UNAUDITED INTERIM RESULTS

The board of directors (the "Board") of Hua Lien International (Holding) Company Limited (the "Company") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 30th June 2005, together with the comparative figures for the corresponding period in 2004, as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

for the six months ended 30th June 2005

	Note	Six months ended 30th June 2005 HK$'000 (Unaudited)	2004 HK$'000 (Unaudited & Restated)
Turnover	(3)	**395,077**	397,689
Cost of sales		**(375,849)**	(374,319)
Gross profit		**19,228**	23,370
Other operating income		**2,863**	7,602
Distribution costs		**(428)**	(681)
Administrative expenses		**(12,303)**	(12,467)
Profit from operations		**9,360**	17,824
Finance costs		**(4,471)**	(4,877)
Profit before taxation	(4)	**4,889**	12,947
Income tax expense	(5)	**(780)**	(2,058)
Profit for the period		**4,109**	10,889
Attributable to:			
Equity holders of the Company		**1,253**	7,207
Minority interests		**2,856**	3,682
		4,109	10,889
Dividend	(6)	**–**	–
Earnings per share (cents)	(7)	**0.18**	1.05

CONDENSED CONSOLIDATED BALANCE SHEET

at 30th June 2005

	Note	30th June 2005 HK$'000 (Unaudited)	31st December 2004 HK$'000 (Audited & Restated)
Non-current assets			
Property, plant and equipment	(8)	292,103	312,763
Prepaid lease payments on land use rights		40,210	40,693
Available-for-sale financial assets/Investment securities	(9)	233	233
Deferred tax assets		23,384	22,901
		355,930	376,590
Current assets			
Inventories		287,218	256,527
Trade and other receivables	(10)	322,541	330,906
Prepaid lease payments on land use rights		966	966
Amounts due from minority shareholders of subsidiaries		4,676	–
Pledged bank deposits		13,225	13,224
Bank balances and cash		12,093	26,768
		640,719	628,391
Current liabilities			
Trade and other payables	(11)	24,994	37,192
Bills payable		2,968	15,486
Loan from a director		18,209	15,287
Tax liabilities		10,934	14,250
Amounts due to minority shareholders of subsidiaries		–	145
Bank borrowings – due within one year	(12)	189,367	149,022
		246,472	231,382
Net current assets		394,247	397,009
Total assets less current liabilities		750,177	773,599
Non-current liabilities			
Bank borrowings – due after one year	(12)	4,660	29,544
		745,517	744,055
Capital and reserves			
Share capital	(13)	68,640	68,640
Reserves		628,834	627,581
Equity attributable to equity shareholders of the Company		697,474	696,221
Minority interests		48,043	47,834
Total equity		745,517	744,055

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30th June 2005

	Attributable to equity holders of the Company								
	Share capital	Translation reserve	Goodwill reserve	Special reserve	PRC statutory reserves	Accu-mulated profits	Total	Minority interests	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1st January 2005	68,640	6,480	(24,509)	238,966	20,266	386,378	696,221	47,834	744,055
Profit for the period	–	–	–	–	–	1,253	1,253	2,856	4,109
Pre-determined distribution (Note 14(c))	–	–	–	–	–	–	–	(2,647)	(2,647)
At 30th June 2005	68,640	6,480	(24,509)	238,966	20,266	387,631	697,474	48,043	745,517
At 1st January 2004	68,640	6,480	(24,509)	238,966	18,699	368,177	676,453	48,560	725,013
Profit for the period	–	–	–	–	–	7,207	7,207	3,682	10,889
Pre-determined distribution	–	–	–	–	–	–	–	(2,647)	(2,647)
At 30th June 2004	68,640	6,480	(24,509)	238,966	18,699	375,384	683,660	49,595	733,255

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

for the six months ended 30th June 2005

	Six months ended 30th June	
	2005	2004
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
NET CASH (USED IN)/FROM OPERATING ACTIVITIES	**(25,860)**	4,647
NET CASH USED IN INVESTING ACTIVITIES	**(197)**	(6,973)
NET CASH FROM/(USED IN) FINANCING ACTIVITIES	**7,864**	(3,772)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(18,193)**	(6,098)
CASH AND CASH EQUIVALENTS AT 1ST JANUARY	**25,298**	22,328
CASH AND CASH EQUIVALENTS AT 30TH JUNE	**7,105**	16,230
ANALYSIS OF THE BALANCE OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	**12,093**	16,560
Bank overdraft	**(4,988)**	(330)
	7,105	16,230

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

1. Basis of preparation

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

2. Principal accounting policies

The condensed financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as appropriate.

