77 Des Voeux Road Central

Hong Kong

### STOCK CODE

SEHK 385

## BUSINESS ADDRESSES AND CONTACTS

### **Chinney Alliance Group Limited**

18th Floor  
 Hang Seng Building  
 77 Des Voeux Road Central  
 Hong Kong

Tel : (852) 2877-3307  
 Fax : (852) 2877-2035  
 E-mail : [general@chinneyhonkwok.com](mailto:general@chinneyhonkwok.com)

### **Chinney Alliance Engineering Limited**

Suite 1001, 10th Floor  
 Asian House  
 1 Hennessy Road  
 Wanchai  
 Hong Kong

Tel : (852) 2880-3888  
 Fax : (852) 2811-0974  
 Website : <http://www.chinney-eng.com>  
 E-mail : [focal@chinney-eng.com](mailto:focal@chinney-eng.com)

### **Westco Chinney Limited**

Suite 1001, 10th Floor  
 Asian House  
 1 Hennessy Road  
 Wanchai  
 Hong Kong

Tel : (852) 2362-4301  
 Fax : (852) 2412-1706  
 Website : <http://www.westcochinney.com>  
 E-mail : [wcl@westcochinney.com](mailto:wcl@westcochinney.com)

### **DMT International Hong Kong Limited**

Units 601-603, 6th Floor  
 AXA Centre  
 151 Gloucester Road  
 Wanchai  
 Hong Kong

Tel : (852) 2810-4662  
 Fax : (852) 2810-6929  
 E-mail : [info@dmthk.com](mailto:info@dmthk.com)

### **Jacobson van den Berg (Hong Kong) Limited**

Units 601-603, 6th Floor  
 AXA Centre  
 151 Gloucester Road  
 Wanchai  
 Hong Kong

Tel : (852) 2828-9328  
 Fax : (852) 2828-9388  
 E-mail : [info@jvdb.com](mailto:info@jvdb.com)

## REVIEW OF OPERATIONS

### RESULTS

The Group's turnover and profit for the six months ended 30 June 2005 were HK\$535 million (2004: HK\$496 million) and HK\$0.3 million (2004: HK\$5.7 million), respectively.

The growth in turnover came mainly from the strong performance of our plastic division. The division posted a 21% increase in turnover as plastic resin prices went up in tandem with the oil prices.

The Group's net profit was affected by sharing the loss of an associate, Shun Cheong Holdings Limited ("Shun Cheong"). Stripping out the share of net loss of Shun Cheong, the Group would have reported a net profit of HK\$6.7 million, as compared with a net profit of HK\$5.9 million in prior period.

### INTERIM DIVIDEND

The board of directors of the Company (the "Board") does not propose the payment of an interim dividend for the six months ended 30 June 2005 (2004: nil).

### CAPITAL REORGANISATION

As announced on 13 April 2005, the Company proposed a capital reorganisation involving cancellation of the capital reserve and share premium accounts as well as consolidation of shares into larger denomination (the "Capital Reorganisation"). The Capital Reorganisation was approved by the shareholders of the Company and took effect on 6 June 2005 as follows:

- (a) the capital reserve account being cancelled with the entire credit of HK\$236,500,000 in the account being applied to partly eliminate the accumulated losses of the Company;
- (b) the share premium account being cancelled with a credit of HK\$471,835,000 in the account being applied to fully eliminate the balance of the accumulated losses of the Company and a remaining credit of HK\$97,151,000 being transferred to a contributed surplus account; and
- (c) every twenty-five shares of the Company with a par value of HK\$0.01 each being consolidated into one new share of the Company with a par value of HK\$0.25 each.

### BUSINESS REVIEW AND PROSPECTS

#### Trading of plastics and chemicals

DMT International Hong Kong Limited ("DMT") and Jacobson van den Berg (Hong Kong) Limited ("JvdB") recorded an aggregate turnover of HK\$466 million compared with HK\$385 million in prior period. The 21% turnover growth was mainly attributable to the increase in resin prices in an environment of escalating oil prices.

DMT and JvdB maintain a prudent inventory replenishment policy, which is demand driven rather than speculating the ups and downs of the resin prices. So, the business is growing healthily albeit at a slightly lower margin as customers pressured for price decrease. Operating profit increased to HK\$21.7 million (2004: HK\$15.5 million) against the increase in revenue.

#### **Trading of industrial products and equipment**

Chinney Alliance Engineering Limited and its subsidiaries ("CAEL") reported turnover of HK\$30.2 million compared with HK\$81.2 million in prior period. Delay in project billings and the longer-than-expected time to nurture new agencies accounted mainly for the drop in turnover.

The division turned from break-even to an operating loss of HK\$2.9 million, as revenue dropped. The road ahead remains difficult but it is encouraged to see that there are more business enquiries as the construction industry seems to be recovering and the efforts to develop Mainland trade start to bear fruit.

#### **Wholesaling of electrical appliances and air-conditioning engineering works**

Jackson Mercantile Trading Company Limited ("JMT") was acquired in September 2001 as an attempt to expand the Company's trading business. Nevertheless, the home electrical appliances business has not been promising in the past few years, as the consumers would rather spend on "brown" goods such as televisions, hi-fis, mobiles and digital cameras than on "white" goods such as air-conditioners and washers. JMT imported a major portion of its merchandise from Europe. The high exchange rate of Euros made imported goods non-competitive in this shrinking market. So, after careful consideration, the management finally decided to discontinue the home appliance business during the period under review. The remaining stocks were sold to the new distributor at book value with all staff being retrenched in June 2005. JMT recorded turnover of HK\$12.6 million (2004: HK\$14.0 million) and a net loss of HK\$1.0 million (2004: HK\$0.1 million) in the period.

