恒發世紀控股有限公司
Everbest Century Holdings Limited





Interim Report 2005

The board of directors (the "Directors ") of Everbest Century Holdings Limited (the "Company") are pleased to present the unaudited interim financial statements (all in condensed form) of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2005 (referred to herein as "Interim Accounts").

FINANCIAL RESULTS

The Group's turnover for the six months ended 30 June 2005 amounted to HK$73.9 million, representing an increase of 5,535% over the last corresponding period. Notwithstanding, the unaudited loss attributable to shareholders for this period was approximately HK$6.1 million.

MANAGEMENT DISCUSSION AND ANALYSIS

For the period under review, the electricity generation and sales business of the Group recorded a turnover of HK$73.9 million. The turnover constituted the overall Group's turnover for the period. The Group started to consolidate the turnover of the business since it had acquired an effective interest of 53.1% in Longyan Hengfa Electric Industry Co., Ltd ("Longyan Hengfa") in July 2004. Longyan Hengfa is a coal-fired power plant located in the Fujian Province, the People's Republic of China, and engaged in the generation and sale of electricity locally. During the period, Longyan Hengfa produced and sold a total of 226,917,200 KWh of electricity at an average selling price after tax of approximately RMB0.35. It contributed sales to the Group to such an extent that the Group's turnover for the current period outpaced the last corresponding period by HK$72.6 million, marking a significant increase of 5,535%. The Directors believe that the sales continue to grow in the second half of the year in response to the vigorous growth of the Mainland China's economy and the accompanying strong demand for electricity in the domestic market.

Notwithstanding the remarkable increase in the turnover, the operating results of the electricity generation and sales business suffered a setback in the period under review. During the period, the business recorded a gross profit of HK$3.2 million and a net loss of HK$4 million. The gross profit margin is 4.4% only. The disappointing result is ascribable to the soaring price of the coal purchased during the period. As the major material for the electricity generation business, the coal has not stopped in the rise of its price. The year to date purchase price of coal has increased to RMB343 per ton, signifying an increase of 21% when compared with the last corresponding period. Although the current high purchase price is anticipated to level off in the rest of the year, it has greatly undermined the profitability of the business.

In the last corresponding period, the Group only held an indirect 39.6% equity interests in Longyan Hengfa. Therefore, the operating result of Longyan Hengfa was accounted for on an equity accounting basis in the Group's consolidated financial statements. During that period, the principal business of the Group was the garment business. It contributed a turnover of HK$1.3 million to the Group and incurred a gross loss of HK$1 million. The business became worse and the worsening situation had not been halted. So the Group discontinued the garment business on 25 October, 2004.

In order to broaden the existing investment portfolio, the Group made an advance of approximately HK$8.8 million to United Force Development Ltd ("United Force") on 8 April, 2005. United Force is an investment holding company in which the Group and a brother-in-law of Mr. Chan Chun Keung, a director and the chairman of the Company, hold 50% equity interests respectively. United Force operates a property development project in Shenyang through an equity joint venture established in the PRC. The advance constituted a discloseable and connected transaction for the Company under the Listing Rules of the Stock Exchange of Hong Kong Limited.

LIQUIDITY AND CAPITAL RESOURCES

As at 30 June 2005, the net asset value of the Group was HK$357.4 million. The Group's total bank and other borrowings were slightly increased by HK$0.9 million from HK$167.6 million to HK$168.5 million. Total bank borrowings increased from HK$140.7 million to HK$142.2 million while the loan from minority shareholders decreased from HK$26.9 million to HK$26.3 million. Out of the total bank borrowings of HK$142.2 million, HK$74.6 million is repayable within one year and HK$67.6 million is repayable beyond one year.

As at 30 June 2005, the Group's gearing ratio, which was calculated as a ratio of non-current liabilities to total equity, was 26.3% which has no material change with that of the last financial year end (restated).

