SNP LEEFUNG HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)
(stock code: 623)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2005

INTERIM RESULTS

The Board of Directors of SNP Leefung Holdings Limited (the "Company") is pleased to announce the unaudited interim results for the six months ended 30 June 2005 of the Company and its subsidiaries (the "Group") together with the comparative figures for the same period as follows:

Consolidated Income Statement

		Six months ended 30 June	
		2005	2004
		(Unaudited)	(Unaudited and restated)
	Notes	***HK$'000***	*HK$'000*
Turnover		**703,162**	380,829
Cost of sales		**(553,627)**	(291,936)
Gross profit		**149,535**	88,893
Other operating income		**2,587**	1,555
Selling and distribution costs		**(62,525)**	(31,257)
Administrative expenses		**(48,238)**	(40,445)
Gain on disposal of property, plant and equipment		**2,476**	238
Profit from operations	*4*	**43,835**	18,984
Finance costs	*5*	**(7,926)**	(831)
Share of results of associates		**1,867**	1,921
Amortisation of goodwill arising from the acquisition of an associate		**–**	(202)
Profit before tax		**37,776**	19,872
Income tax expenses	*6*	**(5,664)**	(2,849)
Profit for the period		**32,112**	17,023
Attributable to:			
Equity holders of the Company		**30,173**	16,882
Minority interests		**1,939**	141
		32,112	17,023
Interim dividend		**10,068**	8,055
Basic earnings per share	*7*	**HK7.49 cents**	HK4.19 cents
Interim dividend per share		**HK2 cents**	HK2 cents

Consolidated Balance Sheet

	Notes	30 June 2005 (Unaudited) HK$'000	31 December 2004 (Audited and Restated) HK$'000
Non-current assets			
Property, plant and equipment		**718,838**	666,321
Land lease prepayment		**13,007**	13,169
Goodwill		**170,394**	134,602
Interests in associates		**84,315**	82,877
		986,554	896,969
Current assets			
Inventories		**283,295**	207,373
Trade receivables	*8*	**528,586**	417,282
Prepayments, deposits and other receivables		**78,426**	61,338
Financial assets at fair value through profit or loss		**822**	622
Tax recoverable		**9,989**	8,313
Amount due from SNP Group		**1,032**	–
Bank balances and cash		**133,605**	151,812
		1,035,755	846,740
Current liabilities			
Trade and bills payables	*9*	**252,977**	147,176
Other payables and accruals		**151,837**	129,542
Tax liabilities		**14,653**	15,410
Amount due to SNP Group		**–**	1,971
Amounts due to associates		**17,954**	13,862
Amount due to minority shareholders		**8,096**	–
Obligations under finance leases – due within one year		**3,657**	1,333
Bank borrowings – due within one year		**177,766**	158,881
		626,940	468,175
Net current assets		**408,815**	378,565
Total assets less current liabilities		**1,395,369**	1,275,534
Non-current liabilities			
Bank borrowings – due after one year		**571,973**	500,000
Obligations under finance leases – due after one year		**5,028**	1,290
Deferred tax liabilities		**20,213**	16,721
		597,214	518,011
		798,155	757,523
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		**40,273**	40,273
Reserves		**729,770**	714,595
		770,043	754,868
Minority interests		**28,112**	2,655
Total Equity		**798,155**	757,523

Notes to the condensed consolidated financial statements:

1. Basis of preparation and accounting policies

The unaudited condensed interim financial statements are prepared in accordance with Hong Kong Accounting Standard ("HKAS") No. 34: Interim Financial Reporting and other relevant HKASs and Interpretations, the Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules").

The accounting policies and methods of computation used in the preparation of the interim financial statements are the same as those adopted in preparing the annual financial statements for the year ended 31 December 2004 except for the new adoption of HKFRSs and HKASs as disclosed in note 2 below.

2. Impact of new/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 1 January 2005. The Group has adopted the following HKFRSs and HKASs issued up to 30 June 2005 which are pertinent to its operations and relevant to these interim financial statements.

HKAS 1	Presentation of Financial Statement
HKAS 17	Leases
HKAS 28	Investment in Associates
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 36	Impairment of Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKFRS 2	Share-based payments
HKFRS 3	Business Combinations

The adoption of these new/revised HKFRSs and HKASs has resulted in the following changes to the Group's accounting policies that have affected the amount reported or disclosures for the current or prior year.

