



星晨集團有限公司

Morning Star Resources Limited

(Incorporated in the Cayman Islands with limited liability)

INTERIM REPORT 2005

UNAUDITED INTERIM RESULTS

The Board of Directors of Morning Star Resources Limited (the “Company”) is pleased to present the unaudited consolidated 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 PROFIT AND LOSS ACCOUNT

		For the six months ended 30th June,	
		2005	2004
	<i>Notes</i>	(Unaudited) HK\$'000	(Unaudited) HK\$'000
TURNOVER	4	235,965	239,368
Cost of sales		(209,059)	(205,806)
Gross profit		26,906	33,562
Other revenue and gains	5	38,905	11,564
Selling and promotional expenses		(10,958)	(8,768)
Administrative expenses		(43,119)	(41,856)
PROFIT/(LOSS) FROM OPERATING ACTIVITIES	4, 6	11,734	(5,498)
Finance costs	7	(3,282)	(1,623)
Share of losses and profits of associates		(156)	596
Share of profits and losses of a jointly controlled entity		44	(342)
PROFIT/(LOSS) BEFORE TAX		8,340	(6,867)
Tax	8	(713)	3,080
PROFIT/(LOSS) AFTER TAX		7,627	(3,787)
Attributable to :			
Equity holders of the parent		10,103	(4,231)
Minority interests		(2,476)	444
PROFIT/(LOSS) AFTER TAX		7,627	(3,787)
EARNINGS/(LOSS) PER SHARE			
– Basic	9	0.42 cent	(0.18 cent)

CONDENSED CONSOLIDATED BALANCE SHEET

	30th June, 2005 <i>(Unaudited)</i> <i>HK\$'000</i>	31st December, 2004 <i>(Audited and restated)</i> <i>HK\$'000</i>
NON-CURRENT ASSETS		
Property, plant and equipment	101,130	101,553
Prepaid lease payment on land use right	2,676	2,704
Investment properties	10,611	8,646
Properties under development	3,806	3,806
Interests in a jointly controlled entity	1,569	1,050
Interests in associates	39	153,967
Long term investments	-	16,199
Available-for-sale financial assets	7,017	-
Other assets	6,855	6,919
Pledged bank balances and time deposits	3,319	5,281
Deferred tax assets	13,064	13,073
	150,086	313,198
CURRENT ASSETS		
Due from related companies	6,578	6,430
Properties held for sale	97,126	61,719
Properties under development held for sale	82,047	113,788
Short term investments	-	2,811
Financial assets at fair value through profit and loss	3,262	-
Inventories	442	517
Trade receivables	14,448	18,928
Other receivables	24,454	29,657
Client trust bank balances	6,854	7,486
Cash and cash equivalents	214,379	66,091
	449,590	307,427
CURRENT LIABILITIES		
Due to related companies	238	202
Due to associates	2,735	2,868
Tax payable	5,489	12,904
Trade payables, other payables and accruals	96,818	84,180
Interest-bearing bank borrowings	160,056	159,471
Non-interest-bearing other borrowings	26,230	26,268
	291,566	285,893
NET CURRENT ASSETS	158,024	21,534
TOTAL ASSETS LESS CURRENT LIABILITIES	308,110	334,732
CAPITAL AND RESERVES		
Issued capital	482,910	482,910
Reserves	(246,558)	(222,289)
Equity attributable to shareholders of the parent	236,352	260,621
Minority interests	71,758	74,111
TOTAL EQUITY	308,110	334,732

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	For the six months ended 30th June,	
	2005	2004
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	(12,910)	(6,538)
NET CASH INFLOW FROM INVESTING ACTIVITIES	161,413	2,354
NET CASH (OUTFLOW)/ INFLOW FROM FINANCING ACTIVITIES	(38)	10,081
INCREASE IN CASH AND CASH EQUIVALENTS	148,465	5,897
Cash and cash equivalents at the beginning of period	36,620	41,103
Effect of foreign exchange adjustments, net	(762)	(1,362)
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD	184,323	45,638
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	214,379	53,703
Bank overdrafts	(30,056)	(8,065)
	184,323	45,638

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th June, 2005

	Share Capital (Unaudited) HK\$'000	Share premium account (Unaudited) HK\$'000	Subscription rights reserve (Unaudited) HK\$'000	Exchange realignment reserve (Unaudited) HK\$'000	Goodwill reserve (Unaudited) HK\$'000	Investment properties revaluation reserve (Unaudited) HK\$'000	Financial assets reserve (Unaudited) HK\$'000	Accumulated losses (Unaudited) HK\$'000	Minority interests (Unaudited) HK\$'000	Total equity (Unaudited) HK\$'000
At 1st January, 2005										
- as previously reported	482,910	3,423	2,905	21,050	(78)	1,572	-	(251,161)	74,111	334,732
- opening adjustment for the adoption of HKFRS 3	-	-	-	-	(164)	-	-	6,360	-	6,196
- opening adjustment for the adoption of HKAS 39	-	-	-	-	-	-	(4,969)	-	-	(4,969)
- opening adjustment for the adoption of HKAS 40	-	-	-	-	-	(1,572)	-	1,572	-	-
- as restated	482,910	3,423	2,905	21,050	(242)	-	(4,969)	(243,229)	74,111	335,959
Exchange realignments and net gains and losses not recognised in the profit and loss account	-	-	-	(9,443)	-	-	-	-	123	(9,320)
Exchange realignments released on disposal of interests in associates	-	-	-	(22,518)	-	-	-	-	-	(22,518)
Losses arising from changes in fair value of available-for-sale financial assets	-	-	-	-	-	-	(3,638)	-	-	(3,638)
Profit for the period	-	-	-	-	-	-	-	10,103	(2,476)	7,627
At 30th June, 2005	482,910	3,423	2,905	(10,911)	(242)	-	(8,607)	(233,126)	71,758	308,110
At 1st January, 2004										
- as previously reported	482,910	3,423	2,905	1,155	(78)	-	-	(212,206)	76,724	354,833
Exchange realignments and net gains and losses not recognised in the profit and loss account	-	-	-	605	-	-	-	-	330	935
Loss for the period	-	-	-	-	-	-	-	(4,231)	444	(3,787)
At 30th June, 2004	482,910	3,423	2,905	1,760	(78)	-	-	(216,437)	77,498	351,981

