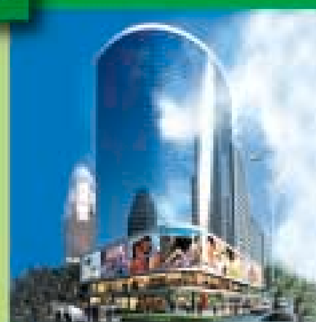
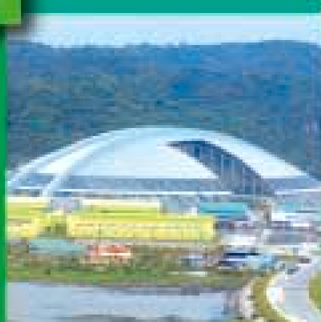
POLYTEC ASSET HOLDINGS LIMITED

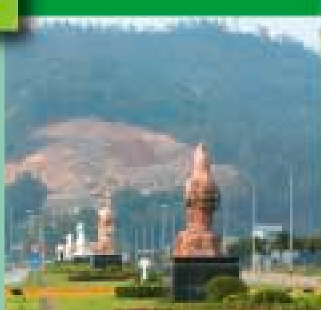
(Incorporated in the Cayman Islands with limited liability)



2005

INTERIM REPORT





THE HONG KONG
ICE & COLD
STORAGE CO. LTD.

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The Group's interim net profit for 2005 improved to HK$439 million from HK$1.6 million in the same period last year. The interim earnings per share rose to 36.0 cents from 0.45 cents last year. The improvement in net profit was mainly due to a HK$404 million after tax gain from revaluations of some of our properties in Macao and a gain from the recovery of the loan advanced to a jointly controlled entity of HK$18.5 million which had been previously written off.

Excluding property revaluation gains, interim profit attributable to the shareholders and earnings per share for 2005 would have been HK$34.8 million and 2.9 cents respectively.

In the first half of the year, the main source of our income came from property trading, with a total realized net operating profit of HK$24.6 million from the sales of certain properties at China Plaza in Macao. We will continue to release the rest of units at China Plaza to the market in the coming months. While our investment properties and property development projects in Macao have only generated insignificant income to the Group so far, they are expected to contribute good revenue to the Group from 2006 onwards.

Property investment

As the management is confident that the Macao economy will sustain a high rate of growth in the next few years, the Group has acquired two lots of properties in Macao over the past year for a total consideration of HK$256 million.

The first one is a 50% interest in a substantial part of a commercial building, which is situated at Av. Do Infante D. Henrique ("The Macau Square"), with the acquired retail and office spaces covering an aggregate gross floor area of approximately 45,500 square meters. As The Macau Square had been vacant for some years before we acquired it, it takes more time to redesign, renovate and upgrade facilities of the building in order to better meet today's market trends. The renovation is progressing smoothly and expected to be completed in the next few months. Meanwhile, we have just started our marketing program and the initial response is encouraging.

We have also acquired certain shop units covering an aggregate gross floor area of approximately 2,000 square meters with 14 car-parks at Va Iong, a building situated at Praca da Amizade. Those shop units had also been vacant for many years before we acquired them. Having just resolved most of issues relating to the properties, we will start to organise the renovation as well as the marketing shortly.

Property development

In Macao, we acquired a 58% interest of a piece of land, which located at Lots TN25b and TN26d, near Estrada Coronel Nicolau de Mesquita, Taipa, late last year for a consideration of HK$78.3 million. We intend to develop this site into a commercial and residential complex. The complex will include two residential buildings with a small number of shops on the ground floors, covering an aggregate gross floor area of approximately 36,000 square meters. The construction work will be commenced immediately after we obtain the approvals from the government which is expected to be late this year.

In Hong Kong, the construction work of our 48% interest of joint venture project, with 6 low-rise houses covering an aggregate gross floor area of approximately 1,200 square meters, in Kau To Shan, Shatin, is progressing according to our plan. It is expected to be completed in the first half of next year and we intend to put all units on the market by then.

Ice and cold storage

Our ice manufacturing and cold storage business recorded an operating profit of HK$2.8 million in the first six months of the year. To expand our edible ice business, we have installed a new plant to increase the production capacity.