(a) The adoption of HKAS 1 has affected the presentation of minority interests, share of net after-tax results of associates and other disclosures.

(b) The adoption of HKAS 17 has resulted in a change in accounting policy relating to leasehold land. Leasehold land and buildings were previously carried at valuation less accumulated depreciation. In accordance with the provisions of HKAS 17, a lease of land and building should be split into a lease of land and a lease of building in proportion to the relative fair values of the leasehold interests in the land element and the building element of the lease at the inception of the lease. The up-front prepayments made for the leasehold land and land use right are stated at cost and amortised over the period of the lease or where there is impairment, the impairment is expensed in the income statement whereas the leasehold buildings is stated at valuation less accumulated depreciation.

(c) The adoption of HKFRS 2 has resulted in a change in accounting policy for employee share options. Prior to this, the provision of share options to employees did not result in a change to the profit and loss account. Following the adoption of HKFRS 2, the fair value of share options at grant date is amortised over the relevant vesting periods to the profit and loss account. HKFRS 2 has been applied retrospectively for all equity instruments granted to employees after 7 November 2002 and not vested at 1 January 2005. The change in such policy has resulted in an increase of HK$63,000 and HK$328,000 in the Group's employee share-based compensation reserve as at 1 January 2004 and 1 January 2005, respectively of which representing the amortization of share options to the profit and loss account.

(d) The adoption of HKFRS 3, HKAS 36 and HKAS 38 has resulted in changes in accounting policies in impairment of assets and goodwill. Prior to this, goodwill was:

– amortised on the straight-line basis over its estimated economic useful life which not exceeding 20 years; and

– assessed for impairment at each balance sheet date.

In accordance with the provision of HKFRS3:

– the Group ceased amortization of goodwill from 1 January 2005;

– accumulated amortization as at 31 December 2004 has been eliminated with a corresponding decrease in the cost of goodwill;

– from the year ending 31 December 2005 onwards, goodwill is tested annually for impairment, as well as when there are indication of impairment.

As a result of the adoption of HKFRS 3, HKAS 36 and HKAS 38, the goodwill amortization of approximately HK$7.7 million has not been recognized in the profit and loss account for the six months ended 30 June 2005.

(e) The adoption of HKAS 32 and HKAS 39 has resulted in a change of accounting policy for recognition, measurement and disclosure of financial instruments. Until 31 December 2004, investments of the Group were classified as other investments and were stated in the balance sheet at fair value.

In accordance with the provision of HKAS 39, the investments have been classified into available-for-sale financial assets, financial assets at fair value through profit and loss and loans and receivables (which include bank deposits and cash and cash equivalents). The classification depends on the purpose for which the investments were held.

The transitional provisions of HKAS 39 are as follows:

– recognize all derivatives at fair value in the balance sheet from 1 January 2005;

– redesignate all investments into available-for-sale financial assets, financial assets through profit and loss and loans and receivables (which include bank deposits and cash and cash equivalents) from 1 January 2005;

– remeasure those financial assets or financial liabilities that should be measured at fair value and those that should be measured at amortised cost from 1 January 2005.

(f) The effect of changes in the above accounting policies on the consolidated balance sheet are as follows:

	Effect of adopting				
	HKAS 1	**HKAS 17**	**HKFRS 2**	**HKAS 32 & HKAS 39**	**Total effect on adoption of HKFRSs and HKASs**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2005 (audited and restated)					
Increase/(decrease) in assets					
Property, plant and equipment		(13,169)			(13,169)
Land lease prepayment		13,169			13,169
Other investments				(622)	(622)
Financial assets at fair value through profit or loss				622	622
Increase/(decrease) in equity					
Employee share-based compensation reserve			328		328
Retained profits			(328)		(328)
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 30 June 2005 (unaudited)					
Increase/(decrease) in assets					
Property, plant and equipment		(13,007)			(13,007)
Land lease prepayment		13,007			13,007
Other investments				(822)	(822)
Financial assets at fair value through profit or loss				822	822
Increase/(decrease) in equity					
Employee share-based compensation reserve			511		511
Retained profits			(511)		(511)

