MAXX BIOSCIENCE HOLDINGS LIMITED
曼盛生物科技集團有限公司

INTERIM REPORT 2005

INTERIM RESULTS

The board of directors (the "Directors") of Maxx Bioscience Holdings Limited (the "Company") announces the unaudited consolidated interim results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2005.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2005

	Notes	Six months ended 30 June 2005 HK$'000 (Unaudited)	2004 HK$'000 (Unaudited and restated)
Turnover	*4*	**22,330**	23,740
Cost of sales		**(12,595)**	(11,507)
Gross profit		**9,735**	12,233
Other income		**9,820**	3,535
Distribution expenses		**(3,571)**	(5,330)
Administrative expenses		**(28,460)**	(22,025)
Other operating expenses		**(7,205)**	(11,957)
Finance cost		**(1,662)**	(3,897)
Share of losses of associates		**(307)**	(222)
Loss before taxation	*6*	**(21,650)**	(27,663)
Taxation	*8*	**—**	—
Loss for the period		**(21,650)**	(27,663)
Attributable to:			
— Equity holders of the Company		**(20,025)**	(25,185)
— Minority interests		**(1,625)**	(2,478)
		(21,650)	(27,663)
Dividend	*9*	**—**	—
Loss per share	*10*		
— Basic		**(2.55) cents**	(11.98) cents
— Diluted		**N/A**	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2005

	Notes	30 June 2005 HK$'000 (Unaudited)	31 December 2004 HK$'000 (Audited and restated)
Non-current assets			
Property, plant and equipment	11	**76,414**	83,397
Lease prepayments on land use rights		**4,320**	4,374
Interests in associates		**5,469**	7,752
Intangible assets		**63,649**	70,855
		149,852	166,378
Current assets			
Inventories		**3,069**	3,583
Trade and other receivables	12	**9,847**	8,469
Investments in securities		**—**	7,314
Financial assets at fair value through profit or loss		**6,139**	—
Investments held for disposal		**27,249**	27,249
Cash and cash equivalents		**72,798**	56,272
		119,102	102,887
Current liabilities			
Provision for staff welfare and bonus		**60,339**	60,433
Trade and other payables	13	**46,622**	32,722
Short-term bank loans (secured)		**51,103**	51,103
Promissory notes		**—**	25,200
Convertible notes		**—**	45,000
Amounts due to directors		**69**	3,101
Amount due to a major shareholder		**2,211**	—
		160,344	217,559
Net current liabilities		**(41,242)**	(114,672)
Total assets less current liabilities		**108,610**	51,706
Capital and reserves			
Share capital	14	**10,739**	3,580
Reserves		**85,165**	35,240
Equity attributable to equity holders of the Company		**95,904**	38,820
Minority interests		**12,706**	12,886
		108,610	51,706

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2005

	Attributable to equity holders of the Company								Minority interests	Total
	Share capital	Share premium	Statutory reserves	Exchange translation reserve	Contributed surplus	Equity component of convertible notes	Accumulated losses	Total		
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2005										
– as originally stated	3,580	24,507	148,158	(69,654)	–	–	(66,940)	39,651	12,886	52,537
– effects of changes in accounting policy	–	–	–	–	–	7,327	(8,158)	(831)	–	(831)
	3,580	24,507	148,158	(69,654)	–	7,327	(75,098)	38,820	12,886	51,706
Open offer	7,159	69,950	–	–	–	–	–	77,109	–	77,109
Disposal of subsidiaries	–	–	–	–	–	–	–	–	1,445	1,445
Loss for the period	–	–	–	–	–	–	(20,025)	(20,025)	(1,625)	(21,650)
At 30 June 2005	10,739	94,457	148,158	(69,654)	–	7,327	(95,123)	95,904	12,706	108,610
At 1 January 2004										
– as originally stated	138,143	223,698	148,158	(69,654)	249,906	–	(547,777)	142,474	31,201	173,675
– effects of changes in accounting policy	–	–	–	–	–	7,327	(846)	6,481	–	6,481
	138,143	223,698	148,158	(69,654)	249,906	7,327	(548,623)	148,955	31,201	180,156
Capital reduction	(137,452)	–	–	–	137,452	–	–	–	–	–
Share premium cancellation	–	(223,698)	–	–	223,698	–	–	–	–	–
Credit transfer	–	–	–	–	(628,887)	–	628,887	–	–	–
Open offer	2,072	14,505	–	–	–	–	–	16,577	–	16,577
Loss for the period	–	–	–	–	–	–	(25,185)	(25,185)	(2,478)	(27,663)
At 30 June 2004	2,763	14,505	148,158	(69,654)	(17,831)	7,327	55,079	140,347	28,723	169,070

