INTERIM RESULTS

The Board of Directors of Oriental Explorer Holdings Limited (the "Company") announces the unaudited interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2005 (the "period"), together with the unaudited comparative figures as follows:

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the six months ended 30 June 2005

		For the six months ended 30 June	
		2005	2004
		(Unaudited)	*(Restated)*
	Notes	***HK$'000***	*HK$'000*
TURNOVER	3	**1,147,746**	112,797
Cost of sales		**(1,117,032)**	(103,452)
Gross profit		**30,714**	9,345
Other income and gains	3	**4,115**	11,989
Selling and distribution costs		**(15,096)**	(3,350)
Operating and administrative expenses		**(5,073)**	(6,834)
Other operating expenses, net		**(8,344)**	(6,907)
Finance costs	5	**(332)**	(105)
Share of profits of an associate		**1,072**	1,170
Negative goodwill recognised as income on acquisition of an associate		**—**	1,409
PROFIT BEFORE TAX	6	**7,056**	6,717
Tax	7	**—**	330
PROFIT FOR THE PERIOD*		**7,056**	7,047
Minority interests		**—**	—
PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		**7,056**	7,047
***ATTRIBUTABLE TO:**			
Equity holders of the parent		**7,056**	7,047
Minority interests		—	—
		7,056	7,047
EARNINGS PER SHARE			
Basic	8	**0.39 cents**	0.39 cents
INTERIM DIVIDEND PER SHARE	9	**Nil**	Nil

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2005

	Notes	**30 June 2005** **(Unaudited)** **HK$'000**	31 December 2004 (Restated) HK$'000
NON-CURRENT ASSETS			
Fixed assets		**1,281**	1,519
Land lease payments		**345**	362
Interest in associates		**80,860**	79,788
Negative goodwill on acquisition of associates		**—**	(22,494)
Held-to-maturity financial assets		**19,772**	15,930
Available-for-sale financial assets		**89,159**	89,159
		191,417	164,264
CURRENT ASSETS			
Financial assets at fair value through profit or loss		**100,996**	77,880
Inventories		**2,133**	2,740
Trade and bills receivables	10	**1,365**	1,900
Prepayments, deposits and other receivables		**6,224**	25,093
Pledged deposits	11	**25,242**	7,800
Cash and cash equivalents	11	**11,966**	33,191
		147,926	148,604
LESS: CURRENT LIABILITIES			
Trade and bills payables	12	**566**	1,088
Other payables		**4,605**	8,852
Tax payable		**6,298**	4,604
		11,469	14,544
NET CURRENT ASSETS		**136,457**	134,060
TOTAL ASSETS LESS CURRENT LIABILITIES		**327,874**	298,324
CAPITAL AND RESERVES			
Equity attributable to equity holders of the parent			
Issued capital	13	**18,000**	18,000
Reserves		**309,874**	280,324
		327,874	298,324

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2005

		For the six months ended 30 June	
		2005	2004
		(Unaudited)	*(Unaudited)*
	Notes	***HK$'000***	*HK$'000*
Total equity at 1 January:			
As previous reported as equity		**298,324**	275,981
Opening adjustment	1,2	**22,494**	—
As restated		**320,818**	275,981
Changes in equity during the period			
Profit for the period		**7,056**	7,047
Total equity at 30 June		**327,874**	283,028

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	**27,739**	11,610
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	**(48,632)**	(39,705)
NET CASH OUTFLOW FROM FINANCING ACTIVITIES	**(332)**	(105)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(21,225)**	(28,200)
Cash and cash equivalents at beginning of period	**33,191**	62,985
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**11,966**	34,785
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**11,966**	34,785

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

The condensed consolidated interim financial statements are prepared in accordance with 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 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

The adoption of HKASs 1, 2, 7, 8, 10, 12, 16, 18, 19, 21, 23, 24, 27, 28, 33, 37, 38, HK(SIC)-Int 21 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 condensed consolidated financial statements. The impact of adopting the other HKFRSs is summarised 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 payments, while leasehold buildings continue to be classified as part of property, plant and equipment. Prepaid land premiums for land lease payments 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 building elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

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

1. ACCOUNTING POLICIES (continued)

(b) HKAS 32 and HKAS 39 - Financial Instruments

In prior periods, the Group classified its investments in unlisted equity securities as long term investments which were held for non-trading purposes and were stated at cost less any impairment losses. Debt securities that the Group has the ability to hold to maturity are classified as held-to-maturity securities and are stated in the balance sheet at amortised cost less impairment losses. The investments in listed securities are classified as short term investments and stated at fair value and the gains or losses arising from changes in the fair values of such securities are credited or charged to the profit and loss account in the period in which they arise.

