KEE SHING (HOLDINGS) LIMITED

(Incorporated in Hong Kong with limited liability)
(Stock code: 174)

ANNOUNCEMENT OF 2005 INTERIM RESULTS

After the adoption of new Hong Kong Financial Reporting Standards ("new HKFRSs") effective from 1st January, 2005, profit attributable to the Group's shareholders for the first six months ended 30th June, 2005 was reported at HK$33.6 million, representing a rise of 94.2% when compared with HK$17.3 million for the same period last year. The rise was mainly due to the increase in trading metal and chemical prices as well as gain from disposal of 4 unit flats in Shanghai properties. The Directors of the Board has today declared an interim dividend of 10.0 HK cents per share (2004: 10.0 HK cents per share) to shareholders whose are registered as such at the close of business on 13th October, 2005.

CONDENSED CONSOLIDATED INCOME STATEMENT
For the six months ended 30th June, 2005

	Notes	**Six months ended 30.6.2005** ***HK$'000*** **(unaudited)**	Six months ended 30.6.2004 *HK$'000* (restated) (unaudited)
Turnover	*4*	**943,972**	870,320
Other operating income		**1,901**	3,474
Changes in inventories of finished goods		**(9,342)**	14,214
Purchase of goods held for resale		**(856,251)**	(820,657)
Raw materials and consumables used		**(20,565)**	(10,144)
Staff costs		**(11,036)**	(10,268)
Depreciation and amortisation		**(1,371)**	(932)
Other operating expenses		**(16,831)**	(16,860)
Gain arising from changes in fair value of investments held for trading/net realised and unrealised loss on other investments		**1,070**	(3,129)
Loss arising from changes in fair value of other financial assets		**(1,506)**	–
Gains on disposal of investment properties		**1,336**	–
Gains arising from changes in fair value of investment properties		**9,955**	–
Finance costs		**(3,656)**	(1,749)
Share of profit (loss) of associates		**3,346**	(2,074)
Profit before taxation		**41,022**	22,195
Income tax expense	*5*	**(6,300)**	(4,610)
Profit for the period		**34,722**	17,585
Attributable to:			
Equity holders of the parent		**33,611**	17,275
Minority interests		**1,111**	310
		34,722	17,585
Dividend	*6*	**44,550**	11,138
Earnings per share	*7*	**7.5 cents**	3.9 cents

CONDENSED CONSOLIDATED BALANCE SHEET
At 30th June, 2005

	30.6.2005 *HK$'000* (unaudited)	31.12.2004 *HK$'000* (restated) (audited)
Non-current Assets		
Investment properties	**266,561**	260,326
Property, plant and equipment	**34,502**	34,445
Interests in associates	**28,358**	24,938
Available-for-sale investments	**585**	–
Investments in securities	**–**	23,419
Long term bank deposits	**29,307**	31,080
Equity-linked deposits	**–**	768
	359,313	374,976
Current Assets		
Inventories	**138,139**	147,332
Debtors, deposits and prepayments	**169,726**	145,875
Bills receivable	**26,220**	27,187
Investments held for trading	**174,331**	–
Investments in securities	**–**	128,330
Taxation recoverable	**86**	235
Short term bank deposits	**42,259**	96,157
Bank balances and cash	**59,797**	67,670
	610,558	612,786
Current Liabilities		
Creditors and accrued charges	**43,673**	32,119
Bills payable	**1,285**	–
Amounts due to minority shareholders of subsidiaries	**12,400**	–
Taxation payable	**7,506**	4,301
Bank borrowings	**271,784**	302,130
	336,648	338,550
Net Current Assets	**273,910**	274,236
Total Assets Less Current Liabilities	**633,223**	649,212
Capital and Reserves		
Share capital	**22,275**	22,275
Reserves	**582,068**	588,142
Equity attributable to equity holders of the parent	**604,343**	610,417
Minority Interests	**21,211**	19,774
Total Equity	**625,554**	630,191
Non-current Liabilities		
Amounts due to minority shareholders of subsidiaries	**–**	12,400
Deferred tax liabilities	**7,669**	6,621
	7,669	19,021
	633,223	649,212

Notes:

1. **REVIEWS OF INTERIM RESULTS**
The interim results have been reviewed by the Audit Committee.

