



Lerado Group (Holding) Company Limited

Stock Code : 1225



2007
INTERIM REPORT

Financial Results

The Board of Directors (the “Board”) of Lerado Group (Holding) Company Limited (the “Company”) presents the unaudited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2007, together with the comparative figures, as follows:

Condensed Consolidated Income Statement

For the Six Months Ended 30 June 2007

		Six months ended 30 June	
	Notes	2007 HK\$'000 (unaudited)	2006 HK\$'000 (unaudited)
Revenue	3	600,590	607,943
Cost of sales		(493,095)	(456,236)
Gross profit		107,495	151,707
Investment income		10,972	3,286
Other income		5,043	5,230
Marketing and distribution costs		(44,129)	(29,079)
Research and development expenses		(14,789)	(11,194)
Administrative expenses		(45,141)	(41,466)
Other expenses		(1,897)	(2,381)
Share of loss of an associate		(381)	—
Finance costs		(2)	(1)
Profit before tax		17,171	76,102
Income tax expense	4	(4,462)	(5,880)
Profit for the period	5	12,709	70,222
Attributable to:			
Equity holders of the Company		13,203	68,689
Minority interests		(494)	1,533
		12,709	70,222
Dividends	6	39,891	21,658
Earnings per share	7		
— Basic		HK1.82 cents	HK9.51 cents
— Diluted		HK1.81 cents	HK9.51 cents

Condensed Consolidated Balance Sheet

At 30 June 2007

	Notes	30 June 2007 HK\$'000 (unaudited)	31 December 2006 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment	8	302,834	333,330
Investment properties	8	50,796	17,900
Prepaid lease payments		35,208	34,588
Intellectual property rights		17,989	20,069
Interest in an associate		7,560	7,870
Available-for-sale investments		4,366	4,225
Deferred tax assets		1,930	1,930
		420,683	419,912
Current assets			
Inventories		130,372	127,175
Trade and other receivables	9	199,675	170,174
Prepaid lease payments		723	717
Derivative financial instruments		10,096	1,550
Tax recoverable		771	53
Bank balances and cash		218,837	259,839
		560,474	559,508

Condensed Consolidated Balance Sheet (Continued)

At 30 June 2007

	Notes	30 June 2007 HK\$'000 (unaudited)	31 December 2006 HK\$'000 (audited)
Current liabilities			
Trade and other payables	10	192,917	182,514
Tax liabilities		6,909	5,589
Loan from a minority shareholder	11	780	780
Derivative financial instruments		4,319	1,330
		204,925	190,213
Net current assets		355,549	369,295
Total assets less current liabilities		776,232	789,207
Capital and reserves			
Share capital		72,529	72,194
Reserves		679,668	700,033
Equity attributable to equity holders of the Company		752,197	772,227
Minority interests		7,717	8,211
Total equity		759,914	780,438
Non-current liabilities			
Deferred tax liabilities		16,318	8,769
		776,232	789,207

Condensed Consolidated Statement of Changes In Equity

For The Six Months Ended 30 June 2007

	Attributable to equity holders of the Company				
	Share capital	Share premium	Special reserve	Property revaluation reserve	Statutory surplus reserve fund
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2006 (audited)	72,210	90,056	38,510	58,900	16,612
Exchange differences arising from translation of the financial statements of operations outside Hong Kong and income recognised directly in equity	—	—	—	—	—
Profit for the period	—	—	—	—	—
Total recognised income and expense for the period	—	—	—	—	—
Shares repurchased during the period	(16)	—	—	—	—
Premium on shares repurchased	—	(72)	—	—	—
Transfer of reserve upon cancellation of shares	—	—	—	—	—
Employee share-based payments	—	—	—	—	—
Dividends	—	—	—	—	—
At 30 June 2006 (unaudited)	72,194	89,984	38,510	58,900	16,612
Exchange differences arising from translation of the financial statements of operations outside Hong Kong	—	—	—	—	—
Share of changes in equity of associates	—	—	—	—	—
Revaluation surplus on land and buildings	—	—	—	5,507	—
Deferred tax liability arising on revaluation of properties	—	—	—	(2,993)	—
Net income recognised directly in equity	—	—	—	2,514	—
Profit for the period	—	—	—	—	—