Westco Chinney Limited, the subsidiary of JMT engaged in air-conditioning works, contributed turnover of HK\$38.0 million (2004: HK\$30.2 million) and an operating profit of HK\$1.9 million (2004: HK\$0.3 million) in the period.

#### **Associates**

Shun Cheong Holdings Limited ("Shun Cheong"), a 29.9% owned associate of the Company, provides electrical and mechanical engineering services as well as other associated engineering services to the building industry. Shun Cheong reported turnover of HK\$550 million (2004: HK\$734 million) and a net loss after minority interests of HK\$33.7 million for the year ended 31 March 2005 (2004: net profit after minority interests of HK\$1.8 million). Shun Cheong's loss intensified from the first-half year loss of HK\$12.4 million to the second-half year loss of HK\$21.3 million during the year ended 31 March 2005. The Company's share of loss of Shun Cheong was therefore HK\$6.4 million in the period (2004: HK\$0.2 million).

The slowdown in housing development in both private and public sectors remained during the period under review. Shun Cheong continued to face fierce competition due to limited availability of jobs, which led to erosion of turnover and reduced gross margin. Pending recovery of the local construction industry, Shun Cheong actively explores the Macau market where there has been a construction boom arising from the liberalisation of the gambling industry. In July 2005, Shun Cheong was awarded an electrical installation contract of HK\$130 million for the Grand Lisboa Hotel and Casino project at Macau. As the local economy becomes revived, it is hoped that the difficult operating environment will improve with more private developments and increased government spending in the public sector.

## FINANCIAL REVIEW

### Liquidity and financial resources

Total interest-bearing debts of the Group amounted to HK\$256 million as at 30 June 2005 (31 December 2004: HK\$233 million), of which HK\$217 million (31 December 2004: HK\$190 million) related to trust receipt loans. The debts were all due and repayable within one year. Current ratio of the Group at 30 June 2005, as measured by total current assets over total current liabilities, was 1.26.

Total cash on hand as at 30 June 2005 was HK\$67 million. The Group had a total of HK\$122 million committed but undrawn banking facilities at period-end available for its working capital purpose.

The gearing ratio of the Group, as measured by the net interest-bearing debts of HK\$189 million over the shareholders' funds of HK\$153 million, was 124% as at 30 June 2005.

### Funding and treasury policy

The Group maintains a prudent funding and treasury policy. Surplus funds are maintained in the form of cash deposits with leading banks. Borrowings are mainly denominated in Hong Kong dollars and bear interest at floating rates. Forward contracts of non-speculative nature are entered to hedge the foreign currency trade purchase commitments of the Group.

### Pledge of assets

Certain properties, having an aggregate book value of HK\$24 million as at 30 June 2005, were pledged to secure the borrowings of the Group.

### Employees and remuneration policies

The Group employed approximately 250 staff in Hong Kong and other parts of the PRC as at 30 June 2005. Remuneration packages are reviewed annually and determined by reference to market pay and individual performance. In addition to salary payments and year-end discretionary bonuses, the Group also provides other employment benefits including medical insurance cover, provident fund and educational subsidies to eligible staff.

## OUTLOOK

The global economy continued to improve during the period under review, despite soaring oil prices, rising interest rates and increased threat of terrorism. The Mainland economy is still the main growth engine, with GDP growth exceeding 9% in the second quarter of 2005.

The Group, mainly in the trading of plastics for customers with production base in Mainland China, stands to benefit from the global economic growth and the increased oil prices. The merging of our plastic trade businesses a few years ago laid the solid foundation to build a cohesive management team in capturing the opportunities now available in the market place. The Group's decision to discontinue the wholesaling of electrical home appliance business is a move to preserve the value of the Company to its shareholders by focusing resources on trading activities in Mainland China, which offer better prospects for profitability.

By Order of the Board  
**James Sai-Wing Wong**  
*Chairman*

Hong Kong, 20 September 2005



## CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Notes	Six months ended 30 June	
		2005 (Unaudited) HK\$'000	2004 (Unaudited and restated) HK\$'000
<b>CONTINUING OPERATIONS</b>			
<b>TURNOVER</b>	2	<b>534,525</b>	496,007
Cost of sales/services		<b>(484,760)</b>	(444,689)
Gross profit		<b>49,765</b>	51,318
Other income and gains	3	<b>2,727</b>	2,232
Selling and distribution costs		<b>(9,626)</b>	(9,730)
Administrative expenses		<b>(31,270)</b>	(32,326)
Other operating income/(expenses), net		<b>3,586</b>	(1,300)
Finance costs	4	<b>(4,489)</b>	(2,533)
Share of losses of associates		<b>(6,608)</b>	(416)
Profit before tax	5	<b>4,085</b>	7,245
Tax	6	<b>(2,792)</b>	(1,420)
Profit from continuing operations		<b>1,293</b>	5,825
<b>DISCONTINUED OPERATION</b>			
Loss from discontinued operation	7	<b>(968)</b>	(88)
<b>PROFIT FOR THE PERIOD</b>		<b>325</b>	5,737
<b>ATTRIBUTABLE TO:</b>			
Equity holders of the parent		<b>526</b>	5,174
Minority interests		<b>(201)</b>	563
		<b>325</b>	5,737
<b>EARNINGS PER SHARE – Basic</b>			
From continuing and discontinued operations	8	<b>0.33 cent</b>	3.50 cents
From continuing operations		<b>0.94 cent</b>	3.56 cents

## CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	As at 30 June 2005  (Unaudited) HK\$'000	As at 31 December 2004  (Audited and restated) HK\$'000
<b>NON-CURRENT ASSETS</b>			
Fixed assets		35,589	36,545
Interests in associates		21,671	28,279
Deferred tax assets		766	1,404
Other assets		4,618	4,036
		<u>62,644</u>	<u>70,264</u>
<b>CURRENT ASSETS</b>			
Properties held for resale		3,036	3,036
Inventories		103,450	118,363
Gross amount due from contract customers		3,610	5,134
Trade and retention monies receivables	9	258,492	236,577
Amounts due from related companies		1,784	3,244
Financial assets at fair value through profit or loss		9,776	11,986
Deposits, prepayments and other receivables		10,330	7,784
Cash and cash equivalents		66,624	62,778
		<u>457,102</u>	<u>448,902</u>
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	10	67,443	81,422
Trust receipt loans		216,818	189,584
Amounts due to related companies		353	315
Other payables and accruals		32,745	41,886
Tax payable		7,007	5,541
Interest-bearing bank loans and overdrafts		38,837	39,960
		<u>363,203</u>	<u>358,708</u>
<b>NET CURRENT ASSETS</b>		<u>93,899</u>	<u>90,194</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>156,543</u>	<u>160,458</u>
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank loans		–	3,750
Provisions		1,248	1,376
Deferred tax liabilities		1,047	1,059
		<u>2,295</u>	<u>6,185</u>
		<u>154,248</u>	<u>154,273</u>
<b>CAPITAL AND RESERVES</b>			
<b>Equity attributable to equity holders of the parent</b>			
Issued capital	11	39,660	39,660
Reserves	12	113,062	112,701
		<u>152,722</u>	<u>152,361</u>
Minority interests	13	1,526	1,912
		<u>154,248</u>	<u>154,273</u>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Notes	Six months ended 30 June	
		2005 (Unaudited) HK\$'000	2004 (Unaudited and restated) HK\$'000
<b>Total equity at 1 January:</b>			
As previously reported as equity		152,361	124,934
As previously reported separately as minority interests		1,912	1,692
		<b>154,273</b>	126,626
<b>Changes in equity during the period</b>			
Exchange differences on translating foreign operations	12	(165)	16
Net (expenses)/income recognised directly in equity		(165)	16
Profit for the period		325	5,737
Total recognised income and expenses for the period		160	5,753
Issue of new shares, net of expenses		–	12,862
Loan repayment to minority interests	13	(185)	–
<b>Total equity at 30 June</b>		<b>154,248</b>	145,241
<b>Total recognised income and expenses for the period attributable to:</b>			
Equity holders of the parent		361	5,190
Minority interests		(201)	563
		<b>160</b>	5,753

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	<b>Six months ended 30 June</b>	
	<b>2005</b>	2004
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	<b>HK\$'000</b>
Net cash outflow from operating activities	<b>(18,314)</b>	(27,827)
Net cash outflow from investing activities	<b>(32)</b>	(244)
Net cash inflow from financing activities	<b>24,549</b>	31,819
Net increase in cash and cash equivalents	<b>6,203</b>	3,748
Cash and cash equivalents at beginning of period	<b>27,818</b>	7,028
Effect of foreign exchange rate changes, net	<b>16</b>	(8)
Cash and cash equivalents at end of period	<b>34,037</b>	10,768
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances	<b>66,624</b>	44,334
Bank overdrafts	<b>(32,587)</b>	(33,566)
	<b>34,037</b>	10,768

## NOTES TO THE INTERIM FINANCIAL STATEMENTS

### 1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements are prepared in accordance with the requirements of the Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and the Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting”. The accounting policies and basis of preparation adopted in the preparation of the interim financial statements are the same as those used in the annual financial statements for the year ended 31 December 2004, except in relation to the following new and revised Hong Kong Financial Reporting Standards (“HKFRSs”, which also include HKASs and Interpretations) that affect the Group and are adopted for the first time for the current period’s financial statements:

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 12	Income Taxes
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee Benefits
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 28	Investments in Associates
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKFRS 2	Share-based Payment
HKFRS 3	Business Combinations
HKFRS 5	Non-current Assets Held for Sale and Discontinued Operations

The adoption of the HKAS 1, 2, 7, 8, 10, 12, 16, 17, 18, 19, 21, 23, 24, 27, 28, 33, 37 and HKFRS 5 did not result in substantial changes to the Group’s accounting policies. In summary:

- HKAS 1 has affected the presentation of minority interests, share of net after-tax results of associates and other disclosures.
- HKAS 2, 7, 8, 10, 12, 16, 17, 18, 19, 21, 23, 27, 28, 33 and 37 had no material effect on the Group’s policies.
- HKAS 24 has affected the identification of related parties and some other related-party disclosures.
- HKFRS 5 has affected the presentation and disclosure of the discontinued operation.

## 1. BASIS OF PREPARATION AND ACCOUNTING POLICIES *(Continued)*

The impact of adopting the other HKFRSs is summarised as follows:

### (a) HKAS 32 and HKAS 39 – 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.

#### *Trade receivables*

In accordance with HKAS 39, impairment assessments should be performed at each balance sheet date to determine whether there is any objective evidence that a financial asset is impaired. Where objective evidence of impairment exists, the amount of the loss is measured at the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The amount of loss is recognised in the profit and loss account.

