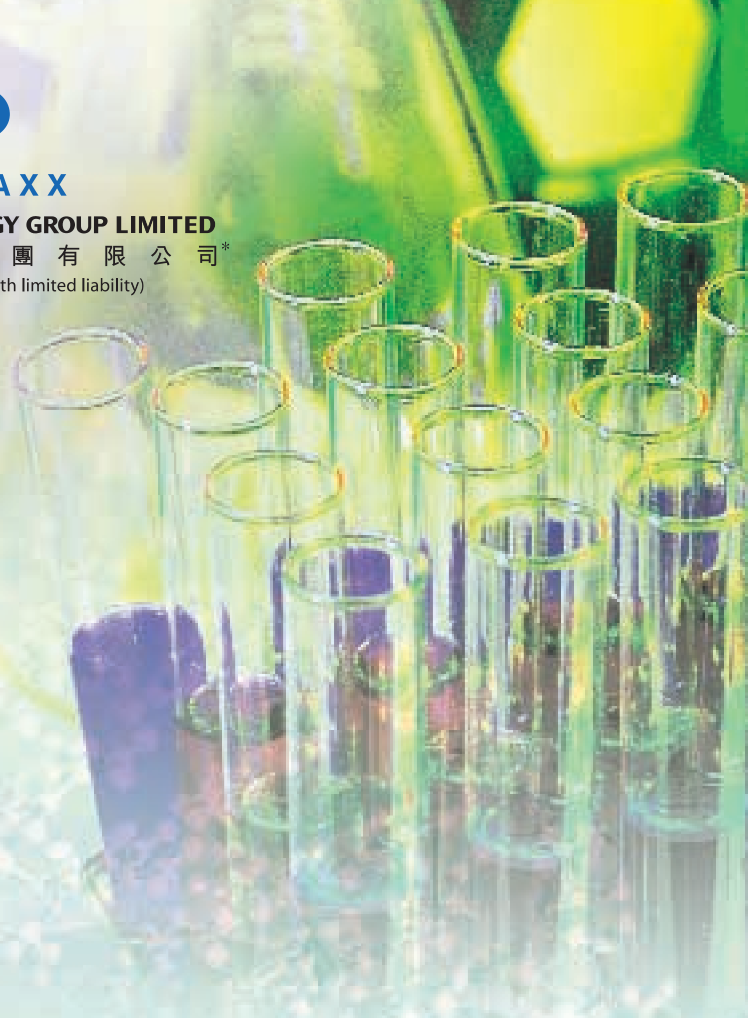
INNOMAXX BIOTECHNOLOGY GROUP LIMITED

創富生物科技集團有限公司*

(Incorporated in Bermuda with limited liability)



Interim Report 2005

∗ For identification purpose only

CORPORATE INFORMATION

DIRECTORS

Executive Directors

Zhou Yucheng *(Chairman)*
Cai Yuan
Luk Kin Peter Joseph
Qi Xianchao *(Chief Executive Officer)*

Independent Non-Executive Directors

Tang Tin Sek
Wang Yiming
Lee Kwan Hung

COMPANY SECRETARY

Pang Kwei Ping

REGISTERED OFFICE

Clarendon House
Church Street
Hamilton HM11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Suite 3206-3211, 32nd Floor
One International Finance Centre
1 Harbour View Street
Central
Hong Kong

AUDITORS

Deloitte Touche Tohmatsu
26/F., Wing On Centre
111 Connaught Road Central
Hong Kong

PRINCIPAL SHARE REGISTRARS

Butterfield Fund Services (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke
Bermuda

HONG KONG BRANCH SHARE REGISTRARS

Computershare Hong Kong Investor Services Limited
46th Floor, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

Bank of Communications, Hong Kong Branch
CITIC Ka Wah Bank Limited
Industrial and Commercial Bank of China (Asia) Limited
The Hongkong and Shanghai Banking Corporation Limited

STOCK CODE

00340

INTERIM RESULTS

The Board of Directors (the "Board") of INNOMAXX Biotechnology Group Limited (the "Company") submits the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2005, with the comparative figures in 2004, as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2005

