



POLYARD PETROLEUM INTERNATIONAL GROUP LIMITED
百田石油國際集團有限公司

(Stock Code 股份代號 : 8011)



Interim Report
2008

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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This report, for which the directors of Polyard Petroleum International Group Limited (the “Company”) collectively and individually accept responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (“GEM Listing Rules”) for the purpose of giving information with regard to the Company. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (i) the information contained in this report is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this report misleading; and (iii) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

Highlights

- Unaudited turnover of approximately HK\$11,892,000 for the six months ended 30 June 2008, representing a decrease of approximately 54.6% as compared to that of the corresponding period in last year.
- Unaudited net loss attributable to shareholders for the six months ended 30 June 2008 amounted to approximately HK\$17,074,000 whereas an unaudited net loss attributable to shareholders of approximately HK\$3,223,000 was recorded in the corresponding period of last year.
- The Directors do not declare any dividend for the six months ended 30 June 2008.

Interim Results

The board of directors (the "Board") of Polyard Petroleum International Group Limited (the "Company") is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2008 (the "Period"), together with the comparative unaudited figures for the corresponding period in 2007, as set out below:

Unaudited Condensed Consolidated Income Statement

	Notes	Three months ended 30 June		Six months ended 30 June	
		2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Turnover	2	11,892	14,693	11,892	26,157
Cost of sales		(11,771)	(13,489)	(11,771)	(23,690)
Gross profit		121	1,204	121	2,467
Other revenue		13	646	19	1,259
Selling and distribution expenses		—	(271)	—	(662)
Administrative and other operating expenses		(5,253)	(1,498)	(9,965)	(4,356)
(Loss)/profit from operations		(5,119)	81	(9,825)	(1,292)
Finance costs		(3,983)	(305)	(7,898)	(764)
Share of results of associates and jointly controlled entity		—	(837)	—	(1,167)
Loss before tax	4	(9,102)	(1,061)	(17,723)	(3,223)
Income tax	5	326	—	649	—
Loss for the period		(8,776)	(1,061)	(17,074)	(3,223)
Loss attributable to:					
Equity holders of the Company		(8,743)	(1,061)	(15,138)	(3,223)
Minority interests		(33)	—	(1,936)	—
		(8,776)	(1,061)	(17,074)	(3,223)
Dividend	6	—	—	—	—
Loss per share	7				
— basic		(0.16 cent)	(0.022 cent)	(0.28 cent)	(0.067 cent)
— diluted		N/A	N/A	N/A	N/A

Condensed Consolidated Balance Sheet

		30 June 2008 (Unaudited) HK\$'000	31 December 2007 (Audited) HK\$'000
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment		951	202
Interests in jointly controlled entity		1,083,904	3,143,824
		1,084,855	3,144,026
CURRENT ASSETS			
Trade and other receivables	8	4,362	9,448
Cash and bank deposits		55,443	71,100
		59,805	80,548
CURRENT LIABILITIES			
Bank and other borrowings		—	(133)
Trade and other payables	9	(48,451)	(100,147)
		(48,451)	(100,280)
NET CURRENT ASSETS/(LIABILITIES)		11,354	(19,732)
TOTAL ASSETS LESS CURRENT LIABILITIES		1,096,209	3,124,294
NON-CURRENT LIABILITIES			
Convertible bonds		(256,919)	(253,211)
Deferred tax liabilities		(2,830)	(3,479)
		(259,749)	(256,690)
NET ASSETS		836,460	2,867,604
CAPITAL AND RESERVES			
Share capital	10	10,816	10,816
Reserves		825,053	840,116
Equity attributable to shareholders of the Company		835,869	850,932
Minority interests		591	2,016,672
TOTAL EQUITY		836,460	2,867,604