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30th June, 2005

1. BASIS OF PREPARATION

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

2. SIGNIFICANT ACCOUNTING POLICIES

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

The accounting policies used in the condensed 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 as described below:

During the period, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards ("HKFRSs"), HKASs and Interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the HKICPA that became 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 profit and loss account, balance sheet and the statement of changes in equity. The adoption of the new HKFRSs has resulted in significant changes to the Group's accounting policies in the following areas that have effect on how the results for the period or prior accounting periods are prepared and presented:

a) *Leasehold land and building held for own use*

Prior to 1st January, 2005, leasehold land and buildings held for own use were included in property, plant and equipment and stated at cost less accumulated depreciation and any impairment. During the period, the Group has applied HKAS 17 "Lease". Under HKAS 17, the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification, unless the lease payments cannot be allocated reliably between the land and buildings elements, in which case, the entire lease is generally treated as a financial lease. To the extent that the allocation of the lease payments between the land and buildings elements can be made reliably, the Group has reclassified leasehold land from

property, plant and equipment to prepaid lease payments under operating leases, which are carried at cost and amortised over the lease term on a straight-line basis. Comparative figures have been restated. Alternatively, where the allocation between the land and buildings elements cannot be made reliably, the leasehold land continues to be accounted for as property, plant and equipment.

b) *Financial instruments*

During the period, the Group has applied HKAS 32 “Financial instruments: disclosure and presentation” and HKAS 39 “Financial instruments: recognition and measurement”. HKAS 32 requires retrospective application. HKAS 39, which is effective for accounting periods beginning on or after 1st January, 2005, generally does not permit to recognise, derecognise or measure financial assets and liabilities on a retrospective basis. The principal effects resulting from the implementation of HKAS 32 and HKAS 39 are summarised 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.

Prior to 1st January, 2005, the Group classified and measured its debt and equity securities in accordance with the benchmark treatment of Statement of Standard Accounting Practice (“SSAP”) 24 “Accounting for investment securities”. Under SSAP 24, investments in debt or equity securities are classified as long term investments which are held for a continuing strategic or long term purpose and short term investments which are held for trading purpose. Long term investments are carried at costs less any impairment losses while short term investments are measured at fair value with unrealized gains or losses are reported in profit or loss. From 1st January, 2005 onwards, the Group classifies and measures its debt and equity securities in accordance with HKAS 39. Under HKAS 39, financial assets are classified as “financial assets at fair value through profit and loss”, “available-for-sale financial assets”, “loans and receivables” or “held-to-maturity financial assets”. The classification depends on the purpose for which the assets are acquired. “Financial assets at fair value through profit or loss” that are not part of the hedging relationship and “available-for-sale financial assets” are carried at fair value, with changes in fair values recognised in profit or loss and equity respectively. “Loans and receivables” and “held-to-maturity financial assets” are measured at amortised cost using the effective interest rate method.

On 1st January 2005, the Group classified and measured its debts and equity securities in accordance with the requirements of HKAS 39. Comparative figures have not been restated.

c) Investment properties

During the period, the Group has, for the first time, applied HKAS 40 “Investment Property”. The Group has elected to use the fair value model to account for its investment properties which requires gains or losses arising from changes in fair value of investment properties to be recognised directly in the profit or loss for the period in which they arise. In previous periods, investment properties under the SSAP 13 “Accounting for investment properties” were measured at open market values, with revaluation surplus or deficits credited or charged to investment properties revaluation reserve unless the balance on this reserve was insufficient to cover a revaluation decrease, in which case the excess of the revaluation decrease over the balance on the investment properties revaluation reserve was charged to the profit and loss account. Where a decrease had previously been charged to profit and loss account and revaluation subsequently arose, that increase was credited to the profit and loss account to the extent of the decrease previously charged. The Group has applied the relevant transitional provisions in HKAS 40 and elected to apply HKAS 40 from 1st January, 2005 onwards. The amount held in investment properties revaluation reserve at 1st January, 2005 has been transferred to the Group’s accumulated losses.

d) Business combinations

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

In prior periods, goodwill / negative goodwill arising on acquisitions prior to 1st January, 2001 was eliminated against consolidated goodwill reserve in the year of acquisition and was not recognised in the consolidated profit and loss account until disposal or impairment of the acquired business.

Goodwill arising on acquisitions on or after 1st January, 2001 was recognised in the consolidated balance sheet as an asset 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 profit and loss account on a systematic basis over the remaining average useful life of the acquired depreciable / amortisable assets. The amount of any negative goodwill in excess of the

fair value of the acquired non-monetary assets is recognised as income immediately. 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 profit and loss account when the future losses and expenses were recognised. In the case of associates and jointly controlled entities, any unamortised goodwill / negative goodwill not yet recognised in the consolidated profit and loss account were included in the carrying amount thereof, rather than as a separately identified asset / item on the consolidated balance sheet.

With effect from 1st January, 2005, in accordance with HKFRS 3, 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 profit and loss account.