Finance and investment

With minimal activities in the first six months of the year, our financial investment portfolio recorded a small loss of HK$1.1 million at end-June 2005, mainly due to the effect of mark-to-market accounting policy.

Financial Review

As at 30 June 2005, the Group had liquid assets of HK$105 million, which comprised cash and bank balances of HK$54 million and other liquid assets of HK$51 million. The Group's gearing ratio, expressed as a percentage of its bank borrowings over the equity attributable to equity holders of the Company at 30 June 2005 reduced to 8.9% from 16.2% at 31 December 2004. The bank borrowings of the Group as at 30 June 2005 were repayable over 5 years from the date of the inception of the loans by monthly installments, denominated in Hong Kong dollars and bearing interest at the prevailing market rates.

As at 30 June 2005, certain assets of the Group with an aggregate net book value of approximately HK$223 million were pledged to secure credit facilities granted to the Group.

Prospects

After completion of the company restructuring, we changed our name to Polytec Assets Holdings Limited to reflect our determination to be a rejuvenated group with a new investment strategy last year. Our main goal is to acquire assets which can generate recurrent revenues as well as to achieve medium- and long-term capital appreciation.

Indeed, the new management's decision to abandon low-margin businesses and to focus on our new investment strategy has proven to be correct. Since June last year, we have acquired five major assets, which have already had considerable appreciation and are expected to generate good cash-flows for the Group from 2006 onwards.

Our interim results have reflected a good start to our new strategy and we will continue to actively explore sound investment opportunities for the Group's future growth. The management is optimistic about the earnings prospect of the Group and plans to resume the distribution of dividends from the second half of this financial year.

Yeung Kwok Kwong
Chairman

Hong Kong, 23 September 2005

Unaudited Consolidated Income Statement

	Notes	For the six months ended 30 June 2005 HK$'000	31 May 2004 HK$'000 (Restated)
TURNOVER	2	**95,808**	34,458
Cost of sales		**(47,468)**	(30,187)
Gross profit		**48,340**	4,271
Other revenue and gains		**4,347**	2,037
Selling and distribution costs		**(3,405)**	(126)
Administrative expenses		**(4,610)**	(4,524)
Other operating expenses		**(20,597)**	(11)
PROFIT FROM OPERATIONS	2	**24,075**	1,647
Finance costs		**(1,256)**	(1)
Change in fair value on properties		**105,047**	—
Share of results of jointly controlled entities	3	**316,485**	—
Provision for loan advanced to a jointly controlled entity written back		**18,500**	—
PROFIT BEFORE TAX	4	**462,851**	1,646
Tax	5	**(16,089)**	—
PROFIT AFTER TAX		**446,762**	1,646
ATTRIBUTABLE TO:			
Equity holders of the Company		**438,817**	1,646
Minority interests		**7,945**	—
		446,762	1,646
EARNINGS PER SHARE	6		
— Basic		**HK35.97 cents**	HK0.45 cent
— Diluted		**HK31.24 cents**	HK0.29 cent

Unaudited Consolidated Balance Sheet

	Notes	**30 June 2005 HK$'000**	31 December 2004 HK$'000 (Restated)
NON-CURRENT ASSETS			
Interest in leasehold land held for own use		**118,447**	119,857
Fixed assets		**38,196**	34,666
Investment properties		**150,000**	—
Interests in jointly controlled entities		**614,776**	297,259
Goodwill		**16,994**	16,994
		938,413	468,776
CURRENT ASSETS			
Short term investments		**51,425**	75,563
Inventories		**246,459**	300,466
Trade and other receivables	8	**9,295**	8,313
Cash and bank balances		**54,234**	9,273
		361,413	393,615
CURRENT LIABILITIES			
Other payables		**9,221**	18,651
Bank loans — current portion		**13,550**	12,050
Taxation		**6,973**	4,465
Amount due to a related company	9(c)	**—**	2,878
Amounts due to minority shareholders	9(e)	**37,474**	47,241
		67,218	85,285
NET CURRENT ASSETS		**294,195**	308,330
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,232,608**	777,106
NON-CURRENT LIABILITIES			
Bank loans — non-current portion		**80,250**	87,750
Deferred taxation		**47,188**	33,607
		127,438	121,357
		1,105,170	655,749
EQUITY			
Issued capital		**126,685**	125,833
Reserves		**929,812**	489,188
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		**1,056,497**	615,021
MINORITY INTERESTS		**48,673**	40,728
TOTAL EQUITY		**1,105,170**	655,749