Unaudited Condensed Consolidated Statement of Changes in Equity

	Attributable to equity holders of the Company										
	Share capital HK\$'000	Share premium HK\$'000	Special reserve HK\$'000	Revaluation reserve HK\$'000	Warrant reserve HK\$'000	Exchange reserve HK\$'000	Convertible bonds reserve HK\$'000	(Accumulated losses)/ Retained profits HK\$'000	Total HK\$'000	Minority interests HK\$'000	Total equity HK\$'000
At 1 January 2007	9,600	259,770	985	14,508	—	42	—	(31,674)	253,231	—	253,231
Issue of shares on exercise of share options	150	—	—	—	—	—	—	—	150	—	150
Issue of warrants	—	—	—	—	4,423	—	—	—	4,423	—	4,423
Exchange differences arising on translation of foreign operations	—	—	—	—	—	214	—	—	214	—	214
Loss for the period	—	—	—	—	—	—	—	(3,223)	(3,223)	—	(3,223)
At 30 June 2007	9,750	259,770	985	14,508	4,423	256	—	(34,897)	254,795	—	254,795
At 1 January 2008	10,816	359,974	985	—	4,423	209	17,730	456,795	850,932	2,016,672	2,867,604
Loss for the period	—	—	—	—	—	—	—	(15,138)	(15,138)	(1,936)	(17,074)
Exchange differences arising on translation of foreign operations	—	—	—	—	—	75	—	—	75	14	89
Minority interests arising from acquisition of subsidiary	—	—	—	—	—	—	—	—	—	545	545
Minority interests eliminated on acquisition of additional interests in non-wholly owned subsidiaries under corporate restructuring	—	—	—	—	—	—	—	—	—	(2,014,704)	(2,014,704)
At 30 June 2008	10,816	359,974	985	—	4,423	284	17,730	441,657	835,869	591	836,460

Unaudited Condensed Consolidated Cash Flow Statement

	Six months ended	
	30 June	
	2008	2007
	HK\$'000	HK\$'000
Net cash (outflow)/inflow from operating activities	(10,627)	1,678
Net cash (outflow)/inflow from investing activities	(4,986)	4,495
Net cash inflow from financing activities	—	4,124
(Decrease)/increase in cash and cash equivalents	(15,613)	10,297
Cash and cash equivalents at beginning of the period	70,967	3,809
Effect of foreign exchange rate changes	89	(1,399)
Cash and cash equivalents at end of the period	55,443	12,707
Analysis of balances of cash and cash equivalents:		
Cash and bank deposits	55,443	12,707

Notes to the Unaudited Condensed Interim Consolidated Financial Statements

1. Basis of Presentation and Principal Accounting Policies

The unaudited condensed interim 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, and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

The unaudited condensed interim consolidated financial statements have been reviewed by the audit committee of the Company.

The accounting policies adopted in preparing the unaudited condensed interim consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2007.

2. Turnover

Turnover for the Period represents revenue from the sales of petroleum-related products, net of discounts and returns. Turnover for the corresponding period of last year represented revenue from the sales of pulp and paper products, net of discounts and returns.

3. Segment Information**(a) Business Segments**

For the six months ended 30 June 2008, the Group is principally organized into 3 major business divisions – (1) development, manufacture and sale of pulp and paper products, (2) exploration of oil and natural gas and (3) trading of petroleum-related products. There are no sales or other transactions between the business segments. These business divisions are the basis on which the Group reports its primary segment information as presented below:

	Development, manufacture and sale of pulp and paper products	Exploration of oil and natural gas	Trading of petroleum- related products	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	—	—	11,892	11,892
Segment results	(74)	(6,354)	65	(6,363)
Unallocated corporate income				19
Unallocated corporate expenses				(3,481)
Finance costs				(7,898)
Income tax				649
Loss for the Period				(17,074)

(b) Geographical Segments

All the turnover are derived in the People's Republic of China ("PRC") and accordingly no geographical segment information is presented.

For the six months ended 30 June 2007, the Group was principally engaged in the sales of pulp and paper products and all the turnover are derived from the PRC. Accordingly, no business or geographic segment information is presented.