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2005

	Six months ended 30 June	
	2005	2004
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Net cash inflow from operating activities	**4,075**	5,171
Net cash inflow/(outflow) from investing activities	**6,569**	(2,579)
Net cash inflow from financing activities	**5,882**	5,008
Increase in cash and cash equivalents	**16,526**	7,600
Cash and cash equivalents at 1 January	**56,272**	43,670
Cash and cash equivalents at 30 June, represented by cash and bank balances	**72,798**	51,270

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of preparation

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and the Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

2. Principal accounting policies

The accounting policies and basis of preparation adopted in the preparation of the condensed consolidated financial statements are consistent with those adopted in the Group's annual financial statements for the year ended 31 December 2004, except as described below.

In the current period, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as "new HKFRSs") issued by HKICPA that are effective for accounting periods beginning on or after 1 January 2005. The adoption of the new HKFRSs has resulted in changes to the Group's accounting policies in the following areas that have an effect on how the results for the current or prior accounting periods are prepared and presented.

(a) The adoption of HKAS 1 "Presentation of Financial Statements" and HKAS 27 "Consolidated and Separate Financial Statements" has resulted in a change in the presentation of minority interests, which are now shown within equity. On the face of the consolidated income statement, minority interests are presented as an allocation of the total profit or loss for the period.

(b) ***Owner-occupied leasehold interest in land***

In previous period, owner-occupied leasehold land and buildings were included in property, plant and equipment and measured using the revaluation model. In the current period, the Group has applied HKAS 17 "Leases". Under the HKAS 17, the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification, unless the lease payments cannot be allocated reliably between the land and buildings elements, in which case, the entire lease is generally treated as a finance lease. To the extent that the allocation of the lease payments between the land and buildings elements can be made reliably, the leasehold interests in land are reclassified to prepaid lease payments on land use rights under operating leases, which are carried at cost and amortised over the lease term on a straight-line basis. This change in accounting policy has been applied retrospectively. Comparative amounts for 2004 have been restated accordingly.

On 1 January 2005, lease payments on land use rights included in property, plant and equipment with carrying amount of HK$4,374,000 were reclassified to prepaid lease payments on land use rights and the accumulated losses has been increased by HK$831,000 (2004: HK$846,000).

Where the allocation between the land and buildings elements cannot be made reliably, the leasehold interests in land continue to be accounted for as property, plant and equipment.

(c) ***Financial instruments***

In the current period, the Group has applied HKAS 32 "Financial Instruments: Disclosure and Presentation" and HKAS 39 "Financial Instruments: Recognition and Measurement". HKAS 32 requires retrospective application. HKAS 39, which is effective for accounting periods beginning on or after 1 January 2005, generally does not permit the recognition, derecognition or measurement of financial assets and liabilities on a retrospective basis. The principal effects resulting from the implementation of HKAS 32 and HKAS 39 are as follows:

Classification and measurement of financial assets and financial liabilities

The Group has applied the relevant transitional provisions in HKAS 39 with respect to classification and measurement of financial assets and financial liabilities that are within the scope of HKAS 39.

Debt and equity securities

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

On 1 January 2005, the Group classified and measured its debt and equity securities in accordance with the requirements of HKAS 39. The Group reclassified its investment in securities as financial assets at fair value through profit or loss. This change has had no material effect on the results for the current or prior periods.

Financial assets and financial liabilities other than debt and equity securities

From 1 January 2005 onwards, the Group classifies and measures its financial assets and financial liabilities other than debt and equity securities in accordance with the requirements of HKAS 39. Financial assets under HKAS 39 are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables" or "held-to-maturity financial assets". Financial liabilities are generally classified as "financial liabilities at fair value through profit or loss" or "financial liabilities other than financial liabilities at fair value through profit or loss" ("Other Financial Liabilities"). Other Financial Liabilities are carried at amortised cost using the effective interest method. As a result of this change in accounting policy, the finance costs have been increased by HK$626,000 for the period ended 30 June 2004.