Unaudited Condensed Consolidated Cash Flow Statement

	For the six months ended	
	30 June 2005	31 May 2004
	HK$'000	*HK$'000*
NET CASH INFLOW/(OUTFLOW) FROM		
— OPERATING ACTIVITIES	**47,869**	(23,895)
— INVESTING ACTIVITIES	**13,411**	277
— FINANCING ACTIVITIES	**(16,319)**	2,676
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**44,961**	(20,942)
Cash and cash equivalents at beginning of period	**9,273**	22,602
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**54,234**	1,660
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
— Cash and bank balances	**54,234**	1,660

Unaudited Consolidated Statement of Changes in Equity

	Attributable to equity holders of the Company					Minority interests	Total equity
	Issued capital	Share premium account	Investment property revaluation reserve	Retained profits/ (accumu-lated losses)	Total		
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 December 2003	63,504	122,818	—	(135,139)	51,183	—	51,183
Cancellation of share premium	—	(118,818)	—	118,818	—	—	—
Paid up of and conversation into ordinary shares of convertible preference shares	1,338	1,338	—	—	2,676	—	2,676
Capital reduction	(30,495)	—	—	30,495	—	—	—
Net profit for the period	—	—	—	1,646	1,646	—	1,646
At 31 May 2004	34,347	5,338	—	15,820	55,505	—	55,505
At 1 January 2005	125,833	396,215	62,488	31,293	615,829	40,728	656,557
Change in accounting policies	—	—	(62,488)	61,680	(808)	—	(808)
Restated balance	125,833	396,215	—	92,973	615,021	40,728	655,749
Paid up of and conversation into ordinary shares of convertible preference shares	852	1,807	—	—	2,659	—	2,659
Net profit for the period	—	—	—	438,817	438,817	7,945	446,762
At 30 June 2005	126,685	398,022	—	531,790	1,056,497	48,673	1,105,170

Notes to the Unaudited Interim Financial Statements

1. Accounting policies

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

The accounting policies used in these unaudited interim financial statements are consistent with those used in the annual financial statements of the Group for the period from 1 December 2003 to 31 December 2004, except as described below.

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards ("HKFRS", which term collectively includes HKAS and Interpretations) that are effective for accounting periods beginning on or after 1 January 2005. The Board has determined the accounting policies to be adopted in the preparation of the Group's annual financial statements for the year ending 31 December 2005, on the basis of HKFRS currently in issue. The changes in accounting policies for the annual accounting period beginning on 1 January 2005 which have been reflected in this interim financial report are as follows.

Investment properties

In prior years, the Group's share of changes in the fair value of the jointly controlled entity's investment properties were recognised directly in the investment property revaluation reserve and any related deferred tax was also recognised directly in the investment property revaluation reserve. The tax rate for determining whether any amounts of deferred tax should be recognised on the revaluation of investment properties would be the tax rate applicable to the sale of such investment properties.

Upon adoption of HKAS 40 "Investment Property" and HKAS Interpretation 21 "Income Tax — Recovery of Revalued Non-depreciation Assets", the Group's share of changes in the fair value of the jointly controlled entity's investment properties and any related deferred tax are recognised directly in the income statement. The tax rate for determining whether any amounts of deferred tax should be recognised on the revaluation of investment properties will be the tax rate applicable to the use of such investment properties, if the jointly controlled entity has no intention to sell such investment properties and such investment properties would have been depreciable had the jointly controlled entity not adopted the fair value model.