The adoption of HKAS 32 and HKAS 39 has resulted in a change in the accounting policy relating to the classification of financial assets and liabilities and their measurement. HKAS 32 required retrospective application while HKAS 39 does not permit to recognise, derecognise and measure financial assets and liabilities on a retrospective basis.

Upon the adoption of HKASs 32 and 39, debt securities, investments in listed securities, and investments in unlisted equity securities are classified as held-to-maturity financial assets and financial assets at fair value through profit or loss, and available-for-sale financial assets, respectively. Held-to-maturity financial assets are stated at amortised cost less impairment losses. Available-for-sale financial assets are classified at fair value, where an active market exists, with any realised gains and losses recognised in equity. Available-for-sale financial assets that do not have a quoted market price in an active market and whose fair value cannot be reliably measured by valuation techniques are carried at cost less impairment. Financial assets at fair value through profit or loss are carried at fair value.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. Trade and other receivable were previously carried at cost less impairment of receivables.

Borrowings are now recognised initially at fair value, net of transaction costs incurred. They are subsequently stated at amortised cost with any difference between the proceeds (net of transaction costs) and the redemption value recognised in the profit and loss account over the period of the borrowings using the effective interest method. Borrowings were previously stated at cost.

The above changes do not have material effect on the accounts.

(c) HKAS 40 - Investment Property

In prior periods, changes in the fair values of investment properties held by an associate were dealt with as movements in 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 included 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 the retirement or disposal.

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

1. ACCOUNTING POLICIES (continued)

(d) HKFRS 2 - Share-based Payment

In prior periods, no recognition and measurement of share-based transactions in which employees (including directors) were granted share options over shares in the Company was required until such options were exercised by employees, at which time the share capital and share premium were credited with the proceeds received.

Upon the adoption of HKFRS 2, it requires an expense to be recognised where Group buys goods or obtain services in exchange for shares or rights over shares ("equity-settled transactions"), or in exchange for other assets equivalent in value to a given number of shares or right over shares ("cash settled transactions"). The principal impact of HKFRS 2 on the Group in relation to the expensing of the fair value of directors' and employees' share options of the Company determines at the date of grant of the options over the vesting period.

The above changes in accounting policy do not have any material effect on the accounts as HKFRS 2 need not be applied to share options that were granted on or before 7 November 2002.

(e) HKFRS 3 - Business Combinations and HKAS 36 - Impairment of Assets

In prior periods, goodwill/negative goodwill arising on acquisitions prior to 1 January 2001 was eliminated against consolidated capital reserve in the year of acquisition and was not recognised in the income statement 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. 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 an 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.

Any excess of the Group's interest in the net fair value 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 cost of goodwill and to derecognise the carrying amounts of negative goodwill against retained earnings. Goodwill previously eliminated against consolidated capital reserve remains eliminated against consolidated capital reserve and is not recognised in the income statement 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 effects of the above changes are summarised in note 2 to the condensed consolidated financial statements. In accordance with the transitional provisions of HKFRS 3, comparative amounts have not been restated.

2. SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICES

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

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

Effect of new policies (Increase/(decrease))	**Capital and other reserves** *(Unaudited)* *HK$'000*	**Accumulated losses** *(Unaudited)* *HK$'000*	**Total** *(Unaudited)* *HK$'000*
Opening adjustments:			
HKAS 40			
Surplus on revaluation of investment properties held by an associate	**(3,621)**	**3,621**	**—**
HKFRS 3			
Derecognition of negative goodwill	**—**	**22,494**	**22,494**
Total effect at 1 January 2005	**(3,621)**	**26,115**	**22,494**

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

There is no impact on opening balance of total equity at 1 January 2004 upon the adoption of the new HKFRSs.