In view of the absence of objective evidence for certain of the Group's trade receivables in which general provision have been provided for in previous years, a write-back of the provision for bad and doubtful debts of HK\$4,355,000 was made in the current period. As a consequence, deferred tax assets which arose partly as a result of the general provision for bad and doubtful debts was reduced by HK\$626,000 in the current period.

In accordance with the transitional provisions of HKAS 39, comparative amounts have not been restated.

#### *Financial assets at fair value through profit or loss*

In prior period, the Group classified its investment in equity securities as short term investments which were held for trading purposes and were stated at fair values on the basis of their quoted market prices at the balance sheet date on an individual investment basis.

Upon the adoption of HKASs 32 and 39, these securities are reclassified as financial assets at fair value through profit or loss and measured at the same basis as before.

The change has resulted in reclassification of the Group's investment in equity securities and has no impact on the Group's results and equity.

**1. BASIS OF PREPARATION AND ACCOUNTING POLICIES** *(Continued)***(b) HKFRS 2 – Share-based Payment**

The adoption of HKFRS 2 has resulted in a change in accounting policy for employee share options and other share-based payments. Prior to this, the provision of share options and share-based payments to directors and employees did not result in a charge to profit and loss account. Following the adoption of HKFRS 2, the fair value of share options at grant day are amortised over the vesting periods to the profit and loss account.

HKFRS 2 has no impact on the Group's results and equity as no retrospective adjustment is required to be made for options granted before 7 November 2002.

**(c) HKFRS 3 – Business Combinations and HKAS 36 – Impairment of Assets**

In prior periods, goodwill arising on acquisitions prior to 1 January 2001 was eliminated against consolidated reserves in the year of acquisition and was not recognised in the profit and loss account until disposal or impairment of the acquired business. Goodwill arising on acquisitions on or after 1 January 2001 was capitalised and amortised on the straight-line basis over its estimated useful life and was subject to impairment testing when there was any indication of impairment.

Upon the adoption of HKFRS 3 and HKAS 36, goodwill arising on acquisitions is no longer amortised but subject to impairment review at least annually. Any impairment loss recognised for goodwill is not reversed in a subsequent period.

The transitional provisions of HKFRS 3 have required the Group to eliminate at 1 January 2005 the carrying amounts of accumulated amortisation with a corresponding entry to the cost of goodwill. Goodwill previously eliminated against consolidated reserves remains eliminated against consolidated reserves and is not recognised in the profit and loss account when all or part of the business to which the goodwill relates is disposed of or when a cash-generating unit to which the goodwill relates becomes impaired.

The adoption of HKFRS 3 and HKAS 36 has no impact on the Group's results and equity, as the Group has no remaining goodwill as at 31 December 2004.

## 2. SEGMENT INFORMATION

The Group is principally engaged in the trading of plastics and chemicals, distribution and installation of building supplies, electrical and mechanical products and air-conditioning engineering works. The wholesaling of electrical appliances was discontinued in June 2005. An analysis of the Group's revenue and results by business segments and revenue by geographical segments is as follows:

### (a) Business segments

	Plastic and chemical products		Building supplies, electrical and mechanical products		Air-conditioning business		Group	
	Six months ended		Six months ended		Six months ended		Six months ended	
	30 June		30 June		30 June		30 June	
	2005	2004	2005	2004	2005	2004	2005	2004
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>CONTINUING OPERATIONS</b>								
<b>Segment revenue:</b>								
Sales to external customers	466,338	384,608	30,225	81,161	37,962	30,238	534,525	496,007
Other income	971	655	322	1,113	45	46	1,338	1,814
	<u>467,309</u>	<u>385,263</u>	<u>30,547</u>	<u>82,274</u>	<u>38,007</u>	<u>30,284</u>	<u>535,863</u>	<u>497,821</u>
<b>Segment results</b>	<u>21,699</u>	<u>15,455</u>	<u>(2,906)</u>	<u>383</u>	<u>1,911</u>	<u>284</u>	<u>20,704</u>	<u>16,122</u>
Interest income and unallocated gains							1,389	418
Unallocated expenses							(4,701)	(4,495)
Unrealised losses on financial assets at fair value through profit or loss							(2,210)	(1,851)
Finance costs							(4,489)	(2,533)
Share of losses of associates							(6,608)	(416)
Profit before tax							4,085	7,245
Tax							(2,792)	(1,420)
Profit from continuing operations							1,293	5,825
<b>DISCONTINUED OPERATION</b>								
Loss from discontinued operation							(968)	(88)
<b>Profit for the period</b>							<u>325</u>	<u>5,737</u>

There were no significant sales between the business segments during the period.



2. **SEGMENT INFORMATION** (Continued)

(b) **Geographical segments**

	<b>Hong Kong</b>		<b>Elsewhere in the PRC</b>		<b>Group</b>	
	<b>Six months ended</b>		<b>Six months ended</b>		<b>Six months ended</b>	
	<b>30 June</b>		<b>30 June</b>		<b>30 June</b>	
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
		(Unaudited				(Unaudited
	(Unaudited)	and restated)	(Unaudited)	(Unaudited)	(Unaudited)	and restated)
	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Segment revenue:</b>						
Sales to external customers	<b>506,014</b>	460,800	<b>28,511</b>	35,207	<b>534,525</b>	496,007
Other income	<b>1,338</b>	1,812	<b>–</b>	2	<b>1,338</b>	1,814
	<b>507,352</b>	462,612	<b>28,511</b>	35,209	<b>535,863</b>	497,821

There were no significant sales between the geographical segments during the period.