		Six months ended 30 June	
		2005	2004
		(Unaudited)	(Unaudited)
	Notes	**HK$'000**	HK$'000
Turnover	3	**154,288**	41,682
Cost of sales		**(139,358)**	(33,282)
Gross profit		**14,930**	8,400
Other operating income		**397**	95
Administrative expenses		**(20,241)**	(19,291)
Unrealised loss on financial assets at fair value through profit or loss		**(526)**	–
Finance costs	4	**(736)**	(1,328)
Share of results of associates		**1,373**	(382)
Impairment loss recognised in respect of goodwill arising on acquisition of an associate		**(1,373)**	–
Loss before taxation	5	**(6,176)**	(12,506)
Taxation	6	**(290)**	(234)
Net loss for the period		**(6,466)**	(12,740)
		HK cents	HK cents
Loss per share	7	**(0.26)**	(0.61)

CONDENSED CONSOLIDATED BALANCE SHEET

AS AT 30 JUNE 2005

	Notes	**30 June 2005 (Unaudited) HK$'000**	31 December 2004 (Audited) HK$'000
Non-current assets			
Property, plant and equipment	8	**4,021**	4,622
Investment properties		**155,800**	155,800
Goodwill		**17,726**	17,726
Interest in associates	9	**–**	155,660
		177,547	333,808
Current assets			
Inventories		**1,833**	362
Trade and other receivables	10	**41,403**	64,450
Available-for-sale financial asset	11	**155,660**	–
Financial assets at fair value through profit or loss		**15,116**	–
Investments in securities		**–**	7,639
Pledged bank deposits		**37,034**	10,342
Pledged deposits in financial institutions		**–**	6,208
Bank balances and cash		**57,039**	61,416
		308,085	150,417
Current liabilities			
Trade and other payables	12	**59,735**	49,697
Amount due to a related company		**108,962**	108,962
Taxation payable		**90**	90
Secured bank borrowings – amount due within one year	13	**4,000**	4,000
Obligation under finance leases – due within one year		**171**	249
		172,958	162,998

	Notes	30 June 2005 (Unaudited) HK$'000	31 December 2004 (Audited) HK$'000
Net current assets (liabilities)		**135,127**	(12,581)
Total assets less current liabilities		**312,674**	321,227
Non-current liabilities			
Secured bank borrowings			
– amount due after one year	13	**30,910**	32,910
Obligation under finance leases			
– due after one year		**30**	117
Deferred taxation		**7,946**	7,946
		38,886	40,973
Net assets		**273,788**	280,254
Capital and reserves			
Share capital		**246,481**	246,481
Reserves		**27,307**	33,773
Shareholder's fund		**273,788**	280,254

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2005

	Share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2004	210,451	177,165	152,150	(209,341)	330,425
Exercise of share options	30	14	–	–	44
Loss for the period	–	–	–	(12,740)	(12,740)
At 30 June 2004	210,481	177,179	152,150	(222,081)	317,729
At 1 January 2005	246,481	177,179	152,150	(295,556)	280,254
Loss for the period	–	–	–	(6,466)	(6,466)
At 30 June 2005	246,481	177,179	152,150	(302,022)	273,788

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2005

	Six months ended 30 June	
	2005	2004
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Net cash generated from operating activities	**18,892**	13,142
Net cash used in investing activities:		
Dividend received	**31**	–
Interest received	**361**	33
Purchase of property, plant and equipment	**(276)**	(931)
Increase in pledged bank deposits	**(26,692)**	–
Decrease in pledged deposits in financial institutions	**6,208**	–
Proceeds from disposal of property, plant and equipment	**–**	227
	(20,368)	(671)
Net cash used in financing activities:		
Interest paid	**(736)**	(1,328)
Net proceeds from issue of new shares	**–**	44
Repayment of bank borrowings	**(2,000)**	(2,000)
Repayment of obligation under finance leases	**(165)**	(160)
	(2,901)	(3,444)
Net (decrease) increase in cash and cash equivalents	**(4,377)**	9,027
Cash and cash equivalents at 1 January	**61,416**	104,010
Cash and cash equivalents at 30 June	**57,039**	113,037

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2005

1. 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 (the "Listing Rules") and with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

2. PRINCIPAL ACCOUNTING POLICIES

The condensed financial statements have been prepared on the historical cost basis, as modified by certain financial assets and liabilities which are measured at fair values.