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 ended 30 June 2005 and 2004 upon the adoption of the new HKFRSs. As no retrospective adjustments have been made for the adoption of HKFRS 3, the amounts shown for the six months 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 2004

	For the six months ended 30 June	
	2005	2004
Effect of new policies (Increase/(decrease))	**Equity holders of the parent** *(Unaudited)* *HK$'000*	Equity holders of the parent *(Unaudited)* *HK$'000*
Effect on profit after tax:		
HKFRS 3		
Discontinuation of recognition of negative goodwill	**(1,409)**	—
Total effect for the period	**(1,409)**	—
Effect on earnings per share:		
Basic	**(0.078 cents)**	—
Diluted	**N/A**	N/A

2. SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICES (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 2004

Effect of new policies (Increase/(decrease))	For the six months ended 30 June **2005** Equity holders of the parent *(Unaudited)* *HK$'000*	2004 Equity holders of the parent *(Unaudited)* *HK$'000*
HKFRS 3		
Derecognition of negative goodwill	**21,085**	—
Total effect for the period	**21,085**	—

3. TURNOVER, OTHER INCOME AND GAINS

Turnover represents the invoiced value of goods sold, net of discounts and returns. An analysis of turnover, other income and gains is as follows:

	For the six months ended 30 June **2005** *(Unaudited)* *HK$'000*	2004 *(Unaudited)* *HK$'000*
Turnover	**1,147,746**	112,797
Other income and gains:		
Interest income	**1,374**	508
Gain on disposal of listed investments	**1,342**	4,641
Dividend income from listed investments	**1,399**	966
Gain on disposal of fixed assets	—	5,874
	1,151,861	124,786

4. SEGMENT INFORMATION

An analysis of the business segments and geographical segments of the operation of the Group during the period is as follows:

(a) Business segments

	Steel trading		Electronic products		Corporate and others		Consolidated	
	For the six months ended 30 June							
	2005	2004	**2005**	2004	**2005**	2004	**2005**	2004
	(Unaudited)	*(Restated)*	***(Unaudited)***	*(Restated)*	***(Unaudited)***	*(Restated)*	***(Unaudited)***	*(Restated)*
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:								
Sales to external customers	**1,143,393**	106,149	**4,353**	6,648	**—**	—	**1,147,746**	112,797
Segment results	**10,545**	2,606	**(1,280)**	179	**(1,467)**	(3,624)	**7,798**	(839)
Other income and gains							**4,115**	11,989
Unallocated expenses							**(5,597)**	(6,907)
Finance costs							**(332)**	(105)
Share of profits of an associate							**1,072**	1,170
Negative goodwill recognised as income on acquisition of an associate							**—**	1,409
Profit before tax							**7,056**	6,717
Tax							**—**	330
Profit for the period							**7,056**	7,047

(b) Geographical segments

	Hong Kong		Thailand		Corporate and others		Consolidated	
	For the six months ended 30 June							
	2005	2004	**2005**	2004	**2005**	2004	**2005**	2004
	(Unaudited)	*(Restated)*	***(Unaudited)***	*(Restated)*	***(Unaudited)***	*(Restated)*	***(Unaudited)***	*(Restated)*
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:								
Sales to external customers	**4,353**	6,647	**1,143,393**	106,149	**—**	1	**1,147,746**	112,797
Segment results	**(2,747)**	(3,445)	**10,545**	2,606	**—**	—	**7,798**	(839)

5. FINANCE COSTS

	For the six months ended 30 June	
	2005	2004
	(Unaudited)	*(Restated)*
	HK$'000	*HK$'000*
Interest on discounted bills	**332**	105

6. PROFIT BEFORE TAX

Profit before tax was determined after charging the following:

	For the six months ended 30 June	
	2005	2004
	(Unaudited)	*(Restated)*
	HK$'000	*HK$'000*
Cost of inventories sold	**1,117,032**	103,452
Depreciation	**240**	936
Amortisation of land lease payments	**17**	17
Unrealised loss on financial assets at fair value through profit or loss, net	**8,344**	6,907

7. TAX

	For the six months ended 30 June	
	2005	2004
	(Unaudited)	*(Unaudited)*
	HK$'000	*HK$'000*
Hong Kong and the PRC:		
Overprovision in prior years	**—**	330
Tax credit for the period	**—**	330

No provision for Hong Kong tax has been made as the Group had no assessable profit during the period (2004: Nil).

