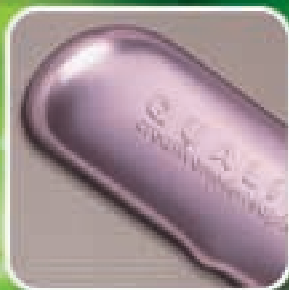
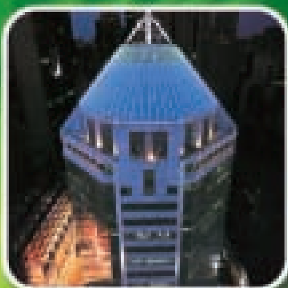
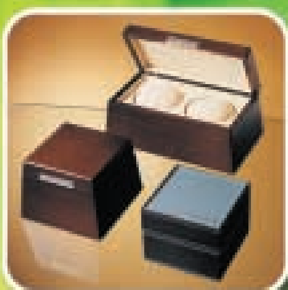
YUGANG

YUGANG INTERNATIONAL LIMITED







INTERIM REPORT 2005

CONTENTS

CORPORATE INFORMATION

Executive Directors

Cheung Chung Kiu *(Chairman)*
Yuen Wing Shing *(Managing Director)*
Zhang Qing Xin
Lam Hiu Lo
Liang Kang

Non-Executive Director

Lee Ka Sze, Carmelo

Independent Non-Executive Directors

Wong Wai Kwong, David
Wong Yat Fai
Ng Kwok Fu

Audit Committee

Wong Wai Kwong, David
Lee Ka Sze, Carmelo
Wong Yat Fai
Ng Kwok Fu

Remuneration Committee

Cheung Chung Kiu
Wong Yat Fai
Ng Kwok Fu

Secretary

Albert T. da Rosa, Jr.

Auditors

Ernst & Young

Qualified Accountant

Leung Wai Fai

Bankers

The Hongkong and Shanghai Banking Corporation Limited
Bank of China (Hong Kong) Limited

Solicitors

Cheung, Tong & Rosa
Woo Kwan Lee & Lo

Principal Share Registrar and Transfer Office

The Bank of Bermuda Limited
6 Front Street
Hamilton HM11
Bermuda

Share Registrar and Transfer Office in Hong Kong

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

Registered Office

Clarendon House
Church Street
Hamilton HM11
Bermuda

Head Office and Principal Place of Business in Hong Kong

Rooms 3301-3307
China Resources Building
26 Harbour Road
Wanchai
Hong Kong

Website Address

http://www.yugang.com.hk

Stock Code

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MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group's consolidated net profit attributable to the equity holders was HK$115 million, up 75% from the same period last year. This substantial growth was mainly due to an unrealised gain on listed securities of HK$81.5 million and an increase in share of results of associates of HK$78.1 million, up 728.5% from the last corresponding period. Earnings per share increased to HK$0.0136 (2004: HK$0.0078).

The economy of Hong Kong continued to flourish in the first half of 2005, giving rise to increasing consumption demand, improving job market and upward moving of property and stock markets. Investment demand increased as the business outlook was looking quite positive. Riding on the economic upturn, the Group has continued to pursue growth with satisfactory performance of its business segments including packaging business, property investment business, infrastructure business and treasury investment.

Performance of the Group's Business

Packaging Business

Qualipak International Holdings Ltd ("Qualipak"), a company listed on the main board of the Stock Exchange of Hong Kong, carried out packaging business of the Group and recorded net profit after tax of HK$17.1 million for the first half of 2005 that was dropped by HK$7 million or 29% from the last corresponding period. The decrease was mainly due to underperformance of its treasury investment.

During the period, demand for packaging products was still high even the competition remaining keen. The performance of packaging business continued to give satisfactory result that recorded an increase of 6.5% growth in sale to HK$129.4 million as export sales to European markets continued to make progress and rose by 27.8% over the last corresponding period. The net operating profit of packaging segment increased to HK$20.6 million, representing an increase of 22% from the last corresponding period.

The continuing tight supply of raw materials and strong demand of labour workforce kept on pushing up the material cost and labour wage respectively. The downward pressure over the gross profit margin was nevertheless partially offset by moderate rise in average selling price of packaging products as a result of introduction of more new high-end design lines and comprehensive design services to customers.

Property Investment Business

The Group's property investment business is being operated through a substantial investment in an associate, Y.T. Realty Group Limited ("Y.T. Realty"), a company listed on the main board of the Stock Exchange of Hong Kong. The major investment properties currently held by Y.T. Realty include the whole block of Century Square and Prestige Tower situated in the core of Central District and Tsimshatsui ("Investment Properties").

During the first half of the year, Y.T. Realty recorded a net profit after tax of HK$264.6 million, representing substantial increase of 724.6% from the last corresponding period. The Group's share of net profit after tax from Y.T. Realty for the period increased to HK$90.4 million (2004: HK$11 million). Gross rental income from Investment Properties for the period was HK$41.1 million, up 6.2% from the last corresponding period. It was mainly attributable to the increase in rental and occupancy rate and use of proactive business strategy that entail re-mixing of tenants by shifting out office tenants into retail or commercial nature. As at 30 June 2005, the overall occupancy rate was maintained at over 98%.

Infrastructure Business

The infrastructure business is an investment in Western Habour Tunnel that is indirectly interested by the Group through The Cross-Harbour (Holdings) Ltd ("Cross-Harbour"), a company listed on the main board of the Stock Exchange of Hong Kong and a principal associate of Y.T. Realty.

Cross-Harbour is engaging in investment and management of tunnels and highways, motoring schools and electronic toll collection system. During the first half of 2005, the income contribution from tunnel operation increased significantly and Cross-Harbour recorded a net profit after tax of HK$78.9 million for the period, representing an increase of 20.6% from the last corresponding period.

Treasury Investment

The Group continued to utilise its available fund for treasury investment for the period. With the overall positive outlook of Hong Kong economy, the business of treasury investment comprising the securities investment and financing activities benefited from the upsurge movement of stock market and reported a net profit of HK$71.1 million for the period.

PROSPECT

US and European markets are expected to keep on their momentum even the Federal Reserve Board continues to push up interest rate toward the end of 2005 and high oil price might affect consumer spending. Given favorable job market in US and maintenance of high exchange rate of Euro dollars throughout the period, we remain optimistic about the outlook of the packaging sales in North America and European markets in the second half of the year.

Strategically, Qualipak has expanded its business through a horizontal merger or acquisition. In June and July 2005, Qualipak acquired 30% interests in Technical International Holdings Ltd ("Technical") and 60% interests in Hoi Tin Universal Ltd ("Hoi Tin") respectively. Technical specialises in the business of design and trading of corkscrew, kitchenware and knives products and Hoi Tin specialises in the manufacture and sale of travel bags, soft luggage, backpacks and brief cases. These acquisitions are expected to diversify Qualipak's business into different products segments and bring additional earnings growth momentum to the Group.

Y.T. Realty has successfully shifted its tenants' profile to retail and commercial nature. The rental rates of retail or commercial tenants are much more favourable when compared with other similar office buildings of similar grade. There is also an upward potential when the opening of Hong Kong Disneyland in September 2005 further boosts the economy and retail market to a further high.