2. **BASIS OF PREPARATION**
The condensed financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with Hong Kong Accounting Standard (HKAS 34) "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

3. **PRINCIPAL ACCOUNTING POLICIES**
The condensed financial statements have been prepared under the historical cost basis except for certain properties and financial instruments, which are measured at fair values or revalued amounts, as appropriate.

The accounting policies used in the condensed financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31st December, 2004 except as described below:

In the current period, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards (HKFRSs), Hong Kong Accounting Standards (HKASs) and Interpretations (Int.) (hereinafter collectively referred to as "new HKFRSs") issued by the HKICPA that are effective for accounting periods beginning on or after 1st January, 2005. The application of the new HKFRSs has resulted in a change in the presentation of the income statement, balance sheet and the statement of changes in equity. In particular, the presentation of minority interests and share of tax of associates have been changed. The changes in presentation have been applied retrospectively. The adoption of the new HKFRSs has resulted in changes to the Group's accounting policies in the following areas that have an effect on how the results for the current or prior accounting periods are prepared and presented:

Business Combination
In the current period, the Group has applied HKFRS 3 "Business Combinations", which is effective for business combinations for which the agreement date is on or after 1st January, 2005. The principal effects of the application of HKFRS 3 to the Group are summarised below:

Excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost (previously known as "negative goodwill").

In accordance with HKFRS 3, any excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over the cost of acquisition ("discount on acquisition") is recognised immediately in profit or loss in the period in which the acquisition takes place. In previous periods, negative goodwill arising on acquisitions prior to 1st January, 2001 was held in reserves, and negative goodwill arising on acquisitions after 1st January, 2001 was presented as a deduction from assets and released to income based on an analysis of the circumstances from which the balance resulted. In accordance with the relevant transitional provisions in HKFRS 3, the Group has derecognised all negative goodwill, which amounted to HK$22,988,000 at 1st January, 2005 was previously recorded in reserves, with a corresponding increase to retained profits.

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. The application of HKAS 32 has had no material effect on the presentation of financial instruments in the financial statements of the Group. HKAS 39, which is effective for annual periods beginning on or after 1st January, 2005, generally does not permit to recognise, derecognise or measure financial assets and liabilities on a retrospective basis. The principal effects resulting from the implementation of HKAS 32 and HKAS 39 are summarised below:

Classification and measurement of financial assets and financial liabilities
The Group has applied the relevant transitional provisions in HKAS 39 with respect to classification and measurement of financial assets and financial liabilities that are within the scope of HKAS 39.

By 31st December, 2004, the Group classified and measured its debt and equity securities in accordance with the benchmark treatment of Statement of Standard Accounting Practice 24 "Accounting for Investment in Securities" (SSAP 24). Under SSAP 24, investments in debt or equity securities are classified as "investment securities", "other investments" or "held-to-maturity investments" as appropriate. "Investment securities" are carried at cost less impairment losses while "other investments" are measured at fair value, with unrealised gains or losses included in the profit or loss. Held-to-maturity investments are carried at amortised cost less impairment losses (if any). From 1st January, 2005 onwards, the Group classifies and measures its debt and equity securities in accordance with HKAS 39. Under HKAS 39, financial assets are classified as "financial assets at fair value through profit or 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 or loss" are carried at fair value, with changes in fair values recognised in profit or loss and equity respectively. "Available-for-sale financial assets" are carried at cost less impairment, as fair value cannot be reliably measured. "Loans and receivables" and "held-to-maturity financial assets" are measured at amortised cost using the effective interest method.

On 1st January, 2005, the Group classified and measured its debt and equity securities in accordance with the requirements of HKAS 39. An adjustment of HK$4,305,000 to the previous carrying amounts of assets and liabilities at 1st January, 2005 has been made to the Group's retained earnings.

