SHANGHAI MERCHANTS HOLDINGS LIMITED
上 海 商 貿 控 股 有 限 公 司

(incorporated in Bermuda with limited liability)
(Stock Code: 1104)

ANNOUNCEMENT OF RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2003

The board of present directors (the "Directors") of Shanghai Merchants Holdings Limited (the "Company") announce that the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2003 together with comparative figures for the preceding period. These condensed interim financial statements have not been audited, but were reviewed by the Company's audit committee and auditors of the Company.

		Unaudited Six months ended 30 June	
		2003	2002
	Notes	***HK$'000***	*HK$'000*
Turnover	*4*	**62,198**	34,891
Cost of sales		**(69,626)**	(33,181)
Gross (loss) profit		**(7,428)**	1,710
Other operating income		**35**	3,122
Distribution costs		**(266)**	(104)
Administrative expenses		**(4,306)**	(6,022)
Other operating expenses		**(29,013)**	–
Loss from operations	*5*	**(40,978)**	(1,294)
Interest on bank borrowings wholly repayable within five years		**(118)**	(269)
Gain on disposal of subsidiaries		**–**	261
Loss before minority interests		**(41,096)**	(1,302)
Minority interests		**–**	98
Loss for the period		**(41,096)**	(1,204)
Loss per share	*7*	**(11.16) cents**	(0.56) cents

Notes:

1. DISCLAIMER OF LIABILITIES

In preparing this announcement and unaudited condensed consolidated financial statements for the six months ended 30 June 2003 in collaboration with the auditors, the Directors have taken all reasonable steps and used their best endeavours to ensure the sufficiency of disclosure regarding the same in accordance with the pertinent requirements of the Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Owing to the onset of receivership proceedings, the change in management and the continued investigations by the authorities into the affairs of the Company, all of which had precluded the full access of the books and records of the Group, this announcement has been prepared on the basis of the financial information prepared and the payment records for the relevant period maintained by the former receivers and managers of the Company (the "Receivers") who were appointed on 17 June 2003 and discharged on 2 July 2004. As such, the Directors are unable to give representation on the accuracy and completeness of the financial statements contained or whether the same are free from material misstatement. In particular, the Directors are unable to give representation all transactions affecting the Group for the six months ended 30 June 2003 have been included in the financial statements herein or such information presents a true and fair view of the Group's operations and the cash flows for the six months ended 30 June 2003 and financial position as at 30 June 2003.

For reasons of the foregoing and reasons stated in the notes to the interim financial statements, the Directors have at a meeting held on 16 August 2003 resolved to disclaim any and all liabilities in respect of the release of the financial results of the Group for the six months ended 30 June 2003.

Shareholders and other investors are hereby advised to exercise caution when considering the information contained herein and should ask independent professional advise if in doubt.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The condensed financial statements have been prepared in accordance with Statement of Standard Accounting Practice No. 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants and with the applicable disclosure requirements of Appendix 16 to the Listing Rules.

Following the assumption of powers to manage the affairs of the Company on 2 July 2004, the Directors have found that the Group's accounting records and supporting vouchers for the six months ended 30 June 2003 were incomplete. Accordingly, the interim financial report of the Group for the six months ended 30 June 2003 have been prepared on the following bases:

(A) Financial information provided by the Receivers

The interim financial statements have been prepared with reference to the management accounts prepared by the Receivers. The Receivers prepared the management accounts on the basis of the information available to them, i.e. unaudited management accounts of the Group as at 30 April 2003, vouchers prepared by the Group's former employees as well as the Group's books and records seized by Independent Commission Against Corruption on or about 1 June 2003 and subsequently made available to the Receivers. However, the Receivers were not in a position to verify the validity or authenticity of any of such information or records made available to them. In light of the above, the Receivers are unable to give representation that all transactions affecting the Group have been included in the management accounts and the management accounts present a true and fair view of the Group's financial position as of the date presented. The Receivers therefore disclaim all liabilities in respect of the management accounts of the Group and in relation to the affairs of the Group as of the date presented.

