



**連發國際股份有限公司**

**Ever Fortune International Holdings Limited**

Stock Code: 875

**Interim Report**

**2008**

The board of directors (the “Board”) of Ever Fortune International Holdings Limited (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 2008 together with the comparative figures for the previous period as follows:

## CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2008

		For the six months ended 30 June	
	Notes	2008 HK\$'000 (Unaudited)	2007 HK\$'000 (Unaudited)
<b>Continuing operations</b>			
Turnover	2	—	1,189
Other income	4	63	257
Raw materials and consumables used		—	(301)
Staff costs		(1,089)	(1,803)
Exchange gain on deregistration of subsidiaries		1,255	—
Depreciation		(257)	(72)
Loss arising from changes in fair value less estimated point-of-sale costs of biological assets		—	(2,036)
Other operating expenses		(4,385)	(11,562)
<b>Loss before income tax</b>	5	(4,413)	(14,328)
Income tax expenses	6	—	(16)
<b>Loss for the period</b>		(4,413)	(14,344)
<b>Loss attributable to:</b>			
Equity holders of the Company		(4,413)	(14,344)
Minority interests		—	—
		(4,413)	(14,344)
<b>Dividends</b>	7	—	—
<b>Loss per share attributable to the equity holders of the Company during the period</b>			
— basic	8	(HK0.17 cents)	(HK0.57 cents)
— diluted		N/A	N/A

**CONDENSED CONSOLIDATED BALANCE SHEET**

AS AT 30 JUNE 2008

	Note	As at 30 June 2008 HK\$'000 (unaudited)	As at 31 December 2007 HK\$'000 (audited)
<b>Non-current assets</b>			
Property, plant and equipment		881	1,137
Leasehold land and land use rights		—	—
Biological assets		—	—
Intangible assets		—	—
		<b>881</b>	<b>1,137</b>
<b>Current assets</b>			
Leasehold land and land use rights		—	—
Biological assets		—	—
Inventories		—	—
Trade and other receivables	9	1,807	1,204
Cash and bank balances		3,184	14,497
		<b>4,991</b>	<b>15,701</b>
<b>Current liabilities</b>			
Trade and other payables	10	53,064	58,450
Provisions		—	—
Bank borrowings		—	249
Other borrowings		86	86
		<b>53,150</b>	<b>58,785</b>
<b>Net current liabilities</b>		<b>(48,159)</b>	<b>(43,084)</b>
<b>Total assets less current liabilities</b>		<b>(47,278)</b>	<b>(41,947)</b>
<b>Capital and reserves attributable to the equity holders of the company</b>			
Issued capital		25,325	25,325
Reserves		(72,603)	(67,272)
		<b>(47,278)</b>	<b>(41,947)</b>
<b>Minority interests</b>		—	—
<b>Total equity</b>		<b>(47,278)</b>	<b>(41,947)</b>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2008

FOR THE SIX MONTHS ENDED 30 JUNE 2007 (Unaudited)

	Attributable to equity shareholders of the Company						Total reserves	Minority interests	Total
	Issued Capital	Share premium	Reserve fund	Contributed surplus	Exchange fluctuation reserve	Accumulated losses			
	(note a)	(note b)	(note c)	(note d)					
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 January 2007	25,325	163,532	3,168	126,883	5,477	(355,711)	(56,651)	—	(31,326)
Exchange difference on translation of financial statements of subsidiaries	—	—	—	—	237	—	237	—	237
Loss for the period	—	—	—	—	—	(14,344)	(14,344)	—	(14,344)
At 30 June 2007	25,325	163,532	3,168	126,883	5,714	(370,055)	(70,758)	—	(45,433)

FOR THE SIX MONTHS ENDED 30 JUNE 2008 (Unaudited)

	Attributable to equity shareholders of the Company						Total reserves	Minority interests	Total
	Issued Capital	Share premium	Reserve fund	Contributed surplus	Exchange fluctuation reserve	Accumulated losses			
	(note a)	(note b)	(note c)	(note d)					
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 January 2008	25,325	163,532	—	126,883	897	(358,584)	(67,272)	—	(41,947)
Reserves realised upon deregistration of subsidiaries	—	—	—	—	(918)	—	(918)	—	(918)
Loss for the period	—	—	—	—	—	(4,413)	(4,413)	—	(4,413)
At 30 June 2008	25,325	163,532	—	126,883	(21)	(362,997)	(72,603)	—	(47,278)

Note:

- (a) The application of the share premium account is governed by the Companies Act 1981 of Bermuda.
- (b) In accordance with the accounting principles and financial regulations applicable in the PRC subsidiaries are required to transfer part of their profit after taxation to the reserve fund. The transfer amounts are determined by the subsidiaries' board of directors in accordance with the articles of association and the transfers are made before profit distribution. Reserve fund can only be used to make good losses, if any, and for increasing capital.
- (c) The contributed surplus of the Group represents the difference between the aggregate of the nominal value of (i) the share capital of the subsidiaries acquired pursuant to the Group reorganisation completed on 5 June 1998 (the "Group Reorganisation"); (ii) the debt of approximately HK\$17,039,000 (the "Debt") due by the then shareholders, Mr. Kwok Man Yu and his wife, Ms. Lam Yuk Ang, to Corasia International (BVI) Limited ("Corasia BVI"), the former holding company of the Group, and assumed by the Company under the Group reorganisation, over the nominal value of the shares of the Company issued in exchange thereof; and (iii) the credit arising from the capital reduction of approximately HK\$112,950,000.
- (d) The exchange fluctuation reserve comprises all foreign exchange differences arising from the translation of the accounts of foreign operations.

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2008

	<b>For the six months ended 30 June</b>	
	<b>2008</b>	2007
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
<b>NET CASH OUTFLOW FROM OPERATING ACTIVITIES</b>	<b>(11,464)</b>	(5,408)
Net cash (outflow)/inflow from investing activities	<b>63</b>	(829)
Net cash (outflow)/inflow from financing activities	<b>(249)</b>	18,215
<b>(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(11,650)</b>	11,978
Effect of foreign exchange rates changes	<b>337</b>	—
Cash and cash equivalents at 1 January	<b>14,497</b>	1,772
<b>CASH AND CASH EQUIVALENTS AT 30 JUNE</b>	<b>3,184</b>	13,750
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances	<b>3,184</b>	13,750

## NOTES TO THE FINANCIAL STATEMENTS

### 1. BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2008 has been prepared in accordance with HKAS 34 "Interim Financial Reporting". The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2007, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants.

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards ("HKFRSs" which term collectively includes individual HKFRSs, HKASs and Interpretations) that are effective for accounting periods beginning on or after 1 January 2008. 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/revised standards or interpretations that have been issued but are not yet effective.

HKAS 1 (Revised)	Presentation of Financial Statements <sup>1</sup>
HKAS 23 (Revised)	Borrowing Costs <sup>1</sup>
HKAS 27 (Revised)	Consolidated and Separate Financial Statements <sup>2</sup>
HKAS 32 and HKAS 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation <sup>1</sup>
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations <sup>1</sup>
HKFRS 3 (Revised)	Business Combinations <sup>2</sup>
HKFRS 8	Operating Segments <sup>1</sup>
HK(IFRIC) - Interpretation 13	Customer Loyalty Programmes <sup>3</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2009

<sup>2</sup> Effective for annual periods beginning on or after 1 July 2009

<sup>3</sup> Effective for annual periods beginning on or after 1 July 2008

The Group is in the process of making an assessment of the impact of these new/revised standards and interpretations to the Group's results of operations and financial position in the period of initial application.

## 2. TURNOVER

Turnover represents revenue arising on sales of tree seedlings and seeds, and rental income for the period.

	<b>For the six months ended 30 June</b>	
	<b>2008</b>	2007
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
Rental income from exhibition centre operation	—	853
Sales of tree seedlings and seeds	—	336
	—	1,189

## 3. BUSINESS AND GEOGRAPHICAL SEGMENTS

### Business segments

- a) Exhibitions and events: Management of exhibition and event centres.
- b) Tree seedlings and seeds: Nurturing, selling and trading of tree seedlings and seeds.

There were no inter-segment sales and transfer during the period.

No separate analysis of financial information by business segments is presented for the six months ended 30 June 2008 as the Group has no principal business during the period.



**3. BUSINESS AND GEOGRAPHICAL SEGMENTS** (continued)**Business segments** (continued)

An analysis of the Group's turnover, contribution to loss from operations for the period ended 30 June 2007 and certain assets, liabilities and expenditure information regarding business segments is as follow:

	<b>For the six months ended 30 June 2007</b>		
	<b>Tree seedings and seeds</b>	<b>Exhibitions and events</b>	<b>Consolidated</b>
	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)
<b>Revenue</b>			
External sales	336	853	1,189
Other revenue	140	107	247
Total revenue	476	960	1,436
<b>Segment results</b>			
	324	810	1,134
Unallocated income			10
Unallocated expenses			(15,472)
Finance costs			—
Loss before income tax			(14,328)
Income tax expense			(16)
Loss for the period			(14,344)
Depreciation and amortisation			
— segment	(1,339)	—	(1,339)
— unallocated			(68)
Impairment loss on other receivables			
— segment	—	—	—
— unallocated			—
Impairment loss on intangible assets			
— segment	—	—	—
— unallocated			—
Provisions			
— segment	—	—	—
— unallocated			—