Attributable to equity holders of the Company

Enterprise expansion fund HK\$'000	Translation reserve HK\$'000	Share option reserve HK\$'000	Capital redemption reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000	Minority interests HK\$'000	Total HK\$'000
1,067	5,758	—	1,131	424,165	708,409	16,921	725,330
—	4,342	—	—	—	4,342	—	4,342
—	—	—	—	68,689	68,689	1,533	70,222
—	4,342	—	—	68,689	73,031	1,533	74,564
—	—	—	—	—	(16)	—	(16)
—	—	—	—	—	(72)	—	(72)
—	—	—	16	(16)	—	—	—
—	—	334	—	—	334	—	334
—	—	—	—	(21,658)	(21,658)	—	(21,658)
1,067	10,100	334	1,147	471,180	760,028	18,454	778,482
—	9,799	—	—	—	9,799	—	9,799
—	(71)	—	—	—	(71)	—	(71)
—	—	—	—	—	5,507	—	5,507
—	—	—	—	—	(2,993)	—	(2,993)
—	9,728	—	—	—	12,242	—	12,242
—	—	—	—	17,530	17,530	596	18,126

Condensed Consolidated Statement of Changes In Equity (Continued)

For The Six Months Ended 30 June 2007

	Attributable to equity holders of the Company				
	Share capital	Share premium	Special reserve	Property revaluation reserve	Statutory surplus reserve fund
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Total recognised income and expense for the period	—	—	—	2,514	—
Employee share-based payments	—	—	—	—	—
Acquisition of additional interests in a subsidiary	—	—	—	—	—
Transfer of statutory reserves	—	—	—	—	3,946
Dividends	—	—	—	—	—
At 31 December 2006 (audited)	72,194	89,984	38,510	61,414	20,558
Exchange differences arising from translation of the financial statements of operations outside Hong Kong	—	—	—	—	—
Adjustment to deferred tax liability arising on change in tax rate	—	—	—	(6,643)	—
Net income recognised directly in equity	—	—	—	(6,643)	—
Profit for the period	—	—	—	—	—
Total recognised income and expense for the period	—	—	—	(6,643)	—
Exercise of share options	335	1,992	—	—	—
Share options lapsed during the period	—	—	—	—	—
Employee share-based payment	—	—	—	—	—
Dividends (note 6)	—	—	—	—	—
At 30 June 2007 (unaudited)	72,529	91,976	38,510	54,771	20,558

Attributable to equity holders of the Company

Enterprise expansion fund HK\$'000	Translation reserve HK\$'000	Share option reserve HK\$'000	Capital redemption reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000	Minority interests HK\$'000	Total HK\$'000
—	9,728	—	—	17,530	29,772	596	30,368
—	—	476	—	—	476	—	476
—	—	—	—	—	—	(10,839)	(10,839)
2,024	—	—	—	(5,970)	—	—	—
—	—	—	—	(18,049)	(18,049)	—	(18,049)
3,091	19,828	810	1,147	464,691	772,227	8,211	780,438
—	11,269	—	—	—	11,269	—	11,269
—	—	—	—	—	(6,643)	—	(6,643)
—	11,269	—	—	—	4,626	—	4,626
—	—	—	—	13,203	13,203	(494)	12,709
—	11,269	—	—	13,203	17,829	(494)	17,335
—	—	(518)	—	—	1,809	—	1,809
—	—	(34)	—	34	—	—	—
—	—	223	—	—	223	—	223
—	—	—	—	(39,891)	(39,891)	—	(39,891)
3,091	31,097	481	1,147	438,037	752,197	7,717	759,914