Despite the overall positive outlook with a number of attractive opportunities, the Group maintained persistently its prudent approach when planning to explore any business opportunities. The Group will continue to actively look for opportunity to broaden the asset base and focus its investment strategy toward a long-term strategic growth with sound financial and management capabilities.

FINANCIAL REVIEW

Financial Performance

The Group's reported net profit attributable to equity holders was HK$115 million, representing an increase of 75% from the last corresponding period. The adoption of a number of new or revised Hong Kong Accounting Standards ("HKAS") and Hong Kong Financial Reporting Standards ("HKFRS"), in particular HKASs 32, 39 and 40, had increased the net profit for the period by an aggregate amount of HK$89.9 million. Details of the effect have been summarised in note 2 to the financial statement.

Total operating expenses decreased by HK$6.3 million or 12.9% over the last corresponding period due to a tax consultancy fee of HK$4 million paid last year and continuing effort of cost control of the Group.

Other operating income increased by HK$78.6 million, or 327% over the last corresponding period due to unrealised gain on listed securities of HK$81.5 million.

Other operating expenses increased by HK$40.9 million over the last corresponding period due to an impairment loss of available-for-sale financial assets of HK$50 million made in accordance with new HKAS 39.

Share of results of associates increased by HK$78.1 million or 728.5% over the last corresponding period. An associate, Y.T. Realty, recorded a property revaluation surplus of HK$119.7 million and an increase in fair value of derivative instruments of HK$94.8 million, both being recognised to the profit and loss account for the period under the new accounting standards.

Financial Position

As at 30 June 2005, the consolidated net asset value of the Group (excluding minority interests of HK$197 million) was HK$2,199.2 million, up 9.5% from HK$2,008.8 million at 31 December 2004 as restated. The consolidated net asset value per share was about HK$0.26. The Group's total assets and liabilities were HK$2,598.4 million and HK$202.2 million respectively.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2005, the Group had no bank borrowings and its cash and cash equivalent was HK$511.3 million, representing 23.2% of the consolidated net assets (excluding minority interests) of the Group.

As at 30 June 2005, the Group had a working capital ratio of approximately 10.2 and gearing ratio, defined as long-term liabilities to shareholders' fund, of approximately 3.2%. In addition, the Group was granted sufficient lines of credit available from financial institutions. All of these indicated the Group had sufficient working capital to support its operation.

As at 30 June 2005, the Group had no contingent liabilities.

CAPITAL STRUCTURE

In July 2004, the Company issued a convertible note of HK$70,000,000 (the "Note") with interest-bearing at 3% per annum payable in arrear. The Note will mature on 31 July 2007. There was no conversion of the Note during the period.

EXCHANGE RISK

Generally sales of the Group are mainly denominated in Hong Kong dollars and US dollars and purchases of raw materials are majority made in Hong Kong dollars. In addition, most bank deposits are maintained in Hong Kong dollars and US dollars. Hence, the Group's exposure to foreign exchange risk is minimal.

PLEDGE OF ASSETS

As at 30 June 2005, the Group pledged its leasehold and investment properties with an aggregate carrying value of approximately HK$65,969,000 and time deposits of approximately HK$8,234,000 as security for general banking facilities granted to the Group.

EMPLOYEES

As at 30 June 2005, the Group had approximately 4,700 employees.

Staff remuneration is reviewed by the Group from time to time and increments are granted normally annually or by special adjustment depending on length of service and performance where warranted. In addition to salaries, the Group provides staff benefits including medical insurance, contributions to MPF and discretionary training subsidies. Share options and bonuses are also available to employees of the Group at the discretion of the directors and depending upon the financial performance of the Group.

MATERIAL ACQUISITION

During the period, the Group increased its equity interests in Qualipak from 59.71% to 64.54% by purchasing in aggregate of 190,000,000 shares in Qualipak at the price of HK$0.088 per share.

The Group purchased two office premises at total consideration of approximate HK$81 million during the period. One of the office premises has been occupied by the Group for its own use and the other will be letting out for additional rental income. Further details were contained in the Company's circular dated 2 June 2005.

In June 2005, the Group acquired 30% interests in Technical International Holdings Ltd ("Technical") which specialised in the design and trading of corkscrew, kitchenware and knives products. Further details of Technical were contained in the Company's circular dated 27 June 2005.

SIGNIFICANT INVESTMENTS

The Group continued to maintain its investment in equity interests of Y.T. Realty with a carrying value of HK$796.6 million as at 30 June 2005. The net profit of Y.T. Realty for the period was HK$264.6 million.

At 30 June 2005, the Group held a portfolio of listed securities with market value of HK$542.6 million. The dividend income for the period was HK$2.5 million. The total net gain from securities investment for the period was amounted to HK$63.1 million.

INTERESTS AND SHORT POSITIONS OF DIRECTORS AND CHIEF EXECUTIVES IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30 June 2005, interests and short positions of directors and chief executives in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as required to be recorded in the register maintained 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 for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

The Company

(I) Interests in ordinary shares of the Company

Name of Directors	Number of shares held	Holding capacity	Percentage of issued share capital
Cheung Chung Kiu	3,194,434,684	Corporate *(Note)*	37.79%
	53,320,000	Personal	0.63%
Zhang Qing Xin	13,600,000	Personal	0.16%
Lam Hiu Lo	41,800,000	Personal	0.49%
Liang Kang	30,000,000	Personal	0.35%

Note: The voting rights of these shares are exercisable by Chongqing Industrial Limited. Mr. Cheung Chung Kiu, Peking Palace Limited, Miraculous Services Limited and Prize Winner Limited have a 35%, 30%, 5% and 30% equity interests in Chongqing Industrial Limited respectively.

Peking Palace Limited and Miraculous Services Limited are beneficially owned by Palin Discretionary Trust, a family discretionary trust, the objects of which include Mr. Cheung Chung Kiu and his family.

Prize Winner Limited is beneficially owned by Mr. Cheung Chung Kiu and his associates.

(II) Interests in the convertible note of the Company

Name of Director	Convertible note held *HK$*	Number of underlying shares held	Holding capacity	Percentage of issued share capital
Cheung Chung Kiu	70,000,000	933,333,333	Corporate *(Note)*	11.04%

Note: The convertible note is held by Timmex Investment Limited, in which Mr. Cheung Chung Kiu has a beneficial interest of 100%.

Associated Corporation

(I) Interests in ordinary shares of Qualipak International Holdings Limited, a listed subsidiary of the Company

Name of Director	Number of shares held	Holding capacity	Percentage of issued share capital
Cheung Chung Kiu	2,542,396,360	Corporate *(Note)*	64.54%
Lee Ka Sze, Carmelo	1,000,000	Family	0.025%
Ng Kwok Fu	120,000	Personal	0.003%

Note: The 2,542,396,360 shares are held by Regulator Holdings Limited ("Regulator"). Regulator is indirectly controlled by Palin Holdings Limited as trustee for the Palin Discretionary Trust, a family discretionary trust, the objects of which include Mr. Cheung Chung Kiu and his family.