**3. BUSINESS AND GEOGRAPHICAL SEGMENTS** *(continued)*Business segments *(continued)*

	<b>For the six months ended 30 June 2007</b>		
	<b>Tree seedings and seeds</b>	<b>Exhibitions and events</b>	<b>Consolidated</b>
	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)
Loss arising from changes in fair value less estimated point-of-sale costs of biological assets	(2,036)	—	(2,036)
Segment assets	99,115	9,036	108,151
Unallocated assets			11,701
Total assets			119,852
Segment liabilities	105,292	731	106,023
Unallocated assets			59,262
Total liabilities			165,285
Capital expenditure incurred during the year			
— segment	—	—	—
— unallocated			949
Total			949

**Geographical segments**

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

#### 4. OTHER INCOME

	For the six months ended 30 June	
	2008 HK\$'000 (unaudited)	2007 HK\$'000 (unaudited)
Bank interest income	63	27
Other interest income	—	91
Others	—	139
	<b>63</b>	<b>257</b>

#### 5. LOSS BEFORE INCOME TAX

Operating loss is stated after (crediting) and charging the followings:

	For the six months ended 30 June	
	2008 HK\$'000 (unaudited)	2007 HK\$'000 (unaudited)
Cost of inventories sold	—	301
Staff costs, including directors' emoluments	1,089	1,803
Amortisation of leasehold land and land use rights	—	1,335
Depreciation	257	72
Loss from changes in fair value less estimated point-of-sale costs of biological assets	—	2,036
Exchange gain on deregistration of subsidiaries	<b>(1,255)</b>	—
Minimum lease payments under an operating lease in respect of land and buildings	<b>1,397</b>	<b>377</b>

## 6. INCOME TAX

	<b>For the six months ended 30 June</b>	
	<b>2008 HK\$'000</b>	2007 HK\$'000 (unaudited)
Hong Kong profits tax	—	—
Overseas profits tax	—	16
	—	16

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.

## 7. DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2008 (2007: Nil).

## 8. LOSS PER SHARE

### (a) Basic

The calculation of basic loss per share for the period is based on the loss attributable to ordinary equity shareholders of the Group of HK\$4,413,000 (six months ended 30 June 2007: loss of HK\$14,344,000) and the weighted average number of 2,532,543,083 ordinary shares (six months ended 30 June 2007: 2,532,543,083) in issue during the period.

### (b) Diluted

Diluted loss per share amount for the current and prior periods have not been disclosed as there were no dilutive potential shares in issue during both periods.

## 9. TRADE AND OTHER RECEIVABLES

	<b>30 June 2008</b> <b>HK\$'000</b> <b>(unaudited)</b>	31 December 2007 HK\$'000 (audited)
Trade receivables (note a)	—	—
Other receivables, deposit and prepayments	<b>1,807</b>	1,204
	<b>1,807</b>	1,204

Note:

- (a) The Group's trading terms with its customers were mainly on credit. The credit period is generally for a period ranging from 90 to 180 days, except for certain major/well-established customers, whereby the credit period is extended beyond 180 days. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management.

The ageing analysis of the trade receivables was as follows:

	<b>30 June 2008</b> <b>HK\$'000</b> <b>(unaudited)</b>	31 December 2007 HK\$'000 (audited)
Within 90 days	—	—
91 days to 180 days	—	—
181 days to 365 days	—	—
Over 365 days	—	—
	—	—

Upon the disposal of North Asia on 28 December 2007, the Group had no trade receivables as at 31 December 2007 and 30 June 2008.

**10. TRADE AND OTHER PAYABLES**

	<b>30 June 2008</b> <b>HK\$'000</b> <b>(unaudited)</b>	31 December 2007 HK\$'000 (audited)
Trade payables (note a)	—	—
Other payables and accruals	<b>2,909</b>	2,884
Due to related companies (note 13)	<b>50,155</b>	55,566
	<b>53,064</b>	58,450

Note:

- (a) The ageing analysis of the trade receivables was as follows:

	<b>30 June 2008</b> <b>HK\$'000</b> <b>(unaudited)</b>	31 December 2007 HK\$'000 (audited)
Within 90 days	—	—
91 days to 180 days	—	—
181 days to 365 days	—	—
Over 365 days	—	—
	—	—

Upon the disposal of North Asia on 28 December 2007, the Group had no trade payables as at 31 December 2007 and 30 June 2008.

