Sun Man Tai Holdings Company Limited

(Incorporated in Bermuda with limited liability)

Stock code: 433

Interim Report 2005

CORPORATE INFORMATION

DIRECTORS

Executive Directors
Chiu Yeung
Ren Jun Tao
Jin Jiu Xin

Non-executive Director
Qian Yong Wei
(Non-executive Chairman)

Independent Non-executive Directors
Mu Xiangming
Cheng Chak Ho
Lo Wa Kei Roy

COMPANY SECRETARY

Lo Wah Wai

AUDIT COMMITTEE

Mu Xiangming
Cheng Chak Ho
Lo Wa Kei Roy

PRINCIPAL BANKERS

CITIC Ka Wah Bank Limited
Wing Hang Bank Limited

AUDITORS

HLB Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants
31/F., Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Flat A, 23/F
Empire Land Commercial Centre
83 Lockhart Road
Wanchai
Hong Kong

PRINCIPAL SHARE REGISTRAR

Butterfield Corporate Services Limited
11 Rosebank Centre
Bermudiana Road
Hamilton
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tengis Limited
26/F, Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

LISTING INFORMATION

The Stock Exchange of Hong Kong Limited
(Stock Code: 433)

The board of directors (the "Board") of Sun Man Tai Holdings Company Limited (the "Company") announces the unaudited consolidated results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30th June 2005, together with the comparative figures, as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended 30th June	
		2005	2004
		(Unaudited)	(Unaudited)
			(Restated)
	Note	***HK$'000***	*HK$'000*
Turnover	*3*	**4,165**	3,534
Cost of sales		**(2,850)**	(156)
Gross profit		**1,315**	3,378
Other income, net		**91**	82
Administrative expenses		**(4,352)**	(7,838)
Impairment loss on amount due from an associate		**(605)**	–
Loss from operations	*4*	**(3,551)**	(4,378)
Finance costs	*5*	**(1,248)**	(1,383)
Loss before taxation		**(4,799)**	(5,761)
Taxation	*6*	**–**	–
Net loss for the period		**(4,799)**	(5,761)
Attributable to:			
Equity holders of the Company		**(4,199)**	(4,388)
Minority interest		**(600)**	(1,373)
		(4,799)	(5,761)
Loss per share			
– Basic	*7*	**(0.13 cents)**	(0.13 cents)
– Diluted		**N/A**	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

	Note	30th June 2005 (Unaudited) HK$'000	31st December 2004 (Audited) (Restated) HK$'000
Non-current Assets			
Property, plant and equipment	9	**164,841**	165,665
Investment properties		**45,000**	80,000
Investment in jointly controlled assets	10	**46,768**	46,768
Available-for-sale financial assets		**87,000**	87,000
		343,609	379,433
Current Assets			
Accounts receivables	11	**21**	–
Prepayments, deposits and other receivables		**2,938**	3,970
Investment deposits		**58,720**	58,720
Loan receivables		**31,005**	31,005
Other deposits		**14,151**	14,151
Amount due from an associate		**–**	605
Cash and bank balances		**4,031**	4,595
		110,866	113,046
Current Liabilities			
Current portion of bank loans and overdraft (secured)		**807**	35,922
Accounts payables	12	**112**	–
Other payables and accrued expenses		**13,848**	8,122
Amount due to ultimate holding company		**2,560**	7,642
Amount due to a director		**201**	151
Taxation		**2,950**	2,980
		20,478	54,817

	Note	30th June 2005 (Unaudited) HK$'000	31st December 2004 (Audited) (Restated) HK$'000
Net Current Assets		**90,388**	58,229
Total Assets less Current Liabilities		**433,997**	437,662
***Less:* Non-current Liabilities**			
Bank loans (secured)		**14,982**	13,816
Net Assets		**419,015**	423,846
Equity			
Share capital	*14*	**33,139**	33,139
Reserves		**362,567**	366,798
Shareholders' Funds		**395,706**	399,937
Minority Interests		**23,309**	23,909
Total Equity		**419,015**	423,846

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th June 2005 (Unaudited)