(II) Interests in ordinary shares of Y.T. Realty Group Limited, a listed associate of the Company

Name of Director	Number of shares held	Holding capacity	Percentage of issued share capital
Cheung Chung Kiu	273,000,000	Corporate *(Note)*	34.14%
Ng Kwok Fu	90,000	Personal and family	0.01%

Note: The 273,000,000 shares are held by Funrise Limited ("Funrise"), which is indirectly controlled by Palin Holdings Limited as trustee for the Palin Discretionary Trust, a family discretionary trust, the objects of which include Mr. Cheung Chung Kiu and his family.

Save as disclosed above, as at 30 June 2005, none of the directors and chief executives had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as required to be recorded in the register maintained by the Company pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

No share option was granted in respect of new share option scheme of the Company adopted on 29 April 2005 during the six months ended 30 June 2005 and there was no outstanding option at the beginning or at the end of the period.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2005, the following persons (other than as disclosed in the section headed "Interests and short positions of directors and chief executives in the shares, underlying shares and debentures of the Company and its associated corporations" in this report) who have interests or short positions in the shares and underlying shares as recorded in the register maintained by the Company pursuant to Section 336 of the SFO:

Name of Shareholders	Number of shares/ underlying shares held	Percentage of issued share capital
Cheung Chung Kiu	4,181,088,017 *(Note 1)*	49.46%
Palin Holdings Limited	3,194,434,684 *(Note 2)*	37.79%
Chongqing Industrial Limited	3,194,434,684 *(Note 3)*	37.79%
Timmex Investment Limited	933,333,333 *(Note 4)*	11.04%

Notes:

1. Out of the 4,181,088,017 shares, 3,194,434,684 shares are held by Chongqing Industrial Limited and 53,320,000 shares are held by Mr. Cheung Chung Kiu personally. The balance of 933,333,333 shares are the underlying shares in which Timmex Investment Limited is interested.

2. Palin Holdings Limited is the trustee for Palin Discretionary Trust, a family discretionary trust, the objects of which include Mr. Cheung Chung Kiu and his family.

3. The voting rights of these shares are exercisable by Chongqing Industrial Limited which is controlled by Mr. Cheung Chung Kiu.

4. The interests represent the shares issuable upon the exercise of the conversion rights attaching to the convertible note of HK$70,000,000 assuming the conversion price of HK$0.075 per share that is held by Timmex Investment Limited, in which Mr. Cheung Chung Kiu has a beneficial interest of 100%.

Save as disclosed above, as at 30 June 2005, none of the substantial shareholders had a short position in the shares and underlying shares of the Company as required to be recorded in the register maintained by the Company pursuant to section 336 of the SFO.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company is committed in ensuring and maintaining corporate governance. To the knowledge of the directors ("Directors"), the Company has complied with the code provisions ("Code Provisions") of the Code on Corporate Governance Practices ("CG Code") as set out in Appendix 14 of the Listing Rules for the relevant accounting period in the interim report, except with deviation as stipulated hereunder:

Section A.4.2 of Code Provisions stipulates that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

However, Mr. Cheung Chung Kiu, the Chairman of the Company, has not been subject to retirement by rotation since his appointment on 9 July 1993. This is because according to section 87(1) of the Bye-Laws of the Company which states that at each annual general meeting one-third of the Directors shall retire from office by rotation except the chairman of the Board and/or the managing director of the Company and they will not be taken into account in determining the number of Directors to retire in each year.

The Company is working towards remedying this deviation and will propose to make the necessary amendments to the Bye-Laws at the next general meeting.

REMUNERATION COMMITTEE

A remuneration committee ("Remuneration Committee"), comprising a majority of the members of the independent non-executive directors, has been established on 30 June 2005 pursuant to section B.1.1 of Code Provisions. The Chairman of the Remuneration Committee is Mr. Cheung Chung Kiu. Other members include Mr. Wong Yat Fai and Mr. Ng Kwok Fu, both are independent non-executive directors. Specific written terms of reference which deal clearly with its authorities and duties of the Remuneration Committee has been adopted and posted on the Company's web site.

AUDIT COMMITTEE

The Audit Committee meets at least twice a year to monitor and review the integrity and effectiveness of the Company's financial report. The Audit Committee has reviewed the Company's unaudited consolidated interim financial statements for the six months ended 30 June 2005 and discussed auditing, financial and internal control, and financial reporting matters of the Company. The members of the Audit Committee includes Mr. David Wong Wai Kwong, Mr. Wong Yat Fai and Mr. Ng Kwok Fu, all are independent non-executive directors and Mr. Carmelo Lee Ka Sze, a non-executive director.

On 30 June 2005 the Company adopted the new terms of reference of the Audit Committee in accordance with section C.3.3 of Code Provisions. Specific written terms of reference which clearly set out the authorities and duties of the Audit Committee has been posted on the Company's web site.

BOARD COMMITTEE

Under section D.2.1 of Code Provisions, the Company has established the Board Committee on 31 December 2004 to deal with matters. The Board has prescribed sufficient clear terms of reference to enable the Board Committee to discharge its functions properly.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

On 31 December 2004, pursuant to section A.5.4 of Code Provisions, the Company has adopted the Code for Securities Transactions by Directors of the Company on terms no less exacting than the required standard set out in the Model Code contained in Appendix 10 of the Listing Rules.

The Company, having made specific enquiry of all Directors, hereby confirms that all Directors have complied with the required standard set out in the Model Code throughout the six months ended 30 June 2005.

Pursuant to section A.5.4 of Code Provisions, the Company has adopted the Code for Securities Dealings by Employees on 31 December 2004.

APPRECIATION

On behalf of the Board of Directors, I would like to extend our gratitude and sincere appreciation to all management and staff members for their hard work and dedication throughout the period.

By order of the Board
Yuen Wing Shing
Managing Director

Hong Kong, 16 September 2005

RESULTS

These condensed consolidated interim financial statements have not been audited, but have been reviewed by the Company's audit committee.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2005

		For the six months ended 30 June	
		2005	2004
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
			(Restated)
TURNOVER		**123,889**	195,001
Cost of sales		**(102,334)**	(92,192)
Gross profit		**21,555**	102,809
Other revenue and gains		**6,866**	7,888
Selling and distribution costs		**(4,002)**	(3,932)
Administrative expenses		**(38,423)**	(44,759)
Other operating income	*5*	**102,636**	24,034
Other operating expenses	*5*	**(52,512)**	(11,659)
Finance costs	*6*	**(2,309)**	(2,519)
Share of results of:			
A jointly-controlled entity		**(900)**	(915)
Associates		**88,859**	10,725
PROFIT BEFORE TAX	*7*	**121,770**	81,672
Tax	*8*	**(773)**	(6,840)
PROFIT FOR THE PERIOD		**120,997**	74,832
ATTRIBUTABLE TO:			
Equity holders of the Company		**114,966**	65,679
Minority interests		**6,031**	9,153
		120,997	74,832
EARNINGS PER SHARE	*10*		
Basic		**1.36HK cents**	0.78HK cents
Diluted		**1.24HK cents**	0.73HK cents