In addition, the Receivers had only limited access to the books and records of certain of the Company's subsidiaries, Park Well International Group Limited ("Park Well") and its subsidiaries (the "Park Well Group"). Accordingly, the management accounts of Park Well Group as at 31 March 2003 were used in the preparation of the Group's management accounts for the six months ended 30 June 2003 because Park Well Group's management accounts for the period from 1 April 2003 to 30 June 2003 were not available to the Receivers.

(B) The disclosure of litigation, related party transactions and post balance sheet events set out in the interim financial statements is based on press announcements and/or circulars made by the Company prior to the appointment of the Receivers and those made by the Receivers following their appointment.

(C) In the absence of complete books and records, the Directors are unable to quantify the effect and make appropriate disclosures in respect of deferred taxation in accordance with the requirements of Statement of Standard Accounting Practice No. 12 (Revised) "Income Taxes" issued by the Hong Kong Society of Accountants ("SSAP 12 (Revised")).

(D) Due to the limited access to the books and records of Park Well Group, the Directors are unable to quantify the depreciation and amortisation charge for Park Well Group's property, plant and equipment for the six months ended 30 June 2003 in accordance with the requirements of Statement of Standard Accounting Practice No. 17 "Property, Plant and Equipment" issued by the Hong Kong Society of Accountants ("SSAP 17").

(E) The comparative condensed consolidated income statement, the comparative condensed consolidated cash flow statement and the condensed consolidated statement of changes in equity for the six months ended 30 June 2002 disclosed in the interim financial report has not been reviewed in accordance with Statement of Auditing Standards 700 "Engagements to Review Interim Financial Reports" issued by the Hong Kong Society of Accountants and the comparative condensed consolidated balance sheet have been extracted from the financial statements for the year ended 31 December 2002. However, as disclosed in the Company's announcement dated 16 June 2003, the former executive directors of the Company indicated that (a) they required extra time to consider whether the recent events as defined in that announcement would affect the truth and fairness of the financial statements for the year ended 31 December 2002 and (b) until such time as the effect of the recent events on the financial statements for the year ended 31 December 2002 could be determined, reliance should not be placed on such financial statements or on the auditors' report thereon. In addition, the financial statements for the year ended 31 December 2002 have not been adopted by members in general meeting.

Against the above background, the Directors are unable to satisfy themselves as to whether the interim financial report is free from material misstatement.

3. PRINCIPAL ACCOUNTING POLICIES

The condensed financial statements have been prepared under the historical cost convention. The accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2002, except for the effect of the adoption of SSAP 12 (Revised) as described in the following paragraph.

In the current period, the Group has adopted SSAP 12 (Revised). The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions. In the absence of any specific transitional requirements in SSAP 12 (Revised), the new accounting policy has been applied retrospectively.

As explained in note 2(C), in light of the incomplete books and records maintained by the Group for the six months ended 30 June 2003, the Directors are unable to quantify the effect and make appropriate disclosures in respect of the adoption of SSAP 12 (Revised).

4. SEGMENTAL INFORMATION

For management purposes, the Group is currently organised into two operating divisions – trading in base metals and trading in fabric. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

Continuing operations:

Trading in base metals	–	trading in base metals
Trading in fabric	–	trading in fabric

Discontinued operations:

Fabric processing	–	processing of raw fabric and the sale of finished fabric
Snack food	–	manufacture and sale of potato chips.