The accounting policies used in the condensed interim financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31st December 2004 except those 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 the HKICPA that are effective for accounting periods beginning on or after 1st January 2005. The application of the new HKFRSs has resulted in a change in the presentation of the income statement, balance sheet and the statement of changes in equity. In particular, the presentation of minority interests has been changed. The changes in presentation have been applied retrospectively. 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:

2. Principal accounting policies (Continued)

Financial instruments

In the current period, the Group has applied HKAS 39 "Financial Instruments: Recognition and Measurement". HKAS 39, which is effective for annual periods beginning on or after 1st January 2005, generally does not permit to recognize, derecognize or measure financial assets and liabilities on a retrospective basis. The principal effect resulting from the implementation of HKAS 39 is summarized below:

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.

Up to 31st December 2004, the Group classified and measured its equity security as investment securities. The investment securities were carried at cost less impairment losses. From 1st January 2005 onwards, the Group classifies and measures its 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 change in fair values recognised in profit or loss and equity respectively. "Loan and receivables" and "held to maturity financial assets" are measured at amortized cost using the effective interest method.

On 1st January 2005, investment securities were classified as "available-for-sale financial assets" upon adoption of the HKAS 39.

2. Principal accounting policies (Continued)

Lease

In previous years, the land use rights and buildings were classified under property, plant and equipment and stated at cost less accumulated depreciation and any impairment losses.

Upon adoption of HKAS 17, the Group's land use rights are reclassified 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 are reclassified from fixed assets to prepaid lease payments on land use rights, while buildings continue to be classified as part of the property, plant and equipment. Prepaid lease payments on land use rights under operating leases are initially stated at cost and subsequently amortised on the straight-line basis over the lease terms.

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 land use rights.

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains or losses on the disposal of an entity included the carrying amount of goodwill relating to the entity sold.

In previous years, the goodwill arising on acquisitions prior to 1st January 2001 was held in reserves. The Group has applied the relevant transitional provisions in the HKFRS 3 for non-restatement of such goodwill and the non-recognition of such goodwill in the profit or loss upon disposal or impairment.

3. Business and geographical segments

In accordance with the Group's internal financial reporting, the Group has determined that geographical segments are its primary reporting format.

Business segment

The Group is solely engaged in the manufacture and sale of leather. All of the Group's turnover, contribution to operating profit and assets were attributable to this business segment.

Geographical segments

The Group reports its primary segment information by geographical location of its customers who are principally located in the United States of America (the "USA") and the People's Republic of China (the "PRC").

Segment information about these geographical markets is presented below:

Six months ended 30th June 2005

	USA HK$'000	PRC HK$'000	Others HK$'000	Consolidated HK$'000
TURNOVER	353,639	41,438	–	395,077
RESULTS				
Segment results	8,723	601	36	9,360
Finance costs				4,471
Profit before taxation				4,889
Income tax expenses				780
Profit for the period				4,109

3. **Business and geographical segments (Continued)**

Geographical segments (Continued)

Six months ended 30th June 2004

	USA HK$'000	PRC HK$'000	Others HK$'000	Consolidated HK$'000
TURNOVER	322,268	75,421	–	397,689
RESULTS				
Segment results	15,563	2,261	–	17,824
Finance costs				(4,877)
Profit before taxation				12,947
Income tax expenses				(2,058)
Profit for the period				10,889

4. **Depreciation and amortization**

During the period, the profit from operations has been arrived at after charging depreciation and amortization of HK$21,620,000 (six months ended 30th June 2004: HK$22,123,000).