3. **OTHER INCOME AND GAINS**

	<b>Six months ended 30 June</b>	
	<b>2005</b>	<b>2004</b>
		(Unaudited
	(Unaudited)	and restated)
	<b>HK\$'000</b>	<b>HK\$'000</b>
Interest income	<b>418</b>	40
Commission income	<b>1,338</b>	1,814
Others	<b>971</b>	378
	<b>2,727</b>	2,232

4. **FINANCE COSTS**

	<b>Six months ended 30 June</b>	
	<b>2005</b>	<b>2004</b>
		(Unaudited
	(Unaudited)	and restated)
	<b>HK\$'000</b>	<b>HK\$'000</b>
Interest on bank loans and overdrafts wholly repayable within five years	<b>4,489</b>	2,533

No interest was capitalised by the Group in both periods.

## 5. PROFIT BEFORE TAX

Profit before tax from continuing operations was determined after charging/(crediting) the following:

	<b>Six months ended 30 June</b>	
	<b>2005</b>	2004
	<b>(Unaudited)</b>	(Unaudited and restated)
	<b>HK\$'000</b>	HK\$'000
Depreciation	<b>869</b>	1,038
Amortisation of goodwill	–	125
Unrealised losses on financial assets at fair value through profit or loss	<b>2,210</b>	1,851
Staff costs (including directors' emoluments)	<b>20,933</b>	21,498
Write-back of provision for bad and doubtful debts	<b>(4,355)</b>	–

## 6. TAX

	<b>Six months ended 30 June</b>	
	<b>2005</b>	2004
	<b>(Unaudited)</b>	(Unaudited and restated)
	<b>HK\$'000</b>	HK\$'000
Group:		
Current – Hong Kong	<b>1,933</b>	1,338
Current – Elsewhere	<b>233</b>	32
Deferred	<b>626</b>	50
	<b>2,792</b>	1,420

Hong Kong profits tax has been provided at the rate of 17.5% (2004:17.5%) on the estimated assessable profits arising in Hong Kong during the period. 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.

Share of tax credit attributable to an associate amounting to HK\$147,000 (2004: share of tax charge of HK\$710,000) is included in "Share of losses of associates" on the face of the condensed consolidated profit and loss account.

## 7. DISCONTINUED OPERATION

The Group discontinued the wholesaling of electrical appliance business in June 2005.

The turnover, other income and gains, expenses, loss for the period attributable to the discontinued operation are as follows:

	<b>Six months ended 30 June</b>	
	<b>2005</b>	2004
	<b>(Unaudited)</b>	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	12,642	14,013
Cost of sales/services	<u>(9,360)</u>	<u>(9,895)</u>
Gross profit	3,282	4,118
Other income and gains	270	329
Selling and distribution costs	(1,204)	(1,021)
Administrative expenses	(3,112)	(3,220)
Other operating expenses	–	(106)
Finance costs	<u>(204)</u>	<u>(275)</u>
Loss before tax	(968)	(175)
Tax credit	<u>–</u>	<u>87</u>
Loss for the period	<u><u>(968)</u></u>	<u><u>(88)</u></u>

The net cash flows attributable to the discontinued operation are as follows:

	<b>Six months ended 30 June</b>	
	<b>2005</b>	2004
	<b>(Unaudited)</b>	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash inflow/(outflow) from operating activities	3,041	(506)
Net cash (outflow)/inflow from financing activities	<u>(2,264)</u>	<u>1,124</u>
Net cash inflow	<u><u>777</u></u>	<u><u>618</u></u>

## 8. EARNINGS PER SHARE

### From continuing and discontinued operations

The calculation of the basic earnings per share is based on the profit attributable to equity holders of the parent of HK\$526,000 (2004: HK\$5,174,000) and on the 158,639,799 shares (2004 (restated): weighted average of 147,615,624 shares) in issue during the period.

The earnings per share for the six months ended 30 June 2004 has been restated to reflect the reduction in number of ordinary shares in issue as a result of the consolidation of every twenty-five shares of nominal value of HK\$0.01 each into one new share of nominal value of HK\$0.25 each in June 2005.

There have been no dilutive effect on the basic earnings per share for the period ended 30 June 2005 and 30 June 2004 as the exercise prices of the outstanding share options were higher than the average market price of the Company's shares during both periods.

## 8. EARNINGS PER SHARE (Continued)

### From continuing operations

The calculation of the basic earnings per share is based on the profit for the period from the continuing operations of HK\$1,494,000 (2004: HK\$5,262,000). The denominators used are the same as those detailed above for the basic earnings per share from continuing and discontinued operations.

### From discontinued operation

Basic loss per share for the discontinued operation is 0.61 cent per share (2004: 0.06 cent per share) based on the loss for the period from the discontinued operation of HK\$968,000 (2004: HK\$88,000). The denominators used are the same as those detailed above for the basic earnings per share from continuing and discontinued operations.

## 9. TRADE AND RETENTION MONIES RECEIVABLES

	As at 30 June 2005 (Unaudited) HK\$'000	As at 31 December 2004 (Audited) HK\$'000
Trade receivables	256,299	234,457
Retention monies receivable within one year	2,193	2,120
	<u>258,492</u>	<u>236,577</u>

The Group grants a credit period to its customers ranging from cash on delivery to 60 days. A longer credit period may be allowed to customers with a good business relationship. An aged analysis of trade receivables as at the balance sheet date, based on payment due date, net of provision for impairment, is as follows:

	As at 30 June 2005 (Unaudited) HK\$'000	As at 31 December 2004 (Audited and restated) HK\$'000
Current to 30 days	196,206	169,093
31-60 days	28,342	30,899
61-90 days	10,924	16,521
Over 90 days	20,827	17,944
	<u>256,299</u>	<u>234,457</u>

A provision is made when there is objective evidence that the Group will not be able to collect the amounts due according to the original terms of the receivables.