The transitional provisions of HKFRS 3 have required the Group to eliminate at 1st 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 (including that remaining in consolidated goodwill reserve) against accumulated losses. Goodwill previously eliminated against consolidated goodwill reserve remains eliminated against consolidated goodwill reserve and is not recognised in the consolidated profit and loss account 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.

In accordance with the transitional provisions of HKFRS 3, comparative figures have not been restated.

e) Interests in jointly controlled entities

Prior to 1st January, 2005, interests in jointly controlled entities were accounted for using the equity method. HKAS 31 "Interests in jointly controlled entities" allows entities to use either proportionate consolidation or the equity method to account for its interests in jointly controlled entities. Upon the application of HKAS 31, the Group has elected to continue using the equity method to account for its interests in jointly controlled entities. There has no changes in accounting policy relating to interests in a jointly controlled entity.

f) *Minority interests*

In previous periods, 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 period were also separately presented in the profit and loss as a deduction before arriving at the profit attributable to equity holders of the parent.

With effect from 1st January, 2005, in order to comply with HKAS 1 “Presentation of financial statements” and HKAS 27 “Consolidated and separate financial statements”, 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 parent, and minority interests in the results of the Group for the period are presented on the face of the consolidated profit and loss account as an allocation of the total profit or loss for the period between the minority interests and the equity holders of the parent.

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

g) *Pre-completion contracts for sale of properties under development*

Revenue recognition

Prior to 1st January, 2005, revenue from pre-sales of properties under development were recognised on completion of binding sale agreements by reference to the stage of completion.

From 1st January, 2005 and onwards, under Hong Kong Interpretation 3 (“HK-Int 3”) revenue from development properties sold before the completion of construction is recognised only when all the criteria specified in paragraph 14 of HKAS 18 “Revenue” are satisfied.

The Group has applied the relevant transitional provisions in HK-Int 3 with respect to the revenue recognition of pre-completion contracts for the sale of development properties and elected to apply HK-Int 3 to the pre-completion contracts for the sale of development properties entered into on or after 1st January, 2005. Accordingly, no prior period figures have been restated.

3. SUMMARY OF THE EFFECTS OF SIGNIFICANT CHANGES IN ACCOUNTING POLICIES

The effects of the significant changes in accounting policies described in Note 2 above on the results for the current and prior accounting periods are as follows:

	For the six months ended 30th June,	
	2005	2004
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Gains arising from changes in fair value of investment properties	1,965	–
Gains arising from changes in fair value of financial assets	451	–
Decrease in negative goodwill recognised as income	(105)	–
Increase in profit for the period	2,311	–

The adoption of the new HKFRSs has had no material effect on how the results for the current or prior accounting periods are prepared and presented. Accordingly, no prior period adjustment has been required.

The material cumulative effects of the application of the new HKFRSs to the Group's consolidated balance sheet at 31st December, 2004 and 1st January, 2005 are as follows:

	As at 31st December, 2004		As at 31st December, 2004		As at 1st January, 2005
	(Originally stated)	Adjustments	(restated)	Adjustments	(restated)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Property, plant and equipment	104,257	(2,704)	101,553	–	101,553
Prepaid lease payment on land right use	–	2,704	2,704	–	2,704
Investment properties	8,646	–	8,646	–	8,646
Interests in associates	151,099	2,868	153,967	6,196	160,163
Long term investments	16,199	–	16,199	(16,199)	–
Available-for-sale financial assets	–	–	–	11,230	11,230
Short term investments	2,811	–	2,811	(2,811)	–
Financial assets at fair value through profit and loss	–	–	–	2,811	2,811
Due to associates	–	(2,868)	(2,868)	–	(2,868)
Interest-bearing bank borrowings	(16,710)	(9,558)	(26,268)	–	(26,268)
Other assets / liabilities	77,988	–	77,988	–	77,988
Net assets	344,290	(9,558)	334,732	1,227	335,959

	As at 31st December, 2004 (Originally stated) HK\$'000	Adjustments HK\$'000	As at 31st December, 2004 (restated) HK\$'000	Adjustments HK\$'000	As at 1st January, 2005 (restated) HK\$'000
Share capital	482,910	-	482,910	-	482,910
Accumulated losses	(251,161)	-	(251,161)	7,932	(243,229)
Goodwill reserve	(78)	-	(78)	(164)	(242)
Investment properties revaluation reserve	1,572	-	1,572	(1,572)	-
Financial assets reserve	-	-	-	(4,969)	(4,969)
Other reserves	27,378	-	27,378	-	27,378
Minority interests	83,669	(9,558)	74,111	-	74,111
Total equity	344,290	(9,558)	334,732	1,227	335,959

4. SEGMENT INFORMATION

An analysis of the Group's segment revenue and segment results by business segments and geographical segments are summarised as follows:

(i) Business segments

(a) Revenue

	For the six months ended 30th June, 2005			
	Sales to external customers (Unaudited) HK\$'000	Intersegment sales (Unaudited) HK\$'000	Other revenue (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Travel and travel-related services	216,491	-	3,468	219,959
Property development and agency services	16,502	-	1,495	17,997
Hotel investment and management	1,671	-	30,233	31,904
Financial services	1,141	-	451	1,592
Corporate and other businesses	160	2,416	1,966	4,542
	235,965	2,416	37,613	275,994
Eliminations	-	(2,416)	-	(2,416)
	235,965	-	37,613	273,578

