



# INTERIM REPORT 2006

嘉利美商國際有限公司

## FRANKIE DOMINION INTERNATIONAL LIMITED

*(Incorporated in Bermuda with limited liability)*

Stock code: 704

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## **CORPORATE INFORMATION**

### **BOARD OF DIRECTORS**

Mr. Lam Po Kwai, Frankie (*Chairman*)

Ms. Wong Yau Ching, Maria  
(*Vice Chairman*)

Ms. Lee Yuen Bing, Nina

Ms. So Man Yee, Katherine

Mr. Au Son Yiu

(*Independent Non-Executive Director*)

Mr. Lee Johnson

(*Independent Non-Executive Director*)

Dr. Tang Tin Sek, Terence

(*Independent Non-Executive Director*)

Ms. He Ling (*Non-Executive Director*)

(Resigned on 1st July, 2006)

### **AUDIT COMMITTEE**

Mr. Lee Johnson

Mr. Au Son Yiu

Dr. Tang Tin Sek, Terence

### **COMPANY SECRETARY**

Mr. Cheung Chiu Fan

### **COMPANY SOLICITORS**

*In Hong Kong*

Sit, Fung, Kwong & Shum

Deacons

*In Bermuda*

Appleby Spurling Hunter

### **AUDITORS**

Deloitte Touche Tohmatsu

*Certified Public Accountants*

### **PRINCIPAL BANKERS**

The Hongkong and Shanghai Banking  
Corporation Limited

Hang Seng Bank Limited

### **SHARE REGISTRARS AND TRANSFER OFFICE**

*In Hong Kong*

Secretaries Limited

*In Bermuda*

Butterfield Corporate Services Limited

### **PRINCIPAL OFFICE IN HONG KONG**

1st Floor, Yally Industrial Building

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Hong Kong

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### **REGISTERED OFFICE**

Canon's Court

22 Victoria Street

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Bermuda

## INTERIM RESULTS

The board of directors (the “Board”) of Frankie Dominion International Limited (the “Company”) are pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”); for the six months ended 30th June, 2006 with comparative figures for the corresponding period of 2005 as follows:

### CONDENSED CONSOLIDATED INCOME STATEMENT

		<b>For the six months ended 30th June,</b>	
		<b>2006</b>	2005
		<b>(Unaudited)</b>	(Unaudited)
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
Revenue	3	<b>324,920</b>	346,333
Cost of sales		<b>(290,310)</b>	(303,543)
		<hr/>	<hr/>
Gross profit		<b>34,610</b>	42,790
Other income		<b>2,292</b>	990
Distribution costs		<b>(10,919)</b>	(12,888)
Administrative expenses		<b>(30,323)</b>	(28,111)
Change in fair value on investments held for trading		<b>(820)</b>	527
Finance costs	4	<b>(2,960)</b>	(2,069)
Share of gain (loss) of associates		<b>341</b>	(158)
Gain on disposal of an associate		<b>66</b>	–
Discount on acquisition of additional interest in a subsidiary	5	<b>12,340</b>	–
		<hr/>	<hr/>
Profit before taxation	6	<b>4,627</b>	1,081
Taxation	7	<b>–</b>	–
		<hr/>	<hr/>
Profit for the period		<b>4,627</b>	1,081
		<hr/> <hr/>	<hr/> <hr/>
Attributable to:			
Equity holders of the Company		<b>6,266</b>	1,400
Minority interests		<b>(1,639)</b>	(319)
		<hr/>	<hr/>
		<b>4,627</b>	1,081
		<hr/> <hr/>	<hr/> <hr/>
Earnings per share – basic	8	<b>HK1.31 cents</b>	HK0.29 cents
		<hr/> <hr/>	<hr/> <hr/>