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 31 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"), HKASs and Interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the HKICPA that are effective for accounting periods beginning on or after 1 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 share of tax of associates has 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 Combinations

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 1 January 2005. The principal effects of the application of HKFRS 3 to the Group are summarized below:

Goodwill

In previous period, goodwill arising on acquisitions was capitalized and amortized over its estimated useful life. The Group has applied the relevant transitional provisions in HKFRS 3. With respect to goodwill previously capitalized on the consolidated balance sheet, the Group has discontinued amortizing such goodwill from 1 January 2005 onwards and goodwill will be tested for impairment at least annually. Goodwill arising on acquisitions on or after 1 January 2005 is measured at cost less accumulated impairment losses (if any) after initial recognition. As a result of this change in accounting policy, no amortization of goodwill has been charged in the current period. Comparative figures for 2004 have not been restated.

Share-based Payment

In the current period, the Group has applied HKFRS 2 "Share-based Payment" which requires an expense to be recognized where the Group buys goods or obtains services in exchange for shares or rights over shares ("equity-settled transactions"), or in exchange for other assets equivalent in value to a given number of shares or rights over shares ("cash-settled transactions"). The principal impact of HKFRS 2 on the Group is in relation to the expensing of the fair value of directors' and employees' share options ("Employee Share Options") of the Company determined at the date of grant of the share options over the vesting period. Prior to the application of HKFRS 2, the Group did not recognize the financial effect of Employee Share Options until they were exercised. In relation to Employee Share Options granted before 1 January 2005, the Group has not applied HKFRS 2 to Employee Share Options granted on or before 7 November 2002 and Employee Share Options that were granted after 7 November 2002 but which had vested before 1 January 2005 in accordance with the relevant transitional provisions. No share option has been granted during the current period. Accordingly, the adoption of HKFRS 2 has had no effect on the results for the current and prior accounting periods.

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. HKAS 39, which is effective for annual periods beginning on or after 1 January 2005, generally does not permit to recognize, derecognize or measure financial assets and liabilities on a retrospective basis. The principal effects resulting from the implementation of HKAS 32 and HKAS 39 are summarized below:

Convertible bonds

HKAS 32 requires an issuer of a compound financial instrument (that contains both financial liability and equity components) to separate the compound financial instrument into its liability and equity components on its initial recognition and to account for these components separately. In subsequent periods, the liability component is carried at amortized cost using the effective interest method. The Group has applied HKAS 32 on the convertible bond issued by the Company in the prior period. The adoption of HKAS 32 has had no material effect on the result for the prior period. Accordingly, no prior period adjustment has been made.

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.

From 1 January 2005 onwards, the Group classifies and measures its financial assets and financial liabilities in accordance with the requirements of HKAS 39. 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 under HKAS 39 are 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 amortized cost using the effective interest method. As a result of the adoption of HKAS 39, the Group has redesignated "investments in securities" recorded on the consolidated balance sheet at 31 December 2004 amounting to HK$7,639,000 as "financial assets at fair value through profit or loss".

Investment Properties

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 recognized directly in the profit or loss for the period in which they arise. In previous periods, investment properties under the predecessor 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 1 January 2005. Because the Group did not have any investment property revaluation reserve at 1 January 2005, the adoption of HKAS did not result in any transfer between the reserve accounts.

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 consequences 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 is 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 properties 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. The adoption of HKAS Interpretation 21 has had no material effect on the results for the current or prior accounting period. Accordingly no prior period adjustment has been made.

3. SEGMENT INFORMATION

Business Segments

For the six months ended 30 June 2005

	Property investment HK$'000	Processing and storage of cord blood HK$'000	Trading of pharmaceutical ingredients and chemicals HK$'000	Investments in securities HK$'000	Total HK$'000
Turnover	**4,364**	**7,401**	**128,262**	**14,261**	**154,288**
Results	**2,373**	**1,113**	**278**	**(158)**	**3,606**
Finance costs					**(736)**
Share of results of associates					**1,373**
Impairment loss recognised in respect of goodwill arising on acquisition of an associate					**(1,373)**
Unallocated corporate expenses					**(9,046)**
Loss before taxation					**(6,176)**
Taxation					**(290)**
Net loss for the period					**(6,466)**

For the six months ended 30 June 2004

	Property investment HK$'000	Processing and storage of cord blood HK$'000	Trading of pharmaceutical ingredients and chemicals HK$'000	Investments in securities HK$'000	Total HK$'000
Turnover	4,476	5,132	658	31,416	41,682
Results	2,649	(1,164)	65	(192)	1,358
Finance costs					(1,328)
Share of results of associates					(382)
Unallocated corporate expenses					(12,154)
Loss before taxation					(12,506)
Taxation					(234)
Net loss for the period					(12,740)