These changes in accounting policy have been adopted retrospectively by increasing the opening balance of retained profits as of 1 January 2005 by HK$61,680,000 (1 December 2003: Nil) to included all of the previous changes, after deducting the related deferred tax, in the fair value of the jointly controlled entity's investment properties shared by the Group, reducing the opening balance of interest in jointly controlled entities as of 1 January 2005 by HK$808,000 (1 December 2003: Nil) and reducing the opening balance of investment property revaluation reserve as of 1 January 2005 by HK$62,488,000 (1 December 2003: Nil). As a result of this new policy, the Group's profit after tax for the six months ended 30 June 2005 has increased by HK$316,485,000, being the net increase in the share of result of the jointly controlled entities (six months ended 31 May 2004: Nil).

1. Accounting policies *(Continued)*

Leasehold land and buildings held for own use

In prior years, the leasehold land and buildings held for own use was accounted for at cost less accumulated depreciation and accumulated impairment, if any, and was included in the fixed assets.

Upon the adoption of HKAS 17 "Leases", 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 split reliably between land and buildings, in which case, the entire lease is generally treated as a finance lease. To the extent that the allocation of the lease payments between land and buildings elements can be made reliably, the leasehold land is reclassified to leasehold land held for own use under operating lease, which is carried at cost and amortised on a straight-line basis over the lease term and is subject to impairment testing, whereas the leasehold buildings are stated at cost less accumulated depreciation and impairment losses.

The new accounting policy has been applied retrospectively with the balances of leasehold land reclassified from fixed assets to leasehold land held for own use under operating lease. Apart from certain presentational changes with comparatives restated, this change in accounting policy does not have any material effect on the financial statements.

Goodwill

In prior years, goodwill was amortised on a straight line basis over its useful life and was subject to impairment testing when there were indications of impairment. Upon the adoption of HKFRS 3 "Business Combinations" and HKAS 36 "Impairment of Assets", goodwill is not subject to amortisation but is tested annually for impairment, including in the year of its initial recognition, as well as when there are indications of impairment. Impairment losses are recognised when the carrying amount of the cash generating unit to which the goodwill has been allocated exceeds its recoverable amount.

The new policy has been applied prospectively in accordance with the transitional arrangements under HKFRS 3. As a result, comparative amounts have not been restated, the cumulative amount of amortisation as at 1 January 2005 has been offset against the cost of the goodwill and no amortisation charge for goodwill has been recognised in the income statement for the six months ended 30 June 2005. This has increased the Group's profit after tax for the six months ended 30 June 2005 by HK$428,000.

Minority interests

In prior years, minority interests at the balance sheet date were presented in the consolidated balance sheet separately from liabilities and as deduction from net assets. Minority interests in the results of the Group for the year were also separately presented in the income statement as a deduction before arriving at the profit attributable to shareholders.

1. Accounting policies *(Continued)*

Minority interests *(Continued)*

Upon the adoption of HKAS 1 "Presentation of Financial Statement" and HKAS 27 "Consolidated and Separate Financial Statement", minority interests at the balance sheet date are presented in the consolidated balance sheet within equity, separately from the equity attributable to the equity holders of the Company, and minority interests in the results of the Group for the period are presented on the face of the consolidated income statement as an allocation of the total profit or loss for the period between the minority interests and the equity holders of the Company.

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

2. Segment information

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment. The Group had three business segments for the six months ended 30 June 2005 which included properties investment, trading and development related activities ("Properties"), manufacturing of ice and provision of cold storage and related services ("Ice and Cold Storage") and financial investment and other miscellaneous activities ("Investment and others"). As the Group has only one business segment, namely Investments and Others, for the six months ended 31 May 2004, no business segment analysis is presented for that period. As over 90% of the Group's revenue, results, assets and liabilities were derived from operations in the People's Republic of China, including Hong Kong and Macao, further segment information has not been disclosed in respect of the Group's geographical segments.

Business segments

	Turnover *HK$'000*	**Profit/(loss)** *HK$'000*
For the six months ended 30 June 2005		
— Properties	**35,401**	**24,609**
— Ice and Cold Storage	**16,878**	**2,765**
— Investments and Others	**43,529**	**(1,081)**
— Consolidated	**95,808**	**26,293**
— Unallocated		**(2,218)**
— Profit before tax		**24,075**
For the six months ended 31 May 2004		
— Consolidated/profit before tax	34,458	1,647

3. Share of results of jointly controlled entities

Included in the share of results of jointly controlled entities for the six months ended 30 June 2005, there is a net of tax revaluation gain on investment properties of a jointly controlled entity of HK$316,576,000 (six month ended 31 May 2004: Nil).

