

INTERIM REPORT 2006

DISCLOSURE OF ADDITIONAL INFORMATION

Contingent Liabilities

At 30 June 2006, contingent liabilities not provided for in the interim results were banking facilities, totaling HK\$10,643,000 (31 December 2005: HK\$10,518,000), guaranteed by the Company which were utilized by its subsidiaries.

Related Party Transactions

Except for the disclosure in the note 8 to financial statements, there were no related party transactions in the Period (Last Period and the year ended 31 December 2005: nil)

Significant Issues

During the Period, there was no significant investment and material acquisitions or disposals of subsidiaries or associated companies. Also, there is no plan for material investments or capital assets in the near future mainly because of the Group's limited funding position. Furthermore, the Company and the Group had no significant commitments during the Period (Last Period and the year ended 31 December 2005: nil).

Pledge of Assets

The Group's leasehold building and land with an aggregate net book value of HK\$16,448,000 (31 December 2005: HK\$16,472,000, as restated) were pledged to secure bank loans and overdraft of the Group.

Major Customers and Suppliers

There had been no customers and suppliers involved in the business during the Period.

Directors' Interests in Contracts

None of the Directors had a significant beneficial interest in any contract of significance to the business of the Company to which the Company or any of its subsidiaries was a party during the Period (Last Period and the year ended 31 December 2005: none).

Directors' and Chief Executives' Interests in Share Capital of the Company

At the end date of the Period, the interests of the Directors and chief executives of the Company in the shares of the Company, underlying shares in respect of equity derivatives and debentures of the Company and 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 under Section 352 of the SFO, or as notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to both the Model Code for Securities Transactions by Directors of Listed Companies set out in Appendix 10 to the Listing Rules (the "Model Code") and Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions which they were taken or deemed to have under such provisions of the SFO), were as follows:

(a) *The Company:*

Name of Director	Number of shares held (other interest)
Chan Chun Choi ("Mr. Chan")	54,037,758

Of the above shares:

- (i) 11,037,758 shares are held by Eternal Victory Enterprises Inc. ("EVEI"), a company incorporated in the British Virgin Islands, as trustee of a unit trust, the units of which are held by a discretionary trust established for the family members of Mr. Chan. Mr. Chan holds all the issued share of EVEI; and
- (ii) 43,000,000 shares are held by Winsley Investment Limited ("Winsley").

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(b) Associated Corporations:

Names of associated corporation	Name of Director	Number of shares held	Class of shares	Type of interest
Victory Motors Centre Limited	Chan Chun Choi	100,000	Non-voting deferred	Personal
		2,800,000	Non-voting deferred	Corporate <i>(Note)</i>

Note: The 2,800,000 non-voting deferred shares are held by Victory Petro Chemical Limited (formerly Kwong Hung Hing Enterprises Company Limited) of which Mr. Chan and Madam Lam Mo Kuen, Anna together hold the entire issued share capital.

Save as disclosed above, none of the Directors or their associates had any personal, family, corporate or other interest in the equity or debt securities of the Company or any of its associated corporations, as defined in the *SFO*.

Directors' Service Contracts

All Directors had entered service contracts with the Company for an initial term of 2 years. Every Director, including those appointed for a specific term, is subject to retirement by rotation at least once every three years.

Directors' Remunerations

	Six months ended 30 June	
	2006	2005
	HK\$'000	HK\$'000
(a) Fees and emoluments:		
Chan Chun Choi	–	–
Lu Su Hua	50	50
Lam Williamson	25	25
Ng Chi Shing	50	50
Yuen Kwok Wah, Bernard	50	50
	<hr/>	<hr/>
	175	175
	<hr/> <hr/>	<hr/> <hr/>
(b) MPF contribution	6	6
	<hr/> <hr/>	<hr/> <hr/>

Corporate Governance

The Company's 2006 unaudited interim financial statements had been reviewed by the audit committee of the Company (the "Audit Committee") before they were duly approved by the Board under the recommendation of the Audit Committee.

In the opinion of the Directors, the Company had complied with the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules (the "Code") throughout the Period. The Company had received, from each of the independent non-executive Directors, a verbal confirmation of their independence in respect of the preparation of the 2006 interim financial statements.

The chairman of the Board, in pursuant to Code A.2.1., is kept separate from the control of daily operations. Since January 2006, a dual leadership structure has been in place where the Chairman solely oversees the functions of the Board and the senior management team, headed by the Group's chief financial officer, takes responsibility for the Group's day-to-day business operations.

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The Company has adopted the Model Code. The Company had made specific enquiries of all Directors regarding any non-compliance with the Model Code during the Period, and received confirmations from all Directors that they had fully complied with the required standard set out in the Model Code.

The remuneration committee and the nomination committee of the Company both convened one regular meeting within the Period. After reviewing the relevant policies and subsequent execution, no particular resolutions or recommendations had been made in both meetings.

With the consent of the Audit Committee, the Board hereby confirms that, in the preparation of the 2006 unaudited interim financial statements of the Company, the Directors, both collectively and individually, applied such degree of skill, care and diligence as may reasonably be expected of under the Listing Rules throughout the Period.

Employees

Same as its last year-end date, the Group had a total of 8 employees, of whom 5 were based in Hong Kong whereas 3 was local staff employed in China. The remuneration package for Hong Kong staff was strictly on a monthly-salary basis and that for the mainland employees was performance oriented. Year-end bonus was linked to the financial results of the Group as well as the performance of individual staff. The remuneration policies of the Group's employees are subject to review regularly. Total staff costs for the Period amounted to HK\$674,000 (Last Period: HK\$573,000). On irregular but necessary basis, adequate on-job training had been provided to staff in need.

The Group did not operate any pension or retirement schemes for its Directors or employees until the implementation of the MPF in December 2000. The Group has a share options scheme, which was duly approved by the shareholders on 22 January 1998, available for any full time employees of the Company or any of its subsidiaries, including any executive directors of the Company or of any subsidiaries. No options had been granted since the approval of the scheme.

Purchase, Sale or Redemption of Shares in the Company

There was no purchase, sale or redemption of the Company's shares by the Company or any of its subsidiaries during the Period (Last Period and the year ended 31 December 2005: nil).

Ultimate Holding Company and Substantial Shareholders

The Directors consider the ultimate holding company of the Company at 30 June 2006 to be Winsley, details of whose share interests are set out under the section headed "Directors' and Chief Executives' Interests in Share Capital of the Company".

At 30 June 2006, no persons, other than Winsley and EVEI were registered as having an interest of 5 per cent or more in the share capital of the Company that were required to be recorded in pursuant to Section 336 of the *SFO*.

On behalf of the Board

Chan Chun Choi

Chairman

Hong Kong, 15 September 2006