5. **Income tax expense**

	Six months ended 30th June	
	2005 HK$'000	2004 HK$'000
The charge comprises:		
PRC enterprise income tax	**1,263**	2,088
Deferred tax	**(483)**	(30)
	780	2,058

5. Income tax expense (Continued)

PRC enterprise income tax is calculated at the prevailing rates. Pursuant to the relevant laws and regulations in the PRC, certain of the Company's PRC subsidiaries are entitled to exemption from PRC enterprise income tax for the first two years commencing from their first profit-making year of operation and thereafter, these PRC subsidiaries will be entitled to a 50% relief from PRC enterprise income tax for the following three years. The tax exemption and tax reduction period can be extended by the relevant tax authorities. The PRC enterprise income tax expense for both years has been provided for after taking these tax incentives into account. The charge for the PRC enterprise income tax for the period ended 30th June 2005 was subject to the rate ranging from 15% to 24%.

A portion of the Group's profit is not subject to income tax in the jurisdiction in which it operates.

6. Dividend

The directors of the Company do not recommend the payment of an interim dividend for the period ended 30th June 2005 (six months ended 30th June 2004: Nil).

7. Earnings per share

The calculation of the earnings per share for the period is based on profit for the period attributable to the equity holders of the Company of HK$1,253,000. (six months ended 30th June 2004: HK$7,207,000) and on the weighted average number of 686,400,000 shares (six months ended 30th June 2004: 686,400,000 shares) in issue during the period.

The Company has no dilutive potential ordinary shares in issue during the periods ended 30th June 2005 and 2004.

8. Additions to property, plant and equipment

During the period, there were additions of property, plant and equipment amounted to HK$476,887 (six months ended 30th June 2004: HK$8,436,389).

9. Available-for-sale financial assets/investment securities

	30th June 2005 HK$'000	31st December 2004 HK$'000
Unlisted equity securities, at cost	**926**	926
Impairment loss	**(693)**	(693)
	233	233
Classified as:		
Investment securities	**–**	233
Available-for-sale financial assets	**233**	–
	233	233

The investment represents the Group's 5% equity interest in 山東高泰鞋業集團股份有限公司 which was established in the PRC as a limited liability company and is engaged in the manufacture and sale of shoes and other leather products.

During the period, the director reviewed the fair value of the available-for-sale financial assets with reference to the estimated net realisable value of the identifiable net assets of the invested company and no adjustment has been made.

10. Trade and other receivables

The Group has a policy of allowing an average credit period of 90 days to its trade customers. Included in the trade and other receivables are trade receivables of HK$215,016,000 (31st December 2004: HK$221,627,000). The aged analysis of which at the balance sheet date is as follows:

	30th June 2005 HK$'000	31st December 2004 HK$'000
Up to 30 days	**74,833**	55,292
31 – 60 days	**61,193**	34,842
61 – 90 days	**53,055**	43,204
91 – 180 days	**25,935**	84,284
181 days – 1 year	**–**	4,005
	215,016	221,627

11. Trade and other payables

Included in trade and other payables are trade payables of HK$17,890,000 (31st December 2004: HK$20,162,000). The aged analysis of which at the balance sheet date is as follows:

	30th June 2005 HK$'000	31st December 2004 HK$'000
Up to 30 days	**8,638**	16,306
31 – 60 days	**5,659**	1,157
61 – 90 days	**420**	316
91 – 180 days	**599**	577
181 days – 1 year	**1,088**	423
Over 1 year	**1,486**	1,383
	17,890	20,162

12. Bank borrowings

	30th June 2005 HK$'000	31st December 2004 HK$'000
Secured bank loans	**109,691**	97,748
Unsecured bank loans	**79,348**	79,348
Secured bank overdraft	**4,988**	1,470
	194,027	178,566
The bank borrowings are repayable as follows:		
Within one year or on demand	**189,367**	149,022
One to two years	**4,660**	20,151
Two to five years	**–**	9,393
	194,027	178,566
Less: Amount due within one year shown under current liabilities	**(189,367)**	(149,022)
Amount due after one year	**4,660**	29,544