4. Profit before tax

Profit before tax is arrived at after charging:

	For the six months ended	
	30 June 2005	31 May 2004
	HK$'000	*HK$'000*
Depreciation and amortisation	**2,057**	7
Interest on borrowings	**1,256**	1

5. Tax

	For the six months ended	
	30 June 2005	31 May 2004
	HK$'000	*HK$'000*
Current tax		
— Hong Kong Profits Tax	**—**	—
— Overseas income tax	**2,508**	—
Deferred tax	**13,581**	—
	16,089	—

No Hong Kong Profits Tax has been provided for the six months ended 30 June 2005, as the Group had no assessable profit during the period. Overseas taxation has been provided for at the applicable rates ruling in the respective jurisdictions.

6. Earnings per share

The calculation of basic earnings per share for the six months ended 30 June 2005 is based on the profit after tax attributable to equity holders of the Company for the period of HK$438,817,000 (six month ended 31 May 2004: HK$1,646,000) and the weighted average of 1,220,035,478 (six month ended 31 May 2004: 366,350,219) ordinary shares in issue during the period.

6. Earnings per share *(Continued)*

The calculation of diluted earnings per share for the six months ended 30 June 2005 is based on the profit after tax attributable to equity holders of the Company for the period of HK$438,817,000 (six month ended 31 May 2004: HK$1,646,000) and the weighted average of 1,404,674,911 (six month ended 31 May 2004: 560,105,094) ordinary shares after adjusting for the effects of dilutive potential ordinary shares in respect of convertible preference shares.

Number of ordinary shares	
Weighted average number of ordinary shares used in calculating basic earnings per share	1,220,035,478
Effect of dilutive potential ordinary shares in respect of convertible preference shares	184,639,433
Weighted average number of ordinary shares used in calculating diluted earnings per share	1,404,674,911

The comparative amount of earnings per share has been restated, as the number of ordinary shares in prior period has been adjusted for two rights issues completed during the period from 1 June 2004 to 31 December 2004.

7. Interim dividends

The Board does not recommend the payment of an interim dividend in respect of the six months ended 30 June 2005 (six month ended 31 May 2004: Nil).

8. Trade and other receivables

	30 June 2005 ***HK$'000***	31 December 2004 *HK$'000*
Ageing analysis of trade receivables:		
Within 30 days	**2,469**	1,597
31 days to 60 days	**1,263**	918
61 days to 180 days	**480**	1,664
Over 180 days	**164**	20
Trade receivables	**4,376**	4,199
Other receivables	**4,919**	4,114
	9,295	8,313

8. Trade and other receivables *(Continued)*

The Group has established different credit policies for each of the Group's businesses and allows a credit period of not more than 90 days to its trade customers.

9. Related party transactions

During the six months ended 31 May 2004 and 30 June 2005, the Group had the following transactions with related parties:

(a) During the six months ended 31 May 2004, the beneficial owner ("Controlling Shareholder") of the ultimate holding company of the Company ("Ultimate Holding Company") granted the right to the Group to acquire a substantial part of a commercial building at Rua do Dr. Pedro Jose Lobo, Av. Do Infante D. Henrique, and Av. Doutor Mario Soares in Macao together with an independent third party through the entering of a sale and purchase agreement by a company ("Vendor") beneficially owned by the Controlling Shareholder with the Group to transfer of the entire interest in Success Ever Limited for the consideration of HK$63,750,000 which represents the par value of the acquired share capital plus the face value of outstanding loans due from Success Ever Limited to the Vendor. The arrangement was to enable the Group to acquire, effectively, a 50% interest in such properties for a consideration of HK$212,500,000. The transaction was completed in June 2004.