CONDENSED CONSOLIDATED BALANCE SHEET

30 June 2005

	Notes	**30 June 2005 (Unaudited) HK$'000**	31 December 2004 (Restated) HK$'000
NON-CURRENT ASSETS			
Fixed assets		**232,280**	198,802
Land lease prepayment		**22,545**	22,832
Investment properties		**51,369**	6,700
Negative goodwill		**—**	(43,950)
Interests in associates		**832,865**	658,232
Interest in a jointly-controlled entity		**3,679**	4,578
Loans receivable		**2,000**	28,000
Long term investments		**19,101**	90,267
Available-for-sale investment		**20,000**	—
Convertible debentures and notes		**57,556**	16,000
Total non-current assets		**1,241,395**	981,461
CURRENT ASSETS			
Held-to-maturity securities		**1,166**	—
Investments at fair value through profit or loss/other investments		**542,576**	523,178
Inventories		**51,048**	43,866
Loans receivable		**188,983**	266,766
Trade debtors	12	**41,038**	24,007
Other debtors, deposits and prepayments		**12,453**	18,230
Bills receivable		**7,925**	4,494
Land lease prepayment		**572**	572
Pledged time deposits		**8,234**	8,143
Time deposits		**492,857**	528,448
Cash and bank balances		**10,188**	29,166
Total current assets		**1,357,040**	1,446,870

CONDENSED CONSOLIDATED BALANCE SHEET *(continued)*

30 June 2005

	Notes	**30 June 2005 (Unaudited) *HK$'000***	31 December 2004 (Restated) *HK$'000*
CURRENT LIABILITIES			
Bills payable and trust receipt loans, secured		**963**	218
Trade creditors	*13*	**31,058**	24,086
Tax payable		**72,931**	71,471
Other payables		**2,908**	2,541
Accrued expenses		**14,478**	22,869
Customers' deposits received		**10,268**	8,753
Total current liabilities		**132,606**	129,938
NET CURRENT ASSETS		**1,224,434**	1,316,932
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,465,829**	2,298,393
NON-CURRENT LIABILITIES			
Convertible note	*14*	**64,541**	63,345
Other payables		**3,000**	—
Deferred tax		**2,121**	2,845
Total non-current liabilities		**69,662**	66,190
		2,396,167	2,232,203
CAPITAL AND RESERVES			
Equity attributable to equity holders of the Company			
Issued capital		**84,533**	84,533
Reserves		**1,609,265**	1,635,419
Retained profits		**505,367**	288,858
		2,199,165	2,008,810
Minority interests		**197,002**	223,393
		2,396,167	2,232,203

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2005

	Issued capital	Share premium	Contributed surplus	Exchange fluctuation reserve	Investment property revaluation reserve	Equity component of convertible notes	Share option reserve	Hedging reserve	Other reserve	Proposed final dividend	Retained profits	Minority interests	Total equity
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2004													
As previously reported	84,533	840,629	760,799	(419)	–	–	–	–	–	16,907	96,953	158,569	1,957,971
Prior period adjustments: *(notes 1 & 2)*	–	–	–	–	–	–	–	–	–	–	(8,440)	–	(8,440)
As restated, after prior period adjustments	84,533	840,629	760,799	(419)	–	–	–	–	–	16,907	88,513	158,569	1,949,531
Partial disposal of subsidiaries by the Company	–	–	–	–	–	–	–	–	–	–	–	53,989	53,989
Profit for the period (as restated)	–	–	–	–	–	–	–	–	–	–	65,679	9,153	74,832
Dividend paid	–	–	–	–	–	–	–	–	–	(16,907)	–	(5,555)	(22,462)
At 30 June 2004 and 1 July 2004 (as restated)	84,533	840,629	760,799	(419)	–	–	–	–	–	–	154,192	216,156	2,055,890
Equity component of convertible notes (as restated)	–	–	–	–	–	7,620	–	–	–	–	–	–	7,620
Share of investment property revaluation reserve of associates	–	–	–	–	1,430	–	–	–	–	–	–	–	1,430
Profit for the period (as restated)	–	–	–	–	–	–	–	–	–	–	160,026	7,237	167,263
Proposed final dividend	–	–	–	–	–	–	–	–	–	25,360	(25,360)	–	–
At 31 December 2004 (as restated)	84,533	840,629*	760,799*	(419)*	1,430*	7,620*	–	–	–	25,360*	288,858	223,393	2,232,203

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(continued)

For the six months ended 30 June 2005

	Issued capital (Unaudited) *HK$'000*	Share premium (Unaudited) *HK$'000*	Contributed surplus (Unaudited) *HK$'000*	Exchange fluctuation reserve (Unaudited) *HK$'000*	Investment property revaluation reserve (Unaudited) *HK$'000*	Equity component of convertible notes (Unaudited) *HK$'000*	Share option reserve (Unaudited) *HK$'000*	Hedging reserve (Unaudited) *HK$'000*	Other reserve (Unaudited) *HK$'000*	Proposed final dividend (Unaudited) *HK$'000*	Retained profits (Unaudited) *HK$'000*	Minority interests (Unaudited) *HK$'000*	Total equity (Unaudited) *HK$'000*
At 1 January 2005													
As previously reported	84,533	840,629	760,799	(419)	1,430	–	–	–	–	25,360	299,009	223,393	2,234,734
Prior period adjustments: *(notes 1 & 2)*	–	–	–	–	–	7,620	–	–	–	–	(10,151)	–	(2,531)
As restated, before opening adjustments	84,533	840,629	760,799	(419)	1,430	7,620	–	–	–	25,360	288,858	223,393	2,232,203
Opening adjustments: *(notes 1 & 2)*	–	–	–	–	(1,430)	–	238	(2,594)	657	–	101,543	(161)	98,253
As restated, after opening adjustments	84,533	840,629	760,799	(419)	–	7,620	238	(2,594)	657	25,360	390,401	223,232	2,330,456
Increase in shareholding in subsidiaries by the Company	–	–	–	–	–	–	–	–	–	–	–	(26,673)	(26,673)
Deemed disposal of partial interests in associates	–	–	–	–	–	–	(1)	8	(2)	–	–	–	5
Share of changes in share option reserve of associates	–	–	–	–	–	–	8	–	–	–	–	–	8
Share of changes in hedging reserve of associates	–	–	–	–	–	–	–	2,260	–	–	–	–	2,260
Share of changes in other reserve of associates	–	–	–	–	–	–	–	–	62	–	–	–	62
Profit for the period	–	–	–	–	–	–	–	–	–	–	114,966	6,031	120,997
Dividend paid	–	–	–	–	–	–	–	–	–	(25,360)	–	(5,588)	(30,948)
At 30 June 2005	84,533	840,629*	760,799*	(419)*	–*	7,620*	245*	(326)*	717*	–*	505,367	197,002	2,396,167

* These reserve accounts comprise the consolidated reserves of HK$1,609,265,000 (31 December 2004: HK$1,635,419,000 (as restated)) in the condensed consolidated balance sheet.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2005

	For the six months ended 30 June	
	2005	2004
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
NET CASH INFLOW FROM OPERATING ACTIVITIES	**138,886**	19,193
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	**(162,344)**	(17,484)
NET CASH OUTFLOW FROM FINANCING ACTIVITIES	**(31,020)**	(52,472)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(54,478)**	(50,763)
Cash and cash equivalents at beginning of period	**565,757**	522,979
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**511,279**	472,216
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**10,188**	31,949
Non-pledged time deposits	**492,857**	432,146
Pledged time deposits	**8,234**	8,121
	511,279	472,216

NOTES TO INTERIM FINANCIAL STATEMENTS

30 June 2005

1. Accounting Policies

The unaudited condensed consolidated interim financial statements are prepared in accordance with Hong Kong Accounting Standard ("HKAS") No. 34 "Interim Financial Reporting", issued by The Hong Kong Institute of Certified Public Accountants ("HKICPA").