13. Share capital

	Number of ordinary shares of HK$0.1 each	Value HK$'000
Authorised:		
At 30th June 2005 and 31st December 2004	1,500,000,000	150,000
Issued and fully paid:		
At 30th June 2005 and 31st December 2004	686,400,000	68,640

14. Commitments

(a) Operating lease commitments

	30th June 2005 HK$'000	30th June 2004 HK$'000
Minimum lease payments paid during the period under operating leases in respect of land and buildings and office premises	**694**	689

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases that fall due as follows:

	30th June 2005 HK$'000	31st December 2004 HK$'000
Within one year	**1,356**	1,386
In the second to fifth year inclusive	**4,678**	4,764
Over five years	**2,888**	3,465
	8,922	9,615

Operating lease payments principally represent rentals payable by the Group for certain of its factory properties and office premises. Leases are negotiated for terms of 1 to 20 years and rentals are fixed throughout the lease terms.

14. Commitments (Continued)

(b) Capital commitments

	30th June 2005 HK$'000	31st December 2004 HK$'000
Capital expenditure contracted for but not provided in the financial statements in respect of the acquisition of property, plant and equipment	**613**	1,486

(c) Other commitments

Under the terms of the cooperative joint venture agreement in respect of Jiangmen Hua Lien Tannery Co., Ltd. (the "Jiangmen Hua Lien"), a subsidiary of the Company, Galloon International (Holding) Company, Limited (the "Galloon International"), is entitled to all of the net profit or loss of Jiangmen Hua Lien throughout the entire cooperative joint venture period after the payment of a pre-determined distribution by Jiangmen Hua Lien each year to the PRC joint venture partner. In the event that Jiangmen Hua Lien does not have sufficient distributable profit to make the required payments to the PRC joint venture partner, Galloon International is responsible for making such payments to the PRC joint venture partner as compensation. At 30th June 2005, the pre-determined distributions to be paid to the PRC joint venture partner over the entire cooperative joint venture period are as follows:

	30th June 2005 HK$'000	31st December 2004 HK$'000
Amount payable:		
Within one year	**5,239**	5,239
One to two years	**5,239**	5,239
Two to five years	**13,751**	13,751
Over five years	**55,453**	58,100
	79,682	82,329

15. Related party transactions

During the period, the Group had certain transactions with related parties. Details of these transactions for the period and balances at 30th June 2005 with these related parties are as follows:

(a) Transactions

A subsidiary entered into a lease agreement (the "Lease Agreement") with Xian People's Tannery to lease the land use rights related to the site on which the factory building of the subsidiary is located at a monthly rental of RMB102,000 (approximately HK$96,000). During the period, the Group paid rental expense of approximately HK$578,000 (six months ended 30th June 2004: HK$578,000) to Xian People's Tannery. The amount paid was in accordance with the terms of the Lease Agreement.

(b) Balances

Details of balances with the related parties at the balance sheet date are set out in the condensed consolidated balance sheet.

(c) Others

Details of an arrangement with a joint venture partner of Galloon International in respect of the distribution of profits in Jiangmen Hua Lien are set out in note 14(c).

16. Pledge of assets

	30th June 2005 HK$'000	31st December 2004 HK$'000
The following assets of the Group are pledged to secure banking facilities granted to the Group		
Property, plant and equipment	**91,604**	93,922
Prepaid lease payments on land use rights	**30,925**	32,118
Inventories	**–**	41,470
Bank deposits	**13,225**	13,224
	135,754	180,734

17. Comparative figures

Certain comparative figures have been reclassified to conform with current period's presentation.

BUSINESS REVIEW

For the six months ended 30th June 2005, the Group had a turnover of HK$395,077,000, with a slight decrease of 0.66% compared to HK$397,689,000 for the same period in 2004.