For the six months ended 30th June, 2004

	Sales to external customers (Unaudited) HK\$'000	Intersegment sales (Unaudited) HK\$'000	Other revenue (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Travel and travel-related services	199,769	-	2,809	202,578
Property development and agency services	36,933	-	1,265	38,198
Hotel investment and management	1,506	-	-	1,506
Financial services	1,000	-	6,040	7,040
Corporate and other businesses	160	1,464	21	1,645
	239,368	1,464	10,135	250,967
Eliminations	-	(1,464)	-	(1,464)
	239,368	-	10,135	249,503

(b) Results

	For the six months ended 30th June,					
	2005			2004		
	Segment results (Unaudited) HK\$'000	Eliminations (Unaudited) HK\$'000	Total (Unaudited) HK\$'000	Segment results (Unaudited) HK\$'000	Eliminations (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Travel and travel-related services	(14,072)	-	(14,072)	(9,127)	-	(9,127)
Property development and agency services	(5,120)	-	(5,120)	(562)	-	(562)
Hotel investment and management	30,901	-	30,901	(517)	-	(517)
Financial services	(689)	-	(689)	5,594	-	5,594
Corporate and other businesses	3,306	-	3,306	768	(429)	339
	14,326	-	14,326	(3,844)	(429)	(4,273)
Interest income and dividend income			1,292			1,429
Unallocated expenses			(3,884)			(2,654)
Profit /(Loss) from operating activities			11,734			(5,498)

(ii) Geographical segments

(a) Revenue

For the six months ended 30th June, 2005

	<i>Sales to external customers (Unaudited) HK\$'000</i>	<i>Intersegment sales (Unaudited) HK\$'000</i>	<i>Other revenue (Unaudited) HK\$'000</i>	<i>Total (Unaudited) HK\$'000</i>
Hong Kong SAR	213,497	39	5,050	218,586
Elsewhere in the PRC	16,502	-	1,563	18,065
Australia	1,200	-	626	1,826
Others	4,766	32	30,374	35,172
	<u>235,965</u>	<u>71</u>	<u>37,613</u>	<u>273,649</u>
Eliminations	-	(71)	-	(71)
	<u>235,965</u>	<u>-</u>	<u>37,613</u>	<u>273,578</u>

For the six months ended 30th June, 2004

	<i>Sales to external customers (Unaudited) HK\$'000</i>	<i>Intersegment sales (Unaudited) HK\$'000</i>	<i>Other revenue (Unaudited) HK\$'000</i>	<i>Total (Unaudited) HK\$'000</i>
Hong Kong SAR	197,351	801	8,773	206,925
Elsewhere in the PRC	40,469	-	1,292	41,761
Australia	1,095	-	-	1,095
Others	453	-	70	523
	<u>239,368</u>	<u>801</u>	<u>10,135</u>	<u>250,304</u>
Eliminations	-	(801)	-	(801)
	<u>239,368</u>	<u>-</u>	<u>10,135</u>	<u>249,503</u>

(b) Results

For the six months ended 30th June,

	2005			2004		
<i>Segment results (Unaudited) HK\$'000</i>	<i>Eliminations (Unaudited) HK\$'000</i>	<i>Total (Unaudited) HK\$'000</i>	<i>Segment results (Unaudited) HK\$'000</i>	<i>Eliminations (Unaudited) HK\$'000</i>	<i>Total (Unaudited) HK\$'000</i>	
Hong Kong SAR	(11,340)	-	(11,340)	(3,013)	-	(3,013)
Elsewhere in the PRC	(5,121)	-	(5,121)	(838)	-	(838)
Australia	429	-	429	(748)	-	(748)
Others	30,358	-	30,358	326	-	326
	<u>14,326</u>	<u>-</u>	<u>14,326</u>	<u>(4,273)</u>	<u>-</u>	<u>(4,273)</u>

5. OTHER REVENUE AND GAINS

	<i>For the six months ended 30th June,</i>	
	2005	2004
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	HK\$'000	HK\$'000
<i>Income arising from deposits on properties forfeited by purchasers</i>	13	171
<i>Visa income</i>	306	411
<i>Commission income</i>	2,366	2,053
<i>Negative goodwill recognised as income for the period</i>	–	102
<i>Profit distribution from unlisted investment</i>	–	6,040
<i>Profit on disposal of an associate</i>	30,233	–
<i>Gains arising from changes in fair value of investment properties</i>	1,965	–
<i>Gains arising from changes in fair value of financial assets through profit and loss</i>	451	–
<i>Others</i>	2,279	1,358
	<hr/>	<hr/>
	37,613	10,135
<i>Interest income</i>	1,292	701
<i>Dividend from unlisted long term investments</i>	–	728
	<hr/>	<hr/>
	38,905	11,564
	<hr/>	<hr/>

6. PROFIT/(LOSS) FROM OPERATING ACTIVITIES

Profit/(loss) from operating activities is arrived at after charging:

	<i>For the six months ended 30th June,</i>	
	2005	2004
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	HK\$'000	HK\$'000
<i>Depreciation:</i>		
<i>Owned property, plant and equipment</i>	1,278	1,273
<i>Amortisation:</i>		
<i>Prepaid lease payment on land use right</i>	28	57
	<hr/>	<hr/>

7. FINANCE COSTS

	<i>For the six months ended 30th June,</i>	
	2005	2004
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	HK\$'000	HK\$'000
<i>Interest on bank loans and overdrafts wholly repayable within five years</i>	3,282	1,623

8. TAX

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the period (six months ended 30th June, 2004: Nil).