Convertible notes

HKAS 32 requires an issuer of a compound financial instrument (that contains both financial liability and equity components) to separate the compound financial instrument into its liability and equity components on its initial recognition and to account for these components separately. In subsequent periods, the liability component is carried at amortised cost using the effective interest method. The principle impact of HKAS 32 on the Group is in relation to convertible notes issued by the Group that contain both liability and equity components. Previously, convertible notes were classified as liabilities on the balance sheet. Because HKAS 32 requires retrospective application, comparative figures have been restated. On 1 January 2005, both of the equity component of convertible notes and accumulated losses have been increased by HK$7,327,000. This change has had no material effect on the results for the current period and the finance cost for the six months ended 30 June 2004 have been increased by HK$1,118,000.

(d) Share-based payments

In the current period, the Group has applied HKFRS 2 "Share-based Payment" which requires an expense to be recognised where the Group buys goods or obtains services in exchange for shares or rights over shares ("equity-settled transactions"), or in exchange for other assets equivalent in value to a given number of shares or rights over shares ("cash-settled transactions"). The principal impact of HKFRS 2 on the Group is in relation to the expensing of the fair value of directors' and employees' share options of the Company determined at the date of grant of the share options over the vesting period. Prior to the application of HKFRS 2, the Group did not recognise the financial effect of these share options until they were exercised. The Group has applied HKFRS 2 to share options granted on or after 1 January 2005. In relation to share options granted before 1 January 2005, the Group has not applied HKFRS 2 to share options granted on or before 7 November 2002 and share options that were granted after 7 November 2002 and had vested before 1 January 2005 in accordance with the relevant transitional provisions. This change has no material effect on the results for the period and prior periods.

(e) ***Business combinations***

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

Goodwill

In previous periods, goodwill arising on acquisitions was capitalised and amortised over its estimated useful life. With respect to goodwill previously capitalised on the balance sheet, the Group has discontinued amortising such goodwill from 1 January 2005 onwards and goodwill will be tested for impairment at least annually and in the financial year in which the acquisition takes place. Goodwill arising on acquisitions after 1 January 2005 is measured at cost less accumulated impairment losses (if any) after initial recognition. As a result of this change in accounting policy, no amortisation of goodwill has been charged in the current period. This change has no material effect on the results for the prior period.

3. Potential impact arising on the new accounting standards not yet effective

The Group has not early applied the following new HKFRSs that have been issued but are not yet effective. The Directors anticipate that the application of these new HKFRSs will have no material impact on the financial statements of the Group.

HKAS 19 Amendment	Actuarial Gains and Losses, Group Plans and Disclosures
HKAS 39 Amendment	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 Amendment	The Fair Value Option
HKFRS-Int 4	Determining whether an Arrangement contains a Lease

4. Turnover

Turnover represents the net amount received and receivables for goods sold by the Group to outside customers less returns and allowances.

5. Segment information

As over 90% of the Group's turnover and contributions to operating profit are attributable to the manufacture and sales of pharmaceutical and health products, no separate analysis of business segment is presented accordingly.

The Group's turnover for the six months ended 30 June 2005 are substantially made to customers based in PRC and the operations and tangible assets are substantially located in PRC. Accordingly, no separate analysis for the geographical segment information is presented.

6. Loss before taxation

	Six months ended 30 June	
	2005	2004
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Loss before taxation has been arrived at after charging:		
Amortisation of intangible assets	**7,206**	11,957
Depreciation of property, plant and equipment	**6,964**	8,242
Impairment of goodwill	**1,380**	—
and after crediting		
Rental income	**4,347**	3,535
Gain on dissolution of an associate	**3,176**	—
Gain on disposal of a subsidiary	**975**	—

7. Staff costs

	Six months ended 30 June	
	2005	2004
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Salaries and wages	**4,939**	6,089
Contributions to retirement schemes	**614**	548
	5,553	6,637

8. Taxation

Hong Kong Profits Tax is provided for at the rate of 17.5% (2004: 17.5%) on the estimated assessable profits arising in or derived from Hong Kong for the period.

No provision for Hong Kong Profits Tax has been made for the six months ended 30 June 2005 (2004: Nil) as the Group's operation in Hong Kong has no assessable profits.