No provision for overseas tax has been made in respect of the subsidiaries in the PRC nor other overseas subsidiaries as these subsidiaries had no assessable profits.

8. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to equity holders of the parent for the period of HK$7,056,000 (2004: HK$7,047,000) and the weighted average of 1,800,000,000 (2004: 1,800,000,000) ordinary shares in issue during the period.

Diluted earnings per share, reflecting the exercise of subscription rights under the share options granted pursuant to the Company's share option scheme, have not been presented because the share options had no dilutive effects for both the six months ended 30 June 2005 and 2004.

9. INTERIM DIVIDEND PER SHARE

The Directors of the Company do not recommend the payment of an interim dividend in respect of the six months ended 30 June 2005 (2004: Nil).

10. TRADE AND BILLS RECEIVABLES

	As at 30 June 2005 (Unaudited) HK$'000	As at 31 December 2004 (Audited) HK$'000
Trade receivables	**1,580**	2,115
Less: Provisions for doubtful debts	**(215)**	(215)
	1,365	1,900
Bills receivables	**—**	—
	1,365	1,900

An aged analysis of trade receivables is as follows:

	As at 30 June 2005 (Unaudited) HK$'000	As at 31 December 2004 (Audited) HK$'000
Aged:		
Within three months	**1,365**	1,900

An aged analysis of bills receivables is as follows:

	As at 30 June 2005 (Unaudited) HK$'000	As at 31 December 2004 (Audited) HK$'000
Aged:		
Within three months	**—**	—

The Group's trading terms with customers are largely on credit. Invoices are normally payable within two months of issuance, except for certain well established customers, where the terms are extended to three months to six months in some cases, subject to the approval of senior management. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are regularly reviewed by senior management.

11. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	As at 30 June 2005 *(Unaudited)* *HK$'000*	As at 31 December 2004 *(Audited)* *HK$'000*
Cash and bank balances	**2,779**	15,004
Time deposits	**9,187**	18,187
	11,966	33,191
Pledged deposits	**25,242**	7,800
	37,208	40,991

The time deposits of HK$25,242,000 (2004: HK$7,800,000) were pledged as security for banking facilities granted.

12. TRADE AND BILLS PAYABLES

	As at 30 June 2005 *(Unaudited)* *HK$'000*	As at 31 December 2004 *(Audited)* *HK$'000*
Trade payables	**566**	1,088
Bills payables	**—**	—
	566	1,088

An aged analysis of trade payables is as follows:

	As at 30 June 2005 *(Unaudited)* *HK$'000*	As at 31 December 2004 *(Audited)* *HK$'000*
Aged:		
Within three months	**566**	960
Within four to six months	**—**	128
	566	1,088

An aged analysis of bills payables is as follows:

	As at 30 June 2005 *(Unaudited)* *HK$'000*	As at 31 December 2004 *(Audited)* *HK$'000*
Aged:		
Within three months	**—**	—

13. SHARE CAPITAL

	As at 30 June 2005 (Unaudited) HK$'000	As at 31 December 2004 (Audited) HK$'000
Authorised:		
20,000,000,000 (2004: 20,000,000,000) ordinary shares of HK$0.01 each	**200,000**	200,000
Issued and fully paid:		
1,800,000,000 (2004: 1,800,000,000) ordinary shares of HK$0.01 each	**18,000**	18,000

14. SHARE OPTION SCHEMES

(a) The 1993 Scheme

On 8 March 1993, the Company adopted a share option scheme (the "1993 Scheme") for the purpose of providing incentives and rewards to eligible participants who contributed to the success of the Group's operations. Eligible participants of the 1993 Scheme included the Company's directors, including independent non-executive directors and employees of the Group. The 1993 Scheme remained in force for 10 years from that date and expired on 7 March 2003.

The maximum number of shares over which options could be granted could not exceed 10% of the ordinary share capital in issue from time to time, excluding those shares which had been issued under the 1993 Scheme.