## CONDENSED CONSOLIDATED BALANCE SHEET

		At 30th June, 2006 (Unaudited) <i>HK\$'000</i>	At 31st December, 2005 (Audited) <i>HK\$'000</i>
<b>Non-current assets</b>			
Property, plant and equipment	9	122,495	129,065
Prepaid lease payments		22,474	22,474
Interests in associates		395	1,907
Available-for-sale investment		880	880
Long term bank deposits		15,600	15,600
		161,844	169,926
<b>Current assets</b>			
Inventories		76,340	66,976
Debtors, bills receivable and prepayments	10	97,669	90,000
Prepaid lease payments		434	621
Investments held for trading		2,318	3,139
Tax recoverable		2,017	2,017
Short term bank deposits		40,137	31,885
Short term pledged bank deposits		2,790	2,741
Bank balances and cash		34,441	57,577
		256,146	254,956
<b>Current liabilities</b>			
Creditors, bills payable and accrued charges	11	102,782	92,035
Amount due to an associate		294	294
Bank borrowings – due within one year		77,658	82,316
		180,734	174,645
<b>Net current assets</b>		75,412	80,311
		237,256	250,237
<b>Capital and reserves</b>			
Share capital	12	47,793	47,793
Reserves		161,377	155,366
Equity attributable to equity holders of the Company		209,170	203,159
Minority interests		22,419	41,411
Total equity		231,589	244,570
Non-current liability Deferred taxation		5,667	5,667
		237,256	250,237

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*For the six months ended 30th June, 2006*

	Attributable to equity holders of the parent									
	Share capital	Share premium	Special Reserve	Translation reserve	Capital redemption reserve	Dividend reserve	Retained Profits (deficit)	Total	Minority interests	Total
	<i>HK\$ '000</i>	<i>HK\$ '000</i>	<i>HK\$ '000</i>	<i>HK\$ '000</i>	<i>HK\$ '000</i>	<i>HK\$ '000</i>	<i>HK\$ '000</i>	<i>HK\$ '000</i>	<i>HK\$ '000</i>	<i>HK\$ '000</i>
At 1st January, 2005	47,793	144,997	18,236	2,756	85	2,390	1,649	217,906	52,860	270,766
Exchange differences arising on translation of foreign operation	-	-	-	625	-	-	-	625	-	625
Share of changes in equity of associates	-	-	-	49	-	-	-	49	-	49
Loss for the year	-	-	-	-	-	-	(13,031)	(13,031)	(5,526)	(18,557)
Total recognised income and expenses for the year	-	-	-	674	-	-	(13,031)	(12,357)	(5,526)	(17,883)
Elimination of minority interests upon disposal of a subsidiary	-	-	-	-	-	-	-	-	(2,170)	(2,170)
Dividend paid by a subsidiary	-	-	-	-	-	-	-	-	(3,752)	(3,752)
Final dividend for 2004 paid	-	-	-	-	-	(2,390)	-	(2,390)	-	(2,390)
At 31st December, 2005	47,793	144,997	18,236	3,430	85	-	(11,382)	203,159	41,412	244,571
Disposal of an associate	-	-	-	(255)	-	-	-	(255)	-	(255)
Acquisition of additional interest in a subsidiary	-	-	-	-	-	-	-	-	(17,354)	(17,354)
Profit for the period	-	-	-	-	-	-	6,266	6,266	(1,639)	4,627
<b>At 30th June, 2006</b>	<b>47,793</b>	<b>144,997</b>	<b>18,236</b>	<b>3,175</b>	<b>85</b>	<b>-</b>	<b>(5,116)</b>	<b>209,170</b>	<b>22,419</b>	<b>231,589</b>

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	<b>For the six months ended 30th June,</b>	
	<b>2006</b>	2005
	<b>(unaudited)</b>	(unaudited)
	<b>HK\$'000</b>	<b>HK\$'000</b>
Net cash used in operating activities	<b>(6,518)</b>	(22,310)
Net cash used in investing activities	<b>(3,708)</b>	(6,008)
Net cash (used in) from financing activities		
New bank borrowings raised	<b>237,775</b>	276,483
Repayments of bank borrowings	<b>(242,433)</b>	(267,250)
Dividends paid	<b>0</b>	(2,390)
Dividend paid to a minority shareholder of a subsidiary	<b>0</b>	(3,752)
	<b>(4,658)</b>	3,091
Net decrease in cash and cash equivalents	<b>(14,884)</b>	(25,227)
Cash and cash equivalents at 1st January	<b>89,462</b>	75,158
Cash and cash equivalents at 30th June	<b>74,578</b>	49,931
Analysis of the balances of cash and cash equivalents Being:		
Short term bank deposits	<b>40,137</b>	11,871
Bank balances and cash	<b>34,441</b>	38,060
	<b>74,578</b>	49,931