Subsidiaries operate in the PRC are subject to PRC enterprise income tax at a rate of 15% during the period. No provision for PRC enterprise income tax has been made for the six months ended 30 June 2005 (2004: Nil) as these subsidiaries incurred losses during the period.

9. Dividends

The Directors do not recommend the payment of a dividend for the six months ended 30 June 2005 (2004: Nil).

10. Loss per share

The calculation of basic loss per share for the six months ended 30 June 2005 is based on the Group's loss attributable to ordinary equity holders of the Company of approximately HK$20,025,000 (2004: HK$25,185,000) and on the weighted average number of ordinary shares in issue during the period of 785,178,265 shares (2004: 210,252,382 shares). The comparative amount for basic loss per share has been adjusted for the 2 for 1 open offer took place during the period.

Diluted loss per share has not been presented as the potential ordinary share had an anti-dilutive effect on the basic loss per share for both periods.

11. Property, plant and equipment

During the period, the Group disposed of certain property, plant and equipment with a carrying amount of approximately HK$262,000 for proceeds of approximately HK$462,000, resulting in a profit on disposal of approximately HK$200,000.

In addition, the Group spent approximately HK$284,000 on additions to property, plant and equipment to upgrade its production facilities.

12. Trade and other receivables

	30 June 2005	31 December 2004
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Trade receivables	**9,323**	7,849
Deposits, prepayments and other receivables	**524**	620
	9,847	8,469

The aging analysis of trade receivables is set out below:

Within 90 days	**7,321**	6,735
Over 90 days but within 180 days	**2,975**	1,707
Over 180 days but within 365 days	**313**	1,252
Over 365 days	**8,425**	7,866
	19,034	17,560
Less: Provision for doubtful debts	**(9,711)**	(9,711)
	9,323	7,849

The normal credit period granted by the Group is on average 90 days.

13. Trade and other payables

	30 June 2005	31 December 2004
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Trade payables	2,764	3,186
Other payables and accruals	43,858	29,536
	46,622	32,722

All trade payables were aged less than one year.

14. Share capital

	30 June 2005		31 December 2004			
	Ordinary shares of HK$0.01 each		Ordinary shares of HK$0.01 each		Ordinary shares of HK$0.1 each	
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount
	'000	*HK$'000*	*'000*	*HK$'000*	*'000*	*HK$'000*
Authorised:						
At beginning of period/year	100,000,000	1,000,000	—	—	10,000,000	1,000,000
Capital reorganisation	—	—	100,000,000	1,000,000	(10,000,000)	(1,000,000)
At end of period/year	100,000,000	1,000,000	100,000,000	1,000,000	—	—
Issued and fully paid:						
At beginning of period/year	357,978	3,580	—	—	1,381,430	138,143
Capital reorganisation	—	—	69,072	691	(1,381,430)	(138,143)
3 for 1 open offer	—	—	207,214	2,072	—	—
Placement of shares	—	—	55,180	552	—	—
Issued upon exercise of share options	—	—	26,512	265	—	—
2 for 1 open offer	715,956	7,159	—	—	—	—
At end of period/year	1,073,934	10,739	357,978	3,580	—	—

On 6 January 2005, the Company announced that the Directors proposed to issue not less than 715,956,000 but not more than 719,868,000 shares at HK$0.11 per share by way of an open offer on the basis of two offer shares for every existing share held by the qualifying shareholders on 22 February 2005. On 8 March 2005, the Directors announced that an aggregate of 669,233,492 offer shares were accepted or applied for, representing approximately 93.47% of the total number of 715,956,000 offer shares under the open offer. The undersubscribed 46,722,508 offer shares were taken up by the underwriters. The net proceeds from the open offer is approximately HK$77 million, of which HK$70.2 million has been used for the early redemption of the convertible notes and promissory notes and the remaining balance of approximately HK$6.8 million has been applied as working capital of the Group.

15. Contingent liabilities

The Group has no significant contingent liabilities as at 30 June 2005.