4. FINANCE COSTS

	Six months ended 30 June 2005 HK$'000	2004 HK$'000
Interest on:		
Bank borrowings and overdrafts wholly repayable within five years	**722**	588
Convertible bond	**–**	720
Finance leases	**14**	20
	736	1,328

5. LOSS BEFORE TAXATION

	Six months ended 30 June 2005 HK$'000	2004 HK$'000
Loss before taxation has been arrived at after charging:		
Depreciation of property, plant and equipment	**877**	808
Amortization of goodwill	**–**	1,457
Loss on disposal of property, plant and equipment	**–**	97
Operating lease rentals in respect of land and buildings	**1,372**	1,326
Realised loss on sale of investments in securities	**–**	192
Unrealised loss on financial assets at fair value through profit or loss	**526**	–
and after crediting:		
Gross rental income	**4,364**	4,476
Less: Outgoings	**(1,568)**	(1,575)
	2,796	2,901
Realised gain on financial assets at fair value through profit or loss	**345**	–

6. TAXATION

	Six months ended 30 June 2005 HK$'000	2004 HK$'000
PRC Enterprise Income Tax	**290**	234

No provision for Hong Kong Profits Tax has been made as the Group had no assessable profit for the period. (2004: nil).

The provision for PRC Enterprise Income Tax is based on the estimated taxable income for PRC taxation purposes at the rate of taxation applicable to each of the periods.

7. LOSS PER SHARE

The calculation of loss per share is based on the net loss for the period of HK$6,466,000 (2004: HK$12,740,000) and the weighted average number of 2,464,812,853 shares (2004: 2,104,781,534 shares) in issue during the period.

The computation of the diluted loss per share for 2004 did not assume the conversion of the convertible bond since its exercise would result in a decrease in the loss per share from continuing ordinary operations.

The effect of share options is excluded from the calculation of the diluted loss per share since their exercise would result in a decrease in the loss per share from continuing ordinary operations.

8. ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately HK$276,000 (2004: HK$931,000) on acquisition of property, plant and equipment.

9. INTEREST IN ASSOCIATES

	30 June 2005 HK$'000
At 1 January 2005	**155,660**
Share of profit	**1,373**
Impairment losses recognized	**(1,373)**
Transfer to available-for-sale financial asset	**(155,660)**
At 30 June 2005	**–**

On 1 April 2005, the Group entered into a rescission agreement ("Rescission Agreement") with China Worldbest Life Industries Company Limited ("CWGC Life") to rescind the conditional agreement (the "Agreement") in acquiring 30% equity interest in Shanghai Worldbest Treeful Pharmaceuticals (Group) Company Limited ("SW Treeful"). Pursuant to the Rescission Agreement, the Group will sign the necessary documents to transfer the 30% equity interest in SW Treeful back to CWGC Life and within 10 working days after the completion of such transfer, CWGC Life shall return RMB49.5 million, being the first instalment previously paid to CWGC Life under the Agreement to the Group. The Group ceased to exercise influence over the management of SW Treeful. As a result, an impairment loss of HK$1,373,000 in respect of the goodwill arising on the acquisition has been recognized during the period and the carrying amount of the investment has been transferred to available-for-sale financial asset under current assets.

On 13 July 2005, Shanghai Foreign Investment Commission approved the Rescission Agreement. The Rescission Agreement will be completed when all the necessary statutory approvals and registration procedures in the Mainland, including registration at Shanghai Administration of Industry and Commerce are properly obtained and completed.

10. TRADE AND OTHER RECEIVABLES

	30 June 2005 HK$'000	31 December 2004 HK$'000
Trade debtors	**38,148**	61,269
Other debtors	**352**	1,191
Deposits and prepayments	**2,903**	1,990
	41,403	64,450

At the balance sheet date, trade debtors included a receivable from Guangdong International Building Enterprises Company Limited, a former fellow subsidiary, amounting to approximately HK$31,301,000 (31 December 2004: HK$31,608,000). This receivable represented rental income generated from the investment properties to the Group after netting off the relevant property management fees payable for the properties.

Rental income from tenants is due and payable in advance.

The Group allows credit periods normally ranging from 30 days to 60 days to its trade customers other than from its tenants.