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 1. Basis of preparation

The unaudited condensed interim financial statements are prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” and other relevant HKASs and Interpretations, Hong Kong Financial Report Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and with the applicable disclosure requirements of Appendix 16 to the Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

## 2. Principal accounting policies

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

The accounting policies used in the condensed financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31st December, 2005.

In the current interim period, the Group has applied, for the first time, a number of new standards, amendments and interpretations (“new HKFRSs”) issued by the HKICPA, which are effective for accounting periods beginning either on or after 1st December, 2005 or 1st January, 2006. The adoption of the following new HKFRSs had no material effect on the results for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new standards, amendments or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these new standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

HKAS 1 (Amendment)	Presentation of Financial Statements: Capital Disclosures <sup>1</sup>
HKFRS 7	Financial Instruments: Disclosure <sup>1</sup>
HK(IFRIC) – Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies <sup>2</sup>
HK(IFRIC) – Int 8	Scope of HKFRS 2 <sup>3</sup>
HK(IFRIC) – Int 9	Reassessment of Embedded Derivatives <sup>4</sup>
HK(IFRIC) – Int 10	Interim financial reporting and impairment <sup>5</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1st January, 2007

<sup>2</sup> Effective for annual periods beginning on or after 1st March, 2006

<sup>3</sup> Effective for annual periods beginning on or after 1st May, 2006

<sup>4</sup> Effective for annual periods beginning on or after 1st June, 2006

<sup>5</sup> Effective for annual periods beginning on or after 1st November, 2006



### 3. Revenue

Revenue represents the net amounts received and receivables for goods sold by the Group to outside customers, less returns and allowance for the six months ended 30th June, 2006.

#### *Business segments*

The Group is mainly engaged in trading, manufacturing and sale of household and consumer products and operates under three divisions. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

Trading	–	resale of household products
Manufacturing – household products	–	manufacturing and sale of household products
Manufacturing – others	–	manufacturing and sale of other consumer products

Segment information about these businesses is presented below.

#### **Unaudited income statement for the six months ended 30th June, 2006**

	<b>Trading</b> <i>HK\$'000</i>	<b>Manufacturing – household products</b> <i>HK\$'000</i>	<b>Manufacturing – others</b> <i>HK\$'000</i>	<b>Consolidated</b> <i>HK\$'000</i>
<b>Revenue</b>				
External sales	<u>96,182</u>	<u>50,778</u>	<u>177,960</u>	<u>324,920</u>
<b>Results</b>				
Segment results	<u>4,270</u>	<u>8,808</u>	<u>10,613</u>	23,691
Unallocated income and expenses				(28,031)
Change in fair value on investments held for trading				(820)
Finance costs				(2,960)
Share of gain of associates				341
Gain on disposal of an associate				66
Discount on acquisition of additional interest in a subsidiary	–	–	12,340	<u>12,340</u>
Profit before taxation				4,627
Taxation				<u>–</u>
Profit for the period				<u>4,627</u>

Unaudited income statement for the six months ended 30th June, 2005

	Trading <i>HK\$'000</i>	Manufacturing – household products <i>HK\$'000</i>	Manufacturing – others <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
<b>Revenue</b>				
External sales	96,651	52,515	197,167	346,333
	<u>96,651</u>	<u>52,515</u>	<u>197,167</u>	<u>346,333</u>
<b>Results</b>				
Segment results	8,440	7,300	14,162	29,902
	<u>8,440</u>	<u>7,300</u>	<u>14,162</u>	
Unallocated income and expenses				(27,121)
Change in fair value on investments held for trading				527
Finance costs				(2,069)
Share of loss of associates				(158)
				<u>1,081</u>
Profit before taxation				1,081
Taxation				–
				<u>1,081</u>
Profit for the period				<u>1,081</u>

### *Geographical segments*

The Group's operations are mainly located in Hong Kong and the People's Republic of China (other than Hong Kong) (the "PRC").