Financial assets and financial liabilities other than debt and equity securities

From 1st January, 2005 onwards, the Group classifies and measures its financial assets and financial liabilities other than debt and equity securities (which were previously outside the scope of SSAP 24) in accordance with the requirements of HKAS 39. As mentioned above, financial assets under HKAS 39 are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables" or "held-to-maturity financial assets". Financial liabilities are generally classified as "financial liabilities at fair value through profit or loss" or "financial liabilities other than financial liabilities at fair value through profit or loss (other financial liabilities)". "Other financial liabilities" are carried at amortised cost using the effective interest method.

Investment Properties

In the current period, the Group has, for the first time, applied HKAS 40 "Investment Property". The Group has elected to use the fair value model to account for its investment properties which requires gains or losses arising from changes in the fair value of investment properties to be recognised directly in the profit or loss for the period in which they arise. In previous periods, investment properties under predecessor accounting standard were measured at open market values, with revaluation surplus or deficits credited or charged to investment property revaluation reserve unless the balance on this reserve was insufficient to cover a revaluation decrease, in which case the excess of the revaluation decrease over the balance on the investment property revaluation reserve was charged to the income statement. Where a decrease had previously been charged to the income statement and revaluation subsequently arose, that increase was credited to the income statement to the extent of the decrease previously charged. The Group has applied the relevant transitional provisions in HKAS 40 and elected to apply HKAS 40 from 1st January, 2005 onwards. The amount held in investment property revaluation reserve at 1st January, 2005 of HK$7,089,000 has been transferred to the Group's retained profits.

Deferred Taxes related to Investment Properties

In previous periods, deferred tax consequences in respect of revalued investment properties were assessed on the basis of the tax consequence that would follow from recovery of the carrying amount of the properties through sale in accordance with the predecessor interpretation. In the current period, the Group has applied HKAS Interpretation 21 "Income Taxes - Recovery of Revalued Non-Depreciable Assets" which removes the presumption that the carrying amount of investment properties are to be recovered through sale. Therefore, the deferred tax consequences of the investment properties are now assessed on the basis that reflect the tax consequences that would follow from the manner in which the Group expects to recover the property at each balance sheet date. In the absence of any specific transitional provisions in HKAS Interpretation 21, this change in accounting policy has been applied retrospectively. Comparative figures have been restated.

The Group has not early applied the following new Standards or Interpretations that have been issued but are not yet effective.

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 6	Exploration for and Evaluation of Mineral Resources
HKFRS-Int 4	Determining whether an Arrangement Contains a Lease
HKFRS-Int 5	Rights to Interests Arising from Decommissing, Restoration and Environmental Rehabilitation Funds

The Group has commenced considering the potential impact of these new HKFRSs but is not yet in a position to determine whether these new HKFRSs would have a significant impact on how its results of operations and financial position are prepared and presented. These new HKFRSs may result in changes in future as to how the results and financial position are prepared and presented.

SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES

The effects of the adoption of new HKFRSs on the results for the six months ended 30th June, 2005 and 2004 (unaudited) are as follows:

	2005 ***HK$'000***	2004 *HK$'000*
Gain arising from changes in fair value of investments held for trading	**4,297**	–
Loss arising from changes in fair value of other financial assets	**(1,506)**	–
Increase in share of loss of associates	**(127)**	(33)
Decrease in income tax expense	**127**	33
Decrease in deferred tax on revaluation of investment properties (included in income tax expense)	**(322)**	–
Gain arising from changes in fair value of investment properties	**9,955**	–
Increase in profit for the period	**12,424**	–

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

	As at 31st December, 2004 (originally stated)	Retrospective adjustments		As at 31st December, 2004 (restated)	Adjustments			As at 1st January, 2005 (restated)
		HKAS 1 & HKAS 27	HKAS Int 21		HKFRS 3	HKAS 39	HKAS 40	
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Investments in securities (non-current)	23,419	–	–	23,419	–	4,305	–	27,724
Deferred tax liabilities	(7,473)	–	852	(6,621)	–	–	–	(6,621)
Total effects on assets and liabilities		–	852		–	4,305	–	
Retained profits	383,536	–	907	384,443	22,988	4,305	7,089	418,825
Capital reserve	22,988	–	–	22,988	(22,988)	–	–	–
Investment properties revaluation reserve	7,144	–	(55)	7,089	–	–	(7,089)	–
Minority interest	–	19,774	–	19,774	–	–	–	19,774
Total effects on equity		19,774	852		–	4,305	–	
Minority interests	19,774	(19,774)	–	–	–	–	–	–