Under the 1993 Scheme, the directors could, at their discretion, at any time during the 10 years from the date of approval of the 1993 Scheme, grant to directors, including independent non-executive directors, and employees of the Group options to subscribe for shares in the share capital of the Company. The share subscription price of any options granted under the 1993 Scheme was the higher of 80% of the average of the closing prices of the Company's shares on The Stock Exchange of Hong Kong Limited for the five trading days immediately preceding the date on which an option is granted and the nominal value of the shares.

Pursuant to a directors' resolution passed on 7 February 1998, options to subscribe for an aggregate of 58,500,000 shares in the Company within 10 years from the date of grant, at a subscription price of HK$0.112 per share, were granted by the Company. None of these share options has since been exercised by the grantees.

Name or category of participant	Date of grant of share options	Exercise price of share options* HK$	At 1 January and 30 June 2005	Exercise period of share options	Price of Company's shares at grant date of options HK$
Directors					
Lau Chi Yung, Kenneth	7 Feb 1998	0.112	19,500,000	7 Feb 1998 to 6 Feb 2008	0.19
Others					
Tsang Pak Chung, Eddy	7 Feb 1998	0.112	19,500,000	7 Feb 1998 to 6 Feb 2008	0.19
Leung Wei San, Saskia	7 Feb 1998	0.112	19,500,000	7 Feb 1998 to 6 Feb 2008	0.19
			58,500,000		

14. SHARE OPTION SCHEMES (continued)

No share options were granted, exercised, cancelled or lapsed during the period.

* The exercise price of the share options is subject to adjustment in the case of rights or bonus issues or other similar changes in the Company's share capital.

At 30 June 2005, 58,500,000 share options remained outstanding under the 1993 Scheme, which represented approximately 3.25% of the Company's shares in issue as at that date. The exercise in full of such share options would, under the present capital structure of the Company, result in the issue of 58,500,000 additional ordinary shares of the Company and additional share capital of HK$585,000 and share premium of HK$5,967,000 (before issue expenses).

(b) The 2003 Scheme

On 27 June 2003, a new share option scheme (the "2003 Scheme"), in compliance with the requirements of Chapter 17 of the Listing Rules, was adopted by the Company for a period of 10 years, for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the 2003 Scheme include any employee (including any executive and non-executive director), adviser, consultant, agent, contractor, client or customer, or supplier of any member of the Group.

The maximum number of unexercised share options currently permitted to be granted under the 2003 Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the 2003 Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of the grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 5 days from the date of the offer upon payment of a nominal consideration by the grantee. The exercise period of the share options granted is determinable by the directors, commences after a certain vesting period and ends on a date which is not later than 10 years from the date of grant of the option.

The subscription price is determined by the directors, but in any event may not be less than the higher of (i) the closing price of the shares on the date of grant, which must be a trading date; (ii) the average closing price of the shares for the five trading days immediately preceding the date of grant; and (iii) the nominal value of share.

No share options were granted, exercised, cancelled or lapsed during the period.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

15. RELATED PARTY TRANSACTIONS

During the period, a subsidiary sold finished goods of HK$1,625,000 (2004: HK$2,726,000) to and purchased raw materials and parts of HK$561,000 (2004: HK$20,000) from a related company of Alpha Japan Limited, the minority shareholder of a subsidiary of the Group. These transactions were based on published prices and conditions normally offered by the Group to third party customers in the ordiniary course of business of the Group (in respect of the sales), and offered by a related company of Alpha Japan Limited to its third party customers (in respect of the purchases).

16. CONTINGENT LIABILITIES

As at 30 June 2005, the amount of guarantees given by the Company to banks in connection with facilities granted to its subsidiaries and a fellow subsidiary was HK$397,000,000 (2004: HK$289,057,000).

17. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

The condensed interim financial statements were approved and authorised for issue by the Board of Directors on 16 September 2005.

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF OPERATION

During the period, the Group continued to focus on its core international steel trading business and cost efficiencies.