4. Loss Before Tax

Loss before tax has been arrived at after charging:

	Three months ended 30 June		Six months ended 30 June	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Depreciation of property, plant and equipment and amortisation of lease payment on land	31	379	72	728
Interest on bank and other borrowings wholly repayable within 5 years	66	305	66	764
Effective interest on convertible bonds	3,917	—	7,832	—
	3,983	305	7,898	764

5. Income Tax

	Three months ended 30 June		Six months ended 30 June	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Current tax:				
Hong Kong	—	—	—	—
Other jurisdictions	—	—	—	—
Deferred tax	326	—	649	—
	326	—	649	—

No provision for Hong Kong profits tax and income tax of other jurisdictions has been made as the Group had no assessable profit for the three months and six months ended 30 June 2008 (three months and six months ended 30 June 2007: Nil).

Deferred tax for the three months and six months ended 30 June 2008 represents tax income recognised on reversal of temporary differences arising from convertible bonds (three months and six months ended 30 June 2007: Nil).

No deferred tax has been recognised on loss for the three months and six months ended 30 June 2008 (three months and six months ended 30 June 2007: Nil) due to unpredictability stream of future taxable profits that will be available against which the tax losses can be utilised.

6. Dividend

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

7. Loss Per Share

The calculations of the basic and diluted loss per share are based on the following data:

	Three months ended 30 June		Six months ended 30 June	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Loss for the period				
Loss for the purpose of calculating basic and diluted loss per share	(8,743)	(1,061)	(15,138)	(3,223)
Number of shares	'000	'000	'000	'000
Issued ordinary shares at beginning of the period	5,408,000	4,800,000	5,408,000	4,800,000
Effect of shares issued during the period	—	10,714	—	5,387
Weighted average number of ordinary shares used in the calculation of basic loss per share	5,408,000	4,810,714	5,408,000	4,805,387
Effect of dilutive potential ordinary shares on share options	492	73,095	492	74,100
Weighted average number of ordinary shares used in the calculation of diluted loss per share	5,408,492	4,883,809	5,408,492	4,879,487

Effect of dilutive potential ordinary shares on convertible bonds and warrants is considered to be nil as the average market prices of ordinary shares during the relevant periods is below the conversion price of the convertible bonds and the exercise price of the warrants.

Diluted loss per share has not been disclosed as the potential shares arising from the exercise of the Company's share options would decrease the loss per share of the Group and is regarded as anti-dilutive.

8. Trade and Other Receivables

The Group has a policy of allowing average credit periods ranging from 2 weeks to one month to its trade customers. In addition, for certain customers with long-established relationship and good past repayment histories, a longer credit period may be granted.

	30 June 2008 HK\$'000 (unaudited)	31 December 2007 HK\$'000 (audited)
An aged analysis of trade receivables is as follows:		
Within 1 month	684	5,749
Over 1 month but within 2 months	—	—
Over 2 months but within 3 months	—	—
Over 3 months but within 4 months	—	—
Over 4 months	—	—
	684	5,749
Other debtors, deposits and prepayments	3,678	786
Amount due from subsidiary's shareholders	—	2,913
	4,362	9,448

The amount due from subsidiary's shareholders is unsecured, interest free and have no fixed terms of payment.

9. Trade and Other Payables

	30 June 2008 HK\$'000 (unaudited)	31 December 2007 HK\$'000 (audited)
An aged analysis of trade payables is as follows:		
Within 1 month	—	450
Over 1 month but within 2 months	—	—
Over 2 months but within 3 months	—	—
Over 3 months but within 4 months	—	—
Over 4 months	9	—
	9	450
Other creditors and accrued charges	28,067	19,288
Amount due to related parties	20,375	51,311
Amount due to subsidiary's shareholders	—	27,487
Amount due to shareholder	—	1,611
	48,451	100,147