The consolidated net profit attributable to the equity holders of the Company for the period ended 30th June 2005 was HK$1,253,000, represents a decrease of approximately 82.61% over the corresponding period last year. Basic earnings per share was 0.18 cents (six months ended 30th June 2004: 1.05 cents). The reduction in consolidated net profit was due to the 1% reduction in gross profit margin caused by a 6% increase of average cost of raw materials which was higher than the 5% increase in the average selling price. The 6% increase in average cost of raw materials was mainly caused by the increase of cost of chemicals for tannery when the international crude oils price increased.

With regard to geographical market segments, USA remained to be the main contributor to the Group's turnover. For the period ended 30th June 2005, turnover from USA represented 89.51% of total sales turnover as compared to 81% in 2004 and the business from the PRC market showed a decrease of 45.05% as compared the same period in 2004. The change was due to a shift in the market focus of the Company in response to the increase in cost of raw materials. In order to mitigate the impact of increase in cost, the Company increased the sales to the more profitable USA customers and reduced the sales to the less profitable PRC customers.

FINANCIAL REVIEW

Liquidity and financial resources

The Group financed its operation with cash flow generated internally and banking facilities. As at 30th June 2005, the Group's total borrowings was HK$194,027,000 as compared to HK$178,566,000 at 31st December 2004. Of the total borrowings, an amount of HK$189,367,000 (31st December 2004: HK$149,022,000) was repayable within one year and HK$4,660,000 (31st December 2004: HK$29,544,000) was repayable after one year.

Shareholders' equity of the Group as at 30th June 2005 amounted to approximately HK$697,474,000 (31st December 2004: HK$696,221,000). The Group's gearing ratio which is measured on the basis of the Group's total borrowings over the shareholders' funds as at 30th June 2005 was 27.8% (31st December 2004: 25.6%)

FINANCIAL REVIEW (CONTINUED)

Liquidity and financial resources (Continued)

The sales and purchases of the Group are mainly denominated in Renminbi, US dollar and Hong Kong dollar. Hence, the Group's exposure to foreign exchange risk is expected to be minimal. Bank borrowings are also mainly denominated in Renminbi, US dollar and Hong Kong dollar and the interests are charged on a floating rate basis. The Group's management oversees the movement of interest rates very closely and takes appropriate measures to minimise the Group's interest rate risks whenever necessary.

Contingent liabilities

The Group has no significant contingent liabilities at the balance sheet date.

Pledges of assets

At the balance sheet date, certain of the Group's property, plant and equipment with an aggregate carrying value of HK$91,604,000 (31st December 2004: HK$93,922,000), prepaid lease payments on land use rights of HK$30,925,000 (31st December 2004: HK$32,118,000), inventories HK$ Nil (31st December 2004: HK$41,470,000) and bank deposits of HK$13,225,000 (31st December 2004: HK$13,224,000) were pledged to banks to secure general banking facilities granted to the Group.

EMPLOYEE REMUNERATION POLICY

As at 30th June 2005, the Group employed 996 (31st December 2004: 1,048) full time management, administrative and production staff in Hong Kong, Taiwan and the PRC.

The Group's emolument policies are formulated on the basis of individual performance and the salary trend in various regions and will be reviewed every year. The Company has set up stock options plan and provides staff quarters to staff in the PRC.

PROSPECTS

Looking forward, the demand for the second half of the year remains strong. Our Group will adopt cautious policy on inventory and examine the possibility of selling price adjustment to mitigate the pressure from the upward trend in the cost of raw materials onto our business.

DIRECTORS' INTERESTS IN SECURITIES

As at 30th June 2005, the interests of the directors in the ordinary shares in the Company as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance (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 contained in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

Long position in the shares of the Company

	Number of ordinary shares held		
Name of director	**Beneficial Owner**	**Held by controlled corporation** (Note)	**Approximately percentage of interest** %
Liaw Yuan Chian ("Mr. Liaw")	–	363,500,039	52.96%
Fu Heng Yang	216,000	–	0.03%

Note: Mr. Liaw was deemed to have interests in 363,500,039 ordinary shares in the Company, which were held by Joyce Services Limited, a company in which Mr. Liaw has 62.59% beneficial interests.

