



WAH YUEN HOLDINGS LIMITED  
 華園控股有限公司  
 (Incorporated in the Cayman Islands with limited liability)  
 (Stock Code : 2349)



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The board (the “Board” or “Wah Yuen”) of directors (the “Directors”) of Wah Yuen Holdings Limited (“the Company”) is pleased to announce the unaudited condensed financial results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2007 (the “Period”) together with the unaudited comparative figures for the corresponding period in 2006 as follows:

## CONDENSED CONSOLIDATED INCOME STATEMENT

	<i>Note</i>	For the six months ended	
		2007	2006
		(unaudited)	(unaudited)
		HK\$'000	HK\$'000
Turnover	3	110,014	100,339
Cost of sales		(74,678)	(69,197)
Gross profit		35,336	31,142
Other operating income		954	926
Selling and distribution expenses		(12,229)	(10,390)
Administrative expenses		(8,857)	(8,485)
Profit from operations	4	15,204	13,193
Finance costs	5	(6,016)	(5,614)
Profit before taxation		9,188	7,579
Taxation	6	(1,868)	(1,578)
Profit attributable to shareholders		7,320	6,001
Earnings per share	8		
– Basic		1.36 cents	2.80 cents
– Diluted		1.35 cents	N/A



## CONDENSED CONSOLIDATED BALANCE SHEET

		As at <b>30 June 2007 (unaudited) HK\$'000</b>	As at 31 December 2006 (audited) HK\$'000
<b>NON-CURRENT ASSETS</b>			
Land use rights and leasehold land		<b>2,116</b>	2,140
Property, plant and equipment		<b>120,930</b>	111,607
		<b>123,046</b>	113,747
<b>CURRENT ASSETS</b>			
Inventories		<b>59,965</b>	57,720
Trade and other receivables	9	<b>166,503</b>	178,487
Tax recoverable		<b>1,044</b>	–
Pledged bank deposits		<b>22,221</b>	21,459
Bank balances and cash		<b>28,755</b>	36,366
		<b>278,488</b>	294,032
<b>CURRENT LIABILITIES</b>			
Trade and other payables	10	<b>10,733</b>	28,326
Obligation under finance leases		<b>10,610</b>	5,092
Taxation		–	3,121
Borrowings		<b>139,709</b>	138,674
		<b>161,052</b>	175,213
<b>NET CURRENT ASSETS</b>		<b>117,436</b>	118,819
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>240,482</b>	232,566
<b>NON-CURRENT LIABILITIES</b>			
Obligation under finance leases		<b>8,320</b>	5,903
Borrowings		<b>25,370</b>	32,030
Deferred tax liabilities		<b>90</b>	90
		<b>33,780</b>	38,023
		<b>206,702</b>	194,543
<b>CAPITAL AND RESERVES</b>			
Share capital	11	<b>5,536</b>	5,350
Reserves		<b>201,166</b>	189,193
		<b>206,702</b>	194,543



## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Special reserve	PRC		Translation reserves	Accumulated profits	Total
				statutory reserves	Share option reserve			
Unaudited six months ended 30 June 2007								
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2007	5,350	68,551	10,816	23,917	-	(2,933)	88,842	194,543
Equity-settled share option arrangement	-	-	-	-	153	-	-	153
Issue of shares	186	3,640	-	-	(153)	-	-	3,673
Share issue expenses	-	(8)	-	-	-	-	-	(8)
Exchange differences	-	-	-	-	-	1,021	-	1,021
Profit for the period	-	-	-	-	-	-	7,320	7,320
<b>At 30 June 2007</b>	<b>5,536</b>	<b>72,183</b>	<b>10,816</b>	<b>23,917</b>	<b>-</b>	<b>(1,912)</b>	<b>96,162</b>	<b>206,702</b>

	Share capital	Share premium	Special reserve	PRC		Translation reserves	Accumulated profits	Total
				statutory reserves	Share option reserve			
Unaudited six months ended 30 June 2006								
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2006	2,140	41,105	10,816	23,051	-	(4,251)	76,678	149,539
Exchange differences	-	-	-	-	-	1,492	-	1,492
Profit for the period	-	-	-	-	-	-	6,001	6,001
<b>At 30 June 2006</b>	<b>2,140</b>	<b>41,105</b>	<b>10,816</b>	<b>23,051</b>	<b>-</b>	<b>(2,759)</b>	<b>82,679</b>	<b>157,032</b>



## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	For the six months ended	
	30 June	
	2007 (unaudited) HK\$'000	2006 (unaudited) HK\$'000
NET CASH (USED IN) FROM OPERATING ACTIVITIES	(1,560)	12,569
NET CASH USED IN INVESTING ACTIVITIES	(7,816)	(5,324)
NET CASH FROM (USED IN) FINANCING ACTIVITIES	11,720	(4,091)
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,344	12,154
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	20,784	10,416
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(4,363)	(472)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	18,765	22,098
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	28,755	23,630
Bank overdrafts	(9,990)	(1,532)
	18,765	22,098



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the period ended 30 June 2007

### 1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The condensed consolidated interim financial statements have been prepared under the historical cost convention and are prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34, "Interim Financial Reporting", issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

These interim financial statements should be read, where relevant, in conjunction with the 2006 annual financial statements of the Group.

The same accounting policies, presentation and methods of computation are followed in these unaudited condensed financial statements as were applied in the preparation of the Group's annual financial statements for the year ended 31 December 2006.

### 2. FINANCIAL RISK MANAGEMENT

All aspects of the Group's financial risk management objectives and policies are consistent with those disclosed in the annual financial statements for the year ended 31 December 2006.

### 3. SEGMENT INFORMATION

During the period ended 30 June 2007, the Group was engaged in the production and distribution of snack foods and frozen foods in Hong Kong, the PRC and overseas market. The Group's primary format for reporting segment information is geographical segments as presented below:

	Unaudited			
	For the six months ended 30 June 2007			
	Hong Kong HK\$'000	The PRC HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
<b>TURNOVER</b>				
External sales	63,542	46,472	–	110,014
Inter-segment sales	–	10,450	(10,450)	–
<b>Total turnover</b>	<b>63,542</b>	<b>56,922</b>	<b>(10,450)</b>	<b>110,014</b>
<b>SEGMENT RESULTS</b>	<b>5,754</b>	<b>8,496</b>	<b>–</b>	<b>14,250</b>
Unallocated corporate income				954
Finance costs				(6,016)
Taxation				(1,868)
<b>Profit for the period</b>				<b>7,320</b>



### 3. SEGMENT INFORMATION (CONTINUED)

	Unaudited			
	For the six months ended 30 June 2006			
	Hong Kong HK\$'000	The PRC HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
<b>TURNOVER</b>				
External sales	56,143	44,196	–	100,339
Inter-segment sales	–	7,423	(7,423)	–
<b>Total turnover</b>	<b>56,143</b>	<b>51,619</b>	<b>(7,423)</b>	<b>100,339</b>
<b>SEGMENT RESULTS</b>	<b>5,261</b>	<b>7,006</b>	<b>–</b>	<b>12,267</b>
Unallocated corporate income				926
Finance costs				(5,614)
Taxation				(1,578)
<b>Profit for the period</b>				<b>6,001</b>

### 4. PROFIT FROM OPERATIONS

The Group's profit from operations is stated after charging the followings:

	For the six months ended 30 June	
	2007 (unaudited) HK\$'000	2006 (unaudited) HK\$'000
Cost of inventories sold	74,678	69,197
Depreciation and amortisation	3,139	2,527
Equity-settled share option expenses	153	–
Operating lease rental in respect of rental premises	790	845

### 5. FINANCE COSTS

	For the six months ended 30 June	
	2007 (unaudited) HK\$'000	2006 (unaudited) HK\$'000
Interest expense on bank loans borrowings wholly repayable within five years	5,453	5,271
Interest expense on obligations under finance leases	563	343
	<b>6,016</b>	<b>5,614</b>





## 6. TAXATION

Hong Kong Profits Tax was provided at the rate of 17.5% (six months ended 30 June 2006: 17.5%) on the estimated assessable profits arising in or derived from Hong Kong. In accordance with the relevant tax laws and regulations of the PRC, certain of the Group's PRC subsidiaries are exempted from PRC Enterprise Income Tax for two years starting from the first profit making year after utilisation of the carried forward tax losses and eligible for a 50% relief of the PRC Enterprise Income Tax for the following three years.