Segment information about these businesses is presented below:

Six months ended 30 June 2003

	Continuing operations		Discontinued operations		
	Trading in base metals	**Trading in fabric**	**Fabric processing**	**Snack food**	**Consolidated**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
TURNOVER					
External sales	**53,827**	**8,371**	**–**	**–**	**62,198**
RESULTS					
Segment (loss) profit	**(7,509)**	**81**	**–**	**–**	**(7,428)**
Unallocated corporate expenses					**(33,550)**
Interest on bank borrowings wholly repayable within five years					**(118)**
Loss for the period					**(41,096)**

Six months ended 30 June 2002

	Continuing operations	Discontinued operations		
	Trading in base metals	Snack food	Trading in fabric and fabric processing	Consolidated
	HK$'000	*HK$'000*	*HK$'000* *(Note)*	*HK$'000*
TURNOVER				
External sales	3,824	349	30,718	34,891
RESULTS				
Segment profit (loss)	1,542	(506)	582	1,618
Unallocated corporate expenses				(2,912)
Interest on bank borrowings wholly repayable within five years				(269)
Gain on disposal of subsidiaries				261
Loss before minority interests				(1,302)

Note: As explained in note 2(A), in light of the incomplete books and records maintained by the Group, the Directors are unable to quantify the segment information under the headings of "Trading in fabric" and "Fabric processing" which fall within continuing operations and discontinued operations, respectively, of the Group for the six months ended 30 June 2002.

5. LOSS FROM OPERATIONS

	Six months ended 30 June 2003 HK$'000	2002 HK$'000
Loss from operations has been arrived at after charging:		
Depreciation and amortisation	**38**	2,568
Allowance for bad and doubtful debts	**29,013**	–

6. TAXATION

No provision for Hong Kong Profits Tax and the People's Republic of China's (the "PRC") enterprise income tax has been made in the financial statements as the Company's subsidiaries had no assessable profit for the period.

As explained in note 2(C), in light of the incomplete books and records maintained by the Group for the six months ended 30 June 2003, the Directors are unable to quantify the effect and make appropriate disclosures in respect of the adoption of SSAP 12 (Revised).

7. LOSS PER SHARE

The calculation of the basic loss per share is based on the loss for the period of HK$41,096,000 (2002: HK$1,204,000) and on a weighted average number of 368,110,497 (2002: 213,934,807) shares in issue during the period.

Diluted loss per share has not been presented as the share options outstanding during the period had an anti-dilutive effect on the basic loss per share for the period.

8. LITIGATION

As explained in note 2(A), in light of the incomplete books and records maintained by the Group for the six months ended 30 June 2003, the following information on the Group's litigation is prepared based on press announcements and/or circulars made by the Company prior to the appointment of the Receivers and those made by the Receivers following their appointment. The Directors make no representation as to the completeness of the information disclosed.

A sale and purchase agreement dated 12 April 2003 was entered into by the Company to dispose of the entire issued share capital of Park Well, a wholly owned subsidiary of the Company, to Show Goods Inc., a company incorporated in the British Virgin Islands, for a consideration of RMB15 million (the "Park Well Disposal Agreement"). Based on their own investigations, the Receivers are of the view that, despite the Park Well Disposal Agreement, the Company remains the beneficial owner of Park Well and therefore have taken steps to secure control over Park Well. Should Show Goods Inc. dispute the Receivers' view and actions, claims and losses to the Group may arise.

9. RELATED PARTY DISCLOSURES

As explained in note 2(A), in light of the incomplete books and records maintained by the Group for the six months ended 30 June 2003, the following information on the Group's related party transactions is prepared based on press announcements and/or circulars made by the Company prior to the appointment of the Receivers and those made by the Receivers following their appointment. The Directors make no representation as to the completeness of the information disclosed.

(a) Pursuant to a subscription agreement dated 6 March 2003, Angel Field Limited ("Angel Field"), the former substantial shareholder of the Company, subscribed for 125,000,000 shares of HK0.10 each in the Company at a price of HK$0.40 per share. These new shares were approved by the independent shareholders of the Company by way of an ordinary resolution passed on 2 April 2003 and rank *pari passu* with other shares in issue in all respects. The issued price of HK$0.40 represented approximately 3.2% to the average closing price of HK$0.3787 per share as quoted on the Stock Exchange for the last 10 trading days up to and including 6 March 2003.