EMPLOYEES

As at 30 June 2005, the Group has a total of 230 employees located in Hong Kong and the Mainland China. They are remunerated according to the nature of the job and market trends, with built-in merit components incorporated in annual increments to reward and motivate individual performance.

PROSPECT

The Group will always adopt a cautious and prudent approach in tackling the challenging business environment of the Mainland's electricity market. On the one hand, it strives to exercise more stringent cost control measures to reduce the operating costs; on the other hand, the Directors will continue to explore investment opportunities in the Mainland China and to diversify the business activities there.

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

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

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2005, the interests and short positions of the directors in the shares and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

Long positions in ordinary shares and underlying shares of the Company

Name of director	Class of securities	Through controlled corporation	Directly beneficially owned	Through spouse or minor children
Mr. Chan Chun Keung	Ordinary shares	95,160,000 *(Note 1)*	2,758,000	7,754,250
Mr. Chan Chun Keung	Share options *(Note 2)*	–	3,211,937	–
Mr. Chau On Ta Yuen	Share options *(Note 2)*	–	1,062,500	–

Note 1: These shares were held through Century Enterprises Investment Inc., a company incorporated in the British Virgin Islands and beneficially owned by Mr. Chan Chun Keung.

Note 2: The share options are exercisable at a price of HK$0.32 per share at any time during the period from 16 January 2001 to 15 January 2006.

Long positions in ordinary shares of a subsidiary of the Company

Name of director	Name of subsidiary	Shares	Number of shares held	Capacity and nature of interest	Percentage of equity interest
Mr. Chan Chun Keung	Concade Assets Limited	Ordinary Shares	4,787,200	Through controlled corporations	40

Note: Concade Assets Limited is owned as to 8% by For Good Investment Limited ("For Good"), 16% by Splendour Investment Limited ("Splendour") and 16% by Halligan Profit Limited ("Halligan"). For Good, Splendour and Halligan were incorporated in the British Virgin Islands and beneficially owned by Mr. Chan.

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

Save as disclosed above, none of the directors had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transaction by Directors of Listed Companies.

SUBSTANTIAL SHAREHOLDER

At 30 June 2005, so far as was known to the Directors, the following persons (other than the directors of the Company) had an interest in the shares of the Company, being 5% or more of the Company's issued share capital, which were required to be disclosed to the Company under the provisions of Division 2 & 3 of Part XV of the Securities & Future Ordinance ("SFO") or required to be entered in the register pursuant to section 336 of the SFO.

Name of Shareholder	Capacity	Number of ordinary shares held	Percentage of holding
Kwok Tat Kwong	Directly beneficially owned	42,578,416	11.3
Zaleski Helene	Directly beneficially owned	24,000,000	6.4
Blowin Limited	Directly beneficially owned	37,586,280	10.0
Tanagra Holding B.V.	Through a controlled corporation	37,586,280	10.0
Zygmunt Zaleski Stichting (Dutch Foundation)	Through a controlled corporation	37,586,280	10.0

Note

1. Blowin Limited, a company wholly-owned by Tanagra Holding B.V. ("Tanagra"), held 37,586,280 ordinary shares of the Company. Tanagra is a wholly-owned subsidiary of Zygmunt Zaleski Stichting (Dutch Foundation).

AUDIT COMMITTEE

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing and financial reporting matters including the review of the unaudited Interim Accounts.

CORPORATE GOVERNANCE

The Company has complied with the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 June, 2005, with deviations from code provisions A.4.1 and A.4.2 of the Code in respect of the service term and rotation of directors.

Under the code provision A.4.1, non-executive directors should be appointed for a specific term and subject to re-election. However, none of the existing independent non-executive directors of the Company is appointed for specific terms but they are subject to retirement by rotation and re-election at the annual general meetings of the Company in accordance with Bye-law 111 of the Bye-laws of the Company, which stipulates that one-third of the directors for the time being, or, if their number is not a multiple of three, then the number nearest to but not exceeding one-third shall retire from the office by rotation at each annual general meeting, provided that the Chairman of the Board, the Managing Director or joint Managing Director of the Company shall not be subject to retirement by rotation. As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate goverance practices are no less exacting than those in the Code in this respect.