	Attributable to equity holders of the Group							
	Share capital	Share premium	Contributed surplus	Capital reserve	Exchange reserve	Retained Earnings/ (Accumulated losses)	Minority interests	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1st January 2004	33,139	491,636	31,350	(894)	(4,345)	133,313	25,459	709,658
Exchange differences on translation of foreign subsidiaries	–	–	–	–	(239)	–	–	(239)
Loss for the period	–	–	–	–	–	(4,388)	(1,373)	(5,761)
At 30th June 2004	33,139	491,636	31,350	(894)	(4,584)	128,925	24,086	703,658
At 1st January 2005	33,139	491,636	31,350	(894)	(4,338)	(150,956)	23,909	423,846
Exchange differences on translation of foreign subsidiaries	–	–	–	–	(32)	–	–	(32)
Loss for the period	–	–	–	–	–	(4,199)	(600)	(4,799)
At 30th June 2005	**33,139**	**491,636**	**31,350**	**(894)**	**(4,370)**	**(155,155)**	**23,309**	**419,015**

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30th June 2005

	Six months ended 30th June	
	2005	2004
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Net cash inflow/(outflow) from operating activities	**300**	(9,671)
Net cash inflow/(outflow) from investing activities	**40,696**	(982)
Net cash outflow from financing activities	**(35,229)**	(1,912)
Increase/(decrease) in cash and cash equivalents	**5,767**	(12,565)
Cash and cash equivalents at beginning of the period	**(2,543)**	27,124
Cash and cash equivalents at end of the period	**3,224**	14,559
Analysis of the balances of cash and cash equivalents		
Cash and bank balances	**4,031**	28,608
Bank overdraft	**(807)**	(14,049)
	3,224	14,559

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30th June 2005

1. BASIC OF PREPARATION AND ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The accounting policies and basis of preparation adopted in the preparation of the interim financial statements are consistent with those adopted in financial statements for the year ended 31st December 2004, except that the Group has changed certain accounting policies following the adoption of new and revised Hong Kong Financial Reporting Standards ("HKFRSs") and Hong Kong Accounting Standards ("HKASs") (collectively the "HKFRS") which are effective for accounting periods commencing on or after 1st January 2005.

These unaudited condensed consolidated interim financial statements have been prepared in accordance with those HKFRSs and Interpretations issued and effective as at the time of preparing this report. The comparative figures have been amended as required and where necessary, in accordance with the relevant requirements.

2. EFFECT OF ADOPTION OF NEW AND REVISED HKFRSs AND HKASs

The HKICPA has issued a number of new HKFRSs and HKASs and Interpretations, which are effective for the accounting periods commencing on or after 1st January 2005. In 2005, the Group has adopted the new and revised HKFRSs and HKASs which are pertinent to its operations.

HKAS 1	Presentation of financial statements
HKAS 7	Cash flow statements
HKAS 8	Accounting policies, changes in accounting estimates and errors
HKAS 10	Events after the balance sheet date
HKAS 12	Income taxes
HKAS 14	Segment reporting
HKAS 16	Property, plant and equipment
HKAS 18	Revenue
HKAS 19	Employee benefits
HKAS 21	The effects of changes in foreign exchange rates
HKAS 23	Borrowing costs
HKAS 24	Related party disclosures
HKAS 27	Consolidated and separate financial statements
HKAS 31	Interests in joint ventures
HKAS 32	Financial instruments: disclosures and presentation
HKAS 33	Earnings per share
HKAS 34	Interim Financial Reporting
HKAS 36	Impairment of assets
HKAS 37	Provisions, contingent liabilities and contingent assets
HKAS 39	Financial instruments: recognition and measurement
HKAS 40	Investment property
HKAS-Int 21	Income taxes – recovery of revalued non-depreciable assets
HKFRS 3	Business combinations

The adoption of these new and revised HKASs 1, 7, 8, 10, 12, 14, 16, 18, 19, 21, 23, 24, 27, 31, 33, 34, 36 and 37 did not result in substantial changes to the accounting policies of the Group and the methods of computation in the Group's condensed consolidated interim financial statements. In summary:

– HKAS 1 has affected the presentation of minority interest and other disclosures.

– HKAS 7, 8, 10, 12, 14, 16, 18, 19, 21, 23, 27, 31, 33, 34, 36 and 37 had no material effect on the Group's policies.

– HKAS 24 has affected the identification of related parties and some other related party disclosures.

The adoption of HKASs 32 and 39 has resulted in a change in the accounting policy relating to the Group's other investments. In prior years, other investments were stated at fair value which are now redesignated as available-for-sale financial assets and continued to be carried in the balance sheet at their fair values.