The following table provides an analysis of the Group's sales by geographical market, irrespective of the origin of the goods.

<b>Geographical market</b>	<b>For the six months ended 30th June,</b>	
	<b>2006</b>	<b>2005</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
North America	<b>95,534</b>	75,413
Holland	<b>84,880</b>	92,964
Germany	<b>35,701</b>	52,704
United Kingdom	<b>49,583</b>	53,997
France	<b>8,496</b>	21,583
Other European countries	<b>15,423</b>	17,462
Hong Kong	<b>19,573</b>	15,818
Australia	<b>7,366</b>	5,234
China	<b>5,677</b>	5,025
Others	<b>2,687</b>	6,133
	<b><u>324,920</u></b>	<b><u>346,333</u></b>

#### **4. Finance costs**

	<b>For the six months ended 30th June,</b>	
	<b>2006</b>	<b>2005</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Interest on:		
Bank borrowings wholly repayable within five years	<b><u>2,960</u></b>	<b><u>2,069</u></b>

#### **5. Discount on acquisition of additional interest in a subsidiary**

During the six months ended 30th June, 2006, the Company acquired in aggregate an additional 16.67% of the issued share capital of Big Field (B.V.I.) Limited at a consideration of HK\$5,000,000, while the carrying value of the Group's share of the identifiable assets and liabilities of Big Field (B.V.I.) Limited at the respective dates of acquisition, in aggregate, amounted to HK\$17,339,503. The excess of the carrying value over the cost of acquisition represents the discount credited to the consolidated income statement for the period.

## 6. Profit before taxation

Profit before taxation has been arrived at after charging:

	For the six months ended 30th June,	
	2006	2005
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Depreciation and amortisation	8,830	10,330
Operating lease payments in respect of rented properties	7,745	7,962
	<u>16,575</u>	<u>18,292</u>

## 7. Taxation

No provision for Hong Kong profits tax has been made as the Company had no assessable profits arising in Hong Kong for the current and prior period.

## 8. Earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity holders of the Company of approximately HK\$6,266,000 for the period (2005: approximately HK\$1,400,000) and approximately 477,926,000 (2005: approximately 477,926,000) shares in issue during the period.

No diluted earnings per share is shown as there is no dilutive effect on the earnings per share for the six months ended 30th June, 2005 and 30th June, 2006.

## 9. Property, plant and equipment

During the period, the Group spent approximately HK\$2,700,000 (2005: approximately HK\$2,757,000) on additions to property, plant and equipment to upgrade its manufacturing capabilities.

## 10. Debtors, bills receivable and prepayments

	30th June, 2006 (unaudited) HK\$'000	31st December, 2005 (audited) HK\$'000
Trade debtors and bills receivable	91,570	86,314
Less: Allowances for bad and doubtful debts	(880)	(942)
Other debtors and prepayments	6,979	4,628
	<u>97,669</u>	<u>90,000</u>

The Group allows an average credit period of 90 days to its trade customers.

The following is an aged analysis of trade debtors and bills receivable as at the reporting date:

	<b>30th June, 2006 (unaudited) HK\$'000</b>	31st December, 2005 (audited) HK\$'000
0 – 60 days	71,636	67,841
61 – 90 days	9,161	7,925
> 90 days	9,893	9,606
	<b><u>90,690</u></b>	<b><u>85,372</u></b>

#### 11. Creditors, bills payable and accrued charges

	<b>30th June, 2006 (unaudited) HK\$'000</b>	31st December, 2005 (audited) HK\$'000
Trade creditors	66,619	56,855
Bills payable	12,633	13,937
Other creditors and accrued charges	23,530	21,243
	<b><u>102,782</u></b>	<b><u>92,035</u></b>

The following is an aged analysis of trade creditors and bills payable as at the reporting date:

	<b>30th June, 2006 (unaudited) HK\$'000</b>	31st December, 2005 (audited) HK\$'000
0 – 60 days	63,279	55,883
61 – 90 days	10,432	10,083
> 90 days	5,541	4,826
	<b><u>79,252</u></b>	<b><u>70,792</u></b>

## 12. Share capital

There were no movements in the share capital of the Company during the period from 1st January, 2006 to 30th June, 2006.