Under the code provision A.4.2, every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. However, as described above, the Chairman of the Board and the Managing Director of the Company are not subject to retirement by rotation under the Bye-laws of the Company.

To comply with the code provision A.4.2 of the Code, the relevant amendment to Bye-law 111 of the Bye-laws of the Company was proposed and approved by the shareholders at the annual general meeting of the Company held on 31st May, 2005.

Chan Chun Keung
Chairman

Hong Kong, 26 September 2005

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the six months ended 30 June 2005

		Unaudited	
		From 1 January 2005 to 30 June 2005	From 1 January 2004 to 30 June 2004
	Notes	***HK$'000***	*HK$'000* (Restated)
TURNOVER	*2*	**73,927**	1,312
Cost of sales		**(70,682)**	(2,312)
Gross profit/(loss)		**3,245**	(1,000)
Other revenue		**8**	87
Selling and distribution costs		**–**	(32)
Administrative expenses		**(7,882)**	(7,663)
Other operating expenses		**–**	(6,494)
Finance costs	*4*	**(3,152)**	(400)
Share of profits of associates		**–**	17,811
(LOSS)/PROFIT BEFORE TAX	*3*	**(7,781)**	2,309
Taxation	*5*	**(171)**	600
(LOSS)/PROFIT FOR THE PERIOD		**(7,952)**	2,909
Attributable to:			
Equity holders of the Company		**(6,060)**	5,512
Minority interests		**(1,892)**	(2,603)
		(7,952)	2,909
INTERIM DIVIDEND	*6*	**–**	–
(LOSS)/EARNINGS PER SHARE	*7*		
Basic, HK cents		**(1.61)**	1.47
Diluted, HK cents		**N/A**	1.46

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2005

	Notes	Unaudited 30 June 2005 HK$'000	Audited 31 December 2004 HK$'000 (Restated)
NON-CURRENT ASSETS			
Property, plant and equipment	8	**289,420**	300,412
Prepaid lease payments		**6,891**	7,117
Interests in jointly-controlled entities	9	**71,461**	62,623
Goodwill		**79,910**	79,910
		447,682	450,062
CURRENT ASSETS			
Financial assets at fair value through profit or loss	10	**879**	–
Short term investments	10	**–**	2,821
Inventories	11	**45,169**	33,860
Account and bills receivables	12	**14,047**	22,857
Prepayments, deposits and other receivables		**18,146**	9,572
Cash and cash equivalents		**16,365**	50,414
		94,606	119,524
CURRENT LIABILITIES			
Account and bills payables	13	**5,959**	6,323
Other payables and accruals		**10,267**	17,537
Amount due to a director		**70**	11,967
Provision for taxation		**31**	732
Bank loans	14	**74,585**	71,587
		90,912	108,146
NET CURRENT ASSETS		**3,694**	11,378
TOTAL ASSETS LESS CURRENT LIABILITIES		**451,376**	461,440
NON-CURRENT LIABILITIES			
Bank loans	14	**67,631**	69,078
Loan from minority shareholders		**26,324**	26,989
NET ASSETS		**357,421**	365,373
EQUITY			
Share capital	15	**75,173**	75,173
Reserves		**184,853**	190,913
Equity attributable to equity holders of the Company		**260,026**	266,086
Minority interests		**97,395**	99,287
TOTAL EQUITY		**357,421**	365,373

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

	Share Capital	Share Premium	Capital Redemption Reserve	Contributed Surplus	Exchange Fluctuation Reserve	Retained Profits	Statutory reserve fund	Total	Minority Interests	Total
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**
At 1 January, 2005	**75,173**	**150,321**	**50**	**3,284**	**(641)**	**34,443**	**3,456**	**266,086**	**99,287**	**365,373**
(Loss) for the period	**–**	**–**	**–**	**–**	**–**	**(6,060)**	**–**	**(6,060)**	**(1,892)**	**(7,952)**
At 30 June, 2005	**75,173**	**150,321**	**50**	**3,284**	**(641)**	**28,383**	**3,456**	**260,026**	**97,395**	**357,421**