(b) During the period, sums totaling approximately HK$69.9 million were remitted from the bank accounts of the Company and Merchants (Hong Kong) Limited ("Merchants HK") a wholly-owned subsidiary of the Company, to bank accounts maintained in the name of Great Center Limited ("Great Center") and Modern Shine Enterprises Limited ("Modern Shine"), companies incorporated in the British Virgin Islands. Of the amount, amounts totaling approximately HK$37 million were subsequently transferred by Great Center and Modern Shine to Win Victory Holdings Limited ("Win Victory"), a company incorporated in Hong Kong and Mr. Chau Ching Ngai and Ms. Mo Puk Ping are the registered shareholders of 49% and 51%, respectively, of the issued share capital of Win Victory.

10. POST BALANCE SHEET EVENTS

As explained in note 2(A), in light of the incomplete books and records maintained by the Group for the six months ended 30 June 2003, the following information on the Group's post balance sheet events took place subsequent to the interim reporting date is prepared based on press announcements and/or circulars made by the Company prior to the appointment of the Receivers and those made by the Receivers following their appointment. The present directors make no representation as to the completeness of the information disclosed.

(a) A meeting of the board of directors was held on 14 June 2003 and it was resolved that an application be made to the High Court of Hong Kong ("High Court") for the appointment of Receivers of the Company to take all proper actions to preserve the assets of the Company. The application was made on 17 June 2003 and the Receivers of the Company were appointed on the same date. The Receivers were subsequently discharged on 2 July 2004.

(b) Having obtained legal advice, the Receivers commenced legal proceedings on 2 July 2003 against Great Center for the repayment of two sums totaling US$4.5 million (or approximately HK$35.1 million), remitted on or about 21 May 2003 with no apparent justification, from the bank accounts of Merchants HK, to a bank account maintained in the name of Great Center, and interest thereon, damages and costs of the legal proceedings ("the Great Center Action"). In order to prevent the dissipation of Great Center's assets, an injunction order was applied for, and successfully obtained on 30 June 2003, from the High Court to restrict Great Center from, *inter alia*, disposing of or otherwise dealing with, or diminishing assets of Great Center up to the value of US$4.5 million (the "Injunction Order"). The relevant bank, the lawyers of Great Center and other relevant persons have been notified of the Injunction Order. The Injunction Order remained valid up to and including 11 July 2003 on which date the Injunction Order was continued until further order or final determination of the Great Center Action;

(c) The writ of summons issued on 2 July 2003 in relation to the claim against Great Center for the repayment of US$4.5 million was amended on 10 July 2003 (the "Amended Writ") to include the claims for (i) the repayment of HK$12.8 million remitted from the bank account of the Company to a bank account in the name of Great Center on or about 17 April 2003; and (ii) the repayment of HK$22.0 million remitted from the bank account of the Company to a bank account in the name of Modern Shine, on or about 22 April 2003, interest thereon, damages and costs of legal proceedings. The sum of claims under the Amended Writ amounts to approximately HK$69.9 million (the "Great Center Claim"). The Amended Writ also includes a bank in Hong Kong, Modern Shine, certain former executive directors, officers and employees of the Group, and all directors or authorised signatories of Great Center and Modern Shine as defendants (the "Defendants") for the purposes of seeking orders against them for the disclosure of documents and/or information. An application was made on 10 July 2003 to the High Court for an order (the "Disclosure Order") that the Defendants disclose to the Company and Merchants HK all relevant information and documents relating to the transfers of the amounts comprising the Great Center Claim. The Disclosure Order was granted by the High Court on 18 July 2003;