	Number of ordinary shares of HK\$0.10 each		Nominal value	
	30th June, 2006 (unaudited)	31st December, 2005 (audited)	30th June, 2006 (unaudited) HK\$	31st December, 2005 (audited) HK\$
Authorised:				
Ordinary shares of HK\$0.1 each	<b><u>1,000,000,000</u></b>	1,000,000,000	<b><u>100,000,000</u></b>	<u>100,000,000</u>
Issued and fully paid:				
Ordinary share of HK\$0.1 each	<b><u>477,926,292</u></b>	<u>477,926,292</u>	<b><u>47,792,629</u></b>	<u>47,792,629</u>

## 13. Capital commitments

	30th June, 2006 (unaudited) HK\$'000	31st December, 2005 (audited) HK\$'000
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the financial statements	<u>–</u>	<u>242</u>

## **INTERIM DIVIDEND**

The Board has resolved not to pay any interim dividend for the six months ended 30th June, 2006 (2005: Nil).

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS REVIEW**

For the six months ended 30th June, 2006, the Group recorded an unaudited turnover of approximately HK\$324,920,000, representing a decrease of 6.18% from approximately HK\$346,333,000 for the same period in the previous year. The Group's unaudited profit attributable to shareholders increased by 347% to approximately HK\$6,266,000. Earnings per share also increased by 347% to HK1.31 cents from HK0.29 cents.

The decline in turnover and operating profit was mainly attributable to the adverse market sentiment in connection with the high and fluctuating raw material prices, rise in wages in the PRC and fierce competition in the household products business environment. The Group's gross profit margin still faced pressure, declining year-on-year from 12.35% to 10.65% during the period under review. Benefiting from the non-operating income from the discount on acquisition of additional interest in a subsidiary, the Group could maintain its contribution to the shareholders during the period.

### **Bigfield Goldenford Holdings Limited**

Bigfield Goldenford Holdings Limited ("Bigfield Goldenford") recorded a half year turnover of approximately HK\$176 million, a decrease of 11.90% from that of the previous corresponding period. Net loss for the period enlarged to approximately HK\$2.76 million, representing an increase of 474% as compared to the previous period.

The proposed exercise of a call option involving acquisition of a further interest of 20.83% in Big Field (B.V.I.) Limited was completed on 31st August, 2006. Bigfield Goldenford is now a wholly owned subsidiary of the Group. The management will have greater flexibility in the operation of Bigfield Goldenford and can focus on consolidation and merger of the Group's business without any set back with a view to restoring contribution from the business operation of Bigfield Goldenford to the Group in the near future.

## **Frankie Dominion (Holdings) Limited**

Frankie Dominion (Holdings) Limited recorded a stable business operation during the period. Turnover slightly increased by 0.80% to approximately HK\$157.79 million for the six months ended 30th June, 2006 as compared with the same period in 2005.

### **Finance costs**

As a result of increasing bank borrowings and the rise in market interest rates, finance costs slightly rose to 0.91% of the Group's turnover as at 30th June, 2006 compared with 0.6% as at 30th June, 2005.

### **Charges over assets**

Save for a bank deposit of approximately HK\$2.7 million (2005: approximately HK\$2.7 million), no other property, plant and equipment with any carrying value is pledged to any bank to secure banking facilities granted to subsidiaries.

### **Net asset value**

As at 30th June, 2006, net assets attributable to equity holders of the Company amounted to approximately HK\$209.17 million, equivalent to approximately HK\$0.43 per share.