The adoption of revised HKAS 40 has resulted in a change in the accounting policy of which the changes in fair values are recorded in the income statement as part of other gains. In prior years, investment properties with unexpired lease terms of more than 20 years were stated at their open market values which were assessed annually by external qualified valuers. Changes arising on the revaluation of investment properties were generally dealt with in reserves. The only exception was when a deficit arose on revaluation, it would be charged to the income statement, if and to the extent that it exceeded the amount held in the reserve in respect of the portfolio of investment properties immediately prior to the revaluation; and when a surplus arose on revaluation, it would be credited to the income statement, if and to the extent that a deficit on revaluation in respect of the portfolio of investment properties had previously been charged to the income statement.

The adoption of revised HKAS-Int 21 has resulted in change in the accounting policy relating to the measurement of deferred tax liabilities arising from the revaluation of investment properties. Such deferred tax liabilities are measured on the basis of tax consequences that would follow from recovery of the carrying amount of that asset through use. In prior years, the carrying amount of that asset was expected to be recovered through sales.

All changes in the accounting policies have been made in accordance with the transition provisions in the respective standards. All standards adopted by the Group require retrospective application other than the following standards:

– HKAS 16 – the initial measurement of an item of property, plant and equipment acquired in an exchange of assets transaction is accounted at fair value prospectively only to future transaction;

– HKAS 21 – prospective accounting for goodwill and fair value adjustments as part of foreign operations;

– HKAS 39 – does not permit to recognise, derecognise and measure financial assets and liabilities in accordance with this standard on a retrospective basis;

– HKFRS 3 – prospectively after the adoption date.

Summary of changes in accounting policies

The adoption of HKAS 32, 39 and 40 resulted in:

Effect of changes in the accounting policies on consolidated balance sheet:

	As at 30th June 2005		As at 31st December 2004	
	HKAS 32 and 39	HKAS 40	HKAS 32 and 39	HKAS 40
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Increase in investment properties	–	45,000	–	80,000
Decrease in property, plant and equipment	–	(45,000)	–	(80,000)
Increase in available-for-sale financial assets	87,000	–	–	–
Decrease in other investments	(87,000)	–	–	–

3. **SEGMENT INFORMATION**

(a) **Business Segments**

The Group is principally engaged in property investment, development and management.

	Six months ended 30th June							
	Property leasing (Unaudited)		Interest income (Unaudited)		Property Management (Unaudited)		Consolidated (Unaudited)	
	2005	2004	2005	2004	2005	2004	2005	2004
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue	678	2,377	358	1,157	3,129	–	4,165	3,534
Segment results	549	2,221	358	1,157	408	–	1,315	3,378
Other income, net							91	82
Administrative expenses							(4,352)	(7,838)
Impairment loss on amount due from an associate							(605)	–
Loss from operating activities							(3,551)	(4,378)
Finance costs							(1,248)	(1,383)
Loss before taxation							(4,799)	(5,761)
Taxation							–	–
Net loss for the period							(4,799)	(5,761)

(b) **Geographical Segments**

In determining the Group's geographical segments, revenues and results are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of assets.

	Six months ended 30th June					
	Hong Kong (Unaudited)		Rest of the PRC (Unaudited)		Consolidated (Unaudited)	
	2005	2004	**2005**	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Turnover	**1,036**	3,534	**3,129**	–	**4,165**	3,534
Loss from operations	**468**	854	**3,083**	3,524	**3,551**	4,378
Segment assets	**131,516**	322,144	**322,959**	445,092	**454,475**	767,236
Capital expenditure incurred during the period	**54**	–	**132**	982	**186**	982

4. LOSS FROM OPERATIONS

The Group's loss from operations is arrived at after charging:

	Six months ended 30th June	
	2005	2004
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Depreciation of property, plant and equipment	**1,010**	1,529
Operating lease rentals in respect of land and buildings	**110**	115

5. FINANCE COSTS

	Six months ended 30th June	
	2005	2004
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest on bank advances and other borrowings repayable within 5 years	**1,248**	1,383

6. TAXATION

No provision for Hong Kong Profits Tax has been made in the interim financial statements as the operation of the Company and its subsidiaries in Hong Kong incurred a tax loss for the period (30th June 2004: Nil).