The effect on the adoption of new HKFRS to the Group's equity at 1st January, 2004 was to increase the retained profits by HK$970,000 due to applicable of HKAS Int 21 as mentioned above.

4. SEGMENT INFORMATION

The turnover and segment results of the Group for the six months ended 30th June, 2005, analysed by business segments which is the primary segment are as follows:

	For the six months ended 30th June, 2005				For the six months ended 30 June, 2004			
	Turnover				Turnover			
	External Sales	**Inter – segment sales**	**Total**	**Segment Result**	External Sales	Inter – segment sales	Total	Segment Result
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Sales of chemicals and metals	**933,258**	**–**	**933,258**	**24,845**	860,527	–	860,527	24,136
Property investment	**7,736**	**600**	**8,336**	**17,028**	7,030	897	7,927	4,192
Security investment	**2,733**	**–**	**2,733**	**2,773**	2,175	–	2,175	(980)
Other activities	**245**	**–**	**245**	**28**	588	4,007	4,595	48
Eliminations	**–**	**(600)**	**(600)**	**–**	–	(4,904)	(4,904)	–
Consolidated	**943,972**	**–**	**943,972**	**44,674**	870,320	–	870,320	27,396
Interest income from bank deposits				**1,582**				1,155
Unallocated other operating income				**319**				2,319
Unallocated corporate expenses				**(5,243)**				(4,852)
Finance cost				**(3,656)**				(1,749)
Share of profit (loss) of associates				**3,346**				(2,074)
Profit before taxation				**41,022**				22,195

5. INCOME TAX EXPENSE

	Six months ended 30.6.2005	Six months ended 30.6.2004
	HK$'000	*HK$'000*
The tax charge comprises:		
Current taxation		
Hong Kong Profits Tax	**4,294**	3,217
Profits tax outside Hong Kong	**958**	1,393
	5,252	4,610
Deferred taxation	**1,048**	–
	6,300	4,610

Hong Kong Profits Tax is calculated at 17.5% of the estimated assessable profit for the period.

Taxation outside Hong Kong is calculated at the rates prevailing in the respective jurisdictions.

6. **DIVIDEND**

	Six months ended 30.6.2005	Six months ended 30.6.2004
	HK$'000	*HK$'000*
Final dividend paid in respect of the year ended 31st December, 2004 of 10 HK cents (year ended 31st December, 2003: 2.5 HK cents) per ordinary share	**44,550**	11,138

Interim dividend of 10.0 HK cent per share, amounting to HK44,550,000, was approved by the board of directors on 21st September, 2005.

7. **EARNINGS PER SHARE**

The calculation of the earnings per share attributable to the equity holders of the parent is based on the profit attributable to the equity holders of the parent for the period of HK$33,611,000 (six months ended 30.6.2004: HK$17,275,000) and on 445,500,000 ordinary shares (six months ended 30.6.2004: 445,500,000 ordinary shares) in issue during the period.

INTERIM DIVIDEND

Interim dividend of 10.0 HK cent per share (2004: 10.0 HK cent per share) has been declared payable on or before 20th October, 2005 to shareholders whose names appear on the register of members of the Company on 13th October, 2005. The register of members of the Company will be closed from 10th October, 2005 to 13th October, 2005, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the interim dividend, all transfer accompanied by the relevant share certificates must be lodged with the Company's share register, Standard Registers Limited, G/F., Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not later than 4:00 p.m. on 7th October, 2005.