The accounting policies and basis of preparation adopted in the preparation of these unaudited condensed consolidated interim financial statements are consistent with those used in the Group's audited financial statements for the year ended 31 December 2004, except that the Group has in the current period applied, for the first time, the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs"), HKASs and Interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the HKICPA that are effective for the accounting periods commencing on or after 1 January 2005:

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 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 40	Investment Property
HKFRS 2	Share-based Payment
HKFRS 3	Business Combinations
HK (SIC) — Int 21	Income Taxes — Recovery of Revalued Non-depreciable Assets
HK — Int 4	Leases — Determination of the Length of Lease Term in respect of Hong Kong Land Leases

1. Accounting Policies *(continued)*

The adoption of HKASs 2, 7, 8, 10, 12, 16, 18, 19, 2l, 23, 24, 28, 33, 37, 38, HKFRS 2 and HK — Int 4 has had no material impact on the accounting policies of the Group and the methods of computation in the Group's financial statements. The impact of adopting other HKFRSs is detailed as follows:

(a) HKAS 17 — Leases

In prior periods, leasehold land and buildings held for own use were stated at cost less accumulated depreciation and any impairment losses.

Upon the adoption of HKAS 17, the Group's leasehold interest in land and buildings is separated into leasehold land and leasehold buildings. The Group's leasehold land is classified as an operating lease, because the title of the land is not expected to pass to the Group by the end of the lease term, and is reclassified from fixed assets to land lease prepayment, while leasehold buildings continue to be classified as part of fixed assets. Land lease prepayment under operating leases are initially stated at cost and subsequently amortised on the straight-line basis over the lease term. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in fixed assets.

This change in accounting policy has had no effect on the condensed consolidated income statement and retained profits. The comparatives on the condensed balance sheet for the year ended 31 December 2004 have been restated to reflect the reclassification of leasehold land.

(b) HKAS 32 and HKAS 39 — Financial Instruments

(i) Financial assets

Upon the adoption of HKASs 32 and 39, the Group classifies financial assets in the following categories:

<u>Financial assets at fair value through profit or loss</u>

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit and loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. It is carried at fair value, with changes in fair value through profit or loss.

1. **Accounting Policies** *(continued)*

(b) ***HKAS 32 and HKAS 39 — Financial Instruments*** *(continued)*

(i) Financial assets (continued)

Financial assets at fair value through profit or loss *(continued)*

In prior periods, the Group's other investments were measured at fair value, with unrealised gains or losses included in the income statement, while convertible debentures and notes of the Group were stated at cost less any impairment losses. On 1 January 2005, other investments were reclassified to investments at fair value through profit or loss with the same accounting treatment as before. Convertible debentures and notes were measured at fair values with changes in fair value recognised in the income statement for the period in which they arose.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to debtor with no intention of trading the receivable. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Assets in this category are measured at amortised cost using effective interest method.

In prior periods, loans and receivables were stated at cost less any impairment losses.

Held-to-maturity securities

Held-to-maturity securities are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. Assets in this category are measured at amortised cost using effective interest method.

In prior periods, long term investment of HK$1,166,000 was stated at cost. On 1 January 2005, this long term investment was reclassified to held-to-maturity securities.

1. **Accounting Policies** *(continued)*

(b) HKAS 32 and HKAS 39 — Financial Instruments *(continued)*

(i) Financial assets (continued)

Available-for-sale investments

Available-for-sale investments are those non-derivative investments in unlisted equity securities that are designated as available-for-sale or are not classified in any of the other categories of financial assets as defined in HKAS 39. After initial recognition, available-for-sale investments are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is sold, collected or otherwise disposed of or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in the income statement.

For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument, which is substantially the same and discounted cash flow analysis.

When the fair value of unlisted equity securities cannot be reliably measured because (1) the variability in the range of reasonable fair value estimates is significant for that investment, or (2) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such securities are stated at cost.

The Group assesses at each balance sheet date whether there is any objective evidence that an available-for-sale investment is impaired as a result of one or more events that occurred after the initial recognition of the assets ("loss events"), and that loss event has an impact on the estimated future cash flows that can be reliably estimated.

If there is objective evidence of impairment, the cumulative loss that had been recognised directly in equity shall be removed from equity and recognised in the income statement. The amount of the loss recognised in the income statement shall be the difference between the acquisition cost and current fair value, less any impairment loss on that available-for-sale investment previously recognised in the income statement.

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

In prior periods, the Group's long term investments were carried at cost less any impairment losses. On 1 January 2005, long term investment of HK$70,000,000 was reclassified to available-for-sale investment.

1. Accounting Policies *(continued)*

(b) HKAS 32 and HKAS 39 — Financial Instruments *(continued)*

(ii) Convertible notes

In prior periods, convertible notes were stated at cost. Upon the adoption of HKASs 32 and 39, convertible notes issued are split into liability and equity components.

On the issue of the convertible notes, the fair value of the liability component is determined using a market rate for an equivalent non-convertible note; and this amount is carried as a long-term liability, on the amortised cost basis until extinguished on conversion or redemption.

The remainder of the proceeds is allocated to the conversion option that is recognised and included, in shareholders' equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent years.

Transaction costs are apportioned between the liability and equity components of the convertible notes based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

The effects of the above changes are summarised in note 2 to the condensed consolidated financial statements. In accordance with HKAS 32, comparative amounts have been restated.

(iii) Derivatives

In prior periods, unlisted share option held by the Group's associate was stated at cost less any impairment losses.

Upon the adoption of HKAS 39, all derivatives are required to be carried at fair value at each balance sheet date regardless of whether they are deemed as held for trading or designated as effective hedging instruments. Under HKAS 39, derivatives are deemed as held-for-trading financial assets, unless they qualify and are designated as effective hedging instruments. For derivatives that are deemed as held for trading, changes in fair value of such derivatives are recognised in the income statement for the period in which they arise.

1. **Accounting Policies** *(continued)*

(b) ***HKAS 32 and HKAS 39 — Financial Instruments*** *(continued)*

(iii) *Derivatives (continued)*

The fair value of the unlisted share options is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument, which is substantially the same; discounted cash flow analysis and option pricing models.