No provision for other jurisdictions has been made for the period since the Group has no estimated assessable profits.

Deferred tax assets have not been recognised in the financial statements in respect of estimated tax losses due to the unpredictability of future profit streams (30th June 2004: Nil).

7. LOSS PER SHARE

The calculation of basic loss per share is based on the following data:

	Six months ended 30th June	
	2005	2004
	(Unaudited)	(Unaudited)
Loss for the period for the purposes of basic loss per share *(in HK$'000)*	**4,199**	4,388
Weighted average of ordinary shares for the purpose of basic loss per share	**3,313,868,900**	3,313,868,900

There were no potential dilutive shares in existence for the six months ended 30th June 2005, accordingly, no diluted loss per share has been presented.

8. INTERIM DIVIDEND

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

9. PROPERTY, PLANT AND EQUIPMENT

The changes in the net book value of property, plant and equipment for the six months ended 30th June 2005 are analysed as follow:

	HK$'000
At 1st January 2005 (Audited)	245,665
Transferred to investment properties	(80,000)
Additions	186
Depreciation charged for the period	(1,010)
At 30th June 2005 (Unaudited)	164,841

10. INVESTMENT IN JOINTLY CONTROLLED ASSETS

In 2001, the Group entered into an agreement with an independent third party to jointly develop a property project in the PRC. Pursuant to the agreement, the Group contributes a piece of land and takes up the costs of preliminary stage of the property construction and the joint venture party takes up all remaining costs of property construction. Profits from the sale of the property will be shared between the Group and the joint venture party on a 30:70 basis.

On 22nd March 2006, the Group entered into a sale and purchase agreement with an independent third party to sell the investment in jointly controlled assets at a consideration of approximately HK$46,768,000.

11. ACCOUNTS RECEIVABLES

	30th June 2005 (Unaudited)	31st December 2004 (Audited)
	HK$'000	*HK$'000*
Accounts receivables	**2,320**	2,299
Less: Impairment loss on accounts receivables	**(2,299)**	(2,299)
	21	–

Included in accounts receivables were debts which were normally due within 30 days from the date of billing. The ageing analysis included as follows:

	30th June 2005 (Unaudited)	31st December 2004 (Audited)
	HK$'000	*HK$'000*
0 – 30 days	**21**	–

12. ACCOUNTS PAYABLES

	30th June 2005 (Unaudited)	31st December 2004 (Audited)
	HK$'000	*HK$'000*
Within 30 days	**112**	–

13. PLEDGE OF ASSETS

At 30th June 2005, investment properties of the Group with an aggregate carrying value totalling HK$45,000,000 (31st December 2004: HK$80,000,000), together with the right to receive rentals thereon were pledged to banks to secure banking facilities.

14. SHARE CAPITAL

	30th June 2005 (Unaudited)		31st December 2004 (Audited)	
	Number of shares	Amount	Number of shares	Amount
	'000	HK$'000	'000	HK$'000
Authorised:				
Ordinary shares at HK$0.01 each	**5,000,000**	**50,000**	5,000,000	50,000
Issued and fully paid:				
Ordinary shares at HK$0.01 each	**3,313,869**	**33,139**	3,313,869	33,139

15. OPERATING LEASE ARRANGEMENTS

As at 30th June 2005, the Group had outstanding commitments under non-cancellable operating leases which fall due as follows:

	30th June 2005 (Unaudited) HK$'000	31st December 2004 (Audited) HK$'000
Within one year	**147**	295
In the second to fifth year inclusive	**38**	38
	185	333

16. EVENTS AFTER THE BALANCE SHEET DATE

(a) On 27th February 2006, Great Luck Property Limited and Silver Place Limited, being wholly owned subsidiaries of the Company, entered into a sale and purchase agreement with an independent third party to sell part of the available-for-sale financial assets of the Group at a total consideration of RMB57,200,000 (approximately HK$55,000,000). As at 30th June 2005, the carrying value of the respective available-for-sale financial assets was approximately HK$55,000,000.

(b) On 15th February 2006, the Group entered into a sale and purchase agreement with an independent third party to sell the investment deposits in relation to the right of certain units of a commercial building in Shanghai (the "Investment Deposits") at a total consideration of approximately HK$65,000,000. As at 30th June 2005, the carrying value of the Investment Deposits amounting to HK$58,720,000.