Condensed Consolidated Cash Flow Statement

For the Six Months ended 30 June 2007

	Six months ended 30 June	
	2007 <i>HK\$'000</i> (unaudited)	2006 <i>HK\$'000</i> (unaudited)
Net cash from operating activities	3,934	90,769
Net cash used in investing activities:		
Purchase of property, plant and equipment	(13,330)	(11,988)
Other investing cash flows	6,753	2,718
	(6,577)	(9,270)
Net cash used in financing activities:		
Dividend paid	(39,891)	(21,658)
Other financing cash flows	(3)	(89)
	(39,894)	(21,747)
Net (decrease) increase in cash and cash equivalents	(42,537)	59,752
Cash and cash equivalents at 1 January	259,839	178,423
Effect of foreign exchange rate changes	1,535	(896)
Cash and cash equivalents at 30 June, representing bank balances and cash	218,837	237,279

Notes to the Condensed Consolidated Financial Statements

For the Six Months ended 30 June 2007

1. Basis of Preparation

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with Hong Kong Accounting Standard ("HKAS") 34, Interim Financial Reporting.

2. Principal Accounting Policies

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at revalued amounts or fair values, as appropriate.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the annual financial statements of the Group for the year ended 31 December 2006.

In the current interim period, the Group has applied, for the first time, the following new standard, amendment and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for the Group's financial year beginning 1 January 2007.

HKAS 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC) — Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies
HK(IFRIC) — Int 8	Scope of HKFRS 2
HK(IFRIC) — Int 9	Reassessment of Embedded Derivatives
HK(IFRIC) — Int 10	Interim Financial Reporting and Impairment

The adoption of these new HKFRSs has had no material effect on the results or financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

The Group has not early applied the following new and revised standards or interpretations that have been issued but are not yet effective.

HKAS 23 (Revised)	Borrowing Costs ¹
HKFRS 8	Operating Segments ¹
HK(IFRIC) — Int 11	HKFRS 2: Group and Treasury Share Transactions ²
HK(IFRIC) — Int 12	Service Concession Arrangements ³

¹ Effective for annual periods beginning on or after 1 January 2009.

² Effective for annual periods beginning on or after 1 March 2007.

³ Effective for annual periods beginning on or after 1 January 2008.

The directors of the Company anticipate that the application of these standards or interpretations will have no material impact on the results and the financial position of the Group.

3. Segment Information

The Group's primary format for reporting information is business segment. An analysis of the Group's segment revenue and segment result for the period by business segment is as follows:

	Six months ended 30 June 2007		Six months ended 30 June 2006	
	External sales HK\$'000	Segment results HK\$'000	External sales HK\$'000	Segment results HK\$'000
Strollers	277,375	4,490	287,830	33,839
Beds and playards	43,886	546	65,427	6,980
Miscellaneous infant products*	225,190	1,484	196,638	25,505
Others	54,139	62	58,048	6,835
	600,590	6,582	607,943	73,159
Investment income		10,972		3,286
Unallocated corporate expenses		—		(342)
Share of loss of an associate		(381)		—
Finance costs		(2)		(1)
Profit before tax		17,171		76,102
Income tax expense		(4,462)		(5,880)
Profit for the period		12,709		70,222

* Miscellaneous infant products include soft goods, car seats, high chairs, bouncers, walkers and etc.

An analysis of the Group's segment revenue for the period by geographical segment is as follows:

	Six months ended 30 June	
	2007 HK\$'000	2006 HK\$'000
External sales:		
United States of America	269,089	282,500
Europe	166,526	155,142
Australia	26,091	19,720
South America	52,312	52,414
Others	86,572	98,167
	600,590	607,943

4. Income Tax Expense

	Six months ended 30 June	
	2007 HK\$'000	2006 HK\$'000
Current tax		
Hong Kong	2,698	2,863
The People's Republic of China ("The PRC")	779	1,930
Other jurisdictions	860	149
	4,337	4,942
Overprovision in prior years		
The PRC	(779)	—
Deferred tax		
Current year	152	938
Effect of change in tax rate	752	—
	904	938
	4,462	5,880

Hong Kong Profits Tax is calculated at 17.5% (six months ended 30 June 2006: 17.5%) of the estimated assessable profits for the period.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdiction.