## 7. INTERIM DIVIDEND

The Board resolved not to declare the payment of an interim dividend for the six months ended 30 June 2007 (six months ended 30 June 2006: Nil).

## 8. EARNINGS PER SHARE

The calculation of basic and diluted earnings per shares for the period are based on the profit attributable to shareholders of the Company of HK\$7,320,000 (six months ended 30 June 2006: HK\$6,001,000). The basic earnings per share is based on the weighted average of 538,371,720 shares (six months ended 30 June 2006: 214,000,000 shares) in issue during the six months ended 30 June 2007.

The diluted earnings per share is based on 538,371,720 shares (six months ended 30 June 2006: 214,000,000 shares) which is the weighted average number of shares in issue during the six months ended 30 June 2007 plus the weighted average of 2,490,234 shares (six months ended 30 June 2006: nil) deemed to be issued if all outstanding share options granted under the share option scheme of the Company had been exercised.

## 9. TRADE AND OTHER RECEIVABLE

The Group adopts a general policy of allowing average credit periods ranging from 90 days to 180 days to its trade customers. However, for certain customers with long-established relationship and good past repayment histories, a longer credit period may be granted up to one year.

An aged analysis of trade receivables (net of allowance for bad and doubtful debts) is as follows:

	<b>As at 30 June 2007 (unaudited) HK\$'000</b>	<b>As at 31 December 2006 (audited) HK\$'000</b>
Within 90 days	55,927	70,274
91 to 180 days	32,633	35,274
Over 180 days	39,959	51,009
Trade receivables	<b>128,519</b>	156,557
Deposits, prepayments and other receivables	<b>37,984</b>	21,930
	<b>166,503</b>	178,487

## 10. TRADE AND OTHER PAYABLE

An aged analysis of the trade payables is as follows:

	As at 30 June 2007 (unaudited) HK\$'000	As at 31 December 2006 (audited) HK\$'000
Within 90 days	6,350	8,414
91 to 180 days	705	4,750
Over 180 days	681	5,016
Trade payables	7,736	18,180
Other payables	2,997	10,146
	<b>10,733</b>	<b>28,326</b>

## 11. SHARE CAPITAL

	As at 30 June 2007 (unaudited) HK\$'000	As at 31 December 2006 (audited) HK\$'000
Ordinary Shares		
<i>Authorised:</i>		
4,000,000,000 ordinary shares of HK\$0.01 each	40,000	40,000
<i>Issued and fully paid:</i>		
553,625,000 ordinary shares of HK\$0.01 each (31 December 2006: 535,000,000)	5,536	5,350

The subscription rights attaching to 18,625,000 share options were exercised during the six months ended 30 June 2007 that resulted 18,625,000 shares of HK\$0.01 each were issued for a total consideration of HK\$3,673,000. The related weighted average share price at the time of exercise was HK\$0.90 per share. The related transaction costs amounted to HK\$8,000.

	Number of shares in issue	Issued share capital HK\$'000	Share premium account HK\$'000	Total HK\$'000
At 1 January 2007	535,000,000	5,350	68,551	73,901
Share options exercised	18,625,000	186	3,640	3,826
Share issue expenses	–	–	(8)	(8)
At 30 June 2007	553,625,000	5,536	72,183	77,719



## MANAGEMENT DISCUSSION AND ANALYSIS

The Board of Directors is pleased to report the unaudited results of Wah Yuen Holdings Limited (“Wah Yuen” or the “Group”) for the six months ended 30 June 2007. In the first half of the year, the Group recorded an encouraging increase of 9.6% in turnover, reaching approximately HK\$110,014,000. Gross profit and profit attributable to shareholders increased by 13.5% and 22% to approximately HK\$35,336,000 and HK\$7,320,000 respectively. Basic earnings per share amounted to HK1.36 cents.

Benefited from strong consumption in Hong Kong and the PRC as well as vigorous market demand for convenience frozen food products and quality snack products, Wah Yuen posted satisfactory business performance during the period. Gross profit margin continued to improve to 32.1%, which was due to effective cost control and economies of scale.

## BUSINESS REVIEW

With its over 40 years of invaluable heritage and unrivalled brand reputation as the cornerstone of business development, Wah Yuen has become a leading food manufacturer, distributor and retailer in Hong Kong and the PRC. The Group offers a wide range of over 200 types of quality snack products in unique Asian flavour under three major brands, namely “Wah Yuen”, “Rocco” and “采楓”.