## **LIQUIDITY AND FINANCIAL RESOURCES**

Net current assets and current ratio were approximately HK\$80,311,000 and 1.46: 1 as at 31st December, 2005 and approximately HK\$75,412,000 and 1.41: 1 as at 30th June, 2006. A slight decrease in net current assets is largely due to an increase in trade creditors.

The Group's bank balances and cash equivalents amounted to approximately HK\$90,178,000 as at 30th June, 2006 (31st December, 2005: approximately HK\$105,062,000) and bank borrowings amounted to approximately HK\$77,658,000 (31st December, 2005: approximately HK\$82,316,000). Therefore, the calculation of net debt to equity ratio was not applicable because the Group had surplus cash of approximately HK\$12,520,000 over bank borrowings (31st December, 2005: approximately HK\$22,746,000).



As at 30th June, 2006, the Group did not engage in foreign currency speculation or any financial instrument used for hedging purposes.

The Group generally finances its business with internally generated cash flows and revolving credit facilities provided by the Group's principal bankers. With net current assets of approximately HK\$75,412,000 the management believes that the Group has sufficient financial resources to discharge its debts and to finance its daily operations and capital expenditure.

## **PROSPECTS**

The outlook for the household product manufacturing industry will remain extremely challenging. We expect that high raw material costs, the appreciation of the Renminbi and the rise in wages in the PRC will continue to put pressure on the performance of the Group in the second half of 2006. To face this challenge, we will dedicate our utmost efforts to streamline the sales and marketing operations, to enhance our services to meet customers' needs throughout the stages of product design, manufacturing and quality control. Such measures will help to broaden our customer base and open up new opportunities for more strategic collaboration with key customers with the aim to generate more business. Besides, we will invest prudently in research and development to strengthen our capability in developing new products and to enrich the product mix with enhanced features to improve profitability.

Although the operating environment is expected to remain tough, the Group will focus to improve its operational efficiency and to adopt further cost-saving measures. In addition, the seasonal sales of household products towards the second half of the year is expected to boost the Group's turnover. The management is confident that the Group will be able to overcome any challenge on its way to deliver better performance in the second half of 2006.

## **OTHER INFORMATION**

### **POST BALANCE SHEET EVENT**

Reference is made to the Company's announcement dated 6th July, 2006 and its circular to the shareholders dated 28th July, 2006 in relation to the proposed exercise of a call option involving acquisition of a further interest of 20.83% in Big Field (B.V.I.) Limited. The Company completed the transaction on 31st August, 2006. The total cash consideration for the purchase was approximately HK\$6,250,000 and was financed by the Company's internal cash reserves. Bigfield Goldenford Holdings Limited is now a wholly owned subsidiary of the Group.

### **EMPLOYEES AND REMUNERATION**

As at 30th June, 2006, the Group had approximately 4,500 employees (31st December, 2005: approximately 4,800 employees). Less than 100 staff are stationed in Hong Kong and the rest are PRC workers. The Group's staff cost amounted to approximately HK\$39.38 million for the six months ended 30th June, 2006 and approximately HK\$40.46 million for the corresponding period of last year.

Employees are remunerated according to the nature of the job and market trends, with a built-in merit component incorporated in the annual increment and a year-end performance bonus to reward and motivate individual performance. No share option has been granted under the share option scheme adopted by the Company up to the date of this report.

### **AUDIT COMMITTEE**

The Audit Committee is composed of three independent non-executive directors. It has reviewed with management the accounting policies and practice adopted by the Group and discussed auditing, internal control and financial reporting. It has reviewed the interim financial statements for the six months ended 30th June, 2006.

## **CODE ON CORPORATE GOVERNANCE PRACTICES**

The Company has complied throughout the six months ended 30th June, 2006 with the Code on Corporate Governance Practices (“CG Code”) as set out in Appendix 14 of the Listing Rules except for the following deviations.

Under CG Code provision A.4.1, non-executive directors should be appointed for a specific term. The non-executive director (excluding the independent non-executive directors) of the Company is not appointed for a specific term. The Board considers that non-compliance with Code A.4.1 is acceptable since he is subject to retirement by rotation under the requirements of the Bye-laws of the Company and the CG Code.

