



連發國際股份有限公司

Ever Fortune International Holdings Limited

Stock Code: 875

Interim Report
2006



The board of directors (the “Board”) of Ever Fortune International Holdings Ltd. (formerly known as “First Dragoncom Agro-Strategy Holdings Ltd.”) (the “Company”) announce the unaudited interim results of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 June 2006 together with the comparative figures for the previous period as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2006

	Notes	For the Six months ended 30 June	
		2006 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000
TURNOVER	2	90	1,115
Cost of sales		(267)	(933)
Gross (loss)/profit		(177)	182
Other revenue	3	11,987	10
Distribution costs		(39)	(43)
Administrative and other operating expenses		(6,219)	(5,076)
Gain arising from change in fair value less estimated point-of-sale cost of biological assets		15,143	—
Write-off of computer software development cost		—	(5,208)
Write-off of property, plant and equipment		—	(3,806)
Impairment on receivable		—	(6,063)
Impairment on goodwill		(141)	—
Provision for bad debts		(28,324)	—
Provision for increase in liabilities		(2,223)	—
Provision for loss on guarantee	4A)	(70,879)	—
Loss from operations	4B)	(80,872)	(20,004)
Finance costs		(140)	—

CONDENSED CONSOLIDATED INCOME STATEMENT *(continued)*

For the six months ended 30 June 2006

	Notes	For the Six months ended 30 June	
		2006 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000
LOSS BEFORE TAXATION AND MINORITY INTERESTS		(81,012)	(20,004)
TAXATION	5	—	—
LOSS BEFORE MINORITY INTERESTS		(81,012)	(20,004)
Minority interests		—	—
LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		(81,012)	(20,004)
DIVIDENDS	6	—	—
LOSS PER SHARE			
Basic	7	HK cents (3.20)	HK cents (0.81)
Diluted		N/A	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2006

	Note	As at 30 June 2006 (Unaudited) HK\$'000	As at 31 December 2005 (Audited) HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	8	258	—
Leasehold land and land use rights	8	64,607	65,376
Biological assets		34,757	34,572
Intangible assets		450	—
		100,072	99,948
CURRENT ASSETS			
Inventories		80	79
Biological assets		15,942	792
Trade and other receivables		114	28,377
Cash balance at PRC Trust Co-operatives Union		17	7
Cash and bank balances		1,068	248
		17,221	29,503

CONDENSED CONSOLIDATED BALANCE SHEET *(continued)*

As at 30 June 2006

	Note	As at 30 June 2006 (Unaudited) HK\$'000	As at 31 December 2005 (Audited) HK\$'000
CURRENT LIABILITIES			
Trade and other payables		19,570	18,495
Bank borrowings		1,111	976
Other borrowings		—	4,728
Provision for loss on guarantee		70,879	—
		91,560	24,199
NET CURRENT (LIABILITIES)/ASSETS		(74,339)	5,304
NET ASSETS		25,733	105,252
CAPITAL AND RESERVES			
Issued capital		25,325	25,325
Reserves		408	79,927
		25,733	105,252
MINORITY INTERESTS		—	—
		25,733	105,252

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2006

	For the six months ended 30 June	
	2006 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	819	(16,203)
Net cash inflow from investing activities	1	—
Net cash inflow from financing activities	—	14,000
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	820	(2,203)
Cash and cash equivalents at 1 January	248	2,334
CASH AND CASH EQUIVALENTS AT 30 JUNE	1,068	131
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	1,068	131

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2006

	Six months ended 30 June 2006 (Unaudited)						
	Issued Capital	Share premium	Reserve fund	Contributed surplus	Exchange		Total
					fluctuation reserve	Accumulated losses	
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 January 2006	25,325	163,532	3,168	126,883	3,144	(216,800)	105,252
Loss for the period	—	—	—	—	—	(81,012)	(81,012)
Translation difference	—	—	—	—	1,493	—	1,493
At 30 June 2006	25,325	163,532	3,168	126,883	4,637	(297,812)	25,733

	Six months ended 30 June 2005 (Unaudited)						
	Issued Capital	Share premium	Reserve fund	Contributed surplus	Exchange		Total
					fluctuation reserve	Accumulated losses	
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 January 2005	21,325	153,532	3,168	126,883	438	(193,527)	111,819
Issue of shares	4,000	10,000	—	—	—	—	14,000
Loss for the period	—	—	—	—	—	(20,004)	(20,004)
Translation difference	—	—	—	—	(359)	—	(359)
At 30 June 2005	25,325	163,532	3,168	126,883	79	(213,531)	105,456

NOTES TO THE ACCOUNTS

1. Basis of preparation

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

The condensed consolidated financial statements have been prepared under the historical cost convention except for the Biological Assets, which are measured at fair values.