### Hong Kong Market

During the period under review, the production and sale of snack food and convenience frozen food products remained as the Group’s core business. Backed by robust market momentum and favourable business environment, sales in Hong Kong rose 13.2% to HK\$63,542,000, accounted for 57.8% of total turnover.

Facing intense market competition, the Group continued to fortify the collaboration with key supermarket chain stores and convenience stores by establishing concessionaries and launching joint promotion programmes.

Wah Yuen is dedicated to satisfy various customer needs and has always emphasized on new product development. In the first half of 2007, the Group achieved certain progress in product portfolio diversification and launched a series of new products, such as convenience frozen food products, Chinese dim sum, fried rice and noodles.

Capitalizing on an extensive retail network of about 2,000 outlets, Wah Yuen successfully enhanced its market presence and further consolidated its market position as one of the most popular packaged food brands in Hong Kong.

### The PRC Market

Amidst the buoyant economy and prosperous consumer sector of the PRC market, the Group attained a growth of 5.2% in turnover, amounting to HK\$46,472,000 and representing 42.2% of total turnover.

In the first half of 2007, the Group’s exertions in expanding sales and distribution network resulted in higher penetration in sales channels, such as supermarkets and convenience stores, building a solid foothold for propelling future growth.



By leveraging on its prominent strengths, unrivalled product quality and reputable brand awareness, Wah Yuen was accredited as one of the Top 100 Private Enterprises in Guangzhou, demonstrating the Group's accomplishments in extending its business reach to the PRC market.

### Overseas Market

Since the establishment of a 15-year strategic partnership in 2006 with Sojitz Corporation ("Sojitz"), a renowned listed conglomerate in Japan and a leading global food distribution company, the Group has fostered amicable cooperation with this Japanese partner.

Under this long-term agreement, Wah Yuen will provide manufacturing services to Sojitz and export its premium products, such as fried rice, packaged Chinese dim sum and convenience frozen food to Japan through the distribution and retail network of Sojitz.

During the period under review, the collaboration of the two parties was in stable progress and the Group is confident of extending its reach to the Japanese market with this strategic cooperation. In view of its immense market potential, the Japanese market is poised to become the Group's future growth driver, significantly enhancing its profitability.

### Production Facilities

At present, Wah Yuen owns and operates three production facilities, which are located in Hong Kong and at Huadu District of Guangzhou in Guangdong Province. Accredited the internationally recognized Hazard Analysis and Critical Control Point (HACCP) certificate as well as the ISO 9001 and ISO 9002 certificates, the Group's ten highly efficient production lines maintained smooth operation, delivering quality products in compliance with excellent hygiene standard.

## FUTURE PLANS AND PROSPECTS

Looking ahead, the Group endeavours to strengthen its reputation as a household brand while expediting new product development, so as to increase its market presence and enrich its product mix. In addition, Wah Yuen aims at expanding its sales and distribution network both in Hong Kong and the PRC to boost product sales.

As for the Japanese market, the Group will further develop its exporting business through Sojitz. By jointly exploring more business opportunities in Japan with this strategic partner, Wah Yuen is optimistic towards the development in Japan and believes that it will generate lucrative return to the Group.

While consolidating its core business, the Group also introduces new business initiatives. On 29 June 2007, Wah Yuen entered into an agreement with China Water Affairs Group Limited ("China Water Affairs"), whose shares are listed on The Stock Exchange of Hong Kong Limited, pursuant to which the Group agrees to acquire the entire issued share capital of China Environmental Water Holdings Limited ("CEWH") at an aggregate consideration of HK\$200,000,000. CEWH is principally engaged in the cultivation, development and sale of seabuckthorn seedlings, as well as the processing, development, manufacturing and sale of seabuckthorn related food and health products and cosmetic products in the PRC, Hong Kong and other overseas markets.

Through the acquisition, the Group will be able to diversify its revenue and profit bases and explore CEWH's sales and distribution network that covers 11 provinces in the PRC. The Group will also be able to broaden its product mix via the cooperation with CEWH. In view of increasing health awareness of the worldwide population, it is believed that the Group is capable of expanding its product range to health food sector effectively and creating remarkable contribution in future.



## LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its operations with internally generated resources and banking facilities provided by its banks in Hong Kong and in the PRC.

As at 30 June 2007, the Group had total assets of HK\$401,534,000 which were financed by current liabilities of approximately HK\$161,052,000, long term liabilities of HK\$33,780,000 and shareholders' equity of HK\$206,702,000.

The cash and bank balance including pledged bank deposits is HK\$50,976,000 and total borrowing of HK\$184,009,000. Most of these borrowings were dominated in Hong Kong and Renminbi and bearing floating interest rates. The gearing ratio of the Group as at 30 June 2007 was 33% (31 December 2006: 30%), calculated on the basis of total borrowings less cash over total assets.

## FOREIGN EXCHANGE EXPOSURE

As at 30 June 2007, the Group had no significant exposure to fluctuations in foreign exchange rates and any related hedges.

## MATERIAL ACQUISITIONS

On 29 June 2007, the Group entered into a conditional agreement with China Water Group Limited ("Vendor"), a wholly-owned subsidiary of China Water Affairs pursuant to which the Group agreed to acquire the entire interest in CEWH for a consideration of HK\$200,000,000. CEWH hold 50% equity interest in Conseco Seabuckthorn Company Limited ("Seabuckthorn Company"). Seabuckthorn Company and its subsidiaries are principally engaged in the cultivation, manufacture and sale of seabuckthorn seedlings, and processing, development, manufacturing and sale of seabuckthorn related food and health products and cosmetic products in the PRC. Pursuant to the agreement, the total consideration shall be settled upon the completion in the following manner:

- (i) HK\$19,950,000 of the consideration shall be satisfied by way of the Company issuing and allotting to China Water Affairs 133,000,000 new shares at a price of HK\$0.15 per share; and
- (ii) the balance of HK\$180,050,000 shall be satisfied by way of the Company issuing the convertible bonds to China Water Affairs.

Details of the transaction are included in an announcement of the Company dated 12 July 2007. The transaction had not yet been completed as at 30 June 2007 and up to the date of this report.

## PLEGGED OF ASSETS, CONTINGENT LIABILITIES AND COMMITMENTS

There was no material changes in the Group's pledged of assets, contingent liabilities and commitments as compared to the most recent published annual report.

## EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2007, the total number of employees of the Group was approximately 630. The total staff costs for the period under review were approximately HK\$8,630,540 (six months ended 30 June 2006: HK\$8,262,440). The Group offers comprehensive remuneration and employees' benefits package to its employees. In additions, share options and discretionary bonuses are also granted to eligible staff based on their performance and the results of the Group.

## INTERIM DIVIDEND

The Board resolved not to declare the payment of an interim dividend for the six months ended 30 June 2007 (six months ended 30 June 2006: Nil).

## DIRECTORS' INTERESTS AND SHORT POSITIONS IN THE SECURITIES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30 June 2007, the interests or short positions of the Directors and chief executives in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO") Chapter 571 of the Laws of Hong Kong) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under section 352 of the SFO, or which required to be notified to the Company and the Stock Exchange pursuant to the Listing Rules, were as follows:

Name of director	Note	Capacity and nature of interest	Number of ordinary shares held	Position	Approximate percentage of shareholding
Mr. But Ka Wai	1	Interest of controlled corporation	151,250,000	Long	27.32%
Mr. But Chai Tong	2	Interest of controlled corporation	142,500,000	Long	25.74%

*Note 1:* These shares are held by Able Success Group Limited ("ASG"), the entire issued share capital of which is beneficially owned by Mr. But Ka Wai.

*Note 2:* These shares are held by National Chain International Limited ("NCI"), the entire issued share capital of which is beneficially owned by Mr. But Chai Tong.





Save as disclosed above, no directors nor the chief executive of the Company had any interests or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have taken under such provisions of the SFO); or which were recorded in the register required to be kept by the Company under section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for securities Transactions by the directors of Listed Issuers (the "Model Code") as contained in the Listing Rules.

## DIRECTORS' BENEFITS FROM RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the sections "Directors' Interests and Short Positions in the Securities of the Company and its Associated Corporations" above and "Share Option Scheme" below, at no time during the six months ended 30 June 2007 was the Company, its holding company or its subsidiaries a party to any arrangements which enabled the Directors (including their spouses or children under 18 years of age), to acquire benefits by means of acquisition of shares in or debenture of the Company or any other body corporate.

## INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSABLE UNDER THE SFO

So far as is known to any Directors of the Company, as at 30 June 2007, according to the register of interests report by the Company under section 336 of the SFO, the following persons (not being Directors or chief executive of the Company) had, or were deemed to have, interests or short positions in the shares or underlying shares of the Company which would have to be disclosed to the Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO:

Name of shareholders	Note	Capacity and nature of interest	Number of ordinary shares held	Position	Approximate percentage of issued share capital
ASG	1	Beneficial owner	151,250,000	Long	27.32%
NCI	2	Beneficial owner	142,500,000	Long	25.74%
Ms. Chan Yuk Ha	3	Interest of spouse	151,250,000	Long	27.32%
Ms. Chang Tei Wah, Teresa	4	Interest of spouse	142,500,000	Long	25.74%

*Note 1:* The entire issued share capital of ASG is beneficially owned by Mr. But Ka Wai.

*Note 2:* The entire issued share capital of NCI is beneficially owned by Mr. But Chai Tong.

*Note 3:* Ms. Chan Yuk Ha is the wife of Mr. But Ka Wai.

*Note 4:* Ms. Chang Tei Wah is the wife of Mr. But Chai Tong.

Save as disclosed above, as at 30 June 2007, the Directors were not aware of any other person (other than Directors or chief executives of the Company) who had, or deemed to have, interests or short positions in the shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO.

## SHARE OPTION SCHEME

At the general meeting of the Company held on 3 June 2003, the shareholders of the Company approved the adoption of a share option scheme. As at 30 June 2007, there are options relating to 5,312,500 shares granted by the Company pursuant to the Option Scheme which are valid and outstanding.

Movement of the share option under the Option Scheme during the period is as follows:

Category	Date of grant	Exercise price HK cents	Exercise price adjusted for the effect of Rights Issue	Exercisable period	At the	Granted	Exercised	Options held
					beginning of the period (Note)	during the period	during the period	at 30 June 2007
Employees	14.12.2004	31.6	23.8	14.12.2004 to 13.12.2007	13,281,250	-	(7,968,750)	5,312,500
Consultant	14.12.2004	31.6	23.8	14.12.2004 to 13.12.2007	2,656,250	-	(2,656,250)	-
	15.3.2007	14.3	N/A	15.3.2007 to 14.3.2010	-	8,000,000	(8,000,000)	-

*Note:* The number of options outstanding brought forward last year has been adjusted to reflect the effect of the Rights Issue during the year ended 31 December 2006.

During the period, 8,000,000 share options were granted by the Company. Apart from the foregoing, at no time during the period ended 30 June 2007 was the Company, or any of its holding companies, subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors or any of their respective spouses or minor children to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

## PURCHASE, SALE AND REDEMPTION OF THE COMPANY'S SHARES

The Company has not redeemed any of its shares during the period. Neither the Company nor any of its subsidiaries purchased or sold any of the Company's shares for the six months ended 30 June 2007.

## DISCLOSURE UNDER RULE 13.21 OF THE LISTING RULES

The Company had entered into a loan agreement dated 28 June 2005 which requires the controlling shareholders of the Company to retain their control over the Company throughout the term of loan agreement, the total amount of the loan involved is HK\$25 million.



## COMPLIANCE WITH APPENDIX 10 OF THE LISTING RULES

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 of the Listing Rules as its own Code of Conduct regarding securities transaction by the Directors. Having made specific enquiry of all directors, the directors have confirmed that they have complied with the Model Code throughout the period under review.

## COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Board has reviewed the Company's corporate governance practices and is satisfied that the Company has been in compliance with all applicable code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules during the six months period to 30 June 2007.

## AUDIT COMMITTEE

The audit committee comprises three members namely Mr. Ngai Chun Kong, Stephen who is a non-executive director of the Company, Mr. Ip Shing Tong, Francis and Mr. Ku Siu Fung, Stephen who are independent non-executive directors of the Company. The audit committee has reviewed the accounting principles and practices adopted by the Company and discussed internal control and financial reporting matters with management relating to the preparation of unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2007.

On behalf of the Board

**But Ka Wai**  
*Chairman*

Hong Kong, 24 September 2007