The effects of the above changes are summarised in note 2 to the condensed consolidated financial statements. In accordance with the transitional provision of HKAS 39, comparative amounts have not been restated.

(iv) *Interest rate swap*

An associate of the Group's associate uses interest rate swap to hedge its risks associated with interest rate fluctuations. In prior periods, interest rate swap was not designated as hedges and was recognised on a cash basis.

Upon the adoption of HKAS 39, interest rate swap is initially recognised as derivative financial instruments at fair value on the date on which a derivative contract is entered into and is subsequently remeasured at fair value. Changes in the fair value of derivatives held as hedging instruments in a cashflow hedge of committed future transactions are recognised in equity to the extent that the hedge is effective. Any ineffective portion of the changes in fair value of the derivatives is recognised in the income statement.

The effects of the above changes are summarised in note 2 to the condensed consolidated financial statements. In accordance with the transitional provisions of HKAS 39, comparative amounts have not been restated.

1. Accounting Policies *(continued)*

(c) HKAS 40 — Investment Property

In prior periods, changes in the fair values of investment properties were dealt with as movements in the investment property revaluation reserve. If the total of this reserve was insufficient to cover a deficit, on a portfolio basis, the excess of the deficit was charged to the income statement. Any subsequent revaluation surplus was credited to the income statement to the extent of the deficit previously charged.

Upon the adoption of HKAS 40, gains or losses arising from changes in the fair values of investment properties are recognised in the income statement in the year in which they arise. Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the year of retirement or disposal.

The Group has taken advantage of the transitional provisions of HKAS 40 to adjust the effect of adopting the standard to the opening balance of retained profits rather than restating the comparative amounts to reflect the changes retrospectively for the earlier period presented in the condensed consolidated financial statements. The effects of the above changes are summarised in note 2 to the condensed consolidated financial statements.

(d) HKFRS 3 — Business Combinations and HKAS 36 — Impairment of Assets

In prior periods, goodwill arising on acquisitions on or after 1 January 2001 was capitalised and amortised on a straight-line basis over its estimated useful life and was subject to impairment testing when there was any indication of impairment. Negative goodwill was carried in the balance sheet and was recognised in the consolidated income statement on a systematic basis over the remaining average useful life of the acquired depreciable/amortisable assets, except to the extent it related to expectations of future losses and expenses that were identified in the acquisition plan and that could be measured reliably, in which case, it was recognised as income in the consolidated income statement when the future losses and expenses were recognised.

Upon the adoption of HKFRS 3 and HKAS 36, goodwill arising on acquisitions is no longer amortised but subject to annual impairment review (or more frequently if events or changes in circumstances indicate that the carrying value may be impaired). Any impairment loss recognised for goodwill is not reversed in a subsequent period.

1. **Accounting Policies** *(continued)*

(d) HKFRS 3 — Business Combinations and HKAS 36 — Impairment of Assets *(continued)*

Any excess of the Group's interest in the net fair values of the acquirees' identifiable assets, liabilities and contingent liabilities over the cost of the acquisition of subsidiaries and associates (previously referred to as "negative goodwill"), after reassessment, is recognised immediately in the income statement.

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 costs of goodwill and derecognise the carrying amounts of negative goodwill against retained profits.

The effects of the above changes are summarised in note 2 to the condensed consolidated financial statements. In accordance with the transitional provision of HKFRS 3, comparative amounts have not been restated.

(e) HK(SIC)-Int 21 — Income Taxes — Recovery of Revalued Non-depreciable Assets

In prior periods, deferred tax arising on the revaluation of investment properties was recognised based on the tax rate that would be applicable upon the sale of investment properties.

Upon the adoption of HK(SIC)-Int 21, deferred tax arising on the revaluation of the Group's investment properties is determined depending on whether the properties will be recovered through use or through sale. The Group has determined that its investment properties will be recovered through use, and accordingly the profits tax rate has been applied to the calculation of deferred tax.

The effects of the above changes are summarised in note 2 to the condensed consolidated financial statements. The changes has been adopted retrospectively from earliest period presented and comparative amounts have been restated.

1. Accounting Policies *(continued)*

(f) HKAS 1 — Presentation of Financial Statements and HKAS 27 — Consolidated and Separate Financial Statements

In prior periods, minority interests at the balance sheet date were presented in the consolidated balance sheet separately from liabilities and as a deduction from the net assets. Minority interests in the results of the group for the period were also separately presented in the consolidated income statement as a reduction before arriving at the profit attributable to the equity holders of the Company.

Upon the adoption of HKASs 1 and 27, minority interests at the balance sheet date are presented in the consolidated balance sheet as an element of capital and reserves, separately from the equity attributable to the equity holders of the Company, and the minority interests in the results of the group for the period are presented on the face of the consolidated income statement as an allocation of the total profit or loss for the period between the minority interests and the equity holders of the Company.

The presentation of minority interests in the consolidated balance sheet, income statement and statement of changes in equity for the comparative period has been restated.

2. Summary of the Impact of Changes in Accounting Policies

Following the adoption of the HKFRSs, the opening balances of the following accounts were adjusted retrospectively. The details of the prior period adjustments and opening adjustments are summarised as follows:

(a) Effect on opening balance of total equity at 1 January 2005

Effect of new policies (Increase/(decrease))	*Notes*	Investment property revaluation reserve (Unaudited) *HK$'000*	Equity component of convertible notes (Unaudited) *HK$'000*	Share option reserve (Unaudited) *HK$'000*	Hedging reserve (Unaudited) *HK$'000*	Other reserve (Unaudited) *HK$'000*	Retained profits (Unaudited) *HK$'000*	Minority interests (Unaudited) *HK$'000*	Total equity (Unaudited) *HK$'000*
Prior period adjustments:									
HKAS 32									
Convertible notes	*1(b)(ii)*	–	7,620	–	–	–	(965)	–	6,655
HK(SIC)-Int 21									
Deferred tax arising from revaluation of investment properties of associates	*1(e)*	–	–	–	–	–	(9,186)	–	(9,186)
Net increase/(decrease) in total equity before opening adjustments		–	7,620	–	–	–	(10,151)	–	(2,531)
Opening adjustments:									
HKASs 32 and 39									
Convertible notes receivables	*1(b)(i)*	–	–	–	–	–	(238)	(161)	(399)
Share of changes in fair value of financial instruments of associates	*1(b)(iii)/(iv)*	–	–	238	(2,594)	657	43,292	–	41,593
HKAS 40									
Share of surplus on revaluation of investment properties of associates	*1(c)*	(1,430)	–	–	–	–	1,430	–	–
HKFRS 3									
Derecognition of negative goodwill	*1(d)*								
— effect on the Company		–	–	–	–	–	48,465	–	48,465
— effect on associates		–	–	–	–	–	8,594	–	8,594
Total effect at 1 January 2005		(1,430)	7,620	238	(2,594)	657	91,392	(161)	95,722

