

INTERIM RESULTS

The Board of Directors of Multifield International 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 INCOME STATEMENT

For the six months ended 30 June 2005

	Notes	For the six months ended 30 June	
		2005 (Unaudited) HK\$'000	2004 (Restated) HK\$'000
TURNOVER	3	1,230,673	196,132
Cost of sales		(1,128,681)	(124,585)
Gross profit		101,992	71,547
Other income and gains	3	7,424	21,789
Administrative expenses		(42,620)	(27,440)
Other operating expenses, net		(8,344)	(6,907)
Finance costs	5	(8,485)	(9,257)
PROFIT BEFORE TAX	6	49,967	49,732
Tax	7	(7,525)	(1,446)
PROFIT FOR THE PERIOD*		42,442	48,286
Minority interests		(11,434)	(17,466)
PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		31,008	30,820
*ATTRIBUTABLE TO:			
Equity holders of the parent		31,008	30,820
Minority interests		11,434	17,466
		42,442	48,286
EARNINGS PER SHARE			
Basic	8	0.74 cents	0.77 cents
INTERIM DIVIDEND PER SHARE	9	Nil	0.15 cents

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2005

	<i>Notes</i>	30 June 2005 (Unaudited) HK\$'000	31 December 2004 (Restated) HK\$'000
NON-CURRENT ASSETS			
Fixed assets		11,116	11,568
Land lease payments		4,694	4,758
Investment properties		2,519,515	2,547,000
Held-to-maturity financial assets		19,772	15,930
Goodwill:			
Goodwill		432	432
Negative goodwill		—	(89,614)
		2,555,529	2,490,074
CURRENT ASSETS			
Properties held for sale		281,851	281,851
Prepayments, deposits and other receivables		11,600	28,695
Financial assets at fair value through profit or loss		100,996	77,880
Tax recoverable		542	542
Trade and bills receivables	10	8,285	7,902
Inventories		2,132	2,740
Pledged deposits	11	25,242	7,800
Cash and cash equivalents	11	286,380	83,468
		717,028	490,878
LESS: CURRENT LIABILITIES			
Deposits received		45,881	43,967
Bank loans, secured		280,306	130,069
Trade and bills payables	12	1,527	4,526
Accrued expenses and other payables		38,125	41,513
Tax payable		103,461	103,536
		469,300	323,611
NET CURRENT ASSETS		247,728	167,267
TOTAL ASSETS LESS CURRENT LIABILITIES		2,803,257	2,657,341

CONDENSED CONSOLIDATED BALANCE SHEET (continued)

As at 30 June 2005

	<i>Notes</i>	30 June 2005 (Unaudited) HK\$'000	31 December 2004 (Restated) HK\$'000
LESS: NON-CURRENT LIABILITIES			
Bank loans, secured		584,336	471,536
Due to a director	13	43,780	128,521
Deferred tax liabilities		389,045	389,045
		<u>1,017,161</u>	<u>989,102</u>
		<u>1,786,096</u>	<u>1,668,239</u>
CAPITAL AND RESERVES			
Equity attributable to equity holders of the parent			
Issued capital	14	41,804	41,804
Reserves		1,056,075	945,824
Proposed dividend		—	13,586
		<u>1,097,879</u>	<u>1,001,214</u>
Minority interests		<u>688,217</u>	<u>667,025</u>
		<u>1,786,096</u>	<u>1,668,239</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2005

	Notes	For the six months ended 30 June	
		2005 (Unaudited) HK\$'000	2004 (Restated) HK\$'000
Total equity at 1 January:			
As previous reported as equity		1,001,214	717,233
As previous reported separately as minority interest		667,025	564,648
		<u>1,668,239</u>	<u>1,281,881</u>
Opening adjustments	1,2	89,614	—
As restated		<u>1,757,853</u>	<u>1,281,881</u>
Changes in equity during the period			
Profit for the period		42,442	48,286
Dividend declared		(13,586)	(12,002)
Exchange difference on strike off a subsidiary		(613)	—
		<u>28,243</u>	<u>36,284</u>
Total recognised income and expense for the period		28,243	36,284
Receipt for settlement of minority interests balances		—	45,456
		<u>—</u>	<u>45,456</u>
Total equity at 30 June		<u><u>1,786,096</u></u>	<u><u>1,363,621</u></u>
Total recognised income and expense for the period attributable to:			
Equity holders of the parent		16,809	18,818
Minority interests		11,434	17,466
		<u>28,243</u>	<u>36,284</u>
Effect of opening adjustments attributable to:			
Equity holders of the parent		79,856	—
Minority interests		9,758	—
		<u>89,614</u>	<u>—</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2005