The amounts due to related parties, subsidiary's shareholders and shareholder are unsecured, interest-free and have no fixed terms of repayment

10. Share Capital

Ordinary shares of HK\$0.002 each

	Number of shares <i>'000</i>	Amount <i>HK\$'000</i>
Authorised:		
At 1 January 2008 and 30 June 2008	10,000,000	20,000
Issued and fully paid:		
At 1 January 2008 and 30 June 2008	5,408,000	10,816

11. Commitments

As at 30 June 2008, the capital commitments outstanding contracted for but not provided for are as follows:

	30 June 2008 <i>HK\$'000</i> (unaudited)	31 December 2007 <i>HK\$'000</i> (audited)
Acquisition of property, plant and equipment	—	816
Contributions to a jointly controlled entity	980	92,589

Management Discussion and Analysis

Business and Financial Review

For the six months ended 30 June 2008, the Group recorded an unaudited turnover of approximately HK\$11.9 million which was decreased by approximately 54.6% comparing to that of last corresponding period. The unaudited net loss for the Period was approximately HK\$17.1 million. In last corresponding period, the Group had recorded an unaudited loss of approximately HK\$3.2 million.

The increase in unaudited loss for the Period was mainly attributable to increase in administrative and other operating expenses in particular the engagement of technical team for the business of exploration and exploitation of energy resources and increase in interest expenses on convertible bonds, amounted to approximately HK\$7.8 million (for the 6 months ended 30 June 2007: Nil), issued in the last quarter of 2007.

The directors of the Company do not recommend the payment of an interim dividend for the Period (six months ended 30 June 2007: Nil).

The Company's 51% owned subsidiary, Xian Polyard Petroleum & Chemicals Ltd. (西安百田石油化工有限公司) ("Xian Polyard"), commenced business on 1 May 2008 and generated revenue from sales of petroleum-related products of approximately HK\$11.9 million for the Period.

For the interval of May and June 2008, Xian Polyard had generated gross revenue slightly below the directors' estimation of RMB13 million as set out in the last quarterly report of the Group. The shortfall was mainly due to the delay in the delivery of products to the customers during the month of May 2008 which was caused by the fact that most of the railway services (mainly trains) were assigned for the emergency need after the occurrence of earthquake in Sichuan. The Board still maintained their view on the annual turnover of around RMB100 million for the first 12 months of operation (up to 30 April 2009).

Having considered the existing financial results of Xian Polyard, the growing needs for the petroleum-related products and the potential synergy effect of Xian Polyard to the exploration of oil and natural gas business of the Group, the Board are optimistic about the future of the petroleum-related products trading business in spite of the slight shortfall of gross revenue in May 2008.

Prospects

The Corporate Restructuring as detailed in a circular issued by the Company on 28 March 2008 was completed during the Period. As a key member of the consortium to the Oil Project in Brunei (the "Oil Project"), we have reviewed and approved the work program and budget proposed by the new operator of the Oil Project and, in accordance with the existing work program, the Board realized that the exploration work in the Oil Project is expected to be commenced in the third quarter of 2008 and the production work in the Oil Project is expected to be commenced in the first quarter of 2009.

To keep pace with the recent proposed acquisition of the coal mine in the Philippines, the Company considers investing in a coal trading company in Nanjing in order not only to strengthen the downstream area of coal mining business but also to gain competitive edge in the business even though the investment plan is only in preliminary stage.

Employee Information

As at 30 June 2008, the Group had a total number of staff of approximately 30. Remuneration packages are reviewed on a periodical basis. Bonus is awarded to employees according to the assessment of individual performance. Besides, a share option scheme was adopted by the Company, pursuant to which the Directors may offer to any eligible employees (including executive directors and independent non-executive directors) of the Company and any of its subsidiaries options to subscribe for shares in the Company in accordance with the terms of the share option scheme. However, save for the share options granted prior to the listing, no other options have been granted up to 30 June 2008. Staff costs amounted to approximately HK\$1,168,000 for the six months ended 30 June 2008 as compared with that of approximately HK\$1,898,000 for the corresponding period of the last year.