	Share Capital	Share Premium	Capital Redemption Reserve	Contributed Surplus	Exchange Fluctuation Reserve	Retained Profits	Statutory reserve fund	Total	Minority Interests	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January, 2004	75,173	150,321	50	3,284	(641)	29,049	–	257,236	628	257,864
Profit/(Loss) for the period	–	–	–	–	–	5,512	–	5,512	(2,603)	2,909
At 30 June, 2004	75,173	150,321	50	3,284	(641)	34,561	–	262,748	(1,975)	260,773

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2005

	Unaudited	
	From 1 January 2005 to 30 June 2005	From 1 January 2004 to 30 June 2004
	HK$'000	*HK$'000*
Net cash (outflow) from operating activities	**(26,097)**	(8,953)
Net cash (outflow)/inflow from investing activities	**(8,838)**	268
Net cash inflow/(outflow) from financing activities	**886**	(7,950)
Net (decrease) in cash equivalents	**(34,049)**	(16,635)
Cash and cash equivalents at beginning of period	**50,414**	23,590
Cash and cash equivalents at end of period	**16,365**	6,955

Note:

1. BASIS OF PREPARATION

This unaudited condensed consolidated financial statements of the Group (referred to herein as "Interim Accounts") has been prepared in accordance with the Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and with Appendix 16 to the Listing Rules of The Stock Exchange of Hong Kong Limited.

This Interim Accounts should be read in conjunction with the 2004 annual financial statements.

The accounting policies and methods of computation used in the preparation of this Interim Accounts are consistent with those used in the 2004 annual financial statements, except that the Group has changed certain of its accounting policies following its adoption of new/revised Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred as "new HKFRSs") which are effective for accounting periods commencing on or after 1 January 2005. Details of these changes and the effects of adopting these new policies are set out below.

CHANGES IN ACCOUNTING POLICIES

Presentation of Financial Statements

In the current period, the Group adopted HKAS 1 "Presentation of Financial Statements" under which minority interests are presented in the consolidated balance sheet within equity and minority interests in the consolidated profit and loss account are presented as an allocation of the total profits for the profit between the minority interests and the shareholders of the Company. The share of results of associates are presented after netting off taxation in consolidated profit and loss account.

Owner-occupied leasehold interest in land

In prior years, leasehold land and buildings held for own use (including premiums for acquiring land use rights paid to the government authorities in the People's Republic of China (the "PRC")) were stated at cost less accumulated depreciation and impairment losses and which were classified as property, plant and equipment. In the current period, the Group adopted HKAS 17 "Leases" which requires a leasehold interest in land and building should be split into a leasehold interest in land and building in proportion to the relative fair values of the leasehold interest in land element and the building element at the inception of the lease. The up-front payment for acquiring land use rights should reclassified as prepaid lease payments which are carried at cost and amortised on a straight-line basis over the land use right period. This change has been applied retrospectively and the comparative figures have been restated accordingly. No effect is made on the Group's retained profits at 1 January 2005 on the adoption of this accounting policy.

Interests in jointly controlled entities

In previous periods, interests in jointly controlled entities were accounted for using the equity method. In the current period, the Group has applied HKAS 31 "Interests in jointly controlled entities" which allows entity to use either proportionate consolidation or the equity methods to account for its interests in jointly controlled entities. Upon the application of HKAS 31, the Group has elected to continue applying the equity method to account for its interests in jointly controlled entities. As a result, there has been no change in accounting method in respect of the Group's interests in jointly controlled entities. This change has no effect on the Group's retained profits at 1 January 2005.