	For the six months ended 30 June	
	2005	2004
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	HK\$'000	HK\$'000
NET CASH INFLOW FROM OPERATING ACTIVITIES	87,274	57,488
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	(40,587)	(21,911)
NET CASH INFLOW/(OUTFLOW) FROM FINANCING ACTIVITIES	156,225	(69,947)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	202,912	(34,370)
Cash and cash equivalents at beginning of period	83,468	130,703
CASH AND CASH EQUIVALENTS AT END OF PERIOD	286,380	96,333
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS:		
Cash and bank balances	286,380	96,333

NOTES TO THE UNAUDITED 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, 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 and investments in listed securities are classified as held-to-maturity financial assets and financial assets at fair value through profit or loss, respectively. Except this, there is no significant impact on the accounting policies adopted for the above securities held by the Group.

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 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 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 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 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 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 no share options have been granted, exercised, lapsed or cancelled since the establishment of the share option scheme of the Company on 27 June 2003, and share options of Oriental Explorer Holdings Limited, a subsidiary of the Company, were granted on or before 7 November 2002.

1. ACCOUNTING POLICIES (continued)

(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 POLICIES

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	Retained profits (Unaudited) HK\$'000	Minority interests (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Opening adjustments:				
HKAS 40				
Surplus on revaluation of investment properties	(284,880)	284,880	—	—
HKFRS 3				
Derecognition of negative goodwill	—	79,856	9,758	89,614
Total effect at 1 January 2005	<u>(284,880)</u>	<u>364,736</u>	<u>9,758</u>	<u>89,614</u>

2. SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICIES (continued)

(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 periods 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	Minority interests (Unaudited) HK\$'000	Total (Unaudited) HK\$'000	Equity holders of the parent (Unaudited) HK\$'000	Minority interests (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Effect on profit after tax:						
HKFRS 3						
Discontinuation of recognition of negative goodwill	(7,157)	(611)	(7,768)	—	—	—
Total effect for the period	<u>(7,157)</u>	<u>(611)</u>	<u>(7,768)</u>	<u>—</u>	<u>—</u>	<u>—</u>
Effect on earnings per share:						
Basic	<u>(0.171 cents)</u>			<u>—</u>		
Diluted	<u>N/A</u>			<u>N/A</u>		

(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

	For the six months ended 30 June					
	2005			2004		
Effect of new policies (Increase/(decrease))	Equity holders of the parent (Unaudited) HK\$'000	Minority interests (Unaudited) HK\$'000	Total (Unaudited) HK\$'000	Equity holders of the parent (Unaudited) HK\$'000	Minority interests (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
HKFRS 3						
Derecognition of negative goodwill	72,699	9,147	81,846	—	—	—
Total effect for the period	<u>72,699</u>	<u>9,147</u>	<u>81,846</u>	<u>—</u>	<u>—</u>	<u>—</u>

3. TURNOVER, OTHER INCOME AND GAINS

Turnover represents the aggregate of the invoiced value of goods sold, after allowance for returns and trade discounts, and the total amounts received and receivable from the provision of service apartment and property management services and rental income, net of PRC business taxes, from property letting, after the elimination of all significant intra-group transactions.