Taxes on profits assessable elsewhere have been calculated based on existing legislation and practices at the rates of tax prevailing in the countries in which the Group operates. The tax charge for the period arose as follows:

	<i>For the six months ended 30th June,</i>	
	2005	2004
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	HK\$'000	HK\$'000
<i>Overseas tax</i>		
– current period	707	672
– overprovision in prior years	–	(3,017)
<i>Deferred tax</i>		
– current period	6	(735)
<i>Tax charge/(credit) for the period</i>	713	(3,080)

9. EARNINGS/(LOSS) PER SHARE

The calculation of the basic earnings per share for the period is based on the profit of HK\$10,103,000 (six months ended 30th June, 2004: loss of HK\$4,231,000) and the 2,414,547,555 shares (2004: 2,414,547,555 shares) in issue during the period.

The diluted earnings/(loss) per share for the periods ended 30th June, 2005 and 2004 has not been shown as the warrants outstanding during these periods had an anti-dilutive effect on the basic earnings/(loss) per share for these periods.

10. DIVIDENDS

At a meeting of the Board of Directors held on 28th September, 2005, the Directors resolved not to declare an interim dividend in respect of the year ending 31st December, 2005.

11. TRADE RECEIVABLES

The Group grants credit periods of up to 30 days to its trade customers. Details of the aging analysis of trade receivables are as follows:

	30th June, 2005	31st December, 2004
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Current	7,804	11,869
1-3 months	970	922
Over 3 months	5,674	6,137
	<hr/>	<hr/>
	14,448	18,928
	<hr/> <hr/>	<hr/> <hr/>

12. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

Included in the trade payables, other payables and accruals is a trade payables balance of HK\$37,581,000 (31st December, 2004: HK\$26,684,000). Details of the aging analysis of trade payables are as follows:

	30th June, 2005	31st December, 2004
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Current	26,105	24,965
1-3 months	10,818	1,349
Over 3 months	658	370
	<hr/>	<hr/>
	37,581	26,684
	<hr/> <hr/>	<hr/> <hr/>

13. MATERIAL RELATED PARTY TRANSACTIONS

During the six months period, the Group had certain significant transactions with the following related parties in the ordinary course of business:

		<i>For the six months ended 30th June,</i>	
	Notes	2005 (Unaudited) HK\$'000	2004 (Unaudited) HK\$'000
<i>Rental income received from:</i>			
<i>Laura Ashley Limited ("LAL")</i>	(i)	160	160
<i>Architectural consultancy fees paid to:</i>			
<i>Shen & Partners Limited ("Shen & P")</i>	(ii)	5	440
<i>SRT Design (China) Limited ("SRT (China)")</i>	(ii)	-	100
<i>SRT Architect Limited ("SRT")</i>	(ii)	-	16
<i>Interest income from Morning Star</i>			
<i>Villa Management Limited ("MVM")</i>	(iii)	15	10
<i>Management fees paid to MVM</i>	(iv)	62	113

Notes:

- (i) LAL is a wholly-owned subsidiary of Laura Ashley Holdings plc ("LAH"). Tan Sri Dr. KHOO Kay Peng, the Non-Executive Chairman of the Company, is also the chairman of LAH. Pursuant to a tenancy agreement entered into between the Group and LAL in 2004, the Group leased office area to LAL for a period of two years, commencing from 1st May, 2004. The rental charged to LAL was determined by reference to open market rates.
- (ii) Mr. Edward SHEN was an Independent Non-Executive Director of the Company until he resigned on 1st April, 2004, is a director of, and holds a 60% interest in the issued share capital of Shen & P, which in turn holds a 50% interest in the issued share capital of each of SRT (China) and SRT.
- (iii) MVM is engaged in the property management of Morning Star Villa ("MSV"). Certain Directors of the Company and its subsidiaries are also directors of MVM. Interest at 2% above the Hong Kong dollar prime rate per annum is charged on balances with MVM.
- (iv) Property management fees paid to MVM represent the property management fees of the vacant units of MSV owned by Jubilation Properties Limited, which is engaged in the development of MSV. The property management fees on unsold units are determined based on half the rate per square foot charged to the other owners of MSV.

14. CONTINGENT LIABILITIES

	30th June, 2005 <i>(Unaudited)</i> HK\$'000	31st December, 2004 <i>(Audited)</i> HK\$'000
<i>Bank guarantees</i>	263,569	274,453

Included in bank guarantees is an amount of HK\$258,193,000 (2004: HK\$268,628,000) in respect of buy-back guarantees in favour of banks to secure the mortgage loans granted to the purchasers of the properties developed by Morning Star Villa and Morning Star Plaza.

15. CAPITAL COMMITMENTS

	30th June, 2005 <i>(Unaudited)</i> HK\$'000	31st December, 2004 <i>(Audited)</i> HK\$'000
<i>Contracted for:</i>		
<i>Land and construction costs</i>	18,527	18,402
<i>Authorised, but not contracted for:</i>		
<i>Land and construction costs</i>	144,016	163,448
	162,543	181,850

Included in the above is the amount relating to the development of the Group's property projects in Zhongshan, the People's Republic of China, into a residential and commercial complex.

Save as disclosed above, the Group had no other significant capital commitments at the balance sheet date.

16. COMPARATIVE FIGURES

The Group has adopted the new Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("new HKFRSs") which are effective for accounting periods beginning on or after 1st January, 2005. Certain comparative figures for 2004 have been restated to conform with the new accounting policies. Included in non-interest-bearing other borrowings is a loan payable balance to a minority shareholder of HK\$9,520,000 (2004: HK\$9,558,000) which was previously included in minority interests and due to associates of HK\$2,735,000 (2004: HK\$2,868,000) was previously presented as interests in associates. The effect of the changes in accounting policies are described in Notes 2 and 3.

17. APPROVAL OF THE FINANCIAL STATEMENTS

The unaudited condensed consolidated interim financial statements were approved and authorised for issue by the Board of Directors on 28th September, 2005.