## 10. TRADE AND BILLS PAYABLES

	As at 30 June 2005 (Unaudited) HK\$'000	As at 31 December 2004 (Audited) HK\$'000
Trade payables	50,676	57,077
Bills payable	16,767	24,345
	<u>67,443</u>	<u>81,422</u>

An aged analysis of trade payables as at the balance sheet date, based on invoice date, is as follows:

	As at 30 June 2005 (Unaudited) HK\$'000	As at 31 December 2004 (Audited) HK\$'000
Current to 30 days	45,501	52,183
31-60 days	3,195	1,408
61-90 days	605	384
Over 90 days	1,375	3,102
	<u>50,676</u>	<u>57,077</u>

## 11. SHARE CAPITAL

### Shares

	As at 30 June 2005 (Unaudited) HK\$'000	As at 31 December 2004 (Audited) HK\$'000
Authorised: 1,000,000,000 (2004: 25,000,000,000) ordinary shares of HK\$0.25 (2004: HK\$0.01) each	<u>250,000</u>	<u>250,000</u>
Issued and fully paid: 158,639,799 (2004: 3,965,994,984) ordinary shares of HK\$0.25 (2004: HK\$0.01) each	<u>39,660</u>	<u>39,660</u>

## 11. SHARE CAPITAL (Continued)

As announced on 13 April 2005, the Company proposed a capital reorganisation involving cancellation of the capital reserve and share premium accounts as well as consolidation of shares into larger denomination (the "Capital Reorganisation"). The Capital Reorganisation was approved by the shareholders of the Company by way of a special resolution and took effect on 6 June 2005 as follows:

- (a) the entire amount of HK\$236,500,000 standing to the credit of the capital reserve account of the Company as at 31 December 2004 was cancelled and the credit arising therefore was applied towards the partial elimination of the accumulated losses of the Company as at 31 December 2004 in the amount of HK\$708,335,000;
- (b) the entire amount of HK\$568,986,000 standing to the credit of the share premium account of the Company as at 31 December 2004 was cancelled and the credit arising therefrom was applied to eliminate the balance of HK\$471,835,000 of the accumulated losses of the Company as at 31 December 2004 and the remaining credit of HK\$97,151,000 arising therefrom was transferred to the Company's contributed surplus account; and
- (c) every twenty-five issued and unissued shares of nominal value HK\$0.01 each in the authorised share capital of the Company were consolidated into one new share of nominal value HK\$0.25 each (the "New Share(s)").

As a result of the Capital Reorganisation, the authorised share capital of the Company became HK\$250,000,000 divided into 1,000,000,000 New Shares, of which 158,639,799 New Shares were in issue and fully paid. The New Shares rank pari passu in all respects with each other.

### Share options

As announced on 3 June 2005, the number of shares subject to the outstanding share options has been adjusted from 40,975,000 shares to 1,639,000 shares with the relevant exercise price being adjusted to HK\$19.5 (Previous: HK\$0.78) per share and HK\$1.75 (Previous: HK\$0.07) per share as a result of the Capital Reorganisation becoming effective. The movement of the outstanding share options of the Company during the period is as follows:

	<b>Outstanding share options with an adjusted exercise price of HK\$19.5 per share</b>	<b>Outstanding share options with an adjusted exercise price of HK\$1.75 per share</b>	<b>Total</b>
At 1 January 2005	975,000	40,000,000	40,975,000
Arising from Capital Reorganisation	<u>(936,000)</u>	<u>(38,400,000)</u>	<u>(39,336,000)</u>
<b>At 30 June 2005</b>	<b><u>39,000</u></b>	<b><u>1,600,000</u></b>	<b><u>1,639,000</u></b>

The exercise in full of the outstanding share options would result in the issue of 1,639,000 additional ordinary shares for an aggregate amount of approximately HK\$3.6 million.

## 12. RESERVES

	Share premium account (Unaudited) HK\$'000	Capital reserve (Unaudited) HK\$'000	Contributed surplus (Unaudited) HK\$'000	Land and buildings revaluation reserve (Unaudited) HK\$'000	Exchange fluctuation reserve (Unaudited) HK\$'000	Retained earnings/ (accumulated losses) (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
At 1 January 2005	568,986	236,500	–	1,827	29	(694,641)	112,701
Arising from Capital							
Reorganisation	(568,986)	(236,500)	97,151	–	–	708,335	–
Exchange realignment	–	–	–	–	(165)	–	(165)
Profit for the period	–	–	–	–	–	526	526
<b>At 30 June 2005</b>	<b>–</b>	<b>–</b>	<b>97,151</b>	<b>1,827</b>	<b>(136)</b>	<b>14,220</b>	<b>113,062</b>

## 13. MINORITY INTERESTS

	Minority interests (Unaudited) HK\$'000
At 1 January 2005	1,912
Loan repayment to minority interests	(185)
Loss for the period	(201)
<b>At 30 June 2005</b>	<b>1,526</b>

## 14. RELATED PARTY TRANSACTIONS

## (a) Significant transactions between the Group and related parties during the period

	Six months ended 30 June	
	2005 (Unaudited) HK\$'000	2004 (Unaudited) HK\$'000
Management fee paid to a major shareholder	1,000	1,000
Sale of goods to an associate	(339)	(1,551)
Service income from an associate	(4,136)	–

## (b) Amounts due from/(to) related companies

	As at 30 June 2005 (Unaudited) HK\$'000	As at 31 December 2004 (Audited) HK\$'000
Amounts due from:		
– An associate	91	223
– Related companies with common directors	1,693	3,021
Amounts due to:		
– An associate	(301)	(265)
– A related company with common director	(52)	(50)

#### 14. RELATED PARTY TRANSACTIONS *(Continued)*

##### (c) Compensation of key management personnel of the Group

	Six months ended 30 June	
	2005	2004
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Salaries and other short-term employee benefits	4,299	4,182
Post-employment benefits	250	250

#### 15. COMMITMENTS

The Group leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to twelve years.