(c) On 22nd March 2006, the Group entered into a sale and purchase agreement with an independent third party to sell its interest in the investment in jointly controlled assets in Xian at a total consideration of approximately HK$46,768,000. As at 30th June 2005, the carrying value of the interest in the investment in jointly controlled assets was approximately HK$46,768,000.

17. COMPARATIVE FIGURES

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

18. APPROVAL OF INTERIM FINANCIAL REPORT

The interim financial report was approved by the Board on 18th May 2006.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL PERFORMANCE

For the six months ended 30th June 2005, the Group recorded a turnover of approximately HK$4,165,000 (30th June 2004: HK$3,534,000), representing an increase of 17.9% as compared with the same period of the pervious year. The increase is mainly due to the Group commenced its property management operation in the PRC during the period. The turnover derived from the property management operation amounted to approximately HK$3,129,000 (2004: HK$ Nil). Apart from this, the Group recorded a decrease in both rental income and interest income. The decrease in rental income is mainly due to the Group disposed of an investment property in Hong Kong which results in a reduction of approximately 71% in rental income as compared with last corresponding period of 2004. In addition, interest income derived from funds placing with banks and funds lending also decreased by approximately 69% as compared with the same period of the pervious financial year. Net loss from ordinary activities attributable to equity holders of the Company was approximately HK$4,199,000 (30th June 2004: HK$4,388,000).

BUSINESS REVIEW

The principal activities of the Group are property investment, development and management. An analysis of the business operation is set out as follows:

Property Investment

Hong Kong

During the six months under review, all of the Group's investment properties were located in Hong Kong. During the period under review, the Group's rental income generated from leasing of properties was approximately HK$678,000 (30th June 2004: HK$2,377,000), representing a decrease of 71% when compared to the corresponding period of 2004. The average occupancy rate of the Group's investment properties was similar to the year ended 31st December 2004, which was approximately 50%. The decrease in rental income is mainly due to the Group disposed of an investment property in January 2005, details of which were disclosed in the Circular issued by the Company on 20th April 2006.

Shanghai, the PRC

As at 30th June 2005, the Group has an investment deposit of HK$58,720,000 in a commercial building construction project in Shanghai, the PRC. Under the terms of the investment agreement, upon completion of the project, the developer would transfer the legal titles of certain number of units of the commercial building to the Group and allow the Group to acquire other units at a discount of the market price. The commercial building construction project had been completed in late 2005 but certain numbers of units of the commercial building have been pending to transfer the legal titles to the Group. In order to avoid the complex documentation and time consuming for transferring the legal title, the Group sold the right for those units of commercial building to independent parties in the first quarter of 2006 at approximately HK$65 million and recorded a gain of approximately 10% as compared to the cost of investment. The sales proceed of the investment properties of approximately HK$65 million had been fully received in the first quarter of 2006.

Xian, the PRC

As at 30th June 2005, the Group had two property development projects of high-class villa-type residential district in Xian. The first property development project was worked in a joint venture with a reputable and independent local property developer in Xian. The total investment costs of the project were approximately HK$46,768,000. The profit sharing ratio between the Group and the joint venture partner was on a 30:70 basis. The property development project was completed in 2005 and sold in early 2006. The Group received approximately HK$46,768,000 from the sale of such construction development project.

The second project was commenced in 2002 and ranked as the second key project of Xian by the local government. As at 30th June 2005, the costs of this property development project were approximately HK$159 million. The property development project is a high-class villa-type residential construction project in Xian and is expected to be completed in 2007.

Property Management

During the six months ended 30th June 2005, the Group successfully bade the tender of two building management contracts in Shanghai which expand the revenue source of the Group. For the six months ended 30th June 2005, turnover generated from the property management operation was approximately HK$3,129,000 (2004: Nil). The management of the Group believes that the property management business will diversify the Group's operation and provide a new source of revenue to the Group.

Other Investments

During the previous financial year, the Group made an investment of approximately HK$32 million to a pharmaceutical manufacturing company in the PRC. The Group is confidence and expecting a future return from this investee company.