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF FINANCIAL RESULTS

Group Overview

For the six months ended 30th June, 2005, the Group's consolidated turnover amounted to HK\$236.0 million, representing a decrease of 1.4% as compared to HK\$239.4 million for the corresponding period in 2004. For the period under review, the Group achieved a profit from ordinary activities attributable to equity holders of the parent of HK\$10.1 million as compared to a net loss of HK\$4.2 million for the corresponding period last year. Included in this period's profit is a gain on disposal of the Group's 49% interest in Plaza on Hyde Park Limited ("POHP") which amounted to HK\$30.2 million.

Travel and Tourism Division

Total turnover for the Group's travel and travel-related services business for the six months ended 30th June, 2005 amounted to HK\$216.5 million, an increase of 8.4% as compared to HK\$199.8 million for the corresponding period in 2004. However, the number of customers who joined the outbound tours of the Group's major travel arm, Morning Star Travel Service Limited, for the six months ended 30th June, 2005, decreased moderately as compared to the corresponding period in 2004.

Intense competition continued to exert downward pressure on the tour fares and profit margin of the outbound travel industry. The adverse impact of the Asian financial crisis and negative equity homeowners which resulted from falling property prices and deflation over the past few years continued to affect the spending sentiment of Hong Kong residents despite a general recovery in the Hong Kong economy. Customers remain cautious and selective and tend to choose lower-priced destinations such as Thailand and Taiwan, instead of higher-priced long-haul tour packages.

For the period under review, the Group's Travel and Tourism Division recorded a loss of HK\$14.1 million as compared to a loss of HK\$9.1 million for the same period last year, due to a decrease in gross profit margin and an increase in operating expenses.

Property Division

Total turnover, net of sales tax, of the Property Division for the six months ended 30th June, 2005 amounted to HK\$16.5 million as compared to HK\$36.9 million for the corresponding period in 2004. The Property Division recorded a loss of HK\$5.1 million for the six months ended 30th June, 2005 as compared to a loss of HK\$562,000 for the same period last year.

During the period under review, the Property Division focused on the clearance of the existing stock on hand. For Morning Star Villa, a total of 27 units of stock on hand under Phase I to Phase VII with an aggregate sales value of HK\$5.8 million were sold at lower prices during the six months ended 30th June, 2005 which contributed to a lower profit margin this year. Total operating expenses of the Property Division decreased by 33.2% due to decreases in advertising and promotion expenses. The completion rate for the 168 units under Part I of Phase VIII Firenze was about 94% as at 30th June, 2005 and a total of 78 units with an accumulated sales value of HK\$24.5 million were sold.

For Morning Star Plaza, a total of 43 units with an aggregate sales value of HK\$9.5 million were sold during the six months ended 30th June, 2005. For the existing stock on hand under the Eastern site, the total number of units sold and total sales value increased strongly as compared with the same period last year. The existing stock on hand under the Eastern site was sold with a lower gross profit compared to last year. Operating expenses however decreased by 35.2%.

A total of 154 units with an accumulated sales value of HK\$31.3 million out of a total of 179 units available for sale under Part I and Part II of the Western site were sold. As the percentage of completion of Part III of the Western site was only 46% as at 30th June, 2005, the revenue and profit arising from the 16 units sold with an accumulated sales value of HK\$2.8 million have not been recognised in the Group's profit and loss account.

Hotel Division

Total turnover for the Group's hotel investment and management business for the six months ended 30th June, 2005 amounted to HK\$1.6 million as compared to HK\$1.5 million for the corresponding period in 2004. The results were a profit of HK\$30.9 million for the period under review as compared to a loss of HK\$517,000 for the corresponding period in 2004.

The disposal of the Group's 49% interest in Plaza on Hyde Park Limited ("POHP") was completed in May 2005. The Group's interest in POHP was accounted for as "interests in associates" in the consolidated balance sheet. The gain on disposal amounted to HK\$30.2 million as the Sterling Pound against the Hong Kong Dollar weakened subsequent to the release of the circular to shareholders pertaining to this sale transaction.

Financial Services Division

Total turnover of the Group's financial services business for the six months ended 30th June, 2005 increased moderately compared with the corresponding period in 2004. The turnover of the Financial Services Division mainly derived from securities broking. The Financial Services Division recorded a loss of HK\$689,000 for the six months ended 30th June, 2005 as compared to a profit of HK\$5.6 million for 2004, which included HK\$6.0 million arising from a recovery of an unlisted investment.

Corporate and Other Businesses

The rental income received by the Group in respect of certain leased office space in AXA Centre for the six months ended 30th June, 2005 remained the same as the corresponding period in 2004 at HK\$160,000. The Group has adopted the fair value model for investment properties under the HKAS 40. As at 30th June, 2005, the investment properties of the Group were revalued at HK\$10.6 million. A fair value gain of investment properties of HK\$2.0 million was recognised in the consolidated profit and loss account for the period under review.

Geographical Segments

For geographical segments analysis, the revenue and results for Hong Kong SAR relate to travel and travel-related services, financial services and other businesses. The revenue and results for elsewhere in the People's Republic of China are principally from property development and agency services. The revenue and results for Australia are derived from hotel management services. The revenue and results for other countries include certain travel and travel-related services conducted outside of Hong Kong SAR.