At the balance sheet date, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	As at	As at
	30 June	31 December
	2005	2004
	(Unaudited)	(Audited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	3,006	3,803
In the second to fifth years, inclusive	2,440	3,584
	5,446	7,387

#### 16. CONTINGENT LIABILITIES

The real estate ownership certificate for a villa sold in August 2003 was obtained to the satisfaction of the purchaser on 16 March 2005. As a result, the Group ceased to be contingently liable for repayment of the purchase monies of HK\$3,100,000 plus accrued interest in case the certificate cannot be obtained within two years from the date of sale of the villa.

The Group had no significant contingent liability at the balance sheet date.

#### 17. COMPARATIVE AMOUNTS

As explained in note 1, due to the adoption of new and revised HKFRSs during the current period, the presentation of certain items and balances in the condensed consolidated financial statements have been revised to comply with the new requirements. Accordingly, certain comparative amounts have been reclassified to conform with the current period's presentation.



## OTHER INFORMATION

### CORPORATE GOVERNANCE

#### Model Code for Securities Transactions By Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuer (the “Model Code”) set out in Appendix 10 of the Listing Rules of the Stock Exchange of Hong Kong Limited. On specific enquiries made, all directors of the Company have confirmed that they have complied with the required standard set out in the Model Code throughout the six months ended 30 June 2005.

#### Compliance with the Code on Corporate Governance Practices

In the opinion of the directors, the Company has complied with the applicable code provisions of the Code on Corporate Governance Practices (the “CG Code”), as set out in Appendix 14 of the Listing Rules of the Stock Exchange of Hong Kong Limited during the interim period, except that:

1. Code provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

The Company has not appointed a chief executive officer since Mr. Stephen Sek-Kee Yu is the managing director of CAEL and JvdB and Mr. Frank Kwok-Kit Chu is the managing director of DMT and JvdB. DMT, JvdB and CAEL already comprise a substantial portion of the Group’s business. Mr. James Sai-Wing Wong, Chairman of the Company, is responsible for the management of the Board. In view of the size of the Group, it is considered unnecessary to appoint a chief executive officer of the Company.

2. Code provision A.4.1 stipulates that non-executive directors should be appointed for a specific term, subject to re-election and Code provision A.4.2 stipulates that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

The existing non-executive directors of the Company do not have a specific term of appointment but are subject to retirement by rotation and re-election at the Company’s annual general meeting under the Bye-laws of the Company. As such, the Board considers that sufficient measures have been taken to ensure that the Company’s corporate governance practices are no less exacting than those in the CG Code.

According to the provisions of the Company’s Bye-laws, at each annual general meeting one-third of the directors for the time being (or, if their number is not a multiple of three, the number nearest to but not greater than one-third) shall retire from office by rotation save that the Chairman and/or the Managing Director of the Company shall not be subject to retirement by rotation or be taken into account in determining the number of directors to retire in each year.

Mr. James Sai-Wing Wong is appointed by Chinney Investments, Limited, a substantial shareholder of the Company, as the Chairman of the Board to safeguard its investment in the Company. As a result, the Board concurred that the Chairman of the Board need not be subject to retirement by rotation. The Company currently has no Managing Director.

3. During the interim period, the Company has established the Remuneration Committee of which a majority of the members are independent non-executive directors. On 20 September 2005, the Board adopted the following to comply with the relevant CG Code provisions:
- Revised terms of reference of the Audit Committee
  - Terms of reference of the Remuneration Committee
  - Code for Securities Transactions for Relevant Employees on terms no less exacting than those set out in the Model Code

#### **Audit Committee**

Regular meetings have been held by the Audit Committee of the Company since establishment and it meets at least twice each year to review and supervise the Group's financial reporting process and internal control. The Company's interim results for the six months ended 30 June 2005 has not been audited, but has been reviewed by the Audit Committee.

#### **SHARE OPTION SCHEME**

The Company adopted an Executive Share Option Scheme (the "Scheme") on 24 September 1993, under which options may be granted to selected employees (including any director) of the Group. The Scheme, having a term of ten years, expired on 23 September 2003.

The holders of the outstanding options have the right to convert the options into ordinary shares of the Company in whole or in part from the date of grant to the end of the exercisable period, which is ten years from the date of grant, at the pre-determined exercise prices.

As a result of the Capital Reorganisation effective on 6 June 2005,

- (1) the number of shares subject to outstanding share options with an exercise price of HK\$0.78 per share has been adjusted from 975,000 shares to 39,000 shares with the exercise price being correspondingly adjusted to HK\$19.5 per share; and
- (2) the number of shares subject to outstanding share options with an exercise price of HK\$0.07 per share has been adjusted from 40,000,000 shares to 1,600,000 shares with the exercise price being correspondingly adjusted to HK\$1.75 per share.

Save as disclosed above, there were no movements to the outstanding share options of the Company during the period.