PROSPECTS

Subsequent to the SARS sage in 2003 and the prolonged constraint brought about by the Macro Economic Controls adopted by the Government of the PRC, the Group must expand its business scope and geographical coverage to better equip itself for future events. It is expected that the PRC will continue to implement the Marco Economic Controls especially in real estates sector for the coming years. The Group intends to look for low risks investment and acquisition opportunities to diversify the Group's operations. During the period ended 30th June 2005, the Group successfully bade the tender of two building management contracts in Shanghai which generated new sources of income for the Group. In order to build up the Group's building management division, the Group will continue to seek other opportunities to be involved in tending of other building management contracts in the future. The directors are of the view that the PRC is poised to become a strong country in the world, and its economy is expected to continue its robust growth momentum. The average annual Gross Domestic Product of the PRC is generally expected to grow continuously. The Group will closely monitor the projects on hand and carefully capture the economic boom of the PRC and accelerate the profit generating power of the Group. The Board is confident that the Group will enter into the period of harvest in the forthcoming years.

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its operation with internally generated cash flow and remaining portion of the net proceeds from funds raising activities. During the period under review, the Group recorded a net cash inflow of approximately HK$5,767,000, compared to last corresponding period of HK$12,565,000 net cash outflow.

The Group expressed its gearing ratio as a percentage of bank borrowing over total shareholders' equity. As at 30th June 2005, the gearing ratio was 0.04 (31st December 2004: 0.12).

The Group is of good liquidity and sufficient solvent ability. Current ratio increased from 2.06 as at the year end of 2004 to 5.4 for the six months ended 30th June 2005.

The debt to equity ratio was 0.09 while it was 0.17 as at the year end of 2004. The ratio was calculated by dividing the total liabilities of HK$35,460,000 (31st December 2004: HK$68,633,000) by the total shareholders' equity of HK$395,706,000 (31st December 2004: HK$399,937,000).

The directors believe that the Group has a healthy financial position and has sufficient resources to satisfy its capital expenditure and working capital requirement.

CAPITAL STRUCTURE, FUNDING AND TREASURY POLICIES

As at 30th June 2005, shareholders' funds of the Group amounted to approximately HK$395,706,000 (31st December 2004: HK$399,937,000). Current assets amounted to approximately HK$110,866,000 (31st December 2004: HK$113,046,000), of which approximately HK$4,031,000 (31st December 2004: HK$4,595,000) was cash and bank balances. Current liabilities of approximately HK$20,478,000 (31st December 2004: HK$54,817,000) mainly comprised of taxation, amount due to ultimate holding company and other payables.

During the six months ended 30th June 2005, the business activities of the Group were mainly denominated in Hong Kong dollars and Renminbi. The directors do not consider that the Group is significantly exposed to any foreign currency exchange risk. It is the Group's treasury policy to manage its foreign currency exposure whenever its financial impact is material to the Group. For the six months ended 30th June 2005, the Group did not employ any financial instruments for hedging purposes and did not engage in foreign currency speculative activities.

BORROWINGS AND BANKING FACILITIES

The total bank borrowing of the Group as at 30th June 2005 was approximately HK$15,789,000 (31st December 2004: HK$49,738,000) which was denominated in Hong Kong dollars. The bank borrowing mainly consisted of mortgage loan granted for the purpose of facilitating the investment projects of the Group. The decrease in bank borrowing of approximately 68.3% is mainly due to the disposal of an investment property of the Group which lowered the bank borrowing of the Group during the period under review. The mortgage loan is not at fixed interest rates and is secured by the investment properties of the Group.

CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

As at 30th June 2005, the Group had no material contingent liabilities (31st December 2004: Nil) and capital commitments (31st December 2004: Nil).

PLEDGE AND CHARGES OF GROUP ASSETS

As at 30th June 2005, properties with net book value of approximately HK$45,000,000 (31st December 2004: HK$80,000,000) had been pledged to secure the mortgage loan of the Group.

MATERIAL ACQUISITIONS/DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

The Group had no material acquisitions/disposal of subsidiaries and associated corporation during the six months ended under review except those mentioned in this report.

HUMAN RESOURCES

As at 30th June 2005, the Group employed 56 full time employees (2004: 80 employees) in Hong Kong and the PRC. Employee remuneration packages are structured and reviewed by reference to the nature of the jobs, market condition and individual merits. The Group also provides other employee benefits which include year end double pay, mandatory provident fund and medical insurance. Total staff costs for the six months ended 30th June 2005 were approximately HK$1,745,000 (30th June 2004: HK$2,200,000).