The interim financial statements have been prepared in accordance with the same accounting policies adopted in the 2005 annual financial statements.

The HKICPA has issued a number of amendments, new standards and interpretations which are effective for accounting period beginning on or after 1 January 2006. The adoption of these amendments, new standards and interpretations has no significant impact on the financial statements of the Group.

The Group has not early adopted the following amendments, new standards and interpretations which have been issued and are not yet effective for the accounting period ended 30 June 2006. The Directors have so far concluded that the adoption is unlikely to have a significant impact on the Group’s results of operation and financial position.

		Effective for accounting periods beginning on or after
HKAS1 (amendment)	Capital disclosures	1 January 2007
HKFRS7	Financial instruments: Disclosures	1 January 2007
HK(IFRIC) Int 7	Applying the restatement approach under HKAS29 Financial Reporting in Hyperinflationary Economies	1 March 2006
HK(IFRIC)-Int8	Scope of HKFRS2	1 May 2006
HK(IFRIC)-Int9	Reassessment of embedded derivatives	1 June 2006

1. Basis of preparation (continued)

The preparation of the interim financial statements in uniformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

These interim financial statements contain condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of changes in the financial position and performance of the Group since the 2005 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

2. Turnover

	2006 HK\$'000	2005 HK\$'000
Sale of tree seedlings and seeds	90	1,115

Segment information

(a) Geographical segments

All activities of the Group are based in Mainland China (including Hong Kong) and all of the Group's turnover and loss before income tax are derived from Mainland China (including Hong Kong). Accordingly, no geographical segment information is presented.

(b) Business segments

No separate analysis of financial information by business segments is presented as the Group's revenue, results, assets and liabilities were all derived from its principal line of business of nurturing, selling and trading of tree seedlings and seeds.

3. Other revenue

	2006 HK\$'000	2005 HK\$'000
Debts waived by creditors	9,751	—
Bank interest income	1	—
Others	2,235	10
	11,987	10

4A). Provision for loss on guarantee

This represents provision for loss on guarantee provided by a 70% subsidiary of the Company, Hebei Bashang, to the Henan Branch of the China Agricultural Bank on 4 July 2005 in respect of loan granted to Henan Dragoncom Co. Ltd. The total outstanding amount, including principal and accrued interest, amounted to RMB73,005,000 (i.e. HK\$70,879,000 equivalent).

Details on the provision for loss on guarantee are set out in Management Discussion and Analysis.

4B). Loss from operations

	2006 HK\$'000	2005 HK\$'000
Profit/(loss) on operating activities	5,412	(4,927)
Other items:		
Write-off of computer software development cost	—	(5,208)
Write-off of property, plant and equipment	—	(3,806)
Impairment on receivable	—	(6,063)
Gain arising from changes in fair value less estimated point-of-sale costs of biological assets	15,143	—
Impairment on goodwill	(141)	—
Provision for bad debts	(28,324)	—
Provision for increase in liabilities	(2,223)	—
Provision for loss on guarantee	(70,879)	—
	(81,012)	(20,004)

5. Taxation

	2006 HK\$'000	2005 HK\$'000
Hong Kong profits tax	—	—
Overseas profits tax	—	—
	—	—

Hong Kong profits tax has not been provided as the Group had no assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

There was no significant unprovided deferred tax charge in respect of the period.

6. Dividends

The Board do not recommend the payment of an interim dividend for the six months ended 30 June 2006 (2005: Nil).

7. Loss per share

The calculation of the basic loss per share is based on the Group's loss for the period of HK\$81,012,000 (six months ended 30 June 2005: loss of HK\$20,004,000) and the number of ordinary shares of 2,532,543,083 (six months ended 30 June 2005: 2,459,614,904).