An analysis of turnover, other income and gains is as follows:

	For the six months ended 30 June	
	2005	2004
	(Unaudited) <i>HK\$'000</i>	(Unaudited) <i>HK\$'000</i>
Turnover		
Rental income from property letting	77,222	79,690
Service apartment and property management	5,705	1,782
Gain on disposal of investment properties	—	1,863
Trading of steel	1,143,393	106,149
Manufacturing and trading of electronic products	4,353	6,648
	<u>1,230,673</u>	<u>196,132</u>
Other income and gains		
Interest income	1,881	678
Gain on disposal of short term listed investments	1,342	4,641
Gain on disposal of fixed assets	—	5,874
Negative goodwill recognised as income	—	7,768
Dividend income from listed investment	1,399	966
Others	2,802	1,862
	<u>7,424</u>	<u>21,789</u>

4. SEGMENT INFORMATION

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

(a) Geographical segments

	Hong Kong		Elsewhere in the PRC		Thailand		Corporate and others		Consolidated	
	For the six months ended 30 June									
	2005 (Unaudited) HK\$'000	2004 (Restated) HK\$'000	2005 (Unaudited) HK\$'000	2004 (Restated) HK\$'000	2005 (Unaudited) HK\$'000	2004 (Restated) HK\$'000	2005 (Unaudited) HK\$'000	2004 (Restated) HK\$'000	2005 (Unaudited) HK\$'000	2004 (Restated) HK\$'000
Segment revenue:										
Sales to external customers	18,940	24,502	68,340	65,480	1,143,393	106,149	—	1	1,230,673	196,132
Segment results	5,883	(3,111)	40,197	44,612	10,545	2,606	—	—	56,625	44,107
Other income and gains									7,424	21,789
Unallocated expenses									(5,597)	(6,907)
Finance costs									(8,485)	(9,257)
Profit before tax									49,967	49,732
Tax									(7,525)	(1,446)
Profit for the period									42,442	48,286

(b) Business segments

	Property Investment		Provision of serviced apartment and property management services		Steel trading		Electronic products		Corporate and others		Consolidated	
	For the six months ended 30 June											
	2005 (Unaudited) HK\$'000	2004 (Restated) HK\$'000	2005 (Unaudited) HK\$'000	2004 (Restated) HK\$'000	2005 (Unaudited) HK\$'000	2004 (Restated) HK\$'000	2005 (Unaudited) HK\$'000	2004 (Restated) HK\$'000	2005 (Unaudited) HK\$'000	2004 (Restated) HK\$'000	2005 (Unaudited) HK\$'000	2004 (Restated) HK\$'000
Segment revenue:												
Sales to external customers	77,222	81,553	5,705	1,782	1,143,393	106,149	4,353	6,648	—	—	1,230,673	196,132
Segment results	50,674	49,941	131	(3,631)	10,545	2,606	(1,280)	179	(3,445)	(4,988)	56,625	44,107

5. FINANCE COSTS

	For the six months ended 30 June	
	2005 (Unaudited) HK\$'000	2004 (Unaudited) HK\$'000
Interest on bank loans wholly repayable within five years	7,212	7,835
Interest on bank loans wholly repayable after five years	1,273	1,422
	8,485	9,257

6. PROFIT BEFORE TAX

Profit before tax was determined after charging the following:

	For the six months ended 30 June	
	2005	2004
	<i>(Unaudited)</i>	<i>(Restated)</i>
	HK\$'000	HK\$'000
Depreciation	505	1,201
Amortisation of land lease payments	64	64
Staff costs (including those of directors):		
Wages and salaries	5,570	5,888
	<u>5,570</u>	<u>5,888</u>

7. TAX

	For the six months ended 30 June	
	2005	2004
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	HK\$'000	HK\$'000
Group:		
Provision for the period:		
People's Republic of China and Hong Kong	7,525	1,776
Overprovision in prior years	—	(330)
	<u>7,525</u>	<u>1,446</u>
Tax charge for the period	<u>7,525</u>	<u>1,446</u>

Hong Kong profits tax has been provided at the rate of 17.5% (2004: 17.5%) of the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere in the People's Republic of China have been calculated at the applicable rates of tax prevailing in the areas in which the Group operates, based on existing legislation, interpretations, and practices in respect thereof.

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\$31,008,000 (2004: HK\$30,820,000) and the weighted average of 4,180,371,092 (2004: 4,000,526,323) shares in issue during the period under review.

Diluted earnings per share for the six months ended 30 June 2005 and 2004 have not been presented as no diluting events existed for both years.

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: 0.15 HK cents per share).