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30th June 2005, the interests of the directors in the shares and underlying shares of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance (the "SFO"), or as otherwise notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

Name of Director	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Qian Yong Wei *(Note 1)*	Held by spouse/Held by controlled corporation	1,148,368,235	34.65%
Xu Zhe Cheng *(Notes 2 & 3)*	Held by spouse/Held by controlled corporation	1,148,368,235	34.65%
Chiu Yeung *(Note 4)*	Held by controlled corporation	500,000	0.02%

Notes:

1. Mr. Qian Yong Wei ("Mr. Qian") held 95,000 shares (95%) in China Wan Tai Group Limited ("China Wan Tai"), the ultimate holding company of the Company. China Wan Tai held 100 shares (100%) in Universal Union Limited ("Universal Union"). Universal Union held 1,148,368,235 shares in the Company.

2. Ms. Xu Zhe Cheng ("Ms. Xu"), Mr. Qian's wife, held 5,000 shares (5%) in China Wan Tai. China Wan Tai held 100 shares (100%) in Universal Union. Universal Union in turn held 1,148,368,235 shares in the Company.

3. Ms. Xu resigned as executive director on 28th February 2006.

4. Mr. Chiu Yeung was beneficially interested in all the shares of Sunnergy Finance & Investment Limited ("Sunnergy"). Sunnergy held 500,000 shares in the Company.

5. All interests stated above represent long position.

Other than as disclosed above and save for nominee shares in certain subsidiaries held in trust for the Group, as at 30th June 2005, none of the directors and their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as notified to the Company and the Stock Exchange pursuant to the Model Code.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the period was the Company, any of its holding companies or its subsidiaries, a party to any arrangements to enable the directors of the Company or their respective spouse or minor children to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

SHARE OPTION SCHEME

The share option scheme adopted by the Company was expired on 23rd December 2000. Since then, no new share option scheme has been adopted by the Company.

DISCLOSEABLE INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS UNDER THE SFO

As at 30th June 2005, the register required to be kept under Section 336 of the SFO showed that, other than the interests disclosed above in respect of certain directors, the following shareholders and their associates had notified the Company of relevant interests in the issued share capital of the Company:

Name of Shareholder	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
China Wan Tai *(Note 1)*	Held by controlled corporation	1,148,368,235	34.65%
Universal Union	Beneficial Owner	1,148,368,235	34.65%
Zhao Qing	Beneficial Owner	173,760,000	5.24%

Notes:

1. These shares are held by Universal Union, a wholly owned subsidiary of China Wan Tai which is in turn beneficially owned by Mr. Qian and Ms. Xu as to 95% and 5% respectively.

2. All interests stated above represent long position.

Save as disclosed above, the register required to be kept under Section 336 of the SFO showed that the Company had not been notified of any interests or short positions in the shares and underlying shares of the Company as at 30th June 2005.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES OF THE LISTING RULES

The Board has reviewed the Company's corporate governance practices. The Company has complied with the code provisions (the "Code Provision(s)") set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules during the six months ended 30th June 2005 except the following:

(a) Under the Code Provision A.2.1, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. During the financial period ended 30th June 2005, the Company did not have any chief executive officer. The executive directors collectively oversaw the strategic development of the Group, monitored and controlled the financial performance and day-to-day operations of the Group.

(b) Under the Code Provision B.1.1, the Company should establish a remuneration committee. The Company has established a remuneration committee on 18th May 2006 with specific written terms of reference which deal clearly with its authority and duties.

MODEL CODE

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the directors (the "Model Code"). Having made specific enquiry of all directors, the Company confirmed that all directors have complied with the required standard set out in the Model Code for the six months period under review.

AUDIT COMMITTEE

The audit committee comprises three independent non-executive directors of the Company, namely Messrs Mu Xiangming, Cheng Chak Ho and Lo Wa Kei, Roy. The purpose of the establishment of the audit committee is for reviewing and supervising the financial reporting process and internal control of the Group. The audit committee had reviewed the Group's interim report for the six months ended 30th June 2005.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to extend our gratitude to customers and shareholders for their continuous support and our staff for their invaluable dedication and contribution in the past period.

On Behalf of the Board
Chiu Yeung
Executive Director

Hong Kong, 18th May 2006