STEEL TRADING

The first half of 2005 was a period with intense competition in the international steel trading market as a result of the control measures introduced by the central government. Steel prices were decreasing at a fast pace and customers were not willing to acquire bulk volume and accumulate stock of steel products at comparatively high price. Against this background, with an established worldwide network of supplier and customer base and successful business methodology adopted, the Group has again uphold its market position. For the first half of 2005, our steel trading division recorded a trading volume of steel products of approximately 322,000 mt with a turnover of HK$1,143 million, representing an increase of 977% over the previous corresponding period.

The management forecasted that the second half year would be a hard time for international steel market and accordingly, continuous effort has also been devoted to develop outsourcing and expanding business opportunities.

ELECTRONICS

For the period under review, the electronics division reported a net loss of approximately HK$1.3 million based on a turnover of HK$4.4 million. Considering continuous loss suffering, it is our intention to seek a potential buyer to dispose of the related business.

PORTFOLIO INVESTMENTS

During the period, the Group realised more than HK$1.3 million profit from portfolio investing activities. The Group undertakes portfolio investments for 2 reasons. Firstly, the Group takes positions in businesses considered to be undervalued and which might evolve into strategic investments in the longer term if certain conditions are met. If those conditions are not met or the share price rises beyond the point where an investment is considered to be fully valued, the Group will then realise the profit on the investment. Secondly, the Group invests in market disequilibrium opportunities in shares where the management team of the Group has particular knowledge and expertise. The current financial structure of the Group means that substantial cash balances can be generated from time to time and limited portfolio investing activities will improve the return on cash balances and enhance the Group's profitability.

In order to diversify investment risk, apart from the Hong Kong market, the Group also focused and had portfolio investments in Thailand, Japan and Korea stock markets.

However, the stock market was very volatile and vulnerable during the year and as a result, the Group incurred an unrealized loss of HK$8.3 million when marking the investment portfolio to the market valuation as at 30 June 2005.

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its operations with internally generated cash flow and banking facilities provided by its principal bankers in Hong Kong. As at 30 June 2005, the Group had available aggregate banking facilities of approximately HK$397 million, out of which HK$329 million had been utilized. The Group's cash and bank balances and short term bank deposits as at 30 June 2005 amounted to approximately HK$37 million. The Group had no bank borrowing as at 30 June 2005.

Taking into account available credit facilities, cash on hand and recurring cash flows from its core steel trading business, the Group has sufficient working capital for its present requirements.

NUMBER AND REMUNERATION OF EMPLOYEES

The Group had approximately 98 employees, consisted of 10 staff and 88 workers in Hong Kong and China as at 30 June 2005. Remuneration is reviewed annually and in addition to the basic salaries, the Group also provides staff benefits including discretionary bonus, contributory provident fund and professional tuition/training subsidies in order to retain competent employees.

PROSPECTS

As we look into the future, the Group will again concentrate on organic growth while remaining attuned to market opportunities that can sustain growth and deliver a strong recurring income to the Group. In line with this corporate direction and philosophy, detailed feasibility study on Hong Kong and the PRC property markets has been performed and active participation in this sector of the business will be carried out once we consider the timing is appropriate. We strongly believe that we have the necessary skills and expertise to enable us to step into this sector of the new business.

In addition to tapping into Hong Kong and the PRC property markets, the Group will be working towards the goal of maximizing returns for our shareholders through restructuring our business mix and strengthening the competitiveness of our business. Our management will focus its attention more on expansion and opportunities, which are profitable and have a promising outlook. Whether expansion will be organically driven or by way of acquisition, we can assure that it will be a calculated and measured expansion, tempered by caution.

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

At 30 June 2005, the interests of the directors in the share capital of the Company or 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 for Securities Transactions by Directors of Listed Companies, were as follows:

Long position in ordinary shares of the Company:

Name of director	Nature of interest	Number of shares held	Percentage of the Company's issued share capital
Lau Chi Yung, Kenneth	Through a controlled corporation	1,020,268,999#	56.68

Long position in shares of associated corporations:

Name of director	Name of associated corporation	Relationship with the Company	Shares	Number of shares held	Capacity and nature of interest	Percentage of the associated corporation's issued share capital
Lau Chi Yung, Kenneth	Multifield International Holdings Limited	Company's intermediate holding company	Ordinary shares	2,685,515,712#	Through a controlled corporation	64.24

\# The above shares are ultimately controlled by Power Resources Holdings Limited, which acts as the trustee under the Power Resources Discretionary Trust, a family discretionary trust, the discretionary objects of which include Mr. Lau Chi Yung, Kenneth and his family.