(g) The effect of changes in the above accounting policies on the consolidated income statement are as follows:

	Effect of adopting				
	HKAS 1	**HKAS 17**	**HKFRS 2**	**HKAS 32 & HKAS 39**	**Total effect on adoption of HKFRSs and HKASs**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
For the six months ended 30 June 2005 (unaudited)					
Increase/(decrease) in profit					
Increase in employee share option benefits			(183)		(183)
Decrease in depreciation		162			162
Increase in amortisation of land lease prepayment		(162)			(162)
Decrease in share of results of associates	(775)				(775)
Decrease income tax expenses	775				775
Total increase/(decrease) in profit	–	–	(183)	–	(183)
Increase/(decrease) in basic earnings per share (HK cents)	–	–	(0.05)	–	(0.05)
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
For the six months ended 30 June 2004 (unaudited)					
Increase/(decrease) in profit					
Increase in employee share option benefits			(126)		(126)
Decrease in depreciation		162			162
Increase in amortisation of land lease prepayment		(162)			(162)
Decrease in share of results of associates	(733)				(733)
Decrease income tax expenses	733				733
Total increase/(decrease) in profit	–	–	(126)	–	(126)
Increase/(decrease) in basic earnings per share (HK cents)	–	–	(0.03)	–	(0.03)

3. Business and geographical segments

(a) *Business segments*

Segment information of the three operating divisions are as follows:

Six months ended 30 June 2005

	Printing of books and magazines *HK$'000*	Printing of packaging products *HK$'000*	Printing of Pop-up and touch-and feel books *HK$'000*	Eliminations *HK$'000*	Consolidated *HK$'000*
Segment revenue					
External sales	**372,649**	**97,422**	**233,091**	**–**	**703,162**
Inter-segment sales	**149**	**4,235**	**1,075**	**(5,459)**	**–**
Total	**372,798**	**101,657**	**234,166**	**(5,459)**	**703,162**
Result					
Segment result	**43,393**	**(726)**	**15,532**	**–**	**58,199**
Unallocated corporate expenses					**(14,364)**
Profit from operations					**43,835**
Finance costs					**(7,926)**
Share of results of associates	**886**	**981**	**–**	**–**	**1,867**
Profit before tax					**37,776**
Income tax expenses					**(5,664)**
Profit for the period					**32,112**

Six months ended 30 June 2004 (Restated)

	Printing of books and magazines *HK$'000*	Printing of packaging products *HK$'000*	Eliminations *HK$'000*	Consolidated *HK$'000*
Segment revenue				
External sales	340,539	40,290	–	380,829
Inter-segment sales	–	2,966	(2,966)	–
Total	340,539	43,256	(2,966)	380,829
Result				
Segment result	39,448	(4,171)	–	35,277
Unallocated corporate expenses				(16,293)
Profit from operations				18,984
Finance costs				(831)
Share of results of associates	940	981	–	1,921
Amortisation of goodwill arising from the acquisition of an associate	(202)	–	–	(202)
Profit before tax				19,872
Income tax expenses				(2,849)
Profit for the period				17,023

(b) ***Geographical segments***

	Turnover Six months ended 30 June	
	2005	2004
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
The PRC, excluding Hong Kong	**188,044**	186,596
Hong Kong	**41,795**	9,949
	229,839	196,545
The United States of America	**258,784**	110,586
United Kingdom	**121,732**	39,020
Taiwan	**32,938**	3,364
Australia	**20,588**	27,403
Other areas	**39,281**	3,911
	703,162	380,829

Contribution to profit by geographical market has not been presented as the contribution to profit from each market is substantially in line with the overall Group's ratio of profit to turnover.

4. Profit from operations

	Six months ended 30 June	
	2005	2004
	(Unaudited)	(Unaudited and restated)
	HK$'000	*HK$'000*
Profit from operations has been arrived at after charging:		
Staff costs, including directors' remuneration		
– Salaries, wages and other benefits	**106,592**	46,761
– Retirement benefit scheme contributions, net of forfeited contributions of nil (2004: nil)	**2,642**	2,203
Total staff costs	**109,234**	48,964
Auditors' remuneration	**823**	538
Amortisation of land lease prepayment	**162**	162
Depreciation	**34,503**	22,277
Exchange loss, net	**–**	664
Minimum lease payment under operating leases:		
– Plant and machinery	**69**	615
– Land and buildings	**5,668**	50
	5,737	665
And after crediting:		
Rental income	**458**	141
Less: outgoings	**(400)**	(12)
Net rental income	**58**	129
Interest income	**835**	456
Exchange gain, net	**35**	–