The following is an aged analysis of the remaining trade debtors at the balance sheet date:

	30 June 2005 HK$'000	31 December 2004 HK$'000
0 to 30 days	**1,580**	5,051
31 to 60 days	**1,959**	23,217
61 to 90 days	**526**	625
Over 90 days	**2,782**	768
	6,847	29,661

11. AVAILABLE-FOR-SALE FINANCIAL ASSET

Available-for-sale financial asset represented the Group's 30% equity interest in SW Treeful. The detail is set out in Note 9.

12. TRADE AND OTHER PAYABLES

An aged analysis of trade payables is as follows:

	30 June 2005 HK$'000	31 December 2004 HK$'000
0 to 30 days	**524**	25,909
61 days to 90 days	**32,846**	–
Over 90 days	**5**	1
	33,375	25,910
Other payables	**321**	156
Deferred income	**16,733**	12,415
Accrued charges	**9,306**	11,216
	59,735	49,697

13. SECURED BANK BORROWINGS

During the period, the Group repaid bank borrowings of HK$2,000,000.

14. PLEDGED OF ASSETS

At the balance sheet date, the Group has pledged the following assets to banks and financial institutions to secure the credit facilities granted to the Group:

	30 June 2005 HK$'000	31 December 2004 HK$'000
Financial assets at fair value through profit or loss/investments in securities	**15,116**	7,639
Investment properties	**155,800**	155,800
Bank deposits	**37,034**	10,342
Deposits	**–**	6,208
Trade receivables	**31,370**	31,725

15. CONTINGENT LIABILITIES

At the balance sheet date, the Group did not have any material contingent liabilities.

INTERIM DIVIDEND

The Board has decided not to declare any interim dividend for the six months ended 30 June 2005 (2004: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Review

The Group reported a consolidated turnover of HK$154,288,000 (2004: HK$41,682,000) for the six months ended 30 June 2005, an increase of 2.7 times as compared with the corresponding period last year. The increase in turnover was mainly attributable to the significant increase of income from umbilical cord blood storage business and the trading of pharmaceutical ingredients and chemicals. The Group's loss attributable to shareholders was HK$6,466,000 for the period, compared with HK$12,740,000 for the same period in 2004.

Umbilical Cord Blood Storage

For the first half of 2005, the income from umbilical cord blood storage services amounted to HK$7,401,000 (2004: HK$5,132,000), with a significant increase of 44% over the same period last year. The satisfactory result was mainly due to our continuous enhancement in sales and marketing effort during the period. With the increase of promotional activities and successful introduction of the services into Macau, currently we have a total of around 4,200 clients.

Investment

The Group has been holding an investment property, being Level 2, GITIC Plaza, 339 Huanshi Road East, Guangzhou, Guangdong Province, PRC (the "GITIC Plaza"), since 3 March 1997 under medium term lease. The value of GITIC Plaza was stated as approximately HK$155,800,000 at a professional valuation made by Savills (Hong Kong) Limited, an independent valuer, on 31 December 2004 on an open market basis.

During the period, the rental income generated from GITIC Plaza and the occupation rate remained satisfactory, a total income of HK$4,364,000 was recorded for the period (2004: HK$4,476,000).

The Group has adopted all relevant new HKFRS during the period. As there is no specific requirement in the new HKFRS to revalue the properties by an independent professional valuer at the end of the interim period, no revaluation has been conducted accordingly. However, in the opinion of the Directors, the aggregate carrying value of the Group's investment properties as at 30 June 2005 did not materially differ from their fair values.

In addition, the Group continued to invest in some listed securities during the period and has realised a profit of HK$345,000 (2004: loss of HK$192,000) for the period ended 30 June 2005.

International Trade
The Group commenced trading of pharmaceutical ingredients and chemicals in 2004 and achieved a turnover of HK$128,262,000 for the period ended 30 June 2005, representing an increase of 194 times over the same period last year (2004: HK$658,000).

Shanghai Worldbest Treeful Pharmaceuticals (Group) Company Limited
As disclosed in the announcement of the Company made on 1 April 2005, Offspring Investments Limited ("Offspring"), a wholly-owned subsidiary of the Company, entered into a rescission agreement (the "Rescission Agreement") with China Worldbest Life Industries Company Limited ("CWGC Life") to rescind the conditional agreement (the "Agreement") to acquire 30% equity interest (the "Acquisition") in Shanghai Worldbest Treeful Pharmaceuticals (Group) Company Limited ("SW Treeful"). Pursuant to the Rescission Agreement, Offspring shall sign the necessary documents to transfer the 30% equity interest in SW Treeful back to CWGC Life and within 10 working days after the completion of such transfer, CWGC Life shall return RMB49.5 million, being the first instalment previously paid to CWGC Life under the Agreement, to Offspring. On 13 July 2005, Shanghai Foreign Investment Commission approved the Rescission Agreement. The Rescission Agreement will be completed when all the necessary statutory approvals and registration procedures in the Mainland, including registration at Shanghai Administration of Industry and Commerce are properly obtained and completed.