No diluted loss per share have been presented because the exercise of the Company's outstanding share options during the period has an anti-dilutive effect on the basic loss per share for the period.

8. Property, plant and equipment/leasehold land and land use rights

During the period, there were no material additions or disposals.

MANAGEMENT DISCUSSION AND ANALYSIS

Profile

The Group is principally engaged in the agricultural business in Mainland China, which include nurturing, selling and trading of tree seedlings and seeds.

Business review and prospects

The Group reports a loss of HK\$81,012,000 for the six months ended 30 June 2006. The operations of the subsidiary, Hebei Bashang, continued to be slow and only achieved a turnover of about HK\$90,000. As set out in more detail in the paragraph below, the Group has made a provision for loss on guarantee of HK\$70,879,000. Also, relating to Hebei Bashang, the directors have made full provision for a deposit of RMB29,174,000. Overall, the result for this subsidiary is not encouraging.

Also, the Company made a further provision of HK\$2.2 million against a claim from a previous legal advisor and more details are set but in the paragraph below. On a more positive note, the Company has been able to negotiate and make arrangements with all banks holding guarantees previously issued by the Company. In addition, certain creditors relating to the former directors have waived their claims against the Company. In total, the Company has successfully recovered about HK\$12,000,000.

The directors have now completed a review of the business and financial position and are in the course of formulating a resumption proposal and making all necessary preparation. Such proposal will involve a reorganization of the existing assets and acquisition of new businesses. The Directors are hopeful that this resumption proposal will be successful in the coming few months.

Liquidity and financial resources

The Group financed the operations primarily from advance from shareholders. As at 30 June 2006, the Group had cash and bank balances of HK\$1,068,000 (31 December 2005: HK\$248,000) and unsecured bank loan of HK\$1,111,000 (31 December 2005: HK\$976,000), repayable within one year.



Contingent liabilities

In the previous period, the Company has provided certain corporate guarantees of unknown amount to secure banking facilities of Corasia International Limited (“Corasia HK”), a former wholly owned subsidiary of the Company. During the period under review, the Company has successfully come to agreement with relevant bankers and all contingent liabilities have now been either released or crystallized. Any such crystallized liabilities have been fully provided as of 30 June 2006.

Provision for loss on bank guarantee

Hebei Bashang, the 70% owned subsidiary of the Company has received an notice of arbitration on 15 August 2006 in respect of a guarantee provided to the China Agricultural Bank on 4 July 2005 in respect of bank loan granted to 河南省龍浩實業有限公司. The China Agricultural Bank is now demanding for repayment amounting to RMB73,005,000 (including principal of RMB63,100,000 and accrued interest up to the extent known by the Board of RMB9,905,000) (HK\$70,879,000 equivalent). The Directors are now looking into the matter and in particular, the circumstances under which the Guarantee was being granted and seeking legal advice as to the appropriate course of action to be taken. The Company has provided the amount of guarantee in full in the accounts as at 30 June 2006.

Charges on assets

Save as disclosed, the Group had not pledged any asset to its bankers to secure banking facilities granted to the Group as at 30 June 2006.

Exposure to foreign exchange risk

During the period, the Group conducted its business transactions principally in Hong Kong dollars and Renminbi. The Group had not experienced any material difficulties or negative effects on its operations as a result of fluctuations in currency exchange rates. The Board believe it was not necessary to hedge the exchange risk. Nevertheless, the management will continue to monitor the foreign exchange exposure and will take prudent measure as deemed appropriate.

Capital expenditure

During the period, the Group acquired a motor vehicle through the acquisition of a subsidiary "Kwok Hong Company Limited", at a consideration of HK\$900,000 from Concord Group (BVI) Limited, a deemed substantial shareholder of the Company.

Material acquisitions and disposal

During the period, there is no material acquisitions or disposals of assets of the Group.

Employees and remuneration policies

As at 30 June 2006, the Group has a total of 44 (2005: 42) employees. It is the corporate policy of the Group to set the remuneration of its employees at a level commensurate with their responsibilities, experience and qualification and in line with the market conditions.