16. Commitments

The Group had the following future minimum lease payments under non-cancellable operating leases in respect of land and buildings:

	30 June 2005	31 December 2004
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Within one year	**568**	1,228
In the second to fifth year inclusive	**—**	505
	568	1,733

The Group also leases out some of the land and buildings, the future minimum rental receivable under non-cancellable operating leases are as follows:

	30 June 2005	31 December 2004
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Within one year	**5,827**	4,553
In the second to fifth year inclusive	**8,877**	9,939
Over five years	**198**	5,400
	14,902	19,892

17. Subsequent event

On 26 August 2005, the Company completed the acquisition of the entire issued share capital of Seapearl Trading Limited for a cash consideration of HK$14,000,000. Seapearl Trading Limited is the exclusive distributor of all kinds of Chinese medicine and health products manufactured by Lei Yun Shang Medicine Company Limited in all parts of the world except the PRC.

18. Comparative information

Certain comparative information has been restated to conform with current year presentation.

Business review

For the six months ended 30 June 2005, the Group recorded a turnover of approximately HK$22,330,000 which represents a decrease of 6% as compared with the corresponding period of last year. The sales of the Group's existing tonic drinks products (including Houtou Mushroom tonic drink and Chrysanthemum tonic drink) continued to drop because of keen competition in tonic drinks market in China and the fact that these products have reached the consolidation stage of their product life cycles.

The gross profit for the period under review was approximately HK$9,735,000 as compared to approximately HK$12,233,000 for the previous period. The gross margin achieved during the current period was 44% which was about 8% lower than that of the same period last year.

The Group reported a consolidated loss attributable to equity holders of the Company of approximately HK$20,025,000 as compared with a loss of HK$25,185,000 for the same period last year. Such improvement was mainly attributable to the increase in other income of approximately HK$4.2 million arising from the disposal of a subsidiary and an associate. The negative impact of the drop in gross profit has been largely offset by the corresponding decrease in operating costs during the period.

Prospects

Given that the equity base of the Group has been improved after the completion of the open offer of shares in March 2005, the Group is well positioned to take up any new opportunity for development of our business. The Group has been actively seeking for partners in China for developing health care and pharmaceutical products in order to capture the enormous market there. The Group will also look for other business opportunities to complement the operations of the Group.

Following the acquisition in August 2005 of Seapearl Trading Limited which is the exclusive distributor of all kinds of Chinese medicine and health products manufactured by Lei Yun Shang Medicine Company Limited in all parts of the world except China, the Group is positioned to tap the well established reputation of the brand names of "Leiyunshang" and "Jiuzhitu".

The Group will continue to streamline the operation by cutting cost and down-sizing unprofitable businesses and at the same time looking for profitable business opportunities to maximise the interest of shareholders.

Financial resources and liquidity

As at 30 June 2005, the Group's total assets amounted to HK$268,954,000, representing a decrease of HK$311,000 as compared with that of last financial year end date.

As at 30 June 2005, the Group had current assets of approximately HK$119,102,000 (31 December 2004: HK$102,887,000) and current liabilities of approximately HK$160,344,000 (31 December 2004: HK$217,559,000). The current ratio improved to 0.74 at 30 June 2005 from 0.47 at 31 December 2004.

The Group's cash and bank balances as at 30 June 2005 amounted to HK$72,798,000 (31 December 2004: HK$56,272,000), of which 21% were denominated in Hong Kong Dollars and 79% in Renminbi.

As at 30 June 2005, the Group had outstanding short term bank loans of approximately HK$51,103,000 (31 December 2004: HK$ 51,103,000), all of which were in Renminbi and granted by local banks in the PRC. The interest rates charged by the banks ranged from 5.22% to 6.786% per annum (for the six months ended 30 June 2004: 5.54% to 5.84%). These bank loans were pledged by properties of the Group with a net book value of approximately HK$51,071,000 (31 December 2004: HK$51,816,000). The gearing ratio of the Group, measured by bank borrowings as a percentage of shareholders' equity, improved to 53% at 30 June 2005 from 132% at 31 December 2004.

Since the Group's principal activities are in the PRC and the financial resources available, including cash on hand and bank borrowings, are mainly in Renminbi and Hong Kong Dollars, the exposure to exchange fluctuation is relatively low.

During the period under review, the Company carried out an open offer of 715,956,000 shares of HK$0.01 each at the subscription price of HK$0.11 per share on the basis of 2 open offer shares for every share in issue on 22 February 2005. Net proceeds of approximately HK$77 million was raised of which HK$70.2 million were used for the early redemption of convertible notes and promissory notes issued by the Company. The remaining balance of approximately HK$6.8 million was retained as general working capital of the Group.