The Group ceased to exercise influence over the management of SW Treeful during the period. As a result, an impairment loss of HK$1,373,000 in respect of the goodwill arising on the acquisition has been recognized during the period and the carrying amount of the investment has been transferred to available-for-sale financial asset under current assets.

Prospect

The Group will continue to strengthen its promotional and advertising activities in umbilical cord blood storage services, including the use of mass media, so as to maintain a satisfactory growth rate for the business.

The Group entered into an agreement with Bank of China in September 2005 in respect of the leasing of about 1,248 square meters of GITIC Plaza to Bank of China for a period of eight years. The Group will keep on actively looking for other potential tenants for the remaining vacant floor area of GITIC Plaza.

With the recent changes of substantial shareholders and directors, the Group is reviewing its business strategies and looking for new investment opportunities. The Group will continue to strive for improvement in operation efficiency and earning capacity of the existing business whilst at the same time to pursue investment opportunities that can maximize returns to our shareholders.

Liquidity, Financial Resources and Capital Structure

As at 30 June 2005, the Group had total assets and net assets amounted to HK$485,632,000 (31 December 2004: HK$484,225,000) and HK$273,788,000 (31 December 2004: HK$280,254,000) respectively. The current ratio was improved at 1.78, as compared to 0.92 as of last year end. The Group had bank balances and cash, pledged deposits and financial assets at fair value through profit or loss amounted to HK$109,189,000 (31 December 2004: HK$85,605,000), of which all of them were denominated in Hong Kong dollars. The Group had total borrowings of HK$35,111,000 which represented a decrease of 6% over that of last year end. The gearing ratio, as a ratio of total borrowings to shareholders' fund was 12.8% (31 December 2004: 13.3%). As most of the Group's assets and liabilities are denominated in Hong Kong dollars, the Group does not expect significant exposure to foreign exchange fluctuation.

Charges on Assets

At the balance sheet date, the Group had pledged the investment properties, the receivable in amount of approximately HK$31,370,000 (31 December 2004: HK$31,725,000) from Guangdong International Building Enterprises Company Limited and certain unlisted securities for secured bank loan, which was denominated in Hong Kong dollars and carried interest rate at 2.65% above HIBOR, amounted to HK$34,910,000 (31 December 2004: HK$36,910,000). The Group had also pledged the deposits and financial assets at fair value through profit or loss, amounted to HK$52,150,000 (31 December 2004: HK$24,189,000) to bank and financial institutions in securing the credit facilities granted to the Group. The increase was mainly due to the additional credit facilities granted for the trading business.

Contingent Liabilities

The Group did not have any material contingent liabilities as at 30 June 2005.

Material Acquisitions and Disposals of Subsidiaries and Associated Companies

Save for the execution of the Rescission Agreement mentioned above, there were no material acquisitions or disposals of subsidiaries and associated companies during the period.

Human Resources

As at 30 June 2005, the Group had 30 and 4 employees in Hong Kong and the Mainland respectively. Employees are remunerated at a competitive level and are rewarded according to their performance. Our Group's remuneration packages include medical scheme, group insurance, mandatory provident fund and performance bonus.

According to the share option scheme adopted by the Company on 26 June 2002, share options may be granted to Directors and employees of the Group to subscribe for shares in the Company in accordance with the terms and conditions stipulated therein.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

At 30 June 2005, the interests of the directors and chief executive in the shares, underlying shares and debentures 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 pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

Interest in ordinary shares of the Company (long position):

Name of director	Capacity	Number of shares	Approximate percentage of issued share capital
Mr. Tang Tin Sek	Beneficial owner	300,000	0.01%

Other than as disclosed above, none of the directors, chief executive 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 as at 30 June 2005.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than as disclosed in "SHARE OPTION SCHEMES" below, 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 to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DISCLOSEABLE INTERESTS AND SHORT POSITIONS OF PERSONS OTHER THAN DIRECTORS AND CHIEF EXECUTIVE