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATION REVIEW

Trading Division

The principal trading activities of the Group and the contribution of each activity to the Group are summarized as below:

	Turnover Six months ended		**Segment Result Six months ended**	
	30.6.2005	30.6.2004	**30.6.2005**	30.6.2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Electroplating Materials and Chemicals	**840,331**	782,969	**17,073**	17,195
Paint and Coating Chemicals	**63,440**	53,716	**3,242**	2,768
Stainless Steel	**29,487**	23,842	**4,530**	4,173
Total	**933,258**	860,527	**24,845**	24,136

Electroplating Materials and Chemicals

Sales performance remained strong in the first six months of 2005 mainly because of robust metal prices. In geographical points of view, sales in Indonesian and Malaysian region picked up quickly due to strong economic improvement but sales in Korea and Singapore fell drastically as electronic industries were in cyclical down turning. China continued to be major engine driver in this region as most of our products' end-users were located in China, despite the fact that many Chinese factories were suffering from shortage in electricity, skilled labor and some even clear water. Such trend is continuing in the third quarter of 2005.

Profits generated from precious metal and chemical business was disappointing in the first half year of 2005 partly because of intense competition from Chinese producers and partly because of slow demand from end-users such as electronic industries, watches industries, consumer accessories industries, etc. Robust in nickel price, which was mainly supported by global deficits, prompted total sales amount jumped by 14.1% in the first 6 months of 2005 compared with the same period last year, although total sales in quantities remained fairly stable. Trading profit margin of nickel metal was somewhat stable even though the Chinese market started de-stocking after the Chinese New Year due to reducing demand from stainless steel industry. Printed circuit board industry was suffering from cyclical slowdown in electronic industries and trading margin was further squeezed during the period under review. Recurring record-high copper prices also fenced off companies to stock up inventories in their warehouses.

Paint and Coating Chemicals
Sales performance for the first six months of 2005 grew by 18.1% mainly contributed by the rise in overall product prices. Amid expanded production from Chinese competitors and shrinking demand in China local market, sales of several major products were severely affected. The rise in oil price also prevented key suppliers from delivering adequate stocks to China market. As global market price started to fall at the end of second quarter, supply tightness was eased. Adequate stock is expected to be delivered in the third quarter. Overall profit margin held firm as we shifted our target sales into high-quality paints producers and secured supply channel into foreign-owned chemical companies.

Stainless Steel
Global stainless steel prices reported record high during the first half year of 2005 due to the substantial rise in market prices of raw materials and strong demand in global market. However, additional purchase costs prompted the management to reduce the order volume during the period under review, although the inventory level as at 30th June, 2005 (HK$13.8 million) was reported slightly higher than that as at 31st December, 2004 (HK$13.4 million).

Sales and gross profit performance also rose by 23.7% and 7.5% respectively for the six months of 2005 over that of the same period last year, mainly benefited from the rise in metal price. Profit margin was trimmed as many factories were unable to afford the rise in metal price at the same pace.

Property Investment Division
Total rental income rose by 10.0% to HK$7.7 million in the first six months of 2005 when compared with HK$7.0 million in the same period of 2004. During the period under review, we have sold 4 residential flats in Haihua Garden at an average selling price of RMB14,501.70 per square meter. Gain in properties sales was recorded at HK$1.3 million before tax.

Total average occupancy rate for Hong Kong office during the period under review was 87.2% when compared with 96.7% for the first six months of 2004. Although upswing economic improvement in Hong Kong generated upward rental market price on Grade A office building, ample supply in second-tier office buildings continued to exert pressure on rental level and demand interests. Such trend is expected to be continued in the second half year of 2005.

Average occupancy rate of Shanghai office during the first six months of 2005 was 99.8% when compared with 91.1% during the same period last year. Strong rental demand of Grade A offices continued due to limited supply as persistent new corporate formation and expansion activities took up all new supply of prime office spaces. Rental level of the renewed tenancies in 2005 also jumped about 32 to 35% over the previous tenancies. Total rental income of Shanghai offices in the first half year of 2005 rose by 18.3% over that of the first half year of 2004.