The Company has adopted a share option scheme in June 2002. Eligible participants under the share option scheme include, among other, the Company's directors, independent non-executive directors, other directors/employees of the Group. Such options have either lapsed or cancelled by the directors on 1 August 2006

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

During the six months ended 30 June 2006, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2006, none of the directors and chief executive of the Company had any interests or short positions 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")) which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the provisions of Divisions 7 and 8 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 pursuant to the Model Code of Securities Transactions by Directors of Listed Companies contained in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") or which were required to be entered in the register required to be kept by the Company under section 352 of the SFO.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES

So far as is known to the directors of the Company, as at 30 June 2006, the persons or companies (other than the directors or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:


Long position in the ordinary shares of the Company

Name of shareholder	Capacity	Number of shares	Percentage of shareholding
Ever Fortune Holdings Group Limited (formerly known as "Chinabond International Limited")	Beneficial owner	530,530,000	20.95%
Concord Group (B.V.I.) Limited	Interest of a controlled corporation	530,530,000 (Note 1)	20.95%
Legend (Group) Investment Limited	Interest of a controlled corporation	530,530,000 (Notes 1 and 2)	20.95%
China Wallink Holding Group Co., Ltd.	Interest of a controlled corporation	530,530,000 (Notes 1 and 2)	20.95%
Evertop Investment Holdings Limited	Interest of a controlled corporation	530,530,000 (Notes 1 and 3)	20.95%

Name of shareholder	Capacity	Number of shares	Percentage of shareholding
Ji Da Wei	Interest of a controlled corporation	530,530,000 <i>(Notes 1 and 3)</i>	20.95%
China Huaxing (HK) International Company Limited	Interest of a controlled corporation	530,530,000 <i>(Notes 1 and 4)</i>	20.95%
China Huaxing Group Company	Interest of a controlled corporation	530,530,000 <i>(Notes 1 and 4)</i>	20.95%
Wonderland Group (Hong Kong) Corporation Limited	Interest of a controlled corporation	530,530,000 <i>(Notes 1 and 5)</i>	20.95%
Jiangsu Jinhai Investment Company Limited	Interest of a controlled corporation	530,530,000 <i>(Notes 1 and 5)</i>	20.95%
Chen Xin	Beneficial owner	430,000,000	16.98%
Chan Hung Shek	Beneficial owner	334,000,000	13.19%

Notes:

1. Ever Fortune Holdings Group Limited ("Ever Fortune Holdings") was a 40% owned subsidiary of Concord Group (B.V.I.) Limited in which Legend (Group) Investment Limited ("Legend"), Evertop Investment Holdings Limited ("Evertop") and China Huaxing (HK) International Company Limited ("Huaxing (HK)") hold as to 33%, 34% and 33% respectively. Accordingly, Legend, Evertop and Huaxing (HK) were deemed to be interested in 530,530,000 shares held by Ever Fortune Holdings under the SFO.



Ever Fortune Holdings Group Limited was a 60% owned subsidiary of Wonderland Group (Hong Kong) Corporation Limited in which Jiangsu Jinhai Investment Company Limited wholly owned it by 100%. Accordingly, Jiangsu Jinhai Investment Company Limited was deemed to be interested in 530,530,000 shares held by Ever Fortune Holdings under the SFO.

2. Legend was 99% owned by China Wallink Holding Group Co., Ltd. Accordingly, China Wallink Holding Group Co., Ltd. was deemed to be interested in 530,530,000 shares held by Ever Fortune Holdings under the SFO.
3. Evertop was wholly beneficially owned by Mr. Ji Da Wei. Accordingly, Mr. Ji Da Wei was deemed to be interested in 530,530,000 shares held by Ever Fortune Holdings under the SFO.
4. Huaxing (HK) was 98% owned by China Huaxing Group Company. Accordingly, China Huaxing Group Company was deemed to be interested in 530,530,000 shares held by Ever Fortune Holdings under the SFO.
5. Wonderland Group (Hong Kong) Corporation Limited was 100% owned by Jiangsu Jinhai Investment Company Limited. Accordingly, Wonderland Group (Hong Kong) Corporation Limited was deemed to be interested in 530,530,000 shares held by Ever Fortune Holdings under the SFO.