Liquidity and Financial Resources

As at 30 June 2008, the Group had net assets amounted to approximately HK\$836.5 million (31 December 2007: 2,867.6 million) and net current assets amounted to approximately HK\$11.4 million (31 December 2007: net current liabilities of approximately HK\$19.7 million). The current ratio was 1.2 (31 December 2007: 0.8). The gearing ratio of the Group, based on the total of bank and other borrowings and convertible bonds to shareholders' equity, was 30.7% (31 December 2007: 8.8%). As at 30 June 2008, the Group had no outstanding bank borrowings (31 December 2007: HK\$133,000).

Operations of the Group are mainly conducted in Renminbi ("RMB"), Hong Kong Dollars ("HK\$") and United States Dollars ("US\$") and its revenue, expenses, assets, liabilities and borrowings are principally denominated in RMB, HK\$ and US\$, which do not expose to significant foreign currency risk at present.

Notifiable Transactions

1. Major and Connected Transaction

As announced on 25 July 2008, a Sale and Purchase Agreement was entered into by the Company on 11 July 2008 for the acquisition of the shareholder loans and the entire issued share capital of Mexford Holdings Limited from the Vendor which is 100% beneficially owned by Mr. Lam Nam, who is a substantial shareholder of the Company. The proposed acquisition constitutes a connected transaction. Mexford Group has obtained the right to examine, investigate and/or explore the Coal Contract Area located in the Philippines.

The consideration for the above mentioned acquisition is HK\$285 million which will be satisfied by the Company issuing interest-free convertible bonds with a conversion price of HK\$0.1 per share of the Company.

2. Discloseable Transaction

As announced on 25 July 2008, a Disposal Agreement was entered into by the Company on 15 July 2008 for the disposal of the entire issued share capital of Yunnan Kanstar High Tech Products Development Company Limited ("Kanstar Yunnan"), a wholly-owned subsidiary of the Company, to an independent purchaser at a consideration of HK\$200,000. Kanstar Yunnan is principally engaged in the sale of pulp and paper business.

Purchase, Sale or Redemption of Listed Securities

During the Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

Directors' and Chief Executives' Interests and/or Short Positions in Shares, Underlying Shares and Debentures of the Company or Any Associated Corporations

As at 30 June 2008, none of the Directors and Chief Executives of the Company has interests and/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 notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required, pursuant to Rule 5.46 of the GEM Listing Rules, relating to the required standard of dealings by directors of listed issuers, to be notified to the Company and the Stock Exchange.

Substantial Shareholders' Interests and/or Short Positions in the Shares and/or Underlying Shares of the Company

As at 30 June 2008, so far as known to the Directors, the following persons (not being a Director or a chief executive of the Company) had an interest and/or a short position in the shares and/or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO and/or required to be entered in the register maintained by the Company pursuant to Section 336 of the SFO:

Name	Number of shares held <i>(Note 1)</i>	Capacity	Approximate percentage of interests
Lam Nam	1,333,000,000 (L) <i>(Note 2)</i>	Interest of a controlled corporation	24.65%
	642,679,607 (L) <i>(Note 3)</i>	Beneficial owner	11.88%
Silver Star Enterprises Holdings Inc. <i>(Note 2)</i>	1,333,000,000 (L)	Beneficial owner	24.65%
Mr. Chim Kim Kiu, Jacky	1,118,000,000 (L) <i>(Note 4)</i>	Interest of a controlled corporation	20.67%
Siko Venture Limited <i>(Note 4)</i>	1,118,000,000 (L)	Beneficial owner	20.67%
Inwood Support Limited <i>(Note 5)</i>	500,700,000 (L) <i>(Note 6)</i>	Beneficial owner	9.26%
Li Sui Qing <i>(Note 5)</i>	500,700,000 (L)	Interest of a controlled corporation	9.26%

Notes:

1. The letter "L" represents the person's interests in shares or underlying shares.
2. The entire issued share capital of Silver Star Enterprises Holdings Inc. is beneficially owned by Mr. Lam Nam.
3. These shares may be allotted and issued upon exercise of the conversion rights attaching to the convertible bonds that were created and issued in relation to the acquisition of a further 30% equity interest in Polyard Petroleum International Co., Ltd. by the Company.