**11. OPERATING LEASE ARRANGEMENTS****As lessee**

At the balance sheet dates, the Group had future aggregate minimum lease payments under operating leases in respect of land and buildings are as follows:

	<b>30 June 2008</b> <b>HK\$'000</b> <b>(unaudited)</b>	31 December 2007 HK\$'000 (audited)
Within one year	<b>2,411</b>	2,411
In the second to fifth year inclusive	<b>2,100</b>	3,306
	<b>4,511</b>	5,717

**12. CAPITAL COMMITMENTS**

The Group did not have any significant capital commitments for the current and prior periods.

**13. RELATED PARTY TRANSACTIONS**

<b>Name of party</b>	<b>Relationship</b>
Concord Credit Services Limited ("Concord Credit")	Mr. Ji Kewei is a common director
Concord Group BVI Limited ("Concord Group")	Mr. Ji Kewei is a common director
Concord Capital Securities Limited ("Concord Capital")	Mr. Ji Kewei is a common director
Ever Fortune Holdings Group Limited ("Ever Fortune Holdings")	A controlling shareholder of the Company and Mr. Ji Kewei is a common director
Wonderland Group (Hong Kong) Corporation Limited ("Wonderland Group")	A 60% shareholder of Ever Fortune Holdings and Mr. Zhou Wenjun is a common director
連雲港金海旅游發展有限公司 ([「金海旅游」])	A wholly owned subsidiary of 江蘇金海
江蘇金海投資有限公司 ([「江蘇金海」])	100% shareholder of Wonderland Group

**13. RELATED PARTY TRANSACTIONS** (continued)

- (a) In addition to disclosed elsewhere in the financial statements, the Group entered into the following related party transactions during the period.

	<b>For the six months ended 30 June</b>	
	<b>2008 HK\$'000 (unaudited)</b>	<b>2007 HK\$'000 (unaudited)</b>
<b>Nature of transactions</b>		
Rental expenses paid to Concord Credit	—	255
Management right charge paid to 金海旅游	—	509
Rental income from 江蘇金海	—	387

In addition, emoluments for key management personal, including amounts paid to the Company's directors and certain of highest paid employee is as follows:

	<b>For the six months ended 30 June</b>	
	<b>2008 HK\$'000 (unaudited)</b>	<b>2007 HK\$'000 (unaudited)</b>
Short-term employee benefits	<b>900</b>	1,751
Post-employment benefits	<b>18</b>	26
	<b>918</b>	1,777



**13. RELATED PARTY TRANSACTIONS** (continued)

(b) Amounts due to related parties

	<b>30 June 2008</b> <b>HK\$'000</b> <b>(unaudited)</b>	31 December 2007 HK\$'000 (audited)
Concord Capital	9	9
Concord Credit	102	103
Concord Group	10,044	10,044
Ever Fortune Holdings	—	—
Wonderland Group	40,000	45,400
金海旅游	—	10
	<b>50,155</b>	<b>55,566</b>

The amounts due to the related parties are unsecured, interest-free and with no fixed terms of repayment except for the amounts due to Concord Group and Wonderland Group totalling HK\$50,044,000 which are repayable within one year. As at 31 December 2007, the amounts totalling HK\$55,444,000 due to Concord Group and Wonderland Group had no fixed terms or repayment.

**14. COMPARATIVE FIGURES**

Certain comparative figures have been reclassified to conform with the current period's presentation.

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## MANAGEMENT DISCUSSION AND ANALYSIS

The Group reports a loss of HK\$4,413,000 in respect of the six months ended 30 June 2008. The Group did not have any active operation. Except for the operating expenses, and exchange gain of HK\$1,255,000 arose from the deregistration of the two subsidiaries in Mainland China.

Resumption proposal is being prepared for submission to the Stock Exchange and further announcement will be made if there is any development in this respect.

### Liquidity and financial resources

The Group financed the operations primarily from advance from shareholders. As at 30 June 2008, the Group had cash and bank balances of HK\$3,184,000 (31 December 2007: HK\$14,497,000). As at 30 June 2008, the Group's current ratio was 0.09 (31 December 2007: 0.26).

### Charges on assets

Save as disclosed, the Group had not pledged any asset to its bankers as at 30 June 2008.

### Gearing Ratio

Group's gearing ratio as at 30 June 2008 was 9.05 (31 December 2007: 3.49), which was arrived at by dividing the total liabilities by total assets.

### Contingent liabilities and guarantees

As at 30 June 2008, the Group had not provided any guarantees in favor of any third party nor were there any significant contingent liabilities.