The statutory tax rate for the PRC subsidiaries is generally 24%, except those subsidiaries regarded as export enterprises by local tax authority that are subject to a preferential income tax rate of 12%. During the period, all PRC subsidiaries that are subject to tax are qualified as export enterprise. On 16 March 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the PRC, which will change the tax rate from 12% to 25% for certain PRC subsidiaries from 1 January 2008. The deferred tax balances have been adjusted to reflect the tax rates that are expected to apply to the respective periods when the asset is realised or the liability is settled.

5. Profit for the Period

	Six months ended 30 June	
	2007	2006
	HK\$'000	<i>HK\$'000</i>
Profit for the period has been arrived at after charging (crediting) the following items:		
Depreciation of property, plant and equipment	16,728	16,464
Amortisation of intellectual property rights	1,897	2,039
Amortisation of prepaid lease payments	419	414
Fair value gain on derivative financial instruments	(6,080)	(344)
Interest income on bank deposits	(4,891)	(2,402)

6. Dividends

	Six months ended 30 June	
	2007	2006
	HK\$'000	<i>HK\$'000</i>
Dividends paid or declared in current period:		
Final dividend declared and paid for 2006 of HK5.5 cents (2006: Final dividend declared and paid for 2005 of HK3 cents) per share	39,891	21,658

The directors have proposed that an interim dividend of HK1.5 cents (six months ended 30 June 2006: HK2.5 cents) per share will be paid to the shareholders of the Company whose names appear in the Register of Members on 12 October 2007.

7. Earnings Per Share

The calculation of the basic and diluted earnings per share attributable to the ordinary equity holders of the Company is based on the following data:

	Six months ended 30 June	
	2007	2006
	HK\$'000	<i>HK\$'000</i>
Earnings for the period attributable to equity holders of the Company	13,203	68,689
	Number of shares	Number of shares
Weighted average number of ordinary shares for the purpose of basic earnings per share	724,253,531	722,046,735
Effect of dilutive potential ordinary shares in respect of share options	3,510,827	108,651
Weighted average number of ordinary shares for the purpose of diluted earnings per share	727,764,358	722,155,386

8. Movements in Property, Plant and Equipment and Investment Properties

During the period, the Group spent approximately HK\$13 million (2006: HK\$12 million) on the acquisition of property, plant and equipment. In addition, the Group has reclassified an investment property with a fair value of approximately HK\$18 million as property, plant and equipment. Also in the same period, the Group has reclassified a building previously classified as property, plant and equipment with a revalued amount of approximately HK\$51 million as investment property. The investment properties and property, plant and equipment, the fair value of which at HK\$18 million and HK\$51 million, respectively, on the date of transfer were valued by the directors and in the opinion of not materially different from their then carrying amounts.

9. Trade and Other Receivables

The Group has defined credit terms which are agreed with its trade customers. Included in trade and other receivables are trade receivables of approximately HK\$166,641,000 net of provision of HK\$15,547,000 (31 December 2006: HK\$147,918,000, net of provision of HK\$8,546,000) and their aged analysis is as follows:

	30 June 2007 HK\$'000	31 December 2006 HK\$'000
Within 30 days	92,805	84,295
Between 31 to 90 days	68,273	59,303
Over 90 days	5,563	4,320
	166,641	147,918

10. Trade and Other Payables

Included in trade and other payables are trade payables of approximately HK\$137,337,000 (31 December 2006: HK\$120,436,000) and their aged analysis is as follow:

	30 June 2007 HK\$'000	31 December 2006 HK\$'000
Within 30 days	66,136	49,477
Between 31 to 90 days	63,757	65,517
Over 90 days	7,444	5,442
	137,337	120,436

11. Connected and Related Party Disclosures

During the period, the Group had transactions and/or balances with the directors and/or related parties, some of which are also deemed to be connected persons pursuant to the Listing Rules. The significant transactions during the period and balances with them at the balance sheet date, are as follows:

(a) Transactions with connected or related parties:

Name of party	Interested directors	Nature of transactions	Six months ended 30 June	
			2007 HK\$'000	2006 HK\$'000
好萊兒嬰兒用品 有限公司	(note i)	Sales made by the Group	—	1,496
Yojin Industrial Corporation	Huang Ying Yuan Huang Chen Li Chu (note ii)	Rental expenses paid by the Group	287	293
Chen Chin Yuan	(note iii)	Rental expenses paid by the Group	47	45
Chen Hung Jung	(note iv)	Rental expenses paid by the Group	43	41
Huang Ying Yuan	(note v)	Rental expenses paid by the Group	109	104
Chen Hsing Shin	(note v)	Rental expenses paid by the Group	109	104

Notes:

- i. 好萊兒嬰兒用品有限公司 is controlled by Huang Tien Cheng, who is a brother of Huang Ying Yuan.
- ii. Huang Ying Yuan and Huang Chen Li Chu have beneficial interests in Yojin Industrial Corporation.
- iii. Chen Chin Yuan is a brother of Chen Hsing Shin.
- iv. Chen Hung Jung is a brother of Huang Chen Li Chu.
- v. Huang Ying Yuan and Chen Hsing Shin are the directors of the Group.

(b) Loan from a related party

Other than the above, at 30 June 2007, the Group also had a loan from a minority shareholder of HK\$780,000 (31 December 2006: HK\$780,000). The loan is made by the minority shareholder to a subsidiary in proportion of its interests in that subsidiary. The loan is unsecured, interest-free and repayable on demand.

(c) Compensation of key management personnel

The remuneration of directors, who are the key management of the Group, during the period are as following:

	Six months ended	
	30 June	
	2007	2006
	HK\$'000	HK\$'000
Short-term benefits	3,464	3,028
Post-employment benefits	50	28
	3,514	3,056

The remuneration of each director is decided by the board of directors, who are authorised by the shareholders to do so having regard to the performance of the individuals and market trends.

Deloitte.

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TO THE BOARD OF DIRECTORS OF LERADO GROUP (HOLDING) COMPANY LIMITED

(incorporated in Bermuda with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 1 to 16, which comprises the condensed consolidated balance sheet of Lerado Group (Holding) Company Limited as of 30 June 2007 and the related condensed consolidated income statement, statement of changes in equity and cash flow statement for the six-month period then ended and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

14 September 2007

Management Discussion and Analysis

Business review and outlook

For the six months ended 30 June 2007, the Group reported consolidated revenue of HK\$600.6 million, a slight decrease of 1.2% as compared with the same period last year. The profit attributable to equity holders amounted to HK\$13.2 million (six months ended 30 June 2006: HK\$68.7 million) while earnings per share decreased correspondingly to HK1.82 cents from HK9.51 cents of the same period last year.

As the price of raw materials stayed at high levels and was volatile, especially plastics and metal tubes and parts which each accounted for a third of the Group's materials used, the gross margin of the Group was squeezed to 17.9% as compared with 25.0% of the first half of 2006. This resulted in the decline of net profit for the period under review.

In addition, marketing and distribution expenses surged mainly due to the increase in general costs of operations, such as transportation and insurance costs. Besides, impairment loss for doubtful debts of approximately HK\$3.0 million were made against certain sales in the PRC market, and legal and related costs amounting HK\$4.4 million were recorded, arising from the dispute settled with a client.

As for other expenses, the increase in administrative expenses was mainly explained by the costs of approximately HK\$3.7 million incurred in the Group's new US office set up for the marketing of the Group's healthcare line of products, whereas the increase of research and development expenses reflected the Group's plan to allocate more resources in strengthening its design capabilities, including hiring designers to develop more innovative products to meet market demand.

In terms of revenue, sales of miscellaneous infant products increased by 14.5%, mainly driven by the satisfactory performance of car seats, and represented 37.5% of the Group's total turnover. Sales of strollers, the Group's core product, dropped slightly by 3.6% to HK\$277.4 million, while sales of beds and playards recorded a sharper decrease to HK\$43.9 million.