4. The entire issued share capital of Siko Venture Limited is beneficially owned by Mr. Chim Kim Kiu, Jacky, the previous chairman and a previous director of the Company.
5. Inwood Support Limited is wholly owned by Li Sui Qing.
6. These shares represent the shares to be allotted and issued upon exercise in full of the subscription rights attaching to the warrants held by Inwood Support Limited.

Save as disclosed above, as at 30 June 2008, the directors are not aware of any other person or corporation having an interest or short position in the shares and/or underlying shares of the Company representing 5% or more of the Company's issued share capital.

Share Option Schemes

Pursuant to the pre-IPO share option scheme (the "Pre-IPO Share Option Scheme") adopted by the Company on 26 June 2002, certain Directors and participants have been granted options to subscribe for shares at an exercise price of HK\$0.002 per share, details of which are set out as follows:

Grantee	Date of grant	Exercisable period	Granted	Number of shares options		
				Outstanding as at 1 January 2008	Exercised during the period under review	Outstanding as at 30 June 2008
Employees in aggregate	26 June 2002	12 July 2003 — 11 July 2008	48,750,000	500,000	—	500,000
Total				500,000	—	500,000

No share options under the share option scheme (the "Share Option Scheme") adopted by the Company on 26 June 2002 were granted during the Period.

Details of the Pre-IPO Share Option Scheme and the Share Option Scheme are set out in the Prospectus issued by the Company on 5 July 2002.

Directors' and Chief Executives' Rights to Acquire Shares

At no time during the period from 1 January 2008 to 30 June 2008 was the Company, its subsidiaries or holding company a party to any arrangements to enable the Directors or chief executives (including their spouses or children under 18 years of age) of the Company to acquire benefits by means of acquisition of shares in the Company or any other body corporate.

Required Standard of Securities Dealings by Directors

During the Period, the Company had complied with the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry with all the Directors, the Directors of the Company had complied with the required standard of dealings and the code of conduct for the Directors' securities transactions during the Period.

Board Practices and Procedures

The Company has complied with Rules 5.34 to 5.45 of the GEM Listing Rules concerning board practices and procedures throughout the Period.

Competing Interests

None of the Directors or the management shareholders of the Company (as defined in the GEM Listing Rules) had, at any material time, an interest in a business which competed or might compete with the business of the Group during the Period.

Code of Corporate Governance Practices

Throughout the Period, the Company has complied with the requirements of the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 15 of the GEM Listing Rules.

Audit Committee

The Company has established an audit committee (the "Audit Committee") with written terms of reference pursuant to the GEM Listing Rules. The duties of the Audit Committee include reviewing and monitoring the financial reporting procedures and internal control system of the Group. As at 30 June 2008, the Audit Committee comprises three independent non-executive Directors, namely Mr. Wang Yanhui, Mr. Chan Kin Cheong and Mr. Zhang Xiaobao.

The unaudited condensed consolidated results of the Group for the Period have been reviewed by the Audit Committee. In the opinion of the Audit Committee, such unaudited results complied with the applicable accounting standards and requirements and contained adequate disclosures.

On behalf of the Board

Kuai Wei
Chairman

Hong Kong, 12 August 2008

At the date of this report, the Board comprises three executive directors, namely Mr. Kuai Wei, Mr. Cao Xuejun and Mr. Lin Zhang and three independent non-executive directors, namely Mr. Wang Yanhui, Mr. Chan Kin Cheong and Mr. Zhang Xiaobao.