Employees and remuneration policy

As at 30 June 2005, the Group employed about 550 staff and workers in Hong Kong and the PRC. The Group remunerates its employees based on their performance and experience and their remuneration package will be reviewed periodically by the management. Other employee benefits include medical insurance, retirement scheme, appropriate training program and a share option scheme.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS

As at 30 June 2005, the interests or short positions of the directors and the chief executive of the Company 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 (the "SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

Long positions in the shares of the Company:

Name of director	Nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital
Ms Lo Yuk Yee	Corporate	390,014,454 *(Note 1)*	36.32%
Mr Siu Siu Ling, Robert	Corporate	14,942,000 *(Note 2)*	1.39%

Notes:

(1) These shares were held by Vision Ocean Investments Limited, the entire issued share capital of which was wholly owned by Ms Lo Yuk Yee.

(2) These shares were held by Wise Capital International Limited, the entire issued share capital of which was wholly owned by Mr Siu Siu Ling, Robert.

Save as disclosed herein, as at 30 June 2005, none of the directors or chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 30 June 2005, the following persons (other than a director or the chief executive of the Company) had an interest or short position in the share and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Long positions in the shares of the Company:

Name of shareholder	Number of shares held	Percentage of the Company's issued share capital
Vision Ocean Investments Limited	390,014,454 *(Note 1)*	36.32%
Ceva Investments Limited	158,540,000	14.76%

Note 1: These shares were held by Vision Ocean Investments Limited, the entire issued share capital of which was wholly owned by Ms Lo Yuk Yee.

Save as disclosed herein, as at 30 June 2005, no other person (other than a director or the chief executive of the Company) had an interest or short position in the share and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

SHARE OPTION SCHEME

The share option scheme of the Company was adopted on 17 May 2002 under which the board of directors may, at its discretion, offer to grant employees and directors of the Group and other eligible persons options to subscribe for shares in the Company subject to the terms and conditions stipulated therein.

No options were granted or exercised under the share option scheme during the six months period ended 30 June 2005 and there were no outstanding share options as at 30 June 2005.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2005.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding securities transactions by Directors. Having made specific enquiry of the Directors, all Directors have complied with the required standards set out in the Model Code throughout the six months ended 30 June 2005.

CODE ON CORPORATE GOVERANCE PRACTICES

In the opinion of the directors, the Company has complied with the code provisions listed in 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, with the exception of the following deviations:

1. Under the code provision A.2.1, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Currently, both roles are performed by Ms Lo Yuk Yee. The Board will separate the roles of chairman and chief executive officer upon identification of suitable candidates to take up the posts.

2. Under the code provision A.4.1, non-executive directors should be appointed for a specific term and under A.4.2, every director should be subject to retirement by rotation at least once every three years. Currently, non-executive Directors are not appointed for a specific term. This constitutes a deviation from code provision A.4.1. However, they are subject to retirement by rotation at each annual general meeting under the Bye-laws of the Company. As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the Code. Furthermore, under the existing Bye-laws of the Company, the Chairman of the Board and the Managing Director of the Company are not subject to retirement by rotation. This constituted a deviation from the code provision A.4.2. To comply with the code provision, relevant amendments to the existing Bye-laws of the Company will be proposed at the next annual general meeting.

3. Under the code provision B.1.1, a remuneration committee with specific written terms of reference should be established. Currently, the Company has not established the remuneration committee but will set up the committee once suitable candidates are identified.

AUDIT COMMITTEE

The Audit Committee of the Company comprised of three independent non-executive Directors namely, Mr Wong Wai Kin, Mr Ma Shiu Kin and Ms So Tosi Wan, Winnie. The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal control procedures and financial reporting matters including a review of the Group's unaudited interim financial statements for the six months ended 30 June 2005.

By Order of the Board
Lo Yuk Yee
Chairman

Hong Kong, 23 September 2005

Board of Directors
Executive Directors:
Ms Lo Yuk Yee *(Chairman)*
Ms He Jin Hong
Mr Siu Siu Ling, Robert
Mr Ha Sze Tung Sharp Stone
Mr Hu Min

Independent Non-executive Directors:
Mr Wong Wai Kin
Mr Ma Shiu Kin
Ms So Tosi Wan, Winnie