Average occupancy rate of Shanghai residential properties for the first six months of 2005 was 85.6% when compared with 95.8% for the first six months of 2004. The fall in occupancy rate in the first half year of 2005 was because the availability of residential rental properties increased significantly during the period. Although the government adopted severe measures to cool down the residential property market, such trend did not cease and there were still plenty of supply in rental residential properties. Under keen competition, our rental level was forced to cut down by 6 to 15% to attract potential tenants.

Securities Investment Division
Following the adoption of new HKFRSs, the Group's securities portfolio was reclassified and fair-valued as at the 30th June, 2005.

During the first half year of 2005, we saw the global markets were in a mix of uncertainty on global recovery, post-bubble hangover and risk aversion. Notwithstanding higher oil prices and successive interest rate hike by U.S. Federal Reserve policymakers, US interest rate in long term was marked at relative low level. Companies remained cautious and preferred to save rather than spend.

Compared with 2004, market volatilities were reduced greatly. With the expectation of aggressive interest rate hike, we gradually restructured our securities portfolio and shifted part of bond or bond-related funds to equities-related funds or managed hedge funds. During the period under review, the Group purchased HK$23.0 million of securities and disposed HK$6.2 million. As at 30th June, 2005, we recorded an unrealized loss of HK$2.2 million and a small realized gain of HK$12K. As many corporations preferred to increase their dividend payout during the period, our dividend income rose to HK$1.5 million when compared with HK$0.5 million for the same period last year. Interest income was reported at HK$1.2 million for the first six months of 2005.

In the following months of 2005, we will continue to re-construct our strategic asset allocation and risk distribution. Global markets are still full of uncertainties and we will keep cautious on market directions.

FINANCIAL RESOURCES AND LIQUIDITY

For the period ended 30th June, 2005, cash inflow of HK$29.3 million from operation when compared with cash outflow of HK$31.1 million was reported due to reduced inventory level and rise in investment held for trading. Equity attributable to equity holders of the parent company dropped by 1.0% to HK$604.3 million as the Group has distributed interim and final dividends totalling HK$89.1 million for the fiscal year of 2004. Return on equity ratio for the first six months ended 30th June, 2005 was 5.56% when compared with 2.83% for the same period ended 30th June, 2004.

Capital expenditure was reported at HK$1.9 million for the first six months of 2005 (first six months of 2004: HK$1.3 million) mainly in respect of replacement of computers and computer-related system. Working capital as at 30th June, 2005 rose to HK$273.9 million when compared with HK$274.2 million as at 31st December, 2004. Inventory as at 30th June, 2005 was posted at HK$138.1 million, representing a decrease of HK$9.2 million when compared with HK$147.3 million as at 31st December, 2004. Limited supply from our core suppliers due to global deficits reduced part of shipment delivered to our Hong Kong warehouse at the end of the period under review. Trade debtor amounted to HK$156.9 million as at 30th June, 2005, rising by HK$28.1 million, mainly due to the rise in metal price mirroring to the rise in credit sales.

DEBT STRUCTURE

Total banking borrowing as at 30th June, 2005 was HK$271.8 million (as at 31st December, 2004: HK$302.1 million). As at 30th June, 2005, total banking facilities granted by the banks to the Group amounted HK$616.3 million. Average banking utilization rate accounted at 41.2% during the period under review. Debt to equities ratio, which was divided net borrowings by total equity, declined to 0.43 : 1 as at the period ended 30th June, 2005 when compared with 0.48 : 1 as at the year ended 31st December, 2005 because we used part of our internal funds to finance our inventory.

All borrowings bear interests on floating rates and matured within one year. They are all in form of Money Market bank loans and Trust Receipt for the period under review. Average lending tenor for Trust Receipt in financing trading facilities was about 56 days for the first six months of 2005, two days longer when compared with 54 days for the first six months of 2004. Money-Market bank loans is either used to finance additional safety stocks held or to financed assets purchased in the same foreign currencies.