REVIEW OF BALANCE SHEET

Overview

Due to the requirement to adopt the new and revised Hong Kong Financial Reporting Standards on 1st January, 2005, the Group has incorporated opening adjustments in its 2005 Interim Financial Statements, mainly due to a change in accounting policy in respect of interests in associates, restatement of certain assets at fair value and recognition of financial assets at market values. Further details of the implications have been provided in notes 2 and 3 to the 2005 Interim Financial Statements of the Group. Non-current assets of the Group as at 30th June, 2005 amounted to HK\$150.1 million, a decrease of HK\$163.1 million compared to HK\$313.2 million as at 31st December, 2004. Non-current assets mainly consist of property, plant and equipment, investment properties, available-for-sale financial assets, pledged bank balances and time deposits and deferred tax assets. Current assets of the Group as at 30th June, 2005 totalled HK\$449.6 million, against HK\$307.4 million as at 31st December, 2004. Current liabilities of the Group as at 30th June, 2005 amounted to HK\$291.6 million, compared with HK\$285.9 million as at 31st December, 2004. The decrease in non-current assets is mainly due to the disposal of an associate, Plaza on Hyde Park Limited ("POHP").

Capital Structure, Liquidity and Financial Resources

As at the balance sheet date, the Group's total borrowings was HK\$186.3 million, comprising mainly short-term bank borrowings, with interest rates ranging from 2.21% to 7.00% per annum fixed at each drawdown date. The Group's banking facilities are denominated in Hong Kong dollars and the total available banking facilities not utilised as at 30th June, 2005 amounted to HK\$637,000.

The Group's total current and long-term debts as at 30th June, 2005 was HK\$186.3 million as compared to HK\$185.7 million as at 31st December, 2004. The Group's total equity as at the balance sheet date was HK\$308.1 million as compared to HK\$334.7 million as at 31st December, 2004. The Group's gearing ratio as at 30th June, 2005 was 0.60 as compared to 0.55 as at 31st December, 2004. The computation was based on total current and long-term debts over the total equity of the Group.

The Group adopts conservative treasury policies in cash and financial management. To achieve better risk control and minimise the cost of funds, the Group's treasury activities are centralised.

Capital Commitments

The Group had capital commitments totalling HK\$162.5 million as at the balance sheet date. The capital commitments mainly related to the Group's property projects in Zhongshan, the People's Republic of China. They will be satisfied by funds generated from the sale of properties and from the Group's available cash and banking facilities.

Charges on Group assets

As at the balance sheet date, certain assets of the Group with an aggregate carrying value of HK\$89.9 million were pledged to certain banks to secure banking facilities granted to the Group. In addition, non-current bank balances and time deposits amounting to HK\$3.3 million have been pledged to certain banks to secure mortgage loans granted to purchasers of the properties developed by Morning Star Villa and Morning Star Plaza.

Contingent Liabilities

As at the balance sheet date, the Group had contingent liabilities amounting to HK\$263.6 million. The contingent liabilities were mainly in respect of buy-back guarantees in favour of banks to secure the mortgage loans granted to the purchasers of the properties developed by Morning Star Villa and Morning Star Plaza.

STAFF ANALYSIS

The total number of staff employed by the Group as at 30th June, 2005 was 462 as compared to 460 as at 31st December, 2004. The Group ensures that the remuneration levels of its employees are competitive and employees are rewarded on a performance-related basis within the general framework of the Group's salary and bonus scale. Currently, the Group does not have any share option scheme for employees. The Group has implemented a Total Quality Management programme as part of its overall human resource training and development programme to equip its employees with the necessary skills to deal with the challenges and competition ahead.

NEW BUSINESS AND MATERIAL ACQUISITION

There was no material acquisition and new business for the six months ended 30th June, 2005.

DIRECTORS' INTERESTS IN THE SECURITIES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30th June, 2005, the interests and short positions of each Director and chief executive of the Company in the shares, underlying shares and debentures and its associated corporations, within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”), which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, including interests and short positions which the Directors or the chief executive were deemed or taken to have under such provisions of the SFO, which are required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO, or which were notified to the Company and the Stock Exchange, pursuant to the Model Code for Securities Transactions by the Directors of Listed Issuers (“Model Code”) contained in the Listing Rules, were as follows:

(i) The Company

Shares

Name of Director	Notes	Nature of interest	Number of shares (Long position)	Percentage of issued share capital
Tan Sri Dr. KHOO Kay Peng	(a) & (b)	Corporate	1,784,183,657	73.89
CHEANG Yoon Hoong		Personal	19,918,500	0.82
KHET Kok Yin		Personal	6,807,500	0.28

(ii) Associated Corporation

Shares

Name of associated corporation	Name of Director	Notes	Nature of interest	Number of shares	Percentage of issued share capital
Morning Star Financial Services Limited (“MSFS”)	Tan Sri Dr. KHOO Kay Peng	(a)	Corporate	192,500 ordinary shares of HK\$1 each	0.45

As at 30th June, 2005, certain Directors also held qualifying shares in certain subsidiaries of the Company which were beneficially owned by the Company or its other subsidiaries.

Notes:

- (a) 879,382,985 shares issued by the Company and 192,500 shares issued by MSFS were held by Firstway International Investment Limited (“Firstway”), of which each of Norcross Limited (“Norcross”) and Cherubim Investment (HK) Limited (“Cherubim”) had a 35% interest in the voting share capital. A 50% of the issued share capital of each of Norcross and Cherubim was held by KKP Holdings Sdn Bhd (“KKP Holdings”), and the remaining 50% of the issued share capital of each of those companies was held by Soo Lay Holdings Sdn Bhd (“SL Holdings”). Both of KKP Holdings and SL Holdings were 99.9% beneficially owned by Tan Sri Dr. KHOO Kay Peng. Pursuant to Section 344 of Part XV of the SFO, Tan Sri Dr. KHOO Kay Peng was deemed to be interested in 99.9% of the shares held by Firstway.
- (b) 904,800,672 shares were held by Bonham Industries Limited (“Bonham”) which was owned as to 37.18%, 49.22% and 13.60% by KKP Holdings, SL Holdings and Norcross respectively. By virtue of the interests of Tan Sri Dr. KHOO Kay Peng in KKP Holdings and SL Holdings as mentioned in Note (a) above, he was deemed to be interested in 99.9% of the shares held by Bonham.