Details of the options outstanding as at 30 June 2005 which were granted to directors and employees under the Scheme are as follows:

	Options outstanding as at 30 June 2005	Exercise price per share	Date of grant	Exercisable from	Exercisable until
		<i>HK\$</i>			
<b>Share options to directors</b>					
Stephen Sek-Kee Yu	20,000	19.50	22 December 1995	22 December 1995	21 December 2005
	10,000	19.50	7 June 1997	22 December 1995	21 December 2005
	<u>480,000</u>	1.75	16 July 1999	16 July 1999	15 July 2009
	<u>510,000</u>				
Frank Kwok-Kit Chu	<u>320,000</u>	1.75	13 July 1999	13 July 1999	12 July 2009
Peter Chi-Chung Luk	<u>160,000</u>	1.75	12 July 1999	12 July 1999	11 July 2009
Herman Man-Hei Fung	<u>320,000</u>	1.75	13 July 1999	13 July 1999	12 July 2009
Sub-total	<u><u>1,310,000</u></u>				
<b>Share options to employees</b>					
In aggregate	9,000	19.50	2 January 1996	2 January 1996	1 January 2006
	160,000	1.75	16 July 1999	16 July 1999	15 July 2009
	<u>160,000</u>	1.75	19 July 1999	19 July 1999	18 July 2009
Sub-total	<u><u>329,000</u></u>				
<b>TOTAL</b>	<u><u><b>1,639,000</b></u></u>				

## DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2005, the interests and short positions of the directors 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 by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code in the Listing Rules, were as follows:

### Long positions in ordinary shares of the Company

Name of directors	Number of shares held, capacity and nature of interest			Total	Percentage of the issued share capital
	Personal interests	Family interests	Corporate interests		
James Sai-Wing Wong	–	–	46,158,319 (Note)	46,158,319	29.10%
Frank Kwok-Kit Chu	48,240	47,840	–	96,080	0.06%
Peter Chi-Chung Luk	–	12,800	–	12,800	0.01%

*Note:* These shares are held by Multi-Investment Group Limited, a company in which Mr. James Sai-Wing Wong is a director and has a beneficial interest.

The interests of the directors in the share options of the Company are separately disclosed under the share option scheme section.

Save as disclosed above and in the share option scheme disclosure, as at 30 June 2005, none of the directors had registered an interest or short position in the shares, underlying shares and debentures of the Company or its associated corporations that was required to be recorded pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

As at 30 June 2005, at no time during the six-month period ended 30 June 2005 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company; or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

## SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES

As at 30 June 2005, the interests or short positions of those persons in the shares and underlying shares of the Company as recorded in the register of interests required to be kept by the Company under section 336 of the SFO were as follows:

### Long positions in ordinary shares of the Company

Name	Notes	Capacity and nature of interest	Number of ordinary shares held	Percentage of the issued share capital
James Sai-Wing Wong	1	Interest through a controlled corporation	46,158,319	29.10%
Madeline May-Lung Wong	1	Interest through a controlled corporation	46,158,319	29.10%
Lucky Year Finance Limited	1	Interest through a controlled corporation	46,158,319	29.10%
Chinney Holdings Limited	1	Interest through a controlled corporation	46,158,319	29.10%
Chinney Investments, Limited	1	Interest through a controlled corporation	46,158,319	29.10%
Newsworthy Resources Limited	1	Interest through a controlled corporation	46,158,319	29.10%
Multi-Investment Group Limited	1	Beneficial owner	46,158,319	29.10%
Sumitomo Mitsui Banking Corporation	2	Beneficial owner	12,792,000	8.06%
Credit Suisse First Boston International	2	Beneficial owner	12,792,000	8.06%
Dresdner Kleinwort Wasserstein Limited	2	Beneficial owner	12,792,000	8.06%
Krung Thai Bank Public Company Limited	2	Beneficial owner	12,792,000	8.06%
PT. Bank Mandiri (Persero)	2	Beneficial owner	12,792,000	8.06%
PT. NISP Sekuritas	2	Beneficial owner	12,792,000	8.06%

#### Notes:

1. Mr. James Sai-Wing Wong, Ms. Madeline May-Lung Wong, Lucky Year Finance Limited, Chinney Holdings Limited, Chinney Investments, Limited, Newsworthy Resources Limited and Multi-Investment Group Limited are deemed to be interested in the same parcel of 46,158,319 shares by virtue of section 316 of the SFO.
2. These shares are registered in the name of an agent bank on behalf of six banks that comprise a syndicate of lenders to a shareholder of the Company (the "Syndicate"). The Syndicate's interest in the relevant shares was acquired as a result of security given by the shareholder over such shares in respect of a loan advanced to the shareholder by the Syndicate. Such interest became discloseable upon the Syndicate becoming entitled to exercise the power of sale and voting rights in respect of the interest in the shares as a result of a default by the shareholder. Accordingly, Sumitomo Mitsui Banking Corporation, Credit Suisse First Boston International, Dresdner Kleinwort Wasserstein Limited, Krung Thai Bank Public Company Limited, PT. Bank Mandiri (Persero) and PT. NISP Sekuritas are each deemed to have a security interest in the relevant shares.

No share options of the Company were held by the above shareholders as at 30 June 2005.

Save as disclosed above, as at 30 June 2005, no person, other than the directors of the Company, whose interests are set out in the section "Directors' interests and short positions in shares, underlying shares and debentures" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to section 336 of the SFO.

### PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SHARES

During the six months ended 30 June 2005, the Company had not redeemed, and neither the Company nor any of its subsidiaries had purchased or sold any of the Company's listed shares.