FOREIGN CURRENCY RISK

During the first six months ended 30th June, 2005, the Group's transactions were conducted in Hong Kong Dollars, United States Dollars, Japanese Yen, Euro, British Sterling, Renminbi, Australian Dollars, Singapore Dollars and New Taiwanese Dollars. The Group used forward exchange contracts to hedge its foreign currency exposure in trading activities when considered appropriate. There was no forward foreign contract outstanding as at 30th June 2005. Short-term borrowings denominated in foreign currencies other than United States Dollars were used to finance assets purchased in the same currencies.

PROSPECTS

Amid tightness in global supply on various metals and raw materials, overall metals and chemicals market prices is expected to buoy at a high level in the second half year of 2005. However, market demand growth is filled with uncertainties accompanied with factors like surging oil price, power shortage in Mainland China, continuous increase in borrowing rates, etc. Most factories are still unable to pass full rising costs of raw materials to their customers. Cautious monitoring on inventory level and purchases strategies stays put our prime objectivity in trading operation. Rental market in Shanghai offices remains strong in the third quarter. The Group's securities portfolio is ongoing restructuring in the third quarter to cope with changes in global financial markets. In the following half year of 2005 and days afterwards, we will keep focus on managing risks in dealing with such challenging environment and seek for better return for the Group's shareholders.

AUDIT COMMITTEE

Up to the date of this interim report date, the Group's audit committee has met three times to review audit findings, accounting principles and practices adopted by the Group, and to discuss internal and external risk control area before submission of the management and financial reports to the Board of Directors for approval. The external auditors together with the Group's managing director, finance director and assistant financial controller have attended all meetings.

PURCHASE, SALE AND REDEMPTION OF SHARES

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

CORPORATE GOVERNANCE

The Rules Governing the Listing of Securities ("the Listing Rules") on The Stock Exchange of Hong Kong Limited ("The Stock Exchange") require the Board to disclose the deviations from the Code Provisions set out in the Code on Corporate Governance Practices ("the CGP Code") contained in Appendix 14 throughout the accounting period covered by the interim report. Save for the limited exceptions outlined below, the Company has complied throughout the accounting period ended 30th June, 2005 with the CGP Code.

The deviations from the CGP Code were as follows:

A4.1 Certain non-executive directors of the Company are not appointed for a specific term but are subject to retirement by rotation and re-election at the Company's annual general meetings in accordance with the Company's Article of Association.

B1.4 The Company is still constructing a new website of the Group, on which it will include the Terms of Reference of the Remuneration Committee. The new website is expected to be completed by end of November. The Group will make available to any shareholder or interested individual a copy of such terms of reference on request.

C3.4 The Company is still constructing a new website of the Group, on which it will include the Terms of Reference of the Audit Committee. The new website is expected to be completed by end of November. The Group will make available to any shareholder or interested individual a copy of such terms of reference on request.

In accordance with the required standard set out in the Model Code for Securities Transaction by Directors of Listed Issuers ("the Model Code") contained in Appendix 10 of the Listing Rules, the Company has adopted codes of conduct relating to securities transactions by directors on terms no less exacting than the required standard set out in the Model Code. The Board also approved the adoption of a securities dealing policy setting out the Company's policy and rules governing the dealings in the securities of the Company by all employees of the Company and its subsidiaries and a confidentiality policy setting out the responsibilities of all employees of the Group in dealing with the Group's information that is considered to be confidential.

For the accounting period ended 30th June, 2005, all Directors have confirmed that they have complied with the required standard set out in the Model Code and the Company's codes of conduct regarding Directors' securities transactions.

PUBLICATION OF OTHER FINANCIAL INFORMATION

Other financial information containing all the information required by paragraphs 46(1) to 46(6) of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited will be published on The Stock Exchange of Hong Kong Limited website in due course.

As at the date hereof, the Board consists of the following persons:

Executive Directors:
Leung Shu Wing *(Chairman)*
Leung Miu King
Wong Chi Kin
Wong Choi Ying

Non-Executive Director:
Yuen Tin Fan, Francis

Independent Non-Executive Directors:
Wong Kong Chi
Lai Chung Wing, Robert
Chan Wing Lee

By order of the Board
Leung Shu Wing
Chairman

Hong Kong, 21st September, 2005

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