As at 30 June 2006, the Company had not been notified by any persons or companies (other than the directors or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under section 336 of the SFO.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Apart from as disclosed under the heading "Directors' interests and short positions in shares and underlying shares" above, at no time during the period was the company or any of its subsidiaries a party to any arrangement to enable the directors or their respective spouse or minor children to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

SHARE OPTION SCHEME

The Company has adopted a share option scheme in June 2002. Details of the movement in the options granted under the scheme of the Company are as follows:

Name or category of participant	Date of Grant	Exercise price HK\$	Exercise period	Number of shares under the options		
				As at 1 January 2006	Exercised, cancelled or lapsed during the period	As at 30 June 2006
Former directors						
Qian Keming	26 June 2002	0.1312	26 June 2002 to 20 June 2012	864,000	—	864,000
Huang Jianhua	26 June 2002	0.1312	26 June 2002 to 20 June 2012	900,000	—	900,000
Han Jide	26 June 2002	0.1312	26 June 2002 to 20 June 2012	900,000	—	900,000
Hon Fong Ming, Perry	26 June 2002	0.1312	26 June 2002 to 20 June 2012	900,000	—	900,000
	20 July 2002	0.2360	30 July 2002 to 20 June 2012	8,000,000	—	8,000,000
Zhang Jiebin	26 June 2002	0.1312	26 June 2002 to 20 June 2012	900,000	—	900,000
Ke Yinbin	26 June 2002	0.1312	26 June 2002 to 20 June 2012	900,000	—	900,000

Name or category of participant	Date of Grant	Exercise price HK\$	Exercise period	Number of shares under the options Exercised, cancelled or lapsed		
				As at 1 January 2006	during the period	As at 30 June 2006
Ma Qingguo	26 June 2002	0.1312	26 June 2002 to 20 June 2012	864,000	—	864,000
Shang Qingling	26 June 2002	0.1312	26 June 2002 to 20 June 2012	864,000	—	864,000
Yu Enguang	26 June 2002	0.1312	26 June 2002 to 20 June 2012	864,000	—	864,000
Lang Hsien Ping	30 July 2002	0.2360	30 July 2002 to 20 June 2012	1,000,000	—	1,000,000
				16,956,000	—	16,956,000
Employees <i>In aggregate</i>	26 June 2002	0.1312	26 June 2002 to 20 June 2012	9,674,000	—	9,674,000
Suppliers of goods on services <i>In aggregate</i>	26 June 2002	0.1312	26 June 2002 to 20 June 2012	48,680,000	—	48,680,000
	20 July 2002	0.2360	30 July 2002 to 20 June 2012	500,000	—	500,000
				49,180,000	—	49,180,000

Name or category of participant	Date of Grant	Exercise price HK\$	Exercise period	Number of shares under the options		
				As at 1 January 2006	Exercised, cancelled or lapsed during the period	As at 30 June 2006
Others participants	26 June 2002	0.1312	26 June 2002 to 20 June 2012	54,270,000	—	54,270,000
<i>In aggregate</i>				130,080,000	—	130,080,000