Apart from infant products that have long been offered to the market, the Group has recently developed a new line of healthcare products catered for the elderly, such as wheelchairs, scooters, walking aids and etc. This line of product accounted for around 2% of the Group's turnover for the first half of 2007 and was classified under the category of "others". An office had been set up in the United States of America ("US") to promote and market this new product line.

Looking forward, the Group believes the healthcare line of products will be of great potential amid the aging environment in the globe. More resources will also be allocated to the development of car seats, which is expected to be another product line driving the Group's growth. Meanwhile, the Group is closely monitoring the prices of raw materials which have been volatile. The Group will also take a close look at the PRC market in a view to strengthen the marketability and profitability of our products.

Relocation of corporate office

In May 2007, the Group's corporate office was relocated from Shun Tak Centre (the "Shun Tak Property") to another self-owned property at Arbuthnot Road, which was previously let out for rental income. The Shun Tak Property, with saleable floor area of approximately 557 square meters, is currently left vacant and is held by the Group as an investment property.

Investments

The Group had not made any new investments during the six months ended 30 June 2007.

Liquidity and financial resources

As at 30 June 2007, the Group had total cash and bank balances of HK\$218.8 million (31 December 2006: 259.8 million), mainly in US dollars and Renminbi, and was free of bank borrowings. Accordingly, the Group's gearing ratio, expressed as total bank borrowing to shareholders' fund, is zero (31 December 2006: zero).

As at 30 June 2007, the Group had net current assets of HK\$355.5 million and maintained its current ratio at 2.7. For the six months ended 30 June 2007, both trade receivable and trade payable turnovers were shortened to 47 days, as compared with 52 days and 54 days respectively for the same period last year, while inventory turnover decreased slightly from 48 days to 47 days.

The directors believe that the Group has sufficient resources and working capital to meet its foreseeable capital expenditure.

As at 30 June 2007, no asset of the Group was under charge.

Exchange risk exposure and contingent liabilities

The sales of the Group are mainly denominated in US dollars and purchases are mainly in HK dollars, Renminbi and New Taiwanese dollars. The Group does not foresee significant risk in exchange rate fluctuation.

As at 30 June 2007, the Group had no significant contingent liabilities.

Employees and remuneration policies

As at 30 June 2007, the Group employed a total workforce of around 5,700 staff members, of which above 5,500 worked in the PRC offices and production sites, above 100 in Taiwan mainly for marketing, sales support and research and development, 13 in the US office mainly for marketing and 12 in Hong Kong for finance and administration.

Interim Dividend

The Board has declared an interim dividend of HK1.5 cents per share in cash for the six months ended 30 June 2007 to shareholders whose names appear on the Register of Members of the Company on 12 October 2007. It is expected that the dividend warrants will be sent to the Shareholders no later than 25 October 2007.

Closure of Register of Members

The Register of Members of the Company will be closed from 10 to 12 October 2007, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar, Tricor Secretaries Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, not later than 4:00 p.m. on 9 October 2007.

Purchase, Sale or Redemption of the Company's Listed Securities

During the six months ended 30 June 2007, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

Directors' Interests in Securities

At 30 June 2007, the interests of the directors and their associates in the shares and underlying shares of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance (“SFO”), or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) contained in the Listing Rules, were as follows:

Long positions in shares and underlying shares of the Company

Name of director	Number of shares held as			Approximate % of the issued share capital	Share options
	Beneficial owner	Spouse interests	Total		
Mr. Huang Ying Yuan	104,153,360	43,336,180 <i>(Note 1)</i>	147,489,540	20.3	7,000,000 <i>(Note 2)</i>
Mr. Chen Hsing Shin	96,805,800	—	96,805,800	13.3	3,500,000
Mrs. Huang Chen Li Chu	43,336,180	104,153,360 <i>(Note 1)</i>	147,489,540	20.3	7,000,000 <i>(Note 3)</i>
Mr. Leung Man Fai	—	—	—	—	2,500,000

Notes:

- The spouse interest represents the shares held by the spouse of Mr. Huang Ying Yuan and Mrs. Huang Chen Li Chu respectively. Mrs. Huang Chen Li Chu is the wife of Mr. Huang Ying Yuan.
- It represents 4,000,000 share options beneficially owned by Mr. Huang Ying Yuan and 3,000,000 share options held by the spouse of him.
- It represents 3,000,000 options beneficially owned by Mrs. Huang Chen Li Chu and 4,000,000 share options held by the spouse of her.