As at 30 June 2005, the register required to be kept under Section 336 of the SFO showed that the following persons and their associates had notified the Company of their relevant interests in the issued share capital of the Company:

Interest in ordinary shares of the Company (long position):

Name	**Capacity**	**Number of shares**	**Approximate percentage of issued share capital**
Feren Investments Group Limited ("Feren Investments") (Note 1)	Corporate interest	500,000,000	20.29%
Carol Lee (Note 1)	Interest in controlled corporation	500,000,000	20.29%
Equity Valley Investments Limited	Corporate interest	346,584,000	14.06%
China Worldbest Group (Hong Kong) Company Limited ("China Worldbest HK") (Note 2)	Corporate interest	140,000,000	5.68%
China Worldbest Group Company Limited ("China Worldbest") (Note 2)	Interest in controlled corporation	140,000,000	5.68%

Notes:

1. Carol Lee is the ultimate beneficial owner of Feren Investments. Under Part XV of the SFO, Carol Lee is deemed to have interest in the shares of the Company held by Feren Investments.

2. China Worldbest HK is wholly beneficially owned by China Worldbest. Under Part XV of the SFO, China Worldbest is deemed to have interest in the shares of the Company held by China Worldbest HK.

Save as disclosed above, as at 30 June 2005, no other party had any interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

SHARE OPTION SCHEMES

Pursuant to ordinary resolutions of the shareholders of the Company passed on 11 March 1997 and 26 June 2002, the Company adopted an old share option scheme (the "Old Share Option Scheme") and a new share option scheme (the "New Share Option Scheme") respectively. The Old Share Option Scheme was terminated on 26 June 2002 such that no further options shall be offered under the Old Share Option Scheme but the options granted shall continue to be valid and exercisable in accordance with their terms of issue and in all other respects its provisions shall remain in full force and effect.

No new option has been granted by the Company under the New Share Option Scheme for the period ended 30 June 2005. Particulars of outstanding options at the beginning and at the end of the financial period are as follows:

					Number of share options		
Participant	**Date granted**	**Period during which options are exercisable**	**Consideration paid for the options granted** HK$	**Exercise price per share** HK$	**Outstanding as at 1 January 2005**	**Lapsed during the period**	**Outstanding as at 30 June 2005**
Director:							
Tong Nai Kan (resigned on 14 May 2004)	29 August 2001	1 March 2002 to 28 February 2005	1.00	0.145	17,500,000	17,500,000	–

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

The Company has not redeemed any of its securities during the period ended 30 June 2005. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's securities during the period.

COMPLIANCE WITH THE MODEL CODE OF THE LISTING RULES

For the six months ended 30 June 2005, the Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules. The Company has made specific enquiry of all directors regarding any non-compliance with the Model Code during the six months ended 30 June 2005, and they all confirmed that they had fully complied with the required standard set out in the Model Code.

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 30 June 2005 except the following:

(a) Under the Code Provision A.4.1, non-executive directors should be appointed for a specific term. The existing independent non-executive directors of the Company were not appointed for a specific term (except Mr. Lee Kwan Hung) but are subject to retirement by rotation in accordance with the Bye-laws of the Company. The Board will review the appointment terms of the independent non-executive directors.

(b) Under the Code Provision B.1.1, the Company should establish a remuneration committee. The Company has established a remuneration committee on 25 September 2005 with specific written terms of reference which deal clearly with its authority and duties.

AUDIT COMMITTEE

Ms. Julia Frances Charlton-Stevens resigned as an independent non-executive director of the Company and a member of the audit committee on 28 February 2005. On 31 May 2005, Mr. Lee Kwan Hung was appointed by the Board as an independent non-executive director of the Company and a member of the audit committee to fill the casual vacancy. For the period 28 February 2005 to 30 May 2005, the Company had only two independent non-executive directors and therefore could not strictly comply with Rules 3.10(1) and 3.21 of the Listing Rules.

As at the date of this report, the audit committee of the Company comprises Mr. Tang Tin Sek, Ms. Wang Yiming and Mr. Lee Kwan Hung, all of them are independent non-executive directors.

The unaudited consolidated financial statements of the Group for the six months ended 30 June 2005 have been reviewed by the audit committee.

APPRECIATION

On behalf of the Board, I would take this opportunity to express my appreciation to all the staff for their hard work and dedication over the period.

By Order of the Board
Qi Xianchao
Executive Director
and Chief Executive Officer

Hong Kong, 25 September 2005