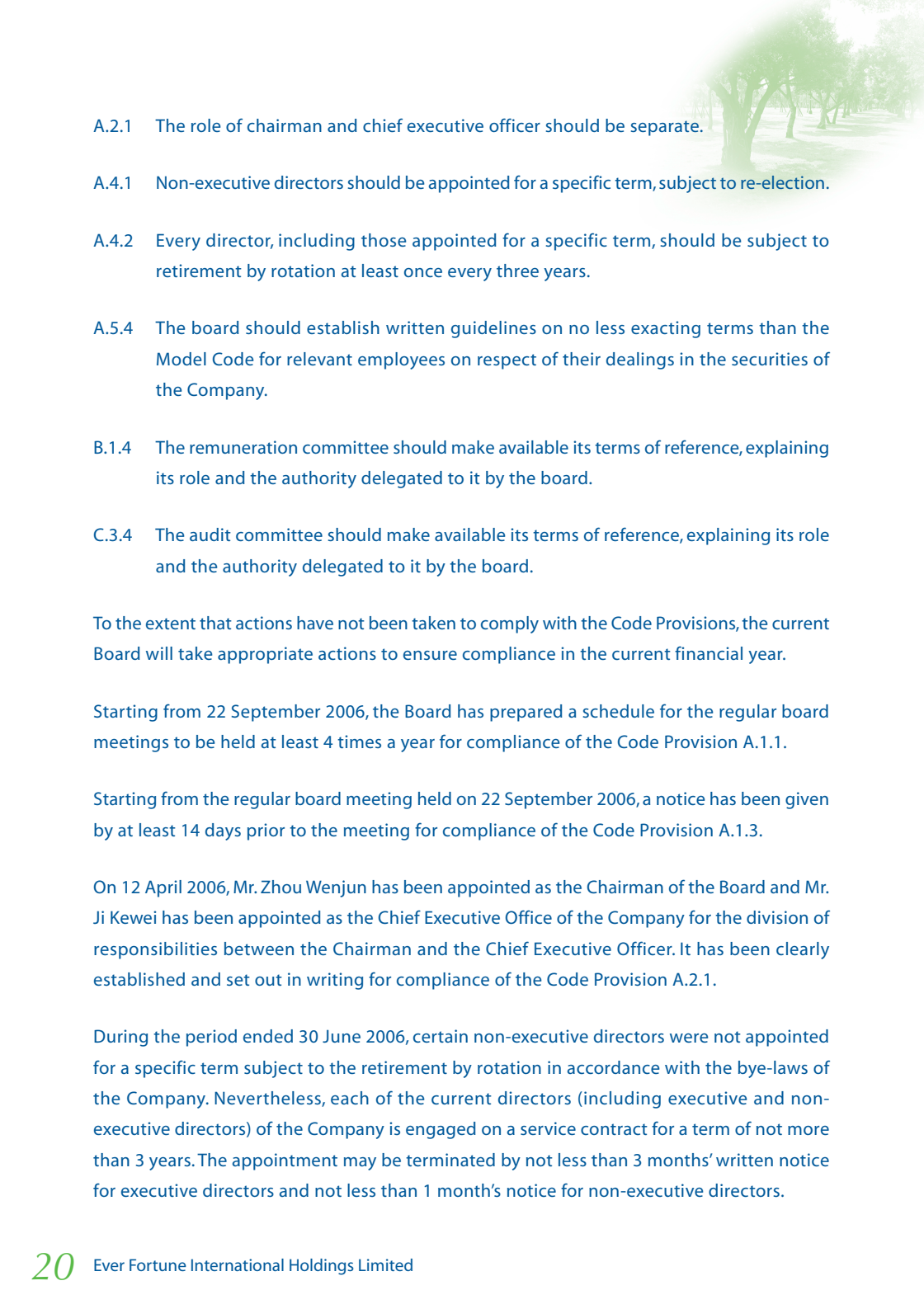
Note: Subsequent to 30 June 2006 on 1 August 2006, the directors have resolved that all the above outstanding option above either been lapsed or cancelled.

CORPORATE GOVERNANCE

The current directors are newly appointed to the Board, with Mr. Ding Jianguyong appointed on 31 October 2005 and the remaining directors appointed on 12 April 2006. Since there have been frequent and substantial changes in the Board members during the period ended 30 June 2006, the current Board believes that certain corporate governance practices of the Company may have not been established. The current Board recognizes the importance of good corporate governance to the Company's healthy growth and will devote considerable efforts to identifying and formulating corporate governance practices appropriate to the Company's needs in future.

To the best knowledge of and so far as is known to the current members of the Board, the Company has complied with the Code Provisions ("Code Provisions") as set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules save for the following provisions:

- A.1.1 Regular board meetings should be held at least 4 times a year.
- A.1.3 Notice of at least 14 days should be given of a regular board meeting.

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- A.2.1 The role of chairman and chief executive officer should be separate.
 - A.4.1 Non-executive directors should be appointed for a specific term, subject to re-election.
 - A.4.2 Every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.
 - A.5.4 The board should establish written guidelines on no less exacting terms than the Model Code for relevant employees on respect of their dealings in the securities of the Company.
 - B.1.4 The remuneration committee should make available its terms of reference, explaining its role and the authority delegated to it by the board.
 - C.3.4 The audit committee should make available its terms of reference, explaining its role and the authority delegated to it by the board.

To the extent that actions have not been taken to comply with the Code Provisions, the current Board will take appropriate actions to ensure compliance in the current financial year.