Save as disclosed above, as at 30th June 2005, there were no other interests or short positions of the directors in any shares of the Company which have been notified to the Company pursuant to Division 7 and 8 of Part XV of the SFO (including interests and short positions which any such director was taken or deemed to have under such provisions of SFO) or recorded in the register maintained by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

SHARE OPTION SCHEME

The Company's share option scheme (the "Scheme") which was adopted pursuant to a resolution passed on 4th January 2000 for the primary purpose of providing incentives to directors and eligible employees will expire on 3rd January 2010. Under the Scheme, the Board of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company.

The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders.

Options granted must be taken up within 30 days of the date of offer, upon payment of HK$1 per grant. Options may be exercised at any time from the period commencing on the date falling 6 months after the date of grant of share option to the 5th anniversary of the date of grant. The exercise price is determined by the directors of the Company, and will not be less than the higher of the closing price of the Company's shares on the grant, the average closing price of the shares for the five business days immediately preceding the date of grant and the nominal value of the shares.

No options have been granted or agreed to be granted under the Scheme since its adoption.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Other than the share option scheme as disclosed above, at no time during the period was the Company, its holding company or any of its subsidiaries a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debts securities (including debentures) of, the Company or any other body corporate and none of the directors, their spouses or children under the age of 18, had any rights to subscribe for securities in the Company, or had exercised any such rights.

SUBSTANTIAL SHAREHOLDERS

As at 30th June 2005, the interest or short positions of the persons, other than the interests disclosed under the heading "Director's interest in securities", in the shares of the Company as recorded in the register maintained pursuant to Section 336 of the SFO was as follow:

Long position in the shares of the Company

Name	**Number of ordinary shares held**	**% of the issued share capital**
Wong Pi Chao	48,862,000	7.1%

Saved as disclosed above, as at 30th June 2005, the Company had not been notified of any other person, other than the directors of the Company, who has interest or short positions in the shares of the Company representing 5% or more of the Company's issued share capital.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company had complied with the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 of the Listing Rules throughout the six months ended 30th June 2005 except for the following:

Code Provision A.4.1

None of the existing independent non-executive directors of the Company is appointed for a specific term. However, all the independent non-executive directors 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 CG code.

Code Provision E.1.2

The Chairman of the Board was unable to attend the annual general meeting held on 10th June 2005 as he had another engagement outside Hong Kong that was important to the Company's business.

INDEPENDENT NON-EXECUTIVE DIRECTOR

The Company has complied with Rules 3.10(1) and 3.10(2) of the Listing Rules relating to appointment of a sufficient number of independent non-executive Directors ("INEDs") and at least an INED with appropriate professional qualifications, or accounting or related financial management expertise. The Board comprises three INEDs including one with financial management expertise. Details of their biographies were set out in the 2004 Annual Report of the Company.

BOARD COMMITTEE

Audit Committee

Terms of reference of the Audit Committee have been updated in compliance with the CG code. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of the Group and to review the Company's interim and annual report and financial statements. The Audit Committee comprises three INEDs, namely Mr. Fu Heng Yang (Chairman of the Audit Committee), Mr. Yu Chi Jui and Ms. Li Xiao Wei.

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussing internal control and financial reporting matters including a review of the unaudited condensed interim accounts for the six months ended 30th June 2005.

Remuneration Committee

A remuneration committee has been established with specific terms of reference in accordance with the requirement of the CG Code. The Remuneration Committee comprises three INEDs namely Mr. Fu Heng Yang (Chairman of Remuneration Committee), Mr. Yu Chi Jui and Ms. Li Xiao Wei.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard set out in Appendix 10 of the Listing Rules (the "Model Code"). Having made specific enquiry of all the directors, all the directors confirmed that they have complied with the required standard set out in the Model Code and the code of conduct regarding securities transactions by directors adopted by the Company.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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

By order of the Board
Chaiteerath Boonchai
Chairman

Hong Kong, 23rd September 2005