2. Summary of the Impact of Changes in Accounting Policies *(continued)*

(b) Effect on opening balance of total equity at 1 January 2004

Effect of new policies Decrease	*Note*	Investment property revaluation reserve (Unaudited) *HK$'000*	Equity component of convertible notes (Unaudited) *HK$'000*	Share option reserve (Unaudited) *HK$'000*	Hedging reserve (Unaudited) *HK$'000*	Other reserve (Unaudited) *HK$'000*	Retained profits (Unaudited) *HK$'000*	Minority interests (Unaudited) *HK$'000*	Total equity (Unaudited) *HK$'000*
Prior period adjustments:									
HK(SIC)-Int 21									
Deferred tax arising from revaluation of investment properties of associates	*1(e)*	–	–	–	–	–	(8,440)	–	(8,440)
Total effect at 1 January 2004		–	–	–	–	–	(8,440)	–	(8,440)

2. Summary of the Impact of Changes in Accounting Policies *(continued)*

The following tables summarise the impact on profit after tax, income or expenses recognised directly in equity and capital transactions with equity holders for the six months period ended 30 June 2005 and 30 June 2004 upon the adoption of the new HKFRSs. As no retrospective adjustments have been made for the adoption of HKASs 39, 40 and HKFRS 3, the amounts shown for the six months period ended 30 June 2004 may not be comparable to the amounts shown for the current interim period.

(c) Effect on profit after tax for the six months ended 30 June 2005 and 30 June 2004

		For the six months ended 30 June					
		2005			2004		
Effect of new policies (Increase/(decrease))	*Notes*	**Equity holders of the Company (Unaudited) *HK$'000***	**Minority interests (Unaudited) *HK$'000***	**Total (Unaudited) *HK$'000***	Equity holders of the Company (Unaudited) *HK$'000*	Minority interests (Unaudited) *HK$'000*	Total (Unaudited) *HK$'000*
Effect on profit after tax:							
HKASs 32 and 39							
Convertible notes receivables	*1(b)(i)*	**2,875**	**(261)**	**2,614**	—	—	—
Change in fair value of financial instruments of associates	*1(b)(iii)*	**32,353**	**—**	**32,353**	—	—	—
HKAS 40							
Surplus on revaluation of investment properties of associates	*1(c)*	**40,854**	**—**	**40,854**	—	—	—
HKFRS 3							
Derecognition of negative goodwill	*1(d)*				—	—	—
— effect on the Company		**9,525**	**—**	**9,525**	—	—	—
— effect on associates		**7,008**	**—**	**7,008**	—	—	—
HK(SIC)-Int 21							
Deferred tax arising from revaluation of investment properties of associates	*1(e)*	**(2,764)**	**—**	**(2,764)**	(13)	—	(13)
Total effect for the period		**89,851**	**(261)**	**89,590**	(13)	—	(13)
Effect on earnings per share:							
Basic		**1.06HK cents**			Nil		
Diluted		**0.96HK cents**			Nil		

2. Summary of the Impact of Changes in Accounting Policies *(continued)*

(d) Effect on income or expenses recognised directly in equity and capital transactions with equity holders for the six months ended 30 June 2005 and 30 June 2004

Effect of new policies (Increase/(decrease))	*Notes*	For the six months ended 30 June 2005 Equity holders of the Company (Unaudited) *HK$'000*	Minority interests (Unaudited) *HK$'000*	Total (Unaudited) *HK$'000*	2004 Equity holders of the Company (Unaudited) *HK$'000*	Minority interests (Unaudited) *HK$'000*	Total (Unaudited) *HK$'000*
HKAS 39							
Share of changes in fair value of financial instruments of associates	*1(b)(iv)*	2,330	—	2,330	—	—	—
HKAS 40							
Share of surplus on revaluation of investment properties of associates	*1(c)*	(40,854)	—	(40,854)	—	—	—
Total effect for the period		(38,524)	—	(38,524)	—	—	—

3. Critical Accounting Estimates and Judgements

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgments, estimates and assumptions that affect the application of policies and amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

4. Segmental Information

An analysis by principal activity and geographical area of operations of the Group's turnover and segment results are summarised as follows:

(a) Business segments

Group
For the six months ended
30 June 2005

	Trading of automobile parts (Unaudited) *HK$'000*	Treasury investment (Unaudited) *HK$'000*	Manufacture and sale of packaging products (Unaudited) *HK$'000*	Property and other investments (Unaudited) *HK$'000*	Consolidated (Unaudited) *HK$'000*
Segment revenue:					
Turnover from external customers	—	(5,528)	129,417	—	123,889
Other revenue	—	—	—	348	348
Total revenue	—	(5,528)	129,417	348	124,237
Segment results	(1,726)	71,114	20,579	(42,173)	47,794
Unallocated expenses, net					(17,165)
Interest income on bank deposits					5,491
Finance costs					(2,309)
Share of results of:					
A jointly-controlled entity	—	—	—	(900)	(900)
Associates	—	(1,807)	—	90,666	88,859
Profit before tax					121,770
Tax					(773)
Profit for the period					120,997

4. Segmental Information *(continued)*

(a) Business segments *(continued)*

Group
For the six months ended
30 June 2004 (Restated)

	Trading of automobile parts (Unaudited) *HK$'000*	Treasury investment (Unaudited) *HK$'000*	Manufacture and sale of packaging products (Unaudited) *HK$'000*	Property and other investments (Unaudited) *HK$'000*	Consolidated (Unaudited) *HK$'000*
Segment revenue:					
Turnover from external customers	—	73,459	121,542	—	195,001
Other revenue	—	—	—	297	297
Total revenue	—	73,459	121,542	297	195,298
Segment results	(5,049)	74,722	16,869	4,310	90,852
Unallocated expenses, net					(17,844)
Interest income on bank deposits					1,373
Finance costs					(2,519)
Share of results of:					
A jointly-controlled entity	—	—	—	(915)	(915)
Associates	—	(266)	—	10,991	10,725
Profit before tax					81,672
Tax					(6,840)
Profit for the period					74,832

4. Segmental Information *(continued)*

(b) Geographical segments

Group

	Hong Kong (Unaudited) *HK$'000*	North and South Americas (Unaudited) *HK$'000*	Europe (Unaudited) *HK$'000*	Others (Unaudited) *HK$'000*	Consolidated (Unaudited) *HK$'000*
For the six months ended 30 June 2005					
Segment revenue:					
Turnover from external customers	**30,427**	**37,006**	**48,521**	**7,935**	**123,889**
Other revenue	**348**	**—**	**—**	**—**	**348**
Total revenue	**30,775**	**37,006**	**48,521**	**7,935**	**124,237**
For the six months ended 30 June 2004 (Restated)					
Segment revenue:					
Turnover from external customers	108,581	41,782	37,959	6,679	195,001
Other revenue	297	—	—	—	297
Total revenue	108,878	41,782	37,959	6,679	195,298