5. Finance costs

	Six months ended 30 June	
	2005	2004
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest on:		
bank and other borrowings wholly repayable within five years	**5,198**	831
bank and other borrowings wholly repayable over five years	**2,613**	–
obligations under finance leases	**115**	–
	7,926	831

6. Income tax expenses

The charge comprises:

	Six months ended 30 June	
	2005	2004
	(Unaudited)	(Unaudited and restated)
	HK$'000	*HK$'000*
Current tax:		
Hong Kong	**3,764**	1,068
Other jurisdictions	**1,900**	1,781
	5,664	2,849

Hong Kong profits tax is calculated at 17.5% (2004: 17.5%) of the estimated assessable profit for the period. Taxation arising in other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

7. Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity holders of the Company of HK$30,173,000 for the six months ended 30 June 2005 (2004: HK$16,882,000 as restated) and on the weighted average number of 402,726,918 (2004: 402,726,918) shares in issue during the period.

There was no dilution arising from the outstanding share options granted by the Company in 2003 and 2005. The dilution from the outstanding share options granted by the Company in 2004 was immaterial. Accordingly, diluted earnings per share have not been shown.

8. Trade receivables

The Group allows different credit periods to its trade customers depending on the type of printing services provided. Credit periods vary from 90 to 180 days in accordance with the industry practice.

An aged analysis of the trade receivables, based on payment due date, and net of allowance, is as follows:

	30 June 2005	31 December 2004
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Within credit period	**385,927**	302,420
1 – 30 days	**58,693**	49,528
31 – 60 days	**29,726**	40,248
61 – 90 days	**17,472**	10,272
Over 90 days	**36,768**	14,814
	528,586	417,282

9. Trade and bills payables

An aged analysis of the trade and bills payables, based on payment due date, is as follows:

	30 June 2005 (Unaudited) *HK$'000*	31 December 2004 (Audited) *HK$'000*
0 – 30 days	**210,440**	119,533
31 – 60 days	**30,318**	14,695
61 – 90 days	**3,626**	3,303
91 – 120 days	**1,836**	2,213
Over 120 days	**6,757**	7,432
	252,977	147,176

10. Comparative figures

Due to adoption of new/revised FRSs and HKASs for the current period, the accounting treatment and presentation of certain items on the financial statements have been revised to comply with the new requirements. Accordingly, certain figures have been adjusted to reserves in prior year. Also, certain comparative figures have been reclassified to conform with the current period's presentation.

ACQUISITION OF SNP YAU YUE PAPER PRODUCTS LIMITED (formerly known as Yau Yue Paper Products Limited)

On 18 March 2005, the Company has entered into an acquisition agreement pursuant to which the shareholders of SNP Yau Yue Paper Products Limited ("SNP Yau Yue") conditionally agreed to sell and the Company conditionally agreed to purchase the Sale Shares, representing 60% of the issued share capital of SNP Yau Yue, for an aggregate cash consideration of HK$68.4 million. The transaction has been completed in early May 2005.

With the successful acquisition of SNP Yau Yue, the Group will be able to immediately gear up its existing packaging business to a growth stage as the enlarged packaging business will contribute about one-fourth of the Group's annual turnover. SNP Yau Yue's business knowledge and experience in the corrugated box business will help turnaround the Group's current loss-making corrugated box printing business. Further costs synergies will be achieved upon full integration of the Group's existing packaging business and SNP Yau Yue.

SUBSEQUENT EVENT

On 25 May 2005, the Board of Directors announced that the Company proposed to raise not less than approximately HK$120.8 million before expenses by way of a rights issue of not less than 100,681,729 Rights Shares and not more than 100,767,979 Rights Shares at a price of HK$1.20 per Rights Share on the basis of one Rights Share for every four existing Shares held on the Record Date, 22 June 2005.