(d) As a result of the information provided to the Company and Merchants HK under the Disclosure Order, the Receivers have discovered that, together with certain funds out of the Great Center Claim, an aggregate amount of approximately HK$37 million was transferred, by a series of transfers, by Great Center and Modern Shine to Win Victory, without apparent legitimate commercial reason. Having obtained legal advice, the Receivers commenced legal proceedings on 23 August 2003 against Win Victory (the "Win Victory Action") for the repayment of the HK$37 million, interest thereon, damages and costs of legal proceedings (the "Win Victory Claim"). It should be noted that should any of the amount claimed against Win Victory be recovered from Great Center and/or Modern Shine in the Great Center Claim such amounts will be taken into account in the Win Victory Action. In order to prevent the dissipation of Win Victory's assets, the Company applied for, and obtained on 22 August 2003, from the High Court an injunction order against Win Victory (the "Win Victory Injunction Order") to restrict Win Victory from, among other things, disposing of or otherwise dealing with or diminishing the value of its assets up to the value of HK$37 million. On 29 August 2003, the Win Victory Injunction Order was continued until further order or final determination of the Win Victory Action;

(e) Having obtained legal advice, the Receivers, on behalf of the Company, petitioned for the winding-up of Win Victory on the grounds that Win Victory is unable to pay its debts and/or it is just and equitable for Win Victory to be wound up and obtained an order from the High Court on 24 September 2003, among other things, appointing Messrs. Desmond Chung Seng Chiong and Roderick John Sutton of Ferrier Hodgson Limited of 14th Floor, Hong Kong Club Building, 3A Chater Road, Hong Kong as the provisional liquidators of Win Victory. In the first instance, this order will remain valid up to and including 7 October 2003, on which date the matter will be heard again by the High Court; and

(f) On or about August, 2003, Mr. Chau Ching Ngai and his associates, the Company's former controlling shareholders who were interested in 260,986,000 shares in the ordinary issued share capital of the Company (the "Shares"), representing a then approximately 63.19% interest in the Company, entered into a sale and purchase agreement with Profit Harbour Investments Limited ("Profit Harbour") to dispose of their shares.

    Upon the completion of the disposal of the Shares in the Company, on 26 August 2003, Mr. Chau Ching Ngai and his associates had no interest in the Company and Profit Harbour was, due to the acquisition of such Shares, required to make a mandatory general offer to acquire all the Shares in the Company that it and its concert parties did not already own. Following the close of such mandatory general offer, Profit Harbour's holdings was increased to 262,602,000 Shares, or approximately 63.58% interest in the entire issued share capital of the Company.

INDEPENDENT REVIEW REPORT

The interim financial report has been reviewed by auditors of the Company. The review report on the Group's interim financial report for the six months ended 30 June 2003 contained a disclaimed opinion arising from the limitation in evidence and the disagreements about accounting treatment. The followings are extracts from the review report:

Review work performed

We conducted our review in accordance with Statement of Auditing Standards 700 "Engagements to Review Interim Financial Reports" issued by the Hong Kong Society of Accountants ("SAS 700"), except that the scope of our review was limited as explained below.

A review consists principally of making enquiries of management and applying analytical procedures to the interim financial report and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the interim financial report.

The scope of our review was limited because

1. As explained in note 2(A), the interim financial report for the six months ended 30 June 2003 has been prepared with reference to the management accounts prepared by the Receivers. The Receivers prepared the management accounts on the basis of the information available to them, i.e., the management accounts of the Group as at 30 April 2003, vouchers prepared by the Group's former employees as well as the Group's books and records seized by Independent Commission Against Corruption on or about 1 June 2003 and subsequently made available to the Receivers. However, the Receivers were not in a position to verify the validity or authenticity of any of such information or records made available to them. In light of the above, the Receivers are unable to give representation that all transactions affecting the Group have been included in the management accounts and the management accounts present a true and fair view of the Group's financial position as of the date presented. The Receivers therefore disclaim all liabilities in respect of the management accounts of the Group in relation to the affairs of the Group for as of the date presented.