10. TRADE AND BILLS RECEIVABLES

	As at 30 June 2005 (Unaudited) HK\$'000	As at 31 December 2004 (Audited) HK\$'000
Trade receivables	8,500	8,117
Provision for bad debts	(215)	(215)
	<u>8,285</u>	<u>7,902</u>
Bills receivables	—	—
	<u>8,285</u>	<u>7,902</u>

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:		
1 - 3 months	4,819	4,088
4 - 6 months	395	63
Over 6 months	3,071	3,751
	<u>8,285</u>	<u>7,902</u>

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:		
1 - 3 months	—	—

For the Group's property rental business, the tenants are usually required to settle the rental payments on the first day of the rental period, and are required to pay rental deposits with amounts ranging from two to three months' rental in order to secure any default in their rental payments.

The Group's trading terms with steel customers are mainly on credit. Invoices are normally payable within two months of issuance, except for certain well established customers, where the terms are extended to three 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 reviewed regularly by senior management.

11. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	As at 30 June 2005 <i>(Unaudited)</i> HK\$'000	As at 31 December 2004 <i>(Audited)</i> HK\$'000
Cash and bank balances	35,364	61,382
Time deposits	251,016	22,086
	<u>286,380</u>	<u>83,468</u>
Pledged deposits	25,242	7,800
	<u>311,622</u>	<u>91,268</u>

12. TRADE AND BILLS PAYABLES

	As at 30 June 2005 <i>(Unaudited)</i> HK\$'000	As at 31 December 2004 <i>(Audited)</i> HK\$'000
Accounts payables	1,527	4,526
Bills payables	—	—
	<u>1,527</u>	<u>4,526</u>

An aged analysis of accounts payables at the balance sheet date is as follows:

	As at 30 June 2005 <i>(Unaudited)</i> HK\$'000	As at 31 December 2004 <i>(Audited)</i> HK\$'000
1 - 3 months	1,013	2,210
4 - 6 months	514	918
Over 6 months	—	1,398
	<u>1,527</u>	<u>4,526</u>

An aged analysis of bills payables is as follows:

	As at 30 June 2005 <i>(Unaudited)</i> HK\$'000	As at 31 December 2004 <i>(Audited)</i> HK\$'000
1 - 3 months	—	—

13. DUE TO A DIRECTOR

The amount due to a director is unsecured, interest-free and is not repayable within one year.

14. SHARE CAPITAL

	As at 30 June 2005 (Unaudited) HK\$'000	As at 31 December 2004 (Audited) HK\$'000
Authorised:		
50,000,000,000 (2004: 50,000,000,000) shares of HK\$0.01	<u>500,000</u>	<u>500,000</u>
Issued and fully paid:		
4,180,371,092 (2004: 4,180,371,092) shares of HK\$0.01	<u>41,804</u>	<u>41,804</u>

Share options

The Company operates a share option scheme (the "Scheme") 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 Scheme include the Company's directors, other employees, adviser, consultant, agent, contractor, client or customer, or supplier of any member of the Group. The Scheme became effective on 27 June 2003 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The total number of securities available for issue under the Scheme is 400,052,632, which is equivalent to 10% of the issued share capital of the Company as at the date of approval of the Scheme. The maximum number of shares issuable under share options to each eligible participant in the 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 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 share 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 of HK\$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, which is not later than 10 years from the date of offer of the share options or the expiry date of the Scheme, if earlier.

The exercise price of the share options is determinable by the board of directors, but may not be less than the higher of (i) the nominal value of the shares; (ii) the Stock Exchange closing price of the Company's shares on the date at offer of the share options and (iii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of the offer.

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

No share options have been granted, exercised, lapsed or cancelled since the establishment of the Scheme.