As mentioned in the announcement published by the Company dated 14 July 2005, 372 valid acceptances of provisional allotment of Rights Shares have been received for a total of 93,829,048 Rights Shares and 366 valid applications for excess Rights Shares have been received for a total of 43,168,198 Rights Shares, resulting in a total of valid applications of 136,997,246 Rights Shares. Accordingly, the Rights Issue was approximately 1.36 times subscribed, of which approximately 0.93 times were subscribed under the provisional allotment of Rights Shares and approximately 0.43 times were subscribed under the excess applications for the Rights Shares. As a result of the over-subscription of the Rights Shares, the Underwriter's obligations under the Underwriting Agreement have been discharged.

After the completion of the Rights Issue, the number of Shares in issue has increased from 402,726,918 Shares to 503,408,647 Shares.

DIVIDEND

The Board has resolved to declare an interim dividend of HK 2 cents per share for the six months ended 30 June 2005 (six months ended 30 June 2004: HK 2 cents) payable on Thursday, 25 August 2005, to shareholders whose names appear on the register of members of the Company on Friday, 19 August 2005.

CLOSURE OF REGISTER

The register of members of the Company will be closed from Tuesday, 16 August 2005 to Friday, 19 August 2005, both days inclusive, during which period no transfer of shares will be registered. All transfers of shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's Registrars in Tengis Limited, Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong, not later than 4:30 p.m. on Monday, 15 August 2005.

MANAGEMENT DISCUSSION & ANALYSIS

Business Review

For the first half of 2005, the Company reported a turnover of HK$703.2 million. This represented an increase of 84.7% over 2004's turnover of HK$380.8 million. The profit for the period amounted to HK$32.1 million which is 88.6% higher than the profit of HK$17.0 million in 2004.

The primary reason for the significant increase in turnover and profit for the current period were largely due to the inclusion of the results of the newly-acquired pop-up book printing subsidiaries namely SNP Excel (Hong Kong) Company Limited ("SNP Excel (HK)") and SNP Excel (Thailand) Co., Ltd. in September 2004 and the corrugated box printing subsidiary, SNP Yau Yue in May 2005.

At the end of June 2005, the Group's sales amounted to HK$703.2 million, up from HK$380.8 million last year. The sales of the export book division increased by HK$26.3 million, representing an increase of 15% over the last corresponding period. In 2004, the Company had successfully set-up new sales teams in Europe and United States. This has started to create value for the Company in expanding overseas sales since last year. Our PRC business was maintaining a stable growth of 4% in the turnover as compared to that of last year. The actual growth rate is higher than the reported number as certain customers have changed their order arrangements by supplying their own materials, mainly paper, for production. Our newly installed web press has provided the necessary increase in capacity to cope with the increase in sales. The overall increase in book and magazine printing has helped improve the profitability in our core printing operation. However, such improvement was partly offset by the increase in paper and other materials prices during the period under review. Meanwhile, the pop-up business that we acquired last year remained stable, despite unexpected utility and labour shortages, that have now largely been solved with additional power generators and aggressive recruitment drives inland, and severance payments amounting to HK$2 million resulting from the relocation of its head office from Hong Kong to Panyu in February 2005. Our packaging business also saw improvement as compared with last year, narrowing its total losses to HK$0.7 million. This was helped by the contribution from SNP Yau Yue upon consolidating its performance in beginning May 2005. The finance costs of the Group increased by HK$7.1 million in the current period, resulting from an increase in bank loans for financing the acquisition of the subsidiaries and increase in interest rates.

As reflected by the six months cashflow statement, the operating cash inflow remained strong at HK$67.1 million (2004: HK$39.9 million). An interim dividend of HK 2 cents is proposed which is the same as that of last year.

Financial Review

As at 30 June 2005, the Group's cash and bank balances amounted to HK$133.6 million while the total assets and the net assets were approximately HK$2,022.3 million (31 December 2004: HK$1,743.7 million) and HK$798.2 million (31 December 2004: HK$757.5 million as restated) respectively. The current ratio as at 30 June 2005 was 1.65, against 1.81 as at 31 December 2004. This decrease is mainly due to increase in borrowings classified under current liabilities, which is a result of increase in bank borrowings. As at 30 June 2005, the total borrowings from banks including obligations under finance leases amounted to approximately HK$758 million, of which 24.0%, 16.3%, 47.2% and 12.5% were repayable within the first year, the second year, the third to fifth years and over the fifth year respectively. Of the total borrowings, HK$750.7 million were denominated in Hong Kong dollars, an equivalent of HK$1 million denominated in Thailand Baht and an equivalent of HK$6.3 million denominated in US Dollar. These loans are principally on a floating rate basis. When appropriate, hedging instruments including swaps were used in managing the interest rate exposure.