Other than as disclosed above, none of the directors nor their associates had any interests or short positions in any shares and underlying shares of the Company or any of its associated corporations, which were recorded in the register as required to be kept by the Company under Section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Share Options

The following table discloses movements in the Company's share options during the six months ended 30 June 2007:

	Date of grant	Number of shares subject to share options			
		Outstanding at 1 January 2007	Exercised during the period	Lapsed during the period	Outstanding at 30 June 2007
Category 1: Directors					
Mr. Huang Ying Yuan	18 August 1999	4,000,000	—	—	4,000,000
Mr. Chen Hsing Shin	18 August 1999	3,500,000	—	—	3,500,000
Mrs. Huang Chen Li Chu	18 August 1999	3,000,000	—	—	3,000,000
Mr. Leung Man Fai	18 August 1999	2,500,000	—	—	2,500,000
Total for directors		13,000,000	—	—	13,000,000
Category 2: Employees					
Total for employees	14 February 2006	7,614,000	(3,350,000)	(220,000)	4,044,000
Total for all categories		20,614,000	(3,350,000)	(220,000)	17,044,000

Details of specific categories of options are as follows:

Date of grant	Vesting period	Exercise period	Exercise price HK\$
18 August 1999	4.5 months	1 January 2000 — 17 August 2009	1.26
14 February 2006 (Batch I)	11 months	17 January 2007 — 16 January 2011	0.54
14 February 2006 (Batch II)	23 months	17 January 2008 — 16 January 2011	0.54

Directors' Rights to Acquire Shares or Debentures

Save as disclosed above, at no time during the period was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of, the Company or any other body corporate.

Substantial Shareholders

As at 30 June 2007, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that other than the interests disclosed above in respect of certain directors, the following shareholders had notified the Company of relevant interests in the issued share capital of the Company.

Long position in shares and underlying shares of the Company

Name of substantial shareholder	Capacity	Number of shares	Approximate % of the issued share capital
Allianz Aktiengesellschaft	Corporate interest (Note 1)	66,032,000	9.1%
Dresdner Bank Aktiengesellschaft	Corporate interest (Note 1)	66,032,000	9.1%
Veer Palthe Voute NV	Investment manager (Note 1)	66,032,000	9.1%
Mr. David Michael Webb	(Note 2)	36,742,000	5.1%
Mr. Chen An-Hsin	Corporate interest (Note 3)	36,689,675	5.1%
Gold Field Business Ltd.	Beneficial owner (Note 3)	36,689,675	5.1%

Notes:

1. Veer Palthe Voute NV is 100% indirectly owned by Dresdner Bank Aktiengesellschaft, which is in turn 81.1% indirectly owned by Allianz Aktiengesellschaft.
2. Mr. David Michael Webb beneficially owns 5,110,000 shares, and in addition, he holds 31,632,000 shares through Preferable Situation Assets Limited, which is 100% directly owned by him.
3. Mr. Chen An Hsin owns the entire interest of Gold Field Business Ltd.

Other than as disclosed above, the Company has not been notified of any other relevant interests or short position in the issued share capital of the Company as at 30 June 2007.

Code on Corporate Governance Practices

Throughout the six months ended 30 June 2007, the Company has complied with the code provisions of the Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules.

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules. Upon enquiry by the Company, all Directors of the Company have confirmed that they have complied with the required standard set out in the Model Code throughout the six months ended 30 June 2007.

Review of Interim Financial Statements

The Audit Committee has reviewed with management and the external auditors, Deloitte Touche Tohmatsu, the unaudited interim financial statements, the accounting principles and practices adopted by the Group.

By order of the Board

Huang Ying Yuan

Chairman

14 September 2007