

Metals and minerals trading

After disposal of Chang Yang in last year, the Group continues its metals and minerals trading business through China Elegance Mining Company Limited and Shui Yuen (Manganese) Group Limited. Without the burden of the loss contributing Chang Yang, overall gross profit margin for this business improves during the current period. However the Directors consider the market will remain volatile and will be cautious in dealing with this business.

LIQUIDITY AND FINANCIAL RESOURCES

During the period under review, there is no significant change in the capital structure of the Group.

The Group generally finances its operations with internally generated cashflows. However, the metals and minerals trading business sometimes obtained short-term bridging loans from banks to finance its operation.

The Group's gearing ratios as at 30 September 2005 and 31 March 2005 were nil as there was no bank borrowing at the respective dates. Interest on bank borrowings is charged at commercial lending rates to the Group.

As at 30 September 2005, the Group had cash and bank balances of approximately HK\$29.6 million (31 March 2005: HK\$15.4 million). Approximately HK\$1.0 million bank deposits as at 31 March 2005 were pledged to secure general banking facilities granted to the Group.

The operating cash flows of the Group are mainly denominated in HK dollars, Renminbi and US dollars. Foreign exchange exposure of the Group is considered to be minimal as long as the policies of the Central Government of PRC and the Government of the Hong Kong Special Administrative Region to link Renminbi and HK dollars to US dollars remain unchanged. However, the Group will closely monitor the currency exposure and, when considered appropriate, will take the necessary actions to ensure that such exposure is properly hedged.

MANAGEMENT DISCUSSION AND ANALYSIS

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 30 September 2005, the interests or 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")) which had been notified to the Company and the Stock Exchange pursuant to Divisions 7 & 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange were as follows:

Name of Director	Capacity/ Nature of interest	Number of shares		Approximate percentage of shareholding in the Company
		Long position	Short position	
Mr. Cheung Ngan	Personal	311,232,469	–	35.2%

Save as disclosed above, at 30 September 2005, none of the Directors of the Company had any interests or short positions in the shares and underlying shares or other securities of the Company or 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 & 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange.

DIRECTORS' INTERESTS IN CONTRACTS

No Director, whether directly or indirectly, had a 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 six months ended 30 September 2005.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 September 2005, no person, other than Mr. Cheung Ngan's interests which are disclosed in the section "Directors' interests and short positions in shares and underlying shares" above, had registered an interest or short position in the shares or underlying shares of 5% or more of the issued share capital of the Company in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

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

CORPORATE GOVERNANCE

During the six months ended 30 September 2005, the Company was in compliance with the code provision of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Exchange") except for the following:

Code Provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

The roles of chairman and chief executive officer of the Company have been performed by Mr. Cheung Ngan. The board of directors considered that the non-segregation would not result in considerable concentration of power in one person and has the advantage of a strong and consistent leadership which is conducive to making and implementing decisions quickly and consistently. The board of directors will periodically review the effectiveness of this arrangement and will consider appointing an individual as chief executive officer when it thinks appropriate.

Code Provision A.4.1 stipulates that non-executive directors should be appointed for specific terms, subject to re-election.

MANAGEMENT DISCUSSION AND ANALYSIS

The current independent non-executive directors of the Company are not appointed for a specific term. However, all directors (including executive and non-executive directors) of the Company are subject to retirement by rotation at the annual general meeting in accordance with the Bye-Laws of the Company. As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the Code.

Code Provision B.1.1 stipulates the establishment of a remuneration committee.

A remuneration committee of the board of directors comprising a majority of independent non-executive directors was formed on 14 October 2005 in compliance with the Code.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules as its code of conduct regarding securities transactions by the directors of the Company (the "Model Code"). Having made specific enquiry of the directors of the Company, all the directors confirmed that they complied with the required standards as set out in the Model Code during the six months ended 30 September 2005.

AUDIT COMMITTEE

The audit committee, which comprises three independent non-executive Directors of the Company, has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the unaudited interim financial statements for the six months ended 30 September 2005.

By Order of the Board

Cheung Ngan

Chairman

Hong Kong, 16 December 2005