Starting from 22 September 2006, the Board has prepared a schedule for the regular board meetings to be held at least 4 times a year for compliance of the Code Provision A.1.1.

Starting from the regular board meeting held on 22 September 2006, a notice has been given by at least 14 days prior to the meeting for compliance of the Code Provision A.1.3.

On 12 April 2006, Mr. Zhou Wenjun has been appointed as the Chairman of the Board and Mr. Ji Kewei has been appointed as the Chief Executive Office of the Company for the division of responsibilities between the Chairman and the Chief Executive Officer. It has been clearly established and set out in writing for compliance of the Code Provision A.2.1.

During the period ended 30 June 2006, certain non-executive directors were not appointed for a specific term subject to the retirement by rotation in accordance with the bye-laws of the Company. Nevertheless, each of the current directors (including executive and non-executive directors) of the Company is engaged on a service contract for a term of not more than 3 years. The appointment may be terminated by not less than 3 months' written notice for executive directors and not less than 1 month's notice for non-executive directors.

The Company's bye-laws deviate from Code Provision A.4.2 as it provides that one-third of the directors for the time being (save for the Chairman or Managing Director), or if their number is not three nor three nor a multiple of three, then the number nearest to one-third, shall retire from office and being eligible, offer themselves for re-election at the annual general meetings and that any new director appointed by the Board during the year shall hold office until the next following annual general meeting after appointment, and he/she shall be eligible for re-elections.

To conform with Code Provision A.4.2, the Company in practice has complied with and adopted the said Code Provision A.4.2 According to the current corporate governance practices of the Company, all directors of the Company shall submit themselves for re-election once every three years and any new director appointed to fill a casual vacancy shall submit himself/herself for re-election by shareholders at the first general meeting after appointment.

In accordance with the bye-law 102(B) of the bye-laws of the Company, Mr. Zhou Wenjun, Mr. Ji Kewei, Mr. Dai Jun, Mr. Sun Kejun, Mr. So Hoi Pan, Edinson, Mr. Yim Hing Wah and Mr. Zhao Wen, who have been appointed as directors of the Company on 12 April 2006, will retire and being eligible, offer themselves for re-election at the forthcoming annual general meeting. All of them were re-appointed in the annual general meeting of 2006.

On 22 September 2006, the Company has established the written guidelines on no less exacting terms than the Model Code for the relevant employees in respect of their dealings in the securities of the Company for the compliance of Code Provision A.5.4.

On 22 September 2006, the Company has adopted a written terms of reference for the remuneration committee, explaining its role and the authority delegated to it by the board for the compliance of Code Provision B.1.4.

On 22 September 2006, the Company has adopted a written terms of reference for the audit committee, explaining its role and the authority delegated to it by the board for the compliance of Code Provision C.3.4.



AUDIT COMMITTEE

The current audit committee of the Company comprises Mr. So Hoi Pan, Edinson, Mr. Yim Hing Wah and Mr. Zhao Wen, all of whom are independent non-executive directors of the Company. The audit committee has reviewed the interim results of the Company for the six months ended 30 June 2006.

THE MODEL CODE

The Company has adopted the “Model Code for Securities Transactions by Directors of Listed Issuers” as set out in Appendix 10 to the Listing Rules. Having made specific enquiries with all the directors of the Company, the directors confirmed for six months ended 30 June 2006 have complied with the “Model Code for Securities Transactions by Directors of Listed Issuers” as set out in Appendix 10 of Listing Rules.

PROCEEDINGS INVOLVING THE COMPANY

Reference is made to the announcement dated 24 July 2006, the Company issued a writ of summons in the High Court of Hong Kong against Tsun & Partners on 18 July 2006 in relation to certain invoices for legal services purportedly rendered and a purported Deed dated 25 November 2005. On 21 July 2006, Tsun & Partners served a winding-up petition against the Company in respect of an amount of HK\$3,323,190, allegedly due under the purported Deed dated 25 November 2005.

At the request of the Company, trading in the securities of the Company has been suspended since 9:30 a.m. on 28 April 2005 and will remain suspended until further notice.

By Order of the Board

Zhou Wenjun

Chairman

Hong Kong, 22 September 2006