5. Other Operating Income/Expenses

	Group For the six months ended 30 June	
	2005	2004
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
		(Restated)
Other operating income		
Write-back of impairment in value of convertible debentures	**—**	1,553
Gain on partial disposal of a subsidiary	**—**	22,481
Excess of the Group's additional interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of a subsidiary over its cost of investment recognised as income	**9,525**	—
Write-back of provision for doubtful debts	**5,063**	—
Unrealised holding gains on investments at fair value through profit or loss	**81,527**	—
Fair value changes on convertible debentures and notes	**6,521**	—
	102,636	24,034
Other operating expenses		
Provision for doubtful debts	**711**	300
Unrealised holding losses on other investments	**—**	11,359
Loss on deemed disposal of partial interests in associates	**1,801**	—
Impairment losses on available-for-sale investment	**50,000**	—
	52,512	11,659

6. Finance Costs

	Group For the six months ended 30 June	
	2005	2004
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest on bank loans, overdrafts and other loans wholly repayable within one year	**72**	40
Interest on convertible notes	**2,237**	2,479
	2,309	2,519

7. Profit Before Tax

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

	Group For the six months ended 30 June	
	2005	2004
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
		(Restated)
Depreciation	**5,679**	5,718
Amortisation of land lease prepayment	**287**	287
Amortisation of negative goodwill	**—**	(4,081)
Loss/(gain) on disposal of investments at fair value through profit or loss/other investments	**18,338**	(61,082)
Gain on disposal of fixed assets	**(12)**	—

8. Tax

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.

	For the six months ended 30 June	
	2005	2004
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
		(Restated)
Group:		
Hong Kong		
Charge for the period	**1,497**	5,349
Underprovision in prior periods	**—**	68
	1,497	5,417
Deferred tax charge/(credit)	**(724)**	1,423
Tax charge for the period	**773**	6,840

There were no significant potential deferred tax liabilities for which provision has not been made.

Share of tax attributable to associates amounting to HK$4,392,000 (2004: HK$1,788,000 (as restated)) is included in "Share of results of associates" on the face of the condensed consolidated income statement.

9. Dividend

The Board of Directors has resolved not to declare any interim dividend for the six months ended 30 June 2005 (2004: Nil).

10. Earnings Per Share

The calculation of basic earnings per share for the period ended 30 June 2005 is based on the profit attributable to equity holders of the Company of HK$114,966,000 (2004: HK$65,679,000 (as restated)) and the weighted average number of 8,453,321,700 (2004: 8,453,321,700) ordinary shares in issue during the period.

The calculation of diluted earnings per share for the period ended 30 June 2005 is based on the profit attributable to equity holders of the Company of HK$116,812,000 (2004: HK$67,742,000 (as restated)) as adjusted for the interest saving on the conversion of the convertible note into ordinary shares of the Company. The weighted average number of ordinary shares used in the calculation is the sum of the number of ordinary shares in issue during the period used in the basic earnings per share calculation of 8,453,321,700 (2004: 8,453,321,700), and the weighted average of 933,333,333 (2004: 833,333,333) ordinary shares assumed to have been issued at no consideration on the deemed conversion of all convertible notes into ordinary shares of the Company during the period.

11. Additions to Fixed Assets and Investment Properties

During the period, the Group incurred approximately HK$39,161,000 (2004: HK$9,222,000) and HK$44,669,000 (2004: Nil) on the acquisition of fixed assets and investment properties, respectively.

12. Trade Debtors

The aged analysis of trade debtors at the balance sheet date was as follows:

	Group	
	30 June 2005	31 December 2004
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
0 — 30 days	**37,226**	12,802
31 — 60 days	**3,098**	8,989
More than 60 days	**714**	2,216
	41,038	24,007

The Group allows an average credit period of 60 days to its customers.

13. Trade Creditors

The aged analysis of trade creditors at the balance sheet date was as follows:

	Group	
	30 June 2005	31 December 2004
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
0 — 30 days	**11,905**	9,456
31 — 60 days	**10,412**	6,965
More than 60 days	**8,741**	7,665
	31,058	24,086

14. Convertible Note

On 25 May 2004, the Company entered into an agreement with Timmex Investment Limited ("Timmex") in relation to the subscription by Timmex for an interest-bearing convertible note amounting to HK$70,000,000 (the "Note"). Timmex is 100% beneficially owned by Mr. Cheung Chung Kiu, a director of the Company. The Note conferred the right on the holder to convert the whole or part of the principal amount of the Note into ordinary shares of the Company at any time from 31 July 2004 (the date of issuance) for a period of three years, at the conversion price of HK$0.075 per share in the first year, HK$0.082 per share in the second year and HK$0.089 per share in the third year (subject to adjustment). The Note will mature for principal repayment on 31 July 2007. Interest on the Note is accrued from the date of issue on a day-to-day basis at 3% per annum on the principal amount of the Note and is payable annually in arrears.

Fair value of the liability component of the convertible note was determined, upon issuance, using the prevailing market interest rate for similar debt without a conversion option of 7.16% and is carried as a long-term liability. The remainder of the proceeds was allocated to the conversion option that is recognised and included in shareholders' equity.

15. Operating Lease Arrangements

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

	Group	
	30 June 2005	31 December 2004
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Within one year	**663**	696
In the second to fifth years, inclusive	**458**	773
	1,121	1,469

16. Commitments

At the balance sheet date, the Group had capital commitments in respect of purchases of fixed assets as follows:

	Group	
	30 June 2005	31 December 2004
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Contracted, but not provided for	**13,149**	—

17. Related Party Transactions

The Group had the following transactions with related parties during the period:

		Group For the six months ended 30 June	
		2005	2004
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
Rental expenses for office premises paid to a substantial shareholder	*(i)*	**470**	468
Interest expense paid to a related company	*(ii)*	**1,041**	2,479

17. Related Party Transactions *(continued)*

Notes:

(i) The rental expenses were charged at cost, based on the floor area occupied by the Group in respect of the office premises rented by Chongqing Industrial Limited from an independent third party. Mr. Cheung Chung Kiu, a director of the Company, has beneficial interests in Chongqing Industrial Limited, which is a substantial shareholder of the Company. This transaction also constituted a connected transaction for the Company under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("Listing Rules").

(ii) The interest expense paid to a related company was in respect of the Note issued by the Company to Timmex as detailed in note 14 to the financial statements. The above transactions constituted connected transactions for the Company under the Listing Rules.

18. Post Balance Sheet Events

(i) On 23 March 2005, the Group entered into a sale and purchase agreement to acquire a 60% equity interest in Hoi Tin Universal Limited ("Hoi Tin"), a company incorporated in Hong Kong, for a cash consideration of HK$36,000,000. Hoi Tin and its subsidiaries (the "Hoi Tin Group") are engaged in the business of the design, manufacture and sale of soft luggage, travel bags, backpacks and brief case. The transaction was completed on 4 July 2005.

(ii) On 29 July 2005, the Note held by Timmex amounting to HK$20,325,000 was converted into 271,000,000 shares of the Company of HK$0.01 each at the conversion price of HK$0.075 per share. After completion of this transaction, Timmex had an equity interest of 3.11% of the enlarged capital in the Company.

19. Approval of the Interim Financial Statements

These unaudited condensed consolidated interim financial statements were approved by the board of directors on 16 September 2005.