   In addition, the Receivers had only limited access to the books and records of certain of the Company's subsidiaries, Park Well Group. Accordingly, the management accounts of Park Well Group as at 31 March 2003 were used in the preparation of the Group's management accounts for the six months ended 30 June 2003 because Park Well Group's management accounts for the period from 1 April 2003 to 30 June 2003 were not available to the Receivers.

   Against the above background, the Directors are unable to satisfy themselves as to whether the interim financial report is free from material misstatement. Accordingly, we are unable to satisfy ourselves as to whether the interim financial report is free from material misstatement.

2. Included in the balance sheet at 30 June 2003 are property, plant and equipment of HK$23,934,000. In the absence of information relating to their future usage, we are unable to satisfy ourselves as to whether any provision for impairment in value relating to these assets was necessary as at 30 June 2003.

3. We are unable to obtain sufficient documentary evidence to verify the ownership of the Group's leasehold land and buildings situated in the People's Republic of China and which are held under the ownership of the Park Well Group.

4. Included in trade and other receivables at 30 June 2003 is an amount of approximately HK$35.1 million due from Great Center Limited. We are unable to obtain financial information of Great Center Limited so as to assess whether allowance for bad and doubtful debts is required in respect of this amount. Further details of this debt are set out in notes 10(b) and 10(c).

5. Included in the balance sheet at 30 June 2003 is taxation payable of HK$10,700,000. We are unable to ascertain the current status of this tax liability and are therefore unable to satisfy ourselves as to whether this provision was adequate or otherwise as at 30 June 2003.

6. As disclosed in note 8, the Receivers have taken the view that, despite the Park Well Disposal Agreement, as defined in the note, the Company remains the beneficial owner of Park Well. In the absence of an independent legal opinion relating thereto, we are unable to satisfy ourselves as to whether any claims or losses will arise from the non-recognition of the Park Well Disposal Agreement.

In these circumstances we were unable to carry out all the review procedures, or obtain all the information and explanations we considered necessary.

Modified review conclusion arising from disagreement about accounting treatment

1. As explained in note 2(C), the Directors are unable to quantify the effect and make appropriate disclosures in respect of deferred taxation in accordance with SSAP 12 (Revised) in light of the incomplete books and records maintained by the Group, its is not practicable to quantify the effects of departure from these requirements.

2. As explained in note 2(D), due to the limited assess to the books and records of Park Well Group, the Directors are unable to quantify the depreciation and amortisation charge for Park Well Group's property, plant and equipment for the six months ended 30 June 2003 in accordance with SSAP 17. It is not practicable to quantify the effects of departure from these requirements.

Inability to reach a review conclusion

Because of the significance of the possible effect of the limitation in evidence available to us, we are unable to reach a review conclusion as to whether material modifications should be made to the interim financial report for the six months ended 30 June 2003.

Further, we draw to your attention that (i) the comparative condensed consolidated income statement, the comparative condensed consolidated cash flow statement and the condensed consolidated statement of changes in equity for the six months ended 30 June 2002 disclosed in the interim financial report has not been reviewed in accordance with SAS 700 and (ii) the comparative condensed consolidated balance sheet have been extracted from the financial statements for the year ended 31 December 2002. However, as disclosed in the Company's announcement dated 16 June 2003, the former executive directors of the Company indicated that (a) they required extra time to consider whether the recent events as defined in that announcement would affect the truth and fairness of the financial statements for the year ended 31 December 2002 and (b) until such time as the effect of the recent events on the financial statements for the year ended 31 December 2002 could be determined, reliance should not be placed on such financial statements or on the auditors' report thereon. In addition, the financial statements for the year ended 31 December 2002 have not been adopted by members in general meeting."