Goodwill

In previous periods, goodwill arising on acquisition was capitalised and amortised over its estimated useful life. The Group has applied the relevant transitional provisions in HKFRS3 "Business Combinations". With respect to goodwill previously capitalised on the balance sheet, the Group has discontinued amortising such goodwill from 1 January 2005 onwards and goodwill will be tested for impairment at least annually and in the financial year in which the acquisition takes place. Goodwill arising on acquisition after 1 January 2005 is measured at cost less accumulated impairment losses (if any) after initial recognition. As a result of this change in accounting policy, no amortisation of goodwill has been charged in the current period. Comparative figures for 2004 have not been restated.

Financial instruments

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

Classification and measurement of financial assets and liabilities

The Group has applied the relevant transitional provisions of HKAS 39 with respect to classification and measurement of financial assets and liabilities that are within the scope of 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 and loss" and "available-for-sale financial assets" are carried at fair value, with changes in fair value recognised in the profit or loss and equity respectively. "Loans and receivables" and "held-to-maturity financial assets" are measured at amortised cost using the effective interest method.

As a result of the adoption of HKAS 39, all the investments are now stated at fair value in the balance sheet. In addition, all the investments as at 31 December 2004 that should be measured at fair value on adoption of HKAS 39 should be remeasured as at 31 January 2005 and any adjustments of the previous carrying amount should be recognized as an adjustment of the balance of retained profits as at 1 January 2005.

The effect of changes in accounting policies on these condensed consolidated financial statements as a result of the adoption of HKAS 32 and HKAS 39 is that all short term investments of the Group as at 31 December 2004 were redesignated into financial assets at fair value through profit and loss on 1 January 2005. There is no effect on remeasurement as the accounting policy on measurement of the Group's short term investments as at 31 December 2004 is the same as that for the financial assets at fair value through profit and loss.

Employee share option scheme

In prior years, no amounts were recognised when employees were granted share options over shares in the Company. If the employees chose to exercise the options, the nominal amount of share capital and share premium were credited only to the extent of the option's exercise price receivable.

With effect from 1 January 2005, HKFRS2 "Share-based Payment" was introduced. In accordance with this HKFRS, the fair value of share options is accounted for as an expense, which is amortised over the vesting period to the profit and loss account.

Upon application of HKFRS2, the Group has taken advantage of the transitional provisions under which the new accounting policies are not applicable to those share options granted on or before 7 November 2002 and those granted after 7 November 2002 but which had vested before 1 January 2005. Since the existing employees' share options were granted before 7 November 2002, this HKFRS has no effect on the retained profits of the Group at 1 January, 2005.

SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES

The cumulative effects of the application of the new HKFRSs as at 31 December 2004 and 1 January 2005 are summarized below:

	As at 31 December 2004 (originally stated)	Effect of HKAS 17	Effect of HKFRS 3	As at 1 January 2005 (restated)
	HK$'000	*HK$'000*		*HK$'000*
Property, plant and equipment	307,529	(7,117)	–	300,412
Prepaid lease payments	–	7,117	–	7,117
Goodwill	82,853	–	(2,943)	79,910
Accumulated amortization of goodwill	(2,943)	–	2,943	–
Total effect on assets and liabilities	387,439	–	–	387,439

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

HKAS 19 (Amendment)	Actuarial Gains and Losses, Group Plans and Disclosures
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 (Amendment)	The Fair Value Option
HKFRS-Int 4	Determining whether an Arrangement Contains a Lease
HKFRS-Int 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation

2. SEGMENT INFORMATION

(a) Business segments

	Unaudited			
	Turnover		Segment results	
	From 1 January 2005 to 30 June 2005	From 1 January 2004 to 30 June 2004	**From 1 January 2005 to 30 June 2005**	From 1 January 2004 to 30 June 2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Garments (Discontinued operation)	**–**	1,312	**–**	(5,112)
Generation and sales of electricity	**73,927**	–	**(1,201)**	–
	73,927	1,312	**(1,201)**	(5,112)
Unallocated other revenue and gains			**8**	9
Unallocated expenses			**(3,436)**	(9,999)
Finance costs			**(3,152)**	(400)
Share of profits of associates			**–**	17,811
(Loss)/Profit before tax			**(7,781)**	2,309
Tax			**(171)**	600
(Loss)/Profit for the period			**(7,952)**	2,909