The Group's net gearing ratio based on net debts to equity has increased from 67% as at 31 December 2004 to 78% at 30 June 2005. However, following the completion of Rights Issue as mentioned in the paragraph under "Subsequent event", which will raise funds of approximately HK$120 million, our net gearing ratio will be reduced to approximately 63%. Taking into account the Group's ability to generate cash from operations, and approximately HK$598 million unutilized bank facilities at 30 June 2005, the Board considers that the Group has sufficient financial resources to finance future capital expenditure plans.

Employees policy

At the end of June 2005, the Group employed a total of approximately 210 employees in Hong Kong and a workforce of approximately 8,500 in the PRC and Thailand.

The Group's remuneration policies are primarily based on prevailing market salary levels and the performance of the respective companies and individuals concerned. In addition to salaries, the Group provides staff benefits including medical insurance, contributions to staff's provident fund and discretionary training subsidies. Share options and bonuses are also available to employees of the Group at the discretion of the directors and depending upon the financial performance of the Group.

Pledge of assets

As at 30 June 2005, the Group had pledged certain land and buildings with the aggregate net book value of approximately HK$2 million (2004: nil) as securities for generating banking facilities granted to the Group.

Contingent Liabilities

There were no material contingent liabilities of the Group at the end of the period under review.

PROSPECTS

Overall, the Management is optimistic about the performance of the Group in the second half of this year:

– Strong U.S market demand is expected to drive our export markets.

– Our China Division, following the installation of a new web press and the award of a major print contract for Vogue magazine, is likely to continue its strength into 2006.

– With the expertise of SNP Yau Yue in corrugated box printing, the Group is able to consolidate its Packaging Division, which aims to breakeven at operating level by the full year of 2005.

AUDIT COMMITTEE

The audit committee has reviewed with management the accounting principles and practices adopted by the Group and the unaudited interim financial statements for the six months ended 30 June 2005.

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

There was no purchase, sale or redemption by the Company or any of its subsidiaries, of the Company's listed securities during the six months ended 30 June 2005.

COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE PRACTICES

In the opinion of the directors, save as disclosed below, the Company has complied with the Code of Corporate Governance Practices, as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, throughout the accounting period covered by the interim report.

Under the Code provisions A.4.2 in Appendix 14 of the Listing Rules, all directors appointed to fill casual vacancy should be subject to election by shareholders at the first general meeting after their appointment, and every director, including those appointed for a specific terms, should be subject to retirement by rotation at least once every three years.

According to the Bye-laws of the Company, one-third of the directors for the time being shall retire from office by rotation at each annual general meeting. The directors to retire by rotation shall be those who have been longest in office since their last re-election or appointment. The current Bye-laws of the Company does not comply fully with the provisions of the Code. The Board will review in the current year the relevant Bye-laws and propose any amendment, if necessary, to ensure compliance with the Code on Corporate Governance Practices as set out in the Listing Rules.

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 (the "Code"). Having made specific enquiry of the directors of the Company, all the directors confirmed that they had compiled with the required standards as set out in the Code during the six months ended 30 June 2005.

ACKNOWLEDGEMENT

On behalf of the board, I would like to express my sincere gratitude to all our staff for their dedication, hard work and contribution during the period. In addition, we would like to thank all our shareholders for their support of the Group and our customers for their business.

By Order of the Board
Yeo Chee Tong
Executive Director and Chief Executive Officer

Hong Kong
21 July 2005

As at the date of this announcement, the Board comprises two executive Directors, being Mr. Yeo Chee Tong and Mr. Yang Sze Chen, Peter, one non-executive Director, being Mr. Tay Siew Choon, and four independent non-executive Directors, being Mr. Cheng Wai Wing, Edmund, Mr. John Robert Walter, Mr. Lai Ming, Joseph and Ms. Alice Kan Lai Kuen.

"Please also refer to the published version of this announcement in The Standard"