FINANCIAL RESULTS

For the period under review, the Group had attained a turnover of HK$62.2 million, representing an increase of 78% over that of HK$34.9 million for the same period last year. Loss attributable to shareholders increased to HK$41 million from HK$1 million for the six months ended 30 June 2002. Loss per share was also increased to 11.16 cents from 0.56 cents for the six months ended 30 June 2002.

DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2003 (2002: Nil)

BUSINESS REVIEW AND OUTLOOK

Trading in base metals

Turnover increased by 1,308% to HK$53.8 million for the six months ended 30 June 2003 when compared with HK$3.8 million attained in the same period of 2002, which was its initial period in developing its business to the trading of copper cathodes. Operating loss for the period was HK$7.5 million, against a profit of HK$1.5 million for the six months ended 30 June 2002.

Fabric Business

Turnover decreased by 73% to HK$8.4 million in the period when compared with HK$30.7 million attained in the same period of 2002. Operating profit for the period was HK$0.1 million, down HK$0.5 million from HK$0.6 million for the six months ended 30 June 2002.

LIQUIDITY AND FINANCIAL RESOURCES

During the period, the capital base of the Company was enlarged. Additional funding of approximately HK$49.9 million was obtained by the Company through the allotment and issue of new shares.

As at 30 June 2003, the Group had no outstanding bank borrowings (2002: HK$12.9 million). Bank balances and cash were HK$19.3 million (2002: HK$26.1 million).

FOREIGN EXCHANGE EXPOSURE

Since most business transactions conducted by the Group and payments made to suppliers are either made in Hong Kong Dollars, US Dollars or Renminbi, no use of financial instruments for hedging purposes is considered necessary.

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

During the six months ended 30 June 2003, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

EMPLOYEES AND REMUNERATION POLICY

At 30 June 2003, the Group was under the control of the Receivers since their respective appointment on 17 June 2003. Accordingly, the Group had no full time managerial, administrative and production staff in Hong Kong and the PRC.

During the six months ended 30 June 2003, the Group remunerates its employees largely based on the prevailing industry practice.

AUDIT COMMITTEE

The audit committee of the Company comprises three independent non-executive directors of the Company. The audit committee has reviewed the interim financial statements and agreed with the inclusion of the statement of disclaimer by the Directors as contained above.

CODE OF BEST PRACTICE

The present directors are unable to form an opinion as to whether the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules for the current financial period.

DELAY IN PUBLICATION OF INTERIM RESULTS AND REPORT

The Listing Rules require the interim report and interim results of a listed issuer to be released no later than three months after the date upon which the relevant financial period concludes.

As the current results announcement and the interim report is and will be released after 30 September 2003, being more than three months after the conclusion of the first half of the financial year ended 31 December 2003, the delay in publication of the said financial results announcement and despatch of interim report constitute breaches of respectively Rule 13.49 and 13.48 of the Listing Rules.

The Stock Exchange reserves the right to take appropriate action against the Company and/or its relevant former directors in respect of such breaches.

SUSPENSION OF TRADING

Trading in shares of the Company has been suspended with effect from 9:30 a.m. on 2 June 2003 and remains suspended until further notice.

DIRECTORS OF THE COMPANY

As at the date of this announcement, the Directors currently comprises of Mr. Yue Jialin and Mr. Lau Yau Cheung Brent, both of whom are executive Directors and Mr. Wong Wing Kuen, Albert, Mr. Tsui Robert Che Kwong and Wu Guo Jian, all of them are independent non-executive Directors.

PUBLICATION OF RESULTS ON THE STOCK EXCHANGE WEBSITE

All information of the Group's results for the period as requested by paragraphs 46(1) to 46(6) of Appendix 16 to the Listing Rules will be published on the website of The Stock Exchange of Hong Kong Limited in due course.

Should there by any inconsistencies between the English text and the Chinese text of this announcement, the English text of this announcement will prevail over the Chinese text.

On behalf of the Board
Yue Jialin
Chairman

Hong Kong, 16 August 2004

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