14. SHARE CAPITAL (continued)

The following share options of Oriental Explorer Holdings Limited, a subsidiary of the Company, were outstanding during the period:

Name Category of participant	Date of grant of share options	Exercise price of share options HK\$	Number of share options				At 30 June 2005	Exercise period of share options
			At 1 January 2005	Granted during the period	Lapsed during the period	Exercised during the period		
Directors								
Lau Chi Yung, Kenneth	7 February 1998	0.112	19,500,000	—	—	—	19,500,000	7 February 1998 to 6 February 2008
Others								
Tsang Pak Chung, Eddy	7 February 1998	0.112	19,500,000	—	—	—	19,500,000	7 February 1998 to 6 February 2008
Leung Wei San, Saskia	7 February 1998	0.112	19,500,000	—	—	—	19,500,000	7 February 1998 to 6 February 2008
			<u>58,500,000</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>58,500,000</u>	

No share options of Oriental Explorer Holdings Limited were granted, exercised, cancelled or lapsed during the year.

15. CAPITAL COMMITMENTS

As at balance sheet date, the Group had capital commitments in respect of the following:

	As at 30 June 2005 (Unaudited) HK\$'000	As at 31 December 2004 (Audited) HK\$'000
Contracted but not provided for:		
Renovation of properties	—	356
Investment property	<u>15,930</u>	<u>—</u>
	<u>15,930</u>	<u>356</u>

16. 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 ordinary 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).

17. CONTINGENT LIABILITIES

The Company had guarantees amounting to HK\$728,023,000 (2004: HK\$556,859,000) given to banks for the banking facilities which had been fully utilised at the balance sheet date, granted by the banks to certain subsidiaries.

18. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the period, the Group maintained its well performance and recorded an after tax net profit attributable to equity holders of the parent of approximately HK\$31 million (2004: HK\$30 million). During the period under review, the Group focused principally in its property investment and steel trading businesses.

PROPERTY INVESTMENT

Shanghai

We feel satisfied with the performance of the Group's Shanghai segment. The Group's Shanghai service apartment chain, operating under the name of "Windsor Renaissance", has already built up a market niche in Shanghai and has continued to contribute a strong return of investment with high occupancy rate consistently maintained at approximately 90%. Our trademark, "Windsor Renaissance", which represents a symbol of high quality service apartments, has been nicely accepted by the expatriate community in Shanghai and our tenant base covers hundreds of multinational corporations from all over the world. At present, a portfolio of around 400 service apartments and villas are under our management.

Hong Kong

The Group maintained an occupancy rate close to 85% for its Hong Kong portfolio and contributed stable gross rental revenue of approximately HK\$15 million (2004: HK\$16 million) from investment properties in Hong Kong for the six months ended 30 June 2005.

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.

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 and Shanghai. As at 30 June 2005, the Group had outstanding bank loans amounting to HK\$865 million, which were secured by legal charges on certain investment properties and properties held for sale in Hong Kong and Shanghai. As at 30 June 2005, out of the total outstanding bank borrowings of approximately HK\$865 million denominated in Hong Kong dollars, HK\$280 million are repayable within one year, HK\$89 million are repayable in the second year with the remaining balance repayable beyond the second year. The Group's cash and bank balances and short-term bank deposits as at 30 June 2005 amounted to approximately HK\$312 million. The Group's gearing ratio as at 30 June 2005 was approximately 33% based on the total bank borrowings of approximately HK\$865 million and the aggregate of the shareholders' funds, minority interests and total bank borrowings of approximately HK\$2,651 million.

PERSONNEL

As at 30 June 2005, the Group has a total of 481 employees, of whom 433 were based in the PRC and 48 in Hong Kong. The remuneration packages of the Group's employees are mainly based on their performance and experience, taking into account current industry practices.

In addition to the provision of provident fund scheme, medical allowance, in-house and external training programs, discretionary bonus and share option scheme are also available to employees based on their performance. The remuneration policy and packages of the Group's employees are reviewed regularly.

PROSPECTS

Persistent solid economic performance in Hong Kong and the PRC boosts many potential investment opportunities. Accordingly, it is our intention to restructure and upgrade our investment portfolio. At present, we are progressively but cautiously searching for appropriate land bank and investment opportunities to cater for future growth in Hong Kong and the PRC. We strongly believe that the Group is heading the right direction and is extremely well placed to capitalize on any exciting opportunity.