(b) During the six months ended 31 May 2004, the Company, the Ultimate Holding Company and a company ("Underwriter") beneficially owned by the Controlling Shareholder entered into an underwriting agreement relating to the rights issue of 304,953,621 ordinary shares of HK$0.1 each of the Company at a subscription price of HK$0.5 each on the basis of one rights share for every one ordinary share held by the shareholders on 28 May 2004. Pursuant to the underwriting agreement, an underwriting commission of HK$1,380,000, being 2% of the total subscription price of the rights shares underwritten by the Underwriter, were paid to the Underwriter. The Ultimate Holding Company also undertook to subscribe 166,923,012 rights shares. As the Ultimate Holding Company also applied for excess rights shares, on completion of the rights issue in June 2004, 181,363,013 rights shares were issued and allotted to the Ultimate Holding Company.

(c) As at 31 December 2004, the amount due to a related company was unsecured, interest free and with no fixed repayment terms.

(d) During the six months ended 30 June 2005, the Ultimate Holding Company, which is also the holder of all convertible preference shares of HK$0.01 each ("CPS") of the Company in issue, contributed HK$2,659,000 (six month ended 31 May 2004: HK$2,676,600) to the Company to pay up 147,709,924 (six month ended 31 May 2004: 148,700,000) 10% partly paid CPS in full and exercised the conversion right of CPS to convert 147,709,924 (six month ended 31 May 2004: 148,700,000) fully paid CPS into 10,000,000 (six month ended 31 May 2004: 148,700,000) fully paid ordinary shares of HK$0.1 (six month ended 31 May 2004: HK$0.01) each of the Company.

9. Related party transactions *(Continued)*

(e) The amounts due to minority shareholders of subsidiaries were unsecured and with no fixed repayment terms of which HK$18,039,000 (31 December 2004: HK$27,806,000) was bearing interest at prevailing market rate and HK$19,435,000 (31 December 2004: HK$19,435,000) was interest free. During the six months ended 30 June 2005, interest of HK$333,000 (six month ended 31 May 2004: Nil) was payable to the minority shareholders.

10. Comparatives

Due to the changes in accounting policies during the current period as explained in note 1, certain comparative information has been restated to conform with the current period presentation.

Other Information

Interests and Short Positions in Shares, Underlying Shares and Debentures

Directors and Chief Executives

As at 30 June 2005, the interests and short positions of the directors and chief executives in the shares, underlying shares and debentures of the Company and its associated corporations as recorded in the register required to be kept under section 352 of the Securities and Futures Ordinance ("SFO") or notified to the Company pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code") were as follows:

Long positions in Ordinary Shares of the Company

Name	Capacity and nature of interests	Number of shares held	Percentage of the issued share capital
Mr. Yeung Kwok Kwong	directly beneficially owned	1,600,000	0.13%
Ms. Wong Yuk Ching	directly beneficially owned	6,000,000	0.49%
Mr. Lai Ka Fai	directly beneficially owned	300,000	0.02%

At no time during the six months ended 30 June 2005 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any directors or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was Company, its holding company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in or any other body corporate.

Save as disclosed above, none of the directors and chief executives had any interest or short position in the shares, underlying shares and debentures of the Company or its associated corporations which were recorded in the register required to be kept under section 352 of the SFO or notified to the Company pursuant to the Model Code.

Interests and Short Positions in Shares, Underlying Shares and Debentures *(Continued)*

Other Persons

As at 30 June 2005, the interests and short positions of the persons, other than the directors and chief executives, in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO were as follows:

Long positions

Name	Capacity and nature of interest	Number of shares held	Percentage of issued share capital
Ordinary shares			
Marble King International Limited	Directly beneficially owned	698,975,374 *(Note)*	56.84%
Mr. Or Wai Sheun	Through a controlled corporation	698,975,374 *(Note)*	56.84%

Note: Marble King International Limited, a company incorporated in the British Virgin Islands, is beneficially owned by Mr. Or Wai Sheun.

In addition, Marble King International Limited held the entire 3,703,590,076 convertible preference shares in the Company, issued partly paid as to 10% of the subscription price of HK$0.02 per share as at 30 June 2005.

Save as disclosed above, no person 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.

Compliance with the Model Code

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard set out in the Model Code. On specific enquiries made, all directors of the Company have confirmed that, in relation to the accounting period covered by the interim report, they have complied with the required standard set out in the Model Code and the Company's code of conduct regarding directors' securities transactions.