(b) Geographical segments

	Unaudited			
	Turnover		Segment results	
	From 1 January 2005 to 30 June 2005	From 1 January 2004 to 30 June 2004	**From 1 January 2005 to 30 June 2005**	From 1 January 2004 to 30 June 2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**–**	411	**(55)**	(1,062)
Other Regions	**73,927**	901	**(1,146)**	(2,257)
	73,927	1,312	**(1,201)**	(3,319)
Unallocated revenue			**8**	9
Unallocated expenses			**(3,436)**	(11,792)
(Loss) from operating activities			**(4,629)**	(15,102)

3. (LOSS)/PROFIT BEFORE TAX

The Group's (loss)/profit before tax is arrived at after charging:

	Unaudited	
	From 1 January 2005 to 30 June 2005	From 1 January 2004 to 30 June 2004
	HK$'000	*HK$'000*
Depreciation	**10,290**	343
Staff costs	**6,623**	1,661
Realised loss on changes in fair values of financial assets at fair value through profit and loss	**–**	1,388
Unrealised loss on changes in fair values of financial assets at fair value through profit and loss	**–**	1,787
Provision for debts	**–**	3,319
Amortisation of goodwill of associates	**–**	2,046
and after crediting:		
Interest income	**8**	8
Others	**–**	79

4. FINANCE COSTS

	Unaudited	
	From 1 January 2005 to 30 June 2005	From 1 January 2004 to 30 June 2004
	HK$'000	*HK$'000*
Interest on:		
Bank loans wholly repayable within five years	**2,913**	203
Bank loans wholly repayable beyond five years	**239**	197
	3,152	400

5. TAXATION

	Unaudited From 1 January 2005 to 30 June 2005	From 1 January 2004 to 30 June 2004
	HK$'000	*HK$'000* (Restated)
PRC Enterprise Income Tax	**(171)**	–
Overprovision of Hong Kong tax in the prior years	**–**	600
(Tax charge)/overprovision	**(171)**	600

No provision for Hong Kong profits taxes has been made as the Group did not generate any assessable profits arising in Hong Kong (2004: HK$Nil).

PRC Enterprise Income Tax is calculated at the applicable tax rates on the estimated assessable income for the period based on existing legislation, interpretation and practices in respect thereof. In accordance with the relevant tax rules and regulations in the PRC, certain of the Company's subsidiaries in the PRC are eligible for certain tax exemptions and concessions.

The Company did not have any significant unprovided deferred tax liabilities at the balance sheet date (2004: HK$Nil).

6. INTERIM DIVIDEND

The Directors do not recommend the payment of interim dividend for the period (2004: $Nil per share).

7. (LOSS)/EARNINGS PER SHARE

The calculation of basic loss per share is based on the net loss of HK$6,060,000 attributable to equity holders of the Company for the six months ended 30 June 2005 (2004: net profit of HK$5,512,000) and on the weighted average number of approximately 375,862,000 (2004: 375,862,000) ordinary shares in issue during the period.

No diluted loss per share has been shown for the current period because the exercise price of the share option outstanding during the period was higher than the average market price of the Company's shares and, accordingly, there was no dilutive effect on the basic loss per share.

8. PROPERTY, PLANT AND EQUIPMENT

In the current period, the Group did not acquire nor dispose of any material fixed assets.

9. INTERESTS IN JOINTLY-CONTROLLED ENTITIES

	Unaudited 30 June 2005	Audited 31 December 2004
	HK$'000	*HK$'000*
Loans to jointly-controlled entities	**71,461**	62,623

The loans to the jointly-controlled entities are unsecured, interest-free and have no fixed terms of repayment.

10. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS/SHORT TERM INVESTMENT

	Unaudited 30 June 2005	Audited 31 December 2004
	HK$'000	*HK$'000*
Equity securities, at fair value		
– listed in Hong Kong	**879**	2,821

11. INVENTORIES

	Unaudited 30 June 2005	Audited 31 December 2004
	HK$'000	*HK$'000*
Coal	**43,317**	29,460
Diesel	**768**	480
Spare part and consumables	**1,084**	3,920
	45,169	33,860

12. ACCOUNT AND BILLS RECEIVABLES

Ageing analysis

	Unaudited 30 June 2005	Audited 31 December 2004
	HK$'000	*HK$'000*
Current-90 days	**14,047**	22,857

13. ACCOUNT AND BILLS PAYABLES

Ageing analysis

	Unaudited 30 June 2005	Audited 31 December 2004
	HK$'000	*HK$'000*
Current-90 days	**5,575**	5,720
91-180 days	**–**	263
Over 180 days	**384**	340
	5,959	6,323

14. BANK LOANS

	Unaudited 30 June 2005	Audited 31 December 2004
	HK$'000	*HK$'000*
Bank loans repayable:		
Within one year	**74,585**	71,587
In the second year	**29,259**	22,709
In third to fifth years, inclusive	**32,921**	40,702
Beyond five years	**5,451**	5,667
	142,216	140,665
Portion classified as current liabilities	**(74,585)**	(71,587)
Non-current portion	**67,631**	69,078
Analysed as follows:		
Secured	**133,896**	132,162
Unsecured	**8,320**	8,503
	142,216	140,665

15. SHARE CAPITAL

	Unaudited 30 June 2005	Audited 31 December 2004
	HK$'000	*HK$'000*
Authorised		
1,000,000,000 ordinary shares of HK$0.2 each	**200,000**	200,000
Issued and fully paid:		
375,862,000 ordinary shares of HK$0.2 each	**75,173**	75,173

16. CONTINGENT LIABILITIES

At 30 June 2005, the Company had given guarantees to a bank in connection with facilities granted to a subsidiary in an aggregate of HK$ 9,730,000 (31 December 2004: HK$ 9,730,000), of which approximately HK$8,320,000 (31 December 2004: HK$ 8,503,000) was utilized.

17. CONNECTED AND RELATED PARTY TRANSACTIONS

During the period, the Group had the following material transactions with connected and or related parties:

On 8 April 2005, the Group granted a shareholder's loan of HK$8,837,735 to United Force Development Limited, a jointly-controlled entity in which the Group holds 50% equity interests and a brother-in-law of Mr. Chan Chun Keung, a Director of the Group, holds another 50% equity interests.

CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. Chan Chun Keung *(Chairman)*
Mr. Chau On Ta Yuen *(Vice-Chairman)*
Mrs. Judy Leissner *(Managing Director)*
Mr. Lam Chung Chak
Mr. Chan Kin
Mr. Li Wan Luk
Mr. Chan Lai Yin, Tommy

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Ng Wing Hang Patrick
Mr. Chan Kin Sang
Mr. Wong Wai Kong

AUDIT COMMITTEE

Mr. Ng Wing Hang Patrick
Mr. Chan Kin Sang
Mr. Wong Wai Kong

REMUNERATION COMMITTEE

Mr. Ng Wing Hang Patrick
Mr. Chan Kin Sang
Mr. Wong Wai Kong
Mrs. Judy Leissner

SECRETARY

Mr. Lee Cheuk Wang

PRINCIPAL PLACE OF BUSINESS

Unit 2802-7, 28/F
MLC Millennia Plaza
663 King's Road
North Point
Hong Kong

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM11 Bermuda

AUDITORS

Grant Thornton

SOLICITORS

Tsun & Partners

PRINCIPAL REGISTRAR

The Bank of Bermuda Limited

REGISTRAR IN HONG KONG

Tengis Limited

PRINCIPAL BANKERS

Chiyu Banking Corporation Limited