In order to maintain sufficient funds for potential investments in future, the Board and the management of the Group have decided not to propose an interim dividend during the period.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

At 30 June 2005, the interests and short positions of the directors and chief executives 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 pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

Long position in the Company's ordinary shares:

Name of director	Capacity and nature of interest	Number of shares	Percentage of the Company's issued share capital
Mr Lau Chi Yung, Kenneth	Corporate	<u>2,685,515,712</u>	<u>64.24</u>

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

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS (continued)

Long position in shares and underlying shares of the associated corporations:

Name of director	Name of associated corporation	Relationship with the Company	Number of shares/ Shares/ Equity derivatives	Equity derivatives held	Capacity and nature of interest	Percentage of associated corporation's issued share capital
Mr Lau Chi Yung, Kenneth	Oriental Explorer Holdings Limited	Company's subsidiary	Ordinary shares	1,020,268,999	Corporate	56.68
			Share options	19,500,000	Directly beneficially owned	N/A

The interest of Mr Lau Chi Yung, Kenneth in the shares of Oriental Explorer Holdings Limited are ultimately controlled by Power Resources Holdings Limited as the trustee of the Power Resources Discretionary Trust, a family discretionary trust, the discretionary objects of which include Mr Lau Chi Yung, Kenneth and his family.

In addition to the above, a director has non-beneficial personal equity interests in certain subsidiaries held for the benefit of the Company solely for the purpose of complying with the minimum company membership requirements.

Save as disclosed above, none of the directors and chief executives had registered an interest 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 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 OR DEBENTURES

Save as disclosed under the heading "Directors' interests and short positions in shares and underlying shares of the Company and its associated corporations" above, 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 subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES 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:-

	Notes	Capacity and nature of interest	Number of shares held	Percentage of the Company's issued share capital
Power Resources Holdings Limited	(a)	Through a controlled corporation	2,685,515,712	64.24
Lucky Speculator Limited	(a)	Directly beneficially owned	2,195,424,000	52.52
Desert Prince Limited	(a)	Directly beneficially owned	490,091,712	11.72
Choi Koon Shum Jonathan	(b)	Through a controlled corporation	281,665,344	6.74
Lam William Ka Chung	(c)	Through a controlled corporation	281,665,344	6.74
Lam Wong Yuk Sin Mary	(c)	Through a controlled corporation	281,665,344	6.74
Kingsway International Holdings Limited	(d)	Through a controlled corporation	281,665,344	6.74
Innovation Assets Limited	(d)	Through a controlled corporation	281,665,344	6.74
World Developments Limited	(d)	Through a controlled corporation	281,665,344	6.74
SW Kingsway Capital Holdings Limited	(d)	Through a controlled corporation	281,665,344	6.74
Kingsway China Holdings Limited	(d)	Through a controlled corporation	281,665,344	6.74
Festival Development Limited	(d)	Through a controlled corporation	281,665,344	6.74
Opal Dragon Investments Limited	(d)	Directly beneficially owned	281,665,344	6.74

Notes:

- Power Resources Holdings Limited was deemed to have a beneficial interest in 2,685,575,712 ordinary shares of the Company by virtue of its indirect interests through Lucky Speculator Limited and Desert Prince Limited, the wholly-owned subsidiaries, which held shares in the Company.
- Mr. Choi Koon Shum Jonathan, who beneficially own or control approximately 48.18% of and in the issued share capital of Kingsway International Holdings Limited ("Kingsway International") and is deemed (by virtue of the SFO) to be interested in shares in, or debenture of, the subsidiaries of Kingsway International.
- Mrs. Lam Wong Yuk Sin Mary and her spouse, Mr. Lam William Ka Chung, who together beneficially own or control approximately 40% of and in the issued share capital of Kingsway International and are deemed (by virtue of the SFO) to be interested in the shares in, or debenture of, the subsidiaries of Kingsway International.
- Kingsway International was deemed to have beneficial interests in 281,665,344 ordinary shares of the Company by virtue of its indirect interests through Innovation Assets Limited, World Developments Limited, SW Kingsway Capital Holdings Limited, Kingsway China Holdings Limited and Festival Development Limited and Opal Dragon Investments Limited ("Opal"). Opal is directly held shares in the Company.

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

PURCHASES, 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 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 conducive 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 put 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 Lee Siu Man, Ervin and Mr Wong Yim Sum.