The interests of the directors in the share options of the Company are separately disclosed in note 14 to the condensed interim financial statements.

Other than certain nominee shares in subsidiaries held by a director in trust for the companies in the Group, no director held an interest in the share capital of the Company's subsidiaries during the period.

Save as disclosed above, none of the directors had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of 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 for Securities Transactions by Directors of Listed Companies.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Save as disclosed in the share option schemes disclosures in note 14 to the condensed interim financial statements, at no time during the period 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 holding companies, subsidiaries and fellow subsidiaries a party to any arrangement to enable the Company's directors to acquire such rights in any body corporate.

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

At the balance sheet date, the following shareholders had notified the Company of a direct or indirect interest in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company:

Long positions:

Name	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital
Limitless Investment Limited	Directly beneficially owned	1,020,268,999	56.68
Multifield International Holdings (BVI) Limited	Through a controlled corporation	1,020,268,999	56.68
Multifield International Holdings Limited	Through a controlled corporation	1,020,268,999	56.68
Lucky Speculator Limited	Through a controlled corporation	1,020,268,999	56.68
Desert Prince Limited	Through a controlled corporation	1,020,268,999	56.68
Power Resources Holdings Limited	Through a controlled corporation	1,020,268,999	56.68

Notes: Power Resources Holdings Limited was deemed to have beneficial interest in 1,020,268,999 shares of the Company by virtue of its indirect interests in Lucky Speculator Limited, Desert Prince Limited, Multifield International Holdings Limited, Multifield International Holdings (BVI) Limited and Limitless Investment Limited.

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

PURCHASE, SALES OR REDEMPTIONS OF THE COMPANY'S LISTED SECURITIES

During the period, there were no purchases, sales or redemptions of the Company's listed securities by the Company or by any of its subsidiaries.

REVIEW BY AUDIT COMMITTEE

The audit committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed the auditing, internal control and financial reporting matters including the review of the Group's unaudited interim results for the six months ended 30 June 2005.

CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the directors, save as disclosed below, the Company has complied with the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2005.

(a) Under the code provisions of A.4.1 and A.4.2, (i) non-executive directors should be appointed for a specific term and subject to re-election; and (ii) all directors appointed to fill a causal vacancy should be subject to election by shareholders at the first general meeting after their appointment, and every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

Non-executive directors do not have a specific term of appointment and under the Bye-laws of the Company, at each general meeting, one third of the directors for the time being, or if their number is not three or a multiple of three, then the number nearest one-third, shall retire from office by rotation save any director holding office as chairman and managing director. The Company intends to propose any amendment of relevant Bye-laws, if necessary, in order to ensure compliance with the Code on Corporate Governance Practices.

(b) Under the code provision of A.2, the role of chairman and chief executive officer should be separated and should not be performed by the same individual.

The Company does not at present have any officer with the title of "chief executive officer". Mr Lau Chi Yung, Kenneth is the chairman and managing director of the Company. The Board will meet regularly to consider major matters affecting the operations of the Company. The Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Company and is conductive to strong and consistent leadership, enabling the Company to respond promptly and efficiently.

(c) Under the code provision of B.1, the Company should establish a remuneration committee to level and mark-up of remuneration and disclosure. The remuneration committee was not yet in place during the period under review but it was established on 16 September 2005 with terms of reference complying with code provision B.1.3.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as the Company's code of conduct of dealings in securities of the Company by the directors. Based on specific enquiry of the Company's directors, the directors have complied with the required standard set out in the Model Code throughout the accounting period covered by the interim report.

By Order of the Board
Lau Chi Yung, Kenneth
Chairman

Hong Kong, 16 September 2005

DIRECTORS

As at the date of this report, the Company's executive directors include Mr Lau Chi Yung, Kenneth and Mr Lau Michael Kei Chi; and independent non-executive directors include Mr Choy Tak Ho, Mr Lo Yick Wing and Mr Wong Yim Sum.