## 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 believes it was not necessary to hedge the exchange risk.

## Capital expenditure

As at 30 June 2008, there has not been any material capital expenditure.

## Material acquisitions and disposals

On 14 March 2008, two subsidiaries of the Group, namely 連雲港豪景實業有限公司 and 連雲港旭景實業有限公司 were deregistered. The deregistration of the subsidiaries during the period has resulted in an exchange gain of HK\$1,255,000 for the period ended 30 June 2008. Save as disclosed, there has not been any material acquisitions or disposals of assets of the Group.

## Employees and remuneration policies

As at 30 June 2008, the Group has a total of 4 (2007: 40) 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 market conditions.

The Company has adopted a share option scheme (the "Scheme") in June 2002. Eligible participants under the Scheme includes, among others, the Company's directors, independent non-executive directors and other directors/employees of the Group. As at 30 June 2008, there are no outstanding options under the Scheme.

## Prospects

In the forthcoming months, the directors will proceed with the resumption proposal and will work closely with the Stock Exchange with a view to obtain relevant approval, resulting in the resumption of trading of the shares of the Company as soon as possible.

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

During the six months ended 30 June 2008, 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 2008, none of the directors and chief executive of the Company had any interests or shorts 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 2008, 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

<b>Name of shareholder</b>	<b>Capacity</b>	<b>Number of shares</b>	<b>Percentage of shareholding</b>
Ever Fortune Holdings Group Limited (formerly known as "Chinabond International Limited")	Beneficial owner	530,530,000	20.95%
Wonderland Group (Hong Kong) Corporation Limited	Interest of a controlled corporation	530,530,000 (Notes 1 and 5)	20.95%
Jiangsu Jinhai Investment Company Limited	Interest of a controlled corporation	530,530,000 (Notes 1 and 6)	20.95%
Concord Group (B.V.I.) Limited	Interest of a controlled corporation	550,530,000 (Note 1)	21.74%
Legend (Group) Investment Limited	Interest of a controlled corporation	550,530,000 (Notes 1 and 2)	21.74%
China Wallink Holding Group Co., Ltd.	Interest of a controlled corporation	550,530,000 (Notes 1 and 2)	21.74%
Evertop Investment Holdings Limited	Interest of a controlled corporation	550,530,000 (Notes 1 and 3)	21.74%
Ji Da Wei	Interest of a controlled corporation	550,530,000 (Notes 1 and 3)	21.74%
China Huaxing (HK) International Company Limited	Interest of a controlled corporation	550,530,000 (Notes 1 and 4)	21.74%
China Huaxing Group Company	Interest of a controlled corporation	550,530,000 (Notes 1 and 4)	21.74%
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.

In addition, Concord Group also directly holds 20,000,000 shares in the Company.

Accordingly, Legend, Evertop and Huaxing (HK) were deemed to be interested in 550,530,000 shares held by Ever Fortune Holdings under the SFO.

Ever Fortune Holdings 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 550,530,000 shares held by Ever Fortune Holdings under the SFO.
3. Evertop was beneficially wholly owned by Mr. Ji Da Wei. Accordingly, Mr. Ji Da Wei was deemed to be interested in 550,530,000 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 550,530,000 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.
6. Jiangsu Jinhai Investment Company Limited owned 100% interest in Wonderland Group (Hong Kong) Corporation Limited. Accordingly, Jiangsu Jinhai Investment Company Limited was deemed to be interested in 530,530,000 shares held by Ever Fortune Holdings under the SFO.

As at 30 June 2008, 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**

Save 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. As at 30 June 2008, there are no outstanding option.

## **CORPORATE GOVERNANCE**

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 with the exception of Code Provision A.4.2.

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.

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 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-election.

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 recommend 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.

## **AUDIT COMMITTEE**

The current audit committee of the Company comprises Mr. So Hoi Pan, Mr. Yim Hing Wah and Mr. Zhao Wen, all of whom are independent non-executive directors of the Company. The audit committee has reviewed with management the unaudited condensed consolidated financial statements of the Group for the six months ended 30th June, 2008 and has discussed auditing, internal control, the accounting principles and practices adopted by the Group.

## **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 the six months ended 30 June 2008 that they 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

As at 30 June 2008, the Group owed an amount of HK\$6,415 to a third party, being interest due on a judgment debt. The amount was settled in full on 28 August 2008 and the Company was absolutely discharged and released from the judgment debt.

With the completion of the disposals of its operating subsidiaries in December 2007, the Group is no longer involved in any of the other proceedings mentioned in the annual report of the Company for the year 2007.

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, 19 September 2008