Under CG Code provision A.4.2, every director should be subject to retirement by rotation at least once every three years. Bye-law 99 (as amended by Bye-law 182(vi)) of the Company’s Bye-laws provides that one-third of the directors (other than Chairman or Managing Director) for the time being shall retire from office and shall be eligible for re-election at each annual general meeting. The Board considers that with seven directors and one-third of them being subject to retirement at every annual general meeting, all of them (apart from the Chairman or Managing Director) should be retired by rotation at least once every three years. In relation to the provision in the Bye-law that the Chairman or Managing Director shall not be subject to retirement by rotation, the Board considers that deviation from Code A.4.2 of the CG Code is acceptable due to the fact that Mr. Lam Po Kwai, Frankie, the Chairman of the Board and the Managing Director of the Group is the founder of the Group and is eligible to remain in such offices during his lifetime and does not need to be subject to retirement by rotation.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies contained in Appendix 10 of the Listing Rules as its own code of conduct regarding securities transaction by the directors of the Company (the “Code”). Having made specific enquiry of the directors of the Company, all directors confirmed that they had complied with the required standard as set out in the Code during the six months ended 30th June, 2006.

## DIRECTORS' INTERESTS IN SHARES

As at 30th June, 2006, the interests of the directors and their associates in the shares of the Company 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 of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

### Long position – ordinary shares of HK\$0.1 each of the Company

Name of director	Number of shares held		Total number of issued ordinary shares held	Percentage of the issued share capital
	Personal interest	Corporate interest		
Mr. Lam Po Kwai Frankie	72,545,785	104,729,411 (a)	177,275,196 (c)	37.09%
Ms. Wong Yau Ching Maria	19,073,433	–	19,073,433	3.99%
Ms. Lee Yuen Bing Nina	10,867,059	24,367,798 (b)	35,234,857 (d)	7.37%
Ms. So Man Yee Katherine	737,045	–	737,045	0.15%
Mr. Au Son Yiu	1,433,660	–	1,433,660	0.30%

#### Notes:

- (a) These shares are held through Carrson Holdings Investment Limited and Frankfort Capital Investment Limited, both of which are companies beneficially owned by Mr. Lam Po Kwai Frankie.
- (b) These shares are held through Join Admin Benefit Corporation Limited, a company beneficially owned by Ms. Lee Yuen Bing Nina.
- (c) Ms. Lee Yuen Bing, Nina is the spouse of Mr. Lam Po Kwai, Frankie and is deemed to be interested in these shares.
- (d) Mr. Lam Po Kwai, Frankie is the spouse of Ms. Lee Yuen Bing, Nina and is deemed to be interested in these shares.

Save as disclosed above, except for certain nominee shares in subsidiaries held by Mr. Lam Po Kwai, Frankie in trust for the Group, none of the directors or their associates had any interests or short positions in any shares of the Company or any of its associated corporations as at 30th June, 2006.

## **SUBSTANTIAL SHAREHOLDERS' INTEREST**

As at 30th June, 2006, the register of substantial shareholders maintained by the Company pursuant to section 336 of the SFO showed that, other than 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 – ordinary shares of HK\$0.1 each of the Company**

<b>Name</b>	<b>Capacity</b>	<b>Number of issued ordinary shares held</b>	<b>Percentage of the issued share capital</b>
Solidpole Ltd.	Beneficial owner	34,855,428	7.29%
China Everbright Holdings Company Ltd.	Held by controlled corporation	34,855,428(e)	7.29%

*Note (e):* China Everbright Holdings Company Ltd. is the holding company of Solidpole Ltd. and is deemed to be interested in these shares.

Other than the interests disclosed above the register of substantial shareholders maintained by the Company pursuant to section 336 of the SFO discloses no person having a notifiable interest or short position in the issued share capital of the Company as at 30th June, 2006.

## **PURCHASE, SALE OR REDEMPTION OF OWN LISTED SECURITIES**

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

By Order of the Board  
**Lam Po Kwai, Frankie**  
*Chairman*

Hong Kong, 15th September, 2006