Purchase, Redemption or Sale of Listed Securities

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

Financial Assistances to Affiliated Companies

At as 30 June 2005, the Group had the following financial assistances to its affiliated companies:

	HK$'000
South Bay Centre Company Limited	225,895
Eastford Development Limited	9,876
	235,771

The above financial assistances to affiliated companies are unsecured and interest-free cash advances with no fixed repayment terms.

The unaudited proforma combined balance sheet of affiliated companies of the Group as at 30 June 2005 is as follows:

	HK$'000
Non-current assets	1,361,193
Current assets	19,862
Current liabilities	(2,178)
Non-current liabilities	(622,592)
Shareholders' funds	756,285
Interest attributable to the Group	378,143

As the Group's share of deficit of each affiliated company has been restricted to their respective investment cost, interest in affiliated companies attributable to the Group as reflected in the consolidated balance sheet amounted to HK$378,165,000, instead of HK$378,143,000.

Compliance with the Code on Corporate Governance Practices

The Company has complied with all the code provisions (with the exception of Code Provision C.2.1 on internal controls) of the Code on Corporate Governance Practice as set out in Appendix 14 of the Listing Rules throughout the accounting period covered by the interim report, except for the following deviations:

Code Provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Yeung Kwok Kwong is the Chairman and the Managing Director of the Company. The responsibility of the Chairman is to lead the Board to provide high-level guidance and oversight to the Group, while the management is delegated with the power to implement policies and strategies as set out by the Board. As mentioned below, an executive committee has been established and clear direction has been given as to the power of the management. The Board believes that those measures can ensure an effective segregation of duties between the management of the Board and the day-to-day management of the Group's business and the balance of power and authority.

Compliance with the Code on Corporate Governance Practices *(Continued)*

Code Provision A.4.1 stipulates that non-executive directors should be appointed for a specific term, subject to re-election. Non-executive directors of the Company do not have a specific term of appointment, but subject to rotation in accordance with Article 108(A) of the Articles of Association of the Company. Last sentence of Code Provision A.4.2 stipulates that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. In accordance with Article 108(A) of the Articles of Association of the Company, at every annual general meeting, one-third of the directors of the Company for the time being, other than Chairman, Deputy Chairman, Managing Director or Joint Managing Director, or, if their number is not a multiple of three, then the number nearest to but not exceeding one-third shall retire from office. In order to ensure full compliance with Codes A.4.1 and A.4.2, a special resolution will be proposed to amend the relevant Articles of Association of the Company at the annual general meeting to be held in 2006.

In accordance with the Code Provisions under section B.1 of the Code on Corporate Governance Practice, a remuneration committee should be established. The remuneration committee was not yet in place during the period under review, but was established by the Company on 21 September 2005 with full compliance with the Code Provisions under section B.1 of the Code on Corporate Governance Practice.

Code Provision D.1.1 stipulates that when the board delegates aspects of its management and administration functions to management, it must at the same time give clear directions as to the powers of management, in particular, with respect to the circumstances where management should report back and obtain prior approval from the board before making decisions or entering into any commitments on behalf of the Company and Code Provision D.1.2 stipulates that the functions reserved to the board and those delegated to the management should be formalized and should be reviewed on a periodic basis to ensure that they remain appropriate. In order to ensure full compliance with the Code Provisions, on 21 September 2005, an executive committee has been established for the management and administration functions and the Board has formalized the functions reserved by the Board and those delegated to the management.

Employees

As at 30 June 2005, the total number of employees of the Group was about 70. The Group remunerates its employees by means of salary and bonus based on their performance, working experience, degree of hardship and prevailing market practice.

Audit Committee

The audit committee has reviewed the unaudited interim financial statements of the Group for the six months ended 30 June 2005 and discussed with the Board the internal control and financial reporting matters of the Group.

Directors

As at the date of this report, Mr. Yeung Kwok Kwong and Ms. Wong Yuk Ching are executive directors of the Company, Mr. Lai Ka Fai is a non-executive director of the Company and Mr. Anthony Francis Martin Conway, Mr. Siu Leung Yau and Mr. Liu Kwong Sang are independent non-executive director of the Company.