Save as disclosed above, there are no interests and short positions of each Director and chief executive of the Company in any shares and underlying shares and debentures of the Company or any of its associated corporations, within the meaning of Part XV of the SFO, which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, including interests and short positions which he has taken or deemed to have under such provisions of SFO, or which were required, to be recorded in the register maintained by the Company pursuant to Section 352 of the SFO or which were required to be notified to the Company and the Stock Exchange, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules.

OTHER SHAREHOLDERS' INTERESTS IN THE SECURITIES OF THE COMPANY

As at 30th June, 2005, so far as is known to any Director or chief executive of the Company, the following persons (not being a Director or chief executive of the Company) who had an interest or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of the Part XV of the SFO or, who were, directly or indirectly, interested 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 any other member of the Group and the amount of each of such person's interest in such securities together with particulars of any options in respect of such capital:

(i) Interests of substantial shareholders

Shares

Name	Notes	Number of shares (Long position)	Percentage of issued share capital
KKP Holdings	(a) & (b)	1,784,183,657	73.89
SL Holdings	(a) & (b)	1,784,183,657	73.89
Cherubim	(a)	879,382,985	36.42
Norcross	(a)	879,382,985	36.42
Firstway	(a)	879,382,985	36.42
Bonham	(b)	904,800,672	37.47

Notes:

(a) *These shares were held by Firstway, of which each of Norcross and Cherubim had a 35% interest in the voting share capital. Norcross and Cherubim were owned as to 50% by KKP Holdings and 50% by SL Holdings. Pursuant to Section 316 of Part XV of the SFO, each of KKP Holdings, SL Holdings, Norcross and Cherubim was deemed to be interested in the shares held by Firstway.*

(b) *These shares were held by Bonham, which was owned as to 37.18%, 49.22% and 13.60% by KKP Holdings, SL Holdings and Norcross respectively. Pursuant to Section 316 of Part XV of the SFO, each of KKP Holdings and SL Holdings was deemed to be interested in the shares held by Bonham.*

(ii) Interests of other persons

Shares

Name	Notes	Number of shares (Long position)	Percentage of issued share capital
Hope Foundation (“HF”)	(a) & (b)	238,388,500	9.87
Hope International Limited (“HIL”)	(b)	175,388,500	7.26
Prime View International Limited (“PVI”)	(b)	175,388,500	7.26

Notes:

- (a) 63,000,000 shares were held by Hope Investment Limited, which is 100% owned by HF. Pursuant to Section 316 of Part XV of the SFO, HF was deemed to be interested in all the shares held by Hope Investment Limited.
- (b) These shares were held by PVI. PVI is 100% owned by HIL which in turn is 100% owned by HF. Pursuant to Section 316 of Part XV of the SFO, each of HIL and HF was deemed to be interested in all the shares held by PVI.

Save as disclosed above, as at 30th June, 2005, none of the Directors or chief executive knows of any person (not being a Director or chief executive of the Company) who had an interest or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of the Part XV of the SFO or, who were, directly or indirectly, interested 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 any other member of the Group and the amount of each of such person’s interest in such securities together with particulars of any options in respect of such capital.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's securities during the period.

CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the Directors, the Company has complied with the code provisions in the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules on the Stock Exchange throughout the accounting period covered by the interim report, except for the following:

Code Provision A.4.1

Under code provision A.4.1, non-executive directors should be appointed for a specific term, subject to re-election.

None of the existing Non-Executive Directors of the Company is appointed for a specific term, but they are, except for the Chairman (who is a Non-Executive Director), subject to re-election at every annual general meeting in accordance with Article 106 of the Articles of Association of the Company.

In order to comply with the code provision A.4.1, a special resolution will be proposed to amend Article 106 and any other relevant articles of association of the Company at the forthcoming annual general meeting, so that every Director shall be subject to re-election.

Code Provision A.4.2 (Last Sentence)

Under code provision A.4.2 (last sentence), 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 106 of the Articles of Association of the Company, at every annual 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 to but not exceeding one-third, shall retire from office by rotation, the chairman and managing or joint managing Director of the Company shall not, whilst holding such office, be subject to retirement by rotation or be taken into account in determining the number of directors to retire each year.

In order to ensure full compliance with the code provision A.4.2, a special resolution will be proposed to amend Article 106 and any other relevant articles of association of the Company at the forthcoming annual general meeting, so that every Director shall be subject to retirement by rotation and at least once every three years.

REMUNERATION COMMITTEE

A Remuneration Committee has been established in accordance with the requirements of the Code on Corporate Governance Practices. The Remuneration Committee comprises one Non-Executive Director, Mr. KHET Kok Yin and two Independent Non-Executive Directors, Mr. OOI Boon Leong@LAW Weng Leun (Chairman) and Mr. OH Hong Choon.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors of the Company. Having made specific enquiry of the Directors of the Company, all the Directors confirmed that they had complied with the required standards as set out in the Code during the period.

AUDIT COMMITTEE

The audit committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including a review of the unaudited interim financial statements of the period. The audit committee constituted two Independent Non-Executive Directors and a Non-Executive Director of the Company.

By Order of the Board
CHEANG YOON HOONG
Managing Director

Hong Kong, 28th September, 2005